Key Budget Highlights and the Impact on Businesses

BUDGET 2022

Singapore

THE POWER OF BEING UNDERSTOOD
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FACING NEW CHALLENGES TOGETHER

Without a doubt, the coronavirus is here to stay as we enter the third year of the pandemic. We have to face the reality and embrace, adapt and accept this as a new normal as we slowly transition into an endemic state. The focus of this year's Budget, as announced by the Finance Minister Mr Lawrence Wong on 18 February 2022, is about using collective resources to chart our new way forward together, strengthen our economy and social compact, position ourselves for the upturn, achieve first-mover advantage and seize new opportunities for growth.

Budget 2022 spells out thoughtful measures that will be put in place. The key changes in focus are in the following areas:

- Invest in new capabilities
- Advance the green initiatives
- Renew and strengthen the social compact
- Develop a fairer and more resilient revenue structure

Invest in New Capabilities

The Government sees priority in strengthening our digital capabilities in order to establish leading positions in the digital economy over the next few years. The existing broadband infrastructure will be upgraded and investments made in future technologies such as 6G to ride the next communications and connectivity wave.

In addition, schemes such as the Advanced Digital Solutions scheme, Grow Digital scheme and TechSkills Accelerator initiative will be enhanced to help businesses adopt cutting-edge digital solutions in robotics, leverage digital platforms to reach overseas markets and to upskill the current digital workforce.

There are also targeted efforts in pushing for pervasive innovation. In an effort to encourage SMEs to undertake innovation projects across five pilot sectors, viz. Agri-Tech, Construction, Food Manufacturing, Precision Engineering and Retail, the Government will increase the capacity of centres that provides research and innovation support so as to cater to a larger number of SMEs.

The Minister expressed equal importance in strengthening our local enterprise ecosystem. SMEs are encouraged to implement digital and automation solutions to raise productivity. For this, SMEs may take advantage of the Productivity Solutions Grant ("PSG"). The Government has set aside $600 million to expand the range of available solutions under the PSG and is pushing for greater take up of productivity solutions by SMEs over the next four years.

A new initiative, Singapore Global Enterprises, will be launched to support larger local enterprises that need more customised assistance to scale up and invest in overseas markets. This initiative provides bespoke assistance tailored to the needs of promising local enterprises, in areas such as innovation, internationalisation and fostering of partnerships with other firms.

To support companies in their growth and expansion through mergers and acquisitions ("M&A"), the M&A loan programme will be expanded to include domestic M&A activities taking place during the period 1 April 2022 to 31 March 2026. In addition, the enhanced 70% risk-share by the Government under the Trade Loan will also apply for enterprises venturing into untapped markets such as Bangladesh and Brazil.

The Government has reaffirmed its commitment in investing in our people as well. This will be achieved through significant investment in education and transforming our Institutes of Higher Learning into institutes for continual learning to foster lifelong learning. Adjustments will also be made to foreign worker policies with the aim to admit better skilled professionals from around the world and combine them with our own local professionals to form the best teams in Singapore to create value together. This gives us that extra advantage to excel amidst intense global competition.

Advance the Green Initiatives

Countries were urged during the 2021 UN Climate Change Conference in Glasgow to achieve net zero emissions by or around the middle of the century, to keep alive the ambition of limiting global warming to 1.5°C above pre-industrial levels.

Singapore is fully committed to do our part in the global movement to tackle climate change. In order to achieve net zero emissions by around mid-century, businesses have to take actions now to moderate their carbon emissions. With this in mind, the Government proposes to increase carbon tax progressively. It will be $25 per tonne in 2024 and 2025 (from the present $5 per tonne), raising to $45 per tonne in the subsequent two years and with a view to reaching $50 to $80 per tonne by 2030.

To support firms that are in emissions-intensive and trade-exposed sectors, the Government will design a transition framework for implementation in 2024. In many countries with carbon taxes, existing companies are provided with allowances for a share of their emissions. For the design of our framework, the allowances will be determined based on efficiency standards and decarbonisation targets. Also from 2024, businesses may use high-quality international carbon credits to offset up to 5% of their taxable emissions, in lieu of paying carbon tax.

The Government also aims to issue $35 billion of green bonds by 2030 to fund public sector green infrastructure projects.

Singapore aims to be a car-lite city. It is targeting to phase out internal combustion engine vehicles by 2040. The most promising clean energy option for passenger vehicles is electric vehicles. The Government commits to accelerate the building of more charging points to be located closer to our homes. This hopefully will entice consumers to adopt electric vehicles sooner than later.

Renew and Strengthen the Social Compact

Singapore will continue to do more and across many fronts in strengthening our social compact.

Companies that employ foreign workers will be required to pay all their local employees at least the Local Qualifying Salary, currently set at $1,400 per month, to uplift lower-wage workers. The Progressive Wage Credit Scheme will be introduced to provide transitional support for businesses who will be faced with higher manpower costs.

Next, the Government will enhance the retirement adequacy of Singaporeans by increasing the employer and employee CPF contribution rates for workers aged between 55 and 70.

Not forgetting the children, the Government is committed to ensure every Singaporean child has been given the best possible start in life, regardless of his or her family background or circumstances. In this regard, the KidSTART programme targets to support at least 5,000 children by year 2023. This programme is complemented by the UPLIFT Community Pilot programme which is aimed at strengthening support for school-going children in disadvantaged families.

The Government will also focus on the ageing population and significant rise in healthcare costs. The restructuring of healthcare ecosystem is one option the Government has in mind to centre the healthcare system around the patient, build closer partnerships between healthcare clusters and community partners and integrate the healthcare IT systems for the sharing of patient information beyond hospitals to community healthcare providers. This should enhance quality care and maximise convenience to patients.

In addition, the Enabling Masterplan 2030 will be launched in the later part of this year to further strengthen support in areas of employment, lifelong learning and respite care for the underprivileged.

In furthering the support for the charity sector and to strengthen the culture of giving, there will be a top-up of $100 million and the Government will support the Tote Board's Enhanced Fund-Raising Programme until the end of financial year 2024. Charities can apply to receive dollar-for-dollar matching for eligible donations, up to a cap of $250,000 per charity every year.

Develop a Fairer and More Resilient Revenue Structure

The Minister of Finance announced that there will be major enhancements to strengthen our tax structure. Budget 2022 outlined a number of measures with the aim of levying a heavier tax charge on those with the means and are well able to afford.

Our corporate tax system will be updated due to global tax developments relating to the Base Erosion and Profit Shifting initiative ("BEPS 2.0"). Under Pillar 1 of BEPS 2.0, profits of the largest and most profitable MNEs will be re-allocated from where activities are conducted to where consumers are located. International discussions are currently ongoing on how to determine the jurisdictions which will surrender profits for re-allocation to the markets and how much each country will surrender.

Pillar 2 introduces, amongst others, a global minimum effective tax rate of 15% for MNE groups with annual global revenues of Euro 750 million or more, under its Global Anti-Base Erosion ("GloBE") Model Rules. This would mean that if such an MNE were to have an effective tax rate of less than 15% in Singapore at the group level, other jurisdictions such as its home jurisdiction could collect the difference up to 15%.

In this Budget, the Government introduced Minimum Effective Tax Rate ("METR") in response to Pillar 2 GloBE rules. The METR will top-up the MNE group's effective tax rate in Singapore to 15%.

Where personal income tax is concerned, the wealthy and high wage-earners are expected to pay and contribute more. The top marginal personal income tax rate will be increased with effect from YA 2024. The portion of chargeable income in excess of $500,000 up to $1 million will be taxed at 23%. Chargeable income in excess of $1 million will be taxed at 24%.

One of the means to collect wealth taxes is through the levy of property tax on properties owned by individuals. The property tax rate for owner-occupied and non-owner occupied residential properties will be increased progressively starting from the year 2023.

A new Additional Registration Fee ("ARF") tier for luxury cars is introduced to take effect from 19 February 2022. The portion of Open Market Value of a vehicle in excess of $80,000 will be taxed at 220%, an increase from the current rate of 180%.

Finally, the previously announced GST hike of 2% will go ahead but in two stages. The first increase will take place on 1 January 2023, from 7% to 8%, and the second increase on 1 January 2024, from 8% to 9%. Measures will be put in place to cushion the impact of the GST increases for the lower-income households, publicly-subsidised healthcare and education and Government levied fees and charges.

The following pages, from page 5 to page 33, summarise the key changes proposed in Budget 2022.

Cindy Lim

Partner
18 February 2022

CORPORATIONS AND BUSINESSES

Minimum Effective Tax Rate Regime

Proposed changes

In response to the global minimum effective tax rate under the Pillar 2 Global Anti-Base Erosion ("GloBE") rules of the BEPS 2.0 project, and based on consultation with industry stakeholders, MOF is exploring a top-up tax called the Minimum Effective Tax Rate ("METR").

The METR will top up an MNE group's effective tax rate in Singapore to 15%. The METR will apply to MNE groups operating in Singapore that have annual revenues of at least Euro 750 million, as reflected in the consolidated financial statements of the ultimate parent entity. The METR, if introduced eventually, will be aligned with the Pillar 2 GloBE rules as far as possible.

IRAS will study the METR further and consult industry stakeholders on the design of the METR.

MOF will continue to closely monitor international developments before making any decisions on the METR.

