

Grant Thornton

2018 Budget Seminar

Grant Thornton Singapore
20 February 2018



Live polling

- Go to www.menti.com and use the code 94 95 28
- There is wifi on the table
- You can ask a question anytime on the platform

Use one word to describe the 2018 Budget



Agenda

- Direct Tax- Eng Min Lor and Emily Lin
- Indirect Tax – Lorraine Parkin and Nicole Baxter
- Economic Analysis -Francis Tan
- Q&A

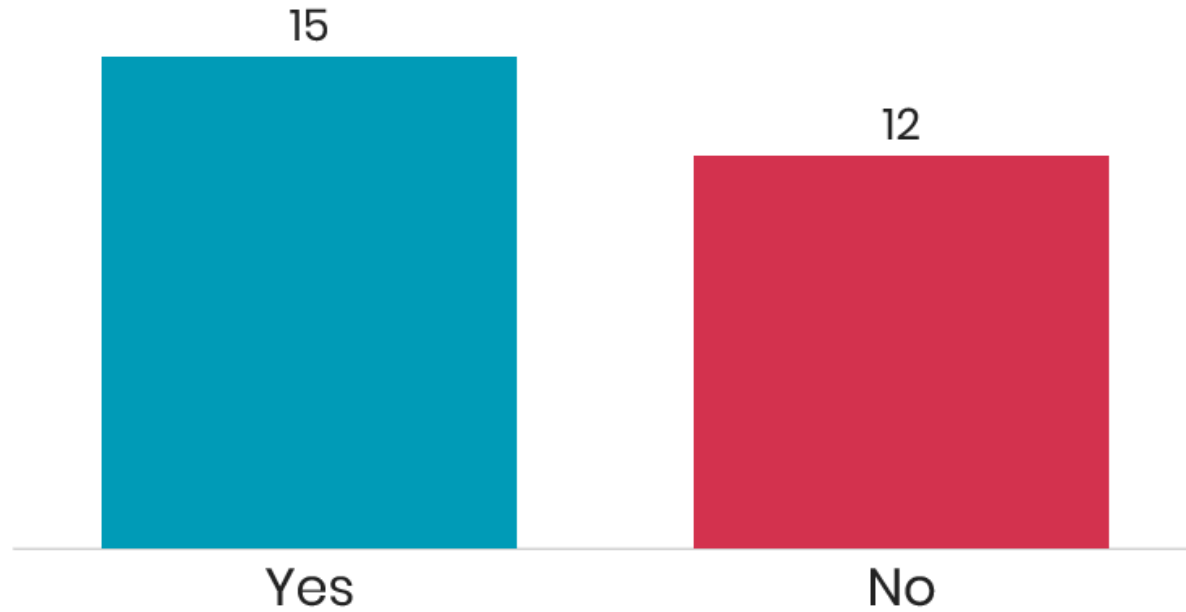
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Direct Tax

Eng Min Lor & Emily Lin

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Has there been an increase in the effective corporate tax rate?



27

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Corporate income tax rebate

Year of Assessment	Rate (%)	Cap (S\$)
2018 (current)	20	10,000
2018 (enhanced)	40	15,000
2019	20	10,000

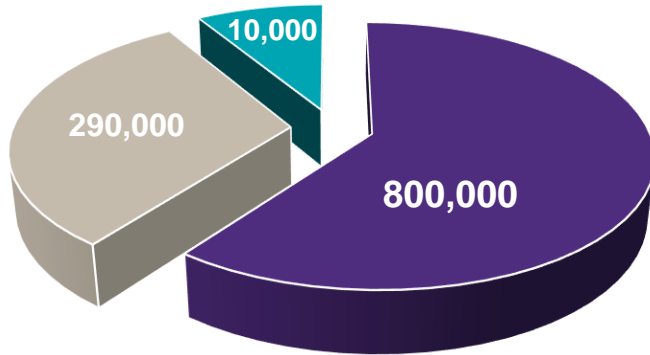
Impact on tax payable (CIT rebate)

