Client Alert

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Singapore Budget 2023: key tax updates

In brief

Budget 2023 focuses on building a more resilient and innovative Singapore. As the country emerges from the Covid-19 pandemic, the nation now contends with inflationary pressures in the midst of global uncertainty. Budget 2023 seeks to provide support to businesses and households to weather the challenges ahead while ensuring that Singapore continues to uphold fiscal prudence.

Importantly, the government has announced its intention to implement the OECD Pillar 2 measures from 2025 and confirmed that it will implement a domestic top-up tax which will top up multinational enterprise groups' effective tax rate in Singapore to 15%. To remain competitive, Singapore will retain and extend its major tax incentives. Changes have also been made to buyer's stamp duty rates, which are consistent with enhancing the fairness and resilience of Singapore's tax system.

We highlight below the key tax developments from Budget 2023.

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Key takeaways

- Singapore plans to introduce the Global Anti-Base Erosion rules (i.e., Income Inclusion Rule and Undertaxed Profits Rule) and domestic top-up tax from in-scope businesses' financial year starting on or after 1 January 2025. The domestic top-up tax will top up the multinational enterprise groups' minimum effective tax rate in Singapore to 15%.
- There will be extensions and enhancements to various tax schemes, including the Pioneer Certificate Incentive, Development and Expansion Incentive, Investment Allowance scheme, Qualifying Debt Securities scheme and Financial Sector Incentive scheme.
- A new Enterprise Innovation Scheme will be introduced to encourage businesses to engage in research and development, innovation and capability developments activities. Under this scheme, qualifying expenditure incurred on qualifying activities will be eligible for tax deductions or allowances of up to 400% but will generally be subject to a cap of $400,000. Businesses may also opt for a non-taxable cash payout of 20% on up to $100,000 of total qualifying expenditure across all qualifying activities per year of assessment, in lieu of tax deductions or allowances.
- Higher marginal buyer's stamp duty rates have been introduced for higher-value residential and non-residential properties. With effect from 15 February 2023, the buyer's stamp duty rates are up to 6% for residential properties and 5% for non-residential properties.

In more detail

Budget 2023 was delivered by Singapore's Deputy Prime Minister and Minister for Finance Lawrence Wong (Minister), on 14 February 2023. With the rise in inflation and geopolitical tensions, Budget 2023 sets out comprehensive measures to not only help the population and businesses manage increasing costs in the short term, but also spur innovation and maintain Singapore's competitiveness in the long term.

A significant announcement was that Singapore intends to implement the Global Anti-Base Erosion (GloBE) rules and domestic top-up tax (DTT) from businesses' financial year commencing on or after 1 January 2025. However, the Minister recognised that the Base Erosion and Profit Shifting (BEPS) 2.0 developments are fluid and the government is prepared to adjust the implementation timeline should there be additional delays internationally. This announcement provides some certainty on the timeline and is consistent with the government providing businesses with sufficient time to prepare ahead of any key changes to the Singapore tax regime.

The government also extended various existing tax schemes, including the two major tax incentives (Pioneer Certificate Incentive (PC) and Development and Expansion Incentive (DEI)). That said, similar to last year's budget, the Minister restated that there is less scope to use tax incentives to attract new investments. As economic competition becomes stiffer globally, Singapore cannot afford to be complacent and must nurture innovation. To this end, the government announced that it will introduce the Enterprise Innovation Scheme (EIS), which is aimed at encouraging businesses to engage in research and development (R&D), innovation and capability development activities.

A recurring theme in Budget 2023 is the need to raise revenues while keeping Singapore's overall system of taxes and benefits fair and progressive. To meet this need, the government has increased some taxes, including the buyer's stamp duty rates for higher-value residential and non-residential properties, additional registration fees for more expensive cars and tobacco excise duties. These changes signal that a collective effort in society is necessary to support the vulnerable and to secure Singapore's prospects amidst an uncertain global landscape.

