



Striking the right balance

Budget Commentary Singapore

Striking the right balance

– but you can't please all of the people all of the time

This year's Budget was labelled a Budget for "quality growth" by Deputy Prime Minister and Minister for Finance, Mr Tharman Shanmugaratnam, but in a brave step, it also recognised that quality growth may come at the expense of some parts of the economy.

Whilst many may have expected the foreign workforce to be impacted again this year as Singapore seeks to reduce its reliance on them, few may have predicted the Minister would also have a tough message for some Singaporeans. When outlining his measures to press on with the continued drive for productivity and innovation, the Minister stated the government does so in full knowledge of the difficulties this will cause for some companies and industries.

By increasing levies on foreign workers, particularly on those less skilled, and also by reducing dependency ratio ceilings, the Minister hopes to slow the growth of the foreign workforce and compel companies and industries to innovate. To support this, his speech highlighted that Singapore's overall productivity is only 70% of that of global productivity leaders like the USA and Japan, and that this must change with increased global competition in a number of sectors.

He claimed this evolution may ultimately force some companies to downsize, change industries, or even move abroad but this, he said, is how productivity and profitability improves. There was particular recognition of the impact this would have on small and medium Singapore enterprises, with the Minister saying he wanted a dynamic and revitalised small and medium sized enterprise (SME) scene. The message was clear; shape up or ship out, Singapore does not need inefficient business.

The message was also clear that the government does not simply wish to replace foreign workers with local ones in its drive to move Singapore's economy forward. However, some commentators were left questioning how all this reduction in workforce growth reconciles with the recent Population White Paper, and the 6.9 million people projected by 2030 to achieve Singapore's economic growth targets. There were noticeably few

mentions of the Paper and how the government intends to balance the social impact of its contents with its economic goals. Perhaps this was a wise move given the public attention the Paper has received.

Some may argue that quality growth may also come at the expense of the wealthy, as a result of measures aimed at taxing high-end residential properties and expensive cars. Property tax rates for high-end residential properties are now set to increase where their annual value exceeds \$30,000. As a result, high-end property such as a landed property in the central area with an annual value of \$150,000 or more will see an increase in property tax of at least \$9,000 per year. Additional registration fees (ARFs) for cars will be tiered so that luxury cars with an open market value of \$74,000 will see a 42% increase in the ARFs.

To call these “Robin Hood” measures may be overstating their effect, but compared to the alternative of increasing mainstream personal income tax rates, these may indeed prove to be more popular with some sectors of Singapore. Other sectors however, may simply view this as taxation by stealth, or even the start of a trend towards a higher personal income tax burden. For now, the Minister’s description of “progressive” measures may appear adequate.

Of course there were still some winners in this Budget. The Minister’s commendable focus on the elderly, ill and low income groups is targeted at ensuring those worst positioned to take advantage of “quality growth”, will not be left behind. Measures designed to reinforce social safety nets included a review of healthcare financing and improvements to social service delivery. There were also direct measures to assist with the increasing cost of living such as a personal income tax rebate for all (increased for those aged 60 and above) and a one-off Goods and Services Tax (GST) voucher special payment to add to last year’s permanent GST voucher scheme for lower and middle-income households.

Whilst perhaps short on headline grabbing announcements, few would argue that this Budget did not contain brave and honest recognition of at least some of the challenges Singapore faces if it is to meet the social demands of the population and its economic growth targets. In particular, the tough message for SMEs may prove difficult for some businesses to swallow.

As such, many may be watching cautiously to see whether or not this actually proves to be a brave step in the right direction.

Contents

04 Corporate tax

- 04 Tax rate and rebate
- 04 Start-up tax exemption scheme
- 05 Productivity and Innovation Credit
- 08 Wage credit scheme
- 10 Withholding tax exemptions for the telecommunications industry
- 11 Land Productivity Grant
- 11 Withdrawal of tax incentives

13 Maritime sector incentive

14 Financial services

- 14 Financial sector incentive scheme
- 18 Tax incentives for the development of the bond market
- 20 Tax incentives for insurance
- 23 Asset management

26 Personal tax

- 26 Personal income tax rebate
- 26 Phasing out of the equity remuneration incentive scheme
- 27 Taxation of employer-provided accommodation
- 29 CPF contributions for lower income employees
- 29 Medisave for self-employed persons
- 29 Workfare income supplement scheme

30 Others

- 30 One-off GST voucher special payment
- 30 Excise duty on tobacco products
- 31 Property tax
- 32 Vehicle taxes
- 32 Reduced foreign domestic worker levy
- 33 Reducing dependence on foreign workers
- 34 2012 in retrospect
- 37 2012 in snapshot
- 44 Snapshot of tax cases in 2012

46 Appendices

- 46 A. Comparison of Asia Pacific effective tax rates on repatriated corporate profits
- 48 B. Comparison of Asia Pacific individual tax liabilities
- 49 C. Resident individual tax rates

Corporate tax

Tax rate and rebate

It came as no surprise that there was no change to the corporate income tax (CIT) rate which will remain at 17%.

To meet higher manpower costs as well as to relieve other rising business costs, the CIT rebate has been restored and revitalised. For Years of Assessment (YAs) 2013 to 2015, the rebate will be 30% of tax payable, capped at \$30,000, for each year of assessment.

It has been clarified by the Ministry of Finance that the rebate applies to non-resident companies and registered business trusts as well as local companies. Further, a taxpayer who has already filed his estimated chargeable income (ECI) for YAs 2013 or 2014 will have to re-file his ECI to benefit from the rebate. Otherwise, the rebate will only be given when the Inland Revenue Authority of Singapore (IRAS) gets around to processing his income tax return.

The SME cash grant – 5% of revenue but capped at \$5,000 – which was available for YAs 2011 and 2012, has been discontinued. This does mean that companies not in a tax-paying position lose out somewhat, unless they can benefit from other new measures introduced in this Budget.

Start-up tax exemption scheme

To encourage entrepreneurship, the tax exemption scheme for new start-up companies was first introduced in YA 2005. A qualifying company could claim full tax exemption for the first \$100,000 of normal chargeable income for the first three consecutive years of assessment. It was later enhanced in YA 2008 where a further 50% tax exemption was given on the next \$200,000 on a qualifying company's normal chargeable income. Generally, a qualifying company is a company incorporated and tax resident in Singapore, with no more than 20 shareholders and where either all of them are individuals or at least one is an individual with a minimum 10% shareholding.

It was announced in Budget 2013 that the scheme is to be rationalised. With immediate effect, it will not apply to property developers nor to investment holding companies incorporated on or after 26 February 2013. The typical practice for a property developer is to incorporate a one-project company for each development property whereas investment holding companies do not usually carry out any active business and earn only passive investment income. The start-up exemption scheme is meant to encourage entrepreneurship and is not intended for these two types of companies.

It appears that certain (unintended) beneficiaries have been taking advantage of this scheme and the situation is serious enough to warrant an express prohibition. However, along with all other companies, they can still enjoy the partial tax exemption scheme.

Productivity and Innovation Credit

Under the existing productivity and innovation credit (PIC) scheme, companies can claim PIC benefits on qualifying expenditure incurred on six qualifying categories:

- acquisition or leasing of PIC automation equipment
- training of employees
- acquisition of intellectual property (IP) rights
- registration of IP rights
- research and development (R&D)
- approved design projects.

The existing PIC scheme allows businesses to claim PIC tax deductions of up to \$400,000 for each PIC qualifying activity for each year of assessment from YAs 2011 to 2015. A cash payout option of 60% is also available of up to \$100,000 of qualifying PIC expenditure incurred in YAs 2013 to 2015.

This year's Budget saw three enhancements to the existing PIC scheme:

- the introduction of the PIC bonus
- a liberalisation of the scope of PIC automation equipment
- an enhancement to the PIC scheme to include IP in-licensing.

PIC bonus

A new PIC bonus was introduced. Businesses that spend a minimum of \$5,000 in qualifying PIC expenditure in a year of assessment will receive a dollar-for-dollar matching cash bonus. The PIC bonus is up to \$15,000 from YAs 2013 to 2015. Businesses can either file claims for the PIC bonus with the PIC cash payout application form up to four times a year; or once a year with the filing of the income tax return. Businesses can expect to receive the PIC bonus within three months from the date of receipt of the income tax return (by the IRAS), provided all requisite information is submitted with the return. The PIC bonus is based on expenditure net of grants and subsidies from the government and statutory boards.

The following are some observations on the PIC bonus scheme:

- The PIC bonus is paid over and above existing PIC benefits. Therefore, a business that incurs PIC qualifying expenditure can claim both the existing PIC benefits (i.e. 400% PIC tax deductions or 60% cash payout) and the PIC bonus on the same expenditure (subject to the relevant caps). What this means is that for qualifying PIC expenditure, the government will effectively give businesses back more money than what they incur, to encourage them to undertake improvements in productivity and innovation. Take an example of a company that incurs \$5,000 in the financial year 2013 (YA 2014) to invest in qualifying PIC automation equipment for its business. Such a business can effectively get back \$8,000 (\$5,000 + 60% of \$5,000) in cash from the government, if it elects for the cash payout under the PIC scheme and receives the PIC bonus.
- The size of the PIC bonus makes it more appealing to small businesses (as opposed to medium or large corporations). Whilst bigger enterprises will welcome the extra cash in the pocket, the size of the PIC bonus is unlikely to spur them to undertake significant productivity or innovation projects.
- The PIC bonus encourages businesses to “undertake meaningful productivity investments”. The government has set a minimum threshold of \$5,000 per year of assessment for a productivity investment to be “meaningful”. Companies that incur PIC qualifying expenditure lower than \$5,000 per year do not qualify for the PIC bonus at all, although they may still avail themselves of the existing PIC benefits.

- Only active businesses (i.e. companies, sole proprietorships, partnerships) with business operations in Singapore and that have made Central Provident Fund (CPF) contributions for at least three qualifying local employees are eligible for the PIC bonus. This ties in with the qualifying conditions for businesses to receive the cash payout under the existing PIC Scheme.
- A business that incurs qualifying expenditure up to the cap of \$15,000 in the first year of assessment (i.e. YA 2013) can receive the entire PIC bonus payout in that year.
- The PIC bonus is applicable from YAs 2013 to 2015, which coincides with the sunset period for the existing PIC scheme (which will be expiring in YA 2015). There is no indication in this Budget whether the PIC scheme will be extended. Many businesses will continue to look forward to the scheme being extended and broadened in scope.

