SINGAPORE BUDGET 2020

On 18 February 2020, Deputy Prime Minister and Minister for Finance, Mr Heng Swee Keat delivered the Singapore Budget 2020.

With the Covid-19 outbreak, both the global economy and local businesses are currently experiencing difficult times. The economic environment is filled with uncertainty as no one can predict the outbreak's duration.

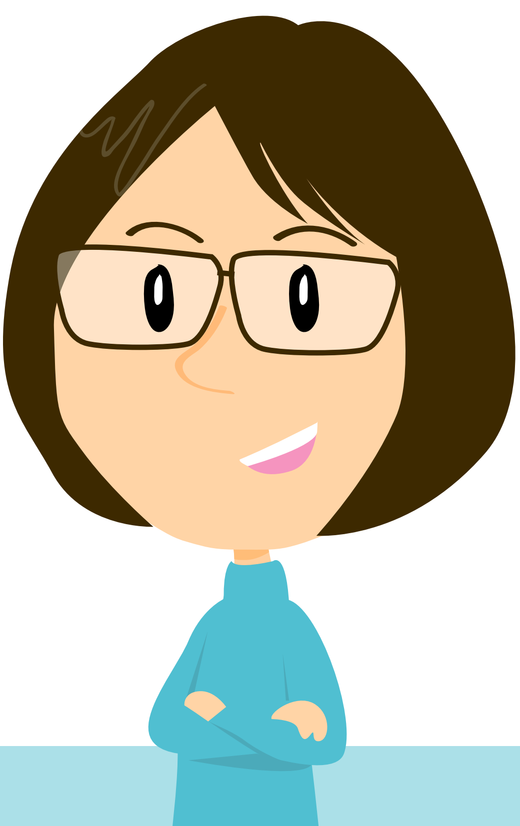
This much anticipated Budget sets out various reliefs and support packages to help cushion the impact of such challenging times. It addresses Singaporeans' immediate concerns through the Stabilisation and Support Package for businesses and the Care and Support Package for Singaporean households. Individuals can look forward to SkillsFuture Credit top-up and some of us will receive a one-off cash payout of up to $300.

It is most appropriate that GST will remain at 7% for now and in 2021, although the planned increase to 9% will still take place by 2025. To this, the Budget has prepared the Assurance Package for GST ready to be rolled out when the GST increase takes effect sometime from 2022 to 2025.

"Our biggest asset is our exceptional people." This statement in Budget 2020 stood out to me as I am thankful for the sound and prudent discretion that our leaders, past and present, have exercised in accumulating reserves. We can now swiftly roll out temporary support measures and still have the capacity to plan and cater for our future.

In this write up, I provide an update on certain Tax changes that are relevant for small and medium companies. I hope you will find the information useful.

Best regards,
Genevieve



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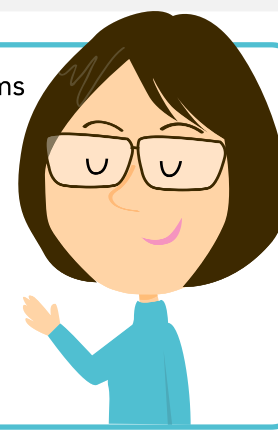
1 Grant the corporate tax rebate and additional 2 months instalments for taxes on Estimated Chargeable Income ("ECI").

Item	Current Treatment	New Treatment
Corporate tax rebate	**YA 2020** No corporate tax rebate.	**YA 2020** Corporate tax rebate of 25% of tax payable, capped at $15,000 will be granted.
Additional 2 months instalment for taxes on ECI	Companies paying taxes by GIRO can enjoy up to 10 interest-free monthly instalments if they file their ECI within 3 months from their year end.	Qualifying companies can enjoy additional 2 months of interest-free instalments. Applicable to ECIs filed:- a) from 19 February 2020 to 31 December 2020; and b) before 19 February 2020, and have ongoing instalments to be made in March 2020.

- Both measures are part of the Stabilisation and Support package, which aims to help businesses ease their cash flow to meet business costs. Companies that wish to enjoy instalments should ensure that GIRO applications are approved before they submit their ECIs.
- Other temporary measures aimed at providing support include the Jobs Support scheme and enhanced Wage Credit scheme. All active employers can receive support in the form of cash, calculated based on salaries paid to qualifying employees within the prescribed periods. Eligible businesses can expect these cash payout in the second half of 2020.



