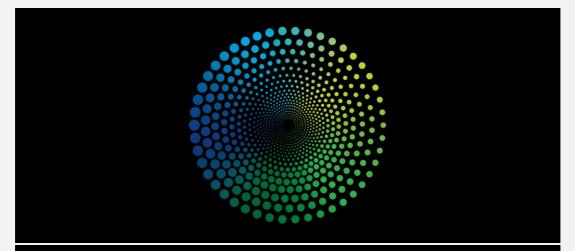
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Singapore | Tax & Legal | 29 June 2020



Singapore Business Tax developments Committed to your success

Greetings from your Tax & Legal team at Deloitte Singapore. We hope that you and your loved ones are staying safe and healthy despite these challenging times. As we navigate ourselves through this trying period, we are committed to giving you the support you need.

We are pleased to share the following with you.

Economic Expansion Incentives (Relief From Income Tax)(Amendment) Act 2020

The Economic Expansion Incentives (Relief from Income Tax)(Amendment) Act 2020 (Amendment Act 2020) came into operation on 15 June 2020. Prior to enactment, the Bill was passed in Parliament on 26 March 2020 with the President's assent on 27 April 2020.

Amongst others, the Amendment Act 2020 provides for the framework for the transfer of tax incentive awards between companies and the enhancement of the Investment Allowance (IA) scheme.

The salient points are as follows: -

Provisions	Points	
Framework for	A new Part IV was introduced in the Amendment Act	
the transfer of	2020 which allows the Minister to transfer existing tax	
tax incentive	incentive awards under the Economic Expansion	
awards between	Incentives Act (Relief from Income Tax) (EEIA), in whole	
companies	or in part, from a company (i.e., transferor company) to another company (i.e., transferee company) as a result of	

corporate amalgamation, mergers or corporate restructuring. The incentive schemes would cover the Pioneer Industry Award, the Pioneer Service Award, and the Development and Expansion Award.

Application for transfer of award

The application for transfer must be made in writing and the Minister may approve the application if the Minister is satisfied that:

- The transferee company is or will be producing the subject product, or is or will be engaging in the subject activity because of a transfer or proposed transfer to the transferee company of any business of the transferor company to which the subject award relates; and
- (ii) It is in the public interest to approve the transfer.

In approving the application for transfer, the Minister may:

Transferee company	Impose on the transferee company as conditions of the award given to it any conditions that the Minister thinks fit, which may be the same as or different from the conditions imposed on the transferor company for the subject award.
Transferor company	If the transferor company continues to produce any pioneer products or continues to engage in any qualifying activity under the respective subject award, the Minister may also add, vary or remove any conditions imposed on the transferor company for the subject award.

In addition, the Minister may make the following in a transfer application that relates to development and expansion award: -

Transferee company	Specify the base income amount of the transferee company for the subject activity for the Year of Assessment (YA) for which approval is given and subsequent YAs which may be the base income of the transferor company for the subject activity immediately before the specified date or any other amount that the Minister thinks fit.
Transferor company	Substitute, with effect from the YA for which the approval is given and

	subsequent YAs, the base income of the transferor company for any qualifying activity under the subject award that it continues to engage in on or after the specified date mentioned, with any amount that the Minister thinks fit.			
	The Minister may require the transferee company to apply for a new application of the tax incentives instead of approving the transfer.			
Enhancements of the IA scheme	 There are two enhancements made to (i) First, the IA scheme will be externative partnerships. IA previously can be a company, but not a corporate corporate partnership refers to limited liability partnership or limited liability partnership or limited solely of partners the comprising solely of partners the comprising solely of partners the comprise sole	nded to corporate only be awarded to partnership. A a partnership, mited partnership		
	 Second, the list of qualifying proscheme has been expanded to it construction and operation of a system with at least one landing Singapore, and any such landing strengthen Singapore's position connectivity node. 	nclude the ny submarine cable station in station. This will		

Deloitte Singapore's views

The ability to transfer tax incentives between companies is a welcomed move for local and multinational companies who may be looking to restructure during this period of time. However, the transfer of tax incentives is currently limited to the tax incentives that are under the EEIA, and not the tax incentives under the Income Tax Act (ITA). This would mean that the considerations for companies looking to transfer businesses that are currently enjoying tax incentives under the ITA remains unchanged, i.e., the transferee company will need to apply for a new incentive with a new set of incentive commitments.

There may be added considerations for companies looking to transfer the Development and Expansion Award. The framework for the transfer of tax incentives will allow the transferee company to step into the shoes of the transferor company as though the transferor company had remained on the incentive. This also means that the incremental concessionary tax rate of 0.5% from Year 11 onwards would apply accordingly. This is in comparison to a new award holder which could enjoy the baseline concessionary rate of 5% or 10% for up to 10 years before any step-up would be applicable. Other factors that can add to the complexity of transferring the development and expansion award include implications of the base income and incentive conditions to both the transferor and transferee companies. Therefore, companies need to carefully consider whether a transfer of existing incentive or a new application is more advantageous.

The extension of the IA scheme to corporate partnerships will be well-received in an evolving business environment where partnership structures are getting progressively common, especially for the co-ownership of assets between companies. The IA enhancements will also be beneficial in large capital investment projects, such as in the investment of submarine cable systems, where the investment could be undertaken by consortiums that are structured in the form of corporate partnerships.

Contacts

For more information on the above or any other matters, please contact either the listed contacts below, or any member of the <u>Singapore Tax & Legal team</u>.

Low Hwee Chua Tax & Legal Leader Deloitte Singapore

+65 6216 3290 hwlow@deloitte.com

Daniel Ho Tax Partner Deloitte Singapore

+65 6216 3189 danho@deloitte.com

Ong Zhong Teck Tax Manager Deloitte Singapore

+65 6800 1998 zong@deloitte.com **Lee Tiong Heng** Tax Partner Deloitte Singapore

+65 6216 3262 thlee@deloitte.com

Yvaine Gan Tax Director Deloitte Singapore

+65 6531 5090 yvgan@deloitte.com



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