

# Tax Newsbites

PwC Singapore | Tax Services

## Singapore updates

### *Research & Development (R&D)*

To ease compliance, a safe harbour rule was introduced in Budget 2017 for tax deduction of R&D cost-sharing agreement (CSA) payments made on or after 21 February 2017. The Inland Revenue Authority of Singapore (IRAS) informed that more details on the safe harbour rule for R&D CSA payments will be released in a revised circular on "Research and Development Tax Measures" by September 2017.

[Click here](#) for more details.

### *Tax incentives for the Financial Sector*

#### **Revisions to the Financial Sector Incentive (FSI) Schemes**

The Monetary Authority of Singapore (MAS) issued a circular on 11 May 2017 which explains the revisions to streamline and simplify the FSI schemes. Some of the key revisions include:

- The removal of the currency, counterparty and investment instruments restrictions to help reduce compliance burden for taxpayers;
- The increase in the concessionary tax rate under the FSI-ST scheme from 12% to 13.5% to maintain tax neutrality; and
- The removal of loan transactions (other than by way of bonds or debentures) with individuals from the list of FSI-ST activities.
- The revisions apply to FSI awards (new and renewals) approved on or after 1 June 2017.

[Click here](#) for more details.

### *Tax incentives for Insurance Companies*

The Monetary Authority of Singapore (MAS) issued a circular on 11 May 2017 which explains the revisions to streamline and simplify the Insurance Business Development (IBD), Offshore Insurance Broking Business (OIBB), and Offshore Specialised Insurance Broking Business (OSIBB) schemes. Some of the key changes include:

- Effective 1 June 2017, the OIBB and OSIBB schemes will be subsumed under the IBD umbrella scheme and renamed as the IBD-Insurance Broking Business (IBD-IBB) and IBD-Specialised Insurance Broking Business (IBD-SIBB) respectively. With this revision, all the insurance incentives are now included under a single IBD umbrella scheme.
- The new IBD Scheme incentivises both onshore and offshore business and does away with identifying qualifying income based on the Singapore Insurance Fund and Offshore Insurance Fund concept.

- Certain classes of business will be excluded from the tax incentive.
- The revised scheme applies for new or renewal awards approved on or after 1 June 2017.

[Click here](#) for more details.

### *Goods and Services Tax (Amendment) Bill 2017*

The Ministry of Finance (MOF) issued the draft Goods and Services (Amendment) Bill 2017 for public feedback on 14 May 2017. The draft bill provides for various changes to ease businesses compliance, clarify existing legislation and improve tax administration, including:

- Extend customer accounting for GST-registered Real Estate Investment Trusts (REITs) and their Special Purpose Vehicles (SPVs) to movable assets bought together with a non-residential property from the same seller.
- Extend customer accounting to prescribed supplies commonly used in fraud schemes.
- Provide for the monthly penalty of \$200 for late submission of GST returns to commence immediately after the filing due date.

The consultation period ended on 4 June 2017.

[Click here](#) for more details.

### *Property Tax (Amendment) Bill 2017*

The MOF issued the draft Property Tax (Amendment) Bill 2017 for public feedback on 4 May 2017. The draft amendments intend to clarify the tax treatment of related machinery, implement a digital property tax notice 'opt out', and enhance enforcement and information-gathering powers. The consultation period ended on 25 May 2017.

[Click here](#) for more details.

### *Customs Tax*

The MOF and Singapore Customs invite the public to provide feedback on the proposed amendments to the Customs Act. The public consultation period ended on 5 June 2017. The proposed amendments seek to support the recent policy changes, provide legal clarity on current policies, and improve Singapore Custom's operational efficiency.

[Click here](#) for more details.

## *Overseas updates*

### *Australia*

The 2017-2018 Australian Budget was announced on 9 May 2017. Some of the key tax measures announced include:

- a new bank levy on large financial institutions;
- increase of foreign resident capital gains tax withholding tax rate to 12.5%;
- plant and equipment depreciation deductions in relation to residential real estate properties will be limited to outlays actually incurred. Additionally, deductions for travel expenses related to visit a residential rental property will be disallowed;
- One year extension of small business instant asset write off; and
- Strengthening the multinational anti-avoidance law.

[Click here](#) for PwC Australia's commentary.

### *Vietnam*

Vietnam has introduced a restriction on the level of tax deductible interest in the government's new Decree No. 20. The introduction of a fixed-ratio rule - which generally follows the recommendations of the Organisation for Economic Co-operation and Development (OECD) in its Base Erosion and Profit Shifting (BEPS) initiative - will have the effect of restricting tax deductible interest to a percentage of EBITDA. The new rules, effective from 1 May 2017, may affect companies that have not engaged in transactions at which the BEPS rules are targeted.

[Click here](#) for more details.

### *United States (US)*

The US President announced his FY 2018 budget proposal to the US Congress on 23 May 2017. Some of the key highlights of the announcement include:

- Proposal to balance the US Federal Budget in ten years through a combination of policies that would increase economic growth through tax reform, regulatory relief, and infrastructure investments, and significantly reduce federal spending;
- The President's FY 2018 budget assumes "deficit neutral tax reform, which the Administration will work closely with Congress to enact";
- The budget does not provide additional details on the tax reform principles announced on 27 April 2017 by Administration officials.
- The Trump Administration's budget reaffirms the central role of tax reform in its plan for pro-growth policies to reduce federal budget deficits.

[Click here](#) for more details.

## *International Tax News*

International Tax News is designed to help multinational organisations keep up with the constant flow of international tax developments worldwide.

Among the topics featured in the April 2017 edition are:

- The 2017 UK Budget
- Australian Government introduces bill to enact Australian diverted profits tax
- Romania exempts innovation and R&D activities from corporate income tax
- Court of Justice of EU rules on subject-to-tax requirement of Parent-Subsidiary Directive.

[Click here](#) for more details.

Among the topics featured in the May 2017 edition are:

- Brazilian tax authorities' tax ruling confirming taxes on non-resident capital gains upon substitution of shares
- China issues administrative measures for Special Tax Investigation Adjustments and Mutual Agreement Procedures
- Costa Rica imposes new annual tax on corporations
- President Trump's executive order to review tax regulations

[Click here](#) for more details.

Among the topics featured in the June 2017 edition are:

- Impact of UK General Election on Finance Bill 2017
- Trump Administration officials announce tax reform principles
- The Brazilian Tax Authorities issue guidance on the treatment of software as a service (SaaS)
- Singapore tax administration and case law updates

[Click here](#) for more details.

### *Global VAT Online – a summary of updates*

PwC's GlobalVATOnline provides up-to-date business critical information on VAT/GST rates, rules and requirements around the world to help you maintain control, mitigate risk and improve the overall effectiveness of your VAT/GST function. It is a subscription service for all of your indirect tax needs in a digital world.

[Click here](#) for more details.



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