I. Corporate and Financial Sector Tax & Incentives

A. Corporate Income Tax (CIT)

In the 2009 Budget, the government proposed a Corporate Income Tax (CIT) rate cut from 18 percent to 17 percent for the 2010 fiscal year (FY). In the proposed 2010 Budget, the CIT rate remains unchanged at 17 percent, as detailed in the following chart.

2009/2010 Corporate Tax Structure		
Amount of chargeable income	Effective tax rate	
	2009	2010
75% exemption of up to the first SGD 10,000	**4.5%**	**4.25%**
50% exemption of up to the next SGD 290,000	**9.0%**	**8.50%**
In excess of SGD 300,000	**18.0%**	**17.0%**

Source: Singapore Internal Revenue Authority (IRAS), 2009

Although the CIT rate remains unchanged at 17 percent, Singapore's CIT rate is still one of the most competitive in the world. For example, the CIT of the United States is 35 percent, while that of the United Kingdom is 28 percent. Further, Singapore's CIT is only 0.5 percent higher than that of Hong Kong and remains the lowest rate among all ASEAN members. For instance, the CIT rate for Indonesia, Malaysia and Vietnam is 25 percent, while that of Thailand and the Philippines is 30 percent.

B. Productivity and Innovation Credit

In the proposed 2010 Budget, the government aims to introduce the Productivity and Innovation Credit (PIC), worth SGD 480 million a year. The PIC broadens the number of R&D or innovation-based businesses that qualify for additional tax deductions. Currently, capital expenditure eligible for tax deductions include R&D, acquisition of IP rights and registration of IP rights. The proposed 2010 Budget expands this list to include investment and design, and innovation training. With these broader tax incentives, the government will phase out existing R&D initiatives like the R&D Incentive for Start-up Enterprises (RISE) and the R&D Tax Allowance (RDA), which focused primarily on start-ups and small and medium-sized enterprises (SMEs).[1] The RISE and RDA will cease to be effective as of 2011. According to the MOF, the following six business activities, which incur capital expenditure, will fall under the PIC: (i) R&D; (ii) investment and design; (iii) acquisition of IP rights; (iv) registration of IP rights; (v) employee training; and (vi) investment in designs conducted in Singapore and on automotive equipment and software. Tax allowance on IP acquisition under PIC will cover copyrights, geographic indicators, patents, trademarks, trade secrets, and registered designs. Businesses will be able to claim up to 250 percent of the first SGD 300,000 from their taxable income on these activities, and 100 percent deduction for the

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[1] For further information on these incentive schemes please refer to: http://www.business.gov.sg/EN/Government/GovernmentAssistance/TypeOfAssistance/TaxIncentives/

balance expenditure, except in the case of R&D, where businesses can claim 150 percent. The deductions will be available from Year of Assessment (YA) 2011 to YA 2015. Businesses with at least three local employees (Singaporean citizens or Permanent Residents (PRs) with CPF[2] contributions) can convert up to SGD 300,000 of tax benefits arising from expenditures incurred from these six activities into a 7 percent per YA cash grant *i.e.,* a non-taxable cash grant of up to SGD 21,000. This cash conversion option will be available for three years and reviewed for extension upon expiration. The proposed 2010 Budget does not specify whether a company is required to be in a tax loss position in order to qualify for the cash grant.

Singapore's Design Council, along with the Inland Revenue Authority of Singapore (IRAS) are expecting to publish further details regarding PIC in May or June 2010.

C. Mergers and Acquisitions (M&A) Allowance

The government has introduced a new one-off M&A allowance to encourage businesses to expand overseas through the acquisition of both local and foreign companies. Currently no tax allowance is granted for the cost incurred from an acquisition. The M&A allowance grants qualifying M&As executed between April 1, 2010 and March 31, 2015. The allowance is based on a 5 percent tax deduction of the total value of the acquisition, subject to an annual cap of SGD 5 million, accommodating deals of up to SGD 100 million per year. The allowance will be written down equally over five years, and is deductible against the buyer's taxable income. The government has also proposed the remission of the stamp duty, capped at SGD 200,000 on the transfer of unlisted shares for M&A deals executed from April 1, 2010 to March 31, 2015.

The IRAS expects to issue further details by June 2010.

D. Industrial Building & Land Intensification Allowance

As part of the government's strategy to move toward land-use for higher value-added activities, the government announced the phasing-out of the Industrial Building Allowance (IBA), which it introduced in 1949 to boost industrialization. According to the MOF, the IBA has fulfilled its purpose, but is no longer adequate as it does not distinguish between efficient and inefficient uses of industrial land. Under the terms of the proposed 2010 Budget, businesses that construct or purchase industrial buildings will no longer qualify for the IBA after February 22, 2010, unless the construction, renovation, purchase or alteration agreement or lease is signed before or on February 22.

