Singapore 2023 Budget Tax Highlights

Moving Forward in a New Era

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Introduction

The Singapore Budget 2023, themed “Moving Forward in a New Era”, was announced by the Minister for Finance, Mr. Lawrence Wong, on 14th February 2023.

As Singapore prepares for a post-pandemic future, this Budget is about building capabilities and seizing opportunities in a new era of global development, by repositioning the Singaporean economy and refreshing its social compact for the future.

In this report, BoardRoom's team of Tax experts have identified the key changes which will have implications to your tax planning for the near future.

Growing the economy in the new era

Strengthen social compact

Build collective resilience

Corporate Income Tax

Corporate Income Tax

BEPS 2.0 Pillar Two

Updates

In Budget 2022, the Minister for Finance announced the introduction of a domestic top-up tax in response to the global minimum effective tax rate under Pillar 2 GloBE rules of the BEPS 2.0 project.

Singapore plans to implement GloBE rules and DTT from business's financial year starting on or after 1 January 2025. The Ministry of Finance will continue to monitor international developments and adjust the implementation timeline accordingly.

Effective Tax Rate

Bring its effective tax rate in Singapore to 15%.

Who is this Applicable to?

MNEs operating in Singapore with revenues of at least €750 million, as reflected in the consolidated financial statements of the ultimate parent entity.

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Corporate Income Tax

Enterprise Innovation Scheme

New

1. A new Enterprise Innovation Scheme will be introduced to raise tax deductions to 400% on qualifying expenditure incurred from the YA 2024 to YA 2028 on the following innovation boosting activities:

   a. Research and development activities carried out in Singapore
   b. Registration of intellectual property (IP)
   c. Acquisition and licensing of IP rights
   d. Innovation carried out with Polytechnics and Institutes of Technical Education
   e. Training via courses approved by SkillsFuture Singapore and aligned to the Skills Framework

2. Qualifying expenditure is capped at S$400,000 for each activity, except for innovation carried out with Polytechnics and Institutes of Technical Education which is capped at S$50,000

3. Businesses are also allowed to opt to convert the qualifying expenditure based on a conversion ratio of 20% on up to S$100,000 on the total qualifying expenditure for all activities listed above per year.

Corporate Income Tax

Enhancements to the Double Tax Deduction for Internationalisation (DTDi) Scheme

1. The DTDi Scheme has been enhanced to include a new qualifying activity "e-commerce campaign" and cover expenses incurred on:
    - business advisory,
    - accounts creation,
    - content creation and
    - product listing and placement.

2. Enhancement will take place for qualifying e-commerce campaign start-up expenses incurred on or after 15 February 2023.

3. Prior approval is required from Enterprise Singapore for a maximum period of one year applied on a per-country basis. Further details will be provided by Enterprise SG by 28 February 2023.

Corporate Income Tax

Option to accelerate capital allowance claims on Plant and Machinery

1. Taxpayers who incur capital expenditure to acquire plant and machinery in the basis period for YA 2024 (i.e. financial year ending in 2023) can opt to claim accelerated capital allowances over 2 years (i.e. 75% in the first year and 25% in the second year).

2. No deferment of claim is allowed and if option is exercised, is irrevocable.

Corporate Income Tax

Option to accelerate deduction claims for Renovation or Refurbishment (R&R) expenditure

1. Taxpayers who incur qualifying R&R expenditure in the basis period for YA 2024 (i.e. financial year ending in 2023) can exercise an irrevocable option to claim deductions in one YA, instead of 3 YAs.

2. The cap of S$300,000 for every relevant 3-year period still applies.

Tax Incentives

Tax Incentives

Philanthropy tax incentive scheme for family offices

New

1. A new tax incentive scheme will be introduced for qualifying donors with family offices operating in Singapore.

2. Donors must have a fund under MAS' section 13O or 13U schemes and meet eligibility conditions such as incremental spending of S$200,000.

3. Qualifying donors can claim 100% tax deduction for overseas donations through qualifying local intermediaries, capped at 40% of the donor's statutory income.

4. MAS will provide further details by 30 June 2023.

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Tax Incentives

Extending the Investment Allowance Scheme

1. The scheme administered by the EDB provides for additional tax allowances for qualifying fixed capital expenditure on approved projects was scheduled to lapsed after 31 December 2023.

