MGI Alliance Singapore PAC
Public Accountants, Chartered Accountants

MGI Perspectives: Singapore Budget 2020

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1. The Big Picture

Finance Minister Heng Swee Keat delivered the Budget 2020 statement in Parliament on 18 February 2020. The Budget was delivered against the backdrop of a weak global economy, geopolitical tensions and technological disruptions. This was unexpectedly exacerbated by the COVID-19 outbreak.

A $4B dollar relief package was unveiled to stabilise the economy. The government will take a targeted approach to help various sectors of the economy hard hit by CONVID-19 virus. The idea is stabilise the economy by targeting measures at sectors directly affected by the outbreak.

In addition to this, there are also broad-based measures to help businesses and employees alleviate their cash flow problems.

Some announcements include an increase in the tax rebate to 25% of tax payable capped at $15,000 (up from 20% of tax payable capped at $10,000 in YA2019).

Another major announcement in this year's Budget was that the GST increase from 7% to 9% would be deferred. This increase would eventually still take place (by 2025), but sufficient notice will be provided. The deferment of the GST hike would be a great relief to both households and SMEs.

The government would also be helping Singaporeans with a Care and Support Package where all Singaporeans aged 21 and above can receive up to $300 in cash and other goodies such as $100 top up for Passion cards for seniors aged 50 and above.

In his budget speech, the Minister highlighted the 4 big themes facing Singapore today:

1) Technological disruptions
2) Geopolitical tensions
3) Ageing population
4) Decline in support for globalisation

The above themes are not new. These themes were also present in both the Budget speeches of 2018 and 2019 and are likely to feature again in the next Budget.

Budget 2020 addresses both the short-term and long-term challenges that Singapore faces and these solutions are proactive (particularly given the almost immediate impact of CoVid-19 outbreak here) and will help cushion the impact of the economic slowdown in businesses.

In a nutshell, Budget 2020 seeks to address how Singapore should prepare itself in an uncertain global business environment as she faces her own demographic and economic challenges and the various strategies that the government can undertake to build the capacity and competency of its local workforce.

2. Impact on business -Corporate Income Tax (CIT) Rebate

The CIT rate will remain at 17%. A one-off CIT rebate of 25% of tax payable (capped at S$15,000), will be granted for YA2020.This measure will have a beneficial impact on SMEs and the rebate would be welcome news for SMEs in a tax paying position.

Year of Assessment (YA)	Corporate Income Tax Rebate	Capped at
2020	**25%**	**$15,000 (NEW)**
2019	20%	$10,000.00
2018	40%	$15,000.00

Table A: CIT rebates given from 2018 till YA 2020

3. Interest free monthly instalments – ECI on CIT payments

The interest free monthly instalments on ECI for CIT payments will be automatically extended by 2 more month for all Companies. To enjoy the IRAS instalment plan, we encourage all clients to file their ECIs on time. IRAS will be issuing letters to all qualifying Companies sometime in March 2020. This would help Companies with their cash flow and to better manage their CIT liabilities.

ECI filed within	Number of instalments for tax payment	
	EXISTING	NEW
1 month from FYE	10	12
2 months from FYE	8	10
3 months from FYE	6	8

Table B: Increase in interest free instalments for CIT

4. Carry back relief scheme

The carry-back relief scheme will be enhanced for YA2020 by allowing the carry-back of the current year unabsorbed capital allowances and trade losses for a YA from one YA to 3 YAs immediately preceding YA2020, capped at $100K of qualifying deductions. As businesses will be allowed to carry back qualifying deductions available for YA2020 before the actual filing of their income tax returns, this would translate into cash flow savings for businesses.

More information will be made available on this scheme by end of February 2020.

5. Cost of Acquiring Plant and Machinery

Companies would now have the option to accelerate the write-off of the cost of acquiring plant and machinery in the basis period for YA2021 (FYE 2020) from over 3 years or the prescribed working life of the asset to 2 years. This will benefit businesses that acquire plant and machinery that do not qualify for a one year write off.

i) 75% written off in the first year (YA2021)

ii) 25% written off the second year (YA2022)

If the above option is chosen, there is no deferment of CA allowed.

6. Renovation and Refurbishment (R&R) expenses (Section 14Q)

Companies will have the option to accelerate the deduction of expenses incurred on R&R for the basis period YA 2021 (FYE 2020) from 3 consecutive YAs to 1 YA. The $300K for every relevant period of 3 consecutive years would still apply. It is likely the cost of doing business will increase (due to supply chain disruptions caused by the COVID-19 outbreak). An increase in the tax deduction limit would allow Companies to better manage their cash flow.

7. Double Tax Deduction for Internationalisation Scheme (DTDi)

This scheme offers 200% tax deduction for qualifying expenditure incurred on specific internationalisation activities. No prior approval for tax deduction for the first $150K of qualifying expenses.

The Scheme will be extended until 31 December 2025 and covers the following:

i) Third party consultancy costs relating to overseas business development for identifying suitable talent and building up business network;

ii) Prescribed expenses for overseas expenses such as transport or samples used overseas.

This scheme is administered by Enterprise Singapore and further details will be released by end March 2020.

