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Proposals to enhance Singapore's economy

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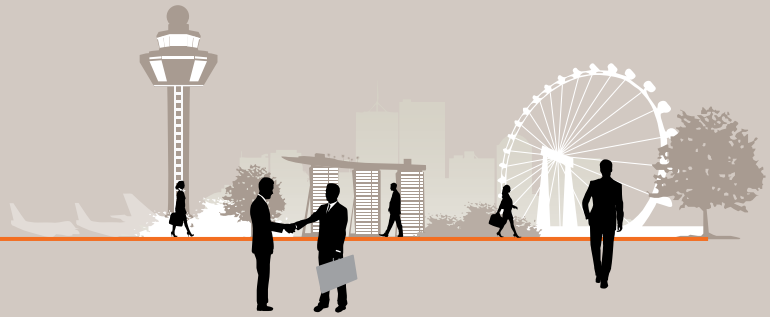

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01

Proposals to enhance Singapore's economy

PwC suggests the following changes to enhance Singapore's economy for the government's consideration. We have organised our proposals broadly around the various areas of focus identified by the Committee on the Future of Economy Secretariat on 21 December 2015. We have separately provided the Monetary Authority of Singapore (MAS) with suggested tax measures relating to the financial sector. This is attached as Appendix A. We also provide suggestions to improve administrative efficiency in Appendix B.

Future growth industries and markets

We set out below the suggested changes to the tax regime to help Singapore businesses venture into new markets:

- ***Co-ordinated assistance for small and medium-sized enterprises***

  A "one government" approach towards coordinating assistance schemes (tax incentives, grants, financing, etc.) for businesses is needed to help ensure that schemes are outcome-driven, easily understood and administratively simple to apply for.

  There is presently a plethora of assistance schemes (tax incentives, grants, etc.) which are administered by various government agencies. As each agency has been tasked with developing different aspects of the economy (outbound investment, inbound investment, start-ups, specific industry sectors, etc.), the assistance schemes under their purview are designed to help a targeted group of businesses. Although this approach has largely been successful, it has also resulted in silos, such that a deserving business may not qualify for any assistance if it does not fall squarely within the scope of any agency (e.g. a promising company which no longer qualifies for start-up assistance schemes, but which is not yet profitable enough to benefit from tax incentives). Similarly, when a business straddles the expertise of two or more agencies, there may be confusion over which agency it could approach for assistance or if it qualifies for assistance at all. Certain businesses, particularly home-grown small and medium-sized enterprises (SMEs), also find it difficult to navigate the many grants available and may not have the resources or expertise to apply for them.

  Where there is already a designated government agency for specific industries (i.e. MAS for financial institutions, the Maritime and Port Authority of Singapore (MPA) for shipping companies, etc.), businesses in those industries would undoubtedly prefer to approach that agency directly. The purpose of this coordinating agency is to act as a 'relationship manager' and be the central point of contact for all other businesses which do not come within the purview of a designated government agency. That agency (which could be an existing agency tasked with assuming this role) can perform a preliminary assessment of the business and identify the most appropriate assistance schemes or refer the applicant to an appropriate agency for further discussion. Having a single point of contact would also allow that agency to gain a better perspective of the needs of businesses whilst facilitating the application process and reducing the administrative burden for applicants.

- ***Finance and Treasury Centre incentive***

  The Finance and Treasury Centre (FTC) incentive, which is due to expire on 31 March 2016,[1] should be extended to maintain Singapore's attractiveness to FTCs of Multinational Corporations (MNCs) in this time zone. This is particularly relevant as Hong Kong announced in its 2015-16 Budget that it would be introducing a concessionary profits tax rate aimed at attracting multinational and Mainland corporations to centralise their treasury functions in Hong Kong. FTCs are usually part of MNCs' larger operations in Singapore (with financing being an integral component of the value chain), and the economic spinoff generated for the financial sector and, more broadly, the Singapore economy should be considered.

  In addition, the qualifying sources of funds rule is currently too restrictive and should be expanded.

- ***International Growth Scheme***

  In its response to public feedback received on the draft Income Tax (Amendment) Bill 2016[1], the Ministry of Finance (MOF) announced that the definition of "international growth company" under the International Growth Scheme (IGS) would be amended to include a company incorporated and resident in Singapore which provides services to a person or permanent establishment outside Singapore.

  Whilst the final legislation has not been published, it is too restrictive to confine an IGS company to providing services to a person or permanent establishment outside Singapore. If we are promoting service providers to go international, it is sufficient that they provide the services offshore (as contemplated in the original draft Bill). Otherwise, a service provider performing work outside Singapore (e.g. geological studies) for an energy company based in Singapore will be disqualified. This is contrary to the government's call to Singapore-based companies to collaborate to go international and to treat ASEAN and beyond as their market.

1 http://www.mof.gov.sg/news-reader/articleid/1553/parentId/59/year/2015?category=Press%20Releases

- ***Equity-based remuneration schemes***

  To promote entrepreneurship, the government should consider introducing an incentive for share option and stock award schemes (similar to the employee equity-based remuneration incentive scheme that was previously available under sections 13J and 13M of the Income Tax Act). This could be restricted to employees of start-ups or SMEs. These schemes can also be enhanced to provide for deferral of taxation in specific cases e.g. in the case of start-ups where there may not be a ready market for their shares.

  In addition, the value of equity-based remuneration schemes should be taken into consideration by the Ministry of Manpower when evaluating whether minimum salary requirements are met for the purpose of employment pass applications.

- ***Safe harbour rule for gains from disposal of equity instruments***

  When the safe harbour rule for gains from disposal of equity investments was first introduced in the 2012 Budget, it was welcomed by the business community for providing significant stability for businesses wanting to use Singapore as the holding location for their operations. However, the safe harbour rule is subject to a sunset clause, ceasing to apply to disposals made after 31 May 2017, whereupon its continued existence is to be reviewed.

  – Make safe harbour rule a permanent feature in the system

  The sunset clause is counteractive to the efforts made to provide certainty to investors. We suggest making the safe harbour rule a permanent feature of the tax system so as to provide some level of certainty for taxpayers planning their affairs given the capital: revenue dichotomy in our tax system.

  – Allow a "trace through" to the ultimate ownership when applying the period test

  To align with the economic realities of commercially driven restructuring, a trace through to the ultimate ownership would decrease transaction costs and ambiguities associated with failing to meet the two-year threshold of the safe harbour rule. For example, in preparation for the sale of part of a business, a vendor may spin-off certain subsidiaries to other holding companies within the broader group to meet the desires of potential buyers. If the vendor is fortunate, it may be able to subsequently sell these subsidiaries to another buyer shortly after the restructuring. Although the ultimate ownership of such spun-off companies remains the same, there is currently no provision to allow a tracing through and any gains made on such companies sold within a two-year period may be viewed as income. It is doubtful if such a view is correct, but allowing a trace-through to the ultimate ownership would obviate the need to question the nature of such gains for corporations which must restructure for legitimate business purposes.

  – Remove the exclusion of insurance companies

  Currently, insurance and reinsurance companies are specifically excluded from the safe harbour rule. We understand that this is premised on the presumption that insurers do not derive capital gains from investments. However, the courts have decided in 2014[2] that such presumption is not correct and that the nature of gains made from investments by insurers should be determined based on ordinary tax principles. On policy grounds, it is therefore no longer correct to exclude insurers from the safe harbour rules.

