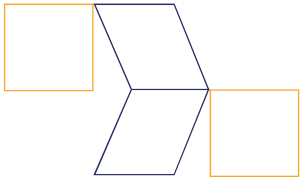


AURTUS



SINGAPORE BUDGET 2024





Foreword

As Singapore businesses and households face significant headwinds of inflation, high interest rates, regional conflicts and uncertain global economy, the Budget 2024 presented by DPM Lawrence Wong is truly a forward-looking exercise.

Aptly termed as “Forward SG Exercise”, the budget aims at tackling challenges for households, businesses and overall economy at both immediate as well as long term structural level.

For households, the budget provides for more vouchers and rebates to offset inflation and GST increase, significant funding for skills development, support to young couples/parents as well as various cash, CPF and other support measures for seniors.

For business enterprises, the short-term measures entail corporate tax rebate up to S\$ 40,000, offsets for increase in CPF ceilings, etc; the long-term measures include refundable tax credits to attract quality investments – very important initiative given loss of tax competitiveness with implementation of minimum tax rate of 15% under BEPS Pillar 2.

The budget also extended the tax incentive for the funds till 2029 to retain Singapore’s competitiveness as a fund management hub while rationalising various other tax incentives.

At macro economy level, the budget provides for significant funding, e.g., S\$ 2 billion top-up to Financial Sector Development Fund, S\$ 3 billion for R&D in research innovation enterprise (RIE 2025) plan, S\$ 1 billion dollars for innovation in AI and S\$ 5 billion for Future Energy Fund.

The Forward SG Exercise indeed proactively deals with the challenges of dynamic business environment with significant thrust on Singapore companies to be better prepared in global supply chain under the PACT scheme (to level up in partnership with MNCs) and enhancement of skills of working population in an inclusive manner by ensuring social justice for most needful segments of the society.



Key budget proposals

Corporate Tax

BEPS Pillar 2.0 – Global Minimum Effective Tax Rate of 15% for large MNE groups



- As part of the OECD’s led BEPS 2.0 project, Singapore, along with some 140 other countries, has made a commitment to implement the OECD global minimum tax for Multinational Enterprise (MNE) Groups with annual group revenue of EUR 750 million or more in at least two of the four preceding financial years (referred to as “in-scope MNE groups”). This initiative is aimed to ensure that in-scope MNE Groups pay at least 15% taxes in each country they operate.
- In Budget 2023, the Finance Minister of Singapore had indicated an intention to implement BEPS Pillar 2 from 2025 and in the same line, the Finance Minister in Budget 2024 announced implementation of two key elements of the Global Anti-Base Erosion Rules (GloBE), which is part of the Pillar 2 project, viz. Income Inclusion Rule (IIR) and Domestic Top-up tax (DTT) from financial years commencing on or after 1 Jan 2025. Further, the implementation of the third component i.e. Undertaxed Payment Rule (UTPR) will be considered at a later stage.
- Following table summarises the concept of DTT and IIR:

Rule	Concept	Example
Domestic Top-up Tax (DTT)	This is a tax to be levied by Singapore on the MNEs, which are headquartered in countries other than Singapore, if at the jurisdiction level, the MNE group has an effective tax rate (ETR) less than 15%.	If a MNE group at Singapore jurisdiction level has an ETR of 9%, the group will be subject to a DTT at the rate of 6% of its profits (after considering substance-based income exclusions).
Income Inclusion Rule (IIR)	This is a tax to be levied on Singapore head quartered MNE Groups, which have ETR less than 15% in any jurisdiction, which has not implemented DTT.	If a Singapore based MNE group has ETR of say 5% in any jurisdiction, the Singapore based parent will be required to pay tax at the rate of 10% of the profits of such jurisdiction (after considering substance-based income exclusions).

- The above proposals are also in line with global adoption of the Pillar 2, which is already a reality in European Union, UK, Switzerland, Japan and Korea. Furthermore, Hongkong and Malaysia have also indicated implementation of Pillar 2 provisions from 2025.
- The applicability of these provisions has been kept in line with the OECD recommendations i.e. multinational group with consolidated revenues of over €750 million.

- Presently, many companies in Singapore are part of a multinational groups with consolidated revenues of over EUR750 million. While the country's headline corporate tax rate is 17%, however, in view of range of tax reductions and incentives, a large part of these multinationals currently pays less than 15% tax. The impact of Pillar 2 on Singapore could therefore be significant. This is also evident from recognition of this fact by the Finance Minister in the Budget speech, wherein he indicated that the country may even see a reduction in its tax base, should MNEs shift some of their activities to other jurisdictions in response to the new business environment.
- Further, in order to staying competitive, the Finance Minister committed to reinvest the additional revenues that Singapore may generate in view of introduction of IIR and DTT and as expected, he also introduced concept of Refundable Investment Credit (RIC), which will support up to 50% of qualifying expenditures. The credits are to be offset against Corporate Income Tax (CIT) payable. Any unutilised tax credits will be refunded to the company as cash within four years from when the company satisfies the conditions for receiving the credits. Since the credits are refundable, they will be considered as Qualified RICs and hence, it shall be treated as Income for computation of GloBE Income / loss. Qualified RICs have been considered as effective strategy adopted by many countries to ensure their attractiveness under BEPS Pillar 2 regime. More details on RIC are mentioned in later part of this document.