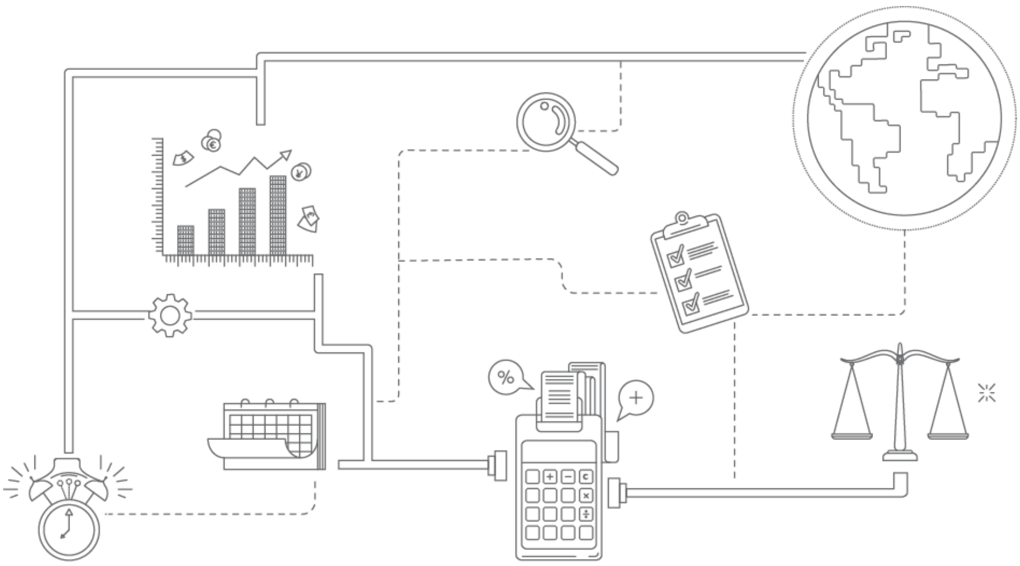
Comments

- Given Singapore's relatively small domestic market and the activities of the MNEs present here, it is inevitable that Singapore will lose tax revenue under Pillar 1 of BEPS 2.0. Such tax revenue will be re-allocated to where the consumers are located. Under Pillar 2 GloBE rules, where the effective tax rate is less than 15% at the Group level in Singapore, other jurisdictions such as its home country can collect the difference up to 15%.

- The METR is a possible prevention for this to happen. With the higher tax burden brought about by METR, the concern is would this discourage foreign investors to setup base in Singapore.

- Tax incentive is one of the benefits to attract MNEs to invest in Singapore. This advantage will clearly be gone and Singapore needs to find new ways to maintain its competitive edge in regional and global markets.

- If METR is introduced, it remains to be seen whether this can be a double-edged sword, i.e. although safeguarding the imposition of foreign additional tax but potentially driving MNEs away from Singapore.



Enhancement to Tax Incentive Scheme for Funds Managed by Singapore-based Fund Manager ("Qualifying Funds")

Current

Qualifying Funds, comprising basic tier funds (sections 13D and 13O schemes) and enhanced tier funds (section 13U scheme), are granted tax exemption on specified income ("SI") derived from designated investments ("DI"), subject to conditions.

The DI currently includes physical commodities that are subject to the following conditions:

- The trading of the physical commodity must be incidental to the trading of the derivative commodity ("incidental condition") and

- The trade volume of such physical commodity is capped at 15% of the total trade volume of those physical commodities and related commodity derivative ("the cap").

Proposed changes

To continue growing Singapore's asset management industry, the conditions imposed on the investments in physical Investment Precious Metals ("IPMs") under the DI list will be refined as follows:

- The incidental condition will be removed, i.e. investments in physical IPMs need not be incidental to the trading of derivative IPMs; and

- The cap will be revised to 5% of the total investment portfolio for the taxpayer's incentive award under sections 13D/13O/13U of the ITA.

MAS will provide further details of the changes by 31 May 2022.

Effective date

The refinements take effect on and after 19 February 2022.

Comments

- Whilst the removal of the incidental condition is likely to be well received as it gives asset managers a greater breadth of investment products, the introduction of a lower cap of 5% of the total investment portfolio will require monitoring which will become an added administrative burden.

- With the changes taking immediate effect but specific details only to be released by MAS on 31 May 2022, asset managers may need to decide whether there is a need to rebalance their portfolio quickly in the interim.

- The industry was hopeful that the DI would be enhanced to include digital assets given that investment in such assets is gaining traction.

- Section 13F foreign trusts currently enjoy tax exemptions based on the same DI and SI as Qualifying Funds. It remains to be confirmed that the same refinements will also apply to foreign trusts.

Withholding Tax Exemption for the Financial Sector

Current

Interest payments made by a tax resident or permanent establishment in Singapore to non-tax residents are subject to WHT at a rate of 15% in general.

There is a range of WHT exemptions for the financial sector which applies to different financial institutions for payments made under different types of financial transactions.

WHT exemption for the following payments are scheduled to lapse after 31 December 2022:

a) Payments made under cross currency swap transactions by Singapore swap counterparties to issuers of Singapore dollar debt securities.

b) Interest payments on margin deposits made under all derivatives contracts by approved exchanges, approved clearing houses, members of approved exchanges and members of approved clearing houses.

c) Specified payments made under securities lending or repurchase agreements by specified institutions.

d) Payments made under interest rate or currency swap transactions by MAS.

e) Payments made under interest rate or currency swap transactions by financial institutions.

Proposed changes

To continue supporting the competitiveness of our financial sector, the WHT exemption for payments (a) to (d) will be extended till 31 December 2026. This will cover payments made under a contract or agreement that takes effect on or before 31 December 2026.

To rationalise the WHT exemption for the financial sector, the WHT exemption for payment (e) will be allowed to lapse after 31 December 2022. Such payments can be covered under the existing WHT exemption for payments on over-the-counter financial derivatives.

MAS will provide any consequential details by 31 May 2022.

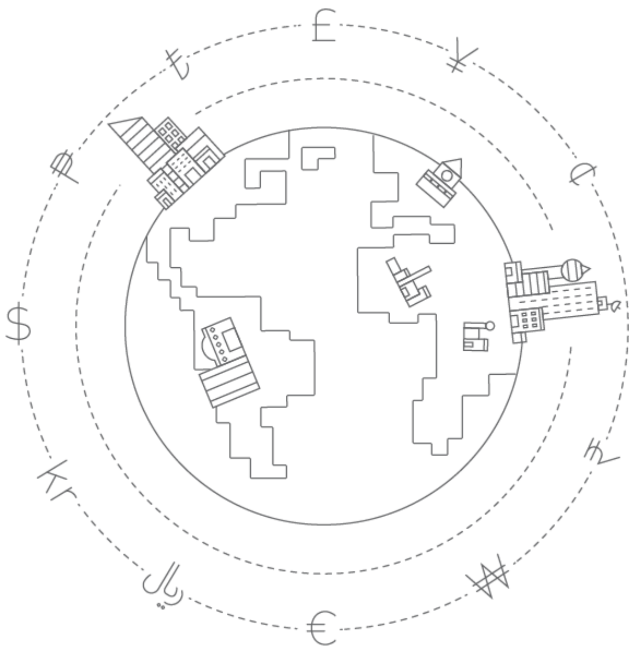
Effective date

The WHT exemption for payment under (a) to (d) which are scheduled to lapse after 31 December 2022 is now extended till 31 December 2026.

Comments

- The extension of the WHT exemption regime shows the Government's intention to strengthen Singapore's financial hub status by providing certainty and competitive edge to players in the financial sector.

- The WHT exemption for payments on over-the-counter financial derivatives made by a financial institution in Singapore to any non-resident person (excluding any permanent establishment in Singapore) was previously extended to 31 December 2026 as announced in Budget 2021.



Tax Incentives for Project and Infrastructure Finance

Current

The package of tax incentive schemes for Project and Infrastructure Finance includes:

a) Exemption of qualifying income from qualifying project debt securities ("QPDS");

b) Exemption of qualifying foreign-sourced income from qualifying offshore infrastructure projects/assets received by approved entities listed on the Singapore Exchange ("SGX"); and

c) Concessionary tax rate of 10% on qualifying income derived by an approved Infrastructure Trustee-Manager/Fund Management Company from managing qualifying SGX-listed Business Trusts/Infrastructure funds in relation to qualifying infrastructure projects/assets ("ITMFM scheme").

The schemes are scheduled to lapse after 31 December 2022.

Proposed changes

- To continue supporting the development of Singapore as an infrastructure financing hub, the existing tax incentive schemes for Project and Infrastructure Finance under (a) and (b) will be extended till 31 December 2025.

- As part of our regular review of tax incentives including their relevance, the ITMFM scheme in (c) will be allowed to lapse after 31 December 2022. Existing ITMFM scheme recipients will continue to enjoy the tax benefits for the remaining tenure of their existing awards.

- MAS will provide any consequential details by 31 May 2022.

Effective date

- The existing tax incentive schemes for Project and Infrastructure Finance under (a) and (b) will be extended till 31 December 2025.

- The ITMFM scheme will be allowed to lapse after 31 December 2022.