At the end of the day, the PIC bonus is a \$15,000 kicker to businesses, which may not be noticed by larger corporations. It would have perhaps been better to adopt a more targeted approach which would have made more available to the smaller players, as no doubt the larger businesses will still gratefully accept the handout.

Liberalising of the scope of PIC automation equipment

One notable moment in the Budget 2013 speech was when the term “scissor lift” was introduced to the broader lexicon of Singapore. This was in reference to a mobile lift which automates the otherwise manual process of assembling scaffolding in order to reach an elevated work site.

With effect from YA 2013, more automation equipment will qualify for the enhanced capital allowances under the PIC scheme, including basic tools of the trade which improve productivity. Currently under the PIC scheme, businesses can claim enhanced capital allowances on, or deduct the expenditure incurred to acquire or lease, qualifying automation equipment. A prescribed list of automation equipment was provided to indicate which equipment qualifies for PIC. Where the automation equipment is not on the prescribed list, taxpayers can apply on a case-by-case basis for approval to claim based upon a defined set of criteria.

In a welcomed move, the criteria to assess whether equipment qualifies for this incentive have been liberalised. The key changes are that the incentive applies to work processes whether core or non-core of the business. They include basic tools, subject to additional requirements. Previously, work processes which were non-core, and basic tools were generally ineligible. The prescribed equipment list will be updated regularly based upon feedback from businesses. These changes will benefit SMEs and other businesses that take incremental steps to improve productivity. Updated examples of IT and automation equipment which qualify for PIC are listed by industry on the IRAS' website.

Including IP in-licensing under the PIC scheme

Previously, the acquisition of IP was one of the six qualifying activities under the PIC scheme, but in-licensing of IP was not.

Many have observed that PIC claims on the acquisition of IP were not high and if claimed at all, it was usually by the larger corporations. To benefit more businesses and especially the SMEs, who are more likely to license IP instead of acquiring it, the qualifying activity under acquisition of IP will be extended to include IP in-licensing for YAs 2013 to 2015. It has been clarified that in-licensing does not include franchise payments. It is unclear if there are any other specific conditions that will be imposed, but further details will be released by the IRAS by April 2013.

While all the above measures should be well-received by businesses, we hope that the government will heed calls to extend the PIC scheme and to make further enhancements to the other qualifying activities such as in the R&D space, to continue the push for productivity and to promote innovation.

Wage credit scheme

To alleviate business costs in a tight labour market, a three-year wage credit scheme (WCS) was introduced. Under this scheme, the Government will co-fund 40% of wage increases between 2013 and 2015 given to Singaporean employees earning a gross monthly wage of up to \$4,000. The WCS is not applicable to wages paid to directors who are also shareholders of companies.

The WCS is available to all businesses, including sole proprietorships and partnerships. It has been clarified, unfortunately, that the WCS is taxable, which is hardly surprising though given that it reverses tax deductible salary costs.

Compared to the jobs credit scheme (JCS) introduced in 2009 and the special employment credit scheme (SEC) in 2011 (see Table 1), the WCS seems more subdued – it is applicable only to wage increments. But, these schemes are hardly comparable. JCS was introduced in 2009 to help businesses tide over the global financial crisis and more importantly, to help workers stay employed. The SEC was intended to help older Singaporean employees get and stay employed. The WCS' intent is vastly different. It is aimed at encouraging employers to share productivity gains with Singaporean employees through wage increments. Hopefully, after three years, businesses will have achieved sufficient levels of productivity to afford the wage increases that have been committed, and Singaporeans will achieve a better quality of life. Unfortunately though, an employer that has given his employee a raise in January 2013 will have to wait until the second quarter of 2014 before he receives the payout.

Table 1

| Scheme | Benefits | Taxability | Validity |
|----------------------------------|--|------------|--------------------------------------|
| Jobs credit scheme | Employers will receive a 12% cash grant on the first \$2,500 of each month's wages for each employee (Singaporean and permanent residents). | No | Expired |
| Special employment credit scheme | Employers who hire Singaporean employees aged above 50 will receive an 8% cash grant on up to \$3,000 of each month's wages (for Singaporean employees with monthly wages between \$3,000 and \$4,000, the SEC payout reduces linearly from 8% to 0%). | Yes | Expires on 31 December 2016 |
| Wage credit scheme | Co-fund 40% of wage increases given to Singaporean employees earning a gross monthly wage of up to \$4,000. | Yes | Wage increases given in 2013 to 2015 |

Withholding tax exemptions for the telecommunications industry

Just a few days before the announcement of the Budget this year, the IRAS announced the following changes on withholding tax exemptions in respect of payments for satellite capacity and payments for the use of international submarine cable capacity including payments for Indefeasible Rights of Use (IRUs).

- The withholding tax exemption for lease payments for satellite capacity made to non-residents is due to expire on 27 February 2013. The IRAS has announced that with effect from 28 February 2013, payments for satellite capacity will be characterised as payments for services, after years of campaigning by this firm. Accordingly, such payments will no longer be subject to withholding tax since the services are rendered outside Singapore.
- The withholding tax exemption for payments to non-residents for the use of international submarine cable capacity (including payments for IRUs) will expire on 27 February 2013. The IRAS has announced that with effect from 28 February 2013, payments to non-residents for the use of international submarine cable capacity, excluding payments made under IRU agreements, will be characterised as payments for services and hence no longer subject to withholding tax.
- Payments to non-residents for the use of international submarine cable capacity made under IRU agreements will continue to be subject to withholding tax. However, the existing withholding tax exemption for such payments is extended for another five years, from 28 February 2013 to 27 February 2018. The rationale for the difference in treatment seems to be that under IRUs the user will typically have more control than he does over, for example, a satellite. This may be debatable but at least there is no need to worry about the matter for another five years.

In respect of IRU payments, while telecommunication industry players can heave a temporary sigh of relief about the extension of withholding tax exemption for a further five years, one could well ask “What happens when the exemption expires?” A longer-term view is not unwarranted, especially as it is not uncommon for IRU contracts to be for 20 years (or possibly even

longer). Of course, the authorities can review the situation again five years down the road, but it would no doubt be helpful if a permanent (or at least longer-term) withholding tax exemption for IRU payments could be granted.

Land Productivity Grant

The government will provide a land productivity grant (LPG) to support companies which intensify their use of land in Singapore. The grant supports consultancy fees and/or domestic or overseas relocation costs for companies restructuring their operations which result in land intensification or savings of at least 0.1 hectares in Singapore. Ironically, the primary objective really is for land intensive companies to move some of their operations offshore, while retaining core functions in Singapore, and thus saving land. The scheme is open for application and runs till 31 March 2017. Further details of the grant are expected to be released in due course.

Like the Land Intensification Allowance (LIA), which was introduced in the 2010 Budget, the LPG seeks to encourage the more efficient use of land in land-scarce Singapore. The government has also taken into account feedback from businesses (particularly SMEs) that certain operations could be relocated to lower-cost countries, given the high rental costs of industrial land in Singapore. It would appear that the LPG seeks to incentivise companies to move certain of their land intensive and low productivity businesses offshore, so as to free up land in Singapore for more productive businesses. This is in line with the government's key objective of increasing the overall productivity of businesses in Singapore.

Withdrawal of tax incentives

Spring is a great time to clean out the growing mountain of papers that clutter our homes and offices. In this year's Budget, the Minister also did some spring cleaning and withdrew the following tax incentives:

- The Overseas Enterprise Incentive scheme provided for a tax exemption for qualifying income from overseas approved investments. It has been withdrawn as it is considered no longer relevant. This is hardly surprising as the income is now generally covered under the foreign-sourced income exemption scheme.

- The Approved Cyber Trader scheme granted tax concessions on qualifying e-commerce transactions. In today's technology-driven business environment, cyber trading hardly merits a tax incentive.

The above incentives have been withdrawn from 25 February 2013.

Further, the scheme for the deduction of up-front land premiums paid in respect of a lease of industrial land is due to expire on 27 February 2013. The scheme was introduced in 1998 to encourage industrialisation. Considering that Singapore no longer needs incentives to promote industrialisation, the scheme has not been renewed and will lapse.

Maritime sector incentive

The maritime industry has always been a key contributor to the Singapore economy. For this reason, tax enhancements have been given to the maritime sector in most Budgets. Over time, Singapore has developed one of the most competitive and tax friendly environments, making it one of the leading international maritime centres.

The maritime industry is currently covered by a host of tax incentives housed under the Maritime Sector Incentive (MSI) umbrella. One of the most beneficial incentives under MSI is the MSI-Approved International Shipping (AIS) award which provides for tax exemption for qualifying shipping income from operating foreign-flagged ships in international waters. To ensure the continued growth of this important sector, the MSI-AIS award can now be given for up to a maximum of 40 years (previously 30 years), subject to conditions.

This change is to anchor the pioneer MSI-AIS awardees (including some leading local shipowners/operators) in Singapore, some of whom have been here and enjoying the AIS tax incentive for almost 30 years. This also signals the importance of the Maritime Sector, since this is the first time that a Singapore tax incentive providing for full tax exemption has been extended beyond 30 years.

Financial services

As expected, in order to ensure the continued growth of high-value financial services, the government has renewed, for another five years to 31 December 2018, the following financial sector incentives that were due to expire in 2013:

- Financial Sector Incentive (FSI) scheme
- Qualifying Debt Securities (QDS) and QDS Plus incentive schemes
- Primary dealers in Singapore Government Securities
- Approved Special Purpose Vehicle (ASPV) incentive scheme

Financial sector incentive scheme

Extension and rationalisation of the FSI scheme

The FSI scheme has expanded over time and became unwieldy to manage, with various sub-categories having their own qualifying criteria and conditions. Hence, steps to simplify and streamline the scheme have been taken, with notable recent measures being the removal of the qualifying base in Budget 2010, and the merging of the FSI-Bond Market (FSI-BM), FSI-Credit Facilities Syndication (FSI-CFS), and FSI-Project Finance awards into a FSI-Debt Capital Market award in Budget 2008. With the extension of the FSI scheme (excluding the FSI-Islamic Finance award) to 31 December 2018, the government has taken the opportunity to further rationalise and enhance the FSI incentives.

Merging of the FSI-Derivatives Market sub-awards

As announced in Budget 2013, the five FSI-Derivatives Market (FSI-DM) sub-awards will be merged to form a single FSI-DM award.