YA 2018 (current)		YA 2018 (new)		YA 2019 (new)	
Chargeable income	300,000	Chargeable income	300,000	Chargeable income	300,000
Chargeable income after exemption	147,500	Chargeable income after exemption	147,500	Chargeable income after exemption	147,500
Tax payable @ 17%	25,075	Tax payable @ 17%	25,075	Tax payable @ 17%	25,075
Less: 20% Corporate tax rebate, capped @ \$10,000	(5,015)	Less: 40% Corporate tax rebate, capped @ \$15,000	(10,030)	Less: 20% Corporate tax rebate, capped @ \$10,000	(5,015)
Net tax payable	20,060	Net tax payable	15,045	Net tax payable	20,060
Effective tax rate	6.69%	Effective tax rate	5.02%	Effective tax rate	6.69%



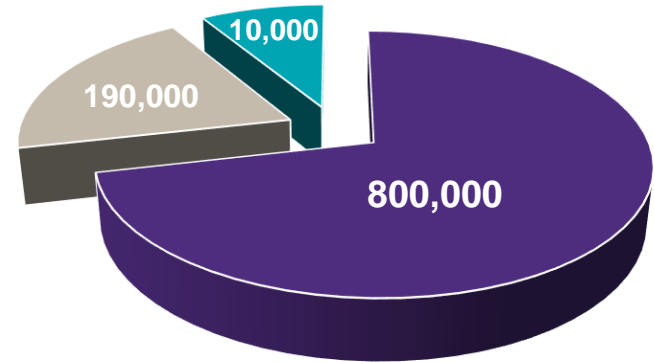
Partial tax exemption

Before (up to YA 2019)



Exempt amount (before)	
75% on first 10,000	7,500
50% on next 290,000	145,000
Total exempt amount	152,500

After (w.e.f. YA 2020)



Exempt amount (after)	
75% on first 10,000	7,500
50% on next 190,000	95,000
Total exempt amount	102,500



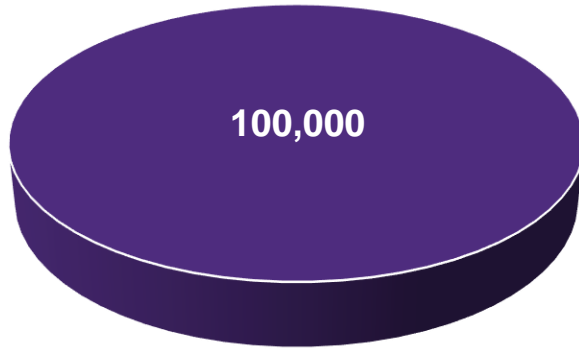
Impact on tax payable (partial tax exemption)

Before (YA 2019)	
Chargeable income	300,000
Less: exempt amount	
75% on first S\$10,000	7,500
50% on next \$190,000	145,000
Total exempt amount	152,500
Chargeable income after exempt amount	147,500
Tax @ 17%	25,075
Less: 20% Corporate tax rebate, capped @ \$10,000	(5,015)
Net tax payable	20,060
Effective tax rate	6.69%

After (YA 2020)	
Chargeable income	300,000
Less: exempt amount	
75% on first S\$10,000	7,500
50% on next \$190,000	95,000
Total exempt amount	102,500
Chargeable income after exempt amount	197,500
Tax @ 17%	33,575
Less: Corporate tax rebate	?
Net tax payable	33,575?
Effective tax rate	11.19%

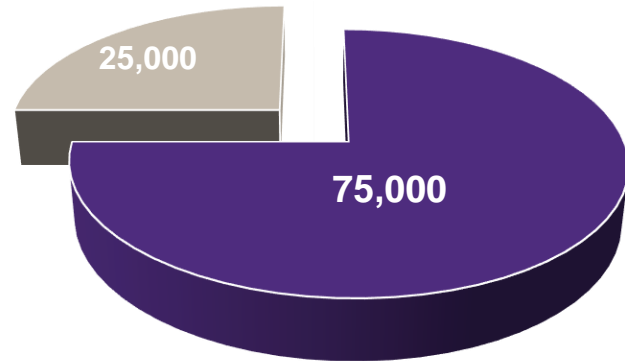
Full tax exemption for start-ups

Before (up to YA 2019)



Exempt amount (before)	
100% on first 100,000	100,000
Total exempt amount	100,000

After (w.e.f YA 2020)



Exempt amount (after)	
75% on first 100,000	75,000
Total exempt amount	75,000



Impact on tax payable (full tax exemption for startups)