1. Implementation of Pillar 2 and extension of tax incentives

A. Implementation of the GloBE rules (Income Inclusion Rule and Undertaxed Profits Rule) and the DTT from 2025

Following the announcement in Budget 2022 that Singapore is exploring a minimum effective tax rate (ETR), the Minister confirmed in this year's budget that Singapore will implement the GloBE rules (including the Income Inclusion Rule (IIR) and Undertaxed Profits Rule (UTPR)), and the DTT. The GloBE rules and DTT will apply to in-scope businesses' financial year starting on or after 1 January 2025.

The Minister also made clear that the government will continue to monitor international developments and will adjust the implementation timeline if there are delays internationally. The government will continue to engage businesses and provide them with sufficient notice ahead of any rules becoming effective.

Commentary

The announcement came at a time when various countries have announced their intention to implement the GloBE rules from 2024, including the European Union, the UK and Switzerland. Notably, Korea has recently codified the GloBE rules into its domestic law, with the UTPR expected to also come into effect in 2024. This announcement is therefore a clear signal from the Minister that while Singapore will safeguard its tax revenue and comply with international standards, it does not intend to be one of the early adopters of the GloBE rules.

The announcement struck the right notes as it not only provides some certainty to affected multinational enterprises (MNEs) on Singapore's implementation timeline for Pillar 2, but also provides assurances to MNEs by giving them sufficient lead time to understand the GloBE rules, assess its potential impact, and engage the relevant economic agencies in discussions.

For MNEs which have (i) an ETR of less than 15% in Singapore; and (ii) ultimate parent entities (UPEs) and/or intermediate parent entities (IPEs) located in jurisdictions with an implementation timeline of 2024, they will need to assess further if top-up tax is payable under the IIR in 2024, notwithstanding Singapore's implementation timeline of 2025. This group of MNEs should therefore act swiftly and consider if any mitigation measures can be adopted in the interim to soften the blow of Pillar 2, including looking into potential restructuring options, or engaging in discussions with Singapore's economic agencies to understand the potential impact on their existing incentives in Singapore, and the options going forward. Similar considerations apply to MNEs with an ETR of less than 15% in Singapore and which have constituent entities located in Korea, given Korea's intention to implement the UTPR in 2024.

B. Extension of key tax incentives and schemes

a) Extension of the PC and the DEI

The PC and DEI are two major tax incentives in Singapore which encourage companies to expand their business operations, make significant investments and establish regional or global headquarters in Singapore. The PC offers a full tax exemption on qualifying income from qualifying activities. Under the DEI, recipients are eligible for concessionary tax rates of 5% or 10% on qualifying income derived from specified qualifying activities.

The PC and DEI were scheduled to lapse after 31 December 2023. They will now be extended until 31 December 2028 so as to continue encouraging companies to anchor and grow strategic high value-added manufacturing and service activities in Singapore.

b) Extension of the Intellectual Property Development Incentive (IDI)

The IDI was introduced in Budget 2017 to encourage companies to commercialise intellectual property (IP) rights arising from R&D activities undertaken in Singapore. Under the IDI, recipients are eligible for concessionary tax rates of 5% or 10% on a percentage of qualifying IP income, as determined by the modified nexus approach. The IDI was similarly scheduled to lapse after 31 December 2023 and will be extended until 31 December 2028.

c) Extension of the Investment Allowance (IA) scheme and the IA-100% scheme for automation projects

The IA scheme encourages businesses to make capital investments in plant and productive equipment in Singapore by providing an additional tax allowance for businesses which incur qualifying fixed capital expenditure on approved projects.

The IA-100% scheme for automation projects enables businesses to enjoy 100% IA support on the amount of approved capital expenditure (net of grants) for automation projects approved by Enterprise Singapore. The IA-100% scheme encourages businesses to transform through automation, by defraying the cost of large-scale deployment of automation solutions such as the adoption of sophisticated hardware and/or software solutions.

The IA scheme and IA-100% scheme, which were both scheduled to lapse after 31 December 2023, will be extended until 31 December 2028 and 31 March 2026 respectively.