These five sub-awards were created when the Commodity Derivatives Trading (CDT) incentive was subsumed under the FSI-DM award with effect from 27 February 2009. These five FSI-DM sub-awards which cater for players engaged in trading in, and providing services as intermediaries in connection with transactions relating to financial derivatives, over-the-counter (OTC) commodity derivatives or exchange-traded commodity

derivatives or a combination thereof have different professional headcount criteria, as follows:

- FSI-DM (Financial) – six professionals
- FSI-DM (OTC Commodity) – three professionals
- FSI-DM (Exchange-Traded Commodity Derivatives) – three professionals
- FSI-DM (OTC and Exchange-Traded Commodity) – five professionals
- FSI-DM (Financial, OTC and Exchange-Traded Commodity Derivatives) – 11 professionals

It remains to be seen what the qualifying professional headcount requirement for the new FSI-DM award will be.

Creation of the FSI-Capital Markets award

A welcome change featured in the 2013 Budget is the decision to consolidate the FSI-BM and the FSI-Equities Market (FSI-EM) incentives. These are two approval categories within the so-called FSI-Enhanced Tier. This provides for a concessionary rate of taxation of 5% on certain qualifying income.

Obtaining approval under either of these two schemes requires meeting a prescribed minimum headcount. For the FSI-EM, this is currently set at three investment professionals substantially engaged in corporate finance, sales/trading or research activities, while the FSI-BM requires a minimum of eight investment professionals covering origination, trading and distribution of debt securities.

Particularly for many of the smaller wholesale banks and finance houses, there may not be a meaningful functional distinction between equity and debt capital markets personnel. Describing an employee as substantially engaged in debt capital markets transactions by implication means that this individual does not spend the majority of his time on equity market activities. To enjoy both incentives, it is currently necessary for an applicant to have headcount dedicated to each type of qualifying activity. For some players, such a rigid allocation cannot be justified given the relatively small deal volume.

It was announced as part of the 2013 Budget that the FSI-BM and FSI-EM incentives will be merged to form a new award referred to as the FSI-Capital Markets (FSI-CM). Consequential changes will be made to the qualifying debt securities rules, which will recognise the participation of an FSI-CM approved company as an arranger in place of an FSI-BM (as is now currently the case). An obvious benefit of this conflation is that individuals who were previously allocated to either the FSI-EM or FSI-BM activities can provide a broader range of functions across an enlarged scope of qualifying activities. This will increase the flexibility of the scheme. This generality should not, however, limit the specific use of the FSI-CM approval for either dedicated equity or bond market activities by award recipients.

Expanded range of incentivised activities

A key feature of the FSI umbrella regime is that it prescribes the qualifying activities that will give rise to income tax at concessionary rates. For many of the prescribed activities, there are a number of embedded conditions which may make identifying and quantifying such income an onerous task.

Determining whether an item of income falls within one of the articulated qualifying activities can be a very time consuming task in practice. Unless tracked very closely, it can create a tax compliance risk which can severely undermine the benefit of the incentive. For example, under the FSI-Standard Tier (FSI-ST) award, income from securities lending arrangements in relation to foreign equity securities is taxed at a concessionary rate of 12%. A “foreign equity security” can include securities listed on the SGX but only where the majority of the issuer’s revenue is derived from outside Singapore. It is left to an FSI-ST award recipient to determine the source of revenue for the issuer of a security. This can be very difficult in practice.

It is stated in the 2013 Budget that the list of incentivised activities for award recipients of the FSI-ST, FSI-CM and FSI-CFS companies will be broadened. As yet, no specific information has been provided on whether this means a simplification of the definitions of qualifying activities and income, though this is certainly anticipated. This presents a real opportunity for the Ministry of Finance and the Monetary Authority of Singapore (MAS) to consider the qualifying activities applicable to each category of award, and consider how they may be articulated more simply and objectively.

FSI-Headquarter interest withholding tax exemption

Previously, applications had to be made in order to obtain withholding tax exemption on interest payments made on loans by FSI-Headquarter (FSI-HQ) award recipients. Withholding tax exemption will now be granted automatically to FSI-HQ award recipients on interest payments made during the FSI-HQ award period for qualifying loans with effect from 25 February 2013. This eases the compliance burden for FSI-HQ award recipients to the extent that the definition of qualifying loans is clear and can be fulfilled practically by recipients. Further details are to be released by the MAS by the end of June 2013. It is hoped that the definition of qualifying loans (such as whether it is the same as or similar to the definition of approved loans covered under the current withholding tax exemption granted on an application basis) will be released by the MAS soon, as withholding tax on payments made to non-residents in February 2013 is due by 15 April 2013.

Lapsing of the FSI-Islamic Finance award

The FSI-Islamic Finance (FSI-IF) was introduced in Budget 2008 to encourage more prescribed Shari'ah-compliant financial activities to be done out of Singapore by granting a 5% concessionary tax rate for income from qualifying activities which have been endorsed by an approved Shari'ah board. The government will let the FSI-IF award expire on 31 March 2013. This could be due to the relatively low take-up rate of this incentive. Factors contributing to the low take-up include challenges in ensuring Shari'ah compliance and proper accounting in conventional banks, and the relatively small number of financial professionals who are well-versed in Shari'ah compliant products. Nevertheless, income from the existing qualifying Islamic Finance activities will be incentivised under the FSI-ST award which offers the concessionary tax rate of 12%.

Effective date of changes

The changes to the FSI scheme (excluding the automatic withholding tax exemption for FSI-HQ award recipients and the lapsing of FSI-IF) will take effect from 1 January 2014. The MAS will release further details by the end of June 2013. It is hoped that they will release further details as soon as possible to allow maximum transition time for businesses e.g. for hiring additional professional headcount.

Tax incentives for the development of the bond market

The bond market continues to be a sector that the Singapore government seeks to develop. The Minister has proposed extending the bond market incentives, with some fine-tuning and simplification of requirements to make them more commercially relevant and to provide more clarity.

Qualifying Debt Securities scheme

The Qualifying Debt Securities (QDS) scheme provides tax exemption or lower tax rates on income derived from QDS by investors.

To continue the support given to Singapore's bond market, the QDS and the QDS Plus (QDS+) schemes will be extended for five years to 31 December 2018. For debt securities issued between 1 January 2014 and 31 December 2018, the requirement that the QDS has to be substantially arranged in Singapore "will be rationalised" to ease compliance for issuers. Further to the Budget, the MAS has separately provided details on the proposed rationalisation of this condition as follows:

- Where debt securities are issued under a programme set up between 1 January 2014 and 31 December 2018, the programme must be wholly arranged by FSI-CM or FSI-ST award holders (referred to as a "qualifying programme"). If a new issuer joins a qualifying programme, the participation of the new issuer must be wholly arranged by FSI-CM or FSI-ST award holders. If a debt tranche is not issued under a qualifying programme, more than half of the debt issued in that tranche must be distributed by FSI-CM or FSI-ST award holders.
- Where debt securities are issued between 1 January 2014 and 31 December 2018 but not under a programme, more than half of the lead managers for the debt issue must be FSI-CM or FSI-ST award holders. If the FSI-CM and FSI-ST award holders are not appointed as lead managers, the MAS will consider other proxies such as revenue or distribution work attributed to FSI-CM or FSI-ST award holders, i.e. if the issuer of the debt securities is based in Singapore, more than half of the revenue from arranging the issue can be attributed to FSI-CM or FSI-ST companies. If the issuer of the debt securities is not based in Singapore, more than half of the debt securities issued are distributed by FSI-CM or FSI-ST companies.

Generally, there appears to be a relaxation of the QDS conditions, as debt securities substantially arranged by all FSI-CM and FSI-ST award holders may now qualify as QDS. While this change may make the QDS scheme more attractive from the issuers' perspective, it gives financial institutions less reason to apply for the FSI-CM scheme. The main reason why financial institutions applied for the FSI-BM status previously was that it allowed the debt securities arranged by them to qualify as QDS more easily. With the proposed change, it no longer matters whether the financial institution has a FSI-CM or FSI-ST status for the purpose of the QDS scheme.

Under the current rules, where debt securities are not issued under a programme, the lead manager has to be a FSI-BM company or the staff of the financial institution who are based in Singapore will have to perform a leading and substantial role in originating and structuring the issue and its distribution. The new rules provide both a relaxation of this QDS condition as well as more certainty on the tax treatment. It has been replaced by the requirement that more than half of the lead managers should be FSI-CM or FSI-ST award holders. Even if the FSI-CM and FSI-ST award holders are not appointed as lead managers, other proxies may be considered. We remain hopeful that the MAS will subsequently provide specific details on the non-exhaustive list of possible proxies that may be used to determine whether substantial work is considered to be carried out by the FSI-CM or FSI-ST company in Singapore. Only with clear and quantifiable guidelines will a self-administered system work.

QDS+ scheme

The QDS+ scheme provides a tax exemption for income derived by all investors from: (i) long-term debt securities that meet certain conditions, such as having a maturity period of at least ten years and that the debt securities cannot be redeemed or otherwise terminated within ten years; and (ii) Islamic debt securities which are QDS, subject to conditions.

Further to the Budget, the MAS has also provided details on the proposed changes to the QDS+ scheme. The scheme will be refined to allow debt securities with standard early termination clauses incorporated at the point of issue (e.g. early termination due to taxation, default, redemption or modification and amendment events) to qualify for the scheme. Subsequently, should the debt securities with standard early termination clauses be redeemed prematurely (i.e. before the tenth year), the QDS+ tax benefits will not be clawed back. Instead, the QDS+ status will be revoked prospectively for outstanding securities (if any). However, the

outstanding securities may still enjoy QDS tax benefits if the other QDS conditions of the scheme continue to be met. The change to the QDS+ scheme will take effect from the date of release of the MAS circular providing details of this change. Debt securities with embedded options from the onset which can be exercised within ten years from the date of issue will continue to be excluded from the QDS+ scheme. The other existing conditions of the scheme remain unchanged.

This refinement of the QDS+ scheme is to ensure relevance of the scheme as most, if not all, debt securities typically allow for early redemption/termination under specified circumstances. We do not expect the prospective revocation to be of consequence as the debt issue, if terminated, will typically no longer be outstanding.

The MAS will release further details by the end of June 2013.

Primary dealers and tax incentive for securitisation vehicles

In line with the extension of the QDS scheme, the tax exemption scheme for income derived by primary dealers from trading in Singapore Government Securities and the tax incentive scheme for Approved Special Purpose Vehicles (ASPVs) engaged in securitisation transactions, which were introduced to develop the bond market in Singapore, will also be extended for five years to 31 December 2018. The conditions of the ASPV scheme remain unchanged. The MAS will release further details on the ASPV scheme by the end of May 2013.