Before (YA 2019)		After (YA 2020)	
Chargeable income	300,000	Chargeable income	300,000
Less: exempt amount		Less: exempt amount	
100% on first S\$100,000	100,000	75% on first S\$100,000	(75,000)
Chargeable income after exempt amount	200,000	Chargeable income after exempt amount	225,000
Tax @ 17%	34,000	Tax @ 17%	38,250
Less: 20% Corporate tax rebate, capped @ \$10,000	(6,800)	Less: 20% Corporate tax rebate, capped @ \$10,000	?
Net tax payable	27,200	Net tax payable	38,250
Effective tax rate	9.07%	Effective tax rate	12.75%

Intellectual Property (IP) Registration Fees

Effective from YA 2019 to YA 2025

- IP registration fees will be granted 100% base deduction and enhanced deductions of 200%
- Enhanced deductions capped at S\$100,000 of payments per year

Intellectual Property (IP) In-licensing Payments

Effective from YA 2019 to YA 2025

- IP licensing payments will be granted 100% base deduction and enhanced deductions of 200%
- Enhanced deductions capped at S\$100,000 of payments per year
- Exclude related party licensing payments or payments for IP where any allowance was previously claimed

Research & Development (“R&D”)



Before (up to YA 2018)

- 50% enhanced deduction on R&D expenditure incurred in Singapore
- No cap

After (YA 2019 to 2025)

- 150% enhanced deduction on R&D expenditure incurred in Singapore
- No cap

Qualifying costs (outsourced):

- 60% of fees paid; or
- Actual staff costs and consumables incurred if the amount is more than 60% of the fee paid

Qualifying costs (in-house):

- Staff costs and consumables incurred

Double Tax Deductions for internationalisation

Year of Assessment	Qualifying expenditure without prior approval (S\$)
YA 2018	100,000
YA 2019	150,000

All other conditions of the scheme remain the same.

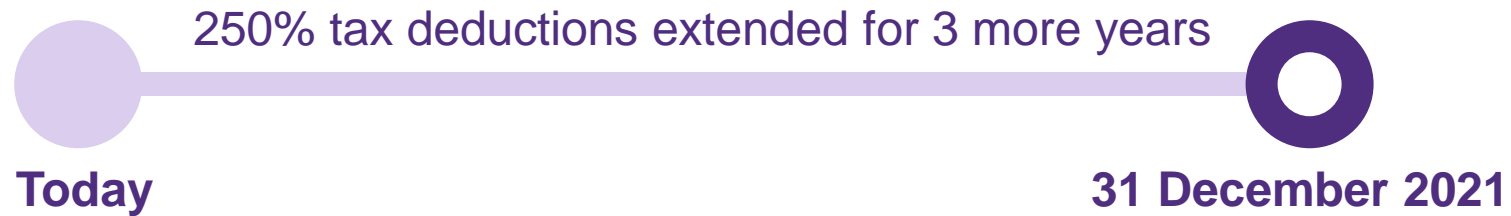
Sectoral Tax Changes

- Financial Industry
- Container Leasing Industry
- Insurance Industry
- Real Estate Investment Trust – Exchange Traded Funds



*A more detailed write-up on these changes will be uploaded shortly.

Donations to charities that are IPC



Have you bought your S\$1M flat already?

Buyer's stamp duty for residential property

Before (up to 19 February 2018)

Rates	Tiers
1%	First S\$180,000
2%	Next S\$180,000
3%	Amount exceeding S\$360,000

After (20 February 2018 onwards)

Rates	Tiers
1%	First S\$180,000
2%	Next S\$180,000
3%	Next S\$640,000
4%	Amount exceeding S\$1,000,000

Reminder!



- As announced in previous Budget, personal relief is capped at S\$80,000 with effect from YA 2018

“Ang Bao” for all adult Singaporeans!

- S\$100 to S\$300 for all Singaporeans aged 21 and above.
- Quantum depends on the income status of individual.



