



SINGAPORE  
**BUDGET  
HIGHLIGHTS  
2011**

**RSM!** Chio Lim LLP

*Outside the Big 4, the choice is obvious.*

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*Information contained in this write-up is for general reference only.  
Readers should seek professional advice before taking any action based on this information.*

# Executive Summary

## A spectacular 2010

The Singapore economy performed exceptionally well last year, with spectacular GDP growth of 14.9%. This is a remarkable rebound from the recessionary years of 2008 and 2009. Singapore recovered from the Global Financial Crisis by the second quarter of 2010 ahead of many other countries. The recovery was fuelled in part by the strong rebound of global trade and the return of confidence in Asia, and also as a result of the various government initiatives undertaken during the crisis including Job Credits, SPUR and loan guarantees.

## Outlook ahead

GDP growth is expected to be at a more moderate rate of between 4% to 6% for 2011. With the economy at full employment, labour market is tight and a build up in labour costs is expected. Inflation is expected to accelerate to between 5% to 6% in the first half of this year, before moderating in the second half. Inflation for the year is forecasted at 3% to 4% and is a key concern. The economic outlook for the US, the Eurozone and Japan remains challenging and the ongoing political developments in the Middle East pose potential risks that may impact Singapore's economic growth. There will be a need for businesses to vigilantly manage costs, make continuous improvements in productivity given the tight labour market, and remain nimble.

## Highlights of 2011 Budget

Against this backdrop, some of the key measures announced in this year's Budget are:-

1. The significant enhancement of the Productivity and Innovation Credit Scheme with the aim to encourage businesses to upgrade their operations and train their workers and be less reliant on lower-skilled foreign workers.
2. The increase in CPF contributions to a combined rate of 36%, the Government's long-term target rate, in order to strengthen the provisions for retirement and medical care.

The monthly CPF salary ceiling is also increased to keep pace with income growth in recent years.

3. The introduction of a more progressive personal income tax rate structure with marginal rates reduced for the first \$120,000 of chargeable income. This will benefit middle-income earners the most.

A one-off tax rebate for YA 2011, capped at \$2,000, is also announced; a gesture to share the Government's surpluses and help cushion rising living costs for residents.

In conclusion, this is a very prudent Budget with the Government putting back a sum of \$4 billion that it drew from the Past Reserves to fund the Budget 2009 Resilience Package in view of the lower deficit achieved last year as well as the good Budget position this year.

## Paul Lee

Managing Partner  
18<sup>th</sup> February 2011

# INCOME TAX CHANGES FOR BUSINESSES

## Corporate Income Tax

### *Current*

- The current corporate income tax rate is 17% with a partial tax exemption for normal chargeable income of up to \$300,000 as follows:
  - 75% exemption of up to the first \$10,000; and
  - 50% exemption of up to the next \$290,000.
- The effective tax rates are 4.25% on the first \$10,000 and 8.5% on the next \$290,000 of normal chargeable income.

### *Proposed changes*

- The corporate income tax rate remains at 17%. Instead, companies will be given an one-off corporate income tax rebate or SME cash grant for YA 2011.
  - Corporate income tax rebate - 20% of YA 2011 corporate income tax payable, capped at \$10,000, or
  - SME cash grant - 5% of the company's revenue for YA 2011, subject to a cap of \$5,000.
- The higher of the corporate income tax rebate or the SME cash grant will be given to both qualifying resident and non-resident companies.
- Companies however must have made CPF contributions in YA 2011 in order to enjoy the SME cash grant; i.e. must have employed at least one Singapore citizen or permanent resident.
- Companies will automatically receive the higher of the tax rebate or the grant when the IRAS assess their YA 2011 corporate income tax returns.

### *Effective date*

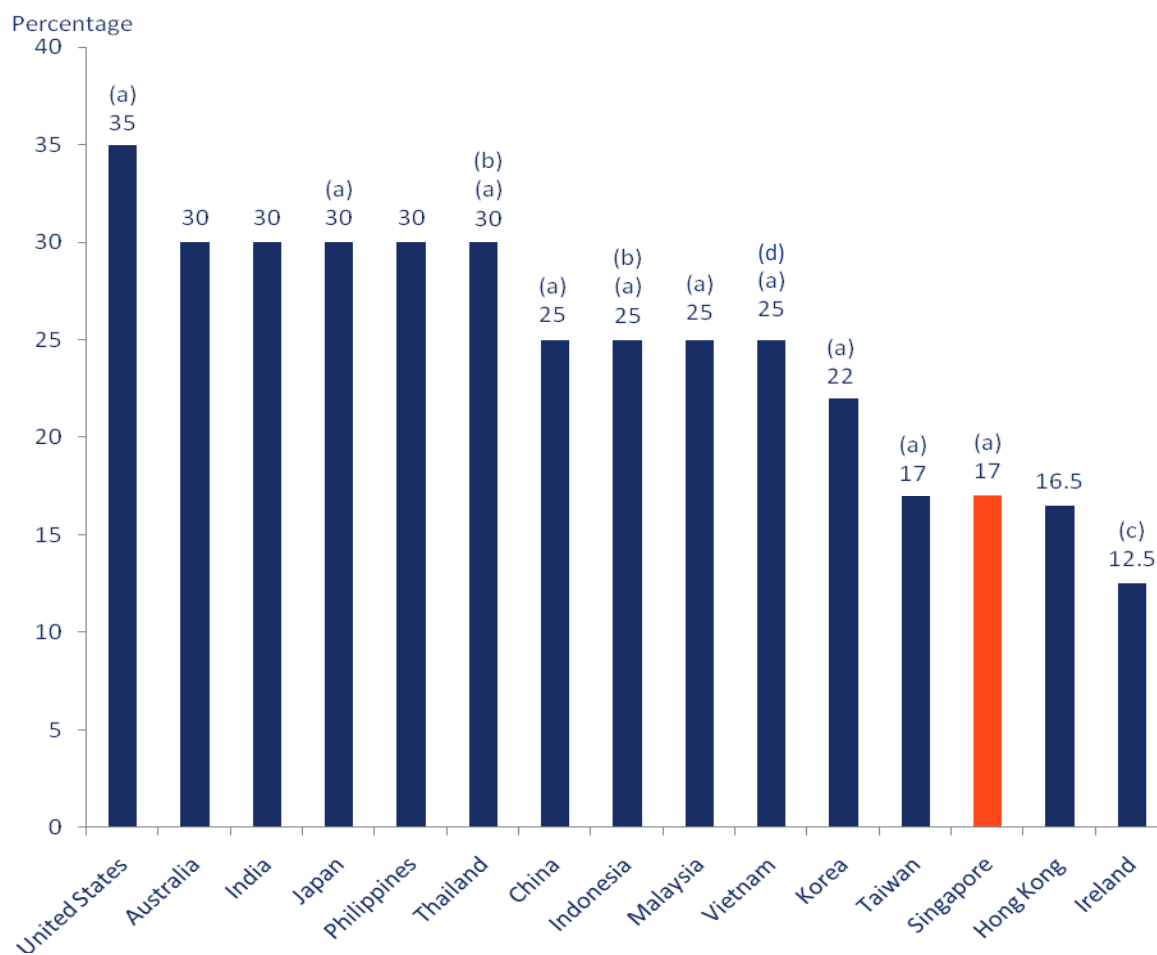
- Applicable only to YA 2011

### *Comments*

- The scheme was introduced with the objective to help businesses cope with rising costs.
- As many small companies may not benefit fully from the corporate income tax rebate in view of the low taxes they pay or if they are in a tax loss position, the SME cash grant will be a welcome alternative for such companies.

