



Singapore Budget 2023 Snapshot

A Valentine's Budget for Singapore



Foreword



Budget 2023 foreshadows significant changes in the road ahead, as it is about securing our future in the face of great uncertainty and volatility, one that will necessitate bolder and more decisive moves to move the country forward, but will also cultivate a fairer and more inclusive society.

Deputy Prime Minister and Minister for Finance, Mr Lawrence Wong, delivered his second Budget speech on 14 February 2023.

Budget 2023 began on a positive note, with the Minister stating that Singapore's economic fundamentals remain strong despite this year's slower economic growth. However, he warned of major uncertainties and downside risks to this year's forecast, such as the impact of a decline in the US and EU economies, an escalation of the Ukraine war, and the possible emergence of a new COVID-19 variant.

Budget 2023 identified three key thrusts to address the challenges in the future economy:

1. Grow economy
2. Strengthen social compact
3. Enhance resilience

To sustain pervasive innovation across the economy, Budget 2023 introduces a new Enterprise Innovation Scheme that increases tax deductions to 400% of qualifying expenditure for certain qualifying activities. In addition, businesses that have yet to become profitable or do not have enough profits to maximise the benefits of tax deductions will now be able to convert 20% of their total qualifying expenditure per Year of Assessment (YA) into a cash payout, subject to a cap of \$20,000. This will assist smaller businesses in offsetting the costs of their innovation activities, even if they pay little or no taxes. Among other changes, the Enterprise Innovation Scheme, SME Co-Investment Fund, and Singapore Global Enterprises initiative are just a few that demonstrate the Government's emphasis on the need for local entities to innovate and grow in order to compete and survive in the future economy.

The theme of our Deloitte Budget is "A Valentine's Budget for Singapore," and indeed Budget 2023 is the Minister's "Valentine's Day present" to help Singaporeans cope with rising prices caused by an unpleasant cocktail of higher inflation and GST increases. The Minister announced enhancements to the permanent GSTV scheme and the Assurance Package, as well as additional one-time support measures under the Assurance Package to address immediate cost-of-living issues. This slew of measures reflects the government's commitment to assist Singaporeans during this trying time. However, the Minister warns that higher inflation is here to stay, and the best way to deal with it is to become more productive and competitive so that our real wages grow. As a result, Singapore will need to continue with economic transformation and restructuring.

This budget will bring much joy to parents and soon-to-be parents. To provide more support for eligible lower- to middle-income working mothers, the Working

Mother's Child Relief will be changed from a percentage of the mother's earned income to a fixed dollar relief beginning in the YA 2025. In conjunction with the Baby Bonus Cash Gift, increased government contributions to the Child Development Account, flexible work arrangements for working parents, and increased Unpaid Infant Care Leave, the Government is sending a strong message to encourage people to start families and raise more children.

Climate change remains high on Singapore's agenda, and rightly so, given that it is one of the most pressing challenges faced by the world. Building on his previous announcement that Singapore will establish a Coastal and Flood Protection Fund, the Minister stated that Singapore will continue to commit more resources as Singapore progressively implements the extensive infrastructure plans to protect our coastline from rising sea levels, including a polder at Pulau Tekong that is already more than halfway completed.

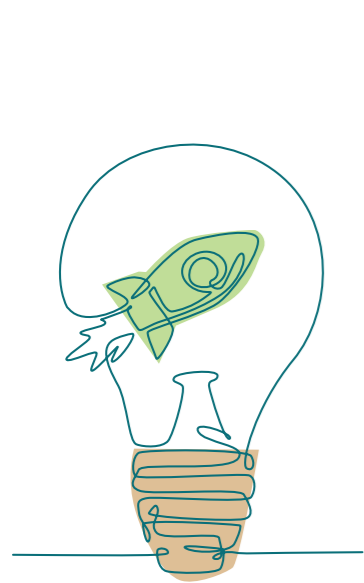
As Singapore seeks to balance the short-term needs of the population and businesses with the long-term goal of transformation, Budget 2023 announces further adjustments to our tax system, including higher marginal Buyer Stamp Duty rates for higher-value residential and non-residential properties, a cap on Preferential Additional Registration Fee rebates at \$60,000 to avoid providing excessive rebates to more expensive cars when they are deregistered, and a 15% increase in tobacco excise duty.