Comments

- In 2017, the OECD estimated that for infrastructure to be consistent with a 2°C scenario, investment needs to amount to USD 6.9 trillion per year in the next 15 years. As such, there is a big financing gap that needs to be filled and Singapore has an opportunity to retain such funds and enhance its position to be a leading project and infrastructure financing hub with the extension.

- Notwithstanding the above extension, the fund manager and approved infrastructure trustee-manager will be assessed to tax on its income at the normal corporate tax rate of 17% instead of the concessionary tax rate of 10% after 31 December 2022. However, approved fund managers under the Financial Sector Incentive – Fund Management tax incentive will continue to enjoy concessionary tax rate of 10% on the qualifying income.

Extension of Incentive Schemes

Incentive Scheme	Current	Proposed changes and effective date
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 WHT 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. Approval for ARI is currently granted on an agreement-based approach. The ARI is scheduled to lapse after 31 December 2023.	*Proposed changes* To continue encouraging companies to leverage new technologies and know-how to develop the capabilities of our local workforce and capture new growth opportunities, the ARI will be extended till 31 December 2028. The ARI will also be simplified to cover classes of royalty agreements based on an activity-set-based approach. EDB will provide further details of the changes by 30 June 2022. *Effective date* The ARI will be extended till 31 December 2028
Approved Foreign Loan ("AFL") Scheme	The AFL scheme was introduced to encourage companies to invest in productive equipment for the purpose of conducting substantive activities in Singapore. Under the scheme, tax exemption or a concessionary WHT rate may be granted on interest payments made to a non-tax resident for loans to a company to purchase productive equipment. The AFL scheme is scheduled to lapse after 31 December 2023.	*Proposed changes* To continue encouraging companies to invest in productive equipment for the purpose of conducting substantive activities in Singapore, the AFL scheme will be extended till 31 December 2028. *Effective date* The scheme is extended till 31 December 2028.
Aircraft Leasing Scheme ("ALS")	Under the ALS, approved aircraft lessors and aircraft investment managers can enjoy the following tax benefits: ▪ Approved aircraft lessors enjoy a concessionary tax rate of 8% on income derived from the leasing of aircraft or aircraft engines and qualifying ancillary activities under section 43N of the ITA;	*Proposed changes* To continue encouraging the growth of the aircraft leasing sector in Singapore, the ALS will be extended till 31 December 2027. *Effective date* The scheme is extended till 31 December 2027.

Incentive Scheme	Current	Proposed changes and effective date
	▪ Approved aircraft managers enjoy a concessionary tax rate of 10% on income derived from managing approved aircraft lessor and qualifying activities under section 43O of the ITA; and ▪ Automatic WHT exemption is granted on qualifying payments made by approved aircraft lessors to non-tax residents (excluding a permanent establishment in Singapore) in respect of qualifying loans and finance leases entered into on or before 31 December 2022 to finance the purchase of aircraft or aircraft engines, subject to conditions. The ALS is scheduled to lapse after 31 December 2022.	
Withholding tax exemption for container lease payments under operating lease ("OL") agreements	WHT exemption is allowed on container lease payments made to non-tax resident lessors (excluding payments derived from any operation carried on by the non-tax resident through its permanent establishment in Singapore) under OL agreements for the use of qualifying containers for the carriage of goods by sea. This exemption is scheduled to lapse after 31 December 2022.	*Proposed changes* To continue supporting local demand for containers, container lease payments made to non-tax resident lessors under OL agreements entered into or before 31 December 2027 will be exempted from WHT. *Effective date* The WHT exemption will be extended to payments made on or before 31 December 2027.
Withholding tax exemption for ship and container lease payments under finance lease ("FL") agreements for Maritime Sector Incentive ("MSI") recipients	WHT exemption is allowed on ship and container lease payments made to non-tax resident lessors (excluding payments derived from any operation carried on by the non-tax resident through its permanent establishment in Singapore) under FL agreements for specified MSI recipients. This exemption is scheduled to lapse after 31 December 2023.	*Proposed changes* To continue developing Singapore as an international maritime centre, ship and container lease payments made by specified MSI recipients to non-tax resident lessors under FL agreements entered into on or before 31 December 2028 will be exempted from WHT. *Effective date* The WHT exemption will be extended to payments made on or before 31 December 2028.

Comments

- ARI

  In Budget 2015, a review date of 31 December 2023 was legislated for the ARI to ensure the relevance of the scheme. The extension of the ARI demonstrates the Government's efforts in attracting the development of R&D capabilities in Singapore and encouraging the development of advanced technology here as well. We are hopeful that the activity-set-based approach will give taxpayers greater clarity on the applicability of the tax incentive based on their individual circumstances.

- AFL

  The AFL scheme was introduced in the 1960s and in Budget 2015, the minimum loan quantum under the AFL scheme was increased from $200,000 to $20 million. The Minister may also approve an AFL application of a lower amount. The date of 31 December 2023 was legislated for the review of the relevance of the scheme.

- ALS

  The extension of the ALS will help to maintain Singapore's status as an aircraft leasing hub.

- Ship and container lease payments

  The extension of the WHT exemption on ship/container lease payments will continue to strengthen Singapore's competitiveness as a logistics and shipping hub, and to promote the growth of its maritime sector to be the leading International Maritime Hub.

Withholding Tax Exemption for Non-Tax Resident Mediators and Arbitrators

Current

Non-tax resident professionals are subject to WHT tax at a rate of 15% on gross income from the profession; or they may elect to be taxed at 22% on their net income. As a concession, income derived by non-tax resident mediators and arbitrators from mediation and arbitration work carried out in Singapore is exempt from tax, subject to conditions.

These exemptions are scheduled to lapse after 31 March 2022.

Proposed changes

The existing WHT tax exemption has supported Singapore's development as an international mediation and arbitration hub. To build on the momentum, the Government will continue to support the international mediation and arbitration sectors through a holistic suite of policies and initiatives.

The WHT tax exemption will be extended till 31 March 2023.

From 1 April 2023, gross income derived by non-tax resident mediators and arbitrators from mediation and arbitration work carried out in Singapore will be subject to a concessionary WHT rate of 10%, subject to conditions. This concessionary WHT tax rate will apply till 31 December 2027.

Non-tax resident meditators and arbitrators may alternatively elect to be taxed at 24% on their net income, from YA 2024 onwards.

Effective date

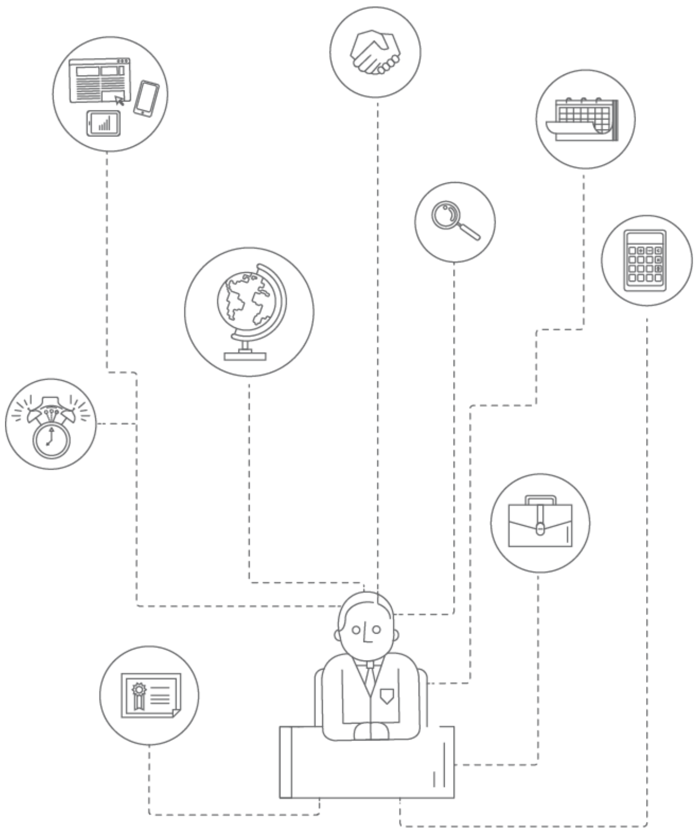
The WHT tax exemption will be extended till 31 March 2023.

Comments

- It is noted that the WHT exemption is only extended for another year, after which the non-resident mediators and arbitrators will be subject to a reduced WHT rate of 10%, subject to conditions. The Government is keen to continue to support both these sectors not just from tax perspective but to attract international players and build on our status as a mediation and arbitration hub for the region.

- It remains to be seen as to what policies and initiatives will be announced and what conditions will be imposed to qualify for the concessionary 10% WHT rate.

- Non-resident mediators and arbitrators are encouraged to review their own income tax position before deciding on opting to be taxed at 10% on gross income or 24% on net income from YA 2024 onwards.



Extend Tax Framework for Facilitating Corporate Amalgamations to Licensed Insurer

Current

The tax framework under section 34C of the ITA treats qualifying corporate amalgamations as a continuation of the existing businesses of the amalgamating companies by the amalgamated company for tax purposes. The tax framework minimises the tax consequences arising from a qualifying corporate amalgamation.

