



Paul Wan & Co., Singapore

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Budget Synopsis



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2015



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Compiled by Paul Wan & Co., Singapore Tax Team



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THE BUDGET IN SUMMARY

The 2015 Budget was unveiled in Parliament on 23 February 2015 by the Singapore Deputy Prime Minister and Finance Minister Tharman Shanmugaratnam. Unlike past years, this year's budget neither provides one-off generous SG50 celebratory goodies nor a pre-election carrot for all businesses as well as Singaporeans. It focused mainly on building Singapore's future by taking steps now, moving ahead relentlessly, and never thinking that status quo will get us to a better Singapore.

The two clearly future-focused measures of this year's budget are:-

1. SkillsFuture – to help workers gain expertise through learning and training through creating new ideas and technologies and mastery; and
2. Spur SMEs to innovate through grants, R&D investments, etc and internationalise.

Other key measures includes:-

1. Further strengthening the social safety net and safeguarding the welfare of middle-income families, offers aid for the needy Singaporeans for their old age by introducing the Silver Support Scheme.
2. Restoration of CPF rates for older workers aged 50 and above and increase monthly salary ceiling to S\$6,000/- to meet financial needs in key areas for retirement, home ownership and health care.
3. Help with childcare and education costs by topping up of Child Development Account, Edusave account, waiver of exam fees for Singaporean students, etc.
4. A revision of the personal progressive tax rates for top earners and a 50% one-off tax rebate capped at S\$1,000/-.
5. Revision to petrol duties and road tax rebate.

As there are sufficient accumulated reserves from past years, the Minister is projecting an overall deficit of S\$6.7 billion for 2015.

Singapore's GDP growth is predicted to be between 2% to 4% for 2015 (GDP growth was 2.9% for 2014).

Overall, a pro-future Budget!



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CORPORATE AND BUSINESSES

1. CORPORATE INCOME TAX RATE

The current corporate income tax rate remained unchanged at 17%. This is unlikely to be lowered as our neighboring countries corporate tax rates are still on the higher end. In addition, Singapore is considered as one of the best country in the region to set-up and operate its business here.

In Budget 2013 all companies were granted a 30% corporate income tax rebate capped at S\$30,000/- per Year of Assessment from Year of Assessment 2013 to Year of Assessment 2015 to relieve rising business costs.

To enable businesses to continue while facing cost pressures, the Minister has unveiled in this year's Budget 2015 to extend the 30% corporate income tax rebate for another two Year of Assessments i.e. Year of Assessment 2016 and Year of Assessment 2017, but the cap will be reduced to S\$20,000/- per Year of Assessment.



2. ALLOWING PRODUCTIVITY AND INNOVATION CREDIT (PIC) BONUS TO LAPSE

The PIC Bonus introduced in Budget 2013 for businesses that incurred certain qualifying expenditure up to S\$15,000/- during the Year of Assessment 2013 to Year of Assessment 2015 will lapsed after Year of Assessment 2015. However, businesses will continue to benefit from the existing PIC scheme and PIC+ scheme for SMEs up to Year of Assessment 2018.

3. EXTENDING AND ENHANCING MERGERS & ACQUISITIONS (M&A) SCHEME

The M&A scheme was introduced to encourage companies to consider M&A as a strategy for growth and internationalisation. Qualifying M&As executed from 1 April 2010 to 31 March 2015 will be eligible for tax allowance on value of acquisition and transaction costs and stamp duty relief on transfer of unlisted shares.

To further support SMEs to grow via strategic acquisitions, this scheme will be extended till 31 March 2020 with the following revisions:-

(a) Tax benefits

- I. Increase in M&A allowance rate from 5% to 25%. However, the value of qualifying acquisitions per Year of Assessment will be capped at S\$20 million instead of S\$100 million previously.





- II. Stamp duty relief on the transfer of unlisted shares will be capped at S\$20 million (S\$100 million previously) on the value of qualifying M&A deals per financial year.
- III. Tax allowance on transaction costs will remain unchanged at 200%, subject to an expenditure cap of S\$100,000/- per Year of Assessment and written down in one year.

(b) Shareholding eligibility tiers

The acquiring company must acquire ordinary shares in a target company, whether directly or indirectly, that results in the acquiring company holding:-

- I. At least 20% ordinary shareholding in the target company (if the acquiring company's original shareholding in the target company was less than 20%), subject to conditions; or
- II. More than 50% ordinary shareholding in the target company (if the acquiring company's original shareholding in the target company was 50% or less) (status quo).

Acquisitions of ordinary shares that result in the acquiring company owning at least 75% ordinary shareholding (if the acquiring company's original shareholding was more than 50% but less than 75% at the beginning of the basis period for a Year of Assessment or FY) will no longer qualify under the M&A scheme.

(c) For step acquisitions that straddle across one financial year

To simplify the scheme, the 12-month look-back period will no longer be required from 1 April 2015 onwards.

Further details will be released by IRAS by May 2015.

