ANNEX A-4: TAX CHANGES

Tax Changes for Businesses

S/N	Name of Tax Change	Current Treatment	New Treatment
Addressing Near Term Concerns			
1	Enhancing the Corporate Income Tax ("CIT") Rebate for Year of Assessment ("YA") 2016 and YA 2017	Companies enjoy a 30% CIT rebate for YA 2016 and YA 2017, with a cap of $20,000 rebate per YA.	To help companies, especially Small and Medium Enterprises ("SMEs"), the CIT rebate will be raised to 50% for YA 2016 and YA 2017, subject to a cap of $20,000 rebate per YA.
Transforming Enterprises			
2	100% Investment Allowance ("IA") under the Automation Support Package (Refer to Annex A-2)	There is currently no Automation Support Package.	To support firms to automate, drive productivity and scale up, SPRING will implement an Automation Support Package comprising four components: a) **Support under SPRING's Capability Development Grant:** The Capability Development Grant will be expanded to support the roll-out or scaling up of automation projects at up to 50% of the qualifying cost. The grant is capped at

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			$1 million; b) **IA:** Qualifying projects may be eligible for an IA of 100% on the amount of approved capital expenditure[1], net of grants. This IA is in addition to the existing capital allowance for plant and machinery. The approved capital expenditure is capped at $10 million per project; c) **Enhanced financing support:** To improve access to loans for qualifying projects, the government will increase the risk-share with participating financial institutions under SPRING's Local Enterprise Finance Scheme equipment loan, from 50% to 70% for qualifying projects undertaken by SMEs. We will also expand Local Enterprise Finance Scheme to cover equipment loan for non-SMEs at 50%

[1] Fixed capital expenditure is defined under the Economic Expansion Incentives (Relief from Income Tax) Act.

S/N	Name of Tax Change	Current Treatment	New Treatment
			risk-share with participating financial institutions; and d) IE Singapore will work with SPRING where relevant to help businesses to access overseas markets. MTI will announce more details at the Committee of Supply.
3	Enhancing the Mergers & Acquisitions ("M&A") scheme	To encourage M&As especially among SMEs, we currently provide M&A tax allowance of 25% and stamp duty relief, for up to $20m of consideration paid for qualifying M&A deals each year.	To support more M&As, the existing cap for qualifying M&A deals will be doubled from $20m to $40m, such that: a) Tax allowance of 25% will be granted for up to $40m of consideration paid for qualifying M&A deals per YA; and b) Stamp duty relief will be granted for up to $40m of consideration paid for qualifying M&A deals per financial year. This change will take effect for qualifying M&A deals made from 1 April 2016 to 31

S/N	Name of Tax Change	Current Treatment	New Treatment
			March 2020. IRAS will release further details of the change by June 2016.
4	Extending the upfront certainty of non-taxation of companies' gains on disposal of equity investments under Section 13Z of the Income Tax Act ("ITA")	Under Section 13Z, gains derived from the disposal of equity investments by companies will not be taxed, if: a) the divesting company holds a minimum shareholding of 20% in the company whose shares are being disposed; and b) the divesting company maintains the minimum 20% shareholding for a minimum period of 24 months just prior to the disposal. For share disposals in other scenarios, the tax treatment of the gains/ losses arising from share disposals will be	To provide upfront certainty to companies in their corporate restructuring, the scheme under Section 13Z will be extended till 31 May 2022 (to cover disposal of equity investments from 1 June 2017 to 31 May 2022). All conditions of the scheme remain the same.

S/N	Name of Tax Change	Current Treatment	New Treatment
		determined based on the facts and circumstances of the case. Section 13Z applies to companies' disposal of equity investments from 1 June 2012 to 31 May 2017.	
5	Extending the Double Tax Deduction ("DTD") for Internationalisation scheme	Under the DTD for Internationalisation scheme, businesses are allowed automatic [2] DTD, on up to $100,000 of qualifying expenses incurred on or before 31 March 2016 on the following qualifying activities: a) Overseas business development trips/ missions; b) Overseas investment study trips/ missions; c) Participation in overseas trade	To support businesses in their internationalisation efforts, the DTD for Internationalisation scheme will be extended for another four years from 1 April 2016 to 31 March 2020. The existing automatic DTD on expenses up to $100,000 will also be extended to qualifying expenditure incurred during this same period (1 April 2016 to 31 March 2020). All other conditions of the scheme remain the same. IE Singapore will release further details of the change by June 2016.