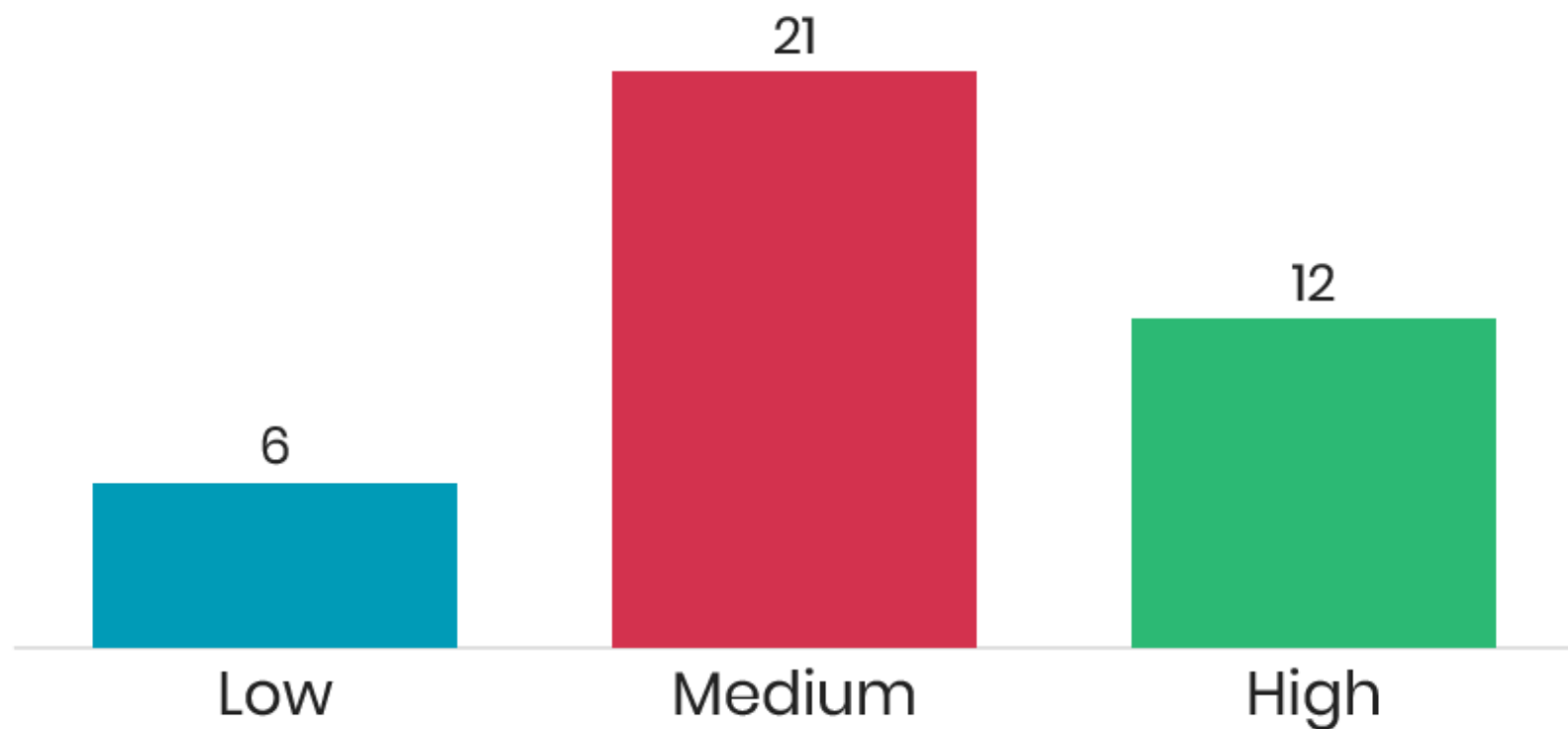
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Indirect tax