4. ENHANCING DOUBLE TAX DEDUCTION (DTD) FOR INTERNATIONALISATION SCHEME

Currently, businesses may claim a 200% tax deduction on qualifying expenditure incurred on qualifying market expansion and investment development activities, subject to conditions.

This scheme will be enhanced to include qualifying manpower expenses incurred from 1 July 2015 to 31 March 2020 for Singaporeans posted to new overseas entities. Hence, it will provide greater support to businesses expanding overseas as well as creates more skilled jobs and opportunities for Singaporeans to work overseas.

The amount of qualifying manpower expenses to be allowed DTD under the scheme will be capped at S\$1 million per approved entity per year, subject to conditions.

Application for approval must be made to IE Singapore.

Further details will be released by IE Singapore by May 2015.



5. INTRODUCING THE INTERNATIONAL GROWTH SCHEME (IGS)

The IGS was introduced to provide greater and more targeted support for larger Singapore companies in their internationalisation efforts. It aims to support high potential companies in their growth overseas, while they continue to anchor their key functions in Singapore.

Qualifying Singapore companies will enjoy a concessionary tax rate of 10% for a period not exceeding five years on their incremental income from qualifying activities such as HQ functions and specific business lines. These companies will be expected to engage in internationalisation activities and provide opportunities for Singaporeans to gain greater international exposure.

This new scheme will take effect from 1 April 2015 to 31 March 2020.

Further details will be released by IE Singapore by May 2015.

6. REFINING TAX INCENTIVES FOR VENTURE CAPITAL FUNDS AND VENTURE CAPITAL FUND MANAGEMENT COMPANIES

Currently, approved venture capital funds may be granted tax exemption under Section 13H of the Singapore Income Tax Act on the following income:-

- (a) Gains arising from divestment of approved portfolio holdings;
- (b) Dividend income from approved foreign portfolio companies; and
- (c) Interest income arising from approved foreign convertible loan stock.

Fund management companies managing Section 13H funds may also be granted tax exemption under the Pioneer Service incentive on the following income:-

- (a) Management fees derived from an approved venture capital fund; and
- (b) Performance bonus received from the said approved venture capital fund.

In recognition of the importance of venture capital activity in supporting entrepreneurship, a 5% concessionary tax rate will be accorded to approved venture capital fund management companies managing Section 13H funds on their specified income. The approval window will be from 1 April 2015 to 31 March 2020.

With the introduction of this new incentive, the Pioneer Service incentive for venture capital fund management companies will be withdrawn from 1 April 2015.

7. EXTENDING INVESTMENT ALLOWANCE – ENERGY EFFICIENCY (IA-EE) SCHEMES

As energy efficiency remains a key national priority, the two existing schemes (IA-EE scheme and IA-EE for Green Data Centres scheme) will be combined into one scheme i.e. IA-EE scheme from 1 March 2015 and extended to 31 March 2021.

Further details will be released by EDB by March 2015.



8. EXTENDING THE DEVELOPMENT AND EXPANSION INCENTIVE FOR INTERNATIONAL LEGAL SERVICES (DEI-LEGAL) SCHEME

To continue encouraging law practices to do more international legal services work from Singapore, the DEI-Legal scheme which is scheduled to lapse after 31 March 2015 will be extended till 31 March 2020.

Approved law practices will enjoy a 10% concessionary tax rate on incremental income derived from the provision of qualifying international legal services for five years. The incentive is available to law practices that are incorporated as companies.

9. INTRODUCING A REVIEW DATE FOR APPROVED FOREIGN LOAN (AFL) INCENTIVE

The AFL incentive was introduced to encourage companies to invest in productive equipment for the purpose of carrying on substantive activities in Singapore. Under the scheme, tax exemption or a concessionary tax rate may be granted on interest payments made to a non-tax-resident for loans to a company to purchase productive equipment.

To qualify as an AFL, the loan must be at least S\$200,000/-. The Minister for Trade & Industry has the discretion to approve an application for a foreign loan of less than the minimum loan quantum of S\$200,000/- to be an AFL.

A review date of 31 December 2023 will be legislated for this scheme to ensure that the relevance of the scheme is periodically reviewed.

In addition, the minimum loan quantum under the AFL incentive will be increased to S\$20 million from 24 February 2015.

The Minister for Trade and Industry may approve an AFL application on a foreign loan lower than the legislated minimum loan quantum of S\$20 million.



10. INTRODUCING A REVIEW DATE FOR APPROVED ROYALTIES INCENTIVE (ARI)

The ARI was introduced to encourage companies to access cutting-edge technology and know-how for substantive activities in Singapore.

Under the scheme, tax exemption or a concessionary tax rate may be granted on approved royalties, technical assistance fees or contributions to research and development costs made to a non-tax-resident for providing cutting-edge technology and know-how to a company for the purpose of its substantive activities in Singapore.

A review date of 31 December 2023 will be legislated for this scheme to ensure that the relevance of the scheme is periodically reviewed.



11. INTRODUCING A REVIEW DATE FOR WRITING DOWN ALLOWANCE (WDA) SCHEME

A review date of 31 December 2020 will be legislated for WDA under Section 19D of the Singapore Income Tax Act on capital expenditure incurred on the acquisition of indefeasible right to use (IRU) of any international telecommunications submarine cable system.