Enterprise Support Package



To aid Singapore businesses manage inflation, the Government has introduced the Enterprise Support Package with three major components:

Corporate Income Tax (CIT) Rebate and CIT Rebate Cash Grant:

- CIT Rebate of 50% will be granted for Year of Assessment (YA) 2024.
- Companies satisfying the "local employee condition" * will receive benefits in the form of cash payouts of minimum S\$2,000.

The CIT Rebate Cash Grant will be automatically received by Q3 2024. In addition, the CIT Rebate will be automatically integrated in the companies' tax assessments after the YA 2024 CIT returns are filed.

The CIT Rebate and CIT Rebate Cash Grant are capped at a maximum of S\$40,000.

**Local employee condition is met if a company has made CPF contributions to at least one Singapore Citizen or Permanent Resident, excluding shareholders who are directors of the Company, in the calendar year 2023.*

Enhancements to the Enterprise Financing Scheme (EFS):

EFS helps Singapore businesses to access financing more readily across all stages of growth.

- SME Working Capital Loan: From 1 April 2024, the maximum loan quantum for SME working capital loan will be enhanced from S\$300,000 to S\$500,000 permanently to provide additional support for operational cashflow needs amid increased costs.
- Trade Loan: The maximum loan quantum under EFS Trade Loan of S\$10 million will be extended until 31 March 2025 to support businesses' internationalisation efforts amid global supply chain disruptions.
- Project Loan: The support for domestic construction projects to be extended until 31 March 2025, with a maximum loan quantum of S\$15 million.

Extension of SkillsFuture Enterprise Credit:

The validity of this credit will be extended by an additional year i.e. up to 30 June 2025.

Introduction of Refundable Investment Credit



To enhance Singapore's attractiveness for investments, a new Refundable Investment Credit (RIC) has been introduced which will be awarded by the Economic Development Board (EDB) and Enterprise Singapore (EnterpriseSG) on approval basis.

RIC will endeavour to support high-value and substantive economic activities such as:

- Investing in new productive capacity (e.g., new manufacturing plant, production of low-carbon energy);
- Expanding or establishing the scope of activities in digital services, professional services, and supply chain management;
- Expanding or establishing headquarter activities, or Centres of Excellence;
- Setting up or expansion of activities by commodity trading firms;
- Carrying out R&D and innovation activities; and
- Implementing solutions with decarbonisation objectives.

The RIC will be awarded on qualifying expenditures incurred with respect to a qualifying project, during the qualifying period (up to 10 years). The amount of RIC depends on the predetermined support rates of qualifying expenditure categories. Each category will have a predetermined support rate, which is tied to economic outcomes. Companies can receive up to 50% of support on each qualifying expenditure category.

Qualifying expenditure categories may include capital expenses, manpower costs, training costs, professional fees, materials and consumables, intangible asset costs, freight and logistics costs, fees for outsourced work among other kinds of costs.

The credits can be offset against corporate income tax payable and any unutilised credits will be refunded in cash within four years from the time the firm fulfils the conditions for receiving the credits.

Further details will be available by the third quarter of 2024 on EDB and EnterpriseSG website.

Extend and revise the tax incentive schemes for funds managed by Singapore-based fund managers (Section 13D, 13O and 13U of ITA)



- In order to continue to grow Singapore's asset and wealth management industry, the aforesaid tax incentive schemes will be extended till 31 December 2029.
- Additionally, the economic criteria for the said tax incentive schemes will undergo revision.
- Further, section 13O tax incentive scheme will be expanded to include Singapore registered Limited Partnerships; until now, only corporate structures (including variable capital company) were eligible for section 13O tax incentive.

These significant adjustments will be effective from 1 January 2025. MAS will provide further details by the third quarter of 2024.

Increase in concessionary tax rate of tax incentive schemes:



As part of periodic review to ensure that the tax incentives remain relevant and competitive, an additional concessionary tax rate (“CTR”) is proposed to be introduced for various tax incentive schemes. The below changes will be effective from 17 February 2024 and further details will be provided by the second quarter of 2024.

Type of tax incentive scheme	Earlier CTR	Additional CTR
Finance and Treasury Centre Incentive	8%	10%
Aircraft Leasing Scheme	8%	10%
Development and Expansion Incentive	5% or 10%	15%
Intellectual Property Development Incentive	5% or 10%	15%
Global Trader Programme	5% or 10%	15%

New - Overseas Humanitarian Assistance Tax Deduction Scheme (“OHAS”)



Introduced on a pilot basis for 4 years from 1 Jan 2025 to 31 Dec 2028, the OHAS will provide individual and corporate donors with 100% tax deduction for qualifying overseas cash donations made through a designated charity and towards a fundraiser for emergency humanitarian assistance with a valid Fund-Raising for Foreign Charitable Purpose permit from the Commissioner of Charities.

Tax deductions under the OHAS, however, will be capped at 40% of the donor’s statutory income. For donors who also receive tax deductions under the Philanthropy Tax Incentive Scheme for Family Offices (“PTIS”), tax deductions under both OHAS and PTIS will be jointly-capped at 40% of the donor’s statutory income.

Any unutilised tax deductions under the OHAS cannot be carried forward to offset the donor’s income for any subsequent Year of Assessment (“YA”) and cannot be transferred to another company of the same group under the Group Relief System for any YA.

IRAS will provide further details by 30 June 2024.

Section 14N: Deduction for Renovation or Refurbishment (R&R) Expenditure



Under existing provisions, R&R tax deduction may be claimed over three consecutive YAs on a straight-line basis with a cap of S\$300,000 for every relevant period of the three consecutive YAs.