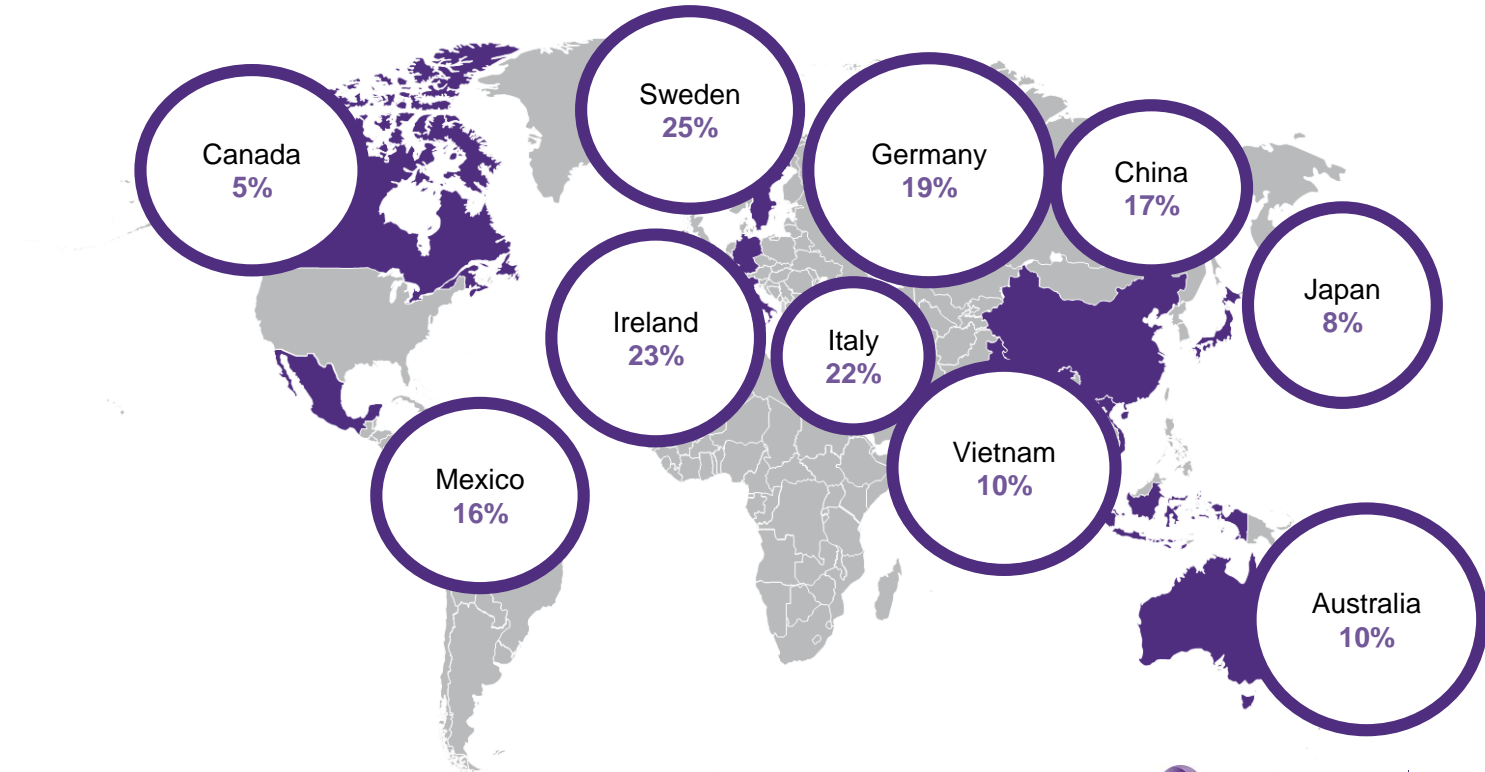
Lorraine Parkin & Nicole Baxter

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Is an increase to 9% GST rate high, medium or low?