## Prevailing Corporate Income Tax Rates in Selected Countries as at 1 January 2011

Singapore's corporate income tax rate is considered very competitive compared to a number of other key countries as noted below.



- (a) Lower rates or partial tax exemption are applicable for lower income bands, companies with smaller paid-up capital or engaged in certain preferred trade activities.
- (b) A lower rate may apply to listed companies subject to meeting conditions.
- (c) Only applicable to trading income. Different rates apply to other income.
- (d) Corporate tax rate applicable to activities of exploration and exploitation of oil and gas and other precious natural resources ranges from 32% to 50%.

*The above rates are the top corporate income tax rates, excluding dividend withholding tax, surcharges or other state and local taxes, where applicable.*

## Productivity and Innovation Credit

### *Current*

- The Productivity and Innovation Credit (“PIC”) was first introduced a year ago to take effect from YA 2011 to YA 2015. The PIC scheme is to encourage companies to invest in innovation and to raise productivity.
- Under the scheme, it provides for 250% deduction or allowance for the first \$300,000 of qualifying expenditure incurred on each of the following six qualifying activities per YA:-
  - Research and Development (“R&D”) expenditure
  - Investments in design
  - Acquisition of Intellectual Property (“IP”)
  - Registration of IP
  - Investments in automation
  - Training
- A combined expenditure cap of \$600,000 is allowed for each qualifying activity for YA 2011 and YA 2012.
- Businesses have the option to convert into a cash payout at 7% on qualifying deductions or allowances of up to \$300,000 (i.e. maximum cash payout of \$21,000) for all six qualifying activities taken together for each YA. The cash payout option is available only for YA 2011 to YA 2013.

### *Proposed changes*

- To further encourage pervasive innovation and raise productivity efforts, the PIC scheme is simplified and enhanced in four main areas:-
  - The tax deduction or allowance is increased to 400% (currently 250%) of expenditure for the first \$400,000 (currently \$300,000) spent on each qualifying activity.
  - PIC benefit has now been extended to qualifying R&D expenditure for R&D done outside of Singapore (currently only for R&D carried out in Singapore).
  - Businesses will be allowed to combine the \$400,000 expenditure cap for each qualifying activity into a new ceiling of \$1,200,000 for YA 2013 to YA 2015. Combined expenditure caps for each qualifying activity are now:
    - \$800,000 for YA 2011 and YA 2012
    - \$1,200,000 for YA 2013 to YA 2015
  - A simpler and enhanced cash conversion option where taxpayers can opt to receive, in lieu of tax deduction benefits, a non-taxable cash payout of 30% of the first \$100,000 of qualifying expenditure, up to a maximum payout of \$30,000, for each of the YA 2011 to YA 2013 (currently a cash payout of up to \$21,000 based on qualifying expenditure of all activities of \$300,000 at 7% per YA).

The IRAS have clarified that the amount of conversion should not be less than \$400 of qualifying expenditure per year.
- The IRAS will release further details by end June 2011.

- The changes which take immediate effect i.e. from YA 2011 to YA 2015 are summarised in the table below:-

Qualifying activities	Qualifying expenditure	Total deductions or allowances	
		Current	New
R&D expenditure	Staff costs and consumables for qualifying R&D activities	250% - on first \$300,000 150% - on balance (for R&D done in Singapore only)	400% - on first \$400,000 (R&D done in and out of Singapore) 150% - on balance (if R&D done in Singapore) 100% - on balance (if R&D done overseas)
Investments in design	Costs incurred in Singapore to create new products and industrial designs	250% - on first \$300,000 100% - on balance	400% - on first \$400,000 100% - on balance
Acquisition of IP	Costs to acquire any IP for use in trade or business	250% - on first \$300,000 100% - on balance	400% - on first \$400,000 100% - on balance
Registration of IP	Costs to register patents, trademarks, design and plant variety	250% - on first \$300,000 100% - on balance	400% - on first \$400,000 100% - on balance
Investments in automation	Costs to acquire prescribed automation equipment	250% - on first \$300,000 100% - on balance	400% - on first \$400,000 100% - on balance
Training	Costs of external training and accredited WDA and ITE in-house training	250% - on first \$300,000 100% - on balance	400% - on first \$400,000 100% - on balance

### Comments

- The government has made significant enhancements to the PIC scheme after taking into consideration feedback from various trade and business associations. The PIC scheme is now simpler and offers higher tax savings for businesses from their investments in the qualifying activities.
- The increased maximum cash payout of \$30,000 (an increase from \$21,000) will help small businesses with low or no taxable income and further encourage them to invest in innovation and productivity improvements.
- Businesses are now able to claim a 400% deduction for the first \$1,200,000 of qualifying expenditure on each activity that they incur for YA 2013, YA 2014 and YA 2015 combined. This will give businesses more flexibility to plan their investments.
- Extending the PIC benefits to expenditure incurred for R&D conducted outside of Singapore will mean further flexibility for businesses sourcing for R&D expertise which may not be available in Singapore.

# Foreign Tax Credit Pooling System

## *Current*

- Foreign-source income is taxed upon its remittance to Singapore. Foreign tax credit (“FTC”) may be claimed by resident taxpayers if the same source of income is also taxed in the foreign jurisdiction.
- The FTC is computed on a source-by-source and country-by-country basis for each stream of foreign-source income remitted and brought to tax in Singapore. The relief is capped at the lower of the foreign tax paid and the Singapore tax payable on the particular stream of remitted income.
- Any excess of foreign tax paid over the Singapore tax payable for the specific stream of income cannot be used to offset Singapore tax payable on other streams of remitted foreign-source income.

## *Proposed changes*

- FTC will be computed on a pooled basis rather than on a source-by-source and country-by-country basis for each stream of foreign income remitted. The FTC is capped at the lower of the pooled foreign taxes paid on all the streams of foreign income remitted and the pooled Singapore tax payable on all such foreign income.
- Resident taxpayers can elect for the new foreign tax credit pooling system if all the following conditions are met:
  - Foreign income tax is paid on the income in the foreign jurisdiction from which the foreign income is remitted.
  - The headline tax rate of the foreign jurisdiction from which the foreign income is remitted is at least 15% at the time such income is received in Singapore.
  - There is Singapore tax payable on the foreign income and the taxpayer is entitled to claim FTC under the ITA.
- The IRAS will release further details by end June 2011.