From YA 2025, the Budget provides for expanding the scope of qualifying expenditure to include designer or professional fees, fix the relevant three-year period with the first three-year period to be from YA 2025 to YA 2027 and allows an option to claim R&R deductions in one YA, subject to the prevailing expenditure cap.

New Alternative Basis of Taxation for Maritime Sector Incentive



- An alternative basis of tax will be introduced for certain Maritime Sector Incentive (MSI) sub-schemes to better align Singapore's tax regime to international tax practices. Accordingly, the qualifying income of the qualifying shipping entities may be subject to tax by reference to the net tonnage of their ships instead of the current exemption on the qualifying income.
- The sub-schemes included are MSI – Shipping Enterprise (Singapore Registry of Ship), MSI - Approved International Shipping Enterprise and MSI - Maritime Leasing (Ship) ('MSI-ML (Ship)'). Further updates to be available by Q3 2024.
- MPA will provide further details by third quarter of 2024.





Key budget proposals

Personal Income Tax

Personal Income Tax Rebate



To provide support for the increasing living costs, personal income tax rebate of 50% to be extended to all tax resident individuals for the YA 2024 to be capped at S\$200.

Dependent-related reliefs



Various dependant related reliefs are available for resident individual taxpayers, i.e., spouse relief, parent relief, qualifying child relief, working mother's child relief, CPF cash top-up relief and grandparent caregiver relief. Currently, the dependant or caregiver's annual income* should not be exceeding S\$4,000. With effect from YA 2025, the annual income threshold will be increased to S\$8,000.

** Annual income of caregiver to include only those from trade, business, profession, vocation and employment*

CENTRAL PROVIDENT FUND (CPF)



- **Majulah Package** – aimed for Singaporeans in their 50s and early 60s to build up their CPF retirement savings, the package comprises of three components.
 - a. Earn and save bonus (ESB) – working seniors earning upto S\$6,000 per month, will receive a yearly bonus of upto S\$1,000 in their Special Account (SA) or Retirement Account (RA) depending on age.
 - b. Retirement Savings Bonus (RSB) – seniors with retirement savings below the basic retirement sum for 2023 of S\$99,400, will receive a one-time bonus of upto S\$1,500 in their SA or RA depending on age.
 - c. MediSave Bonus (MSB) – all seniors will receive a one-time bonus of upto S\$1,500 in their MediSave Account based on the residential annual value of their residence and whether they own more than one property.

Note: ESB and RSB benefits are only for seniors who own no more than one property with an annual value of S\$25,000.

- **MediSave Bonus** – All adult Singaporeans aged 21 to 50 will receive a one-time MediSave Bonus of upto S\$300 based on the annual value of their residence and whether they own more than one property.

- **Closure of Special Account (SA)** – for members aged 55 and above, the SA will be closed from 2025 and the SA savings will be transferred to Retirement Account (RA) upto the full retirement sum, where they will earn long-term interest rates. Balance SA amount will be transferred to Ordinary Account (OA) which pays short-term interest rate.
- **Enhanced Retirement Sum (ERS)** amount will be increased to four times from three times the basic retirement sum, to allow more members aged 55 and above to fully commit their accumulated CPF savings to receive higher CPF payouts.
- **Silver Support Scheme (SSS)** – to strengthen support for eligible senior Singaporeans, quarterly payments will be raised by 20% based on their household per capita monthly income.
- **CPF contribution rates** for Singaporeans aged 55-65 will be increased by 1.5% points in 2025. In tandem with this, CPF transition offset is increased for employers to cover the increase in employer contributions.
- **Workfare Income Supplement Scheme** – qualifying monthly wage cap will be raised from S\$2,500 to S\$3,000 to ensure lower-income workers continue to be covered even as the wages grow.
- **Matched Retirement Savings Scheme** – this will be continued beyond the current pilot, by increasing the matching grant cap and expand the age eligibility.

Income tax concession on royalty income



- Income tax concession currently available on royalty income to authors, composers, choreographers, or any company wholly owned by such individuals to be withdrawn in phases effective from YA 2027.
- For YA 2027 and YA 2028, taxpayers may continue to claim the available tax concession and the taxable royalty income to be reported based on lower of:
 - a. the net amount of royalties (i.e. gross amount of royalties less any allowable deductions and capital allowances), and
 - b. a specified rate of 40% for YA 2027 and 70% for YA 2028 respectively to be applied on the gross amount of royalties.

Key budget proposals

Property Tax

Revision of Annual Value (AV) Bands for Owner-Occupied Residential Properties



- From 1 Jan 2025, AV bands for owner-occupied residential properties will be revised. For context, property tax is currently charged according to AV bands from S\$8,000 to S\$100,000.
- The lower threshold will be raised to S\$12,000 from S\$8,000, while the higher threshold will be raised from over S\$100,000 to over S\$140,000.
- **Changes to AV Bands**

Marginal Property Tax Rate	Portion of AV (S\$)	
	1 Jan 2024 to 31 Dec 2024 (S\$)	From 1 Jan 2025 (S\$)
0%	0–8,000	0–12,000
4%	>8,000–30,000	>12,000–40,000
6%	>30,000–40,000	>40,000–50,000
10%	>40,000–55,000	>50,000–75,000
14%	>55,000–70,000	>75,000–85,000
20%	>70,000–85,000	>85,000–100,000
26%	>85,000–100,000	>100,000–140,000
32%	>100,000	>140,000

Extended GIRO Scheme for Residential Property (Retirees)



Effective from Property Tax bill 2024, the 12-month interest-free GIRO instalment plan may be extended to not more than 24 months in cases where all the owners of an applicant owner-occupied residential property are 65 years old and above and the applicant owner's assessable income does not exceed S\$34,000.

