

2014 in snapshot

2014 saw various legislative changes introduced and circulars issued by the Inland Revenue Authority of Singapore (IRAS) and other agencies. Some highlights of the year's tax changes are set out below. Many of these were introduced in the 2014 Budget.

General corporate tax		
Intellectual property (IP) rights	February	<p>The writing down allowances on IP rights and tax deduction for IP registration costs were extended to YA 2020. The accelerated writing down allowance scheme for Media and Digital Entertainment companies was also extended to YA 2018.</p> <p>It was clarified that customer-based intangibles and documentation of work processes do not fall within the scope of IP rights for the purposes of the writing down allowances.</p>
Land Intensification Allowance (LIA)	February / July	The Economic Development Board released a circular to provide details on the enhancements to the LIA scheme, including the extension of the scheme to 30 June 2020.
Banks	February / May	The Minister announced that Basel III Additional Tier 1 instruments (other than shares) issued by Singapore-incorporated banks will be treated as debt for tax purposes. Details are available in a circular issued by the Monetary Authority of Singapore (MAS) in May.
Hybrid instruments	May	The IRAS issued a circular detailing the income tax treatment of hybrid instruments.
Productivity and Innovation Credit (PIC) scheme , PIC+ scheme	September	The IRAS issued a revised circular on the PIC scheme to reflect the changes announced in the 2014 Budget. Some of the changes include the extension of the scheme to Year of Assessment (YA) 2018 and the introduction of the PIC+ scheme for qualifying small and medium enterprises.
Incentives		
Research and development (R&D)	February / August / October / January 2015	The IRAS revised its circular on research and development tax measures to incorporate the changes announced in the 2014 Budget, including the extension of the incentives. The revised circular also introduced details in annex for application software R&D projects and the food and beverage industry. The extension of the section 14DA incentive to YA2025 was mentioned in the annex of the IRAS' circular on PIC.
Aircraft rotables	February	The investment allowance scheme for aircraft rotables will be allowed to lapse after 31 March 2015.
Fund management	February / May	The MAS issued a circular to provide details of the refinements to the incentives for asset management

		and extension of those schemes to 31 March 2019. With these refinements, the section 13C scheme for trustees will lapse after 31 March 2014.
Designated unit trusts (DUT)	February /May	The MAS issued a circular to provide details on the changes to the DUT scheme. A review date of 31 March 2019 of the scheme was also introduced for the scheme.
Tax administration		
Withholding tax	February	The Minister announced that from 21 February 2014, tax will not need to be withheld on payments to Singapore branches of non-resident companies.
Personal tax		
Dependent reliefs	February	The Minister announced increased reliefs for individuals supporting their parents (including grandparents and great-grandparents) or handicapped dependents.
Transfers of qualifying deductions between spouses	February	The Minister announced that married couples can no longer transfer qualifying deductions and deficits to each other (including under the loss carry-back scheme) with effect from YA 2016.
Goods and Services Tax (GST)		
Fund management	March / December	The MAS issued a circular prescribing the fixed GST recovery rate prescribed funds managed by prescribed fund managers for 2015. The MAS also issued a circular to extend the GST remission for prescribed funds to 31 March 2019.
Hotels	July	The IRAS issued a circular to explain the GST principles applicable to the hotel industry.
Other taxes		
Stamp duties	February	The IRAS issued circulars detailing changes to the rate structure of the following types of stamp duty: <ul style="list-style-type: none"> • Buyer's stamp duty • Share transfer duty • Lease duty • Mortgage duty
Betting duties	February	Certain duty rates were increased with effect from 1 July 2014.
Tobacco excise duties	February	Excise duties for cigarettes and other manufactured tobacco products were increased with effect from 21 February 2014.
Liquor excise duties	February	Excise duties for all liquor types were raised with effect from 21 February 2014.
Agreements for the avoidance of double taxation		
New treaties	January to December	Singapore signed new treaties with Laos, Seychelles, Rwanda and San Marino during the year. These treaties have not been ratified and do not have the force of

		<p>law.</p> <p>Treaties with the following countries were ratified and came into force during the year:</p> <ul style="list-style-type: none"> • Morocco (15 January 2014) • Barbados (25 April 2014) • The Czech Republic (24 June 2014) • Liechtenstein (25 July 2014)
Revised treaties	January to December	<p>Treaties with the following countries were revised in 2014:</p> <ul style="list-style-type: none"> • Poland – revised treaty entered into force on 6 February 2014 • Austria – exchange of notes entered into force on 1 May 2014 • Sri Lanka – revised treaty signed on 3 April 2014 • Kazakhstan – protocol entered into force on 12 September • Czech Republic – protocol entered into force on 12 September 2014 • United Arab Emirates (UAE) – protocol signed on 31 October 2014
Income tax cases		
General anti-avoidance rules	February	<p><i>Comptroller of Income Tax v AQQ</i>: The Court of Appeal agreed with the High Court that the arrangement in question constituted tax avoidance under section 33 of the Income Tax Act. This is a landmark case as it is the first to deal with Singapore's statutory general anti-avoidance rules. It also clarifies the scope of the Comptroller's powers and the principles that should be applied to determine whether an arrangement constitutes tax avoidance.</p>
Taxation of management corporations	July	<p><i>BLP v Comptroller of Income Tax</i>: The High Court held that special levy contributions collected by the management corporation of a development for the purposes of retrofitting and upgrading the development were capital in nature.</p>
Deductions	July	<p><i>BFC v Comptroller of Income Tax</i>: The Court of Appeal held that discounts and premiums are not "interest" under section 14(1)(a) of the Income Tax Act and are not deductible on the grounds that the bonds in question were capital in nature. It also reconciled the operation of section 14(1)(a) with that of section 15(1)(c), holding the interest that is capital in nature may be deductible under the former provision.</p>

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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 of Singapore	http://www.mas.gov.sg/
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