Tax incentives for insurance

Specialised insurance tax incentive scheme

The Minister has announced an enhancement to the offshore specialised insurance tax incentive scheme. This scheme is targeted at growing Singapore as a hub for the writing of certain specialised lines of business, such as terrorism risk, political risk, energy risk, aviation and aerospace risk and agricultural risk. Now, to encourage the underwriting of severe and volatile catastrophe risks from Singapore, a tax exemption will be granted on qualifying income derived from offshore Catastrophe Excess of Loss (CAT-XOL) reinsurance layers. This refers to CAT-XOL reinsurance layers providing coverage for more than one risks arising from a single event and against natural perils.

All existing conditions of the scheme remain unchanged. This change will take effect from 25 February 2013. Further details will be released by the MAS by the end of April 2013.

The introduction of the CAT-XOL reinsurance risk incentive for the insurance industry is timely. The natural disasters that occurred in 2011– the Thai floods, the Japanese earthquake and tsunami, the Queensland floods, the New Zealand earthquake, to name a few – are stark reminders that they do occur in the Asian region. Under the tax incentive, an approved reinsurer will enjoy 0% tax on profits earned from writing offshore CAT-XOL reinsurance risks that provide coverage for more than one risk arising from a single event and against natural perils. The government's move to encourage the writing of catastrophe risks in Singapore will create capacity in Singapore and develop needed expertise here. It would make Singapore an attractive alternative location to traditional locations like Bermuda.

There is one point to note though. While qualifying profits of the incentivised business would be tax exempt, it also follows that any tax losses arising on the same business will be quarantined and not available for set off against other profitable taxable lines of business.

Enhanced incentive for offshore insurance broking business

This incentive was due to expire on 31 March 2013. In the 2013 Budget, it has now been given a new lease of life (extended for another five years to 31 March 2018) and is further enhanced to make it easier for brokers to track their qualifying income.

Currently, the incentive offers a 10% concessionary tax rate on income derived by an approved insurance/reinsurance broker from the provision of insurance broking and advisory services to certain specified non-Singapore based persons. However, it was often challenging for a broker to determine whether his overseas based customer was actually not based in Singapore. In an enhancement announced in the Budget, this identification is now simplified. Insurance broking activities will be incentivised if the risks being insured or reinsured are “offshore risks”. So long as the broking services are provided in connection with the insurance of “offshore risks”, the broking commissions would be regarded as qualifying income to such an approved insurance/reinsurance broker.

For advisory services, there is no change, in that, they will continue to be incentivised if they are provided to customers that are not based in Singapore.

In addition, to accelerate the development of the writing of offshore specialised insurance risks in Singapore (terrorism risk, political risk, energy risk, aviation and aerospace risk, agriculture risk and newly included CAT-XOL risk), the incentive rate offered to approved insurance and reinsurance brokers for broking them will be further reduced to 5%.

These changes will take effect from 1 April 2013. Further details will be released by the MAS by the end of April 2013.

Tax incentive for offshore general takaful and retakaful business

This incentive was introduced for offshore general takaful and retakaful business in 2008 and offered a 5% concessionary tax rate to an approved takaful insurer for income derived from writing offshore general takaful and retakaful insurance. This incentive is due to expire on 31 March 2013 and will be allowed to do so.

The take up of this incentive has been very low. Practically, the writing of onshore Islamic insurance is rather limited – requiring special rules and skills (e.g. Islamic scholars). Hence, competing for a slice of the offshore Islamic insurance business was always going to be difficult with major players in the region like Malaysia and Indonesia.

While the takaful incentive is not being renewed, an insurer writing offshore takaful or retakaful business would still be able to avail himself of the 10% offshore insurance business incentive rate.

Trade finance insurance

The Minister intends to help SMEs who are expanding their overseas footprint by mitigating the risks inherent in such ventures. In 2012, IE Singapore introduced the Political Risk Insurance Scheme (PRIS) to help Singapore-based companies protect their projects and investments from political risk as they internationalise. With this scheme, IE Singapore will potentially support up to \$2 billion worth of overseas investments by Singapore companies over the next three years. The scheme covers up to 50% of the premium paid for a qualifying company's political risk insurance policy.

It was mentioned in the Budget speech that IE Singapore is working with the Asian Development Bank and private insurers to expand the availability of trade finance insurance for Singapore companies. This is meant to provide credit guarantees to facilitate exports by Singapore companies.

In this regard, more can be done to encourage insurers to write credit and political risk insurance. When insurers write credit and political risks, it is compulsory for them to set aside special reserves to cope with exceptional sharp volatility in loss experience. However, such contingency reserves are not deductible for tax purposes. It would have been good if a deduction had been allowed for such reserves.

Asset management

Asset management continues to be a pillar of growth for the Singapore economy. Over the years the industry has trended towards relatively consistent growth. Currently there are approximately 600 asset management companies in Singapore managing in excess of \$1.3 trillion of assets. More than 70% of funds under management originate overseas, and 60% is used to fund investments into the Asia Pacific region. This macro-level data demonstrates the prominence of Singapore as an onshore asset management hub, and its importance as a regional player. More anecdotally, the Minister mentioned during his Budget speech that the International Finance Corporation is set to establish a fund management entity in Singapore – the only one outside of its existing operations in Washington, United States.

The Singapore asset management industry was not a key focus for the 2013 Budget. Many of the tailored incentives designed to enhance workplace participation may have indirect application to local asset managers, but otherwise it was generally a case of maintaining the status quo. The absence of change is not necessarily a bad thing. Local asset management players have only recently digested the impact of the enhanced regulatory regime. For many small fund houses this required a transition from a former exempt status to one of registration with the MAS. Those managers holding a capital markets services licence for fund management are faced with more onerous compliance conditions.

Extension of the incentive for fund managers

As noted above, the Financial Sector Incentive-Fund Management (FSI-FM) scheme has been extended beyond the original expiry date of 31 December 2013. Merely pushing out the expiry date of the FSI-FM scheme is consistent with the broader approach taken by the Ministry of Finance towards the regime. Under the FSI-FM scheme, an incentivised rate of 10% applies to certain income derived by an asset manager in Singapore. Very often this requires a fund manager to carefully allocate

income and expenses between the standard and concessionary tax rates. This can be difficult in practice and, unless carefully tracked, can create a tax compliance risk. This practical downside is significant in light of the marginal tax savings of only 7%. For this reason it has been suggested that the concessionary rate should be reduced to 8%, or even as low as 5%. Maybe this will feature in next year's Budget.

Enhanced-Tier Fund scheme

It was hoped that the Enhanced-Tier Fund scheme of section 13X of the Income Tax Act would be amended to offer greater flexibility – but this was not to be. The Enhanced-Tier Fund scheme provides for the approval of a master-feeder structure that is managed or advised by a Singapore fund manager. Once approved, the broad based tax exemption applying to specified income derived from designated investments provides certainty as to tax outcome.

A practical difficulty with this scheme is that it does not operate below the level of the master fund. It does not include within its scope special purpose vehicles (SPVs) that may be established to hold fund assets. Such ring-fencing of direct ownership is very common and is a convenient way of ensuring protection against cross-liability for fund investments. At the moment, the only way to ensure that Singapore tax will not apply at this SPV level is to apply for approval under one of the fund management schemes for each SPV. This can be cumbersome as a practical matter, and also requires a replication of approval conditions which can apply as a whole to a master-feeder structure. It is hoped that the Ministry of Finance will make this amendment as part of next year's Budget, and in so doing enhance the flexibility of this highly successful scheme.

Family-owned investment holding companies

One change that is related to the wealth management industry is the announcement that the tax exemption scheme for family-owned investment holding companies (FIHCs) will not be renewed beyond its original expiry date of 31 March 2013. This scheme provides an equivalent tax outcome for the derivation of income through closely held investment companies, as if income were derived directly by the individual shareholder.

The Budget annexure describes the expiry of the scheme as explicable given “the objective of the scheme no longer merits a tax incentive”. This is a curious comment and could be read as implying one of a number of possibilities. The main difficulty with this concession is that it does not provide any certainty on the taxation of realised gains. This is only partially overcome by the participation exemption that was announced in last year’s Budget. Generally speaking, a personal investment holding company is established with a diverse mix of portfolio asset holdings which seldom reach the 20% ownership threshold required under the exemption. Our observation is that for this reason the FIHC was underutilised by taxpayers. This low take-up rate is the primary reason that this concession is not to be renewed.

Personal tax

Although there were some headline-grabbing changes on personal tax matters in the 2013 Budget, the changes may not have a significant bearing on most Singaporeans or their employers. A number of changes were introduced on the individual tax front in order to achieve the broad themes of promoting progressive taxation; building a more inclusive society; reducing dependency on foreign workers and encouraging quality growth. However, when these changes are analysed in greater detail, one may question how successful some of these proposals may be in realising their stated goals.

Personal income tax rebate

First, the good news. All residents will enjoy a one-time rebate in YA 2013 of 30% of their final tax, up to a maximum rebate of \$1,500. Residents aged 60 and above will enjoy a 50% rebate, also subject to a maximum of \$1,500.

Income tax rebates are not a new concept – they have been used on various occasions over the last few years – but this year's rebate is more progressive than that in YA 2011, as it gives back more in relative terms to individuals with lower taxable incomes than those with higher incomes. Although tax rebates are ever-popular with taxpayers, they have often been used in the past to provide short-term relief for other measures which may have reduced household disposable income. Whether this year's tax rebate is to help offset the ongoing impact of inflation, or to provide some relief for the increased tax burden arising from some of the following measures, is unclear.

Phasing out of the equity remuneration incentive scheme

Now, the bad news. Not mentioned in the Budget speech itself but hidden away in the accompanying notes, the tax concessions afforded by the equity remuneration incentive scheme (ERIS) for employees with qualifying stock gains will no longer be available for new grants made after 15 February 2013 under the ERIS (Start-up) scheme and after 31 December 2013 under the ERIS (All Corporations) and ERIS (SMEs)

schemes. Qualifying grants made on or before the abovementioned dates will still qualify for the concessionary treatment provided that the gains are realised by 31 December 2023.

Other than raising additional tax revenues, it is difficult to reconcile the abolition of ERS with any of the high-level objectives for this Budget and it runs directly contrary to the stated objective of encouraging employers to share productivity gains with employees in order to achieve quality growth.