Key budget proposals

Stamp Duty

Reduction of Additional Buyers' Stamp Duty (ABSD) Clawback Rate for Housing Developers



- With effect from 16 Feb 2024, housing developers will be granted greater flexibility on their sales under the ABSD regime. In respect of residential developments that have sold at least 90% of units within 5 years of the land acquisition, the ABSD clawback rate will be lowered. The revisions will reduce the amount of ABSD payable by developers on their land purchases if they are not able to sell out their projects within a 5-year timeline.
- For context, housing developers face an ABSD rate of 40% on land purchased for residential developments with upfront 35% ABSD remission. If a developer fails to sell all the residential units in its project within 5 years of the date of land acquisition, the 35% remittable component will be clawed back with interest, regardless of the number of unsold units. For sites acquired between 6 Jul 2018 and 15 Dec 2021, the ABSD rate and remittable component amount to 30% and 25%, respectively.

Revised ABSD Remission Clawback Rate



Proportion of Units Sold (%)	Projects with residential land acquired between 6 Jul 2018 and 15 Dec 2021, subject to 30% ABSD with upfront 25% remission		Projects with residential land acquired on or after 16 Dec 2021, subject to 40% ABSD with upfront 35% remission		
	(Rounded Down to Nearest Whole %)	Remission Clawback Applicable before 16 Feb 2024 (%)	ABSD Remission Clawback Applicable on or after 16 Feb 2024 (%)	ABSD Remission Clawback Applicable before 16 Feb 2024 (%)	ABSD Remission Clawback Applicable on or after 16 Feb 2024 (%)
100	0	0	0	0	0
99	25	15	35	25	25
98	25	16	35	26	26
97	25	17	35	27	27
96	25	18	35	28	28
95	25	19	35	29	29
94	25	20	35	30	30
93	25	21	35	31	31
92	25	22	35	32	32
91	25	23	35	33	33
90	25	24	35	34	34
<90	25	25	35	35	35



Other Key Income Tax Developments and Updates of 2023

THE YEAR 2023 IN RETROSPECT

The year 2023 was one punctuated by a long series of global events, unprecedented multiple rate hikes by central banks, persistent elevated inflation, banking system stresses in the United States and elsewhere and intensifying geo-political tensions; just to name a few, US-China strategic competition, COVID-19 pandemic, the Russia-Ukraine war continue to be felt. Confluent with rising nationalism and protectionism, they have led to a marked shift from globalisation which has been the mainstay and cornerstone of global growth for past few decades.

Yet, 2023 may be remembered as the year for new trends such as the emergence of generative Artificial Intelligence, with immense potential to push boundaries in creativity and innovations and vast implications across the geopolitical, social, and economic spheres.

Singapore's economic journey in 2023 has been characterised by a nuance inter-play of global dynamics and local resilience. Against a backdrop of softer global demand, Singapore continued to actively work on re-positioning itself to secure a promising future amid global challenges while maintaining economic growth through all four quarters, driven by a series of effective government measures. Notable tax-related measures include the 2-stepped phased GST rate change to support public spending that benefits Singaporeans, and the introduction of the new Enterprise Innovation Scheme to foster the growth of businesses and individuals, build capabilities and seize new global growth opportunities in the years to come. This section of publication highlights the tax developments and updates after 2023 budget announcements.

CORPORATE INCOME TAX

Updated: Total Asset Method (TAM) for interest expense adjustment

- On 28 Feb 2023, the IRAS issued an updated set of guidelines on the application of the TAM for interest expense adjustment. Amongst others, the IRAS stated that the TAM would be the default method for adjusting the interest expenses common to the assets of a taxpayer where the taxpayer is unable to track the use of an interest-bearing loan to specific assets financed by the loan and not all the assets are income-producing.
- Additionally, updates were provided on the constitution of common interest expenses and the meaning of total assets and cost of total assets, and the valuation of assets for TAM computation purposes. Notably, the IRAS clarified that interest expenses subject to adjustment should be inclusive of foreign exchange differences incurred.

New: Tax-Deductible Donations

- On 2 Mar 2023, the IRAS published a new set of guidelines on tax deductible donations which sets contributions made to an institution of a public character (IPC) or a grant-making philanthropic organisation are considered donations and thus eligible for tax deduction under the Income Tax Act and clarifies the differences between donations and sponsorships.
- Meanwhile, with effect from 1 Apr 2023, the list of tax-deductible donations has been expanded with the inclusion of donations of land and buildings to approved institutes of a public character (IPCs).



Other Key Income Tax Developments and Updates of 2023

Updated: Tax Treatment Arising from Financial Reporting Standard (FRS) 116

- On 14 Mar 2023, the IRAS issued an updated set of guidelines regarding the tax treatment arising from adoption of FRS 116. Amongst others, the IRAS clarified the tax treatment of foreign exchange differences and imposed an additional requirement for a lessee claiming tax deductions for contractual lease payments to provide a reconciliation of the amount of contractual lease payment to the cash flow statement in its tax computation.