2. To encourage businesses to continue investing in plant and productive equipment in Singapore, the scheme shall be extended till 31 December 2028.

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Tax Incentives

Extending the Investment Allowance Scheme for Automation Projects

1. Businesses can enjoy 100% support on the amount of approved capital expenditure, net of grants for automation projects approved by Enterprise Singapore which was scheduled to lapse after 31 March 2023.

2. To encourage businesses to continue transforming through automation, the scheme will be extended till 31 March 2026.

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Tax Incentives

Extending the Pioneer Certificate Incentive and Development and Expansion Incentive

1. Both schemes were introduced to encourage companies to grow capabilities, conduct new or expand economic activities and establish their global or regional headquarters in Singapore, and were scheduled to lapse after 31 December 2023.

2. To continue encouraging companies to anchor and grow strategic high value-added manufacturing and service activities in Singapore, both schemes will be extended till 31 December 2028.

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Tax Incentives

Extending IP Development Incentive (IDI)

1. The IDI aims to support companies that use and commercialise IP rights arising from R&D activities carried out in Singapore and was scheduled to lapse after 31 December 2023.

2. To continue supporting the use and commercialisation of IP rights arising from R&D activities carried out in Singapore, the scheme will be extended till 31 December 2028.

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Tax Incentives

Extending the tax exemption on income derived by primary dealers from trading in Singapore Government Securities

1. The tax exemption was scheduled to lapse after 31 December 2023.

2. To continue supporting primary dealers and encourage trading in Singapore Government Securities, the tax exemption will be extended till 31 December 2028.

Extending the Insurance Business Development – Insurance Broking Business (IBD-IBB) Scheme

1. The tax exemption was scheduled to lapse after 31 December 2023.

2. To strengthen Singapore's position as a leading insurance and reinsurance centre, the IBD-IBB scheme will be extended till 31 December 2028.

Tax Incentives

Extending and refining the Qualifying Debt Securities (QDS) Scheme

1. The QDS scheme will be extended till 31 December 2028.

2. The scope of qualifying income will be streamlined to include all payments in relations to early redemption of a QDS.

3. Debt securities issued on or after 15 February 2023 must be "substantially arranged" in Singapore by a financial institution holding a specified license (instead of an FSI company).

4. For insurance-linked securities issued on or after 1 January 2023 which cannot meet the above "substantially arranged" condition, can still qualify if at least 30% of the issuance costs incurred by the issuer were paid to Singapore businesses.

5. MAS will provide further details by 31 May 2023.

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Tax Incentives

Extending the tax concession for deduction of general provision for doubtful debts and regulatory loss allowances made in respect of non-credit impaired financial instruments for Banks (including Merchant Banks) and Qualifying Finance Companies

1. The concession was scheduled to lapse after YA 2024 (i.e. financial year ending in 2023).

2. To promote overall robustness and stability of the Singapore financial system, the concession will be extended till the YA 2029 (for relevant taxpayers with a 31 December year-end) and YA 2030 (for relevant taxpayers with non-31December financial year-end).

Tax Incentives

Extending tax measures relating to submarine cable systems

1. The following tax measures for submarine cable systems shall be extended till 31 December 2028:

    - Withholding tax exemptions on payments made to non-residents for use of international telecommunications submarine cable capacity under indefeasible right to use (IRU) agreements
    - Writing down allowances for the acquisition of an IRU over their useful life
    - Investment allowance for the construction and operation of submarine cable systems in Singapore

Tax Incentives

Extending and refining the tax incentive scheme for Approved Special Purpose Vehicle (ASPV) engaged in Asset Securitisation Transactions (ASPV) scheme

1. The scheme will be extended till 31 December 2028.

2. GST recovery methodology for ASPVs shall be aligned with that of licensed full banks.

3. A new sub-scheme named ASPV (Covered Bonds) will be introduced for SPVs holding the “cover pool” in relation to covered bonds as defined in MAS Notice 648.