  On a related note, it is not uncommon for investments to be undertaken via a variety of instruments other than ordinary shares, e.g. preference shares. The safe harbour rule should be expanded to include these instruments so as to provide more choices/avenues for investments.

2 *CIT v BBO* [2014] SGCA 10

Corporate capabilities and innovation

To provide continuing support in the innovation and productivity journey, we suggest the following measures:

- ***Refine Productivity and Innovation Credit scheme to focus on value creation and innovation***

  The Productivity and Innovation Credit (PIC) scheme is currently focussed on incentivising expenditure. As many SMEs are just starting on their productivity and innovation journey, the scheme can be further enhanced with a focus on achieving productivity: for example, the government can consider awarding grants or tax incentives based on certain measure of productivity gains through the use of easily accessible online tools, such as the Productivity Calculator[3] prepared by SPRING Singapore.

- ***Liberalise research and development tax claims***

  Research and development (R&D) tax claims often involve protracted discussions on the eligibility of the projects, or are stalled because of a lack of appreciation for the technical aspects of the R&D process.

  The take-up rate for the R&D category under the PIC scheme is comparatively low – less than 3% of total PIC claims.[4] The total number of active businesses in Singapore that made PIC claims has increased over the past two years but we understand R&D continues to have a low take-up rate as compared to the other PIC categories (e.g. IT and Automation equipment and Training).

  In contrast, the most recent 2013 R&D survey conducted by the Agency for Science, Technology and Research (A*STAR) showed that the growth in the number of Research Scientists and Engineers (RSEs) was especially significant in the private sector—of the 1,800 new RSE jobs created, 1,100 were in the private sector. Business expenditure on R&D also increased from $4.4 billion in 2012 to $4.5 billion in 2013. Growth in R&D expenditure among local enterprises was the most rapid, with an increase of $60 million from $1,300 million in 2012 to $1,360 million in 2013 which reflected growing innovation capacity among local enterprises.

  One possible reason for the divergence between the PIC take-up rate for R&D and this indicative growth of the R&D ecosystem in Singapore could be a difference in what the Search Results Inland Revenue Authority of Singapore (IRAS) and other government agencies regard as R&D. A project that is viewed by one agency as worthy of government support may nonetheless not be considered a qualifying R&D project for tax purposes if the IRAS is of the view that it does not satisfy the statutory definition of R&D. This inconsistency is confusing and frustrating for businesses. In this regard, some proposed amendments/ enhancements are:

  – Pre-approval process with economic agencies to provide upfront certainty on R&D tax claims

    The technical merits (as regards advancement in the field of science and technology) of an R&D project should be evaluated by the relevant economic agency (e.g. A*STAR for life sciences) which should also be responsible for awarding funding or tax incentives. The IRAS can then administer the tax claims without having to concern itself with the technical aspects of the project.

  – Alternative dispute resolution forum

    Alternatively, taxpayers may continue to self-assess their R&D projects for tax claims, but should have the right to request the involvement of an independent panel of experts in the relevant field who will rule on the technical merits of the claim in the event that taxpayers are unable to agree with the IRAS. This could be an alternative to involving the Courts.

- ***Independent valuations***

  Independent valuation reports on intellectual property (IP) acquisitions should not be challenged by the IRAS with the benefit of hindsight. The market value of certain IP may prove to be more or less than initially anticipated for a variety of reasons, including the emergence of new technology.

3 http://www.waytogo.sg/productivity-calculator
4 IRAS Annual report 2012/2013

- ***Support entrepreneurship - liberalise the rules for deduction of expenses on new ventures***

  In today's fast-changing business environment, the ability to adapt and evolve is critical. Singapore's tax system should likewise accommodate the evolving nature of businesses.

  The tax treatment of expenses relating to new ventures should be liberalised. Such expenses are not deductible as they are considered capital in nature. Companies which carry on an existing trade could be allowed to deduct expenses incurred in respect of new business ventures against profits from their existing business. This would encourage businesses to develop innovative capabilities. Companies in industries with long gestation periods (e.g. technology, pharmaceuticals and healthcare) should be allowed to carry forward such expenses as trade losses and without them being disqualified as pre-commencement expenses.

  In addition, it is not uncommon for these companies to bring in new investors at different stages of their development. This may result in a change in shareholders and possible forfeiture of the unutilised losses. This inevitably inhibits business growth. Whilst it is possible to seek a waiver of the continuity of shareholders test from the IRAS, losses preserved by such an avenue are subject to the same trade test, which deters companies from venturing into new fields.

  The same business test and continuity of shareholdings test were introduced as anti-abuse measures; however, they inhibit change and innovation and may be removed as the general anti-avoidance rules are sufficient to clamp down the trading of loss-making companies.

  The cap on the amount of unutilised loss items a company is allowed to carry back should also be removed altogether and companies should be allowed to carry back losses to any year of assessment that has not been time-barred. This is of particular relevance to insurers with exposure to natural catastrophe risks as they typically find themselves in cycles of profitable years and when a significant disaster occurs, in significant loss positions. The current carry-back loss relief system is grossly inadequate in view of the cyclical nature of writing natural catastrophe risks.

- ***Safe harbour rules for gains on disposal of intellectual property***

  Singapore's attractiveness as an IP hub is affected by the possibility that such gains may be subject to tax if they are viewed as trading profits. Extending the safe harbour rules for gains on disposal of equity investments to IP would provide certainty to taxpayers who are looking to develop IP in (or import them into) Singapore.

- ***Encourage exploitation of IP from Singapore***

  Measures should be introduced to encourage exploitation of intellectual property from Singapore; and not just the acquisition and protection of IP. An IP box regime which grants a competitive effective tax rate on income and gains arising from the exploitation of qualifying IP (such as patents, trademarks and copyrights) should be considered. Some other suggestions include:

  – Local or foreign businesses leading in technology exploitation could be given access to cheaper sources of funding backed by government guarantees.

  – Payments for technology licences should be subject to a reduced withholding tax rate.

  – A Technology Problem Statement Bank could be introduced where funding is provided for encouraging innovative inventions that provide a solution to the problems entered. Such funding should not be taxable. Employees involved in approved projects should also enjoy personal tax reliefs.

- ***Liberalise the group relief system***

  The group relief system, where the losses of a company within the group can be set off against the profits of another, should be liberalised by removing the Singapore holding company requirement to allow more corporate groups to take advantage of this relief. It should be sufficient that the group has common ownership. In addition, group relief should be allowed for the unutilised Mergers and Acquisitions Allowances.

- ***Grants***

  For ease of administration, particularly for SMEs, government grants and subsidies should be tax exempt regardless of the purpose for which they are given (i.e. whether they are meant to defray operating cost or asset acquisition cost).

Jobs and skills

Safeguarding the future of jobs in Singapore requires fundamental changes to Singapore's educational system – switching from a vocational focus to an emphasis on the process of learning and problem solving; society's mindset – that innovation is valued, failure is acceptable, that enterprises need to have the right entrepreneurial mindset to attract talent. These are not changes that tweaks to the tax system would be able to effect. Nonetheless, we provide below a few steps that could be taken to point Singapore in the direction it needs to take.