Taxation of employer-provided accommodation

Accommodation provided by companies to their employees in the form of rented apartments (including serviced apartments) had previously been afforded a generous concession whereby the taxable benefit had been calculated as the lower of either the annual value (or, in the absence of the annual value, the rent paid), or 10% of the employee's total gross compensation, less rent paid by the employee. An additional benefit was imputed to reflect the furniture and fittings provided therein, based on the prescribed itemised values. Due to the significant increase in annual value and property rentals, the 10% calculation had generally allowed employers the opportunity to structure the provision of accommodation in a tax efficient manner.

With effect from YA 2015, the "10% rule" will no longer apply. Instead, the taxable value of employer-provided accommodation will be based purely on the annual value of the property provided. The complex calculation for imputing furniture and fittings based on itemised values will be abolished, and will be replaced by a fixed additional percentage of the annual value. Further details will be announced later in 2013. Although the archaic method of calculating the taxable benefit for furniture and fittings needed substantial modernisation, the abolition of the 10% rule will increase the tax burden of affected employees significantly.

However, as employer-provided accommodation is primarily provided to foreign employees, often in senior management positions, this change will remove a tax advantage generally not enjoyed by many Singaporeans. Notwithstanding this, the change should still be considered against the negative impact on Singapore's competitiveness versus Hong Kong, which has similarly low rates but does allow the 10% concession calculation for employer-provided accommodation.

That said, allowing the benefit to be calculated based on annual value rather than the actual rent paid may still allow the benefit to be lower than the actual rent, as illustrated in Table 2 below:

Table 2

| | Previous | Proposed | What it could have been |
|---|--|---|------------------------------|
| Tax treatment | Taxable benefit is based on the lower of: a) 10% of total remuneration; or b) Annual value of the property | Taxable benefit is based on the annual value | Actual rent paid by employer |
| Taxable benefit | \$50,000 | \$90,000 | \$144,000 |
| Taxable value of furniture and fittings | Based on itemised value of furniture and fittings provided | Based on a percentage of the annual value (to be announced) | |

Assumptions:

Salary – **\$500,000 per annum**

Rent paid by employer – **\$144,000 per annum**

Annual value – **\$90,000 per annum**

The taxation of employer-provided hotel accommodation has also been revised. Presently, hotel accommodation paid for by employers is assessed as a taxable benefit, calculated with reference to a complex formula based on a nominal fixed charge of \$250 per month, adjusted according to the number of adults or children staying in the hotel, plus an additional 2% of base salary. This has now been simplified to consider the actual cost to be the taxable benefit.

Whilst the change in the calculation of hotel accommodation benefit will simplify employer reporting, it will result in a significant increase in the taxable benefit.

CPF contributions for lower income employees

Employee and employer CPF rates for employees earning below \$1,500 per month will change again from 1 January 2014, as illustrated below:

Table 3

| Income | CPF contribution rates | |
|-----------------|--|--|
| | Employer | Employee |
| >\$50 - ≤\$500 | Raised to the full CPF contribution rates of workers earning more than \$1,500 | No mandatory CPF contributions required |
| >\$500 - <\$750 | | Gradually increases with wage, from 0% to the full contribution at \$750 |
| \$750 - \$1,500 | | Raised to the full CPF contribution rates of workers earning more than \$1,500 |

Whilst the intention of these changes is a welcomed step towards increasing the level of retirement benefits and reducing the burden on the government to support retirees, it is arguable whether the measures go far enough. However, at a time when businesses are already buckling under the strain of rising costs, this is probably as much as could be done at this stage. It should be noted, though, that the employer will not only shoulder the additional cost of employer CPF, but will also incur the additional administrative burden of ensuring compliance with the new CPF rules.

Medisave for self-employed persons

In line with the changes for employees, Medisave contribution rates for self-employed persons earning net trade income from between \$6,000 and \$18,000 will also be raised with effect from 1 January 2014, to boost healthcare adequacy for such individuals.

Workfare income supplement scheme

The workfare income supplement (WIS) scheme has also been enhanced to provide greater assistance to more Singaporeans for work done with effect from 1 January 2013 onwards.

Others

One-off GST voucher special payment

The focus of this year's Budget appears to be more on the people aspect, specifically on measures benefiting Singaporeans. This is also reflected on the GST front, as the government builds on an existing scheme to alleviate the burden on the lower and middle-income group through the GST voucher scheme.

Recognising that consumer prices have been steadily increasing due to rising business costs and inflation, the government has introduced an additional one-off payment of the GST voucher scheme on top of the existing GST voucher that was introduced during last year's Budget. This effectively means that the total GST voucher to be received by an eligible Singaporean this year will be double the amount provided under the existing scheme.

Further, on top of the \$3.6 billion which was set aside to finance the GST voucher scheme during the last Budget, this year's Budget sees an additional \$3 billion allocated to the GST Voucher Fund as a commitment by the government to ensure sufficient funding for the yearly payouts up to the financial year 2020.

These moves, along with the other measures introduced in this year's Budget, are a firm reflection of the government's long standing stance that fiscal assistance to lower (and middle) income groups would be provided in the form of schemes and subsidies, and the GST system would not be overly complicated through the introduction of exemption or zero-rating of household essentials.

Excise duty on tobacco products

As part of the government's move to harmonise the excise duties on cigarette and non-cigarette tobacco products, the Minister announced that the excise duties will be raised on the following:

- Beedies, "ang hoon", smokeless tobacco from \$239/kg to \$299/kg (up 25%); and
- Unmanufactured tobacco from \$347/kg to \$352/kg (up 1.5%).

Property tax

Property tax rates will be made more progressive, with more tax bands being introduced, and adjustments to the tax rates with effect from 1 January 2014. Further adjustments will be made on 1 January 2015. The tax burden on the owners of properties with lower values will be reduced, whilst the owners of high-end investment properties may be charged at up to 20%.

The two tables below show how the top marginal property tax rates will change over the next two years for a range of properties with different annual values:

Table 4: Property tax on owner-occupied residential properties

| Annual Value | Top marginal tax rates | | |
|--------------|------------------------|------|------|
| | 2013 | 2014 | 2015 |
| \$8,000 | 4% | 0% | 0% |
| \$30,000 | 4% | 4% | 4% |
| \$65,000 | 4% | 6% | 6% |
| \$100,000 | 6% | 9% | 10% |
| \$140,000 | 6% | 15% | 16% |

Table 5: Property tax on non-owner occupied residential properties

| Annual Value | Top marginal tax rates | | |
|--------------|------------------------|------|------|
| | 2013 | 2014 | 2015 |
| \$8,000 | 10% | 10% | 10% |
| \$30,000 | 10% | 10% | 10% |
| \$65,000 | 10% | 15% | 16% |
| \$100,000 | 10% | 19% | 20% |
| \$140,000 | 10% | 19% | 20% |

The property tax rate for land and non-residential property remains at 10%. The property tax refund concession for vacant properties will be removed and the tax treatment will be streamlined from 1 January 2014. Further details will be released by June 2013.

Vehicle taxes

From March 2013, there will be a new tiered structure to additional registration fees (ARF) whereby private cars with an open market value (OMV) of more than \$20,000 will be subject to an ARF of 140%; cars with an OMV over \$50,000 will be subject to an ARF of 180%.

This measure can be viewed as a well-intended, progressive measure, aimed at increasing the tax burden on wealthier members of society who drive expensive cars.

A 30% road tax rebate will be granted from 1 July 2013 for goods vehicles (including goods cum passenger vehicles), buses and taxis. The rebate is given for one year. Details will be announced by the Land Transport Authority in due course.

Owners of commercial vehicles who reach the end of their ten-year Certificate of Entitlement (COE) and who extend it for five years are currently not allowed to extend it any further. These owners will now be allowed to extend their COEs for another five years.

Reduced foreign domestic worker levy

In recognition of the increasing level of support which Singaporean families may need, the government has provided a further reduction in the concessionary foreign domestic worker levy, from \$170 down to \$120 per month from 1 March 2013 (compared to the standard rate of \$265 per month).

Though this will be certainly welcomed, it may have been greeted even more warmly had the foreign maid levy relief been made available to male as well as female employers.

Reducing dependence on foreign workers

Singapore's reliance on foreign workers has been a concern for many years, and the government has taken a three-pronged approach to address this in the present Budget:

- Foreign worker levies will be increased in all industry sectors, with further measures in targeted industries where productivity growth has been inhibited by the availability of cheap foreign labour
- Dependency Ratio Ceilings (DRC) will be reduced further in the marine and services sectors
- Further tightening of the S-Pass and Q1 Employment Pass qualifying criteria.

Further details on these initiatives will be announced by the Ministry of Manpower in due course.

Whilst not an active change, the government will also allow the further tax deduction scheme for expenses incurred in relocation or recruitment of overseas talent to expire on 30 September 2013 without being renewed. The removal of the ability to claim an additional deduction for the recruitment of foreign talent should provide a more level playing field for Singaporeans in the current labour market.

2012 in retrospect

While the much awaited safe harbour provisions, introduced in Budget 2012 generated a significant buzz amongst tax practitioners, the PIC scheme continued to remain one of the most talked about corporate tax topics. The year also saw the release of the much anticipated High Court decision in *AQQ v Comptroller of Income Tax* on the general anti avoidance provisions, which was announced in December.

Safe harbour provisions

Singapore does not impose tax on gains of a capital nature. However, there is a wide gulf between what the Singapore tax authorities generally accept as capital in nature and what the taxpayer would be justified in believing. This created uncertainty for investors on the use of Singapore as a holding company location. The government tried to address this issue with the introduction of the safe harbour provisions in Budget 2012, with a relatively high degree of success.

The safe harbour rule provides that gains derived by a company from the disposal of ordinary shares in another company will not be taxed if the first company has held at least 20% of the ordinary shares in the other company for a continuous period of 24 months immediately prior to the disposal. The other company can be incorporated in Singapore or elsewhere, and be listed or non-listed. However, the above rules do not apply to share disposals made by insurance companies or to disposals of shares in unlisted companies holding immovable property in Singapore. The certainty on non-taxation of gains is indeed a welcome measure. That said, the minimum 20% shareholding threshold is more stringent from what is required under the participation exemption schemes in other jurisdictions, such as 5% in the Netherlands and 10% in Luxembourg. The same can be said for the 24 month holding period. While the Netherlands does not impose any minimum holding period, Luxembourg only has a 12 month requirement. It is hoped that these conditions will be liberalised to enhance Singapore's attractiveness as a business location.

