

SINGAPORE BUDGET 2016

On 24 March 2016, the Finance Minister delivered the Singapore Budget 2016.

We present below 5 Tax changes which might affect you. Through this brief write-up, we hope to provide a timely update of the Tax changes which could help you re-strategise some of your business plans.

5 TAX CHANGES WHICH MIGHT AFFECT YOU

1. ENHANCING THE CORPORATE TAX REBATE FOR YA 2016 AND 2017

Current treatment : The corporate tax rebate was 30% of tax payable for YA 2016 and 2017, subject to a cap of \$20,000 per YA.

New treatment : The corporate tax rebate will be raised to 50% for YA 2016 and 2017, subject to a cap of \$20,000 per YA.

Comments : Good news as companies have more funds for reinvestment in the business.

2. LOWERING THE PIC CASH PAYOUT RATE

Current treatment : Businesses can convert qualifying expenditure into a non-taxable cash payout at a rate of 60% on up to \$100,000 of expenditure per YA.

New treatment : The cash payout rate will be lowered to 40% for qualifying expenditure incurred from 1 August 2016.

Comments : Businesses should assess if the PIC expenditure can be brought forward and incurred before 1 August 2016 to enjoy the higher cash payout rate.

3. ALLOWING THE PIC SCHEME TO LAPSE

The PIC scheme has been extended for YA 2016 to YA 2018 in Budget 2014. The scheme will expire thereafter and it will not be available from YA 2019.

Comments : The Minister's decision to allow the scheme to expire was not something unexpected as the real benefits of the scheme had been widely debated.

4. EXTENDING THE DOUBLE TAX DEDUCTION FOR INTERNATIONALISATION SCHEME

The scheme allowed automatic double tax deduction, on up to \$100,000 of qualifying expenses incurred on overseas business development and investment study trips, and participation in overseas and approved local trade fairs.

The scheme is extended to 31 March 2020. Further details will be released by June 2016.

Comments : Another good news! Study the requirements of the scheme early so you obtain the necessary documents to substantiate the claims.

5. AUTOMATION SUPPORT PACKAGE

The Automation Support Package is a new initiative to support firms to automate, drive productivity and scale up. SPRING will be implementing the Automation Support Package comprising 4 components:

a) Support under SPRING's Capability Development Grant (CDG)

The scope of the CDG grant will be widened to support up to 50% of qualifying cost. The grant is capped at \$1 million.

b) Investment Allowance (IA)

Qualifying projects may be eligible for an IA of 100% on the amount of the approved capital expenditure, net of grants. This IA is granted in addition to the existing capital allowance for plant and machinery. There is a cap of approved capital expenditure of \$10 million per project.

c) Enhanced financing support

The government will increase the risk-share with participating financial institutions under SPRING's Local Enterprise Finance Scheme (LEFS) equipment loan, from 50% to 70% for qualifying projects. The LEFS is also expanded to cover equipment loan for non-SMEs at 50% risk-share with participating financial institutions.

d) Access to overseas market

IE Singapore will work with SPRING where relevant to help businesses to access overseas markets.

More details will be announced by the Ministry of Trade and Industry.

Comments : The Automation Support Package integrates several benefits in one scheme, which SMEs can then access more efficiently. Companies that invest heavily in automation would be looking out earnestly for details to be announced.

With the expiration of the PIC scheme, we think the Automation Support Package could be setting the next wave in the SME tax scene.

CONTACT US



GC Tax Services Pte. Ltd. was established in 2015 and headed by Genevieve Chan. Genevieve is an Accredited Tax Advisor (Income Tax) of the Singapore Institute of Accredited Tax Professionals with fifteen years of experience in Big 4 firms and mid-size accounting companies.

Genevieve specialises in Singapore taxation and advisory matters for SMEs. Her in-depth knowledge of tax incentive schemes such as the Productivity and Innovation Credit ("PIC") scheme enabled her clients to maximise tax benefits and achieve tax efficiencies.

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