The IBA will be replaced by the Land Intensification Allowance (LIA), which aims to use industrial land for higher value sectors. Under the LIA, which enters into effect on July 1, 2010, businesses can claim an allowance if: (i) their building's activities fall under one of the following nine sectors, pharmaceuticals, petrochemicals, petroleum, specialties, other chemicals, semiconductor-wafer fabrication, aerospace, marine and offshore engineering, and solar cell manufacturing; (ii) the land on which the building is constructed is zoned as Business 1 or 2 (except Business White 1 and 2) under the Urban Development Authority (URA) Master Plan; and (iii) the building meets the Gross Plot Ration benchmark set at 75 percent, relevant to the industry sector of the building user.

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[2] The Central Provident Fund (CPF) is a comprehensive social security savings plan

IBA qualifying businesses that do not fall under the sectors that qualify for the LIA will be worse off. Investors in such businesses may choose to lease industrial buildings as an option, rather than purchasing or constructing on industrial land, since the cost of acquisition will no longer qualify for tax incentives. There is a lapse between the IBA's expiration date and the date the LIA enters into force. Thus, investors may be forced to wait and apply only after the LIA enters into force.

E. Real Estate Investment Trusts (REITs)

Extension of REITs

The government expects to extend concessions on the existing concessionary income, stamp duty and GST for listed REITs, which expired on February 17, 2010. The new period of extension is from February 18, 2010 to March 31, 2015. Regarding concessionary tax incentives on income, the government aims to offer a concessionary income tax rate of 10 percent on foreign non-individual investors, a move aimed to ultimately boost foreign capital and investment in Singapore-listed REITs. On stamp duties, the government introduced stamp duty remissions, which is expected to encourage more listed REITs to acquire property in Singapore. Furthermore, the government extends the current requirement obligating unlisted REITs to be listed within one month to six months. Regarding foreign-sourced income exemption (FSIE) income, the tax concession for listed REITs will now be subject to a sunset clause until March 31, 2015. This means that for the FSIE to apply to listed REITs, the qualifying foreign-sourced income must be remitted by or before March 31, 2015. Analysts expect this move to allow the government to review the effectiveness of the tax incentives more regularly, but opine that this could lead to uncertainty among investors.

Seller Stamp Duty Anti-Speculation Measure

On February 19, 2010, before announcing the proposed 2010 Budget, the government announced a new anti-speculation measure on housing, which entered into effect on February 20, 2010. This measure imposes a seller's stamp duty on housing, payable by sellers of residential properties, which are acquired on or after February 20, 2010 if the acquisition is disposed of within one year of its acquisition date. In addition, the government has reduced the loan-to-value limit from 90 to 80 percent. The measure is aimed at deterring real estate investors from speculative behavior, which could likely increase the housing prices, and "heat-up" the housing market. This measure comes after the Urban Redevelopment Authority (URA) released a report on January 22, 2010 that indicated a rise in residential properties by 7.4 percent and industrial and office properties by 3.4 percent in the fourth quarter of 2009. The government employed similar measures in 1996 and in 2003 to "cool down" the Singapore housing market.

F. Review of Tax Concession for Offshore Insurance Businesses

To encourage companies to invest in Singapore, the government aims to provide a 10 percent concessionary tax rate on qualifying income derived from offshore insurance businesses conducting working from Singapore. The incentive will enter into effect from April 1, 2010 and will be valid for a 10-year period. The incentive will however be subject to a sunset clause of five years up until March 31, 2015. The government will also impose a new headcount requirement for incentive recipients. The government will offer existing incentive recipients a three-year transition period from April 1, 2010 to March 31, 2013, to meet the necessary headcount requirement in order to continue to qualify for the tax incentive.

G. Development and Expansion Incentive for International Legal Services

The government will extend the Development and Expansion Incentive to law firms providing international legal services. This incentive will be available to law firms registered in Singapore or as a branch of a foreign company. Approved law practices will enjoy a 10 percent concessionary tax rate on incremental income derived from qualifying international legal services for five years, entering into effect on April 1, 2010 and valid until March 31, 2015.

H. Goods and Services Tax (GST)

Simplification of GST Accounting Rules

The government has taken steps to simplify GST accounting rules by allowing businesses to now account for GST either when they issue a tax invoice or when they receive payment from the consumer, rather than only when goods are delivered to the consumer. This simplifies the GST accounting process as businesses are no longer required to track when goods are delivered or when services are rendered. The proposed change will enter into effect from January 1, 2011.

Deferral of Import GST

To increase import GST cash flow for GST-registered businesses, the government has proposed a one-month deferral of import GST on import goods. This will provide businesses the possibility to declare goods as a payable amount in the corresponding GST return. The deferral of import GST will enter into effect from October 1, 2010.

Extension of GST Remission for Listed Registered Business Trusts

The government will extend the GST remission for listed Registered Business Trusts in the aircraft leasing, infrastructure and ship leasing sectors, which expired on February 17, 2010 for another five years, from February 18, 2010 to March 31, 2015. These Registered Business Trusts are allowed to claim input tax on their business expenses.