12. EXTENDING TAX DEDUCTIONS FOR COLLECTIVE IMPAIRMENT PROVISIONS MADE UNDER MONETARY AUTHORITY OF SINGAPORE (MAS) NOTICES

Currently, banks, finance companies and merchant banks may claim tax deduction for collective impairment provisions made under MAS Notices, subject to caps where applicable as stipulated under Section 14I of the Singapore Income Tax Act.

These tax concessions are scheduled to lapse after Year of Assessment 2017.

In order to maintain adequate levels of impairment provisions under the relevant MAS Notices as they transit to the new accounting standard on impairment in Singapore, the tax concessions will be extended till Year of Assessment 2020.

13. EXTENDING AND REFINING TAX INCENTIVE SCHEME FOR INSURANCE BUSINESSES

To further strengthen Singapore's value proposition as an Asian insurance and reinsurance centre, this scheme which is scheduled to lapse after 31 March 2015, will be extended till 31 March 2020 as the "Insurance Business Development Incentive" (IBD). The concessionary tax rate remains at 10% on qualifying income derived from qualifying insurance and reinsurance business conducted from Singapore.

In addition, a renewal framework will be introduced with effect from 1 April 2015 to encourage existing recipients of the incentive to continue expanding their operations in Singapore.

Further details will be released by MAS by May 2015.

14. IMPROVING ENHANCED-TIER FUND TAX INCENTIVE SCHEME

The existing Enhanced-Tier Fund tax incentive scheme (Scheme) grants tax exemption to approved fund vehicles on specified income derived from designated investment.

To accommodate master-feeder fund structures that hold their investments via SPVs, the existing concession for master-feeder fund structures will be enhanced to apply to SPVs held by the master fund, subject to conditions.

With this enhancement, master and feeder funds and SPVs within a master-feeder fund structure may apply for the scheme and meet the economic conditions on a collective basis.



This change will take effect for applications made from 1 April 2015.

Further details will be released by MAS by May 2015.

15. EXTENDING TAX CONCESSIONS FOR LISTED REAL ESTATE INVESTMENT TRUSTS (REITs)

To continue to promote the listing of REITs in Singapore and strengthen Singapore's position as a REITs hub in Asia, the package of tax concessions for REITs has been reviewed to ensure that it remains competitive to support the growth of the industry.

The existing package of income tax concessions for REITs will be extended till 31 March 2020. With the extension, the tax exemption on qualifying foreign-sourced income will apply so long as the overseas property is acquired by the REIT or its wholly-owned Singapore tax resident subsidiary company on or before 31 March 2020.

Further details will be released by MAS by May 2015.

16. EXTENDING AND ENHANCING THE MARITIME SECTOR INCENTIVE (MSI)

Under the existing MSI, ship operators, maritime lessors and providers of certain shipping-related support services can enjoy tax benefits summarised below:

(a) MSI-Shipping Enterprise (Singapore Registry of Ships) (MSI-SRS)

Full tax exemption on qualifying income derived mainly from operating Singapore-flagged ships.

(b) MSI-Approved International Shipping Enterprise (MSI-AIS) Award

Full tax exemption on qualifying income derived from operating foreign-flagged ships.

(c) MSI-Maritime Leasing (Ship) (MSI-ML(Ship)) Award

Tax exemption on qualifying income derived from leasing ships, and 10% concessionary tax rate on qualifying income derived from managing an approved shipping investment enterprise.

(d) MSI-ML (Container) Award

10% or 5% concessionary tax rate on qualifying income derived from leasing of qualifying sea containers and intermodal equipments that is incidental to the leasing of qualifying sea containers, and 10% concessionary tax rate on qualifying income derived from managing an approved container investment enterprise.





(e) MSI-Shipping-related Support Services (MSI-SSS) Award

10% concessionary tax rate on incremental qualifying income derived from carrying out approved shipping-related support services.

(f) Automatic withholding tax (WHT)

WHT exemption is granted on qualifying payments made by qualifying MSI recipients to non-tax-residents (excluding a permanent establishment in Singapore) in respect of qualifying loans entered into on or before 31 May 2016 to finance the construction or purchase of qualifying assets (e.g. ships, containers), subject to conditions.

With effect from 24 February 2015, all the MSI awards and grants will be extended to 31 May 2021 and enhanced as follows:-

- I. The automatic WHT exemption regime will now cover finance leases, hire-purchase arrangements, and loans used to finance equity injection into wholly-owned SPVs or intercompany loans to wholly-owned SPVs for the SPVs' purchase/construction of vessels, containers and intermodal equipment;
- II. The definition of qualifying ship management activities for the purpose of the MSI-SRS, MSI-AIS award and MSI-SSS award will be updated to keep pace with industry changes;
- III. The MSI-SRS and MSI-AIS award will now cover mobilisation fees, demobilisation fees, holding fees, and incidental container rental income that are derived in the course of qualifying shipping operations;
- IV. Qualifying profits remitted from approved foreign branches by MSI-AIS entities will now enjoy exemption;
- V. Existing MSI-SSS award recipients can renew their award tenure for another five years, subject to qualifying conditions and higher economic commitments; and
- VI. The MSI-ML award will now cover income derived from finance leases treated as sale.