A qualifying corporate amalgamation under section 34C of the ITA comprises amalgamation of companies:

- where the notice of amalgamation under section 215F of the Companies Act 1967 ("CA") or a certificate of approval under section 14A of the Banking Act 1970 is issued on or after 22 January 2009; or

- that is court-directed under the CA or any other amalgamation of companies, provided the amalgamation has a similar effect as that of a statutory voluntary amalgamation under section 215B to 215G of the CA. Such amalgamation of companies is subject to the approval of the Minister for Finance, or such person as he may appoint.

Proposed changes

To ensure parity in treatment for all companies, including those that are in the insurance business, the tax framework for facilitating corporate amalgamations will be extended to cover amalgamation of Singapore-incorporated companies involving a scheme of transfer [1] under section 117 of the Insurance Act 1966 ("IA"), where the court order for the confirmation of the scheme referred to under section 118 of the IA is made on or after 1 November 2021.

The extension of the framework is subject to conditions, which include the following:

- The amalgamated company takes over all property, rights, privileges, liabilities, and obligations, etc. of the amalgamating company on the date of amalgamation; <u>and</u>

- The amalgamating company becomes dormant (i.e. ceases to conduct any business or any other activities, and does not derive any income) on the date of amalgamation and remains so until it is dissolved or wound up; <u>and</u>

- The amalgamating company is dissolved or wound up before the filing due date of the income tax return for the YA related to the basis period in which the scheme of transfer was effected.

The tax treatments under the tax framework will apply with modifications where appropriate.

IRAS will provide further details of the changes by 31 October 2022.

Comments

This change will provide parity in terms of treatment of insurance companies in comparison to other businesses. Insurance products are typically long tailed products. As such, in M&A situations, it may be difficult to combine both businesses easily.

We are hopeful that the extension of this framework and the details to be announced by IRAS will help provide more certainty to the tax treatment and smoothen the transition for existing insurance companies considering to undertake such transactions.

[1] To amalgamate with other licensed insurers, licensed insurers may be required to transfer their insurance-related businesses through a scheme of transfer and hence, cannot transfer these businesses through a statutory voluntary amalgamation under CA. Following the scheme of transfer, the insurers will not automatically cease to exist and will have to undergo the usual process of winding up or dissolution.

Basis Change of Tax Computation Preparation for Insurers from Financial Statements to MAS Statutory Returns

Current

Insurers generally rely on Financial Statements ("FS") prepared in accordance with the accounting standards as the basis for preparing their tax computations. The insurance returns filed with MAS for regulatory purposes ("MAS Statutory Returns") are also currently used to allow insurers to apply tax rules applicable to insurers.

Proposed changes

With the adoption of the new Financial Reporting Standard ("FRS") 117 for the preparation of FS, the MAS Statutory Returns instead of FS will be used as the basis for preparing tax computations for insurers. Related consequential adjustments to existing tax treatments will also be introduced.

This change is in view of the following:

- Insurers will not be able to prepare their tax computations using the FS prepared in accordance with FRS 117 as the FS will not provide sufficient information necessary to apply the existing tax rules such as those under section 26 of the ITA.

- Using MAS Statutory Returns as the basis for preparation of tax computations will allow the existing tax rules and tax incentives (if applicable) to continue to apply without adding substantial tax compliance burden on insurers.

Effective date

This change will take effect from YA 2024 (or YA 2025 for insurers whose financial year end is not 31 December).

IRAS will provide further details of the changes by 30 September 2022.

Comments

- Due to the way insurance companies are taxed under the ITA, the adoption of the FRS 117 will necessitate a substantial amount of work to reconcile the information provided in the tax computation to those from the FS. As such, the use of the MAS Statutory Returns as the basis may help insurers manage their tax compliance burden.

- As the change announced will only take effect from 1 January 2023, insurers will have time to consider how the upcoming details to be provided by IRAS will impact their tax computation preparation going forward.

Disclosure of Company-Related Information for Official Duties

Current

The confidentiality of information on taxpayers is provided for in sections 6 of the ITA and Goods & Services Tax Act ("GSTA"). Currently, IRAS can disclose information collected under the ITA to a public officer (or any other authorised person outside the public sector who is engaged by the Government or a statutory board) for the performance of his official duties in administering any written law or public scheme, where taxpayers have provided consent.

In the absence of taxpayers' consent, IRAS can only disclose information on taxpayers to public agencies where specific legislative exemptions have been provided (e.g. to the Department of Statistics).

Proposed changes

To support data-driven policymaking, operations, and integrated service delivery, the following changes to the ITA and GSTA will be made to facilitate the disclosure of information by IRAS for such purposes:

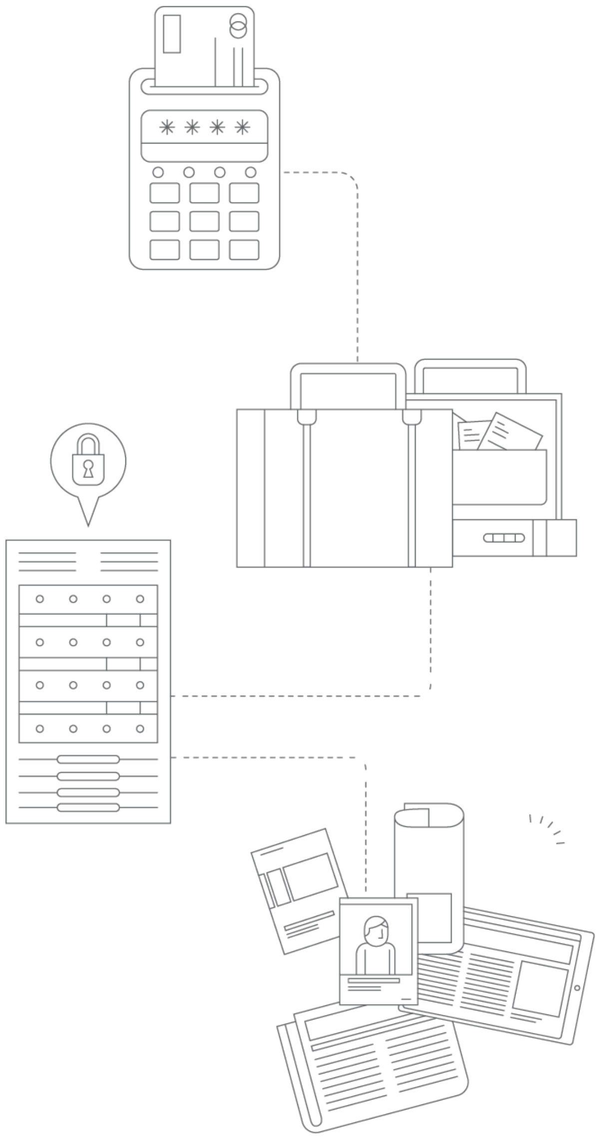
a) Where taxpayers have provided consent for their information to be shared, IRAS can disclose such information to a public officer (or any other authorised person outside the public sector who is engaged by the Government or a statutory board) for the performance of his official duties.

b) In addition, IRAS can disclose a prescribed list of identifiable information on companies to public sector agencies for the performance of official duties. This sharing of identifiable company-related information within the public sector will be conducted without the need for taxpayer's consent. Any such information shared will be made less granular by IRAS to preserve the taxpayer's confidentiality, while remaining useful to public sector agencies. For instance, the prescribed list will include the sales revenue band an identified company belongs to, but not the exact value of its sales revenue. In addition, such information will not be disclosed to any person outside the public sector even if the person is engaged by the Government or a statutory board.

Comments

- By allowing data to be shared within the public sector agencies or authorised persons engaged, there will be more efficient dissemination of information for Government-driven initiatives.

- It remains to be seen how taxpayers' consent will be sought on the sharing of their information.



Integrated Investment Allowance Scheme

Current

The Integrated Investment Allowance ("IIA") scheme grants a qualifying company an additional allowance* on fixed capital expenditure incurred for qualifying productive equipment placed overseas for approved projects.

The IIA scheme is scheduled to lapse after 31 December 2022.

* The additional allowance is granted on top of capital allowances under our corporate tax regime.

Proposed changes

As part of the regular review of tax incentives including their relevance, the IIA scheme will be allowed to lapse after 31 December 2022.

Effective date

The IIA scheme will be allowed to lapse after 31 December 2022.

Comments

- The additional allowance given under the IIA scheme may have been applicable to companies that wish to outsource their manufacturing activities overseas. However, the potential WHT and permanent establishment exposures in other countries may also make the scheme less appealing to them.

- The IIA scheme requires prior approval from EDB which could have limited its attractiveness to businesses.

GOODS AND SERVICES TAX

Increase in GST Rate

Current

The GST rate has been 7% since 1 July 2007.

Proposed changes

In view that the Singapore economy is still emerging from COVID-19, the GST rate adjustment will be delayed and increased in two steps:

- From 7% to 8% with effect from 1 January 2023; and
- From 8% to 9% with effect from 1 January 2024.

Effective date

- 1 January 2023 (7% to 8%)
- 1 January 2024 (8% to 9%)

Comments

The staggered approach of raising the GST rate demonstrates the Government's resolve and prudence to address spending needs on healthcare, education and social support amid the unstable environment, inflationary pressures as well as transition from pandemic to endemic state.

The proposed GST rate hike over two years is likely to cause practical inconveniences to the general business community, where resource commitments are necessary to align accounting, point of sales systems, documents and process changes to reflect tax rate increase and transitional rules etc. The staggered timeline gives businesses time to evaluate, adapt and apply the necessary changes.

