2021 Singapore Budget

Quals™
One Firm, One Mind

QUALS BUSINESS CONSULTANTS PTE LTD

Commentary

2021 Singapore Budget was announced by Singapore Finance Minister Heng Swee Keat on 16 February 2021. With the theme of Emerging Stronger Together, Budget 2021 commit $110 billion to support various plans to help families, workers and business the COVID-19 pandemic crisis in the instant term.

With Budget 2021, the government provides a comprehensive suite of measures to create:

- a vibrant economy with good jobs and opportunities for Singaporeans and businesses;
- a cohesive society with a strong social compact and community spirit;
- a welcoming and sustainable home for generations to come; and
- fiscal and social reserves to enable continued stability and progress.

Commentary

Since 2020, Quals Business Consultants Pte Ltd (“Quals”) has actively participated in supporting local and heritage branding. Quals has collaborated with Three Star Brand who produces aroma scent oils as our memorial gift to our clients and business partners that have supported us for the past enriching years. YIKOWEI, is another local heritage brand that we collaborated for our 2021 Chinese New Year gift to all our colleagues who have supported and ride through this pandemic storm.

These brands have been in Singapore for almost two decades and have faced challenges to adapt to the fast evolving environment and markets. Even YIKOWEI has changed their marketing strategy by promoting their brands and products via online live stream broadcasts. Every local brand has its own heritage story, Quals will continuously support local brands and advise them on their transformation roadmap so that they have the ability to explore oversea market and reach out to internationalization.

As COVID-19 pandemic has stabilized in Singapore, we will continue to extend our assistance to provide sustainability to your business growth.

irector
Quals Business Consultants Pts Ltd

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GST rate 7% to remain in 2021

In budget 2018, the Government plan to raise the GST by two percentage points, to 9%, sometime from 2021 to 2025. This is to raise recurrent revenues to meet our growing recurrent spending, particularly for healthcare.

As announced in the Unity Budget in February 2020, in view of economic conditions, the GST rate increase would not take effect in 2021.

However, the GST increase from 7% to 9% will happen **during 2022 to 2025**, and **sooner rather than later**, subject to the economic outlook in Singapore.

GST extended to low-value Imported Goods and non-digital Services

Tax Change	**Prior to 1 Jan 2023**	New! **With effect from 1 January 2023**
a) goods imported via air or post that are valued up to (and including) the current GST import relief threshold of S$400 ("low-value goods"), and b) business-to-consumer ("B2C") imported non-digital services, through the extension of the Overseas Vendor Registration and reverse charge regimes	No GST.	GST imposed for ***low-value goods & services*** under $400 bought online and imported by air or post.

This change will ensure a level playing field for our local businesses to compete effectively.
Overseas suppliers of goods and services will be subject to the same GST treatment as local suppliers.
This means that overseas suppliers are required to register, charge and account for GST on the goods and services they provide to customers in Singapore.

Updated GST Zero-Rating for media sales

In view of the growth of online advertising, the basis for determining the supply of media sales for GST zero-rating purposes will be updated to reflect the growth in online advertising with effect from 1 January 2022;

Supply of Online Media Space	**Prior to 1 Jan 2022**	New! **With effect from 1 Jan 2022**
GST treatment for a supply of advertising space over the Internet, newspapers, magazines, TV, radio and websites.	The basis for determining whether zero-rating applies to a supply of media sales was based on the place of circulation.	It will depend on the belonging status of the customer (i.e. contractual party and the direct beneficiary of the services belong).