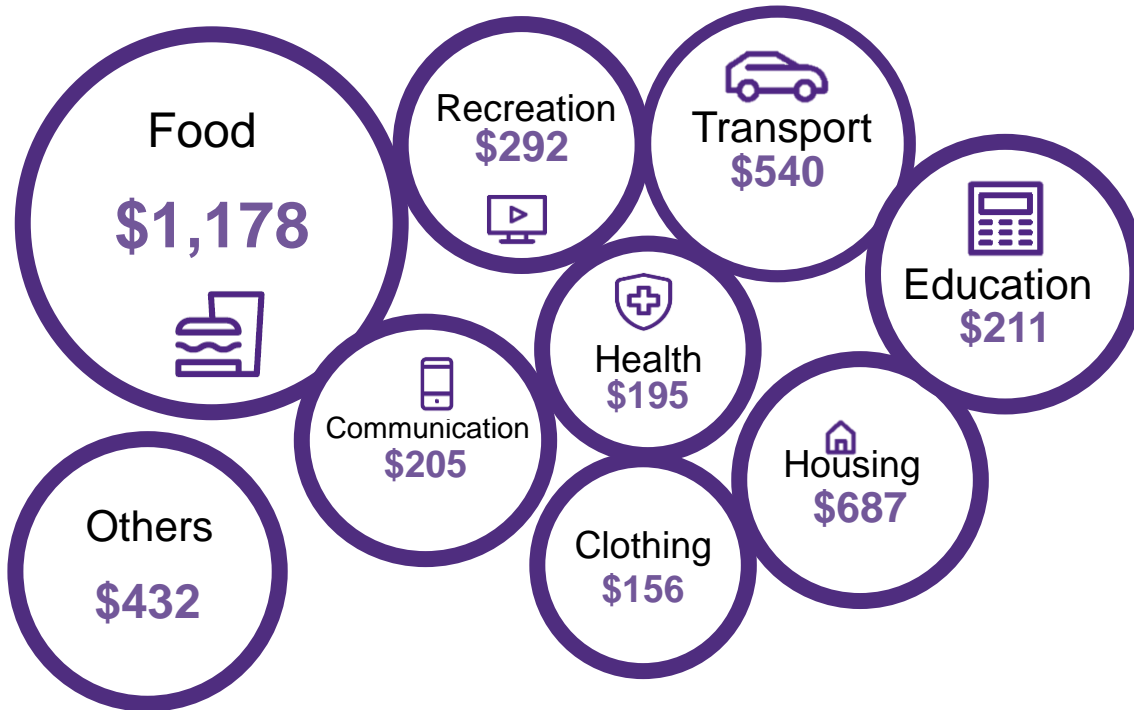


Rates around the world



Increase in the standard GST rate

- GST rate to increase from 7% to 9% sometime between 2021 and 2025



Average monthly basket*, excluding rent/mortgage increases by \$73

- Net cost \$3,641
- @ 7% GST = \$255
- @ 9% GST = \$328

*Household Expenditure Survey 2012/2013

Implications of the proposed GST increase

- Cost of systems reprogramming
- Possible need to revise contractual terms
- Increased cost to businesses un-registered for GST and businesses not fully able to claim GST
- Possible anti-avoidance and anti-profiteering legislation
- Increased cost of living for final consumer

Why GST hike?

- Stable way of collecting tax since it's a tax based on consumption and spending
- Increasing tax through corporate tax hurts competition and deters people from setting up business and investing in Singapore