All businesses should take this opportunity to review and fine tune their hardware, software, processes and documents to ensure that they continue to be GST compliant.

Two main areas which the business community may wish to consider:

- From the perspective of GST-registered businesses ("GRB")
  - For fully taxable GRB (where input tax credit on majority of business expenses is fully claimed), the proposed GST rate increase would not be tantamount to a corresponding rise in business cost.

    That said, GRB may be faced with the following issues:

    a) Sizeable GRB with recurring imports may need to consider an available GST suspension scheme (e.g. Major Exporter Scheme, Import GST Deferment Scheme, Approved Import GST Suspension Scheme, Zero GST warehouse scheme, etc.) to avoid cash flow inconveniences.

    b) For those billings which are mainly standard-rated with specified payment/credit terms, GRB should perhaps re-negotiate such terms with customer(s) such that the cash flow time lapse to pay for output tax falls within the same reporting period as its customer's payment.

    c) Businesses which make mainly zero-rated and/or out of scope supplies should consider monthly rather than quarterly GST reporting in order to accelerate the receipt of cash refund from IRAS.

  - Partially exempt businesses should consider assessing their existing input tax apportionment approach and seek IRAS agreement for a calibrated input tax recovery formula which is more equitable and reflective of their usage of resources.

- From the perspective of non-GST registered businesses ("NGRB")
  - The increase in GST rate by 2% means additional cost to such businesses.
  - NGRB should consider voluntary GST registration if it is financially feasible and possible.

IRAS has released details of the transitional rules on 18 February 2022.

GST Treatment for Travel Arranging Services

Current

The GST treatment of the following travel arranging services provided by local suppliers is as follows:

- Services comprising the arranging of international transport of passengers and the arranging of insurance related to such transportation are zero-rated; and
- Services comprising the arranging of accommodation are standard-rated if the property is located in Singapore, and zero-rated if the property is located outside Singapore.

Proposed changes

The online travel booking market has grown significantly over the years. To ensure that our GST system remains resilient in a growing digital economy, the basis for determining whether zero-rating applies to a supply of travel arranging services will be updated, to be based on the place where the customer (i.e. the contractual customer) and direct beneficiary of the service belong:

- If the customer of the service belongs in Singapore, the travel arranging service will be standard-rated; or
- If the customer of the service belongs outside Singapore and the direct beneficiary either belongs outside Singapore or is GST-registered in Singapore, the travel arranging service will be zero-rated.

This change will ensure that the GST rules accurately reflect the place of consumption of travel arranging services. This change will also ensure parity in GST treatment between local and overseas suppliers on the supplies of travel arranging services.

IRAS will provide further details on the changes by 31 July 2022.

Effective date

This will take effect from 1 January 2023.

Comments

The proposed transition to focus on where the contractual party and direct beneficiary of the travel arranging services belong to represent more accurately its place of consumption, separate from the provision of transport services or accommodation itself.

We foresee practical inconveniences arising from the proposed law change for service providers in the following areas:

- From the perspective of the service provider
  - GST-registered businesses ("GRB")

    a) The onus now falls on the supplier to establish whether its customers (i.e. the contractual and beneficiary parties) belong in or outside Singapore as well as the customers' GST registration status in Singapore.

    It would mean that the GRB will require a more thorough system and process to verify its customers' belonging status and such status, once established, needs to be verified periodically.

    b) This provision also affects GRB that incur the expenses in the first instance, and subsequently recover such costs from their related companies or customers.

  - Non-GST registered businesses ("NGRB")

    NGRB which previously qualify for GST registration exemption (from largely making travel arranging service which are zero-rated) or are not required to be GST registered may need to re-assess their GST status to ensure that they still remain GST compliant.

- From the perspective of the customer

  - GST-registered business

    There is a need to substantiate its GST registration status to its GST registered service provider to continue enjoying 0% GST for travel arranging services in respect of international travel.

  - Local business (customers) (non-GST registered)

    Local customers will be liable to GST from 1 January 2023 and 1 January 2024 (compared to 0% GST currently enjoyed) for travel arranging services tagged to international travel, insurance and accommodation.

  - Overseas business (non-GST registered)

    a) There is a need to substantiate its belonging status and that the direct beneficiary is also outside Singapore to continue enjoying 0% GST for travel arranging services in respect of international travel.

    b) With the overseas vendor registration ("OVR") now covering overseas suppliers of non-digital services from 1 January 2023, the same GST rate will apply for similar services procured from overseas vendors (unless they fall below the threshold for GST registration under OVR).

PERSONAL INCOME TAX

Personal Income Tax Rate Increases

Current

For Singapore tax residents, the income tax rates currently range from 0% for the first $20,000 of chargeable income to 22% for chargeable income in excess of $320,000.

Proposed changes

The new personal income tax rate structure for individuals who are tax resident in Singapore are summarised in the table below. The new tax rates will take effect from YA 2024.

Current Tax Structure			
	Chargeable income ($)	Tax rate (%)	Gross Tax payable ($)
On the first On the next	20,000 10,000	0 2.0	0 200
On the first On the next	30,000 10,000	- 3.5	200 350
On the first On the next	40,000 40,000	- 7.0	550 2,800
On the first On the next	80,000 40,000	- 11.50	3,350 4,600
On the first On the next	120,000 40,000	- 15.0	7,950 6,000
On the first On the next	160,000 40,000	- 18.0	13,950 7,200
On the first On the next	200,000 40,000	- 19.0	21,150 7,600
On the first On the next	240,000 40,000	- 19.5	28,750 7,800
On the first On the next	280,000 40,000	- 20.0	36,550 8,000
On the first	320,000	-	44,550
In excess of	320,000	22.0	

Tax Structure with effect from YA 2024			
	Chargeable income ($)	Tax rate (%)	Gross Tax payable ($)
On the first On the next	20,000 10,000	0 2.0	0 200
On the first On the next	30,000 10,000	- 3.5	200 350
On the first On the next	40,000 40,000	- 7.0	550 2,800
On the first On the next	80,000 40,000	- 11.50	3,350 4,600
On the first On the next	120,000 40,000	- 15.0	7,950 6,000
On the first On the next	160,000 40,000	- 18.0	13,950 7,200
On the first On the next	200,000 40,000	- 19.0	21,150 7,600
On the first On the next	240,000 40,000	- 19.5	28,750 7,800
On the first On the next	280,000 40,000	- 20.0	36,550 8,000
On the first	320,000	-	44,550
On the next	180,000	22.0	39,600
On the first On the next	500,000 500,000	- 23.0	84,150 115,000
On the first In excess of	1,000,000 1,000,000	- 24.0	199,150

From YA 2024, the portion of chargeable income in excess of $500,000 up to $1 million will be taxed at 23%. Chargeable income in excess of $1 million will be taxed at 24%.

The key corresponding changes to the personal income tax rates for non-tax resident individuals are noted in the table below.

Type of income	**Withholding tax rate** **From YA 2017 to YA 2023**	**Withholding tax rate** **From YA 2024 onwards**
Remuneration including director's fees received by non-resident directors	22%	24%
Income received by non-resident professionals for services performed in Singapore	15% of gross income or 22% of net income	15% of gross income or 24% of net income
Income received by non-resident public entertainers for services performed in Singapore	▪ 10% concessionary rate up to 31 March 2022 ▪ 15% concessionary rate from 1 April 2022	15% concessionary rate
SRS withdrawals received by non-Singapore SRS account holders *	22%	24%
Interest, commission, fee or other payment in connection with any loan or indebtedness **	15% reduced final withholding tax rate (subject to conditions) or 22% if reduced withholding tax rate is not applicable	15% reduced final withholding tax rate (subject to conditions) or 24% if reduced withholding tax rate is not applicable
Royalty or lump sum payments for the use of movable properties **	10% reduced final withholding tax rate (subject to conditions) or 22% if reduced withholding tax rate is not applicable	10% reduced final withholding tax rate (subject to conditions) or 24% if reduced withholding tax rate is not applicable

* With effect from 1 July 2014, the concessionary withholding tax rate of 15% will apply if the following conditions are met:

i. Cumulative amount withdrawn by the SRS account holder in the calendar year does not exceed $200,000; and
ii. The SRS account holder does not have any other income besides the SRS withdrawal(s) during the calendar year when the withdrawal(s) are made.

To enjoy this concession, the SRS account holder must declare that he fulfils the two conditions above using the Form IR37B(1). The Form IR37B(1) is obtainable from the SRS operator.

** The reduced withholding tax rate applies if the income is not derived from any trade, business, profession or vocation carried on or exercised by the non-resident individual in Singapore. If the income is derived from any trade, business, profession or vocation carried on or exercised by the non-resident individual in Singapore, then the withholding tax rate is 22% for YA 2017 to YA 2023 or 24% from YA 2024.