Further details will be released by MAS by May 2015.

17. WITHDRAWING CONCESSIONARY TAX RATE UNDER SECTION 43I OF THE S.I.T.A.

Income derived from offshore leasing of machinery and plant under Section 43I of the Singapore Income Tax Act is currently assessed to tax at concessionary tax rate of 10%.

To simplify our tax regime, this scheme will be withdrawn from 1 January 2016.



18. WITHDRAWING APPROVED HEADQUARTERS INCENTIVE UNDER SECTION 43E OF THE S.I.T.A.

The existing Approved Headquarters incentive was introduced to encourage companies to conduct headquarter management activities in Singapore. Concessionary tax rate of 10% on qualifying activities was granted.

With effect from 1 October 2015, this incentive will be withdrawn for purpose of simplifying our tax regime.

19. INCREASE IN CPF SALARY CEILING AND SUPPLEMENTARY RETIREMENT SCHEME (SRS)

To enable middle income Singaporeans to accumulate more CPF savings during their working years to meet financial needs in key areas like health care, home ownership and retirement, the monthly CPF salary ceiling will be increased to S\$6,000/- from 1 January 2016.

This will be in line with the monthly CPF salary ceiling way back to year 2004.

In view of this monthly CPF salary ceiling increase, the annual SRS contribution will be raised from 1 January 2016 as shown below:-

	Singaporean/ Singapore Permanent Resident	Foreigner
Current cap	S\$12,750/-	S\$29,750
New cap	S\$15,300/-	S\$35,700/-

The existing limits on tax reliefs for CPF and SRS contributions will be raised accordingly.

This is likely to benefit more taxpayers especially the middle-income wage earners to set aside SRS funds for retirement needs and also lower their tax bills as tax relief will be granted.

20. INCREASE IN CPF RATES AND INTEREST FOR OLDER WORKERS

Effective from 1 January 2016, employer and employee's CPF contribution rates for workers aged above 50 to 65 years will be increased by between 0.5% and 2%. The increased contribution will be credited to the workers' ordinary and special accounts. This will restore the contribution rates for workers aged above 50 to 55 years to the same level as that for the younger workers.



New contribution rates for older workers:-

Age	Employer	Employee	Total
50 to 55 years	17%	20%	37%
55 to 60 years	13%	13%	26%
60 to 65 years	9%	7.5%	16.5%

In view of the rising costs, employers are eligible to claim Temporary Employment Credit and Special Employment Credit for employing / re-hiring of older workers. The aim is to boost retirement savings for older workers.

In addition, CPF members aged 55 years and above will receive extra interest of 1% on the first \$30,000/- of their total CPF savings, on top of the existing 1% extra interest on the first \$60,000/- of their total CPF savings as shown in table below:-

Total CPF balance	Interest rate	
	New	Current
First S\$30,000/-	6%	4.5%
Next S\$30,000/-	5%	
Amounts above S\$60,000/-	4%	

21. INCREASE IN SPECIAL EMPLOYMENT CREDIT (SEC)

The SEC was introduced in Budget 2011 and enhanced in last year's budget to provide employers with support to hire older Singaporeans aged above 50.

In the current Budget 2015, the Minister has further enhanced the SEC to encourage companies to re-employ older workers aged 65 and above. Employers will be eligible to receive SEC of up to 11.5% of the employee's monthly wages as shown below:-

Income of employee in a given month S\$	SEC for the month S\$
500/-	57.50
1,000/-	115.00
1,500/-	172.50
2,000/-	230.00
2,500/-	287.50
3,000/-	345.00
3,500/-	172.50
4,000/- and above	0.00

22. TEMPORARY EMPLOYMENT CREDIT (TEC)

The TEC was introduced in Budget 2014 as a one-year measure to help employers cope with higher wage costs due to increase in employer's CPF contribution rate.



To help firms adjust to Budget 2015 increase in employer's CPF contribution rate for older workers and CPF monthly salary ceiling, CPF Board will automatically assess and pay to employers if they are eligible for the credit.

Year	Eligible TEC
2015	1% of wages up to CPF monthly salary ceiling of S\$5,000/-
2016	1% of wages up to CPF monthly salary ceiling of S\$6,000/-
2017	0.5% of wages up to CPF monthly salary ceiling of S\$6,000/-

23. DEFERMENT OF FOREIGN WORKER LEVY (FWL)

To help businesses battle with a tight labour market and rising wage costs, the Minister has decided to defer higher FWL for 12 months for S Pass and work permit holders in all sectors from July 2015. Additional levy rates adjustments announced previously will also be kept unchanged in manufacturing and construction firms until June 2017.