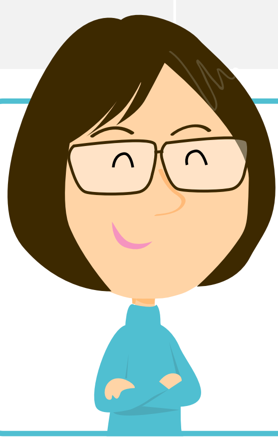
2 Enhance the Loss Carry-Back Relief scheme

Item	Current Treatment	New Treatment
Loss Carry-Back Relief	Qualifying deductions (i.e. current year unabsorbed capital allowances and trade losses) for a YA may be carried back to offset the assessable income of the preceding YA, capped at $100,000 and subject to conditions.	For YA 2020, the scheme is enhanced to allow qualifying deductions to be carried back up to 3 immediate preceding YAs, capped at $100,000 and subject to conditions. Companies may elect to carry back an estimate of the qualifying deductions for YA 2020, before the actual tax return filing. IRAS will provide details of the change by March 2020.

For businesses that may be temporarily unprofitable and have qualifying deductions, the scheme allows eligible businesses to receive refund of taxes paid in previous qualifying years.

3 Option to accelerate the write-off of plant and machinery and the deduction of Renovation and Refurbishment ("R&R") expenses

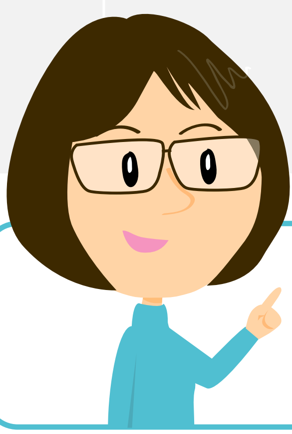
Item	Current Treatment	New Treatment
Write-off of plant and machinery	Businesses which incurs capital expenditure on qualifying plant and machinery may claim capital allowances under Section 19 over the asset's working life or over 3 years as provided under Section 19A(1).	Businesses have the option to accelerate the capital allowance claims over 2 years for qualifying plant and machinery incurred for YA 2021 (i.e. FY 2020). The rates of accelerated claims are:- a) 75% write off in the first year (i.e. YA 2021); and b) 25% write off in the second year (i.e. YA 2022). The claims cannot be deferred in both YAs. Once exercised, this option is irrevocable.
Deduction of R&R expenses	Businesses which incurs qualifying R&R expenditure can claim tax deduction over 3 consecutive years, starting from the YA the R&R is incurred. A cap of $300,000 for every relevant period of 3 consecutive YAs applies.	For qualifying R&R expenditure incurred for YA 2021 (i.e. FY 2020), businesses have the option to claim accelerated deduction in 1 YA. A cap of $300,000 for every relevant period of 3 consecutive YAs will still apply. Once exercised, this option is irrevocable.



- For businesses with plans to invest in new fixed assets or who may use the current lull period to refurbish their business premise, the accelerated claims and deductions will result in a lower taxable income.
- With the Loss Carry-Back scheme, companies with unutilised losses in YA 2021 can carry back these accelerated claims and deductions to set off against their YA 2020 income, resulting in refund of taxes.

4 Extend and enhance the Double Tax Deduction for Internationalisation ("DTDi") scheme

Item	Current Treatment	New Treatment
DTDi	200% tax deduction on costs incurred on qualifying market expansion and investment development expenses, subject to approval from Enterprise Singapore or STB. No prior approval is needed for tax deduction on the first $150,000 of qualifying expenses incurred on certain prescribed activities. The scheme is set to lapse after 31 March 2020.	The scheme is extended till 31 December 2025. With effect from 1 April 2020, the scheme is enhanced to include:- a) Third party consultancy costs relating to **new** overseas business development to identify suitable talent and build up business network; and b) New categories of expenses incurred for overseas business missions (i.e. fees incurred on speaking spots to pitch products/services at overseas business and trade conferences, transporting materials/samples used during the business missions, and third-party consultancy costs to arrange business networking events to promote products/services.) Enterprise Singapore will provide details of the change by March 2020.

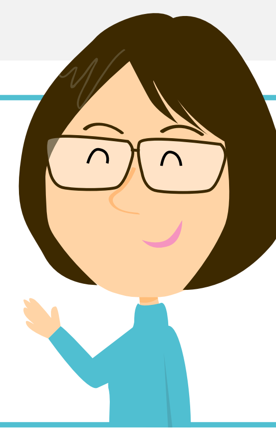


Businesses participating in overseas business developments trips and trade fairs often overlook claiming DTDi in their tax returns. The scheme covers a wide range of qualifying activities and is a handy tool that we actively tap on to help our clients achieve tax savings.