4. The new sub-scheme will take effect from 15 February 2023 to 31 December 2028.

5. MAS will announce further details by 31 May 2023.

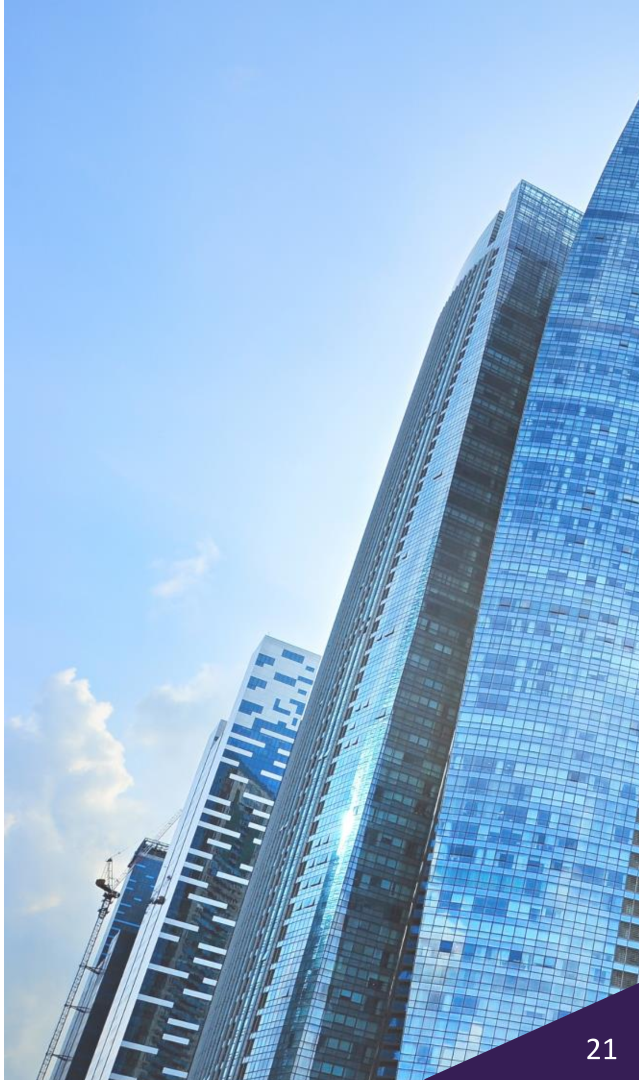
Tax Incentives

Extending and refining the Financial Sector Incentive (FSI) scheme

1. The FSI scheme which was scheduled to lapse after 31 December 2023 shall be extended till 31 December 2028.

2. Existing concessionary tax rates will be streamlined into two tiers for new and renewal awards approved on or after 1 January 2024:

   - FSI-Capital Market, FSI Derivatives Market and FSI Credit Facilities Syndication will enjoy 10% concessionary tax rate, instead of 5%
   - FSI Trustee Companies will enjoy 13.5% concessionary tax rate instead of 12%
   - No change to the concessionary tax rates for FSI Fund Management and FSI Headquarter Services at 10% and FSI-Standard Tier at 13%



Personal Income Tax

Personal Income Tax

Working Mother Child Relief

1. The Working Mother Child relief for a qualifying Singapore citizen child born or adopted after 1 January 2024 will be changed to a fixed dollar tax relief as follows:

Child Order	S$
1st	8,000
2nd	10,000
3rd and beyond	12,000

1. Working Mother Child relief for qualifying Singapore citizen child born or adopted before 1 January 2024 shall remain unchanged.

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Personal Income Tax

Grandparent Caregiver relief

1. One of the conditions to claim the grandparent caregiver relief was that the caregiver must not be carrying on any trade, business, profession, vocation or employment.

2. With effect from the YA 2024, the grandparent caregiver relief will be allowed in respect of caregivers who have trade, business, profession, vocation or employment income as long as the total income from these activities does not exceed S$4,000 per year.