Updated: Corporate Income Tax Objection and Appeal Process

- On 22 Mar 2023, the Income Tax (Substituted Objection Period for Trusts) Rules 2023 came into operation. It stipulates that from 22 Mar 2022, a trustee of a trust may object to a notice of tax assessment within 2 months of the date of notice of assessment (instead of 30 days previously). This does not apply to the trustee of a testamentary trust or a trust that arises on the death of an intestate.
- In line with the above, the IRAS has also issued an updated set of guidelines on 22 Mar 2023 regarding corporate income tax objection and appeal process. Thus, the definition of applicable taxpayers has been expanded to include trustees of certain trusts with effect from 22 Mar 2023.
- Another notable update is the removal of all references to the Singapore Court of Appeal (SCA) from the description of the appeals process. This is due to a reorganisation of the Singaporean court system effective as from 2 Jan 2021, for appeals procedures that continue upwards from the Income Tax Board of Review (ITBR) to the Supreme Court of Singapore.

Updated: General Anti-Avoidance Rules (GAAR)

- On 31 Mar 2023, the IRAS issued an updated guidelines on the application of the GAAR by including two new tax avoidance categories that it considers as falling afoul of the GAAR set out in Section 33 of the Income Tax Act — the setting up of any conduit entity to obtain tax treaty benefit for the purpose of avoiding withholding tax, and the assignment of debt to any offshore jurisdiction for the main purpose of obtaining tax advantages.
- Additionally, it elaborates how the surcharge is to be imposed under Section 33A of the Income Tax Act on the tax or additional tax arising from an adjustment made by the Comptroller of Income Tax if an arrangement falls within the ambit of the Section 33 GAAR and provides a framework for possible remission of the Section 33A surcharge.

Updated: Loss Carry Back Relief

- On 31 Mar 2023, the IRAS issued an updated set of guidelines on the Loss Carry Back Relief System to incorporate the amendments made to Sections 37A and 37D of the Income Tax Act by the Income Tax (Amendment) Act 2022.



Other Key Income Tax Developments and Updates of 2023

Updated: Loss Carry Back Relief

- Specifically, it states that for a company or a body of persons with taxable income subject to the standard corporate tax rate, but with qualifying deductions related to income subject to a concessionary tax rate, the adjustment provided under section 37A of the Income Tax Act must be applied to deductions against income at the different tax rates. This requirement is only applicable to a body of persons that derives income subject to the concessionary tax rate under section 43H of the Income Tax Act, and where the qualifying deduction arises in the YA 2023 or later.

New: Enterprise Innovation Scheme (EIS)

- On 30 Jun 2023, the IRAS issued the guidelines for the EIS which was earlier introduced during Budget 2023. Briefly, the EIS significantly enhances tax deduction available to R&D, IP registration, IP rights acquisition and IP rights licensing, etc. to 400% of the qualifying expenditure. The EIS will be effective from YAs 2024 to 2028.

Updated: Updated Conditions for 130 & 13U Applications & Launch of Philanthropy Tax Incentive Scheme (PTIS Scheme) for FOs

- On 5 Jul 2023, the MAS revised the conditions for new Section 130 and Section 13U tax incentive scheme applications by funds managed or advised directly by single FOs in Singapore and these updates have taken effect from 5 Jul 2023. Additionally, the MAS issued the guidelines concerning the PTIS which was earlier introduced during Budget 2023 and will take effect from 1 Jan 2024.
- Key takeaways in respect of the changes to the 130 and 13U schemes include:
 - Fund with existing 130 and 13U awards will not be affected by the revised conditions, though they may elect to take advantage of the changes to the business spending requirement (BSR) and local investment requirements (now renamed as capital deployment requirement or CDR).
 - There will no longer be a grace period for applicants to meet the minimum conditions of the 130 and 13U schemes at the point of application, in particular the minimum assets under management requirement, minimum number of investment professionals employed by the single FO and minimum number of investment professionals who are not family members of the beneficial owners. In addition, only local (and not overseas) business spending will be recognised under the minimum BSR.
 - Eligible donations to Singapore charities as well as grants to qualifying blended finance structures may now be recognised under the minimum BSR. In particular, grants to qualifying blended finance structures may be scaled by a multiplier of two when computing if the minimum BSR is met.
 - Under the CDR, more categories of eligible investments have been added. Also, the amount invested in certain eligible investment categories may be scaled by a multiplier of 1.5 times or 2 times when computing if the CDR is met.



Other Key Income Tax Developments and Updates of 2023

Updated: Tax Treatment of Group Insurance Policies

- On 29 Aug 2023, the IRAS issued an updated set of guidelines on the deductibility of “keyman” insurance premiums. The only amendment made, ironically, does not relate to keyman insurance premiums. Instead, it reflects the change in the tax treatment of group insurance policies where employers are the beneficiaries and there is no contractual obligation for them to pass the payouts to employees or their families.
- Since YA 2019, the premiums on such group insurance policies have been regarded as staff costs and thus tax-deductible, and any payouts made under these policies are taxable in the hands of the employers. This was due to feedback that such policies were purchased as a staff benefit and that the employers were named as beneficiaries for administrative convenience only.

Updated: Simplification of Approved Royalty Incentive

- On 3 Oct 2023, the Economic Expansion Incentives (Relief from Income Tax) (Amendment) Bill 2023 was introduced in Parliament. The proposed changes to existing income tax law simplifies the Approved Royalty Incentive.
- The simplification of the Approved Royalty Incentive to cover classes of royalty agreements predicated on an activity-set-based approach (instead of an agreement-based approach) was announced in Budget 2022.