I. Tax Deduction for Angel Investors[3]

Under the proposed 2010 Budget, the government has proposed a new incentive reducing tax for Angel investors, in order to encourage eligible investment and expansion of start-ups. According to the new incentive, an approved angel investor who invests a minimum of SGD 100,000 into a qualifying start-up in a given year can enjoy a tax deduction of 50 percent of the starting capital invested at the end of the second year of holding the investment. The tax deduction is capped at SGD 500,000. The incentive applies to investments made during the period from March 1, 2010 to March 31, 2015.

Spring Singapore will issue further details by June 2010.

J. Boosting the Financial Sector Incentive (FSI)

[3] Investors providing capital to small start-up companies.

Under the current FSI-Standard-Tier (FSI-ST) awards, the government offers a concessionary tax rate of 10 percent to net income, which is income derived from FSI qualifying "Qualified-Based (QB)" activities. To reduce compliance costs, the government has proposed to remove the QB, with effect from January 1, 2011 and to change the concessionary tax rate from 10 to 12 percent. The 12 percent increase in the concessionary tax rate offsets the benefits acquired from the removal of the QB to establish revenue neutrality.

The Monetary Authority of Singapore (MAS) will release further details in April 2010.

K. Removal of Tax Incentives for Futures Members of Singapore Exchange (SGX) and Singapore Commodity Exchange Limited (SICOM)

To streamline existing tax incentive schemes, the government has opted to discontinue the tax incentives on the SGX and on the SICOM. This enters into effect as of December 31, 2010. As a transitory measure, SGX and SICOM members qualifying for tax incentives will be eligible to apply for the FSI-ST, but must notify the MAS by July 31, 2010. They will however not be subject to the FSI-ST approval criteria at the point of transition in January 1, 2011, but at the point of renewal of their awards in December 2013, if the FSI scheme is extended.

L. Removal of Fund Manager Scheme

Under the proposed 2010 Budget, the government discontinues the Approved Start-up Fund Manager Scheme, which was first introduced in 2005. The scheme provides a 12-month grace period from the date the fund is set up to meet the "80:20" rule, which requires that at least 80 percent of the beneficial interest in the company or trust fund is held by investors that are neither Singaporean citizens nor PRs. The scheme expired on February 17, 2010. The removal of the scheme, according to analysts, is not expected to negatively impact the fund management industry.

M. Shipbrokers & Maritime Industry Incentives

The government has proposed a 10 percent concessionary tax incentive to shipbrokers and Forward Freight Agreement (FFA) traders[4] to expand the sector. Interested investors can apply for this scheme through the Maritime and Port Authority (MPA) from April 1, 2010 to March 31, 2015. The government aims to treat ship management fees, which are currently taxed at the prevailing CIT rate, as qualifying income to be exempt from tax under Section 13A of the ITA and Approved International Shipping Enterprise (AIS) scheme. The government will extend the Maritime Finance Incentive (MFI) scheme, which is set to expire on February 28, 2011, until March 31, 2016.

N. Renewal and Enhancement of the Aircraft Rotables Investment Allowance Scheme

To develop the aerospace industry and the aerospace maintenance and repair industries, the government will renew the Investment Allowance (IA) scheme for aircraft rotables, which expired on September 9, 2009, and which granted a 50 percent investment

[4]These incentives are subject to conditions, please refer to the MOF website for more details http://app.mof.gov.sg/index.aspx

allowance to qualifying aerospace companies. The IA scheme will be renewed for another five years, starting from April 1, 2010 to March 31, 2015. Further, approved maintenance and repair companies will no longer be required to meet a "non-swapping condition." This enhancement removes the administrative difficulties of tracking specific aircraft rotables. The government expects this incentive to encourage aerospace repair companies to expand their business to Singapore.

II. Miscellaneous

A. Transportation and Green Vehicles

Transport Technology Innovation Development Scheme to Green Vehicles

The government has proposed the inclusion of green vehicles into the Transport Technology Innovation Development Scheme. The Land Transport Authority and the EDB formulated this scheme in 2001, to waive the Certificate of Entitlement (COF), and customs duties for vehicles imported to Singapore for research. The waiver was for two years, with an option to extend for another two years. The government extends this scheme to green vehicles imported into Singapore for test-bedding purposes. These green vehicles will be exempt from paying additional registration fees, customs duties or COF for an initial six years. The government also expands the quota under the scheme, from 300 electric vehicles to 1,300 vehicles.

Extension of Green Vehicle Rebates to Used Imported Vehicles

The government has proposed an extension of the scope of the Green Vehicle Rebate Scheme by including imported used green vehicles into the scheme, with the exception of imported used compressed natural gas vehicles or vehicles that are required to be brand new at point of registration. The inclusion of these vehicles enters into effect from July 1, 2010.

B. Raising Foreign Workers Levies

To regulate the flow of foreign workers into Singapore, the government has proposed to gradually raise foreign workers' levies and tighten the levy tiers that are based on the proportion of foreign workers in a company's workforce. This change will start with a modest increase in 2010 and will further increase over the next two years. As a first step, the levy rate for most work permit holders will be raised by SGD 10 to 30 from July 1, 2010. Within the next three years there will be a total increase of about SGD 100 in average levies per worker in the manufacturing and services sectors. The construction sector will see the largest increase.