Extension and enhancements to various schemes to maintain the Competitiveness and Resilience of our Tax System

Brief Summary

General trend: recognising the growth of the digital economy			
Extension of the investment allowance (Energy Efficiency) Scheme	Withdrawal of the Accelerated Depreciation Allowance for the Pollution Control Equipment Scheme	Extend the NPO tax incentive till 31 December 2027	Extend the WHT exemption on payments made for structured products and OTC financial derivatives
a) Double Tax Deduction for Internationalisation Scheme	b) Double Tax Deduction for qualifying retail bonds approved by MAS	f) Retention of the 100% Investment Allowance Scheme	legislate the withholding tax exemptions for the financial sector

Extend YA 2020 enhancements to the carry-back relief scheme

The carry-back relief scheme was introduced in the 2005 Budget, which allowed a one-year carry-back of unabsorbed capital allowances and trade losses (Qualifying Deductions) to be deducted against assessable income of the previous year. To further help businesses cope with cash-flow problems as a result of the COVID-19 pandemic, this scheme was enhanced in the 2020 Budget to allow qualifying deductions to be carried back up to three immediate preceding year of assessments (YAs), capped at S$100,000.
To continue supporting businesses, the scheme will be extended to YA2021, with the same parameters.

Tax Change	Existing! **Tax Treatment**	New! **Tax Treatment**
Carry Back Relief	The carry-back relief scheme was enhanced for YA2020. Under the enhanced scheme, current year unabsorbed capital allowances ("CA") and trade losses (collectively referred to as "qualifying deductions") for YA2020 may be **carried back up to three immediate preceding YAs, capped at $100,000** of qualifying deductions, subject to conditions. Taxpayers were allowed to elect to carry back to the relevant preceding YAs an estimated amount of qualifying deductions available for YA2020, before the actual filing of their income tax returns for YA2020.	To continue providing support to businesses, the enhancements to the carry-back relief scheme for YA2020 will be extended to apply to qualifying deductions for YA2021, with the same parameters.

Extend the option to accelerate the write-off of the cost of acquiring plant and machinery (“P&M”)

Tax Change	Existing! **Tax Treatment**	New! **Tax Treatment**
Extend the option to accelerate the write-off of the cost of acquiring plant and machinery (“P&M”)	As announced in Budget 2020, businesses are given an option to accelerate the write-off over two years, instead of three years or over the prescribed working life of the asset, on the cost incurred in acquiring the asset during the basis period for YA 2021. This is to support businesses who intend to invest in new assets and ease the cash flow of businesses. The rates of accelerated capital allowance allowed are as follows: - 75% of the cost incurred to be written off in the first year (i.e. YA 2021); and - 25% of the cost incurred to be written off in the second year (i.e. YA 2022). *No deferment of capital allowance claim is allowed under this option.* This meant that if a taxpayer opted for the accelerated write-off option, it would need to claim the capital expenditure incurred for acquiring P&M based on the rates of 75% (in YA2021) and 25% (in YA2022).	To continue providing support to businesses, the option to accelerate the write-off of the cost of acquiring P&M will be extended to capital expenditure incurred on the acquisition of P&M in the basis period for YA2022 (i.e. FY2021), with the same parameters.

Extend the option to accelerate the Write-Off renovation and refurbishment ("R&R")

Tax Change	Existing! **Tax Treatment**	New! **Tax Treatment**
S14Q Renovation and Refurbishment	Taxpayers who incurred qualifying expenditure on R&R during the basis period for YA2021 (i.e. FY2020) for the purposes of their trade, profession or business were given an irrevocable option to claim R&R deduction in one YA (i.e. accelerated R&R deduction). The cap of $300,000 for every relevant period of three consecutive YAs applied. This option was in addition to the existing option under Section 14Q of the ITA.	To continue providing support to businesses, the option to claim R&R deduction in one YA (i.e. accelerated R&R deduction) will be extended to qualifying expenditure incurred on R&R in the basis period for YA2022 (i.e. FY2021), with the same parameters.

Enhance the Double Tax Deduction for Internationalisation ("DTDi") scheme

Tax Change	Existing! Tax Treatment	New! Tax Treatment
Double Tax Deduction for Internationalisation ("DTDi")	Under the DTDi scheme, businesses are allowed a tax deduction of 200% on qualifying market expansion and investment development expenses , subject to approval from Enterprise Singapore or Singapore Tourism Board ("STB"). No prior approval is required from Enterprise Singapore or STB for tax deduction on the first $150,000 of qualifying expenses incurred on the qualified activities for each YA.	To continue supporting internationalisation efforts of businesses amid changes in the business environment, the scope of the DTDi scheme will be enhanced to cover the following specified expenses incurred to participate in approved virtual trade fairs. The list of **qualifying expenses** for overseas investment study trips will also be **expanded to include logistics costs to transport materials/samples used during the investment trips**. In addition, the scope of qualifying activities which do not require prior approval from Enterprise Singapore or STB will be enhanced to cover the qualified activities, up to the current annual expense cap of $150,000. The above enhancements will **take effect for qualifying expenses incurred on or after 17 February 2021**.