Adjustments to work permit levies in the manufacturing and construction firms

Sector	Tier	Levy rates (Higher skilled/ Basic skilled)		
		Current (S\$)	As of July 1, 2015 (S\$)	As of July 1, 2016 (S\$)
Construction	Basic tier	300/550	300/550	300/650
	MYE* waiver	700/950	600/950	600/950
Manufacturing	Basic tier	250/370	250/370	250/370
	Tier 2	350/470	350/470	350/470
	Tier 3	550/650	550/650	550/650

Note: *Man-year entitlement

The deferment will provide more time for firms to upgrade their workers' skills, train and raise productivity or alternatively replace labour-intensive work processes with automation machines that may even be eligible for PIC allowance/ cash payouts.

24. EXTENDING AND ENHANCING TAX DEDUCTION FOR DONATIONS

Tax deduction of 250% for qualifying donations made will be extended from 31 December 2015 to 31 December 2018.

In addition, businesses / individuals who make qualifying donations to IPCs and other qualifying recipients in 2015 will be allowed a tax deduction of 300% instead of 250%. This is to build a stronger culture of giving and as part of the SG50 jubilee celebration.





GOODS AND SERVICES TAX (GST)

1. GST RATE

The current GST rate is 7% and has remained status quo since 2007.

As expected, we do not think there is any intention that the Minister will revise the current GST rate.

2. SIMPLIFYING PRE-REGISTRATION GST CLAIM RULES FOR NEWLY GST-REGISTERED BUSINESS

Currently, GST-registered business can only claim pre-registration GST on the portion of goods and services used or to be used to make supplies after GST registration.

Businesses are required to apportion the pre-registration GST on the goods and services used to:-

- 1) Make supplies before and after GST registration; or
- 2) Goods which are partially consumed before GST registration.

To ease compliance, the claiming of pre-registration GST will be simplified from 1 July 2015 to allow pre-registration GST claim in full on the following goods and services that are acquired within six months before the GST registration date of the business:-

- a) Goods held by the business at the point of GST registration; and
 - b) Property rental, utilities and services, which are not directly attributable any supply made by the business before the GST registration;
- so long as the use of these goods and services are for making of taxable supplies and not exempt supplies.

Further details will be released by IRAS by June 2015.



3. EXTENDING AND ENHANCING THE GST REMISSION FOR LISTED REITS, LISTED REGISTERED BUSINESS TRUSTS, SHIP LEASING AND AIRCRAFT LEASING SECTORS

GST remission is granted to listed REITs, and listed Registered Business Trusts (RBTs) in the infrastructure business, ship leasing and aircraft leasing sectors, to allows them to claim GST on their business expenses regardless of whether they hold underlying assets directly or indirectly through multi-structures such as special purpose vehicles (SPVs) or sub-trusts, which is scheduled to lapse after 31 March 2015, will be extended till 31 March 2020.



In addition, to facilitate fundraising by these REITs and RBTs through SPVs, REITs and RBTs qualifying under the current GST remission will be allowed to claim GST on business expenses incurred from 1 April 2015 to 31 March 2020 to set up SPVs that are solely to raise funds for the REITs or RBTs, and which do not hold qualifying assets of the REITs or RBTs, directly or indirectly.

Further details will be released by IRAS by March 2015.



INDIVIDUALS AND HOUSEHOLDS

1. INDIVIDUAL INCOME TAX RATE

The Minister has re-structured the individual income tax rates to raise the personal income tax rates of the top income earners from Year of Assessment 2017 as shown in the comparative tax rates below:-

	YA 2016 and before			With effect from YA 2017		
	Chargeable Income* (S\$)	Tax Rate (%)	Gross Tax Payable (S\$)	Chargeable Income* (S\$)	Tax Rate (%)	Gross Tax Payable (S\$)
On the first	20,000/-	0	0	20,000/-	0	0
On the next	10,000/-	2	200/-	10,000/-	2	200/-
On the first	30,000/-	-	200/-	30,000/-	-	200/-
On the next	10,000/-	3.5	350/-	10,000/-	3.5	350/-
On the first	40,000/-	-	550/-	40,000/-	-	550/-
On the next	40,000/-	7	2,800/-	40,000/-	7	2,800/-
On the first	80,000/-	-	3,350/-	80,000/-	-	3,350/-
On the next	40,000/-	11.5	4,600/-	40,000/-	11.5	4,600/-
On the first	120,000/-	-	7,950/-	120,000/-	-	7,950/-
On the next	40,000/-	15	6,000/-	40,000/-	15	6,000/-
On the first	160,000/-	-	13,950/-	160,000/-	-	13,950/-
On the next	40,000/-	17	6,800/-	40,000/-	18	7,200/-
On the first	200,000/-	-	20,750/-	200,000/-	-	21,150/-
On the next	120,000/-	18	21,600/-	40,000/-	19	7,600/-
On the first				240,000/-	-	28,750/-
On the next				40,000/-	19.5	7,800/-
On the first				280,000/-	-	36,550/-
On the next				40,000/-	20	8,000/-
On the first	320,000/-	-	42,350/-	320,000/-	-	42,350/-
In excess of	320,000/-	20		320,000/-	22	

*Chargeable Income after tax relief

2. ONE-OFF TAX REBATE

A one-off individual income tax rebate of 50% will be granted to all Singapore tax resident individual taxpayers for Year of Assessment 2015, capped at S\$1,000/- per taxpayer.