## *Effective date*

- From YA 2012

## *Comments*

- The new foreign tax credit pooling system provides an alternative for businesses to claim FTC in a way which will optimise overall tax position.
- Singapore resident taxpayers may now choose between claiming foreign income exemption under Section 13(8) of the ITA and the FTC under this new pooling system. The foreign taxes paid which would otherwise be forfeited if Section 13(8) claim is made may now be channelled to shelter Singapore tax payable on other foreign sources of remitted income such as interest and royalties.

# Employee Equity-Based Remuneration Schemes

## **Current**

- A company may deduct the cost it incurs on the purchase of shares for fulfilling its obligations under the Employee Equity-Based Remuneration (“EEBR”) scheme if it buys back its own shares from the market or buys its parent company’s shares from the parent company.
- No deduction however is allowed on the costs recharged to a company by its parent in respect of its parent company’s newly issued shares to fulfil the company’s EEBR obligations.

## **Proposed changes**

- The tax deduction is now extended to a company for the cost incurred to acquire its parent company’s shares through a Special Purpose Vehicle (“SPV”) for the fulfilment of its EEBR obligations where:
  - The SPV is set up, as a company or a trust, solely to administer the EEBR scheme for companies within the group, and
  - The SPV acquires the parent company’s shares from the parent company or the market and holds them in trust for the employees of the companies within the group for the EEBR scheme.
- The tax deduction is based on the lower of:
  - The amount paid by the company to the SPV for the parent company’s shares; and
  - The cost incurred by the SPV to acquire the parent company’s shares,less any amount paid by the employees for the parent company’s shares.
- The tax deduction applies to the relevant basis period in which the company is eligible to claim a tax deduction in respect of the shares and:
  - applies the parent company’s shares for the benefit of its employees under its EEBR scheme through a SPV; or
  - is liable to pay the SPV for the shares transferred, whichever is later.
- No deduction will be allowed in respect of the costs incurred by a company in the purchase of its parent company’s newly issued shares through the SPV.
- IRAS will release further details by end June 2011.

## **Effective date**

- From YA 2012

## **Comments**

- The proposed change which extends tax deduction for costs incurred by a company in acquiring its parent company’s shares through a SPV for the fulfilment of EEBR obligations provides flexibility for group companies to administer their EEBR scheme via a SPV.

## Enhancement of the Concession for Enterprise Development

### *Current*

- Expenses incurred prior to the commencement of business are not deductible. The date of commencement of the business is based on the facts and circumstances of each case.
- Since YA 2004, for ease of compliance and to provide certainty, the first day of the accounting year in which a business earns its first dollar of trade receipts is deemed as the date on which the business commences operations.

### *Proposed changes*

- Businesses will be allowed to claim pre-commencement revenue expenses incurred in the accounting year immediately preceding the accounting year in which they earn the first dollar of trade receipts.
- Such pre-commencement expenses are to be claimed in the YA in which the business earns its first dollar of trade receipts.
- All other existing conditions of the current concession apply.
- The IRAS will release further details by end June 2011.

### *Effective date*

- From YA 2012

### *Comments*

- The enhancement of the tax deduction for pre-commencement expenses will benefit those industries which require a longer preparation time and higher expenses in setting up their businesses before earning their first dollar of trade receipts.
- The concession does not prevent businesses from establishing an earlier date as their business commencement date if facts and circumstances support such a claim.

## Streamlining of Certain Tax Deduction Schemes

### *Current*

- Sections 14B and 14K of the ITA allow approved firms to claim double or further tax deductions on eligible expenses incurred for qualifying market development activities and qualifying investment development activities respectively.
- The respective incentives are administered by IE Singapore and the Singapore Tourism Board.
- There is currently no sunset clause for the tax deduction schemes.

### *Proposed changes*

- Both Section 14B and 14K tax deduction schemes which have a common objective of assisting businesses to internationalise and expand overseas will be consolidated into a single scheme.
- Businesses can now submit their applications up to the day of their overseas marketing trip, instead of seven days before the trip.
- A sunset clause, until 31 March 2016, has been introduced. This allows the Government to review the schemes on a regular basis to ensure that they remain relevant and useful to the industry.
- IE Singapore will release further details by end March 2011.

### *Effective date*

- For applications submitted and approved on or after 1 April 2011

### *Comments*

- The merged scheme is expected to be simplified, as part of the government's continuing efforts to reduce the administrative burden on businesses.

## Extension of Enhanced Tax Deduction on Donations

### *Current*

- All donations to Institutions of Public Character and other approved recipients qualify for double tax deduction. This was enhanced to 250% deduction for donations made during the period 1 January 2009 to 31 December 2010.

### *Proposed changes*

- The 250% deduction has been extended for another five years for donations made during the period 1 January 2011 to 31 December 2015.

### *Effective date*

- Effective from 1 January 2011 to 31 December 2015

### *Comments*

- The government continues to encourage donations to Institutions of Public Character and other approved recipients.
- For every \$100 of donation made by a corporate donor, a tax reduction of \$42.50 is achieved. Effectively it costs the donor only \$57.50 in making a \$100 donation.

## Voluntary CPF Medisave Contributions by Eligible Companies to Self-employed Persons

### *Current*

- Voluntary CPF contributions made by companies to the CPF Medisave Accounts of the self-employed persons (“SEP”) are not tax deductible to the companies. Such contributions are also taxed in the hands of the SEPs.

### *Proposed changes*

- Tax deduction of up to \$1,500 per SEP, and within the CPF Annual Limit and Medisave Contribution Ceiling, will be granted to an eligible company that makes voluntary CPF contributions to SEP’s CPF Medisave Accounts for each calendar year.
- Such voluntary contributions will be tax-exempt in the hands of SEPs up to a maximum of S\$1,500 per calendar year.
- To qualify, the eligible company and the SEP must have entered into a valid contract which is in force when the contributions are made.
- The contract between the eligible company and the SEP must provide for:
  - the rental or loan of assets by that company to the SEP, for the SEP to carry on his trade, profession, business or vocation, or
  - the provision of services by the SEP to that company, where the SEP and that company are in the same trade, profession, business or vocation.

### *Effective date*

- For contributions made from 1 January 2011

### *Comments*

- This is to encourage eligible companies to make voluntary contributions to CPF Medisave Accounts of their SEP partners to cater for their medical needs.

# Liberalisation of the Withholding Tax Exemption Regime for Banks

## *Current*

- Payments (such as interest, commission, fee or other payment in connection with any loan or indebtedness, etc.) falling within the ambit of Section 12(6) of the ITA will be subject to withholding tax when they are made to a non-resident.
- Approved Banks (those licensed under the Banking Act or approved under the MAS Act and gazetted as Approved Banks under the ITA) enjoy withholding tax exemption on interest and other qualifying payments made to their branches or other banks outside Singapore under an existing remission for inter-bank/inter-branch payments granted under Section 92(2) of the ITA.
- Approved Banks also enjoy various withholding tax class exemptions on payments made to non-bank non-residents relating to specific transactions, subject to certain conditions.