[2] This means that there is no need for approval from IE Singapore or STB.

S/N	Name of Tax Change	Current Treatment	New Treatment
		fairs; and d) Participation in approved local trade fairs. Approved businesses may also apply to IE Singapore or STB on qualifying expenditure that exceeds the above mentioned $100,000 cap, or on qualifying expenditure incurred on other qualifying activities, on a case-by-case basis. The DTD for Internationalisation scheme is scheduled to lapse after 31 March 2016.	
6	Enhancing the Land Intensification Allowance ("LIA") scheme	The LIA scheme grants an initial allowance of 25% and an annual allowance of 5% on the qualifying capital expenditure incurred for the construction or renovation of a qualifying building or structure.	a) To encourage higher industrial land productivity, the LIA scheme will be extended to buildings used by a user or multiple users, who are related, for one or multiple qualifying trades or businesses, if certain conditions are

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		To qualify for the LIA scheme, the following conditions must be met upon completing the construction or renovation of the building or structure: a) The Gross Plot Ratio ("GPR") of the building or structure : i) meets the GPR benchmark applicable for the qualifying trade or business; or ii) is at least 10% more than its current GPR if the existing building or structure already meets or exceeds the GPR benchmark; and At least 80% of the total floor area of the relevant building or structure is used by a user for undertaking the qualifying trade or business.	met. This change will take effect for LIA applications if: i) The application for LIA is made from 25 March 2016; and ii) The application for planning permission or conservation permission for the construction or renovation is made from 25 March 2016. The qualifying capital expenditure for which an allowance may be made excludes any expenditure incurred before 25 March 2016. EDB will release further details of the change by July 2016. b) A new criterion requiring LIA applicants to be related to the qualifying user or users of the building will also be

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			introduced. This change will take effect for LIA applications if: i) The application for LIA is made from 25 March 2016; and ii) The application for planning permission or conservation permission for the construction or renovation is made from 25 March 2016.
Transforming through Innovation			
7	Providing an election for the writing-down period for intellectual property rights ("IPRs") under Section 19B of the ITA	Under Section 19B of the ITA, companies or partnerships can claim writing-down allowance ("WDA") on the acquisition cost of qualifying IPRs[3] over a period of five years.	To recognise the varying useful lives of IPRs, while maintaining a simple and certain tax regime, companies or partnerships may elect for their Section 19B WDA to be claimed over a writing-down period of 5, 10, or 15 years.

[3] The qualifying IPRs under section 19B are patents, trademarks, registered designs, copyrights, geographical indications, lay-out designs of integrated circuits, trade secret or information that has commercial value, and plant varieties.

S/N	Name of Tax Change	Current Treatment	New Treatment
			The election must be made at the point of submitting the tax return of the YA relating to the basis period in which the qualifying cost is first incurred. The election, once made, is irrevocable. This change will apply to qualifying IPR acquisitions made within the basis periods for YA 2017 to YA 2020. IRAS will release further details of the change by 30 April 2016.
8	Introducing an anti-avoidance mechanism for IPR transfers under Section 19B of the ITA	There are currently no specific provisions that explicitly authorise the Comptroller to make adjustments to the transacted price of an IPR to ensure that it is reflective of the market value.	To ensure that Section 19B writing down allowances are granted based on transacted values that are reflective of the open market value ("OMV") of an IPR, an anti-avoidance mechanism for IPR transfers will be included under Section 19B to empower the Comptroller to make the following adjustments to the transacted price of the IPR, if the IPR is not transacted at OMV:

S/N	Name of Tax Change	Current Treatment	New Treatment
			a) If the acquisition price of the IPR is higher than the OMV of the IPR, the Comptroller may substitute the acquisition price with the OMV of the IPR and restrict the writing-down allowance based on the OMV of the IPR; and b) If the disposal price of the IPR is lower than the OMV of the IPR, the Comptroller may substitute the disposal price with the OMV of the IPR for the purpose of computingbalancing charge. This change will apply to acquisitions, sales, transfers or assignments of IPRs that are made from 25 March 2016.
Shift from Broad-Based Support			
9	Allowing the Productivity and	Under the PIC scheme, businesses can convert qualifying expenditure	The cash payout rate will be lowered from 60% to 40% for qualifying expenditure

S/N	Name of Tax Change	Current Treatment	New Treatment
	Innovation Credit ("PIC") scheme to lapse and lowering the cash payout rate	into a non-taxable cash payout at a cash payout rate of 60% on up to $100,000 of expenditure across six qualifying activities[4] per YA. Alternatively, they can claim 400% deduction for up to $400,000 ($600,000 under PIC +) of qualifying expenditure for each of the six qualifying activities per YA. The PIC scheme was extended in Budget 2014 for another three years (YA2016 to YA2018).	incurred from 1 August 2016. All other conditions of the scheme remain unchanged. The PIC scheme, which has been extended for YA2016 to YA2018, will expire thereafter. It will not be available from YA2019.
Strengthening Singapore's Competitiveness as a Hub			
10	Extending and enhancing the Finance and Treasury	The FTC scheme grants a concessionary tax rate of 10% on	To enhance activities in the areas of finance and treasury, the FTC scheme will be

[4] The six qualifying activities are: (i) Acquisition/ Leasing of Information Technology("IT") and Automation Equipment; (ii) Training of employees; (iii) Acquisition/ In-licensing of Intellectual Property Rights ("IPRs"); (iv) Registration of qualifying IPRs; (v) Research and Development activities; and (vi) Design projects approved by DesignSingapore Council.

S/N	Name of Tax Change	Current Treatment	New Treatment
	Centre ("FTC") scheme	qualifying income derived by approved FTCs from qualifying activities or services. To qualify for the concessionary tax rate, funds from approved offices and associated companies must be obtained directly by the FTC. Tax exemption under Section 13(4) is also granted, subject to conditions, on prescribed payments made by the FTC to non-residents who are approved offices or associated companies of the FTC. The scheme is scheduled to lapse after 31 March 2016.	extended till 31 March 2021 with the following enhancements: a) The concessionary tax rate will be lowered to 8%. The substantive requirements to qualify for the scheme will be increased; b) To qualify for the concessionary tax rate, the FTCs will be allowed to obtain funds indirectly from approvedoffices and associated companies. Safeguards will be put in place to address the round-tripping risks; and c) The scope of tax exemption granted under Section 13(4) will be expanded to cover interest payments on deposits placed with the FTC by its non-resident approved offices and associated companies, provided the funds are used for the conduct of qualifying activities or services.

S/N	Name of Tax Change	Current Treatment	New Treatment
			These changes will take effect from 25 March 2016. EDB will release further details of the change by June 2016.
Strengthening the Competitiveness of the Financial and Trading Sector			
11	Extending and refining the Tax Incentive Scheme for Trustee Companies	Under the scheme, approved trustee companies are granted a concessionary tax rate of 10% on qualifying income derived from the provision of trustee and custodian services, and trust management or administration services. The scheme is scheduled to lapse after 31 March 2016.	The scheme will be subsumed under the Financial Sector Incentive ("FSI") scheme from 1 April 2016. The scope of qualifying activities will be expanded to align with trustee activities covered under the Financial Sector Incentive-Standard Tier ("FSI-ST") scheme from 1 April 2016 for new and current incentive recipients. A concessionary tax rate of 12% will apply to new awards from 1 April 2016. The current incentive recipients will continue to enjoy existing benefits till the expiry of their awards and may apply for renewal of their awards under the FSI scheme thereafter.