3. ALLOWING SPECIFIC EXPENSES TO SET-OFF AGAINST PASSIVE RENTAL INCOME

Effective from Year of Assessment 2016, an individual who derived passive rental income from the letting of his / her Singapore residential property may, in lieu of claiming the actual amount of deductible expenses incurred (excluding interest expenses) against his / her rental income claim deductible expenses determined based on 15% of the gross rental income derived from that residential property.

The individual can continue to deduct any deductible interest expense against his qualifying rental income.

This does not apply to any rental income derived:-

- (a) by an individual through a partnership in Singapore; and
- (b) from a trust property.

Further details will be released by IRAS by May 2015.

4. TAX EXEMPTION FOR NON-RESIDENT MEDIATORS

Currently, a payer is required to withhold tax at either 15% or 20% where the non-tax resident professional derived income from work carried out in Singapore.

With the aim to promote Singapore's commercial mediation sector, from 1 April 2015 to 31 March 2020, income derived from non-tax resident mediators for mediation work carried out in Singapore will be exempted from tax.

The Ministry of Law will provide more details of this scheme on its website by Mar 2015.

5. TAX EXEMPTION FOR NON-RESIDENT ARBITRATORS

Currently, income derived by non-tax resident arbitrators for work carried out in Singapore is exempted from tax on or after 3 May 2002.

The Minister has set a review date of 31 March 2020 for legislating the tax exemption for non-tax resident arbitrators to ensure the relevance of the scheme is reviewed periodically.

6. EXTENDING AND ENHANCING TAX DEDUCTION FOR DONATIONS

Tax deduction of 250% for qualifying donations made will be extended from 31 December 2015 to 31 December 2018.

In addition, businesses / individuals who make qualifying donations to IPCs and other qualifying recipients in 2015 will be allowed a tax deduction of 300% instead of 250%. This is to build a stronger culture of giving and as part of the SG50 jubilee celebration.



7. REMOVING THE TAX CONCESSION UNDER SECTION 10(16) OF S.I.T.A

Section 10(16) of Singapore Income Tax Act provides tax concession to:

- (a) An individual who is the inventor, author, proprietor, designer or creator of an approved intellectual property or innovation; or
- (b) Any company in which such an individual beneficially owns all the issued shares.

However, as the tax concession is no longer relevant, it will be withdrawn from Year of Assessment 2017.

8. EXTENDING AND ENHANCING ANGEL INVESTORS TAX DEDUCTION (AITD) SCHEME

To encourage eligible individuals who are able and willing to invest in start-up companies and help them grow, AITD scheme was introduced for qualifying investments made in qualifying start-up companies from 1 March 2010 to 31 March 2015. The Minister has decided to continue with this scheme and will be extended for another 5 years to 31 March 2010.

In addition, to allow more investments to be eligible for this scheme, new qualifying investments made from 24 February 2015 to 31 March 2020 that are co-funded by the Government under SEEDS or BAS will also be allowed to qualify for the AITD.

Under the scheme, an approved angel investor needs to, amongst other conditions, invest a minimum of S\$100,000/- into a start-up company within a year, and hold the qualifying investment for a continuous period of two years, to enjoy a tax deduction of 50% of the cost of the qualifying investment.

The amount of expenditure incurred on investments that qualify for the deduction is capped at S\$500,000/- per Year of Assessment.

9. IMPLEMENTATION OF SKILLSFUTURE INITIATIVES

To empower each Singaporean to chart their own journey in life, and gain fulfillment at work, and even in their senior years, the SkillsFuture initiatives were introduced.

(a) Starting in the Schooling Years

To help young Singaporeans discover their interests, so that they can choose an educational path not determined by cut-off points, but by informed choices about a course and the career opportunities it leads to.



Initiative	Summary
Develop a professional core of Education and Career Counsellors for our schools and Institutes of Higher Learning (IHLs)	<ul style="list-style-type: none"> • Counsellors will be equipped with the industry experience and knowledge needed to provide informed guidance. • Career counselling services at Singapore Workforce Development Agency (WDA) for our working individuals will also be scaled up.
Enhance internships in IHLs	<ul style="list-style-type: none"> • Internships in our IHLs will be improved to make them more structured and meaningful. • More students will also get international exposure, to prepare them to take on international assignments in their careers.