- ***Incentives for overseas training***

  We need to continue to encourage businesses to build a larger base of Singapore talents with the skillsets needed to run global businesses from here.

  The double tax deduction for internationalisation introduced in the 2015 Budget is a step in the right direction, but there are still implementation issues that need to be resolved. A possible enhancement to the scheme would be to extend the enhanced deduction to costs that are borne by the Singapore employer when seconding the employee overseas, e.g. benefits-in-kind provided and tax equalisation payments that the Singapore employer may have to make. In order to ensure the employee returns to Singapore and contributes to the development of the local talent pool, the availability of the enhanced deduction could be tied to a requirement for the employee to return to Singapore, failing which the benefit could be clawed back.

  Singaporean employees, on the other hand, have voiced concerns about overseas secondments. These typically concern the welfare of their families, e.g. their children's ability to re-enter the education system when they return to Singapore. To address this, a "one government" approach is again needed to ensure that Singapore has a supportive environment for talent development.

- ***Review the Not Ordinarily Resident Scheme***

  Businesses need to have the right talent in order to innovate and expand. In order to help attract the right talent to Singapore, the government could consider reviewing the effectiveness of the Not Ordinarily Resident (NOR) scheme.

  The five-year sunset clause for the NOR scheme should be removed. This will help Singapore businesses retain senior talent and build towards long-term stability.

  The current rules really only benefit foreign nationals during their first few years in Singapore. Given the increased mobility of Singaporeans, the requirement to be non-resident for three years in order to qualify for NOR status could be removed to widen the applicability of the scheme to include Singaporeans.

  The exemption on employer contributions to non-mandatory overseas pension plans could also be removed. The tax relief available is very small, the qualifying conditions require companies to give up corporate tax deductions in order to provide employees with the tax benefit (which rarely happens in practice), adds further complexity, making it difficult for employers to understand.

  The requirement that the employee spends at least 90 days overseas for business is too onerous. This should be reduced to 60 days. This would make us more competitive with Hong Kong, where there is no minimum day limit for their time apportionment concession.

- ***Taxation of gains from employee share plans***

  Most countries' tax authorities follow the Organisation for Economic Co-operation and Development's (OECD's) guidance on sourcing of share-based reward in cross-border situations, i.e. that stock options (and other stock-related awards) should be sourced based on the number of days an individual has spent working in each country during the vesting period.

  However Singapore does not follow the global norm in this respect. Singapore tax legislation currently defines the country of source of an employee's right to acquire shares based on whether the right or benefit to acquire shares is granted in respect of employment exercised in Singapore. Shares granted to an individual whilst working in Singapore which vest after he has been transferred to an overseas entity will still be considered fully taxable in Singapore, either under sections 10(6) or 10(7) of the Income Tax Act. As Singapore's basis of taxation is not aligned to the OECD Model Tax Convention's recommended approach, this may give rise to double taxation.

- ***Tax relief for home offices***

  As telecommuting and home offices become increasingly common, employees who work from home should be given personal tax relief as their residence and resources are partially used for employment purposes. For example, the UK allows tax relief for work-related expenses such as business telephone calls, additional utilities, etc., and the US allows deductions for home-office expenses for areas used exclusively and regularly for business purposes.

- ***Boost adequacy of retirement savings***

  Create an environment for alternative private pension schemes, for example, by extending the features of the Supplementary Retirement Scheme (SRS) to Section 5 pension schemes, i.e. allow tax deductible employee contributions to be made into Section 5 plans. In addition, a 50% tax exemption for withdrawals from Section 5 plans on retirement could also be allowed.

  An inherent disincentive to implementing a private pension plan is the initial set-up costs that employers would have to incur, which can be substantial. An enhanced tax deduction for employer contributions will encourage more companies to sponsor such schemes and boost the take-up rate.

  Finally, qualifying conditions for Section 5 plans should also be made more transparent.

  In addition, the SRS scheme should be enhanced to encourage more Singaporeans to contribute to the scheme by removing the contribution cap or introducing an enhanced deduction for SRS contributions.

- ***Group insurance premiums***

  The administrative concession which allows a trade-off between corporate tax deductions and individual tax needs should be reviewed. A *de minimis* rule would be simpler to administer and consistent with the treatment for other employee benefits-in-kind.

- ***Medical benefits***

  The cap on employers' tax deductions for medical benefits should be increased to reflect the increasing cost of healthcare and to encourage employers to provide for their employees' healthcare needs.

  Alternatively, remove the cap altogether as it is complex and a disproportionately large administrative burden given the revenue it collects.

- ***Personal relief***

  Individual tax relief for life insurance should also be de-linked from CPF relief to provide more investment options for individuals in planning their financing of their retirement.

Urban development and infrastructure

- ***Encouraging sustainable practices***

  The government should introduce tax incentives to encourage businesses to adopt sustainable practices e.g. greening the supply chain, achieving ISO 14001 standards, encouraging employees to participate in corporate responsibility programmes.

- ***Real estate investment trusts***

  In the 2015 Budget, stamp duty remission on the transfer of Singapore immovable property to a S-REITs was allowed to lapse as it was felt that S-REITS no longer needed a competitive advantage to build their portfolio of local assets. However, S-REITs are at a disadvantage as they cannot qualify for relief under section 15(1) of the Stamp Duties Act. In order to level the playing field, the reliefs under section 15(1) should be extended to S-REITs.

02

Proposals for the Financial Sector

Appendix A

- *S-REITs*
- *Insurance*
- *Asset management*
- *Banking and capital markets*
- *General*

S-REITs

- ***Introduction of concessionary tax rate for income of S-REITs managers for managing S-REITS which invest in offshore investments***

  Tax on investment management income is one factor that is generally considered by international real property fund managers when evaluating where to establish themselves within the region. The introduction of a tax incentive for S-REIT managers could make the difference between new entrants to the Asian property funds management space establishing themselves in Singapore, rather than in Hong Kong or elsewhere within the region. REIT managers with a presence in Singapore are naturally going to be more familiar with S-REITs as a viable investment platform and are likely to promote the use of these vehicles.

Insurance

- ***Extension and enhancements to marine hull and liability (MHL) incentive scheme – expiring on 31 March 2016***

  – Extension of MHL scheme and review current qualifying criteria

  The MHL incentive scheme (which provides for tax exemption and a 5% tax), available for both onshore and offshore business, is due to expire on 31 March 2016.

  Currently the minimum qualifying conditions include:

  o at least one dedicated MHL underwriter with at least five years of relevant experience, and

  o at least $3 million MHL premium volume in the preceding financial year (FY).

  We propose that the MHL scheme be extended. This would be in line with the continuing efforts to develop Singapore as insurance and a maritime hub. We recommend reviewing and removing the criterion of "$3 million premium in the preceding FY". If needed, it can be replaced with a commitment to meet a certain minimum future MHL premium.

- ***Extension and enhancements to offshore Specialised Insurance Business (OSIB) incentive scheme – expiring on 31 August 2016***

  – Extension of OSIB scheme and review certain operational aspects of the scheme

  The OSIB incentive scheme is due to expire on 31 August 2016.