Updated: Deductibility of Front-End Fees Charged by Lenders

- On 30 Oct 2023, the IRAS issued an updated set of guidelines on the deductibility of borrowing costs other than interest expenses with an important update on the deductibility of front-end fees charged by lenders effective from YA 2023.
- The update categorises loans into bilateral, club, and syndicated loans and outlines the tax treatment of each, and it introduces additional documentation requirements for taxpayers — declaration of the type of loan, provision of detailed workings for front-end fees claimed, and confirmation of compliance with specific conditions.

Updated: Section 13(4) Tax Exemption

- On 31 Oct 2023, the IRAS updated its website to indicate that any change(s) to a relevant loan or swap agreement or contract which is in connection with the Global Inter-Bank Offered Rate Reform would require submission to the MoF for a re-affirmation of the Section 13(4) tax exemption awarded and where necessary, the Gazette notification may be amended after the re-affirmation. For context, tax exemption under Section 13(4) of the Income Tax Act is approved by the Minister of Finance and there is a Gazette Notification issued for each exemption.



Other Key Income Tax Developments and Updates of 2023

Updated: Tax Residency Determination & Certificate of Residence (COR) Applications

On 29 Nov 2023, the IRAS provided the following two corporate tax updates on its website:

A. Corporate tax residency rules for companies using hybrid / virtual meeting technology for their board of director (BOD) meetings

Accordingly, a company using virtual meeting technology for its BOD meetings generally will be considered as having strategic decisions made in Singapore (and thence qualifying such a company to be regarded as a Singapore tax resident corporate) if:

- at least 50% of the directors who have the authority to make strategic decisions are physically in Singapore during the BOD meeting; or
- the chairperson of the BOD (if the company has such an appointment) is physically in Singapore during the BOD meeting.

The IRAS also gave various examples of scenarios where the control and management of a company may be considered not exercised in Singapore.

B. Additional requirements for certificate of residence (COR) applications by foreign-owned investment holding companies.

In respect of COR applications by foreign-owned investment holding companies for calendar year 2025 onwards, apart from demonstrating that decisions on strategic matters are made in Singapore, the IRAS requires such applicant companies to also fulfil at least one of the following requirements:

- have at least one director based in Singapore who holds an executive position and is not a nominee director;
- have at least 1 key employee (e.g. CEO, CFO, COO) based in Singapore; or
- be managed by a related company based in Singapore (e.g. the related company makes the decisions relating to the operations of the foreign-owned investment holding company or reviews the performance of the investments of the company).

New: Taxation of Disposals of Foreign Asset– Section 10L

- On 8 Dec 2023, the IRAS issued a set of guidelines on the application of the new regime for the taxation of foreign-sourced capital gains and losses effective as from 1 Jan 2024.
- As this is an important topic, it has been discussed in a detailed manner in our news alert available [here](#).



Other Key Income Tax Developments and Updates of 2023

Updated: Reporting Requirement for Foreign Income

- On 29 Dec 2023, the IRAS updated its website for the reporting requirements for foreign income to ensure that taxpayers keep track of their foreign income and accurately report their taxes when the foreign income is considered received in Singapore.
- With effect from YA 2024, companies are required to provide the following information in their tax computation:
 - Unremitted foreign income brought forward from prior YAs
 - Foreign income earned in the current financial year
 - Foreign income received in Singapore during the financial year
 - Foreign income used during the year and not received in Singapore
 - Unremitted foreign income carried forward
 - Tracking of allowable expenses attributable to the foreign income if the company is electing for the liberalised tax treatment of expenses incurred in Singapore.

TRANSFER PRICING

Updated: Indicative Margins for Related Party Loans (RPLs)

- The IRAS updated its website in Jan 2023 to provide the 2023 indicative margin for RPLs not exceeding SGD 15 million. For such RPLs obtained or provided during the period 1 Jan 2023 to 31 Dec 2023, the indicative margin (on top of the applicable base reference rate) recommended by the IRAS for adoption is 230 bps (2.30%).
- For illustration purposes, if a Singapore taxpayer had provided a floating rate loan of SGD 10 million to its related party in Jun 2023 referenced to the 3-Month Singapore Overnight Rate Average (SORA), the IRAS would be prepared to accept an RPL interest rate of 2.30% plus the 3-Month SORA as an arm's length transaction.

INTERNATIONAL TAX UPDATES

Updated: Protocols to Amend Tax Treaties

- On 18 Apr 2023, a protocol amending the tax treaty between Singapore and Brazil was signed.
- On 2 Nov 2023, a second protocol amending the tax treaty between Singapore and Cambodia was signed.



Other Key Income Tax Developments and Updates of 2023

Updated: Multilateral Convention to Implement Tax Treaty-Related Measures to Prevent Base Erosion and Profit Shifting (“BEPS MLI”)

A summary of the effective dates for amendments made by BEPS MLI to Singapore’s tax treaties is as follows:

- Bulgaria – 1 Jan 2023
- South Africa – 1 Jan 2023
- Romania – 5 Apr 2023
- Mexico - 1 Jul 2023
- Vietnam – 1 Sep 2023
- Tunisia – 1 Nov 2023
- Papua New Guinea – 1 Dec 2023

Updated: List of Reportable Jurisdiction for Common Reporting Standard (CRS) purposes

- On 2 Feb 2023, the IRAS published the latest list of reportable jurisdictions for the purposes of CRS information reporting for reporting year 2022. Three new jurisdictions have been added to the list of reportable jurisdictions: Ghana, Jamaica, and the Maldives.
- A reportable jurisdiction refers to a jurisdiction with which Singapore has in force an exchange relationship for CRS purposes, which obliges Singapore to provide CRS information to that jurisdiction.