(b) Taking Learning into our Careers

The government will invest continually in Singaporeans throughout their careers, via the following:-

Initiative	Summary
SkillsFuture Credit (from 2016)	<ul style="list-style-type: none"> • SkillsFuture Credit will be given to all Singaporeans aged 25 years and above. • Each eligible Singaporean will have an initial credit of S\$500/-, which will be topped up at regular intervals and will not expire, but can only be used for education and training. • Credits can be used for a broad range of courses supported by government agencies.
Individual Learning Portfolio (from 2017)	<ul style="list-style-type: none"> • All Singaporeans will have an online Individual Learning Portfolio, a one-stop education, training and career guidance resource that will help them plan for their education and training needs starting from their time in secondary school.
SkillsFuture Earn and Learn Programme (from 2015)	<ul style="list-style-type: none"> • To give fresh polytechnic and ITE graduates a head start in their careers, they will be placed in jobs and receive a salary while undergoing structured on-the-job training that leads to an industry-recognised qualification. • Both trainees and employers will receive substantial support from the government.
Enhanced subsidies for mid-career Singaporeans (from second half)	<ul style="list-style-type: none"> • In recognition of the opportunity costs that mid-career Singaporeans face when they go for education and training, subsidies for all Singaporeans aged 40 years and above will be enhanced to a minimum of 90% of training costs for courses funded by Ministry.



(c) A New Industry Collaboration

To uplift the broad base of companies, and to help Singaporeans develop their careers across our economy, the government will invest in new forms of industry collaboration, as shown below:-

Initiative	Summary
Sectoral Manpower Plans (SMPs)	<ul style="list-style-type: none"> The government will strengthen collaboration between training institutions, unions, Trade Associations, and employers to develop and implement SMPs in all key sectors by 2020.
SkillsFuture Mentors (from 2015)	<ul style="list-style-type: none"> To help SMEs overcome the constraints they face in training capabilities and capacity, the government will work with industry partners to develop a shared pool of SkillsFuture Mentors with specialised and industry-relevant skills, which SMEs can tap on.

10. EDUCATIONAL ASSISTANCE

(a) Enhancing Affordable, Quality Child Care Pre-Schooling

A new Partner Operator (POP) scheme will be introduced to complement the current Anchor Operator (AOP) scheme. Parents will benefit from lower fees than the centres run by these Partner Operators currently charge, and higher quality care.

Further details will be released by The Minister for Social and Family Development in due course.

(b) Top-up to Child Development Account (CDAs)

To help families with pre-school fees costs, CDAs of every Singaporean child aged six and below in 2015 will be top-up as follows:-

Age in 2015	Annual Value (AV) of Home as at Dec 2014	
	Up to S\$13,000/-	S\$13,001/- and above
6 years and below	S\$600/-	S\$300/-



(c) Waiver of Exam Fees for Singaporean Primary to Post-Secondary Students

Effective from 2015, exam fees for Singapore students sitting for national exams (PSLE, GCE 'N', 'O' and 'A' levels) in Government-funded schools or enrolled full-time in ITEs and polytechnics will be waived.



(d) Top-up to Edusave

A one-off additional top-up, on top of the annual contribution, to the Edusave Accounts of Singaporean students will be given to:-

- I. Those aged 7 to 16 years in year 2015; and
- II. Includes students above the age of 16 years who are still in secondary school.

Level in 2015	Annual contribution per student	One-off top-up per student in 2015	Total amount
Primary	S\$200/-	S\$150/-	S\$350/-
Secondary	S\$240/-	S\$150/-	S\$390/-

(e) Enhancing Financial Assistance Scheme (FAS)

- I. Transport costs relating to Public transport for all students as well as school buses for primary school students will be subsidised by at least 50%.
- II. The annual grants for school-based financial assistance will be increased for the next three years.
- III. This scheme will also cover the Special Education (SPED) schools, appropriately adjusted to meet their specific needs.

Further details will be released by The Minister for Education in due course.

(f) Top-up to the Post-Secondary Education Account (PSEA)

A top-up to the PSEA of Singaporeans aged 17 to 20 years, to assist households in saving for tertiary education is provided as follows:-

Age in 2015	Annual Value (AV) of Home as at Dec 2014	
	Up to S\$13,000/-	S\$13,001/- and above
17 to 20 years	S\$500/-	S\$250/-



11. RETIREMENT ADEQUACY MEASURES

The government has been strengthening our social security system using the four pillars – home ownership, CPF, healthcare assurance and Workfare. This year, the government will take additional steps to strengthen the social security system via:-

- (a) Enhancing CPF Savings; and
- (b) Silver Support Scheme.



With these in place, it is expected to help to strengthen savings and income in retirement.

(a) Enhancing CPF Savings

I. Increase in CPF Salary Ceiling and Supplementary Retirement Scheme (SRS)

Please refer to page 8, item 19 for more details.

II. Increase in CPF Rates and Interest for Older Workers

Please refer to page 8, item 20 for more details.

b) Silver Support Scheme

Silver Support is a permanent scheme targeted at the bottom 20% of Singaporeans aged 65 years and above, with a smaller degree of support extended to cover up to 30% of seniors.

Eligibility will depend on the following factors:-

- I. One's lifetime wages;
- II. Household support; and
- III. Housing type.

It is estimated that about 150,000 of today's elderly will qualify and receive payouts of between S\$300/- and S\$750/- on a quarterly basis, from around the first quarter of 2016.

12. ONE-OFF GST VOUCHER SCHEME

A permanent GST voucher scheme was implemented in the year 2012 to help retirees and lower-income Singaporean households to cope with their rising cost of living.