Productivity and innovation credit

The PIC scheme was first introduced in Budget 2010 to support investment in innovation and productivity and was significantly enhanced in the 2011 and 2012 Budgets.

Among other things, the maximum cash payout per year of assessment (YA) under the PIC scheme was increased from \$30,000 to \$60,000 for up to \$100,000 of qualifying expenditure. PIC benefits have also been extended to expenditure incurred on training of agents and in-house training courses that are not certified, up to a cap of \$10,000.

The R&D definition was tweaked to include the development of “internal-use” software which is sophisticated, innovative and facilitates additional capability and functionality. Based on feedback received from the business community, a list of software expenditure that does not qualify as software R&D was published on the IRAS’ website. The swift response by the Ministry of Finance, acknowledging the needs of the business community, is noteworthy.

Other changes

Found below are some of the other more significant changes that took place in the year:

- To facilitate compliance and improve tax administration, companies with annual revenue of less than \$1 million and with a nil estimated chargeable income (ECI) do not need to file an ECI from Year of Assessment 2013 onwards.
- The IRAS enhanced its voluntary disclosure programme and issued a revised circular in December. Under the enhanced programme, no prosecution will be invoked for the voluntary disclosure of past acts which involve a wilful intent to evade tax.
- On the GST front, the IRAS introduced the Assisted Self Help Kit (ASK) in April. ASK is a self-assessment package that aims to help GST-registered businesses effectively manage their GST compliance. With effect from 1 January 2013, a self-review under ASK is a pre-requisite for applying for certain GST schemes.

- Seller's stamp duty (SSD) on industrial properties and land was introduced in January 2013 as a cooling measure for industrial properties. SSD of 15%, 10%, and 5% will be imposed on industrial properties sold within the first, second, and third year of purchase respectively. Further, the additional buyer's stamp duty (ABSD) on residential properties was increased by 5% to 7% from 12 January 2013. In addition, ABSD is also applicable for permanent residents purchasing their first residential property and on Singaporeans purchasing their second residential property.

Tax cases

The High Court issued its landmark decision in *AQQ v Comptroller of Income Tax* which is reportedly the first case on the interpretation of Singapore's general anti-avoidance section. The case revolved around a corporate restructuring where a holding company borrowed funds externally to acquire a number of subsidiaries. These subsidiaries later declared franked dividends – this happened when the imputation system was still in place – which, because of the interest costs incurred resulted in the holding company having tax repayable. The High Court ruled that the financing arrangement did constitute a tax avoidance scheme but allowed the taxpayer's appeal against the Comptroller's decision on the grounds that the Comptroller did not exercise his powers reasonably in challenging and assessing the arrangement.

Both the Comptroller and the taxpayer are understood to have lodged an appeal against the High Court's decision. It seems that the final verdict on this important case is still awaited.

2012 in snapshot

2012 saw various legislative changes introduced and circulars issued by the Inland Revenue Authority of Singapore (IRAS) and other agencies. Many of the reflected changes were introduced in the 2012 Budget. Some highlights of the year's tax changes are set out below.

General corporate tax changes

| | | |
|--|----------|---|
| Small and medium enterprises (SME) | February | The Minister for Finance extends the one-off non-taxable SME cash grant for YA 2012. As before, the grant is computed based on 5% of the company's revenue, capped at \$5,000. |
| Cash grant for companies | October | The IRAS clarifies that the cash grant is also available to: <ul style="list-style-type: none"> • companies with only recharged CPF expenses; and • corporate partners of limited liability partnerships. |
| Tax exemption under Section 13(12) of Income Tax Act (ITA) | February | The IRAS revises its circular "Tax Exemption under Section 13(12) for Specified Scenarios, Real Estate Investment Trusts and Qualifying Offshore Infrastructure Project/Asset". |
| Payments for software and digitised goods | April | The IRAS issues a consultation paper seeking feedback on the proposed adoption of a rights-based approach to characterise software payments and payments for the use of or the right to use information and digitised goods. The final paper was issued on 8 February 2013. |
| Capital allowance | April | The IRAS provides details of the information that the taxpayer is required to maintain, where plant and machinery is used by a subcontractor in an outsourcing arrangement, to demonstrate that it is used for his business. |
| Investment companies under Section 10E of the ITA | April | The IRAS revises the circular "Ascertainment of income from business of making investment". |
| Singapore Financial Reporting Standard (SFRS) for Small Entities | May | The IRAS clarifies the income tax implications arising from the adoption of SFRS for Small Entities. |

| | | |
|--|----------------|---|
| Non-taxation of companies' gains on disposal of equity investments | May | The IRAS issues a circular detailing the safe harbour rules introduced in Budget 2012. |
| Renovation or refurbishment works | June | The IRAS issues a revised circular incorporating the changes announced in Budget 2012. |
| Research and development (R&D) | February/ July | The Ministry of Finance announces the liberalisation of the definition of R&D to include the development of internal-use software. The IRAS publishes details of non-qualifying software R&D in July. |
| | June | The IRAS publishes revised guidelines on automatic writing down allowances for the acquisition of intellectual property |
| | November | The IRAS revises the guidelines on the deduction of costs of registering patents, trademarks, designs and plant varieties. |
| Productivity and Innovation Credit (PIC) | August | The IRAS issues a revised circular on the PIC scheme and updates the FAQs on its website to incorporate the changes announced in Budget 2012. |
| Real Estate Investment Trusts (REITs) | October | The IRAS revises its circular "Income Tax Treatment of Real Estate Investment Trusts" to incorporate the changes proposed in Budget 2012. |
| Voluntary Disclosure Programme (VDP) | December | The IRAS issues a revised circular on VDP detailing enhancements to the programme which took effect from 1 January 2013. |
| Donations | December | The Act is amended to allow a deduction for donations for specified purposes and donations with benefits-in-return to the donor or persons related to the donor. |
| Incentives | | |
| Fund management tax incentive schemes | February | The Monetary Authority of Singapore (MAS) issues a circular detailing the changes to the lists for "designated investments" and "specified income" announced in Budget 2012. |

| | | |
|--|--------------|---|
| Liberalised withholding tax exemption regime for banks | February | The MAS releases an updated circular incorporating the changes announced in Budget 2012 relating to the extension of the withholding tax exemption scheme to interest payments made by banks, finance companies and certain approved entities to permanent establishments in Singapore. |
| Shipping | March | The Maritime Port Authority (MPA) issues a circular on the tax exemption for gains on disposal of vessels for qualifying ship-owners, announced in Budget 2012. |
| Over-the-counter (OTC) financial derivatives | April | The MAS issues an updated circular on the extension of the tax exemption for payments on OTC financial derivatives. |
| Financial sector incentive (FSI) | April | The MAS issues a circular to clarify the implementation of the removal of qualifying base for the FSI-Standard Tier scheme. |
| Tax deduction for internationalisation | April / May | IE Singapore and the Singapore Tourism Board release details of the enhancements to the double tax deduction for internationalisation, announced in Budget 2012. |
| Aircraft leasing | May | The EDB updates its circular on the Aircraft Leasing Scheme to incorporate the enhancements announced in Budget 2012. |
| Data centres | June | The Infocomm Development Authority of Singapore introduces an investment allowance scheme to encourage energy efficiency in data centre deployment. |
| Mergers and acquisitions (M&A) | June | IRAS revises its circular on the M&A scheme to reflect the enhancements announced in Budget 2012. |
| Insurance | September | The IRAS announces that no tax adjustments need to be made to par fund distributions which are computed in accordance with insurance regulations. |
| International arbitration | December | The incentive for international arbitration is extended for five years from 1 July 2012 to 30 June 2017, with enhancements. |
| Tax administration | | |
| Taxpayer compliance | April / July | The IRAS releases details of the simplified tax filing requirements for small companies which are effective from YA 2012 onwards. |

| | | |
|---|--------------|---|
| | November | The IRAS publishes details on the administrative procedures for claiming tax deductions for qualifying R&D expenses. |
| | November | An administrative concession exempting certain companies from the requirement to file an estimate of their chargeable income for YA 2013 is introduced. |
| Circulars re-issued | July | The IRAS re-writes several circulars to consolidate the multiple circulars on the same topic to improve readability. They generally do not entail a change in the technical position. |
| Personal tax | | |
| Enhanced Earned Income Relief (EIR) for elderly and handicapped workers | February | From YA 2013, the amount of EIR and Handicapped EIR will be increased. |
| Parent relief | April / July | The IRAS issued a consultation paper in April seeking feedback on the options the IRAS may adopt for cases where claimants cannot agree on the proportion of parent relief to be shared among them. A summary of responses received was released in July. |
| CPF | April | The CPF Minimum Sum Topping-up scheme was extended to parents-in-law and grandparents-in-law with effect from 1 January 2013. |
| | November | The CPF top-up schemes have been merged from 1 November 2012. |
| National servicemen | April | The IRAS clarifies that the National service recognition award is tax exempt. |
| Insurance | October | The IRAS updates its guidance on the taxation of insurance coverage provided by employers to staff. |
| Tax clearance | December | An administrative concession waiving the requirement to obtain tax clearance for equity partners who are Singapore citizens, or permanent residents who are not leaving Singapore permanently, is introduced. |