## *Proposed changes*

- Withholding tax exemption will be granted on interest and other qualifying payments falling within the ambit of Section 12(6) of the ITA made to all non-resident persons (excluding permanent establishment in Singapore) if the payments are made for the purpose of their trade or business.
- Entities covered under the enhanced exemption will be expanded to include banks licensed under the Banking Act or approved under the MAS Act, finance companies licensed under the Finance Companies Act and approved financial institutions licensed under the Securities and Futures Act that engage in lending as part of their regulated activity of dealing in securities in Singapore.
- The withholding tax exemption covered by the enhancements will be applicable for:
  - payments liable to be made during the period from 1 April 2011 to 31 March 2021 on contracts which take effect before 1 April 2011; and
  - payments liable to be made on contracts which take effect on or after 1 April 2011 to 31 March 2021.
- A sunset clause of 31 March 2021 will be introduced for the enhanced scope of withholding tax exemption.
- MAS will release further details of the changes by end March 2011.

## *Effective date*

- With effect from 1 April 2011

## *Comments*

- The enhanced withholding tax exemption will facilitate Approved Banks' access to more diversified funding sources for their lending business and strengthen Singapore's position as a regional funding centre.

## Maritime Sector Incentive

### Current

- Singapore currently has a suite of tax incentives for the maritime sector.
  - Section 13A of the ITA - Tax exemption on qualifying income derived from operating Singapore-flagged and foreign-flagged ships.
  - Approved International Shipping Enterprise (“AIS”) scheme - Tax exemption on qualifying income derived from operating foreign-flagged ships.
  - Maritime Finance Incentive (“MFI”) - Tax exemption or a concessionary tax rate of either 5% or 10% on qualifying income derived from leasing ships or containers and managing an approved shipping or container investment enterprise.
  - Approved Shipping and Logistics (“ASL”) scheme - 10% concessionary tax rate on incremental qualifying income derived by approved ship agencies, ship management companies, freight forwarders and logistics operators.
  - Ship broking and Forward Freight Agreement (“FFA”) trading incentive - 10% concessionary tax rate on incremental qualifying income derived by approved ship brokers and approved FFA traders.
- Withholding tax exemption is granted on a case-by-case basis on qualifying payments made in respect of qualifying foreign loans taken to finance the construction or purchase of ships subject to meeting certain conditions.

### Proposed changes

- All existing tax incentives for the maritime sector will be streamlined and consolidated under the new Maritime Sector Incentive (“MSI”). New enhancements will also be introduced.
- Existing incentive recipients will transit automatically to the MSI from 1 June 2011 under the following three broad categories. The same tax benefits will continue to be enjoyed.

Categories under the MSI	Existing incentives	Additional tax incentive
International Shipping Operations	Section 13A of ITA and AIS	Enjoy automatic withholding tax exemption on payments made in respect of qualifying foreign loans obtained to finance the construction or purchase of both Singapore-flagged and foreign-flagged ships, subject to meeting conditions.
Maritime (Ship or Container) Leasing	MFI	
Supporting Shipping Services	ASL and FFA	This scheme is expanded to include qualifying corporate services.

- Under the International Shipping Operations category, a new award will be introduced for qualifying entry players. Entities approved under this award will be granted similar tax benefits as the current AIS scheme but for a non-renewable tenure of five years.
- A new five-year award offering 10% concessionary tax rate on incremental qualifying income derived from the provision of qualifying supporting shipping services is available under the Supporting Shipping Services category.
- The new awards are subject to a sunset clause of 31 May 2016.
- The Maritime and Port Authority of Singapore will release further details by end May 2011.

#### ***Effective date***

- With effect from 1 June 2011

#### ***Comments***

- The administration of the existing tax incentive schemes is complex. The proposed consolidation of all existing incentives under the new MSI scheme will simplify the tax rules and administration and assist to lower the tax compliance cost for shipping entities.
- The enhancement is consistent with the Government's efforts to further develop and promote Singapore as the leading international maritime centre. It also aims to promote the growth and development of ship and container financing in Singapore. Further efforts are also put in to encourage supporting shipping service providers to base their operations in Singapore and to attract more shipping conglomerates to conduct their ancillary activities in Singapore.
- Financing for ship building and ship acquisition are common practices. Hence the automatic withholding tax exemption for interest payments made on foreign loans should be very much welcomed by the maritime industry. Further details and clarifications are expected on what constitutes qualifying payments, qualifying loans and the associated conditions.
- It remains to be seen what the qualifying corporate services under the MSI are.

## Enhancement of the Global Trader Programme

### *Current*

- The Global Trader Programme (“GTP”) scheme offers concessionary tax rate of either 5% or 10% on income derived between 27 February 2009 and 31 December 2013 from trading in the following qualifying derivative instruments:
  - Exchange-traded and OTC commodity derivatives in an approved commodity; and
  - Exchange-traded and OTC freight derivatives.
- The GTP scheme also includes the following:
  - Concessionary tax rate of 5% on qualifying income derived between 24 May 2007 and 23 May 2017 from qualifying transactions in Liquefied Natural Gas.
  - Concessionary tax rate of 5% or 10% on qualifying income derived between 21 May 2010 and 20 May 2015 from carrying out structured commodity financing activities.
- The GTP does not have a sunset clause at the scheme level and the various enhancements to the GTP have sunset clauses ending at different times.

### *Proposed changes*

- The existing list of qualifying derivative instruments will be expanded to include all derivative instruments including interest-rate swaps and foreign exchange derivatives.
- A sunset clause of 31 March 2021 will be introduced. The existing sunset clauses for various GTP enhancements will be aligned to this common sunset clause of 31 March 2021 at the scheme level.
- Companies can be approved as a GTP company or GTP (Structured Commodity Finance) company on or before 31 March 2021. The GTP company can enjoy the benefits under the various enhancements during their award tenure of up to five years.
- IE Singapore will release further details by end April 2011.

### *Effective date*

- From YA 2012

### *Comments*

- The GTP scheme has been successful in attracting global trading companies to use Singapore as their regional or global base to focus their strategic business functions. However with the introduction of a sunset clause, it may be viewed as an uncertainty by potential investors since the outcome of the incentive post 31 March 2021 is unknown.
- The proposed change will encourage the conduct of risk management activities in Singapore and provide opportunities for GTP companies to manage their risks better. It will strengthen Singapore’s commodity markets and generate spin-offs for the financial sector.

## Enhancement of the Finance and Treasury Centre Incentive

### *Current*

- The Finance and Treasury Centre Incentive (“FTCI”) enjoys 10% concessionary tax rate on income derived from undertaking qualifying activities and providing qualifying services to approved network companies.
- To include associated companies located in Singapore as approved network companies of a FTCI, the total annual revenue of these local network companies must not exceed 10% of the Group’s annual total revenue globally (referred to as “revenue ratio”).

### *Proposed changes*

- The revenue ratio used to determine the inclusion of local network companies will exclude related party transactions.
- A sunset clause of 31 March 2016 will be introduced for the FTCI.

### *Effective date*

- The effective date was not announced during the budget

### *Comments*

- The exclusion of related party transactions in the determination of the revenue ratio is consistent with the global revenue presented in the consolidated financial statements of the ultimate parent company where inter-company transactions are excluded. The enhancement therefore will result in a more accurate and meaningful indicator of the local network companies’ contribution towards the group revenue.