Commentary

The extension of the above major incentive schemes, amidst the implementation of the GloBE rules and DTT in Singapore, is an unequivocal signal from the Minister that tax incentives still have a role to play in shaping Singapore's economy even in a post-BEPS 2.0 world.

In particular, the PC, DEI, IDI and IA schemes will remain as effective fiscal tools in attracting foreign direct investments from MNEs which fall outside the scope of the GloBE rules (i.e., MNEs with global revenues of less than EUR 750 million).

For in-scope MNEs under the GloBE rules, the availability of these tax incentives would provide options and flexibility for the affected MNEs - for example, the MNEs can explore if they wish to (i) retain their existing tax incentives in Singapore and pay DTT in Singapore going forward; or (ii) terminate their existing tax incentives.

2. Encouraging R&D and innovation

A. Introduction of the EIS

To nurture and encourage innovation, Budget 2023 introduced the EIS that enhances the tax deductions for five key activities in the innovation value chain, namely:

a) R&D conducted in Singapore;

b) Registration of IP (including patents, trademarks and designs);

c) Acquisition and licensing of IP rights;

d) Training via courses approved by SkillsFuture Singapore and aligned to the Skills Framework; and

e) Innovation carried out with polytechnics and the Institute of Technical Education (ITE).

i. Enhanced tax deductions

From year of assessment (YA) 2024 onwards, businesses can claim tax deductions of up to 400% on qualifying expenditure incurred on each of the five activities. The amount of qualifying expenditure will be capped at $400,000 for each activity, except for innovation carried out with polytechnics and the ITE, for which the expenditure will be capped at $50,000. We elaborate on the enhanced tax deductions for each of the five activities below.

Activities	Current tax treatment	Proposed tax treatment under the EIS
R&D conducted in Singapore	250% tax deduction for staff costs and consumables incurred on qualifying R&D activities conducted in Singapore under Sections 14C and 14D of the Income Tax Act 1947 (ITA). The current sunset date is YA 2025.	Enhance the tax deduction to 400% for the first $400,000 of staff costs and consumables incurred on qualifying R&D projects conducted in Singapore for each YA, from YA 2024 to YA 2028. The sunset date is also extended to YA 2028.
Registration of IP (including patents, trademarks and designs)	200% tax deduction on the first $100,000 (and 100% for amounts exceeding $100,000) of qualifying IP registration costs under Section 14A of the ITA. The current sunset date is YA 2025.	Enhance the tax deduction to 400% for the first $400,000 of qualifying IP registration costs incurred per YA from YA 2024 to YA 2028. The sunset date is also extended to YA 2028.
Acquisition and licensing of intellectual property rights	**Acquisition** 100% writing-down allowance (WDA) over a period of 5, 10 or 15 years on acquisition costs of qualifying IP rights under Section 19B of the ITA. The current sunset date is YA 2025. **Licensing** 200% tax deduction for the first $100,000 (and 100% for amounts exceeding $100,000) of qualifying IP rights licensing expenditure under Section 14 or 14C, and 14U of the ITA. The current sunset date is YA 2025.	Enhance the WDA and tax deduction to 400% for the first $400,000 (combined cap) of qualifying expenditure incurred on the acquisition and licensing of IP rights per YA from YA 2024 to YA 2028. This enhancement will only be available to businesses that generate less than $500 million in revenue in the relevant YA. The sunset dates are all extended to YA 2028.
Training via courses approved by SkillsFuture Singapore and aligned to the Skills Framework	100% tax deduction can be claimed for training expenditure incurred, subject to the general tax deduction rules under Sections 14 and 15 of the ITA.	Enhance the tax deduction to 400% for the first $400,000 of qualifying training expenditure incurred on qualifying courses (i.e., courses that are approved by SkillsFuture Singapore and aligned with the Skills Framework) per YA from YA 2024 to YA 2028.
Innovation carried out with polytechnics and ITE	Not tax deductible as expenditure incurred is capital in nature and does not meet definition of R&D under Section 2 of the ITA.	Introduce a 400% tax deduction for up to $50,000 of qualifying innovation expenditure incurred on qualifying innovation projects carried out with polytechnics, the ITE and other qualified partners per YA, from YA 2024 to YA 2028.

ii. Option to convert qualifying expenditures into a cash payout

Eligible businesses that are not profitable or do not have sufficient profits to benefit from the tax deductions or allowances can opt to convert up to $100,000 of the total qualifying expenditure across all the qualifying activities for each YA into a non-taxable cash payout at a conversion rate of 20%. The cash payout is capped at $20,000 per YA.