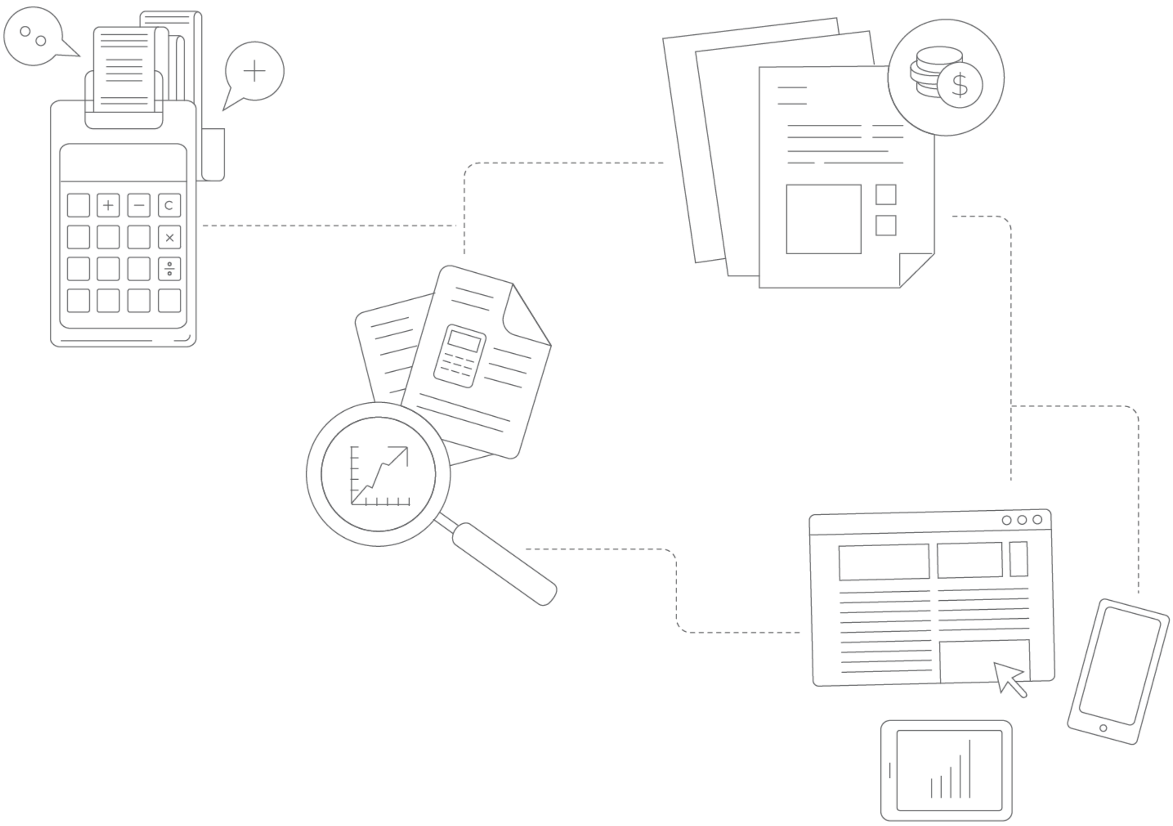
Effective date

From YA 2024

Comments

- It comes as no surprise that the Government will increase the top rate of tax for the wealthy and high wage-earners. This however would only impact the top 1.2% of the personal income taxpayers. This is in line with the Government's aim to ensure a fair and progressive tax system in Singapore whereby higher income earners contribute more to a vibrant economy and strengthen the social compact.

- The increase in top marginal income tax rate is unlikely to trigger any adverse impact on attracting and retaining foreign talents as the overall personal income tax rates in Singapore are still fairly low compared to our neighbouring countries. Singapore remains attractive to investors and businesses as a safe jurisdiction with a well-regarded education system, great opportunities and quality of life for its people.



MISCELLANEOUS

Jobs and Business Support Package

The $500 million Jobs and Business Support Package ("the Package") provides targeted help for workers and businesses in segments of the economy that are facing slower recoveries. The Package consists of the Small Business Recovery Grant and the Jobs Growth Incentive.

- Small Business Recovery Grant

  The Small Business Recovery Grant provides a one-off cash support to small businesses in sectors that were most affected by COVID-19 Safe Management Measures in 2021. To be eligible, the firm:

  - must be a "live" business entity that is physically present in Singapore and registered[2] no later than 31 December 2021;
  - must have an annual operating revenue that is less than $100 million, filed with IRAS in the YA 2021 by 31 December 2021; or employ fewer than 200 employees as of 31 December 2021; and
  - must be in one of the following sectors and also meet certain conditions.

Eligible Sectors	
Cinema Operators	Performing Arts and Arts Education
Food and Beverage	Retail
Hawker Centres, Market, Coffee shops, Food Courts and Canteens	Sports
Indoor Playgrounds and other Family Entertainment Centres	Tourism, Hospitality, Conventions and Exhibitions
Museums, Art Galleries and Historical Sites	

  Eligible firms will receive $1,000 for each local employee[3] with mandatory CPF contributions in the period from 1 November 2021 to 31 December 2021[4], up to a cap of $10,000 per firm.

  Sole proprietorships and partnerships that are run by at least one local business owner[5] but do not hire any local employees will receive a flat payout of $1,000, if the local business owner is earning a net trade income of no more than $100,000, filed with IRAS in the YA 2021 by 31 December 2021.

- Jobs Growth Incentive

  The Jobs Growth Incentive ("JGI") provides salary support for employers to expand local hiring from September 2020 to March 2022 (inclusive). The JGI has been extended by six months to September 2022, with stepped-down rates reflecting the improved labour market conditions. This extension will only cover mature workers aged 40 and above who have not been employed for six months or more, persons with disabilities, and ex-offenders.

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[2] Only Sole Proprietorships, Partnerships, Limited Liability Partnerships, and Companies that have a "live" business status with the Accounting and Corporate Regulatory Authority (ACRA) as at the point of payout are eligible. Operators and stallholders in markets, hawker centres, coffeeshops, food courts, and canteens are eligible if they have valid Singapore Food Agency (SFA) licences as of 31 December 2021 and also continue to hold an active licence at the point of payout. Societies registered under Section 4 or 4A of the Societies Act in the following sectors are also eligible: Performing Art and Arts Education; Museums, Art Galleries and Historical Sites; and Sports.

[3] Employees who are Singapore Citizens or Permanent Residents. This includes employees in a company who are also shareholders and directors of the company (shareholder-directors) who are receiving CPF contributions in respect of salaries paid under a contract of services with annual assessable income less than or equal to S$100,000. Other types of business owners (i.e. sole proprietors and partners in a partnership) are not considered employees.

[4] Mandatory CPF contributions must be made by the stipulated contribution deadline.

[5] Registered business owner who is a Singapore Citizen or Permanent Resident.

Property Tax Changes for Owner-occupied Residential Properties

Current

Since 1 January 2015, owner-occupied residential properties have been taxed at concessionary progressive property tax rates indicated in the schedule below.

Annual Value	Property Tax Rate for Owner-occupied Residential Properties
First $8,000	0%
Next $47,000	4%
Next $15,000	6%
Next $15,000	8%
Next $15,000	10%
Next $15,000	12%
Next $15,000	14%
Above $130,000	16%

Prior to 1 January 2014, owner-occupied residential properties were taxed at progressive property tax rates of between 0% and 6%.

Proposed changes

The progressive property tax rates for owner-occupied residential properties will be revised for the portion of annual value in excess of $30,000. This change will be phased in over two years as shown below, starting with property tax payable in 2023.

Annual Value	Property Tax Rate for Owner-occupied Residential Properties	
	Effective 1 Jan 2023	Effective 1 Jan 2024
First $8,000	0%	0%
Next $22,000	4%	4%
Next $10,000	5%	6%
Next $15,000	7%	10%
Next $15,000	10%	14%
Next $15,000	14%	20%
Next $15,000	18%	26%
Above $100,000	23%	32%

The final property tax rates of up to 32% will take effect for property tax payable from 1 January 2024.

This increase of property tax rates for owner-occupied residential properties affects only residential properties with annual values of over $30,000. This represents about the top 7% of all owner-occupied residential properties. The impact of the property tax rate changes for owner-occupied residential properties is illustrated below.

Annual Value	Example of Type of Property	Owner-occupied Residential Properties			
		Property Tax Payable Under Current Rates (A)	Property Tax Payable under New Rates		
			2023 (B)	2024 (C)	Final increase compared to current (C – A)
$10,000	HDB flat	$80	No change		
$30,000	Suburban condominium; Landed property	$880			
$40,000	Condominium in central location; Landed property	$1,280	$1,380	$1,480	+$200
$70,000	Large landed property	$2,780	$3,930	$5,080	+$2,300
$150,000	Very large landed property	$12,580	$20,230	$27,980	+$15,400

Effective date

The increases in property tax rates will be implemented in two steps, starting with the property tax payable in 2023.

Property Tax Changes for Non-owner-cccupied Residential Properties

Current

Since 1 January 2015, non-owner-occupied (such as vacant, or let-out) residential properties have been taxed at progressive property tax rates indicated in the schedule below.

Annual Value	Property Tax Rate for Non-owner-occupied Residential Properties
First $30,000	10%
Next $15,000	12%
Next $15,000	14%
Next $15,000	16%
Next $15,000	18%
Above $90,000	20%

Prior to 1 January 2014, non-owner-occupied properties were taxed at a flat rate of 10%.

Proposed changes

The progressive property tax rate schedule for non-owner-occupied residential properties will be revised. This change will be phased in over two years as indicated below, starting with property tax payable in 2023.