  There are six types of offshore specialised risks currently covered by the OSIB scheme: terrorism risks, political risks, energy risks, aviation and aerospace risks, agriculture risks and catastrophe XOL risks. Agriculture risks were added to the OSIB scheme in 2011 and catastrophe XOL risks were added in 2013.

  Under existing law, when an insurer is approved for the OSIB scheme, he is given tax exemption treatment for all the offshore specialised risks (currently six) presently covered by the scheme. He cannot choose to, say, only be approved for agriculture risks and not the remaining five types of specialized risks. He also cannot choose not to be covered for new specialised risks that might be added in the future by MAS to the OSIB incentive scheme. This creates uncertainty for the applicant.

  The scheme should be extended, to be in line with objectives to continue attracting the underwriting of specialised risks to Singapore. It should also be tweaked to allow approved insurers to choose the types of offshore risks they wish to be incentivised for. New specialised risks can be added later on if desired.

  We could consider extending the scheme to onshore business too. This may help to encourage MNCs to relocate their core key underwriters of specialised risks to Singapore and make this incentive more attractive.

02

- ***Offshore Insurance Business***

  – Inclusion of fee income as qualifying underwriting income for offshore life business

  Under the current OIB scheme, fee income derived from the underwriting of offshore life business is not a qualifying income (currently limited to *premiums* only). The OIB scheme does not work well at incentivising life insurers writing non-traditional offshore life business.

  The scope of qualifying underwriting income for offshore life business should include fee income. Limiting the qualifying underwriting income for life business to only premium also limits the attractiveness of the scheme to life insurers targeting the offshore wealth business.

  – Allowance of alternative method of allocation of expenses, allowances and donations under the OIB schemes for approved general insurers and approved life insurers

  Under existing regulations, insurers conducting stand-alone general or life insurance business must use gross premiums to allocate common expenses, allowances and donations.

  However, the regulations were amended for composite insurers (but not direct insurers) in 2009 to allow them to use alternative methods if reasonable in the circumstances of the business.

  We suggest allowing all insurers to apply alternative methods of apportionment if such allocation would be more reasonable.

  – Introduction of a loss carry back system for offshore risks

  Currently, the loss carry back system only allows a one year carry back for $100,000 of tax losses. This loss carry back system is inadequate for insurers/ reinsurers who find themselves faced with catastrophic losses as a result of natural disasters around the region, such as what happened in 2011 with the Thai floods, Japan earthquake, Queensland floods, New Zealand earthquakes, etc.

  Also, given that the nature of the insurance/ reinsurance business is cyclical in nature, the limited ability to carry back losses does not help our insurers/reinsurers much at times of huge catastrophic losses.

  We suggest the following:

  o Allow an unlimited carry back of tax losses for five years (to time-bar years) or at least to the three preceding years.

  o Allow an unlimited quantum of losses to be carried back. If this is not tenable, then consider allowing unlimited carry back to the year immediately before the year of loss, and as for the earlier two years, limit the carry back to half the chargeable income of those earlier two years.

  This loss carry back scheme may be implemented just for the offshore risks and addressed as an enhancement to the OIB scheme incentive. This is because most natural catastrophic losses are in OIF anyway.

- ***Lowering or simplifying of incentive tax rates***

  – Lowering of the OIB incentive tax rate

  The existing tax rate for OIB has been at 10% for the last 30 years at least. At the same time, the normal corporate tax rate has reduced from about 40% to 17% currently.

  Hong Kong now levies an 8.25% tax rate (being half of its corporate tax of 16.5%) on offshore reinsurance business.

  Malaysia – while its corporate tax rate may be 25%, it offers a concessionary tax rate of 5% on inward reinsurance and offshore insurance business.

  Labuan – which is actively promoting itself – offers a near-zero percent tax regime with flexibility to base various operations in Kuala Lumpur.

  Singapore should consider reducing the OIB incentive tax rate to 5% or one third of the corporate tax rate. Pegging the incentive to one third of the corporate tax rate would ensure that the incentive rate is continually adjusted in line with the corporate tax rate.

  This will ensure Singapore remains competitive and attractive vis-à-vis locations like Hong Kong, Kuala Lumpur and Labuan.

  – Blending all the offshore insurance schemes

  Tax exemption for certain specified lines of offshore business may not be attractive where losses may be anticipated as such tax exempt losses will be quarantined and cannot be used to set off profits made in other offshore business. The more incentives an insurer subscribes to, the more segregation of accounts is required. This is often seen as unnecessary administrative burden.

  As an alternative to reducing the OIB scheme rate, we could consider blending all offshore schemes (the OIB scheme and the offshore specialised insurance business schemes) and offer an overall lower incentive rate of 5% or one third of the corporate tax rate. This would simplify the tax incentive structure and would enable the use of tax losses against profits taxable even under the normal tax rate (subject to section 37B adjustment). Further, it would ease the current administrative and accounting burden of keeping separate books for each incentivised business. Allocation of common expenses would also be easier.

- ***Expanding scope of incentivised investment income***

  – Expansion of scope of qualifying investment income under all the insurance incentive schemes, such as the OIB scheme, the MHL scheme, the OSIB scheme, Offshore Captive scheme, etc.

  Investment activity is an integral part of insurance business. Funds received from writing policies are usually invested to support the insurance business. Currently, only certain types of income supporting the incentivised business enjoy the same lower tax rate or exemption. In particular, the qualifying investment income are:

  - o offshore dividends and interest;
  - o interest from ACU deposits; and
  - o gains from offshore investments.

  There are two issues here:

  - o Only certain offshore investment income is incentivised. This means that any investment made in Singapore (other than ACU deposits) would not be incentivised. The direct impact of this is that all insurers enjoying incentive schemes will be encouraged to invest offshore.

    While we understand that there are policy reasons behind the exclusion of local investments, we view this rule as negative to the insurance and the Singapore fund management industry.

  - o The list of offshore investments as it stands is very dated. In today's investment market, more and more types of instruments and vehicles are used by insurers. The narrow list of investments specified is too limiting and the task of identifying what is incentivised and what is not poses an administrative burden for insurers.

  Ideally, the tax concession should not be applied to only select types of investment income. Rather, it should be applied to all investment income (whether onshore or offshore) which supports the incentivised business. Such a move would also promote the growth of the onshore investment management industry in Singapore.

  As a minimum, the list of investment income in the insurance regulations should be enhanced to include the following income:

- offshore rental;
- offshore trust distributions (including unit trusts, business trusts and real estate investment trusts);
- income from any financial derivative contracts in foreign currencies, including interest rate or currency contracts on a forward basis, interest rate or currency options, interest rate or currency swaps;
- discounts from offshore debt securities; and
- gains from trading in any debt securities.

Expanding the pool of incentivised investment income under our insurance incentive schemes would allow the approved insurers to have more investment options available to meet their expected returns on investments.

It would also promote the growth of the onshore investment management industry in Singapore.

The inclusion of gains from trading in any debt securities would specifically help promote the growth of the debt market in Singapore as insurers are one of the major institutional investors in Singapore.

- ***Certainty of capital treatment***

  – Section 13Z of the Income Tax Act – Certainty of non-taxation of disposal of equity investments – safe harbour rule – 20% equity holdings held for 24 months not taxable

  In Budget 2012, the Minister for Finance announced that certainty of non-taxation will be given for gains derived by a company from the disposal of equity investments that meet the specified conditions. This was subsequently enacted as Section 13Z.