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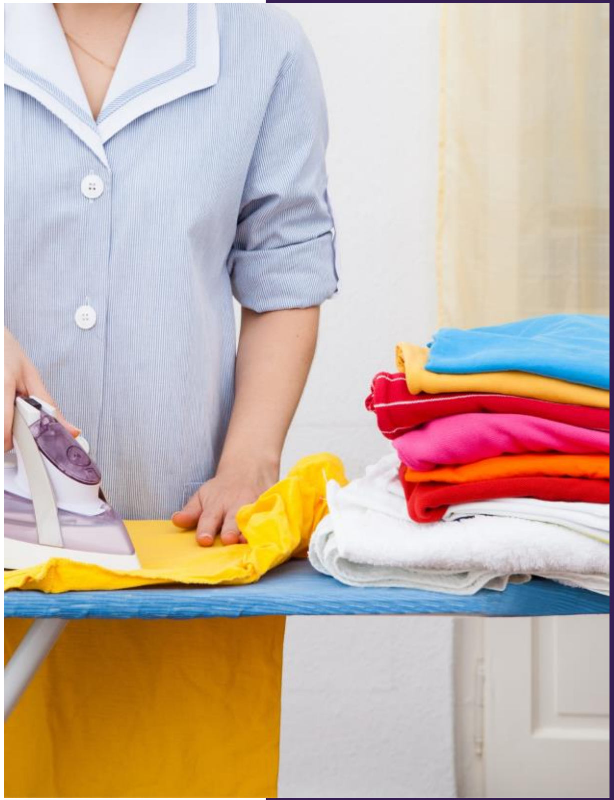
Personal Income Tax

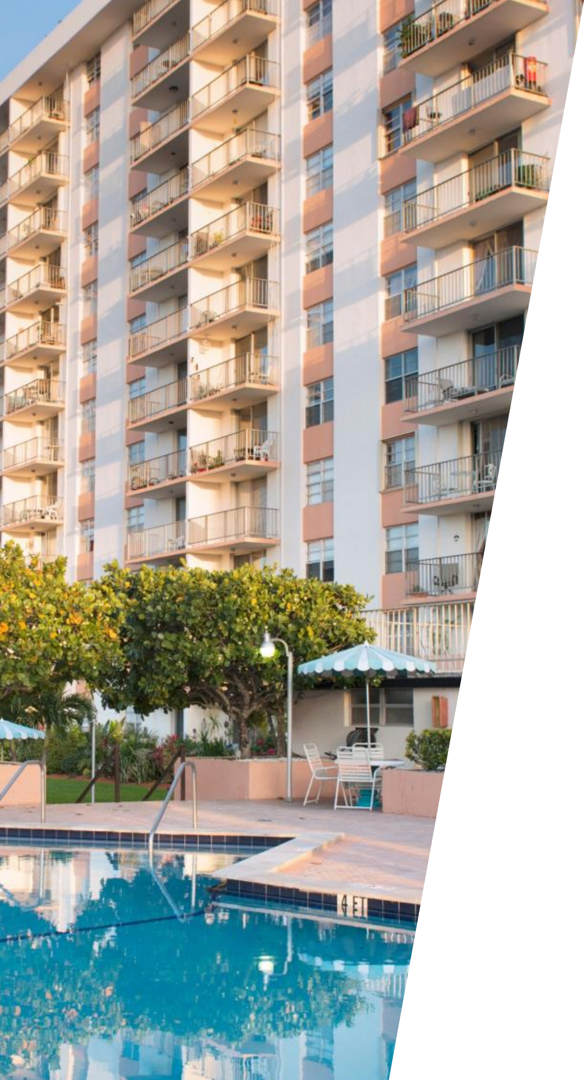
Allowing the Foreign Domestic Worker Levy relief to lapsed

1. The foreign domestic worker levy relief was introduced in 1989 to support working married women who needed the help of a migrant domestic workers.

2. With the introduction of various schemes which provide for concessionary levies, the foreign domestic worker relief will be lapsed for all taxpayers with effect from the YA 2025 (i.e. for the year ending 31 December 2024).