S/N	Name of Tax Change	Current Treatment	New Treatment
			This change will take effect from 1 April 2016. MAS will release further details of the change by June 2016.
12	Extending and refining the Tax Incentive Schemes for Insurance Companies	a) **Marine Hull and Liability Insurance:** Under the Tax Incentive Scheme for Marine Hull and Liability Insurance, approved insurers are granted tax exemption or a concessionary tax rate of 5% on qualifying income derived from carrying on of marine hull and liability insurance business. The scheme is scheduled to lapse after 31 March 2016. b) **Specialised Insurance Business:** Under the Tax Incentive Scheme for Specialised Insurance Business,	To streamline and simplify the tax incentives for the insurance sector, while ensuring the continued growth of high-value insurance activities in Singapore, the tax incentive schemes for Marine Hull and Liability Insurance, Specialised Insurance Business and Captive Insurance will be subsumed under the Insurance Business Development ("IBD") umbrella scheme with the following changes: a) **Marine Hull and Liability Insurance:** The Marine Hull and Liability Insurance scheme will be subsumed under the IBD umbrella scheme from 1 April 2016. A concessionary tax rate of 10% will apply to new and renewal

S/N	Name of Tax Change	Current Treatment	New Treatment
		approved insurers are granted tax exemption on qualifying income derived from carrying on of offshore specialised insurance business. The scheme is scheduled to lapse after 31 August 2016. c) **Captive Insurance:** Under the Tax Incentive Scheme for Captive Insurance, approved insurers are granted tax exemption on qualifying income derived from carrying on of offshore captive insurance. The scheme is scheduled to lapse after 31 March 2018. d) **Insurance Business Development ("IBD"):** Under the IBD scheme, approved insurers are granted a concessionary tax rate of 10%	awards from 1 April 2016. b) **Specialised Insurance Business:** The Specialised Insurance Business scheme will be subsumed under the IBD umbrella scheme as an enhanced tier award from 1 September 2016, up till 31 Aug 2021. A concessionary tax rate of 8% will apply to new awards from 1 September 2019. As a transitional measure, a concessionary tax rate of 5% will apply to new awards from 1 September 2016 to 31 August 2019. A concessionary tax rate of 10% will apply to renewal awards from 1 September 2016. The scope of qualifying activities will be expanded to cover business of underwriting both onshore and offshore specialised risks from 1 September 2016 for new and current approved

S/N	Name of Tax Change	Current Treatment	New Treatment
		on qualifying income derived from the carrying on of offshore insurance business. The scheme is scheduled to lapse after 31 Mar 2020.	insurers. a) **Captive Insurance:** The Captive Insurance scheme will be subsumed under the IBD umbrella scheme from 1 April 2018. A concessionary tax rate of 10% will apply to new and renewal awards from 1 April 2018. The current approved insurers will continue to enjoy benefits under their existing insurance awards till the expiry of their awards, and may apply for renewal under the IBD scheme thereafter. MAS will release further details of the change by June 2016.
13	Enhancing the Global Trader Programme (Structured Commodity Finance) ("GTP(SCF)")	Currently, an approved GTP(SCF) company is granted a concessionary tax rate of 5% or 10% on its income from the following qualifying	To strengthen Singapore's trade finance capabilities and encourage more SCF activities to be done in Singapore, the GTP(SCF) scheme will be enhanced to

S/N	Name of Tax Change	Current Treatment	New Treatment
	scheme	activities: a) Factoring; b) Forfeiting; c) Prepayment; d) Countertrade; e) Warehouse receipt financing; f) Export receivable financing; g) Project finance; h) Islamic trade finance; i) Transacting in derivatives to hedge against risks relating to any of the activities from (a) to (h); and j) Advisory services in relation to any of the activities from (a) to	include the following qualifying activities: a) Consolidation, management and distribution of funds for designated investments; b) Mergers & Acquisitions advisory services; and c) Streaming Financing. This change will take effect from 25 March 2016. IE Singapore will release further details of the change by June 2016.