Goods and Services Tax

| | | |
|--|-------------------------------|---|
| Assisted compliance assurance programme (ACAP) | April | The IRAS announces that the funding of \$3 million allocated for the period 1 April 2012 to 31 March 2013 for the ACAP has been fully utilised. New funding of \$1 million will be available from 1 April 2013. |
| Assisted self-help kit (ASK) | April | The IRAS introduces the GST ASK, a self assessment package that aims to help GST-registered businesses effectively manage their GST compliance. |
| Tax administration | January – December | <p>The IRAS revises its website content and circulars, mainly to incorporate the Budget 2012 and other tax changes introduced during the year.</p> <p>New circulars were issued:-</p> <ul style="list-style-type: none"> • GST Guide for the Banking Industry (August) • GST Guide for the Logistics Service Industry (August) • GST: Guide on Exemption of Investment Precious Metals (IPM) (September) • GST: Approved Refiner and Consolidator Scheme (ARCS) (September) • e-Tax Guide on Pre-Registration Claims on Goods and Services (November) <p>The IRAS issues a draft circular in April on reimbursement and disbursement of expenses for feedback.</p> <p>The MAS issues a circular to prescribe the fixed recovery rate for the GST remission for prescribed funds managed by prescribed fund managers.</p> |
| Other taxes | | |
| Stamp duties | January / June / January 2013 | The IRAS issues a new circular on seller's stamp duty and updates the circular on additional buyer's stamp duty on the purchase of residential property to reflect the stamp duty changes introduced to cool the property market. |
| | February | The IRAS revises its circular "Stamp duty treatment for the acquisition of multiple properties". |

| | | |
|---|--------------------|---|
| | June | The IRAS revises its circular “Income Tax & Stamp Duty: Mergers and Acquisitions Scheme” to reflect the enhancements announced in Budget 2012. |
| Property tax | May | The IRAS issues a circular “Assessment on Common Property”. |
| | November | The IRAS issues a circular “Revision of Annual Values for HDB Flats from 1 January 2013”. |
| Agreements for the avoidance of double taxation (DTAs) | | |
| New DTAs | January – December | Singapore signs new DTAs with the Isle of Man and Jersey. These treaties have not been ratified and do not have the force of law. |
| Revised DTAs | | <p>The DTAs with the following countries were revised in 2012:</p> <ul style="list-style-type: none"> • Switzerland – revised DTA entered into force on 1 August 2012. • Italy – Protocol to the DTA entered into force on 19 October 2012. • UK – Second Protocol to the DTA entered into force on 27 December 2012. • Estonia – protocol entered into force on 30 March 2012. • Turkey – protocol signed in March 2012. • Portugal – protocol signed in May 2012. • Canada – protocol entered into force on 31 August 2012. • Bahrain – protocol entered into force on 29 September 2012. • Bermuda – agreement on EOI entered into force on 6 December 2012. • Singapore has also signed a second Protocol to the treaty with Vietnam and an enhanced DTA with Poland. These treaties have not been ratified and do not have the force of law. • Germany – announcement that both countries agree to revise the DTA to incorporate the EOI. |

Tax legislation

| | |
|---------------|--|
| October | The Goods and Services Tax (Amendment) Act 2012 is published. |
| November | The Economic Expansion Incentives (Relief from Income Tax) (Amendment No. 2) Bill 2012 and the Stamp Duties (Amendment) Bill 2012 are published. |
| December | The Income Tax (Amendment) Act 2012 is published. |
| February 2013 | The Economic Expansion Incentives (Relief from Income Tax) (Amendment) Act 2012 is published. |
| February 2013 | The Stamp Duties (Amendment) Act 2012 is published. |

For more details, visit our Singapore website at <http://www.pwc.com/sg>, or call your usual PricewaterhouseCoopers Services LLP contact. A list of useful links is also provided below:

| | |
|--|---|
| Ministry of Finance | http://app.mof.gov.sg/ |
| Inland Revenue Authority of Singapore | http://www.iras.gov.sg/ |
| Economic Development Board | http://www.edb.gov.sg/ |
| International Enterprise Singapore | http://www.iesingapore.gov.sg/ |
| Monetary Authority Singapore | http://www.mas.gov.sg/ |
| The Maritime and Port Authority of Singapore | http://www.mpa.gov.sg/ |
| Ministry of Manpower | http://www.mom.gov.sg/ |
| Singapore Tourism Board | https://app.stb.gov.sg/ |

Snapshot of tax cases in 2012

Some interesting tax judgments were announced in 2012, the most notable being the High Court's decision on the general anti-avoidance provisions issued in December. A summary of the year's income tax and property tax cases is provided below.

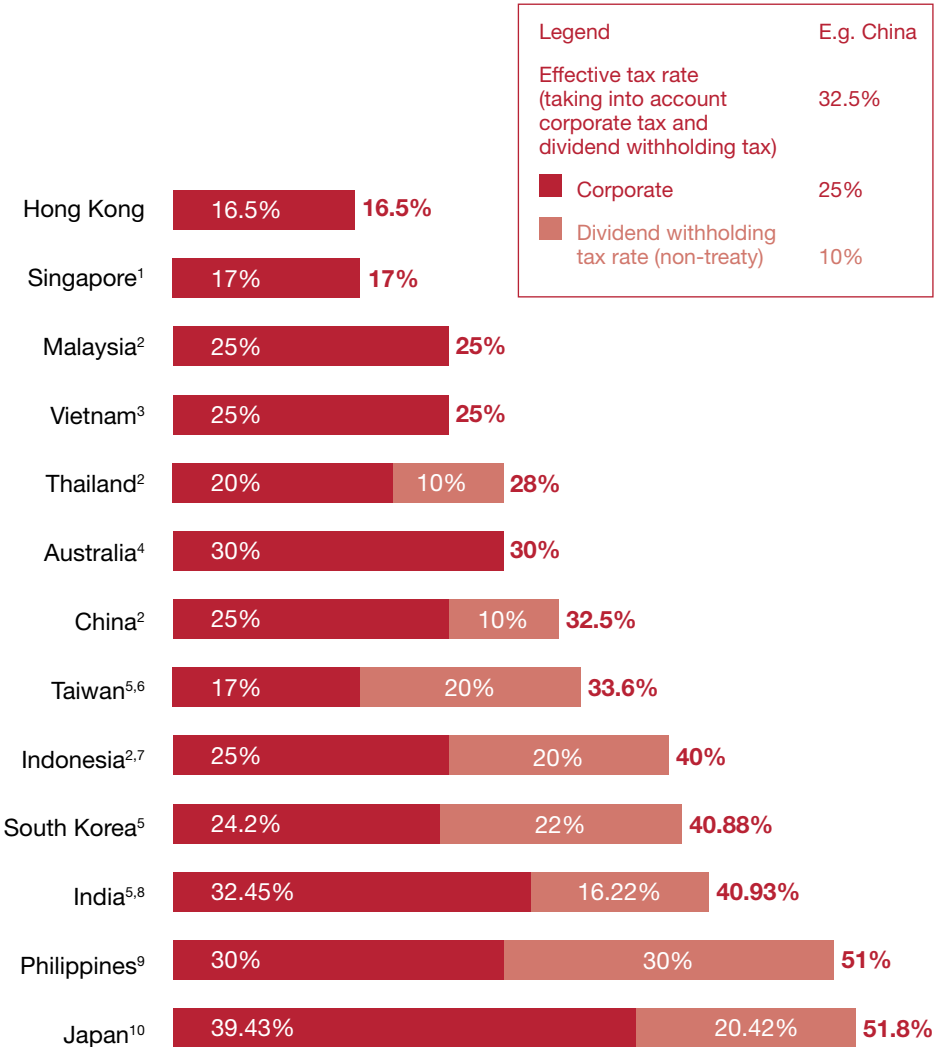
Income tax

| | |
|---------------|---|
| December 2011 | The Board of Review decided that the interest expenses incurred for acquiring new plots of land and adding new blocks to an existing mall are not part of the same investment as the existing mall and hence not tax deductible. |
| March | The Board of Review decided that the unabsorbed losses of an old Singapore branch of a foreign company can be utilised against profits earned by the new Singapore branch of the same company. |
| May | The High Court dismissed the Comptroller's application for an order requiring a bank in Singapore to provide information requested by the Indian tax authorities under the exchange of information article in the Singapore-India DTA. |
| June | The Board of Review decided that the taxability of gains derived by an insurance company from the disposal of shares depends on whether such gains are capital or revenue in nature. Relying on the Badges of Trade, the Board held that these are capital gains and hence tax exempt. The IRAS is understood to have lodged an appeal. |
| December | The High Court allowed the taxpayer's appeal in this case (on a 'technicality') which dealt with the issue of whether a financing arrangement was a tax avoidance scheme within the meaning of Section 33(1) of the ITA. Both parties are understood to have lodged an appeal. |

| | |
|---------------------|--|
| December | The Board of Review decided that the discounts and redemption premiums paid on secured bonds are not deductible since the funds raised were used for refurbishment of premises and re-financing of existing borrowings. In addition, the Board also disallowed a portion of the interest expenses as the funds raised had been used to finance working capital. |
| January 2013 | The Board of Review decided that payments made by a mobile telecommunication operator to secure 3G spectrum rights and 3G Facilities Based Operator License are capital in nature and hence not tax deductible. |
| January 2013 | The taxpayer had appealed against the High court's decision regarding deductibility of a provision for doubtful debts arising as a result of the misappropriation of funds by the taxpayer company's ex-director. The Court of Appeal remitted the application to the Board of Review in order for the necessary evidence to be adduced and for the Board to render a decision based on the application of the "overriding power or control" test. |
| Property tax | |
| September | The High Court held that the committed sales of units yet to be constructed should be taken into consideration when assessing the annual value of land under development. |
| November | The High Court ruled that property tax refund for unoccupied buildings should not be given for rent-free "fitting out" periods. |
| December | The Board of Review decided that the annual value of property should be based on its actual gross rent. |
| June / January 2013 | The High Court ruled that the depreciation for plant and machinery of the property which is a part of the gross rent paid by the tenants of each unit should be included in the computation of the annual value of the property. In January 2013, the Court of Appeal upheld the High Court's decision. |

Appendix A

Comparison of Asia-Pacific effective tax rates on repatriated corporate profits
(for income year 2013)



Notes:

Certain rates above are approximate effective rates which include local/resident surtax or surcharge and additional income-related taxes such as provincial, inhabitants, enterprise or municipal tax.

- ¹ Partial exemption of up to \$152,500 applies to the first \$300,000 of chargeable income. In addition, Budget 2013 introduced a corporate tax rebate of 30% of tax payable, capped at \$30,000 for YAs 2013 to 2015.
- ² Lower rates of tax apply to small- and medium-sized enterprises.
- ³ The nil dividend withholding tax is only applicable to dividends paid to corporate shareholders.
- ⁴ Fully-franked dividends paid to non-residents are not subject to dividend withholding tax, but to the extent that a dividend paid to a non-resident is unfranked, withholding tax of 30% will generally apply.
- ⁵ Lower rates of tax apply to income below certain levels.
- ⁶ The dividend withholding tax rate is 20%. An additional 10% profit retention tax will be imposed on any current earnings that remain undistributed by the end of the following year. However, the 10% surcharged amount may be used to offset the dividend withholding tax, subject to a certain tax limit.
- ⁷ Listed companies which satisfy certain requirements are subject to tax at 20%.
- ⁸ India does not impose dividend withholding tax. This is a dividend distribution tax on the dividends declared, distributed or paid by the company in addition to the corporate income tax paid on business profits. Such dividend is exempt from tax in the hands of the recipient shareholders.
- ⁹ Dividends paid to a non-resident corporation are subject to a lower rate of 15% if the country in which the recipient corporation is domiciled either does not tax such dividends, or allows a 15% or greater credit for the underlying tax paid by the dividend-paying company.
- ¹⁰ This is an approximate statutory effective rate of tax due to the varying influence of national and local taxes. The 20% withholding tax (subject to further income surtax of 2.1%) applies to private (unlisted) companies; a lower withholding tax rate applies on dividends from listed Japanese companies.