Extend the 250% Tax Deduction for Qualifying Donations

Tax Change	Existing! Tax Treatment	New! Tax Treatment
Approved Donation	Donors are eligible for a 250% tax deduction for qualifying donations made to Institutions of a Public Character ("IPCs") and other qualifying recipients from 1 January 2016 to 31 December 2021.	To continue encouraging Singaporeans to give back to the community, we will **extend the 250% tax deduction** to **qualifying donations made from 1 January 2022 to 31 December 2023**. All other conditions of the scheme remain the same.

Corporate Income Tax Rebate

Tax Treatment	YA 2020	New! YA 2021
Corporate Income Tax Rebate (CIT Rebate)	Companies will be granted a 25% Corporate Income Tax Rebate capped at $15,000 for YA 2020.	There is **NO** Corporate Income Tax Rebate for YA 2021

International Tax Developments

Ongoing discussion to revise international tax rules under the Base Erosion and Profit Shifting (BEPS) project

- As of **1 July 2018**: **IDI** implemented under **Section 43ZI ITA and approved companies can benefit from a base concessionary tax rate of 5% or 10% on qualifying Intellectual Property Income(IP).**

- As of **18 January 2021:** Singapore Income Tax (Concessionary Rate of Tax for Intellectual Property Income) Regulations 2021 (the Regulations) came into force and specifies the application of the concessionary tax rates for IP under the IDI.
  - Percentage of qualifying income determined by the **"modified nexus" approach**
  - Qualifying IP rights included patents and copyrighted software and other IP assets functionally equivalent to patents can qualify for benefits under the IP regime, and the taxpayer can only receive benefits for R&D expenditure incurred for the production of the IP assets.
  - **Strict record-keeping requirement** in line with the BEPS
    - an approved company is required to keep records of information in relation to the qualifying IP income, and expenditure incurred in producing the qualifying IP income and the qualifying IP rights. In particular, they must record details of how each specified right is obtained and the basis for determining that any expenditure incurred is for the purpose of obtaining the specific right.

Fighting COVID-19 and The Resilience Package

As COVID-19 has continued to affect many workers and businesses, support will be tailored to maintaining resilience and supporting growing areas. This will be done via extending the Jobs Support Scheme (JSS), SGUnited Jobs and Skills Package and COVID-19 Recovery Grant. The $11 billion **COVID-19 Resilience Package** will be used to ease the recovery process.

- S$4.8 billion will go towards **safeguarding public health** including the providing **free vaccination** against virus for everyone who is eligible.
- S$5 billion will be used to support workers and businesses, with the lion's share of $2.9 billion going to the **Jobs Support Scheme**.
- S$1.2 billion will be used to **support specific sectors** that have been especially badly hit by the fallout from the pandemic. (Aviation sector will receive $870mil, $45mil for the arts and culture, sports sectors and $133 mil for taxi and private hire car drivers)

Support for Workers and Businesses
- Jobs Support Scheme ("JSS")

JSS will be **extended for firms in Tier 1 and 2 sectors by up to six months**, covering wages paid up to September 2021. Under the extended JSS, support levels will be tapered based on the projected recovery of the various sectors, as follows:

Jobs Support Scheme ("JSS")	Existing	New!
Tier 1 sectors (e.g. Aviation, Aerospace, and Tourism)	- 50% JSS support	- 30% support for Apr to Jun'21 paid wages, - followed by 10% support for Jul to Sep'21 paid wages
Tier 2 sectors (e.g. Food Services, Retail, Marine & Offshore, and Arts and Entertainment)	- 30% JSS support	- 10% support for Apr to Jun'21 paid wages.
Tier 3A sectors	- 10% JSS support for wages paid from September 2020 to March 2021.	- JSS support will cease.
Employers which are not allowed to resume on-site operations	- Receive Tier 1 JSS support for wages paid up to March 2021.	- Employers which are not allowed to resume on-site operations : For wages paid from April 2021 onwards, JSS support will revert to the firms' base JSS tier.