  However, insurance/reinsurance companies are specifically excluded from the above rule.

  We understand that the exclusion of the insurance/reinsurance companies is a policy decision by the MOF.

There is no policy reason to single out insurers for exclusion from section 13Z given that it has been held in *CIT v BBO* (judgment dated 4 February 2014) that insurance companies, like all other taxpayers, can hold shares as capital assets.

In light of the above developments, we recommend that the earlier policy decision be reviewed, and the scope of the rules amended so that insurers are not excluded from section 13Z.

We also recommend removing the sunset clause in section 13Z, as companies need to plan on a longer term basis and five years is too short a time to give certainty of treatment.

This should help to encourage insurance groups to set up their holding company and regional management companies in Singapore.

- ***Deductibility of contingency reserves***

  Under the Insurance Act, insurers writing certain types of risks (e.g. mortgage insurance and trade credit insurance risks) are required to set aside specified contingency reserves. These reserves are not tax deductible as they are not incurred losses.

  We suggest allowing a deduction for the contingency reserves set aside under the Insurance Act. When the reserves are released or withdrawn, tax treatment should follow accordingly.

Asset management

- ***Specified income***
  – Interest from listed debt securities

  In the past, section 13X incentives were more popular with private equity funds. Recently, we have seen more conversion of designated unit trusts (DUTs) to section 13X funds. Bond/Multi-asset funds typically invest in a huge portfolio of listed securities and would not be able to efficiently check with each bond issuer whether the interest would be caught under section 12(6) of the Income Tax Act.

  We suggest covering this item in the definition of specified income.

- ***Designated investments***
  – Emission allowances

  The current list of designated investments includes "emission derivatives". However, there are funds that invest in both emission derivatives and emission allowances (e.g. carbon credits).

  We note that the term "commodity" for the purpose of the GTP scheme has already been amended to specifically include carbon credits, but not in the case of the fund management schemes.

  Hence, we suggest covering this item in the definition of designated investments.

- ***Designated investments***

  – Interest in a cooperative (co-op)
  – Trade acceptances
  – Choses in action
  – Precious metals
  – Guarantees, revolving credit facilities and risk participation arrangements
  – Insurance products
  – Loans granted to Singapore entities so long as the underlying investments relate to designated investments, e.g. real estate located outside Singapore such as Australia and UK
  – Partnership structures (including variations of it)
  – Contractual or joint venture arrangements where the investor is passive and does not partake in the management of the arrangement
  – Collective investment schemes that are not in the form of companies, unit trusts and limited partnerships and are not listed on any exchange

  The array of financial investments and instruments continue to develop and increase. These are investments that our clients encounter.

  We suggest covering these in the current definition.

- ***Designated investments***

  – Debt securities issued by entities other than companies, e.g. trusts
  – Loans granted to persons other than companies and trusts

  There are many legal forms in which businesses can operate and hence, they should be covered in the definition of designated investments.

- ***Designated investments***
  – Financial derivatives

  Currently, financial derivatives can only be designated investments if they are entered into with specified counterparties, including banks and securities companies that are financial sector incentive (FSI) companies. We note that there are a number of FSI companies giving up their awards.

  We suggest that the definition be refined such that banks and securities companies need not be FSI companies to be specified counterparties.

- ***Designated investments***

  – Unit trusts
  – Private trusts

  Currently, unit trusts and private trusts can only be considered designated investments if they invest *wholly* in designated investments. However, this requirement can be too stringent and may not be met.

  There are some practical challenges in satisfying the criterion:

- It requires a significant amount of resource and time to trace depending on the fund structure (e.g. if the investor fund is a fund of fund which invest in say 20 unit trust funds, work has to be undertaken to review the income/ investments of those 20 unit-trust funds and if the unit trust funds invest in other unit trust funds, tracing to the next level is required).

- Information is not available to the investor fund and public information may not provide sufficient details for the tracing.

- The investee unit trust fund may have an insignificant amount of investments which may not qualify as designated investments and the whole investment will become non-qualifying.

- Qualifying funds may invest in unit trusts that are managed by external fund managers. The underlying investments of these unit trusts are not within the control of the Singapore fund manager who may not be able to obtain confirmation from the external fund managers that the unit trusts invest wholly in designated investments.

We suggest that unit trusts and private trusts be considered designated investments as long as these vehicles are either listed, a foreign collective investment scheme or do not invest directly in Singapore immovable properties.

- ***Qualifying income for Designated Unit Trusts (DUTs)***

It is common for DUTs that invest in bonds to receive income other than items of income specified under section 10(20A) of the Income Tax Act.

We suggest broadening the list of qualifying income for DUTs to cover all income from bonds.

- ***Section 13R and section 13X fund tax exemption schemes***

The rules for the tax exemption schemes can be simplified to reduce compliance costs and attract more asset managers to carry out their activities in Singapore.

Proposed amendments/enhancements for consideration:

- As an alternative to existing conditions, global assets under management (AUM) can be included as one qualifying condition and the local spending requirement can be applied at the fund management company level instead.

- Remove reporting obligations if there are no non-qualifying investors in a section 13R structure (e.g. remove need to issue annual statements to investors).

- ***Family office structures***

Currently, funds need to be managed by a Singapore fund manager (a separate entity) if they are seeking to be exempt under the Singapore fund tax exemption schemes. However, it can be unnecessarily cumbersome to set up a separate entity to be the fund manager as third party monies are not managed in family office structures.

We suggest allowing the fund itself to be the fund manager for family offices under the fund tax exemption schemes (i.e. investment professionals are employed by the fund).

- ***Persons liable for penalty under section 13CA and section 13R of the Income Tax Act***

  – There may be co-investors in some fund structures and hence it is not always possible for a section 13R approved company to have 100% ownership in an approved company/prescribed person.

    The risk of tax leakage is low for the following reasons:

    o Where an approved company (AC1) invests in a prescribed person or an approved company (AC2), income derived by AC1 from this investment will be exempt from Singapore tax, to the extent that the income is specified income from designated investments (e.g. dividends). Any non-specified income will be subject to tax in Singapore as AC1 is required to file annual Singapore tax returns.

    o Any financial penalty will be applied to the relevant owners of AC1, where applicable.

    Hence, we suggest considering the removal of financial penalty on an approved company (AC1 in this example) with less than 100% ownership in an approved company/ prescribed person (AC2 in this example).

  – Statutory boards may invest in approved companies and prescribed persons. While statutory boards are exempt from paying tax on income, they will be subject to a financial penalty if the ownership threshold is breached.

    We suggest considering the exclusion of statutory boards from being liable to the financial penalty as there is no tax leakage anyway had they invested directly.

- ***Financial Sector Incentive (Fund Management) (FSI-FM)***

The rules for the tax incentive scheme can be simplified to reduce compliance costs and attract more asset managers to carry out their activities in Singapore.

Proposed amendments/enhancements for consideration:

– Reduction of tax incentive rate below 10%, considering the small differential from current corporate tax rate of 17%.
– Simplify the FSI-FM regulations to remove sections which are no longer applicable.

- ***Corporate framework for fund companies***

To cater for different strategies and investor preferences, the asset management industry will need varying investment vehicles and flexible frameworks.