Appendix B

Comparison of Asia-Pacific individual tax liabilities (a married man with two dependent children for income year 2012)

| | Total Remuneration US\$75,000 | | Total Remuneration US\$100,000 | | Total Remuneration US\$200,000 | |
|------------------------|----------------------------------|----------------------------|-----------------------------------|----------------------------|-----------------------------------|----------------------------|
| | Tax Liability US\$ | Effective Tax Rate % | Tax Liability US\$ | Effective Tax Rate % | Tax Liability US\$ | Effective Tax Rate % |
| Singapore ¹ | 1,505 | 2 | 3,474 | 3 | 19,226 | 10 |
| Australia ² | 16,749 | 22 | 26,022 | 26 | 65,613 | 33 |
| China | 14,563 | 19 | 22,035 | 22 | 60,255 | 30 |
| Hong Kong | 2,865 | 4 | 7,115 | 7 | 24,115 | 12 |
| India | 19,918 | 27 | 27,643 | 28 | 58,543 | 29 |
| Indonesia | 15,160 | 20 | 22,550 | 23 | 52,112 | 26 |
| Japan | 5,632 | 8 | 10,516 | 11 | 42,503 | 21 |
| Malaysia | 14,091 | 19 | 20,591 | 21 | 46,591 | 23 |
| Philippines | 22,025 | 29 | 30,025 | 30 | 62,025 | 31 |
| South Korea | 8,921 | 12 | 15,284 | 15 | 51,859 | 26 |
| Taiwan | 6,835 | 9 | 12,247 | 12 | 46,017 | 23 |
| Thailand | 15,672 | 21 | 23,172 | 23 | 57,840 | 29 |
| Vietnam | 19,196 | 26 | 27,946 | 28 | 62,946 | 31 |

Notes:

¹ Inclusive of one-off 30% tax rebate, capped at \$1,500 for taxpayer below the age of 55.

² Based on new tax rates for year ending 30 June 2013.

³ Deductions for Social Security are not taken into account unless the contributions are compulsory by law.

⁴ Standard deductions are taken into account.

⁵ Tax liability figures may differ from prior year due to varying exchange rate of the local currency vis-à-vis US\$.

Appendix C

Resident individual tax rates for Years of Assessment 2013 and 2014

| Chargeable Income | | Years of Assessment 2013 and 2014 | |
|-------------------|---------|--------------------------------------|-----------|
| | \$ | Rate % | Tax \$ |
| On the first | 20,000 | 0 | 0.00 |
| On the next | 10,000 | 2.00 | 200.00 |
| On the first | 30,000 | | 200.00 |
| On the next | 10,000 | 3.50 | 350.00 |
| On the first | 40,000 | | 550.00 |
| On the next | 40,000 | 7.00 | 2,800.00 |
| On the first | 80,000 | | 3,350.00 |
| On the next | 40,000 | 11.50 | 4,600.00 |
| On the next | 40,000 | 15.00 | 6,000.00 |
| On the first | 160,000 | | 13,950.00 |
| On the next | 40,000 | 17.00 | 6,800.00 |
| On the next | 120,000 | 18.00 | 21,600.00 |
| On the first | 320,000 | | 42,350.00 |
| On income above | 320,000 | 20.00 | |

Contacts

If you would like further information in relation to the issues outlined above, please call your usual PwC contact or any of the individuals listed below:

Singapore Tax Partners and Directors

Corporate Tax

Alan Ross

+65 6236 7578

alan.ross@sg.pwc.com

Sunil Agarwal

+65 6236 3798

sunil.agarwal@sg.pwc.com

Paul Cornelius

+65 6236 3718

paul.cornelius@sg.pwc.com

Abhijit Ghosh

+65 6236 3888

abhijit.ghosh@sg.pwc.com

Mahip Gupta

+65 6236 3642

mahip.gupta@sg.pwc.com

Ho Mui Peng

+65 6236 3838

mui.peng.ho@sg.pwc.com

Lennon Lee

+65 6236 3728

lennon.kl.lee@sg.pwc.com

Elaine Ng

+65 6236 3627

elaine.ng@sg.pwc.com

Shantini Ramachandra

+65 6236 3823

shantini.ramachandra@sg.pwc.com

Tan Boon Foo

+65 6236 3632

boon.foo.tan@sg.pwc.com

Tan Ching Ne

+65 6236 3608

ching.ne.tan@sg.pwc.com

Tan Tay Lek

+65 6236 3768

tay.lek.tan@sg.pwc.com

Teo Wee Hwee

+65 6236 7618

wee.hwee.teo@sg.pwc.com

Corporate Tax Compliance Services

Yip Yoke Har

+65 6236 3938

yoke.har.yip@sg.pwc.com

Financial Services

Paul Lau

+65 6236 3733

paul.st.lau@sg.pwc.com

Gavin Helmer

+65 6236 7208

gavin.rh.helmer@sg.pwc.com

Anuj Kagalwala

+65 6236 3822

anuj.kagalwala@sg.pwc.com

Carrie Lim

+65 6236 3650

carrie.cl.lim@sg.pwc.com

Lim Maan Huey

+65 6236 3702

maan.huey.lim@sg.pwc.com

David Sandison

+65 6236 3675

david.sandison@sg.pwc.com

Tan Hui Cheng

+65 6236 7557

hui.cheng.tan@sg.pwc.com

Tan Tay Lek

+65 6236 3768

tay.lek.tan@sg.pwc.com

Yip Yoke Har

+65 6236 3938

yoke.har.yip@sg.pwc.com

Mergers & Acquisitions

Chris Woo

+65 6236 3688

chris.woo@sg.pwc.com

Lim Hwee Seng

+65 6236 3118

hwee.seng.lim@sg.pwc.com

Transfer Pricing

Nicole Fung

+65 6236 3618

nicole.fung@sg.pwc.com

Gavin Helmer

+65 6236 7208

gavin.rh.helmer@sg.pwc.com

Value Chain Transformation

Chris Woo

+65 6236 3688

chris.woo@sg.pwc.com

John Robinson

+65 6236 7318

john.p.robinson@sg.pwc.com

Alan Ross

+65 6236 7578

alan.ross@sg.pwc.com

Brad Slattery

+65 6236 3731

brad.slattery@sg.pwc.com

Research & Development

Elaine Ng

+65 6236 3627

elaine.ng@sg.pwc.com

Stamp Duties

Shantini Ramachandra

+65 6236 3823

shantini.ramachandra@sg.pwc.com

Personal Tax (International Assignment services)

James Clemence

+65 6236 3948

james.clemence@sg.pwc.com

Margaret Duong

+65 6236 3958

margaret.duong@sg.pwc.com

Girish Vikas Naik

+65 6236 3915

girish.vikas.naik@sg.pwc.com

Ooi Geok Eng

+65 6236 7205

geok.eng.ooi@sg.pwc.com

Indirect Tax (Goods and Services Tax)

Koh Soo How

+65 6236 3600

soo.how.koh@sg.pwc.com

Indirect Tax (Customs and International Trade)

Frank Debets

+65 6236 7302

frank.debets@sg.pwc.com

Gregory Nichols

+65 6236 7333

gregory.g.nichols@sg.pwc.com

Company Fiduciary & Administration Services

David Ong

+65 6236 3792

david.ong@sg.pwc.com

About PricewaterhouseCoopers Services LLP (PwC Services, Singapore)

PwC Services is one of the largest providers of professional tax services in Singapore. With more than 250 tax professionals and directors, we help individuals, businesses, both public and private organisations, with tax strategy, planning and compliance. From financial services, treasury, asset management, mergers and acquisitions, international tax planning (inbound and outbound), real estate, insurance, healthcare & pharmaceuticals, company fiduciary & administration services, transport & logistics and Goods and Services Tax (GST) to value chain transformation and transfer pricing, our tax professionals will provide you with the ideal tax solution.

Visit our Singapore tax website at www.pwc.com/sg/tax

About PwC – Globally

PwC helps organisations and individuals create the value they're looking for. We're a network of firms in 158 countries with more than 180,000 people who are committed to delivering quality in assurance, tax and advisory services. Tell us what matters to you and find out more by visiting us at www.pwc.com.

PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see www.pwc.com/structure for further details.

PwC – China, Hong Kong, Singapore and Taiwan

PwC China, Hong Kong, Singapore and Taiwan work together on a collaborative basis, subject to local applicable laws. Collectively, we have around 690 partners and a strength of around 18,000 people.

Providing organisations with the advice they need, wherever they may be located, our highly qualified, experienced professionals listen to different points of view to help organisations solve their business issues and identify and maximise the opportunities they seek. Our industry specialisation allows us to help co-create solutions with our clients for their sector of interest.

We are located in these cities: Beijing, Hong Kong, Shanghai, Singapore, Taipei, Chongqing, Chungli, Dalian, Guangzhou, Hangzhou, Hsinchu, Kaohsiung, Macau, Nanjing, Ningbo, Qingdao, Shenzhen, Suzhou, Taichung, Tainan, Tianjin, Xiamen and Xi'an.

© 2013 PricewaterhouseCoopers Services LLP. All rights reserved.

8 Cross Street, #17-00 PWC Building, Singapore 048424 • Tel: 65 6236 3388 • Fax: 65 6236 3715

PricewaterhouseCoopers Services LLP (Registration No. T09LL0002L) is a limited liability partnership registered in Singapore under the Limited Liability Partnerships Act (Chapter 163A). PricewaterhouseCoopers Services LLP is part of the network of member firms of PricewaterhouseCoopers International Limited, each of which is a separate and independent legal entity.

These notes are designed to keep clients up to date with tax developments and do not constitute professional advice. They are of a general nature only and are not intended to be comprehensive. Readers are therefore advised that before acting on any matter arising from these notes, they should discuss their particular situation with the Firm. No liability can be accepted for any action taken as result of reading the notes without prior consultation with regard to all relevant factors.



Not for further distribution without the permission of PwC. "PricewaterhouseCoopers" and "PwC" refer to PricewaterhouseCoopers LLP or, as the context requires, the PricewaterhouseCoopers global network or other member firms of the network, each of which is a separate legal entity.

© 2013 PricewaterhouseCoopers Services LLP. All rights reserved.