On the international front, Singapore announced its intention to implement Pillar Two measures in 2025, as part of a broader international effort to align minimum global corporate tax rates for large multinational enterprise (MNE) groups, as well as a Domestic Top-Up Tax, which will raise the effective tax rate for MNE groups in Singapore to 15%. Simultaneously, Singapore will review and update its broader suite of industry development schemes in order to maintain Singapore's competitiveness in attracting and retaining investments. However, developments in the taxation of MNE profits are fluid, and Singapore will continue to monitor international developments. Singapore will adjust its implementation timeline if there are further delays globally. The government will continue to engage companies and provide ample notice before making any changes to Singapore's tax rules or schemes.

In many ways, Budget 2023 foreshadows significant changes in the road ahead, as it is about securing our future in the face of great uncertainty and volatility, one that will necessitate bolder and more decisive moves to move the country forward, but will also cultivate a fairer and more inclusive society.

This Budget Snapshot is intended as a prelude to the Budget Commentary and is not intended to be conclusive for tax changes. Please refer to the Budget Commentary for more information. The Budget Snapshot is provided in the following pages—we wish you an enjoyable read!

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ENTERPRISE INNOVATION SCHEME (NEW)

400% enhanced tax deduction for qualifying expenses (capped at \$400,000) incurred for each of the following activities from YA 2024 to YA 2028:

- Research and development projects conducted in Singapore.
- Registration of intellectual property, including patents, trademarks and designs.
- Acquisition and licensing of intellectual property rights.
- Training via courses approved by SkillsFuture Singapore and aligned to the Skills Framework.

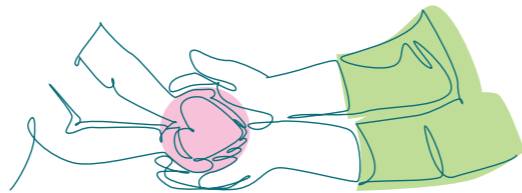
Introduce a new 400% tax deduction for expenses (capped at \$50,000) incurred for activities relating to innovation projects carried out with Polytechnics, the Institute of Technical Education or other qualified partners from YA 2024 to YA 2028.

Non-taxable cash payout (capped at \$20,000) based on a conversion ratio of 20% on up to \$100,000 of total qualifying expenditure for all activities listed above per YA.



PERSONAL INCOME TAX AND RELIEF

- No change to personal income tax rate, and no personal tax rebates.
- Changes to Working Mother's Child Relief (WMCR) from a percentage of the working mother's earned income to a fixed dollar relief with effect from YA 2025 in respect of Singaporean children born or adopted on or after 1 Jan 2024.
- Foreign Domestic Worker Levy Tax Relief to be lapsed from YA 2025.
- Working mothers will be allowed to claim Grandparent Caregiver Relief (GCR) from YA 2024 in respect of caregivers who have trade, business, profession, vocation or/and employment income not exceeding \$4,000 in the year preceding the YA of claim, subject to conditions.



COMMUNITY GIVING

Extension of the 250% tax deduction for donations made to institutions of a public character (IPC) and eligible institutions to end-2026.

Extension of the Corporate Volunteer Scheme (CVS) to end-2026 with the following enhancement:

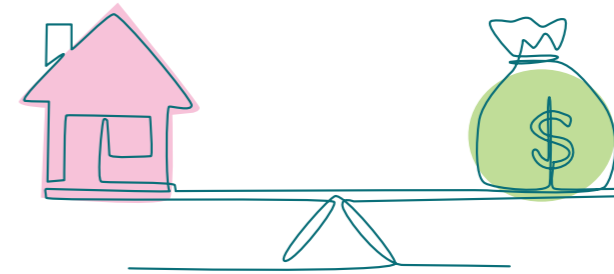
- Include activities which are conducted virtually or outside of the IPCs' premises.
- Double the cap on qualifying expenditure per IPC to \$100,000 per calendar year.

A new philanthropy tax incentive scheme for family office is introduced to allow qualifying donors to claim 100% tax deduction (capped at 40% of the donor's statutory income) for overseas donation made through qualifying local intermediaries.



BEPS 2.0

Global Anti-Base Erosion (GloBE) rules under BEPS Pillar Two and Domestic Top-Up Tax (DTT) will apply to in-scope multinational enterprise (MNE) groups from businesses' financial year starting on or after 1 Jan 2025. This timeline may be revisited based on international developments. In-scope MNE groups will be consulted and given sufficient notice.