New: Judicial Decision on Articles 5(3) and 5(4) of the India-Singapore Tax Treaty

- In a judicial decision published on 14 Jul 2023, the Delhi Bench of India’s Income Tax Appellate Tribunal held that in determining whether an installation or supervisory permanent establishment (PE) existed based on Articles 5(3) and 5(4) of the India-Singapore tax treaty, each project site had to be considered as a separate project.
- Accordingly, on the basis that the activities at each project site did not exceed the threshold time limit of 183 days provided for in the treaty, there was no PE in India, for the taxpayer had demonstrated that, both in terms of man days and solar days, its two projects did not constitute a PE in India under Articles 5(3) and 5(4) of the Singapore-India tax treaty. As a result, profits derived by the taxpayer from the sale of equipment, or installation and commissioning services to its Indian customer could not be taxed in India.

New: Commitment to Implementation of Crypto-Asset Reporting Framework

- On 10 Nov 2023, the IRAS announced that Singapore has joined 47 other jurisdictions to work towards commencing automatic exchanges in crypto-assets reporting based on the internationally agreed Crypto-Asset Reporting Framework (CARF) in 2027.



Other Key Income Tax Developments and Updates of 2023

New: Commitment to Implementation of Crypto-Asset Reporting Framework (CARF)

- The CARF, published in June 2023, provides for the automatic exchange of tax relevant-information on Crypto-Assets and seeks to address the rapid growth of the crypto-asset market and to ensure that recent gains in global tax transparency are not gradually eroded.

GOODS & SERVICES TAX (GST)

Change: GST Rate

- The GST rate had increased from 7% to 8% on 1 Jan 2023, and thereafter 9% effective 1 Jan 2024. This 2-stepped phased GST rate change, as announced by the Minister of Finance during Budget 2022, serves to support public spending that benefits Singaporeans, including better healthcare, education and national security changes.

Extension: Overseas Vendor Registration (OVR) and Reverse Charge (RC) regimes

- With effect from 1 Jan 2023, the OVR regime has been extended to include import of low-value goods (LVG) via air or post valued no more than S\$400 and Business-to-Consumer imported non-digital services. Similarly, the RC regime has been extended to include import of LVG via air or post valued at no more than S\$400.
- These changes, as announced by the Minister of Finance during Budget 2021, serve to level the playing field for our local businesses to compete with overseas vendors effectively and ensure that our GST system remains fair and resilient as the digital economy grows.

Change: GST treatment for travel arranging services

- With effect from 1 Jan 2023, standard-rated GST is chargeable on the arranging of international transport of passengers and related insurance if such services are supplied to and directly benefiting travellers who belong in Singapore. Previously, such service fees qualified for zero-rated GST under Section 21(3)(c) of the GST Act.

Updated: Clarification on "Directly in Connection With" and "Directly Benefit"

- On 6 Apr 2023, the IRAS updated its guidelines on "directly in connection with" and "directly benefit" in line with the change in GST treatment for travel arranging services supplied on or after 1 Jan 2023.

New: 2024 GST Rate Change

- On 19 May 2023, the IRAS issued a set of guidelines to prepare GST-registered business for the second GST rate increase from 8% to 9% with effect from 1 Jan 2024.
- The guidelines were updated again on 12 Jul 2023 to clarify that consideration is regarded as received only if it is made in respect of an identified supply and as accepted or agreed as such between customer and supplier.



Other Key Income Tax Developments and Updates of 2023

Updated: List of Qualifying Investment Precious Metals (IPMs)

- On 15 Jun 2023, the IRAS updated its guidelines for the GST exemption of IPMs by an expansion of the list of qualifying IPM coins included therein. With effect from 23 Jun 2023, the list of qualifying IPM coins include United Kingdom Myths and Legends series (gold and silver coins) and United Kingdom The Royal Tudor Beasts series (gold, silver and platinum coins). The proof, numismatic and collector's versions of coins in the prescribed list remain non-qualifying as they are traded at prices largely determined by their rarity, finishing and beauty.

Updated: GST Remission fixed recovery rate for 2024

- Through its circular of 27 Oct 2023, the MAS advised that the annual fixed recovery rate for GST remission claims by prescribed funds managed by prescribed fund managers in Singapore will be 90% from 1 Jan 2024 to 31 Dec 2024. For comparison, it was 91% from 1 Jan 2023 to 31 Dec 2023.
- For context, the Minister of Finance had announced during Budget 2019 that GST remission will be granted until 31 Dec 2024 to allow such qualifying funds to claim the GST on all allowable expenses incurred for the purposes of their qualifying investment activities at an annual fixed recovery rate even though the funds are not registered for GST in Singapore.

STAMP DUTY

New: Increase in Additional Buyer's Stamp Duty (ABSD) & Additional Conveyance Duties for Buyers (ACDB)

- On 26 Apr 2023, the Minister of Finance, the MAS and the Ministry of National Development jointly announced an increase in the ABSD rates to promote a sustainable property market. The revised rates took effect from 27 Apr 2023.
- The IRAS issued a fact sheet providing a summary of the new ABSD rates, ABSD transitional remission and frequently asked questions. Corresponding to the increase in ABSD rates, the ACDB, applicable to qualifying acquisitions of equity interests in property holding entities, was also raised (up to 71%) with effect from 27 Apr 2023.
- On 27 Apr 2023, the IRAS updated its guidelines on additional conveyance duties on property-holding entities to reflect this increase.