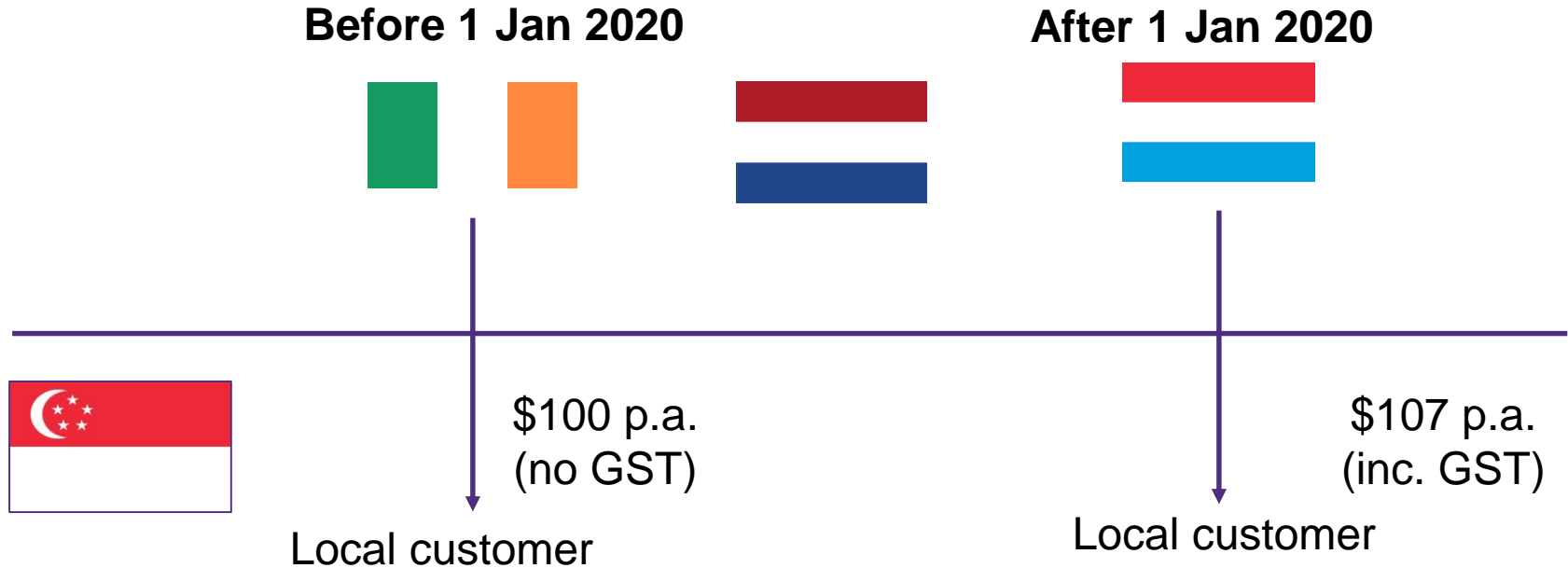
Reverse charge

- 1 January 2020 GST to be levied on imported services
- B2B where recipient not fully taxable
- Recipient of services self-accounts for GST

	Deemed input tax		Deemed output tax		Net effect
Partially exempt business (50% taxable)	3.5%	4.5%	7%	9%	3.5% or 4.5%

“Netflix” tax

- From 1 Jan 2020 registration of overseas suppliers and electronic market place operators supplying digital services B2C



Sin tax

- With effect from yesterday an additional 10% excise tax was levied on all tobacco products
- Drink and be merry!



Carbon tax

- Carbon tax of \$5 per tonne from 2020 on emissions in 2019
- Knock on effect to household bills estimated at 1% increase

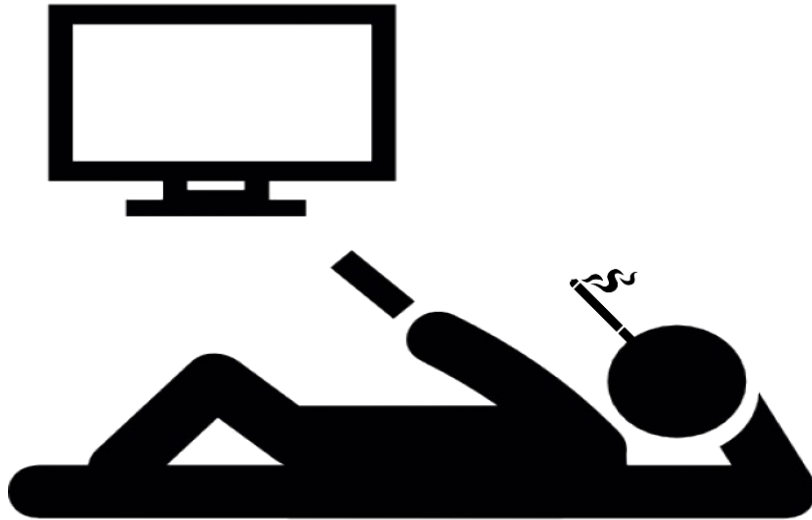


**CARBON
TAX**



In summary...

- ...chilling in your S\$1 m + apartment, smoking your cigarette while watching Netflix is about to get more expensive!



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Economic Analysis

Frances Tan

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Q&A

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**Use one word to
describe the 2018
Budget**

▶ Select



**Has there been an
increase in the
effective corporate
tax rate?**

▶ Select



**Is an increase to 9%
GST rate high, medium
or low?**

▶ Select

Grant Thornton Budget Seminar

(Industry Specific Changes)

Grant Thornton Singapore



Telecommunication

Extending Investment Allowance (“IA”) Scheme to Submarine Cable Systems

Current	After
<p>Capital expenditure incurred on submarine cable systems does <u>not</u> qualify for IA.</p>	<p>Capital expenditure incurred on newly constructed submarine cable systems landing in Singapore, subject to qualifying conditions, will qualify for IA. This will take effect for capital expenditure incurred between 20 February 2018 and 31 December 2023, both dates are inclusive.</p> <p>Conditions under current IA scheme applies.</p> <p>Such submarine cable systems can be used outside of Singapore and leased under the indefeasible rights of use arrangements.</p>

Container Leasing

Container Leasing Industry

Current	After
<p>Payments to non-resident lessor for the use of qualifying container are not subject to withholding tax.</p>	<p>This scheme will be reviewed on 31 December 2022.</p>

Real Estate Investment Trust Exchange-Traded Funds (“REIT ETFs”)