Introduce the concept of open-ended investment company (OEIC), with the following features:

– Allow variable capital with modified solvency requirements and modified distribution criteria.
– Only fund companies managed by fund management companies in Singapore can avail themselves of this framework.
– No public access to financial statements of funds (except listed funds).

- ***Tax incentive for carried interest***

Eliminating uncertainty on the Singapore tax treatment of carried interest could potentially attract many fund managers to move to Singapore, particularly amidst the level of enquiry on the same by the Hong Kong tax authorities.

In this regard, the government can consider possible amendments/ enhancements such as taxing carried interest at a reduced rate (e.g. 5%), with a possible exemption where AUM involved exceeds a certain threshold.

- ***Interest-free loans***

Given the inflexibility around distributions and capital redemption based on current Singapore corporate law, it is common for Singapore fund companies to be partially capitalised by interest-free loans. Therefore, the use of interest-free loans by Singapore fund companies is to address a corporate law restriction and not for tax purposes.

Furthermore, given the withholding tax exemption for interest payments by qualifying funds, any interest paid to non-resident shareholders will be exempt from Singapore tax in any case.

On the basis that there is no tax leakage, we suggest introducing an administrative safe harbour under the Singapore transfer pricing rules for related party loans, as long as the funds meet the conditions of the section 13R and section 13X schemes. This is not unlike the administrative practice accorded to domestic interest-free loans given by a lender not in the business of borrowing and lending money, where the IRAS will accept interest adjustment as a proxy for the arm's length principle.

- ***Scope of fund management tax incentives***

  Increasingly, fund management groups based in Singapore are used as a pan-Asian hub. The pan-Asian hubs could house key functions of the investment management business such as senior leadership, investment management/advisory, product origination, fund raising, investor relations, risk management, trading infrastructure support, etc. Also, for the Singapore firms that use the Asian hub for investment management/advisory functions, some of the investment management/advisory functions are delegated outside Singapore due to centralisation of investment functions or to support talent deployment.

  Presently, tax incentives or deferral schemes for funds managed from Singapore are only available if the funds are managed or advised from Singapore. Given that the investment management business encompasses a wider value chain (see above), there is scope to enhance the qualifying criteria of "managed or advised" to apply for fund incentives and attract more fund management activities into Singapore.

  In addition, increasingly, we note the use of Singapore unit trusts as a fund product and the management of the fund could be wholly or substantially outside Singapore. A Singapore unit trust that is not managed or advised from Singapore is not able to enjoy any of the tax incentives/schemes for funds (e.g. DUT, 13CA, 13X). Consideration should be made to extend our existing tax incentives or a new incentive for such funds as the fund product/origination activities bring about economic spins off to Singapore.

  Proposed amendments/enhancements for consideration:

  – We suggest widening the incentive scope for fund tax incentives or fund tax deferral schemes to consider parts of the investment management value chain. For example, where the investment management and advisory functions of Singapore-based funds are substantially delegated to non-Singapore managers, these funds can be considered for the incentive schemes if more stringent expenditure requirements are imposed on them (such as annual local business spending, requirement to appoint local service providers other than fund administrator).

  – We suggest considering the extension of the existing incentives or the introduction of a tax incentive for Singapore unit trusts managed outside of Singapore.

- ***Approved Trustee Company (ATC) scheme***

  The ATC incentive scheme is due to expire on 31 March 2016. We suggest extending the scheme. This would be in line with the continuing efforts to develop Singapore as a wealth management and investment management hub.

- ***Qualifying activities under the ATC scheme***

  Under regulation 3(d) of the Income Tax (Concessionary Rate of Tax for Approved Trustee Companies) Regulations, income derived by an ATC company from providing custodian services in respect of stocks and shares of companies that are neither incorporated nor resident in Singapore can only qualify for the concessionary tax rate if the stocks and shares are denominated in non-Singapore dollars.

  We suggest removing the currency requirement. This is in line with the definition of "foreign equity securities" under the FSI scheme.

Banking and capital markets

- ***Funding for SMEs***

  To expand the sources of SME funding in Singapore, banks can be encouraged to extend loans to SMEs.

  We suggest allowing enhanced deduction for losses on loans extended to SMEs.

- ***Developing Singapore as an IP hub***

  An IP hub master plan has been issued to develop Singapore as a global IP hub in Asia. It was also noted in the master plan that several countries have implemented or will be implementing IP-backed loan programmes to help their domestic SMEs obtain financing using their IP as collateral while in Singapore, local banks are generally more conservative, and have concerns accepting IP assets as collateral. One of the recommendations in the master plan is to introduce an IP financing scheme, where the Government partially underwrites the value of IP used as collateral.

  To encourage banks to accept IP as collateral, another suggested approach is to allow enhanced deduction for losses on loans with IP as collateral. This can also help to encourage an increase in the range of assets that banks can consider accepting as collateral, which can in turn help to expand the sources of SME funding.

- ***Qualifying income from QDS***

  Currently, only certain income from QDS qualifies for exemption or lower tax rate. In practice, we have seen bond issuers making payments that do not fall within the list of qualifying income from QDS.

  We suggest aligning the list of qualifying income from QDS with the prescribed list of deductible borrowing costs or including all payments made by the QDS issuers as qualifying income.

- ***Publicly available database of QDS and QDS+***

  Currently, for a taxpayer to determine if a security is a QDS or QDS+, it has to write in to the MAS to seek a confirmation. This is time-consuming, especially when the taxpayer invests significantly in QDS and QDS+.

  We suggest MAS maintain and make publicly available a list of QDS and QDS+ securities.

- ***Exemption of foreign dividend received from foreign companies listed in Singapore***

  Section 13(8) of the Income Tax Act was introduced to provide for tax exemption of certain income derived from outside Singapore by a Singapore resident company, subject to the satisfaction of certain conditions.

  Foreign-sourced dividend is one of such income and for the purposes of this exemption, a dividend is a foreign-sourced dividend if it is paid by a non-Singapore tax resident company.

  It is not uncommon for a Singapore resident company to hold investments in the shares of foreign companies listed on the Singapore Exchange (SGX).

  Given that dividends from foreign companies are considered foreign-sourced for Singapore tax purposes, it is necessary to ascertain if the section 13(9) conditions are met to determine if the dividends can be exempted from Singapore tax in the hands of a Singapore resident company.

  As a portfolio institutional investor, it is a tedious and time-consuming process to gather information and/or the documentary evidence (which may be required by the IRAS) to ascertain if the above section 13(9) conditions are met. As a mere minority shareholder of the foreign companies, the portfolio investor is often unable to obtain the specified documentary evidence required for tax purposes. In particular, it is not easy for a portfolio investor to ascertain/prove the following:

  – Country of source (of the dividend) – the foreign company may or may not be a resident in the country of its incorporation. The place of control and management of the foreign company is not public information which is readily available to a portfolio investor.

  – Whether the "subject to tax" condition is met – the required information is not typically available publicly and the financial statements of the investee companies tend to reflect only consolidated results of the group, not company level results.

  In practice, for cases where the portfolio investor is unable to prove that section 13(9) are met when required to do so, the foreign dividend income would then be subject to tax.

  We recommend introducing a rule to treat all dividends of foreign companies listed on the SGX as tax exempt.