Other Taxes



Other Tax changes

Increase in Buyer's Stamp Duty rates

1. Increase in higher marginal buyers stamp duty for properties purchased on or after 15 February 2023:

Property value	Marginal BSD rate	
	Residential property	Non-residential property
First S$180,000	1%	1%
Next S$180,000	2%	2%
Next S$640,000	3%	3%
Next S$500,000	4%	4% (new)
Next S$1,500,000	5% (new)	5% (new)
Amount exceeding S$3,000,000	6% (new)	

Other Tax changes

Increasing Registration Fee (ARF)

1. The ARF payable for cars, taxis, and goods-cum-passenger vehicles with Certificates of Entitlement (COEs) obtained from the second COE bidding exercise in February 2023 will be tiered as follows:

Open Market Value ("OMV")	ARF rate
First S$20,000	100% of OMV
Next S$20,000	140% of OMV
Next S$20,000	190% of OMV
Next S$20,000	250% of OMV
In excess of S$80,000	320% of OMV

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Other Tax changes

Preferential Additional Registration Fee (PARF) changes

1. The PARF rebates will be capped at S$60,000.

2. Applicable to all vehicles registered with COEs obtained from the second COE bidding exercise in February 2023.

3. For vehicles that do not need to bid for COE, the new rebate cap will apply to vehicles registered on or after 15 February 2023.

4. Further details will be announced by the Land Transport Authority.

Other Tax changes

Increase in excise duties for all tobacco products

1. Excise duties for all tobacco products will be increased by 15% from 14 February 2023.

Other Tax changes

Extending the 250% tax deduction or qualifying donations to IPCs and eligible institutions

1. The 250% deduction on qualifying donations is scheduled to lapse on 31 December 2023.

2. To continue encouraging the philanthropist spirit of giving, the 250% deduction will be extended to 31 December 2026.

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Other Tax changes

Extending and enhancing the Corporate Volunteer Scheme

1. The 250% tax deduction on qualifying expenditure incurred will be extended till 31 December 2026.
2. Qualifying activities shall be expanded to include virtual activities (e.g. online mentoring and tuition support) or outside of the IPCs’ premises (e.g. refurbishment of rental flats).
3. The cap of qualifying expenditure per IPC shall also be doubled to S$100,000.

Other support measures

For workers and businesses

Other support measures

Enhancements to the Progressive Wage Credit Scheme ("PWCS")

The PWCS for 2023 will be enhanced by increasing the co-funding share from 50% to 75% for the first tier and from 30% to 45% for the second tier while maintaining all other parameters:

Qualifying year	Payout period	First tier Gross monthly wage ≤ S$2,500	Second tier Gross monthly wages > S$2,500 and ≤ S$3,000
2022	Q1 2023	75%	45%
2023	Q1 2024	75% *(up from 50%)*	45% *(up from 30%)*
2024	Q1 2025	30%	15%
2025	Q1 2026	30%	-
2026	Q1 2027	15%	-

Other support measures

Increase in CPF monthly salary ceiling

1. The CPF monthly salary ceiling will be raised from S$6,000 to S$8,000 by 2026 as follows:

	CPF Monthly Salary ceiling
Current	S$6,000
From 1 September 2023	S$6,300
From 1 January 2024	S$6,800
From 1 January 2025	S$7,400
From 1 January 2026	S$8,000

2. The CPF annual salary ceiling of S$102,000 remains unchanged at this juncture.

Other support measures

Increase in senior worker CPF contribution rates

1. The employer and employee CPF contribution rates for senior workers aged 55 to 70 will be raised by up to 1% with effect from 1 January 2024, with a one-year CPF Transition Offset automatically provided for:

Age Band	CPF contribution rates			CPF Transition Offset
	Total	Employer	Employee	
>55 to 60	31.0% (+1.5%)	15.0% (+0.5%)	16% (+1%)	0.25%
>60 to 65	22.0% (+1.5%)	11.5% (+0.5%)	10.5% (+1%)	0.25%
>65 to 70	16.5% (+1.0%)	9.0% (+0.5%)	7.5% (+0.5%)	0.25%

2. As per previous increases, the increase will be fully allocated to the senior workers' Special Account.

Other support measures

CPF transition support scheme for platform workers

1. An advisory committee set up by the Ministry of Manpower proposed that CPF contribution rates for platform workers should be aligned to those of regular employees and employers over a period of 5 years.

2. Following the alignment, lower-income platform workers will receive transitional support in the first 4 years.

3. More details of the support will be announced by the Ministry of Manpower.

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How we can help

As a committed tax advisor to our clients, we welcome any opportunity to discuss the relevance of the above updates to your business.

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