## Extension of Tax Incentive Schemes for Project Finance

### *Current*

- The package of tax incentive schemes for Project Finance include:
  - Exemption of qualifying income from qualifying project debt securities (“QPDS”).
  - Exemption of foreign-sourced interest income from offshore qualifying infrastructure projects/assets received by approved entities listed on the SGX.
  - Remission of stamp duty payable on the instrument of transfer relating to qualifying infrastructure projects/assets to qualifying entities listed or to be listed on the SGX.
  - Concessionary tax rate of 5% on qualifying income derived by a Financial Sector Incentive-Project Finance (“FSI-PF”) company from:
    - arranging, underwriting or distributing any QPDS,
    - arranging or underwriting any qualifying project loan, and
    - providing project finance advisory services relating to a qualifying infrastructure project.
  - Concessionary tax rate of 10% on qualifying income derived by an approved Trustee Manager/Fund Manager from managing qualifying SGX-listed Business Trusts/ Infrastructure funds in relation to qualifying offshore infrastructure projects/assets.
- The sunset clause for these incentive schemes is 31 December 2011.

### *Proposed changes*

- With the exception of the FSI-PF, the existing package of tax incentive schemes for Project Finance will be extended to 31 March 2017.
- The FSI-PF will lapse on its expiry date of 31 December 2011. Financial institutions can enjoy similar tax benefits of the FSI-PF under the FSI-Credit Facilities Syndication and FSI-Bond Market tax incentive schemes.
- MAS will release further details of the changes by end April 2011.

### *Effective date*

- 1 January 2012 to 31 March 2017 (excluding FSI-PF)

### *Comments*

- The extension of the tax incentive scheme further enhances Singapore’s competitiveness as a hub for financing infrastructure projects in the region.

## Enhancement to the Tax Incentive Scheme for Trustee Company

### *Current*

- Approved trustee companies enjoy a concessionary tax rate of 10% on income derived from the provision of qualifying trustee and custodian services, trust management and administrative services.

### *Proposed changes*

- To streamline the scheme and align the administration of the incentive with other tax incentive schemes, the following changes will be made:
  - A sunset clause of 31 March 2016 will be introduced for the scheme.
  - Award recipients approved on or after 1 April 2011 will be offered a ten-year award tenure.
  - All existing award recipients will automatically transit to the new framework on 1 April 2011. They will enjoy the scheme for a period of ten years ending 31 March 2021.
  - The list of qualifying activities will be expanded to include the provision of trustee and custodian services in respect of the issue of units to foreign Collective Investment Schemes and foreign Business Trusts with effect from 1 April 2011.
- MAS will release further details of the changes by end April 2011.

### *Effective date*

- From 1 April 2011

### *Comments*

- With the above proposed changes, the scheme will further encourage the development of world-class trustee companies and banks to offer international trust administration and custodian services in Singapore as well as to complement the growth of the fund management industry in Singapore.

## Renewal of Tax Exemption Scheme for Income Derived from Structured Products

### *Current*

- Income derived by non-resident non-individuals from any structured product offered by a financial institution in Singapore is exempt from tax, subject to conditions. This is applicable to payments made on structured products where the contracts take effect, are renewed or extended during the period from 1 January 2007 to 31 December 2011.
- In addition, income derived by individuals from any structured products offered by a financial institution in Singapore is exempt from tax, subject to conditions.

### *Proposed changes*

- The existing tax exemption scheme for income derived from structured products will be extended to 31 March 2017.
- The current tax exemption for individuals on income from structured products will remain.
- All other existing conditions of the current scheme will apply.

### *Effective date*

- 1 January 2012 to 31 March 2017

### *Comments*

- The extension of the exemption scheme is a welcome move and would encourage further growth in the financial and wealth management market in Singapore, strengthening Singapore's position as a leading financial centre in Asia.

## Extension of Captive Insurance Tax Incentive Scheme

### *Current*

- Approved captive insurance companies enjoy tax exemption on qualifying income derived from the carrying on of offshore insurance business for a period of ten years.
- The sunset clause was 16 February 2011.

### *Proposed changes*

- The scheme will be extended until 31 March 2018.
- An award renewal framework will also be introduced for incentive recipients with effect from 19 February 2011.
- MAS will release further details of the changes by end April 2011.

### *Effective date*

- The effective date was not announced in the Budget

### *Comments*

- The extension of the tax incentive scheme further strengthens Singapore as an attractive captive insurance and reinsurance hub.

## Extension of Marine Hull and Liability Insurance Tax Incentive Scheme

### *Current*

- Insurers on this scheme can enjoy tax exemption on qualifying income derived from the carrying on of marine hull and liability insurance business for up to ten years.

### *Proposed changes*

- A sunset clause of 31 March 2016 will be introduced for the scheme.
- An award renewal framework will be introduced for incentive recipients with effect from 19 February 2011.
- MAS will release further details of the changes by end April 2011.

### *Effective date*

- The effective date was not announced in the Budget

### *Comments*

- The introduction of the sunset clause is to enable the Government to review the relevance of the incentive on a regular basis.

## Extension and Enhancement of Specialised Insurance Tax Incentive Scheme

### *Current*

- Insurers on this scheme can enjoy tax exemption on qualifying income derived from the carrying on of qualifying offshore specialised insurance business (i.e. Terrorism, Political, Energy and Aviation and Aerospace risks) for a period of five years.
- The sunset clause for this scheme is 31 August 2011.

### *Proposed changes*

- The scheme will be extended till 31 August 2016.
- In addition, the following enhancements will be made to the scheme with effect from 19 February 2011:
  - Agriculture insurance will be included as a new qualifying specialised insurance business line.
  - An award renewal framework will be introduced for incentive recipients.
- MAS will release further details of the changes by end April 2011.

### *Effective date*

- 1 September 2011 to 31 August 2016

### *Comments*

- The scope of coverage under the scheme has been expanded; a further attempt to grow Singapore as a hub for the underwriting of certain specialised business risks.

## Withdrawal of Withholding Tax Exemption Scheme for Financial Guaranty Insurers

### *Current*

- Financial guaranty insurers currently enjoy withholding tax exemption on claim payments made under financial guaranty insurance policies to qualifying non-residents.

### *Proposed changes*

- This scheme will be discontinued from 19 February 2011 due to its limited application.

### *Effective date*

- From 19 February 2011

### *Comments*

- The exemption scheme was introduced in year 2000 to promote the setting up of financial guaranty insurers in Singapore. The withdrawal is proposed as it has been assessed to be no longer relevant to merit a tax incentive.

# INCOME TAX CHANGES FOR INDIVIDUALS

## Personal Income Tax Rate Structure

### Current

- For Singapore tax residents, the income tax rates currently range from 0% for the first \$20,000 of chargeable income to 20% for chargeable income in excess of \$320,000.

### Proposed changes

- A more progressive income tax rate structure will be introduced with marginal rates reduced for the first \$120,000 of chargeable income as shown in the table below.