An eligible business refers to any company, partnership, sole-proprietorship or registered business trust that has at least three full-time local employees (i.e., Singapore citizens or permanent residents with Central Provident Fund (CPF) contributions) in employment for six months or more in the basis period of the relevant YA. The local employees must each be earning at least $1,400 in gross monthly wages.

IRAS is expected to release further details on the EIS by 30 June 2023.

Commentary

The introduction of the EIS is a holistic approach to anchor high value-creation activities in Singapore by providing companies with added incentives to undertake R&D activities in Singapore, acquire and onshore IP, and upskill and transform the workforce.

That said, the EIS appears to be more targeted at small and medium-sized enterprises, as compared to MNEs, given the cap on the amount of expenditures which qualify for the enhanced tax deductions, and the requirement that only businesses with less than $500 million in revenue can qualify for the enhanced WDA and tax deductions for IP acquisition and licensing costs.

For MNEs which are in-scope companies under the GloBE rules, the EIS may offer limited benefit as eligibility aside, any further reduction on the corporate income tax payable may still be picked up by the IIR (in the jurisdiction in which their UPEs/IPEs are located) or the DTT in Singapore which will be implemented from 2025.

3. Acceleration of capital allowances and deductions

A. Reintroduction of option to accelerate the write-off of the cost of acquiring plant and machinery (P&M)

Currently, a taxpayer may claim capital allowance (CA) on the capital expenditure incurred to acquire P&M under Section 19 (i.e., write-off over the working life of the assets as specified in the Sixth Schedule of the ITA), or Section 19A of the ITA (i.e., write-off over one or three years).

To provide temporary broad-based support to businesses during this period of restructuring, businesses that incur capital expenditure on the acquisition of P&M in the basis period for YA 2024 (i.e., financial year ending in 2023) will have an irrevocable option to accelerate the write-off of the cost of acquiring such P&M over two years.

The rates of accelerated CA allowed are as follows:

a) 75% of the cost incurred to be written off in the first year (i.e., YA 2024); and

b) 25% of the cost incurred to be written off in the second year (i.e., YA 2025).

The above option will be in addition to the options currently available under Sections 19 and 19A of the ITA. No deferment of CA claims is allowed under the above option.

B. Reintroduction of option to accelerate the deduction for renovation or refurbishment (R&R) expenditure

Currently, under Section 14N of the ITA, businesses that incur qualifying R&R expenditure may claim tax deduction on such expenditure over three consecutive YAs on a straight-line basis, starting from the YA relating to the basis period in which the R&R expenditure is incurred. A cap of $300,000 for every relevant period of three consecutive YAs applies.

To provide temporary broad-based support to businesses during this period of restructuring, businesses that incur qualifying expenditure on R&R during the basis period for YA 2024 (i.e., financial year ending in 2023) will have an irrevocable option to claim R&R deduction in one YA (i.e., accelerated R&R deduction). The cap of $300,000 for every relevant period of three consecutive YAs will still apply. This option will be in addition to the existing option currently available under Section 14N of the ITA.

Commentary

The options for businesses to accelerate the write-off of the acquisition costs for P&M and the tax deduction for R&R expenditure were previously introduced in Budget 2020, during the Covid-19 pandemic. The reintroduction of the options for accelerated write-offs and deductions for these expenditures is a welcome move, as it will help businesses cope with this period of economic uncertainty, while encouraging them to continue to invest in P&M and the rejuvenation of their premises.