Transparency Treatment for Real Estate Investment Trusts Exchange Traded Funds

Current	After
<ul style="list-style-type: none">Distributions made by Singapore REITs (“S-REITs”) to REITs ETFs out of specified income derived by S-REITs are subject to tax at the prevailing corporate tax rate of 17% in the hands of REITs ETFs.All investors of REITs ETFs will not be taxed on the distributions made out of such income from REITs ETFs.	<ul style="list-style-type: none">Tax transparency treatment will be granted to REITs ETFs with investments in S-REITs for distributions received by REITs ETFs from S-REITs which are made out of specified income.Tax exemption will be granted on such distributions received by individuals (subject to conditions being met).10% concessionary tax rate will apply on such REITs ETFs distributions received by qualifying non-resident non-individuals.The above will be effective on or after 1 July 2018 with a review date of 31 March 2020.

Insurance

Extension of Insurance Scheme

Current	After
<p>Concessionary tax rate on commission and fee income from insurance broking and advisory services (“IBD-IBB”), speciality insurance broking (“IBD-SIBB”) activities will lapse after 31 March 2018</p>	<ul style="list-style-type: none">• IBD-IBB scheme will be extended till 31 December 2023• IBD-SIBB will be subsumed under IBD-IBB

Financial Services Industry

Extension of Financial Sector Incentive (“FSI”) Scheme

Current	After
FSI scheme will lapse after 31 December 2018	FSI Scheme will be extended and enhanced till 31 December 2023

Singapore Variable Capital Companies ("S-VACCs")

S-VACC is a new structure designed for collective investment schemes, and will accommodate a variety of traditional and alternative asset classes and investment strategies.

A new tax framework for S-VACC will be introduced to complement the S-VACC regulatory framework.

Current	After
Tax exemption and Goods and Services Tax ("GST") remission is granted to certain funds, trusts and limited partnerships under Section 13X, 13R and 13CA of the Singapore Income Tax Act ("SITA")	Existing tax exemption and GST remission will be extended to S-VACCs

Enhanced-Tier Fund Scheme under Section 13X of the SITA

Current	After (effective 20 February 2018)
Tax exemption is available for companies, trusts and limited partnerships	Tax exemption will be extended to all fund vehicles constituted in all forms.

Tax deduction under Section 14I of SITA for banks

Current	After
Current deduction under Section 14I of SITA on non-credit impaired loans and debt securities will lapse in YA 2019	The Scheme will be extended till YA 2024 (December year end banks) / YA 2025 (non-December year end banks)

Withholding Tax Exemption (“WHT”)

Current	After
<p>WHT exemption for financial sector relating to payments made under different types of financial transactions.</p>	<p>The exemption was streamlined as follows:-</p> <ul style="list-style-type: none"><li data-bbox="948 336 1792 508">• A review date of 31 December 2022 was set for exemption of WHT for some payments (e.g. certain cross currency and interest rate swap payments)<li data-bbox="948 561 1746 689">• Legislated exemption of WHT on certain payments (e.g. certain interest payments on margin deposits)<li data-bbox="948 741 1754 869">• Withdrawing WHT exemption on certain payments (e.g. interest from approved Asian dollar bonds)

Extension of the Approved Special Purpose Vehicle (“ASPV”)

Current	After
<p>a) Tax exemption on income derived by an ASPV from approved asset securitisation transactions;</p> <p>b) GST recovery on its qualifying business expenses at a fixed rate of 76%;</p> <p>c) WHT exemption on payments to qualifying non-residents on over-the- counter financial derivatives in connection with an asset securitisation transaction; and</p> <p>d) Remission of stamp duties on the instrument relating to transfer of assets to the ASPV for approved asset securitisation transactions.</p> <p>The scheme is scheduled to lapse after 31 December 2018.</p>	<p>Extended to 31 December 2023</p> <p>Stamp duty remission (item d.) will lapse after 31 Dec 2018</p>

Qualifying Debt Securities (“QDS”) incentive scheme

Current	After
Tax concessions allowed on qualifying income from QDS and QDS+ scheme	QDS scheme will be extended to 31 December 2023 QDS+ scheme will lapse after 31 Dec 2018

Tax exemption on income derived by primary dealers from trading in Singapore

Current	After
<p>Exemption is granted on income derived by primary dealers from trading in Singapore Government Securities</p> <p>The exemption will lapse after 31 December 2018.</p>	<p>Exemption will be extended to 31 Dec 2023</p>



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