PROPERTY COOLING MEASURES

Increase Buyer's Stamp Duty (BSD) rates as follows:

- For residential properties, the portion of the property value:
 - in excess of \$1.5 million and up to \$3 million will be taxed at 5% (up from 4%); and
 - in excess of \$3 million will be taxed at 6% (up from 4%).
- For non-residential properties, the portion of the property value:
 - in excess of \$1 million and up to \$1.5 million will be taxed at 4% (up from 3%); and
 - in excess of \$1.5 million will be taxed at 5% (up from 3%).
- Additional Conveyance Duties (ACD) for buyers will be adjusted accordingly.
- The revised rates will apply to all properties acquired on or after 15 Feb 2023, unless where a transitional provision applies.



EXTENSION OF VARIOUS CORPORATE INCOME TAX SCHEMES AND INCENTIVES

Extension of the following tax incentives/schemes to 31 Dec 2028:

- Pioneer Certificate Incentive (PC)
- Development and Expansion Incentive (DEI)
- Intellectual Property Development Incentive (IDI)
- Investment Allowance (IA) Scheme for capital expenditure on approved projects
- Tax Incentive Scheme for approved special purpose vehicle engaged in asset securitisation transactions (with refinement)
- Qualifying Debt Securities Scheme (with refinement)
- Financial Sector Incentive (FSI) (with refinement)
- Exemption on income derived by Primary Dealers from Trading in Singapore Government Securities (SGS) Scheme
- Insurance Business Development – Insurance Broking Business (IBD-IBB) Scheme



SUPPORT TO BUSINESSES

- An additional option to accelerate capital allowances on plant and machinery over 2 years (instead of 3 years/useful life) is allowed for capital expenditure incurred in FY 2023.
- An additional option to accelerate deduction for Renovation and Refurbishment (R&R) expenditure over 1 year (instead of 3 years) is allowed for R&R expenditure incurred in FY 2023.



VEHICLE TAX

Higher marginal Additional Registration Fee (ARF) rates for luxury cars [with Certificate of Entitlement (COE) obtained in Feb 2023, or on/after 15 Feb 2023 for cars that do not need to bid for COEs] as follows:

- Taxed at 190% for open market value (OMV) in excess of \$40,000 and up to \$60,000
- Taxed at 250% for OMV in excess of \$60,000 and up to \$80,000
- Taxed at 320% for OMV in excess of \$80,000

Preferential ARF (PARF) rebates will be capped at \$60,000. The PARF cap does not apply to vehicles that are not eligible for PARF rebates, such as goods-cum-passenger vehicles, classic cars, and vehicles that have been laid-up.



OTHERS

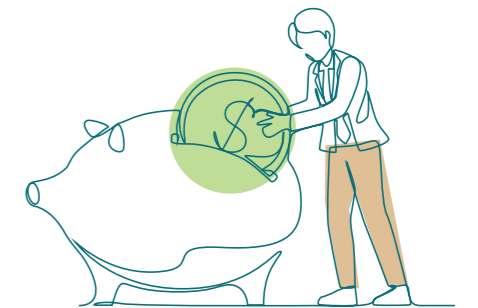
Extension of IA—100% scheme for automation projects to 31 Mar 2026.

Extension of tax measures relating to the following submarine cable systems to 31 Dec 2028:

- Withholding tax exemption on payments to non-resident for use of international telecommunications submarine cable capacity under indefeasible right to use (IRU) agreements
- Writing down allowance for acquisition of an IRU
- IA for the construction and operation of submarine cable systems in Singapore

Withdrawal of tax deduction for expenditure incurred on building modifications for benefits of disabled employees from 15 Feb 2023.

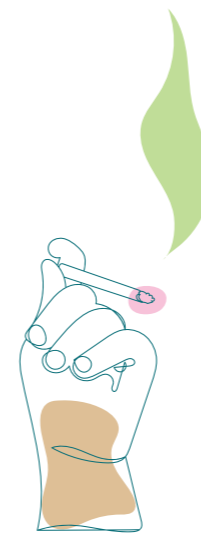
Enhancement of Double Tax Deduction for Internationalisation (DTD_i) Scheme to include new qualifying activity “e-commerce campaign” and to cover qualifying e-commerce campaign start-up expenses paid to e-commerce platform/service providers on business advisory, account creation, content creation, and product listing and placement on or after 15 Feb 2023. Prior approval from EnterpriseSG is required.