Current Tax Structure				Tax Structure effective YA 2012			
	Chargeable Income	Tax Rate	Tax payable		Chargeable Income	Tax Rate	Tax payable
	\$	%	\$		\$	%	\$
On the first	20,000	0	0	On the first	20,000	0	0
On the next	10,000	3.5	350	On the next	10,000	2	200
On the first	30,000		350	On the first	30,000		200
On the next	10,000	5.5	550	On the next	10,000	3.5	350
On the first	40,000		900	On the first	40,000		550
On the next	40,000	8.5	3,400	On the next	40,000	7	2,800
On the first	80,000		4,300	On the first	80,000		3,350
On the next	80,000	14	11,200	On the next	40,000	11.5	4,600
				On the next	40,000	15	6,000
On the first	160,000		15,500	On the first	160,000		13,950
On the next	160,000	17	27,200	On the next	40,000	17	6,800
				On the next	120,000	18	21,600
On the first	320,000		42,700	On the first	320,000		42,350
Excess over	320,000	20		Excess over	320,000	20	

### Effective date

- From YA 2012

### Comments

- All taxpayers will pay less personal income tax on the same income under the new tax rate structure but middle-income earners will enjoy the largest percentage reduction in taxes.
- Tax savings to taxpayers based on the new tax rate structure for different chargeable income bands:-

Chargeable Income \$	Tax Payable under New Schedule \$	Tax Savings \$
40,000	550	39% (\$350)
60,000	1,950	25% (\$650)
120,000	7,950	20% (\$1,950)
160,000	13,950	10% (\$1,550)
240,000	27,950	4% (\$1,150)
More than 330,000	More than 44,350	Less than 0.8% (\$350)

- There is a general disappointment that the top marginal rate of tax of 20% is not reduced. The Government acknowledged that there is no pressing need to reduce this as the 20% rate is considered low by international standard.

# One-off Personal Income Tax Rebate for Resident Individual Taxpayers

## *Current*

- No one-off tax rebate was given for the YA 2010.

## *Proposed changes*

- A one-off personal income tax rebate of 20% will be granted to all resident individual taxpayers. The rebate will be capped at \$2,000 per taxpayer.

## *Effective date*

- Only for YA 2011

## *Comments*

- The one-off tax rebate is given in view of Singapore's stronger economic growth and increased revenue generated last year.
- Taxpayers with chargeable income of less than S\$120,000 will reap the full benefit of the \$2,000 rebate.
- The rebate goes some way to relieve cost of living increases for the lower and middle income groups.

## Central Provident Fund Contributions

### *Current*

- The employee's CPF contribution rate is 20% and that of the employer is 15%\* for the following categories of employees (Singapore citizens and permanent residents):-
  - employees aged 35 years and below, with monthly wages exceeding \$50
  - employees aged between 36 to 50 years, with monthly wages of at least \$1,500

\* This rate will be increased to 15.5% in March 2011 following an announcement in May 2010.

- The CPF salary ceiling currently stands at \$4,500 per month.

### *Proposed changes*

- The employer CPF contribution rate will be raised by 0.5%, bringing the total combined CPF contribution rate to 36%; the long term target rate set by the Government.
- The increased contribution will be credited to employees' CPF Special Account.
- The monthly CPF salary ceiling will also be increased from \$4,500 to S\$5,000.

### *Effective date*

- From 1 September 2011

### *Comments*

- The CPF increase is certainly an added operational cost to businesses. The announced change came as a surprise as the employer CPF contribution is scheduled to go up from the present 15% to 15.5% in March 2011 following an earlier announcement.
- The increase in the monthly CPF salary ceiling is to keep pace with income growth in recent years. Employees will experience a slightly lower take-home pay with the increase in the salary ceiling from \$4,500 to \$5,000.

## Supplementary Retirement Scheme

### *Current*

- The absolute income base of \$76,500 used to calculate the Supplementary Retirement Scheme (“SRS”) contributions of 15% and 35%, for Singapore citizens/permanent residents and foreigners respectively, is pegged to 17 times the CPF wage cap of \$4,500.
- The annual SRS contribution caps are therefore \$11,475 for Singapore citizens/permanent residents and \$26,775 for foreigners.

### *Proposed changes*

- In line with the increase in the CPF salary ceiling, the annual SRS contribution caps would also be increased; to \$12,750 for Singapore citizens/permanent residents and \$29,750 for foreigners.

### *Effective date*

- With effect from 1 January 2011

### *Comments*

- Some of the restrictions applicable to the SRS should perhaps be modified to encourage greater participation in the scheme so that an individual’s nest egg upon retirement could be increased.

## Tax Treatment of Alimony Payments and Removal of Spouse Reliefs

### *Current*

- Currently taxpayers are liable to tax on the receipt of alimony and maintenance payments from their former spouses or spouses if these payments are made under a Court Order or Deed of Separation.
- Taxpayers can claim the spouse relief or handicapped spouse relief for maintaining their former spouses when they make the alimony payments under a Court Order.

### *Proposed changes*

- Taxpayers will be exempted from tax on alimony and maintenance payments they receive under a Court Order or Deed of Separation.
- By the same token, the spouse relief and handicapped spouse relief will no longer be granted to taxpayers for maintaining their former spouses.

### *Effective date*

- From YA 2012

### *Comments*

- Without having to pay income tax, the proposed change will result in a higher amount of disposable income to recipients.

# GOODS AND SERVICES TAX

## Measures for the Marine Industry

### *Introduction of new GST scheme for “Approved Marine Customers”*

#### **Current**

- Zero-rating of GST is allowed on the sale and rental of goods (including stores and merchandise) for use or installation on a “ship” (as defined in the GST Act) provided the requisite documentary proof is maintained by the supplier.

#### **Proposed changes**

- A new GST scheme will be introduced to allow “approved marine customers” to buy or rent goods without having to pay GST as long as the goods are for use or installation on a commercial ship that is wholly for international travel.
- Suppliers may zero-rate the sale and rental of goods to “approved marine customers” without having to maintain the requisite documentary proof.
- The IRAS will release further details by 1 September 2011.

#### **Effective date**

- From 1 October 2011

#### **Comments**

- The changes will alleviate the administrative work faced by suppliers in the marine industry to maintain the requisite documentary proof.
- The onus is now on the customers to fulfil the prescribed conditions in applying for the scheme to enjoy GST-free purchases.

## ***Extension of zero-rating of repair and maintenance services to other scenarios in the Marine Industry***

### ***Current***

- Zero-rating on repair and maintenance services performed on ship and ship parts or components is applicable under any of the following scenarios:
  - The repair or maintenance is carried out on board the ship.
  - Any part or component of the ship is removed for repair and reinstalled on the ship.
  - Any part or component of the ship is removed for repair and returned to the ship as a spare.
  - Any part or component of the ship is removed and replaced by an identical part or component.