4. Key changes for the financial services industry

A. Extension and refinement of the Qualifying Debt Securities (QDS) scheme

The QDS scheme, which provides a 10% concessionary tax rate to qualifying companies and bodies of persons in Singapore and a tax exemption for qualifying non-residents and individuals, was scheduled to lapse after 31 December 2023. It will be extended to 31 December 2028, and refined as follows:

a) The scope of qualifying income under the QDS scheme will be streamlined to include all payments in relation to early redemption of a QDS;

b) The requirement that the QDS has to be "substantially arranged" in Singapore will be rationalised, as shown in the table below:

Condition before the Budget 2023 changes	New condition
All debt securities must be substantially arranged by a Financial Sector Incentive-Capital Market (FSI-CM) company or a Financial Sector Incentive-Standard Tier (FSI-ST) company.	All debt securities issued on or after 15 February 2023 must be substantially arranged in Singapore by a financial institution holding a specified license.
For insurance-linked securities (ILS) (i.e., debt securities issued by special purpose reinsurance vehicles licensed under the Insurance Act 1966) that are unable to meet the condition above, at least 20% of the ILS issuance costs incurred by the issuer is paid to Singapore businesses.	For ILS issued on or after 1 January 2024 that are unable to meet the condition above, at least 30% of the ILS issuance costs incurred by the issuer must be paid to Singapore businesses.

The Monetary Authority of Singapore (MAS) will provide further details by 31 May 2023.

Commentary

The extension of the QDS scheme and streamlining of the scope of qualifying income is certainly a welcome development to enhance the competitiveness of Singapore as an international financial centre.

While it remains to be seen what requirements will apply for a company to obtain the specified license to arrange debt securities, the change in the "substantially arranged" condition will hopefully widen the pool of eligible arrangers, thereby providing more options for issuers.

B. Extension and refinement of the Financial Sector Incentive (FSI) scheme

The FSI scheme provides concessionary tax rates on income from qualifying banking and financial activities, headquarters and corporate services, fund management and investment advisory services. The FSI scheme was scheduled to lapse after 31 December 2023 but will be extended to 31 December 2028.

The existing concessionary tax rates will be streamlined to two tiers of 10% and 13.5% for new and renewal awards approved on or after 1 January 2024, as follows:

Scheme	Existing concessionary tax rate	Concessionary tax rate for new and renewal awards approved from 1 January 2024
FSI-Capital Market FSI-Derivatives Market FSI-Credit Facilities Syndication	5%	10%
FSI-Fund Management FSI-Headquarter Services	10%	10% (no change)
FSI-Trustee Companies	12%	13.5%
FSI-Standard Tier	13.5%	13.5% (no change)

The qualifying activities will also be updated. The MAS will release more details by 31 May 2023.

Commentary

While the concessionary tax rates for some FSI schemes will be increased following this announcement, it is important to keep in mind that the extension of the scheme provides continued support for qualifying companies, which is a positive development overall. The FSI scheme has been a significant factor in supporting the development of Singapore's financial sector, and this extension will enable Singapore to maintain its attractiveness as a financial hub.

C. Extension and refinement of the tax incentive scheme for approved special purpose vehicle (ASPV) engaged in asset securitisation transactions and introduction of a new sub-scheme to support covered bonds

The ASPV scheme grants the following tax concessions to an ASPV engaged in asset securitisation transactions (AST):

a) Exemption of income derived by the ASPV from approved ASTs;

b) Goods and services tax (GST) recovery on its qualifying business expenses at a fixed rate of 76%; and

c) Withholding tax (WHT) exemption for payments to qualifying non-residents on over-the-counter financial derivatives in connection with an AST.

These measures were scheduled to lapse on 31 December 2023 but will be extended until 31 December 2028 under the same conditions, except that the GST recovery rate going forward will be the prevailing GST recovery rate or methodology accorded to licensed full banks by MAS for the relevant year, rather than a fixed rate of 76%.

To support the issuance of covered bonds in Singapore, a new sub-scheme named ASPV (Covered Bonds) will be introduced for the special purpose vehicle holding the "cover pool" in relation to the covered bonds as defined in MAS Notice 648.