Annual Value	Property Tax Rate for Non-owner-occupied Residential Properties	
	Effective 1 Jan 2023	Effective 1 Jan 2024
First $30,000	11%	12%
Next $15,000	16%	20%
Next $15,000	21%	28%
Above $60,000	27%	36%

The final property tax rates of up to 36% will take effect for property tax payable from 1 January 2024.

This change will affect all non-owner-occupied residential properties. The impact of the property tax rate changes for non-owner-occupied residential properties is illustrated in the table below.

Annual Value	Example of Type of Property	Non-owner-occupied Residential Properties			
		Annual Property Tax Payable Under Current Rates (A)	Annual Property Tax Payable under New Rates		
			2023 (B)	2024 (C)	Final increase compared to current (C – A)
$10,000	HDB flat	$1,000	$1,100	$1,200	+$200
$30,000	Suburban condominium; Landed property	$3,000	$3,300	$3,600	+$600
$40,000	Condominium in central location; Landed property	$4,200	$4,900	$5,600	+$1,400
$70,000	Large landed property	$8,500	$11,550	$14,400	+$5,900
$150,000	Larger landed property	$24,000	$33,150	$43,200	+$19,200

Effective date

The increases in property tax rates will be implemented in two steps, starting with the tax payable in 2023.

Comments

- In trying to construct a fairer and more resilient tax system where the well to do will help shoulder a greater proportion of the tax burden, many countries have been introducing/considering different forms of taxes on wealth. Together with the higher Additional Registration Fee for luxury cars and higher personal income tax rates on the top 1.2% of personal income taxpayers, the rise in property taxes was widely anticipated. In line with the other tax changes announced, property tax changes will impact those living in or owning higher-end private properties with higher annual values.

- Even as the pandemic rages on, Singapore's property prices and transaction volume continue to rise. The rise in property tax together with other measures introduced by the Government earlier may help to ensure property prices do not get over-heated and prices will stay within reach of an average Singaporean.

Progressive Wage Credit Scheme

With the aim of uplifting lower-wage workers, enhancements to Progressive Wages are introduced. These include expanding coverage to new sectors and occupations and the new Local Qualifying Salary requirement, as well as enhancements to the Workfare Income Supplement scheme.

To provide transitional support for employers in implementing the Progressive Wage moves, the Government will introduce the Progressive Wage Credit Scheme ("PWCS").

PWCS provides transitional support to employers by co-funding wage increases of lower-wage workers between 2022 and 2026. Employers do not need to apply. IRAS will credit payouts for employers that have implemented eligible wage increases into their accounts by the first quarter of the year following the wage increases.

The Government co-funding levels are noted below.

Qualifying Year	Payout Period	First Tier Gross Monthly Wage Ceiling ≤$2,500	Second Tier Gross Monthly Wage Ceiling > $2,500 and ≤$3,000
2022	Q1 2023	50%	30%
2023	Q1 2024	50%	30%
2024	Q1 2025	30%	15%
2025	Q1 2026	30%	-
2026	Q1 2027	15%	-

The PWCS has the following features:

- Targeted at resident lower-wage employees with gross monthly wages of up to $2,500
- Additional tier of support for employees with gross monthly wages above $2,500 and up to $3,000
- Average gross monthly wage increase must be at least $100 to be eligible for the PWCS payout in each qualifying year
- Co-fund wage increases in each qualifying year for two years

Senior Worker CPF Contribution Rates

In 2019, the Government announced that CPF contribution rates will be raised gradually over this decade for Singaporean and Permanent Resident workers aged above 55 to 70 (see table below).

Age Band	Contribution Rate		
	2016-2021 %	From 1 Jan 2022 %	By ~2030 %
55 and below	37.0	No change	
Above 55 to 60	26.0	28.0	37.0
Above 60 to 65	16.5	18.5	26.0
Above 65 to 70	12.5	14.0	16.5
Above 70	12.5	No change	

Note: The timeline is subject to changes depending on prevailing economic conditions.

The first increase took effect from 1 January 2022. To mitigate the rise in business costs, the Government is providing employers with a one-year CPF Transition Offset which is equivalent to half of the increase in employer CPF contribution rates for every Singaporean and Permanent Resident worker they employ who is aged above 55 to 70.

The next increase will take place on 1 January 2023. As with the first increase, this increase will be fully allocated to the Special Account to help senior workers save more for retirement. A similar one-year CPF Transition Offset will be automatically provided for the 2023 increases.

Age Band	CPF Contribution Rates			CPF Transition Offset %
	Employer %	Employee %	Total %	
55 and below	No change			
Above 55 to 60	14.5 (+0.5)	15.0(+1.0)	29.5 (+1.5)	0.25
Above 60 to 65	11.0 (+1.0)	9.5 (+1.0)	20.5 (+2.0)	0.50
Above 65 to 70	8.5 (+0.5)	7.0 (+1.0)	15.5 (+1.5)	0.25
Above 70	No change			

i. The CPF contribution rates are stated as a percentage of wages.

ii. The percentage point figures in parentheses refer to the increase in CPF contribution rates from 1 January 2023, compared to current levels.

Foreign Workforce Policies

Singapore has in place a comprehensive foreign worker policy framework to allow companies to access a diverse pool of manpower which is continually reviewed and adjusted to ensure there is a combination of local and foreign professionals to form the best teams in Singapore to create value together.

The following changes will be introduced:

- Reduction in Dependency Ratio Ceiling ("DRC")

  DRC will be reduced[6] for the Construction and Process sectors from 1 January 2024.

Sector	Current	Changes
Construction	87.5%	To be reduced to 83.3% from 1 January 2024.
Process	87.5%	To be reduced to 83.3% from 1 January 2024.

- Foreign Worker Levy ("FWL") Rates

  The Tier 1 S Pass FWL rate will be progressively raised from $330 to $650 by 2025.

Pass Type	Tier	DRC	Levy Rates ($)			
			Current	Changes		
				From 1 Sep 2022	From 1 Sep 2023	From 1 Sep 2025
S Pass	Tier 1	≤ 10%	$330	$450	$550	$650
	Tier 2	> 10%*	$650	None		

Note: *The S Pass sub-DRC is 18% in Manufacturing, Construction, Marine Shipyard, and Process; and 10% in Services sector.

From 1 January 2024, the FWL rates for Work Permit holders ("WPHs") in the Construction and Process sectors will be adjusted. The Man-Year Entitlement ("MYE") framework in both sectors will also be dismantled.

Sector/WPHs	Category	Current		Changes (from 2024)	
		Higher-Skilled (R1)	Basic-Skilled (R2)	Higher-Skilled (R1)	Basic-Skilled (R2)
Construction					
Non-Traditional Sources	MYE Waiver	$600	$950	$500	$900
	MYE	$300	$700		
PRC	MYE Waiver	$600	$950	$300	$700
	MYE	$300	$700		
Malaysia, North Asian Sources	--	$300	$700		
Off-site	--	$300	$700	$250	$370

[6] When a DRC or a sub-DRC cut is implemented, firms that have exceeded the revised DRC or sub-DRC will not be able to renew work passes of foreign workers or hire new foreign workers. However, for the foreign workers above the DRC/sub-DRC limits, firms can retain them until their work passes expire to avoid disrupting existing operations.

Sector/WPHs	Category	Current		Changes (from 2024)	
		Higher-Skilled (R1)	Basic-Skilled (R2)	Higher-Skilled (R1)	Basic-Skilled (R2)
Process					
Non-Traditional Sources	MYE Waiver	$600	$750	$300	$650
	MYE	$300	$450		
PRC	MYE Waiver	$600	$750	$200	$450
	MYE	$300	$450		
Malaysia, North Asian Sources	--	$300	$450		

Note: North Asian Sources refer to Hong Kong, Macau, South Korea, and Taiwan. Non-Traditional Sources refer to Bangladesh, India, Myanmar, Philippines, Sri Lanka, and Thailand.

- Minimum Qualifying Salaries for Employment Pass and S Pass holders

Pass Types/Sectors	Minimum Qualifying Salary ($)	
	Current	Changes
Employment Pass		
All sectors, except for Financial Services	$4,500	$5,000 (increases up to $10,500 for a candidate in mid-40s)
Financial Services	$5,000	$5,500 (increases up to $11,500 for a candidate in mid-40s)

Note: *These changes will apply to new EP applications from 1 September 2022, and to renewal applications from 1 September 2023.

Pass Types/Sectors	Minimum Qualifying Salary ($)			
	Current	Changes# for new applications		
		1 Sep 2022	1 Sep 2023	1 Sep 2025
S Pass				
All sectors, except for Financial Services	$2,500	$3,000 (increases up to $4,500 for a candidate in mid-40s)	At least $3,150*	At least $3,300*
Financial Services	$3,000	$3,500 (increases up to $5,500 for a candidate in mid-40s)	At least $3,650*	At least $3,800*

Note:

These changes will apply to renewal applications one year later (e.g. the increase for new applications from 1 September 2022 will only affect renewals from 1 September 2023 onwards).

* The finalised values will be announced closer to the implementation date based on prevailing local Associate Professionals and Technicians ("APT") wages at the time.

Additional Registration Fee Tier for Cars

Current

The Additional Registration Fee ("ARF") is currently tiered based on the following rates:

Open Market Value ("OMV")	ARF rate
First $20,000	100% of OMV
Next $30,000	140% of OMV
In excess of $50,000	180% of OMV

Proposed changes

To improve progressivity in the vehicle tax system, the portion of OMV in excess of $80,000 for cars will be taxed at 220%.