### ***Proposed changes***

- Zero-rating of repair and maintenance services will also be extended to include the following scenarios:
  - Repair or maintenance services performed on ship parts or components which are delivered to:
    - Shipyards in Singapore; or
    - Approved Marine Customers.
  - Supply of a reconditioned ship part or component in exchange for a faulty part will be considered a single supply of repair services.
- The IRAS will release further details by 1 September 2011.

### ***Effective date***

- From 1 October 2011

### ***Comments***

- Extension of zero-rating treatment to include the above delivery scenarios would be a welcome move as these are common business arrangements in the marine industry.

## ***Removal of documentary requirements and granting of new import GST relief***

### ***Current***

- Documentary proof for GST relief is required for a qualifying ship engaged in pleasure, recreation, sports or other similar events which is in Singapore only for a temporary period of time and intend to leave Singapore as soon as possible.
- Import GST is payable for goods shipped and remained on board a qualifying ship which is in Singapore only for a temporary period of time and intend to leave Singapore as soon as possible.

### ***Proposed changes***

- Waiver of documentary requirements and granting of new import GST relief.
- Singapore Customs will release further details by 1 September 2011.

### ***Effective date***

- From 1 October 2011

### ***Comments***

- The changes will alleviate the administrative work to maintain the requisite documentary proof and alleviate cash flow costs for the marine industry.

## Measures for the Biomedical Industry

### *GST relief granted for the importation of clinical trial materials*

#### **Current**

- Local intermediaries who import clinical trial materials on behalf of overseas persons into Singapore for local testing are not able to recover the GST payable.
- For clinical trial materials imported for re-export or disposal, there are various means where the importing intermediary may either claim back the GST paid or be relieved of import GST, but this entails GST compliance cost for the local intermediary.

#### **Proposed changes**

- GST relief will be granted upfront on all clinical trial materials imported into Singapore, irrespective of whether the clinical trial materials are for local testing, re-export or for disposal in Singapore.
- The IRAS will release further details by 1 September 2011.

#### **Effective date**

- From 1 October 2011

#### **Comments**

- This measure will support the growth of local clinical trials as well as ease the GST compliance burden for businesses engaged in clinical trials.

## ***Extension and Enhancement of Approved Contract Manufacturer and Traders (“ACMT”) scheme***

### ***Current***

- Overseas principals may suffer irrecoverable GST costs for services provided by biomedical contract manufacturers.
- The ACMT scheme is available only to semiconductor and printing industries.

### ***Proposed changes***

- The ACMT scheme will be extended to qualifying biomedical contract manufacturers.
- Further enhancements will be made to the ACMT scheme as follows:
  - Disregard services rendered by local contract manufacturers on failed or excess production under the ACMT scheme; and
  - Allow local contract manufacturers to recover GST on local purchases of goods made by overseas clients for use in the contract manufacturing process.
- The IRAS will release further details by 1 September 2011.

### ***Effective date***

- From 1 October 2011

### ***Comments***

- The extension of the ACMT scheme to qualifying biomedical contract manufacturers will mitigate GST costs to overseas clients.
- With the changes to allow local contract manufacturers to recover GST on local purchase of goods made by overseas clients, the overseas clients can avoid having to register for GST in Singapore in order to recover the GST incurred on local purchases of goods.
- This would increase the competitiveness of the local biomedical contract manufacturers and promote Singapore as a biomedical hub for businesses in the pharmaceutical industry.

# Zero-rating Scheme for Specialised Storage and Other Value-added Services

## *Introduction of a new scheme for approved specialised warehouses*

### **Current**

- Services performed on goods stored in a warehouse in Singapore are standard-rated unless they are supplied to overseas persons and the goods are exported.
- Where goods are stored for an extended period of time, businesses face difficulty in establishing that the goods will be exported when they bill their overseas customers.
- The provision of space for the warehouse operator's business of storing goods is standard-rated.

### **Proposed changes**

- A new scheme will be introduced to zero-rate prescribed services (including storage, valuation, conservation and restoration services) supplied to overseas persons if the services are performed on certain high-value goods kept in approved specialised warehouses in Singapore.
- The specialised warehouse must have mostly overseas customers (at least 90%) and the majority of goods (at least 90%) removed from the warehouse are exported.
- The IRAS will release further details by 1 September 2011.

### **Effective date**

- From 1 October 2011

### **Comments**

- The new scheme will promote the use of such specialised storage facilities and supporting services.
- Specialised warehouse operators may need to comply with additional record-keeping requirements.

## STAMP DUTY

### Stamp Duty Relief for a Company Converting into a Limited Liability Partnership

#### *Current*

- Stamp duty relief is given for the transfer of assets upon conversion of an existing firm (ordinary partnership) to a Limited Liability Partnership (“LLP”).
- The following conditions have to be met to qualify for the relief:
  - As at the date of conversion, the partners of the LLP are those of the original firm.
  - As at the date of conversion, the assets of the LLP are those of the original firm.
  - As at the date of conversion, the capital contributed by each of the partner of the LLP remains the same as in the original firm.

#### *Proposed changes*

- Stamp duty relief will be extended to cover the conversion of an existing company to a LLP but the following conditions must be met:
  - As at the date of conversion, the shareholders of the existing company remain as the original partners of the new LLP.
  - As at the date of conversion, the assets of the new LLP are those of the existing company.
  - As at the date of conversion, the percentage of partnership interests of each of the partners in the new LLP have to remain the same as the shareholding percentages of each of the shareholders in the existing company.
  - At least 75% of the composition of the partnership interest in the LLP should remain the same for two years from the date of conversion.
- The relief will be disallowed should one of the following events occur:
  - The original partners of the new LLP dispose of more than 25% of their partnership interests (whether individually or collectively) within two years from the date of conversion except where the partnership interest of the original partners is disposed of to a 100% associated entity\*.  
  
\*Two entities are 100% associated if one directly or indirectly holds 100% of the beneficial ownership of the other, or a third entity directly or indirectly holds 100% of the beneficial ownership of the two first mentioned entities.
  - The LLP disposes to its partners any of its chargeable assets it has acquired from the existing company at conversion.

- In line with the new relief mentioned above for a company's conversion into a LLP, the following additional conditions will be imposed for the stamp duty relief for conversion of an existing firm (ordinary partnership) to a LLP.
  - 75% of the composition of the partnership interest in the LLP should remain the same for two years from the date of conversion.
  - The relief will be disallowed if the original partners of the new LLP dispose of more than 25% of their partnership interests (whether individually or collectively) within two years from the date of conversion except where the partnership interest of the original partners is disposed of to a 100% associated entity.
- The IRAS will release an e-tax guide on 18 February 2011.

***Effective date***

- On or after 19 February 2011

***Comments***

- The Government recognises that there are many legal forms used to conduct businesses and LLP is one such vehicle. The reliefs announced will provide businesses with the flexibility in organisational restructuring.

## Extension of Stamp Duty Remission

### *Current*

- Stamp duties paid in excess of \$50 are remitted for aborted Sales and Purchase Agreements which are rescinded on grounds other than those stated under Section 22(6) of the Stamp Duties Act.
- No stamp duty refund applies to Sales and Purchase Agreements rescinded or annulled with a view to facilitate transfer of property by the seller to another person.