The ASPV (Covered Bonds) scheme will take effect from 15 February 2023 to 31 December 2028 and will be administered by MAS.

MAS is expected to provide further details by 31 May 2023.

D. Other extensions

a) Extension of the tax exemption on income derived by primary dealers from trading in Singapore Government Securities (SGS)

The tax exemption granted on income derived by primary dealers from trading in SGS was scheduled to lapse after 31 December 2023 but will be extended until 31 December 2028 under the same conditions.

b) Extension of the Insurance Business Development-Insurance Broking Business (IBD-IBB) scheme

The IBD-IBB, which offers a 10% concessionary tax rate on commission and fee income derived from insurance broking and advisory services by approved insurance and reinsurance brokers, was scheduled to lapse after 31 December 2023, and will be extended to 31 December 2028 under the same conditions.

c) Extension of tax concession for deduction of general provisions for doubtful debts and regulatory loss allowances made in respect of non-credit impaired financial instruments for banks (including merchant banks) and qualifying finance companies

Under the existing rules, banks and qualifying finance companies may claim a deduction for general provisions on non-credit-impaired loans and debt securities made under the Financial Reporting Standard 109 or Singapore Financial Reporting Standard (International) 9, and any additional loss allowances as required under prevailing MAS Notices, subject to a cap. This tax deduction will be extended as follows:

Financial year end for banks and qualifying finance companies	Previous lapse date	Extension until
31 December	YA 2024	YA 2029
Non-31 December	YA 2025	YA 2030

5. Stamp duty

A. Higher buyer's stamp duty (BSD) rates for higher-value residential and non-residential properties

To enhance the progressivity of our BSD regime, higher marginal BSD rates have been introduced for higher-value residential and non-residential properties. The new BSD rates apply to all properties acquired on or after 15 February 2023 and are set out in the tables below.

BSD rates for residential properties			
Higher of purchase price or market value of the property	BSD rate from 20 February 2018 to 14 February 2023	Higher of purchase price or market value of the property	BSD rate on or after 15 February 2023
First $180,000	1%	First $180,000	1%
Next $180,000	2%	Next $180,000	2%
Next $640,000	3%	Next $640,000	3%
Amount exceeding $1,000,000	4%	Next $500,000	4%
		Next $1,500,000	5%

		Amount exceeding $3,000,000	6%

<table>
<tr><th colspan="4">BSD rates for non-residential properties</th></tr>
<tr><th>Higher of purchase price or market value of the property</th><th>BSD rate from 20 February 2018 to 14 February 2023</th><th>Higher of purchase price or market value of the property</th><th>BSD rate on or after 15 February 2023</th></tr>
<tr><td>First $180,000</td><td>1%</td><td>First $180,000</td><td>1%</td></tr>
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<tr><td>Amount exceeding $1,000,000</td><td>Next $500,000</td><td>4%</td></tr>
<tr><td></td><td></td><td>Next $1,500,000</td><td rowspan="2">5%</td></tr>
<tr><td></td><td></td><td>Amount exceeding $3,000,000</td></tr>
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The additional conveyance duties for buyers (ACDB) rates, which apply to qualifying acquisitions of equity interest in property holding entities, have been revised accordingly, from up to 44% to up to 46% (comprising the revised BSD rate of 1% to 6% and additional buyer's stamp duty (ABSD) rate of 40%).

There will be a transitional provision, where the BSD rates on or before 14 February 2023 will apply to a property transaction that meets certain conditions (which include, among others, that an option to purchase was granted on or before 14 February 2023).

Commentary

The higher marginal BSD rates may affect potential buyers who are planning to upgrade their residential properties or invest in commercial properties. The changes to the BSD rates also affirm that real property-related taxes will remain as Singapore's principal means of taxing wealth, in order to achieve greater progressivity in Singapore's tax structure.