8. Capital grants approved by Government

For capital grants approved on or after 1 January 2021, recipients will not be allowed to claim tax deductions or allowances on that part of the expenditures that are funded by such grants from the Government or statutory boards.

There should be no double incentivisation of recipients through grants and tax deductions or allowances. For capital grants approved on or after 1 January 2021, recipients will not be allowed to claim tax deductions or allowances on that part of the expenditures that are funded by such grants from the Government or statutory boards.

9. Extend the Mergers & Acquisitions ("M&A") scheme

To continue encouraging companies to consider M&A as a strategy for growth and internationalisation, the M&A scheme will be extended to cover qualifying acquisitions made on or before 31 December 2025.

The scheme will remain unchanged for acquisitions made on or after 1 April 2020, except for the following:

- Stamp duty relief will lapse for instruments executed on or after 1 April 2020; and
- No waiver will be granted for the condition that the acquiring company must be held by an ultimate holding company that is incorporated in and is a tax resident of Singapore. This will apply for acquisitions made on or after 1 April 2020.

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

To provide upfront certainty to companies in their corporate restructuring, the scheme under Section 13Z will be extended to cover disposals of ordinary shares by companies from 1 June 2022 to 31 December 2027.In addition, to ensure consistency in the tax treatment for property-related businesses, 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. The tax treatment of such share disposals will be based on the facts and circumstances of the case. The change will apply to shares disposed on or after 1 June 2022. All other conditions and exclusions of the scheme remain the same. IRAS will provide further details of the changes by end-June 2020.

11. Extend the Land Intensification Allowance ("LIA") scheme

Broadly, under the LIA scheme companies can claim LIA as follows:

- Initial allowance of 25% of qualifying expenditure incurred on the construction or renovation of an approved LIA building in the YA relating the basis period which the capital expenditure is incurred.
- Annual allowance of 5% of qualifying expenditure upon issuance of TOP for the completed LIA project.

12. Allow the further tax deduction scheme for research and development ("R&D") expenditure under Section 14E of the ITA ("Section 14E incentive") to lapse

The Section 14 E incentive which provides further tax deduction for R&D incurred on approved R&D will lapse after 31 March 2020.

13. Jobs Support Scheme (JSS)

All active employers, with the exception of Government organisations (local and foreign) and representative offices, are eligible for the JSS. Employers will receive an 8% cash grant on the gross monthly wages of each local employee (applicable to Singapore Citizens and Permanent Residents only) for the months of October 2019 to December 2019, subject to a monthly wage cap of $3,600 per employee.

Certain qualifying commercial properties in sectors affected by the COVID-19 will be granted a rebate at 10%, 15% or 30% of the property tax payable for the period 1 Jan 2020 to 31 December 2020. The sectors include F&B, tourism, aviation and retail.

14. Enhancement to Wage Credit Scheme ("WCS")

To continue encouraging enterprises to invest in raising productivity, upgrading and sharing of gains with their workers, the monthly wage ceiling will be raised from $4,000 to $5,000 for qualifying wage increases given in 2019 and 2020, so that more Singaporean employees will benefit.

Government co-funding levels will also be raised for 2019 and 2020 qualifying wage increases by five percentage points, to 20% (from 15% previously) and 15% (from 10% previously) respectively.

15. Skills Future Top up

There will be $500 skills future top up for all Singaporeans aged 25 and above and another special Skills Future Credit top-up for Singaporeans aged 40 to 60. There will be targeted incentives given to employers who hite locals aged 40 and above through reskilling programmes.

16. Angel Investors Tax Deduction (AITD)

The AITD Scheme was introduced in 2010 to ignite the start-up scene here and help them grow from their infancy stages. Under this scheme, an approved angel investor needs to invest a minimum of SGD100,000 into the qualifying start-up in a YA in order for him to enjoy a tax deduction at 50%of his investment at the end of the second year of holding of the investment. The scheme will lapse after 31 March 2020. However, to keep the scene vibrant, the government will have other schemes for the Start-Ups, including Start-UP SG programme.

17. Enterprise Grow Package – GoBusiness

To help the local economy grow and create jobs, businesses will receive more aid to enter new markets, innovate and adopt digital solutions through a new, multi-platform package.

The Enterprise Grow Package will include new grants as well as enhanced versions of existing support measures. A new platform, called GoBusiness for companies to transact with the Government online will also be launched to make the process easier. GoBusiness will streamline licence applications for businesses, as well as make it easier for them to get information about government help.

18. Lifelong learning – SkillsFuture Credit Top Up.

There will be a $500 Skills Future Credit top-up for adult Singaporeans aged 25 and above and in addition to this there will be a special $500 SkillsFuture Credit top-up for Singaporeans between the ages of 40 and 60.

19. Care and Support Package

Singaporeans aged 21 can be eligible to receive up to $300 cash with an additional $100 cash for each Singaporean parent with at least one Singaporean child aged 20 and below.

Grocery vouchers to be given to Singaporeans staying in 1-room and 2-room flats.

GST (U-Save Vouchers) vouchers to be given to all eligible HDB households this year with larger households receiving more.