5 Extend and refine the upfront certainty of non-taxation of companies' gains on disposal of ordinary shares

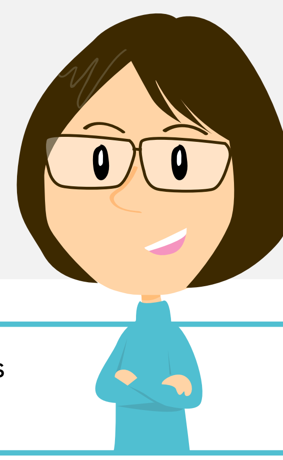
Item	Current Treatment	New Treatment
Companies' gains on disposal of ordinary shares	Gains derived from the disposal of ordinary shares by companies will not be taxed, if the divesting company:- a) holds a minimum shareholding of 20% in the investee company; and b) maintained the minimum 20% shareholding for a minimum period of 24 months just prior to the disposal. The scheme excludes disposals of unlisted shares in an investee company trading or holding Singapore immovable properties (other than the business of property development.) The scheme is set to lapse after 31 May 2022.	The scheme is extended to cover qualifying disposals of ordinary shares from 1 June 2022 to 31 December 2027. For shares disposed on or after 1 June 2022, the scheme will not apply to disposals of unlisted shares in an investee company that is in the business of trading, holding or **developing** immovable properties **in Singapore or abroad.** IRAS will provide more details by June 2020.

- The extension of this scheme will provide upfront certainty to companies undertaking corporate restructuring and thereby enhance Singapore as an investment holding hub.
- Local investors intending to invest in offshore real estate companies may consider tapping on the fund tax incentive schemes. Such schemes provide tax exemption on the gains on disposals of ordinary shares in an offshore investee company that is in the real estate business.

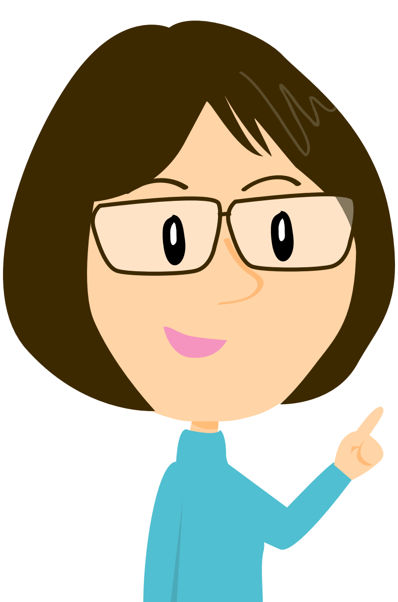


6 Extend the Mergers & Acquisitions ("M&A") scheme

Item	Current Treatment	New Treatment
M&A	The scheme grants the following:- a) M&A allowance (written down over 5 years) that is based on 25% of the value of qualifying acquisition. All qualifying acquisitions is capped at $40 million per YA; b) Stamp duty relief on qualifying acquisition, capped at $80,000 of stamp duty per YA; and c) 200% tax deduction on transaction costs incurred on qualifying M&A deals, capped at $100,000 per YA. Case-by-case waiver of the condition that acquiring companies must be held by an ultimate holding company that is incorporated in and tax resident in Singapore is allowed since 2012. The scheme is set to lapse after 31 March 2020.	The scheme is extended to cover qualifying acquisitions made on or before 31 December 2025. For acquisitions made on or after 1 April 2020, these changes apply:- a) Stamp duty relief will lapse for instruments executed on or after 1 April 2020; and b) No waiver will be granted for the condition that acquiring companies must be held by an ultimate holding company that is incorporated in and tax resident in Singapore.



The extension of the scheme is a welcomed move to encourage companies to consider M&A as a strategy for growth and internationalisation.



Got a question?

Business owners who are keen to get more information on the above can contact us. The devil is in the detail, hence one of the best ways to achieve tax efficiency is to start the tax planning process early. Email us at gc@gctaxservices.com

About us

GC Tax Services Pte. Ltd. (UEN : 201500646E) is founded by Genevieve Chan, an Accredited Tax Advisor (Income Tax) of the Singapore Institute of Accredited Tax Professionals. With fifteen years of experience working in Big 4 firms and mid-size accounting companies, Genevieve provides business and tax solutions that are both practical and effective.