6. Others

A. Extension of tax measures relating to submarine cable systems

The following tax measures relating to submarine cable systems will be extended until 31 December 2028:

a) Withholding tax exemption on payments made to non-residents for the use of international telecommunications submarine cable capacity under indefeasible right to use (IRU) agreements. This was scheduled to lapse after 31 December 2023.

b) Writing-down allowance for the acquisition of an IRU over their useful life. This was scheduled to lapse after 31 December 2025.

c) Investment allowance for the construction and operation of submarine cable systems in Singapore. This was scheduled to lapse after 31 December 2023.

Commentary

The extension of the tax measures relating to submarine cable systems is not unexpected as such infrastructure is essential in a rapidly evolving digital society. It would also be beneficial to businesses which have existing IRU arrangements or are considering to enter into IRU arrangements, as the duration of IRU arrangements is usually a significant period of time. That said, to further enhance Singapore's international connectivity, it may be worth considering whether to extend these tax measures for a longer period or to remove the sunset clause in the future.

B. Tax measures relating to philanthropy

a) New Philanthropy Tax Incentive scheme for family offices

Baker McKenzie Wong & Leow.

A tax incentive scheme will be introduced for qualifying donors with family offices operating in Singapore. Under the scheme, qualifying donors can claim 100% tax deduction for overseas donations made through qualifying local intermediaries. The tax deduction is capped at 40% of the donor's statutory income.

In order to qualify, the donors must have a fund under MAS' Section 13O or 13U schemes and meet certain eligibility conditions, which include incremental business spending of $200,000. MAS will provide further details by 30 June 2023.

b) Extension of the 250% tax deduction for qualifying donations to institutions of a public character (IPCs) and eligible institutions

The 250% tax deduction for qualifying donations made to IPCs and other eligible institutions was scheduled to lapse after 31 December 2023 but will be extended until 31 December 2026 under the same conditions.

c) Extension and enhancement of the Corporate Volunteer Scheme (CVS)

The CVS provides a 250% tax deduction on qualifying expenditure (e.g., wages) incurred by a qualifying person in respect of:

i. the provision of services by the person's qualifying employee to an IPC during the relevant period; or

ii. the secondment of the person's qualifying employee to an IPC during the relevant period.

The CVS was scheduled to lapse after 31 December 2023 but will be extended until 31 December 2026.

Further, effective from 1 January 2024, the scope of qualifying volunteering activities will be expanded to include activities which are conducted virtually (e.g., online mentoring and tuition support for youths or children) or outside of the IPCs' premises (e.g., refurbishment of rental flats). The cap on qualifying expenditure per IPC per calendar year will also be doubled to $100,000.

Commentary

These tax measures will hopefully encourage family offices to expand their philanthropic activities in Singapore and for businesses to increase their efforts in volunteerism and other corporate social responsibility activities. While the eligibility conditions for the Philanthropy Tax Incentive scheme are subject to further details from MAS, this scheme could help further incentivise cross-border giving by Singapore-based family offices and may be attractive to families who wish to support social causes globally and make a positive impact in Singapore and beyond.

C. Enhance the Double Tax Deduction for Internationalisation (DTDi) scheme

Under the DTDi scheme, businesses are allowed a tax deduction of 200% of qualifying market expansion and investment development expenses, subject to prior approval from Enterprise Singapore or the Singapore Tourism Board.

With effect from 15 February 2023, the DTDi scheme has been enhanced to include a new qualifying activity "e-commerce campaign" and cover certain e-commerce campaign startup expenses paid to e-commerce platform or service providers (i.e., expenses relating to business advisory, account creation, content creation, and product listing and placement).

Prior approval is required from Enterprise Singapore to enjoy DTDi on the new qualifying activity. For each business, Enterprise Singapore will only approve DTDi support for e-commerce campaigns for a maximum period of one year applied on a per-country basis.

Enterprise Singapore will provide more details on the changes by 28 February 2023.

Contact Us

Allen Tan
Principal
allen.tan@bakermckenzie.com

Dawn Quek
Principal
dawn.quek@bakermckenzie.com

Lee Shih Hui
Principal (Tax Advisor)
shih.hui.lee@bakermckenzie.com

Jaclyn Ho
Principal (Tax Advisor)
jaclyn.ho@bakermckenzie.com