  This will help promote the capital market in Singapore and to encourage institutional investors to invest in foreign companies listed on SGX. It will also reduce tax compliance burden on the taxpayers and simplify tax administration for the IRAS.

  The exemption can be applied by way of deeming that the section 13(9) conditions are met for such dividends received or as a section 13(12) exemption (by order of the Minister).

02

General

- ***Definition of professionals***

  Currently a "professional" for the purpose of headcount requirements for tax incentives is defined to be one who is "engaged substantially in the qualifying activity". This is typically taken to refer to front-office personnel.

  However, in practice, middle-office personnel (e.g. risk management, legal, finance) can be substantially involved and often play important roles in deals and transactions.

  We understand that based on the MAS circular FDD Cir 03/2013 dated 28 June 2013, front-office and middle-office personnel are considered in the headcount requirements for FSI-ST and FSI-HQ incentives. However, for FSI-FM, FSI-CFS, FSI-CM and FSI-DM, only front-office personnel are considered. This will not take into account middle-office personnel who play important and substantial roles in deals and transactions.

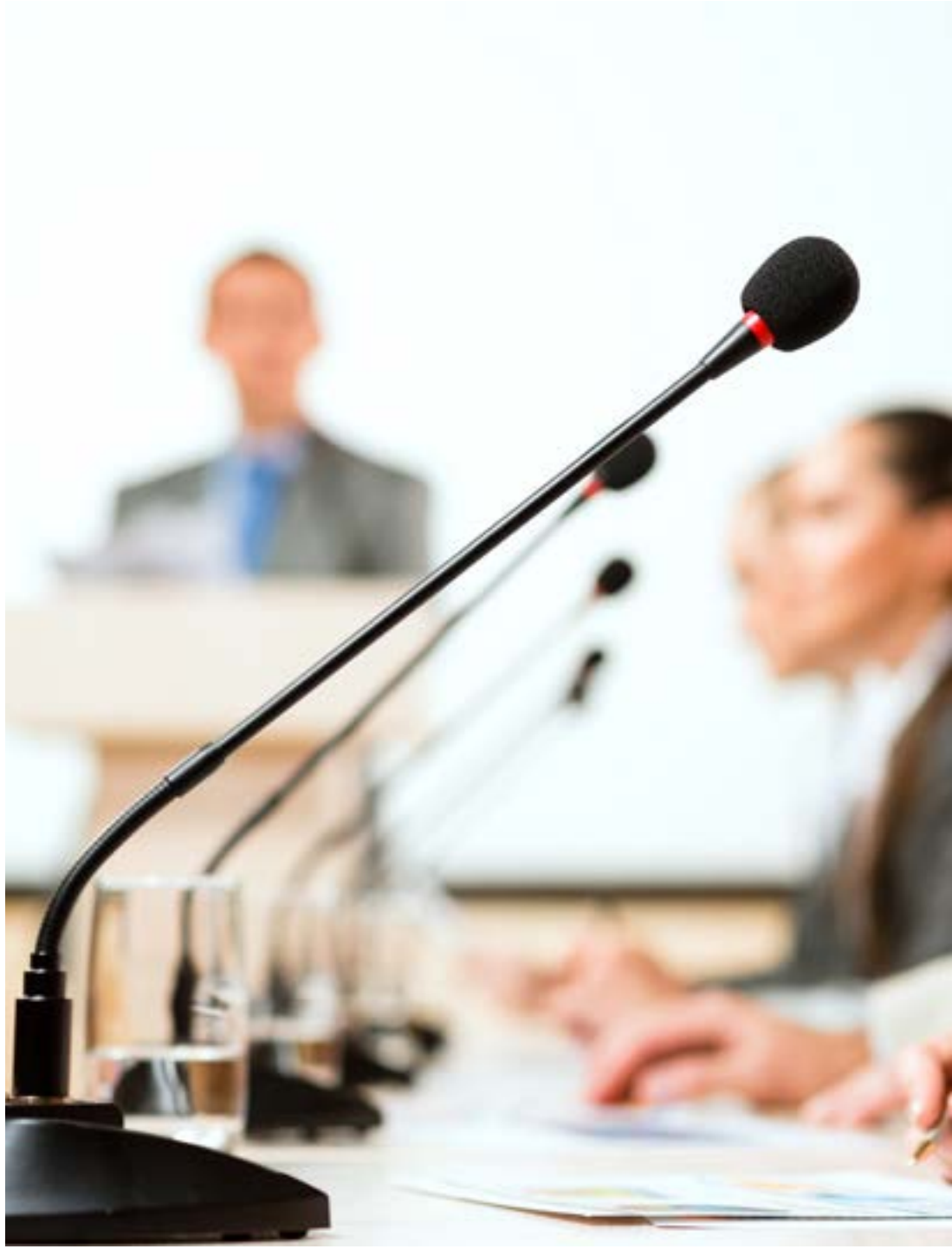
  We suggest broadening the definition of "professional" for the purpose of the FSI-FM, FSI-CFS, FSI-CM and FSI-DM schemes to include middle-office personnel, given the importance of such functions in the value chain.

- ***Headcount requirements for incentives***

  Currently, the headcount requirements for FSI schemes depend on the number of "professionals" employed by incentivised companies. "Professionals" refer to persons who are earning more than S$3,500 per month and must be engaged substantially in the FSI qualifying activity.

  The method can be too narrow as it does not take into account the quality of the professionals. For example, a senior employee with a monthly salary of S$7,000 is more likely to contribute more than two junior employees who each draw a monthly salary of S$3,500 put together.

  We suggest broadening the method of calculating headcount to give higher weighting to senior/more experienced employees. The designation and/or salary of the individual in question can be taken into consideration.



Proposals to improve administrative efficiency

Appendix B

- *Lowering cost of access to Board of Review*
- *Develop working protocols with key trading territories*
- *Enhance the existing APA/MAP process*
- *Staggered tax filing deadlines*
- *Helping lower earners*
- *GST registration*
- *Simplified tax invoice for GST*

Lowering cost of access to Board of Review

We suggest allowing accredited tax advisers registered with the Singapore Institute of Accredited Tax Professionals to represent taxpayers at the Income Tax Board of Review. This will make it more cost effective for taxpayers to use the Board of Review as a forum to resolve disputes in an independent quasi-judicial forum. Such registered tax advisers would have the necessary technical competence to represent their clients at such a forum, and have the added advantage of being familiar with the facts of the case as they are often tax agents who have been corresponding with the IRAS on the items in dispute. Hence, taxpayers will not have to incur additional costs to instruct lawyers. This is practised in other countries such as Hong Kong and India, and is already the case for the Goods and Services Tax Board of Review where there is no requirement for the client's representative to be a public accountant.

Develop working protocols with key trading territories

The hallmarks of a successful APA/MAP program lies in the double tax treaty network. Singapore has one of the most extensive treaty networks.