Support for Workers and Businesses
- Wages Credit Scheme ("WCS")

Scheme	<u>Existing</u>	<u>New!</u>
Wages Credit Scheme ("WCS")	- 15% of qualifying wage increases in 2020 and the qualifying gross wage ceiling at $5,000.	The Scheme is **extended by one year to 2021.** - 15% of qualifying wage increases in 2020 and the qualifying gross wage ceiling at $5,000. Gross monthly wage increases (at least $50) previously given in 2019 and 2020 by the same employer will continue to be co-funded if they are sustained in 2020 and 2021.

Support for Workers and Businesses - Jobs Growth Incentive("JGI")

The Jobs Growth Incentive (JGI) supports employers to expand local hiring from **September 2020 to September 2021 (inclusive)**, so as to create good and long-term jobs for locals.

Eligible employers will automatically receive their JGI payouts, which will be computed on a monthly basis based on the employer's mandatory CPF contributions. However, some employers may receive review letters from IRAS which require them to further substantiate their eligibility.

Eligible employers will start receiving the first JGI payout from March 2021 onwards.

JGI	**Phase 1**	**Phase 2**
Qualifying window	• New Local hires from Sept 2020 – Feb 2021 • Baseline headcount and JGI adjustment factor: Aug 2020	• New local hires from Mar 2021 – Sept 2021 • Baseline headcount and JGI adjustment factor: Feb 2021
Non-mature	• Up to 25% of first S$5,000 for 12 months	• Up to 25% of first S$5,000 for 12 months
Mature, PWDs, ex-offenders	• For gross monthly wages paid in Sept 2020 – Feb 2021, up to 50% of first S$5,000 • For gross monthly wages paid from Mar 2021 onwards, up to 50% of first S$6,000 • Support will be provided for 18 months	• Up to 50% of first S$6,000 for 18 months

Singapore Green Plan 2030

- **$60 mil Agri-Food Cluster Transformation Fund** to continue supporting tech adoption in the agri-food sector
- Set aside **$30 million** over the next five years for **Electric Vehicle(EV)-related initiatives**, such as improving charging provision at private premises
- Narrow the cost differential between electric cars and internal combustion engine (ICE) cars

  - **Lower the Additional Registration Fee** floor to zero for EV from Jan'22 to Dec'23

  - **Adjust road tax bands** so that mass-market EV will have comparable road tax to an ICE equivalent
- **Raise petrol duty rates**

  - For premium petrol, duty will be raised by 15cents/litre

  - For intermediate petrol, duty will be raised by 10cents/litre

Reduction in Dependency Ratio Ceiling (DRC)

DRCs will remain unchanged for all sectors except

S Pass sub-DRC		
<u>Sector</u>	<u>Current</u>	<u>Changes</u>
Manufacturing	20%	To be reduced to 18% from 1 Jan 2022 and to 15% from 1 Jan 2023
Construction, Process, Marine Shipyard	18%	To be reduced to 15% on 1 Jan 2023

Grants available for SMEs in Singapore

Singapore government is committed to helping SMEs grow in Singapore. Here are the grants available for SMEs in Singapore. Besides the COVID-19 measures and SME grants, there are also other ways companies can access capital should things go south. This could be through an SME business loan, or even a personal loan with low interest rates.