S/N	Name of Tax Change	Current Treatment	New Treatment
		(h).	
Strengthening the Competitiveness of the Maritime Sector			
14	Enhancing the Maritime Sector Incentive (“MSI”)	Under the MSI, ship operators and ship lessors can enjoy tax benefits summarised in the table below: **For ship operators** 1. **MSI-Shipping Enterprise (Singapore Registry of Ships) (“MSI-SRS”)** Tax exemption on qualifying income derived mainly from operating Singapore-flagged ships[5] . 2. **MSI-Approved International Shipping Enterprise (“MSI-AIS”) Award**	To further develop Singapore as an International Maritime Centre, the MSI will be enhanced as follows: a) The MSI-SRS and MSI-AIS award will cover income derived from operation of ships used for exploration or exploitation of offshore energy or offshore minerals, or ancillary activity relating to exploration or exploitation of offshore energy or offshore minerals. b) The MSI-ML(Ship) award will cover income derived from leasing of ships used for exploration or exploitation of offshore energy or offshore minerals, or ancillary activity relating to exploration or exploitation of offshore energy or offshore minerals.

[5] The exemption also covers income derived from the uplift of freight (excluding transhipment) from Singapore by foreign-flagged ships.

S/N	Name of Tax Change	Current Treatment	New Treatment
		Tax exemption on qualifying income derived from operating foreign-flagged ships. **For ship lessors** 3. **MSI-Maritime Leasing (Ship) (“MSI-ML(Ship)”) Award** Tax exemption on income derived from leasing of ships used for qualifying activities to qualifying counterparties for use outside the port limits of Singapore.	c) The restriction on the qualifying counterparty’s requirement under MSI-ML(Ship) award will be removed. Therefore, tax exemption will be granted on income derived from leasing of ships used for qualifying activities to any counterparties for use outside the port limits of Singapore. The above changes will take effect from 25 March 2016. MPA will release further details of the change in (a) and (b) by June 2016.
Nurturing a Caring and Resilient Society			
15	Introducing the Business and IPC Partnership Scheme (“BIPS”)	Currently, Corporate Social Responsibility expenditure made by businesses is deductible as part of their business expenses as they	To incentivise employee volunteerism through businesses, a pilot BIPS will be introduced from 1 July 2016 to 31 December

S/N	Name of Tax Change	Current Treatment	New Treatment
		receive benefits such as goodwill, branding and enhanced corporate image in return.	2018. Under BIPS, businesses will enjoy an additional 150% tax deduction on wages and incidental expenses when they send their employees to volunteer and provide services to IPCs, including secondments. This will be subject to the receiving IPCs' agreement, with a yearly cap of $250,000 per business and $50,000 per IPC on the qualifying costs. MOF and IRAS will release further details of the change by June 2016.
Other Changes			
16	Providing for allocation of expenses under Section 14U of the ITA and pre-commencement expenses under Part V of the ITA	Section 14U deems the first day of the accounting year in which a business earns its first dollar of trade receipt as the date of business commencement. Under Section 14U, businesses can claim tax deduction on	To ensure fair allocation of Section 14U and pre-commencement expenses to pre-incentive and incentive income derived by businesses enjoying tax incentives, and provide certainty on the allocation method to be used:

S/N	Name of Tax Change	Current Treatment	New Treatment
		expenses incurred up to 12 months before this date as well as revenue expenses incurred before the first dollar is earned (collectively, "Section 14U expenses"). If a business is awarded with an incentive that commences in the same accounting year in which the first dollar is earned, Section 14U does not require businesses to allocate the Section 14U expenses to the pre-incentive and incentive income. Similarly, pre-commencement expenses that have been granted deductions under Part V of the ITA[6] are not required to be allocated to the pre-incentive and incentive income.	a) Section 14U and pre-commencement expenses that are directly incurred to derive the pre-incentive income or incentive income will be specifically identified and set off against the relevant income; and b) For all remaining Section 14U and pre-commencement expenses, they will be allocated between the pre-incentive and incentive income based on income proportion (e.g. using turnover, gross profit). This change will take effect for Section 14U and pre-commencement expenses that are incurred from 25 March 2016. IRAS will release further details of the change by June 2016.