PROPERTY TAX (PT)

Updated: Occupied Residential Properties in 2024

- On 30 Nov 2023, the Minister of Finance and the IRAS announced that PT for most residential properties will increase in 2024 due to higher market rents and annual values (AVs) for most residential properties, and an increase in PT rates for higher-value private residential properties. Owner-occupied residential properties will receive PT rebates to offset the increases in PT.



Other Key Income Tax Developments and Updates of 2023

PROPERTY TAX (PT)

Updated: Occupied Residential Properties in 2024

- The AVs of HDB flats and most private residential properties will increase with effect from 1 Jan 2024 to reflect the rise in market rents, and AV is used to compute the Property Tax (PT) payable by property owners.
- In addition, as announced during Budget 2022, the second- and final-step of the PT rate increase will take effect from 1 Jan 2024. The PT rate increase will only affect non-owner-occupied residential properties, and owner-occupied residential properties with an AV of more than \$30,000 (i.e. all owner-occupied HDB flats are not affected). Owner-occupied residential properties will continue to enjoy lower PT rates than residential properties that are rented out.

JUDICIAL DECISIONS

GFG and another v Comptroller of Income Tax [2023] SGITBR 1

- In *GFG and another v Comptroller of Income Tax [2023] SGITBR 1*, the Income Tax Board of Review (the Board) considered the taxability of certain payments received by the sellers as part of a share sale and based on a proper construction of the sales and purchase agreement, held that they were payments for services provided and thus taxable. Professional advice should be sought as tax treatment in these complicated circumstances will be fact-sensitive. The case also serves as a reminder if something is evidently not what it purports to be, the Comptroller of Income Tax does not even need to invoke Section 33 GAAR to strike it down.

Singapore Cement Manufacturing Co (Pte) Ltd v Comptroller of Income Tax [2023] SGHC 57

- On 10 Mar 2023, the High Court delivered its judgment in *Singapore Cement Manufacturing Co (Pte) Ltd v Comptroller of Income Tax [2023] SGHC 57*, upholding the earlier decision of the Income Tax Board of Review that a cement silo should be characterised as a building or structure, rather than plant, for the purposes of claiming capital allowances under section 19 of the Income Tax Act (ITA).
- Although the cases of *Schofield* and *Barclay Curle* provide examples of what other jurisdictions consider to be a plant, they were decided under UK income tax law, which allows an asset to be classified as both a building and plant. Accordingly, these cases are of no help to Singapore courts in determining whether an asset is a building or plant under Singapore law.
- Also, the High Court was of the opinion that how other silos belonging to the taxpayer are treated for tax purposes is a relevant consideration. It cannot be claimed that a silo is a building that qualifies for IBA and that the same silo is also plant that qualifies for capital allowances under section 19A of the ITA. For context, the taxpayer had claimed industrial building allowances under Section 16 of the Income Tax Act on expenditure incurred on the construction of other silos in prior years.



Other Key Income Tax Developments and Updates of 2023

Herbalife International Singapore Pte Ltd (Herbalife) v Comptroller of GST [2023] SGHC 54

- The Singapore High Court's ruling in this landmark GST case has been quite useful in clarifying that consideration for the purposes of Section 17(3) of the GST Act should be interpreted more narrowly than the meaning of consideration under general contract law, and that regular terms of trade would not generally constitute non-monetary consideration for GST purposes. This has far-reaching implications not only for the direct selling industry, but also for all cases where a determination has to be made whether a supply is wholly for monetary consideration or for a mixture of monetary and non-monetary consideration.

GHY v the Comptroller of GST [2023] SGGST 1

- The GST Board of Review's decision in GHY v the Comptroller of GST [2023] SGGST points out that the mere possession of tax invoices does not necessarily entitle one to claim input taxes. To successfully make input tax claims, there must be actual supplies of goods or services. Otherwise, the Comptroller can deny such input tax claims even if businesses have paid GST to their suppliers and/or have tax invoices on the alleged transactions.
- The burden is on businesses, not the Comptroller, to prove that they have actually engaged in the trading transactions as stated in the transaction documents. Input tax claims may be denied even though the businesses are not knowing participants of, or are complicit in, an MTF scheme. Ultimately, businesses should understand their obligations and undertake the necessary due diligence to safeguard their own business transactions.

ADVANCE RULINGS

Additional matters on which advance rulings have been issued in 2023, amongst others, include the following issues

- Tax treatment of gains arising on transfers of partial interests in property and the date of conversion of the remaining interests in the property from a capital asset to trading stock.
- Tax treatment relating to sale of equity investment by a company which had ceased its business trading activity and become a passive investment holding company.
- Applicability of Singapore withholding tax in respect of payments made to a non-resident for providing access to an exchange pool of spare parts under a service program agreement.
- Tax treatment of gains from the disposal of management shares by a fund management company.
- Tax treatment of tender premium (being the excess of the purchase consideration over the principal amount of the existing notes purchased, less the accrued interest) in respect of notes accepted for purchase by the issuer.
- Tax implications arising on the transfer of business segment due to restructuring.

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