OMV	ARF rate
First $20,000	100% of OMV
Next $30,000	140% of OMV
Next $30,000	180% of OMV
In excess of $80,000	220% of OMV

The new rates will apply to all cars, including imported used cars, and goods-cum-passenger vehicles registered with Certificates of Entitlement ("COEs") obtained from the second COE bidding exercise in February 2022 onwards.

For cars that do not need to bid for COEs (e.g. taxis, classic cars), the new rates will apply from 19 February 2022.

Further details will be announced by Land Transport Authority.

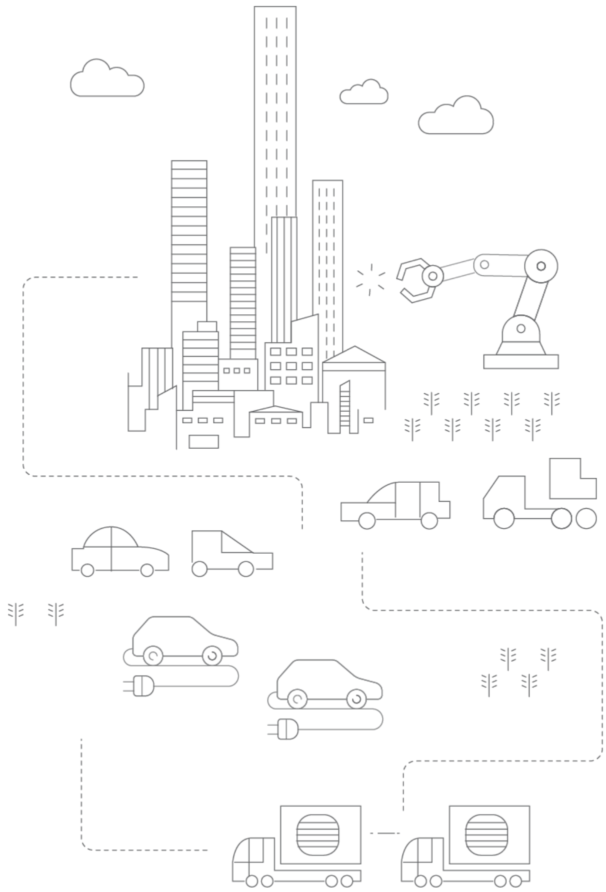
Effective date

February 2022

Comments

- In line with the goal of building a fairer tax system where those with the means will bear a greater proportion of tax burden, this change will impact those who will be acquiring luxury cars whose OMV is in excess of $80,000.

- As the new ARF also applies to goods-cum-passenger vehicles, it may also impact businesses which require new vehicles for their operations. Businesses may consider to acquire vehicles with lower OMVs.



ABBREVIATIONS

CPF	Central Provident Fund
EDB	Economic Development Board
GST	Goods and Services Tax
IRAS	Inland Revenue Authority of Singapore
ITA	Income Tax Act
MAS	Monetary Authority of Singapore
MNEs	Multi-National Enterprises
MOF	Ministry of Finance
OECD	Organisation for Economic Co-operation and Development
R&D	Research and Development
SMEs	Small and Medium-sized Enterprises
SRS	Supplementary Retirement Scheme
WHT	Withholding Tax
YA	Year of Assessment

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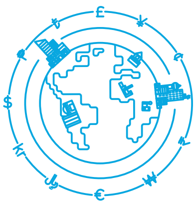
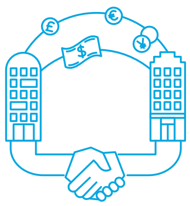


- Corporate Cross-border Tax Structuring and Planning
- Private Client, Family Offices and Wealth Planning
- Funds (including Variable Capital Companies) Planning and Structuring
- Tax Incentive Applications
- Tax Investigation, Audit and Due Diligence
- Advance Tax Ruling Applications
- Corporate Income Tax Compliance Services
- Personal Income Tax Compliance and Global Mobility Services

Goods & Services Tax

- Assisted Compliance Assurance Programme Review ("ACAP")
- Assisted Self-help Kit Review ("ASK") and GST Health-Check
- GST Guidebook and Tax Code Analysis
- Due Diligence Reviews for Mergers and Acquisitions and IPO
- GST Scheme Certifications
- GST Analytics, Consulting and Advisory

Transfer Pricing



- Transfer Pricing Documentation Preparation
- Country-by-Country Reporting
- Policy Development and Implementation
- Transfer Pricing Planning and Tax-efficient Value Chain Transformation
- Advance Pricing Arrangements and Rulings
- Risk Assessment and Controversy Management
- Transfer Pricing Audit Defences
- Due Diligence for Mergers and Acquisitions

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ABOUT RSM in Singapore

Largest accounting & business advisory group outside Big 4

Member of RSM International, **world's 6th largest** global audit, tax and consulting network

Over **1,200** professionals in Singapore, China & Malaysia

> 35 years' experience serving businesses

As advisors to growing businesses, we help clients to:

Maximise profits

Internationalise

Enhance business value

WHY RSM?

Clients partner RSM for the exceptional value it offers

Client-centric service

- Industry specialisations and expertise
- Extensive hands-on management involvement
- One-stop end-to-end capabilities across business life cycle
- Single point of contact
- Advisory-driven work focused on mid-market

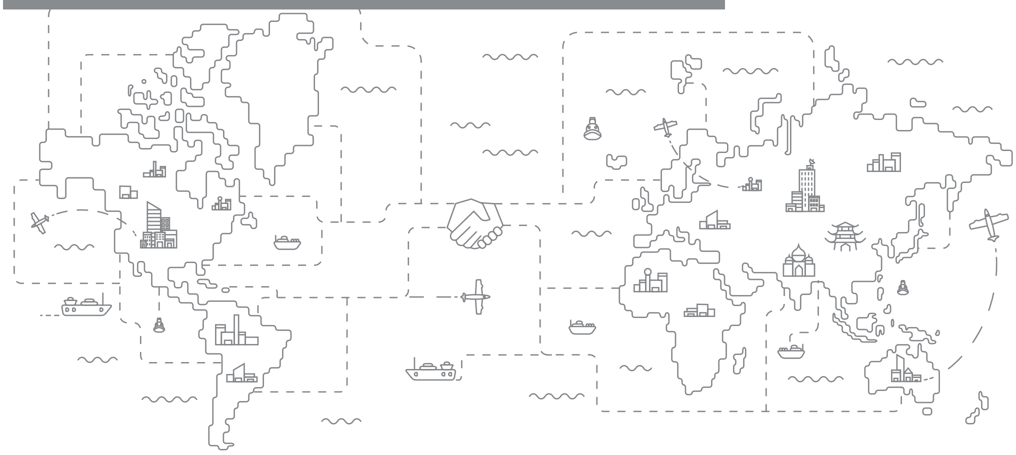
High quality standards

- First CPA firm certified to meet International ISO 9001:2015 standards
- SSAE 18 Compliant
- Listed by World Tax (a Euromoney publication) since 2006 as one of Singapore's leading tax firms
- Registered with the Public Company Accounting Oversight Board

Global reach for internationalisation needs

RSM International

> 51,000 staff **> 860** offices **123** countries



GROWING WITH YOU

Growing with you

	Start Up ↗ Small Business	Build Up ↗ SME	Scale Up ↗ Enterprise
Your Priorities	• Focus on core business • Get foundations right • Drive revenue & cash flow	• Drive growth • Improve profits • Recruit & manage talent	• Internationalise • Expand business • Raise funds • Plan business succession • Enhance business value
Our Solutions	• Business Registration & Advisory • Accounting, Payroll & Technology • Cash Flow Management	• Accounting & Advisory • Corporate Secretarial & Advisory • IT Managed Services • Payroll & HR Outsourcing • Profit Improvement & Analytics	• Contract Staffing & Recruitment • Corporate Compliance & Governance • Internationalisation • Operational Intelligence • Risk Management • China Practice

Other Services

Audit & Tax	**Tax** • Transaction & International Tax Advisory • Corporate & Personal Tax • Transfer Pricing • GST
	Audit • Reporting Accountants • Special Reviews • Statutory Audit • Regulatory Compliance Reporting
Advisory	**Corporate Advisory** • Business Grooming / Planning • Financial & Tax Due Diligence • Merger & Acquisition Advisory • Transaction Support • Valuation Advisory
	Business Consulting • Profit Improvement • Regulatory & Compliance Advisory • Internal Audit • Governance • Digital Trust Solutions • Risk Consulting • Data Protection • Sustainability Management
	Restructuring & Forensics • Corporate Restructuring & Insolvency • Individual Insolvency • Crisis Management & Rehabilitation • Litigation Support & Forensics
Business Solutions	• Accounting & Advisory • Contract Staffing, Recruitment & Pass Services • Formation, Compliance & Advisory • Technology Managed Services • Payroll Outsourcing & HR Advisory

INDUSTRY SPECIALISATIONS

The hallmark of a good business partner is the ability to understand and identify your needs and goals in your industry. For industry-specific insights and tailored solutions to help tackle your challenges or grow your business, please contact our specialists below

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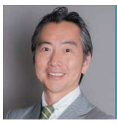
Japan Desk



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