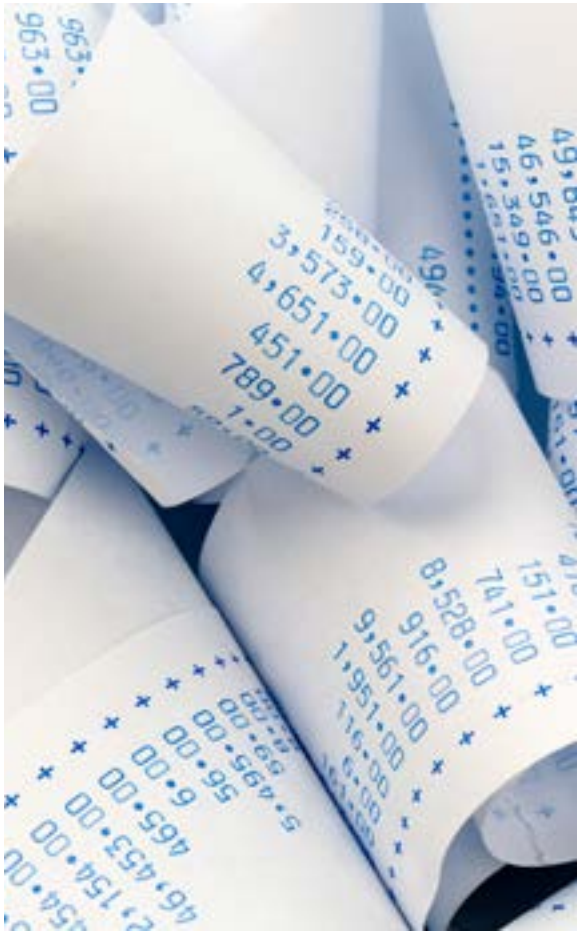
It would be ideal to develop certain working protocols with key trading territories to facilitate APA/ MAP discussions. For instance, clear establishment of timelines and processes between IRAS and the counter party competent authority will be extremely helpful for taxpayers as they manage the APA / MAP process internally. This process is extremely important for taxpayers to obtain tax certainty on their transactions and arrangements.

Enhance the existing APA/MAP process

Arising from the increased tax disputes expected globally and the differing filing requirements in different countries, we believe that refinements to the existing APA/ MAP process will be extremely welcome by the taxpayers in Singapore.

- ***Additional capacity arising from increased tax disputes***

  While the IRAS has a strong and dedicated team working on APA and MAP cases, the current capacity of the team seems extremely stretched to adequately support the increase or expected increase in demand for assistance to resolve tax disputes or potential tax disputes. With the number of cross-border tax disputes globally expected to intensify further, more than ever, taxpayers will be increasingly pressured to have a timely resolution of their tax disputes or potential tax disputes. IRAS should consider further strengthening its APA/ MAP team to cope with the increased volume of tax disputes to facilitate a timely dispute resolution moving forward.



- ***Processes and timelines***

  While the APA process and timelines are well documented by the IRAS, there is a general view that the APA application timelines around the timings for pre-filing meetings and the submission of the APA application is considered to be rather lengthy.

  Based on the guidelines, the preparations for the APA filing in Singapore (excluding any Group internal analysis and preparations to plan for the transaction / arrangement) should take place at least nine months before the start date of the APA. Such timeline is increasingly impractical in the current fast-paced business environment. It is often challenging, if not unfeasible for companies wanting to have upfront certainty on their transactions / arrangements to practically align their decision making processes with the timeline indicated by the IRAS. At times, the transactions or arrangements are only determined nearer to the commencement of the APA period desired by the taxpayer and if so, it is unfeasible for the taxpayer to comply with the timelines. In addition, taxpayers also value the input of IRAS (and other tax authorities) as part of their tax planning and risk management processes prior to entering into material transactions / arrangements. Accordingly, a shortened timeline would facilitate internal tax planning and risk management processes as well as compliance with the filing timelines.

  The IRAS' filing timelines for APAs also often seem misaligned with those of many jurisdictions, and this has often posed significant difficulties to taxpayers seeking to meet the IRAS' timelines and those of other jurisdictions. Aligning the APA filing timelines closer between countries will not only facilitate the group in engaging both Competent Authorities around the same time and meeting their respective timelines but also help minimise the burden on the group in managing the information flows between both Competent Authorities.

  While the IRAS certainly has the prerogative in setting and requiring strict adherence to its filing timeline requirements in Singapore, it is also important that the IRAS recognises the significant challenges its requirements can pose to corporate groups seeking tax certainty in an increasingly difficult international tax environment. A shortened timeline or certain flexibility would provide the much needed support to taxpayers in such cases.

- ***Flexibility – UAPA vs. BAPA***

  The IRAS accepts both unilateral as well as bilateral APAs into its APA program. Based on IRAS' current guidelines, both APA applications have similar processes. Compared to bilateral APAs where their progress are to a large extent dictated by the interactions of two Competent Authorities, the IRAS clearly should have complete control over the progress of unilateral APAs. We would therefore like to suggest a more transparent and streamlined approach be adopted in working with taxpayers to progress unilateral APA cases, which is aimed at achieving earlier tax certainty desired by taxpayers and the IRAS alike in such cases.

  In line with such a desire, IRAS could consider agreeing on an indicative APA step plan with the taxpayer in unilateral APA cases. Such a step plan helps set expectations and commitments required of the taxpayer and the IRAS to facilitate the timely progress and conclusion of the APA if both parties were to keep to their respective commitments. This transparent approach will give taxpayers more visibility over the post-filing process and timelines, thus affording the taxpayers the opportunity to better manage this process and the associated tax risks as part of the proposed transaction/ arrangement. It also reinforces the IRAS' commitment to the APA process as it seeks to eradicate all potential uncertainties faced by taxpayers by providing them with clear roadmap on how the IRAS will work with them to ensure timely resolution of APAs and achieve the tax certainty desired by them. The APA step plan may be agreed on a case-by-case basis with taxpayers depending on specific facts and circumstances, to provide indicative timelines and communication protocols between the taxpayers and the IRAS following the APA application submission. However, for this to be effective, the step plan must incorporate reasonable timelines equally applicable on both sides. The IRAS should consider setting clear reasonable milestones of when it will get back with requests for additional information from taxpayers and when it will reach resolution of the APA on receipt of information requested.

Staggered tax filing deadlines

The government should consider introducing staggered filing deadlines (e.g. within 12 months after the financial year ends). This should facilitate more timely assessment and collection of taxes by the IRAS and the finalisation of tax matters for taxpayers who benefit from certainty of their tax positions.

Helping lower earners

The lowest two individual tax bands could be abolished (i.e. do away with the 2% on income from $20,000 to $30,000 and the 3.5% on income from the $30,000 to $40,000 slabs).

This would have the greatest beneficial impact on lowest earners so would be in line with the MOF's high-level objective to increase the progressiveness of the tax system. It would also help reduce the administration in tax filing for this segment of the population. Alternatively, channelling the surplus into more GST rebates and offsets for lower earners would make the tax structure more progressive.

GST registration

The government should consider changing the law to make it clear that a company that is liable for Goods and Services Tax (GST) registration under section 1(1)(b) of the Goods and Services Tax Act should be allowed to decide not to register if it believes that the supplies that exceed $1 million is a one-off event that will not be repeated in the subsequent 12 months.

Simplified tax invoice for GST

While the IRAS has administratively allowed GST on entertainment expenses relating to food and drinks to be claimed based on a simplified tax invoice regardless of the value, our recommendation is to increase the dollar value from $1,000 to $2,500 to allow more transactions to come within the requirement for a simplified tax invoice to be issued.