Name of grant	Grant amount	Who is it for	Details
Enterprise Development Grant (EDG)	Up to 80% of qualifying project costs.	For companies with projects that upgrade the business, innovate or venture overseas. These projects also have to fall under these 3 pillars : 1. Core Capabilities 2. Innovation and Productivity 3. Market Access	**Grant amount:** Up to 80% of qualifying project costs, namely third party consultancy fees, software and equipment, and internal manpower cost. This can go up to 90% for companies that are severely impacted by COVID-19. **Eligibility criteria:** • Be registered and operating in Singapore • Have a minimum of 30% local shareholding • Be in a financially viable position to start and complete the project

Grants available for SMEs in Singapore

Name of grant	Grant amount	Who is it for	Details
International Co-Innovation Programmes	Supports projects that catalyse cross-border collaboration on technology development and co-innovation.	Companies looking at internationalisation and cross-border collaboration.	The grant amount and eligibility criteria differs based on the programme. Each of these programmes call out to companies that are keen to embark on joint innovation projects with companies in the respective countries.
Land Productivity Grant (LPG)	Up to 70% of the qualifying costs, such as relocation cost, third-party consultancy fees and manpower costs.	For companies looking to optimise land use through domestic or overseas relocation.	**Grant amount:** Ranges from 10% to up to 70% of the qualifying costs. This grant amount is also dependent on the amount of land freed up and the remaining lease term. **Eligibility criteria:** • Company has to be physically present and registered in Singapore • Company has to be currently situated on industrial land • For overseas relocation, company must demonstrate strong linkages from the relocated activities to the activities carried out in Singapore • Company must generate a minimum of 0.1 hectare (ha) of land savings

Grants available for SMEs in Singapore

Name of grant	Grant amount	Who is it for	Details
Market Readiness Assistance (MRA)Grant	Up to 70% of eligible costs, capped at S$100,000 per company per new market.	For companies looking to expand overseas.	**Grant amount:** Up to 70% of eligible costs, capped at S$100,000 per company per new market. This S$100,000 cap is also specifically broken down into 3 components: • Overseas market promotion (capped at S$20,000) • Overseas business development (capped at S$50,000) • Overseas market set-up (capped at S$30,000) **Eligibility criteria:** • Business entity is registered/incorporated in Singapore • New market entry criteria, i.e. target overseas country whereby the applicant has not exceeded S$100,000 in overseas sales in each of the last three preceding years • At least 30% local shareholding • Group Annual Sales Turnover of not more than S$100 million; OR Company's Group Employment Size of not more than 200 employees

Grants available for SMEs in Singapore

Name of grant	Grant amount	Who is it for	Details
SkillsFuture Enterprise Credit (SFEC)	S$10,000 credit to cover up to 90% of out-of-pocket expenses on qualifying costs.	Companies looking to transform their enterprise and develop the capabilities of their employees.	**Grant amount:** A one-off S$10,000 credit to help cover up to 90% of out-of-pocket expenses on qualifying costs. The SFEC specifies that S$3,000 of the credit should be used for workforce transformation programmes, with up to S$7,000 for enterprise transformation. **Eligibility criteria:** • Have contributed at least S$750 Skills Development Levy over the period • Have employed at least three Singapore Citizens (SCs) or Permanent Residents (PRs) every month over the same period • Have not been qualified at any of the earlier periods
Productivity Solutions Grant (PSG)	Funding support of up to 80% on qualifying costs.	For companies that are looking to adopt IT solutions and equipment to enhance business processes. This could include solutions that help the company implement COVID-19 business continuity measures.	**Grant amount:** Previously at 70%, the funding support level has been increased to 80% from 1 April 2020 to 31 December 2020. **Eligibility criteria:** • Registered and operating in Singapore • Purchase/lease/subscription of the IT solutions or equipment must be used in Singapore • Have a minimum of 30% local shareholding (for selected solutions only)

Conclusion

In summary, Singapore has now shifted "from Containment to Restructuring" measures, following a series of well-planned measures to challenge COVID-19, in the meantime equip Singapore and Singaporeans to accelerate the structural adaptations to meet the uncertainties and seize new opportunities.

The Budget Measures included in this newsletter are selected measures which are relevant to you. You may visit: https://www.mof.gov.sg/singaporebudget/budget-speech for an update on the full Budget Measures.

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