FINANCIAL SERVICES SECTOR

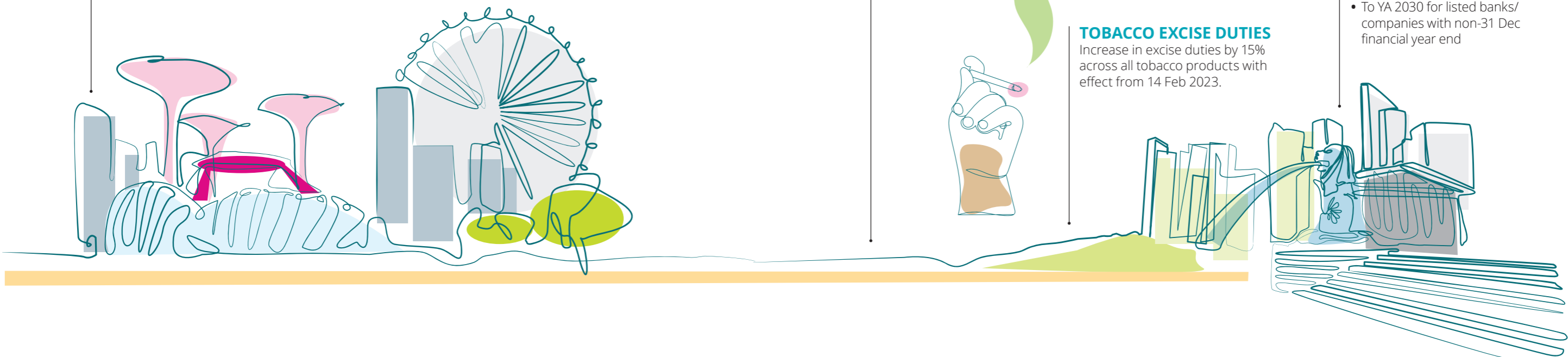
Extension of the tax concession for deduction of general provisions for doubtful debts and regulatory loss allowances made in respect of non-credit-impaired financial instruments for banks, merchant banks, and the qualifying finance companies as follows:

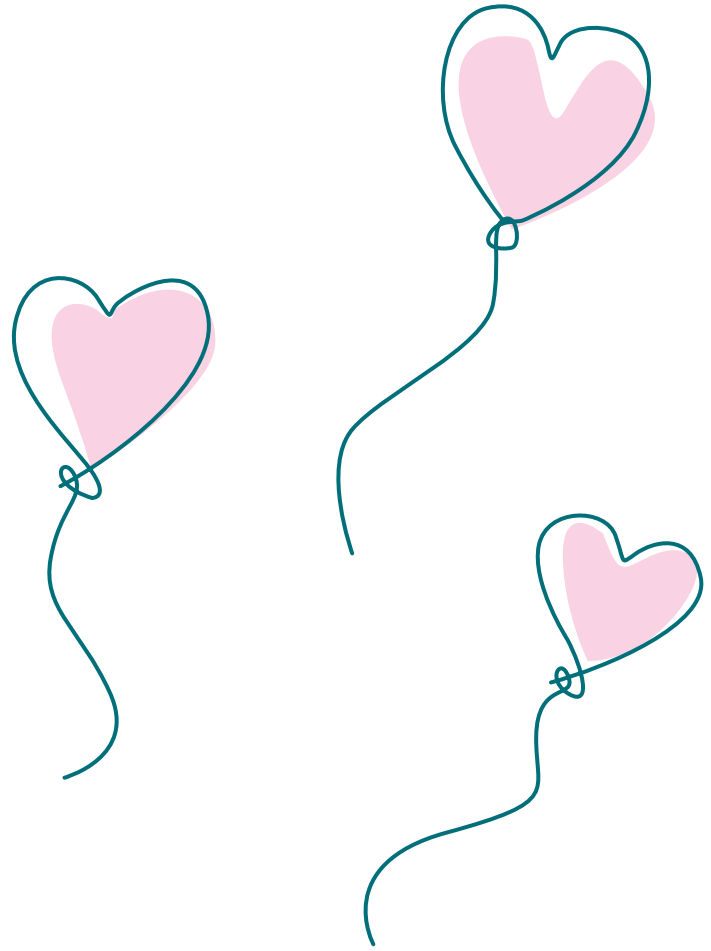
- To YA 2029 for listed banks/ companies with a 31 Dec financial year end
- To YA 2030 for listed banks/ companies with non-31 Dec financial year end



TOBACCO EXCISE DUTIES

Increase in excise duties by 15% across all tobacco products with effect from 14 Feb 2023.





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