The Minister has now decided to provide:-

- (a) Permanent increase in quantum of GST Voucher in cash from 2015 onwards, as follows:-

Assessable Income for YA 2014 ≤ S\$26,000/-	Annual Value of Home as at 31 Dec 2014	
	Up to S\$13,000/-	S\$13,001/- to S\$21,000/-
Aged 21 and above	S\$300/- (Previously S\$250/-)	S\$150/- (Previously S\$100/-)

- (b) One-off Seniors' Bonus in the form of GST voucher to eligible older Singaporeans aged 55 years and above as follows:-

Assessable Income for YA 2014 ≤ S\$26,000/-	Annual Value of Home as at 31 Dec 2014	
	Up to S\$13,000/-	S\$13,001/- to S\$21,000/-
Aged 55 to 64	S\$300/-	S\$150/-
Aged 65 and above	S\$600/-	

13. ONE-OFF SERVICE AND CONSERVANCY CHARGES (S&CC) REBATES

To further support for cost of living, eligible HDB households will be provided with a One-off one to three months of S&CC rebates for 2015, as follows:-

HDB Flat Type	FY2015 S&CC Rebate
1- and 2-room	3 months
3- and 4-room	2 months
5-room	1.5 months
Executive	1 months

14. ENHANCING AND EXPANDING FOREIGN DOMESTIC WORKER (FDW) LEVY CONCESSION

Effective from May 2015, the FDW levy concession will be enhanced to provide greater support for families as follows:-

- (a) The rate will be halved from S\$120/- to S\$60/- per month.
 (b) The existing qualifying criteria relate to households with an elderly person aged 65 and above, or a disabled family member, will remain unchanged. Further qualifying criteria announced will be expanded to include households with a Singaporean child aged 16 years and below.



OTHER TAX CHANGES

1. STAMP DUTIES ON LISTED REAL ESTATES INVESTMENT TRUSTS (REITs)

Currently, REITs listed on the SGX enjoy concession on stamp duty remission on the transfer of property and shares will lapse after 31 March 2015.

2. REFINING CARBON EMISSIONS-BASED VEHICLE SCHEME (CEVS)

To encourage a greater shift to green cars, the CEVS will be extended by two years, from 1 July 2015 to 30 June 2017, with the following refinements:-

Band	CO ₂ g/km	(Rebate) / Surcharge for Cars S\$	(Rebate) / Surcharge for Taxis S\$
A1	Up to 95	(30,000)/-	(45,000)/-
A2	96 to 105	(15,000)/-	(22,500)/-
A3	106 to 120	(10,000)/-	(15,000)/-
A4	121 to 135	(5,000)/-	(7,500)/-
B	136 to 185	0/-	0/-
C1	186 to 200	5,000/-	7,500/-
C2	201 to 215	10,000/-	15,000/-
C3	216 to 230	15,000/-	22,500/-
C4	231 & above	30,000/-	45,000/-

3. ENHANCING EARLY TURNOVER SCHEME (ETS) FOR OLDER COMMERCIAL VEHICLES

To further encourage the replacement of older commercial vehicles with greener vehicles that meet higher emission standards from August 2015, the Minister for the Environment and Water Resources will provide details of the enhancement scheme in due course.

4. UPDATING PETROL DUTY RATES

To promote efficient fuel usage to reduce carbon emissions, the current petrol duty rates will be updated with effect from 23 February 2015 as below:-

	Current duty rate	New duty rate
Premium grade petrol – unleaded (RON 97 and above)	S\$0.44 per litre	S\$0.64 per litre
Intermediate grade petrol – unleaded (RON 90 and above but under RON 97)	S\$0.41 per litre	S\$0.56 per litre



5. ROAD TAX REBATE FOR PETROL VEHICLES

Road tax payable is based on the engine capacities for car and motorcycles and based on maximum laden weight for commercial vehicles.

To ease the transition to the revised petrol duties, a one-year road tax rebate, for period from 1 August 2015 to 31 July 2016 will be given:-

- 20% for petrol cars;
- 60% for petrol motorcycles; and
- 100% for petrol commercial vehicles and taxis.



Paul Wan & Co.

Past Years' Singapore Budget Synopsis



Soft copies of the above Singapore Budget Synopsis are available upon request from our Paul Wan & Co.'s Tax Department at Tel.: +65 6220 3280 Ext. 200/201/202 or email us at taxdept@pwco.com.sg



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*2015 brings fervent revelation for Singapore
as it turns 50.*

*50 is knowing thyself,
according to numerology and cleverly
so displayed in Frozen
which is still,
by the way taking the world by storm.*

*Not only is 2015 a year to let it go,
but it's a year to change and continue to strive
as it had done so over the last 50 years
with an undying heart.*

*Before we start on innovation,
you may be pleased to note the generous Jubilee Rewards
as well as
all the other Financial and Tax Changes in our
Singapore Budget Synopsis.*

*It gives us immense pleasure that
our commentary would be useful to you*

We hope you enjoyed reading it!



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