[6] E.g. Under sections 14A(3), 14D(2), 14Q(4) and 14S(5). These provisions allow pre-commencement expenses relating to IP registration, R&D, renovation and refurbishment and design to be deemed as incurred on the actual date of commencement and hence tax deductible.

S/N	Name of Tax Change	Current Treatment	New Treatment
17	Introducing mandatory electronic-filing ("e-Filing") for CIT returns (including Estimated Chargeable Income, Form C and Form C-S)	Businesses may file their annual CIT returns via hardcopy or through IRAS' e-Services platform.	In line with Government's direction for more effective delivery of public services and to be aligned with the Smart Nation vision to harness technology to enhance productivity, mandatory e-Filing of CIT returns will be implemented in stages as follows: **YA** — **Target group** 2018 — Companies with turnover of more than $10mil in YA 2017 2019 — Companies with turnover of more than $1mil in YA 2018 2020 — All companies
18	Introducing mandatory e-Filing for PIC cash payout application	Businesses may submit their PIC cash payout applications via hardcopy or through IRAS' PIC Cash Payout e-	To streamline and expedite processing of PIC cash payout applications, mandatory e-Filing of PIC cash payout applications will be introduced. This is also aligned with the

S/N	Name of Tax Change	Current Treatment	New Treatment
		Services.	Smart Nation vision to harness technology to enhance productivity. The mandatory e-Filing of PIC cash payout applications will be effective from 1 August 2016.
19	Withdrawing the Approved Investment Company scheme under Section 10A of the ITA	The Approved Investment Company scheme was introduced in 1988 to promote the investment management industry. It provides upfront certainty to an Approved Investment Company on the tax treatment of gains derived from the disposal of their securities. The gains from disposal of securities are taxed according to a schedule based on the length of time that the securities were held.	As the scheme is assessed to be no longer relevant, the Approved Investment Company scheme will be withdrawn from YA 2018.
20	Extending the Not-for-Profit Organisation ("NPO") tax incentive	The NPO tax incentive grants tax exemption on the income derived by	To continue promoting Singapore as a hub for NPOs, the NPO tax incentive will be

S/N	Name of Tax Change	Current Treatment	New Treatment
	under Section 13U of the ITA	an approved NPO. The incentive is scheduled to lapse after 14 February 2017.	extended till 31 March 2022.
21	Withdrawing the tax exemption on income derived by non-residents trading in Singapore in specified commodities via consignment arrangements	Income derived by non-residents trading in Singapore through consignees in specified commodities produced outside Singapore is granted tax exemption. The specified commodities are: a) Rubber; b) Copra; c) Pepper; d) Tin; e) Tin-ore; f) Gambier;	As the scheme is assessed to be no longer relevant, the tax exemption for non-residents trading in Singapore in specified commodities via consignment arrangements will be withdrawn from YA 2018.

S/N	Name of Tax Change	Current Treatment	New Treatment
		g) Sago flour; and h) Cloves.	

Tax Changes for Individuals

S/N	Name of Tax Change	Current Treatment	New Treatment
1	Introducing a cap of $80,000 on personal income tax reliefs	There is currently no limit on the total amount of personal income tax reliefs an individual taxpayer can claim as long as the conditions of the reliefs are fulfilled.	To enhance the progressivity of our Personal Income Tax regime, the total amount of personal income tax reliefs that an individual can claim will be capped at $80,000 per YA. This change will take effect from YA 2018.
2	Removing the tax concession on home leave passages for expatriate employees	The home leave passages enjoyed by expatriate employees (up to one passage per year), their spouses (up to one passage per year) and children (up to two passages per child per year), are currently taxed in the hands of the employees at 20% of their value, instead of the full value of the benefit.	The tax concession of taxing only 20% of the value of home leave passages for expatriate employees will be removed with effect from YA 2018.