### *Proposed changes*

- Stamp duty in excess of \$50 will be remitted for aborted lease contracts or agreements subject to meeting the following conditions:
  - The lease contract or agreement is rescinded or annulled on or after 19 February 2011.
  - The lessee has not rescinded or aborted the lease contract or agreement with a view to facilitate the lease of the property by the lessor to another person.
  - The executed lease instrument has not been made used for any purpose.
  - The lease period of the property has not commenced.
  - The application for remission is made within six months from the date of annulment or rescission of the lease contract or agreement.
  - The original lease contract or agreement is surrendered to the Commissioner of Stamp Duties for cancellation.
- The IRAS will release an e-tax guide on 18 February 2011.

### *Effective date*

- On or after 19 February 2011

### *Comments*

- The announced changes will ease stamp duty compliance burden and ensure that contracting parties are not unduly penalised for aborted lease transactions.

## Removal of Most Nominal or Fixed Stamp Duties

### *Current*

- Currently prescribed documents not liable for ad valorem stamp duty are liable for nominal or fixed duties of \$2 to \$10.
- For remission under Stamp Duties (Transfer of HDB Flat Within Family) (Remission) Rules 2007, stamp duties in excess of \$10 will be remitted when certain conditions are met.

### *Proposed changes*

- The fixed or nominal duties which are currently chargeable at \$2 to \$10 will be removed for most instruments if executed on or after 19 February 2011.
- With regard to the transfer of HDB flat within a family, the \$10 stamp duty payable pursuant to the remission granted under the Stamp Duties (Transfer of HDB Flat Within Family)(Remission) Rules 2007 will be removed for instruments executed on or after 19 February 2011.
- Documents relating to transactions which confer a change in beneficial ownership interests in the underlying properties will continue to be liable for ad valorem duty.
- The fixed duty of \$10 on Declarations of Trust where beneficial ownership does not pass will remain payable.
- The IRAS will release an e-tax guide on 18 February 2011.

### *Effective date*

- On or after 19 February 2011

### *Comments*

- This appears to be an attempt by the Government to simplify our stamp duty regime and reduce compliance costs for taxpayers.

## MISCELLANEOUS

### Foreign Worker Levy

#### *Current*

- Different foreign worker levy rates apply to different categories of foreign workers from various business sectors.

#### *Proposed changes*

- Increases in the levy for all sectors will be phased in at six-monthly intervals, starting from 1 January 2012 and extending till 1 July 2013.
- For the manufacturing sector, over and above the average increase per foreign worker of \$100 which was announced last year, the levy will be increased by an average of another \$60 per foreign worker by July 2013.
- For the service sector, the average levy will go up by a further \$180 by July 2013 on top of the earlier announced increase of \$100.
- For the construction sector, average levy will increase by a further \$200 on top of the earlier announced increase of \$130.
- For the S Pass holder category, the levy rates will increase to \$300 to \$450 by July 2013.
- The Ministry of Manpower and the Ministry of National Development will be releasing further details.

#### *Effective date*

- Phased in at six-monthly intervals, starting from 1 January 2012 and extending till 1 July 2013

#### *Comments*

- The increase in the foreign worker levy including those announced last year is expected to increase labour costs by about 1.7% when fully implemented in 2013.
- The Government is advocating less reliance on lower-skilled foreign workers. With significant enhancements made to the Productivity and Innovative Credit Scheme, businesses are encouraged to upgrade their operations and train their workers.

## Special Employment Credit

### *Current*

- There is currently no such credit.

### *Proposed changes*

- A one-off Special Employment Credit for employers, to be paid out over three years, in respect of older workers currently covered by the workfare scheme.
- The payout will be up to 50% of employer CPF contribution for workers aged 55 to 59 and up to 80% of employer CPF contribution for workers aged 60 and above.
- More details will be announced by the Ministry of Manpower.

### *Effective date*

- Not specifically mentioned in the Budget

### *Comments*

- This is to encourage employers to attract and keep older workers.
- The Special Employment Credit receipts are unlikely to be taxable.

## Extension of Green Vehicle Rebate Scheme

### *Current*

- Green vehicles currently qualify for a rebate on the Additional Registration Fee.
- The scheme is to encourage the purchase of green vehicles which are more environmentally friendly than their conventional equivalents.

### *Proposed changes*

- The Green Vehicle Rebate (“GVR”) scheme will be extended for another year to 31 December 2012.

### *Effective date*

- 1 January 2012 to 31 December 2012

### *Comments*

- This is to encourage the adoption of green vehicles. The Government has indicated that a comprehensive review on the measures to boost the adoption of green vehicles will be undertaken.

## Excise Duties for Tobacco Products

### *Current*

- The current duty rate for the following two classes of tobacco products are:
  - Beedies, ang hoon and smokeless tobacco - \$181 per kg.
  - Unmanufactured tobacco, cut tobacco and tobacco refuse - \$300 per kg.

### *Proposed changes*

- The duty rate for these two classes of tobacco products will be increased to:
  - Beedies, ang hoon and smokeless tobacco - \$199 per kg.
  - Unmanufactured tobacco, cut tobacco and tobacco refuse - \$315 per kg.

### *Effective date*

- From 18 February 2011

### *Comments*

- The increases are aimed to curb or discourage the use of such tobacco products by individuals, especially the young.

## GLOSSARY

<b>CPF</b>	Central Provident Fund
<b>GDP</b>	Gross Domestic Product
<b>GST</b>	Goods and Services Tax
<b>IE</b>	International Enterprise Singapore
<b>IRAS</b>	Inland Revenue Authority of Singapore
<b>ITA</b>	Income Tax Act
<b>ITE</b>	Institute of Technical Education
<b>OTC</b>	Over-the-Counter
<b>MAS</b>	Monetary Authority of Singapore
<b>SGX</b>	Singapore Exchange
<b>WDA</b>	Workforce Development Agency
<b>YA</b>	Year of Assessment

## About RSM Chio Lim LLP

RSM Chio Lim LLP is the public accounting arm of the Chio Lim Stone Forest (“CLSF”) Group, the largest accounting and business advisory group outside the Big 4 in Singapore, with a total strength of over 570 in Singapore and about 280 in Shanghai, Beijing, Suzhou, Shenzhen, Chengdu, Hangzhou and Tianjin. Our reputation is built on technical competence, proactive client servicing and a commitment to uncompromising integrity, professionalism and high standards of service.

We are one of the first accounting firms in Singapore to be ISO 9001:2008 certified in 1997. The firm is ranked as a leading firm in Singapore in “World Tax 2010”, a Euromoney guide to the world’s leading tax firms. We are also a leading player in the IPO market as Reporting Accountants.

### International Affiliation

RSM Chio Lim is the Singapore member of RSM International, the world’s sixth largest accounting and consulting network, with over 700 offices in 80 countries. Member firms are well-established practices of high standing, often ranking within the Top Ten in their respective countries.

### PCAOB Registration

The public accounting arm is also registered with the Public Company Accounting Oversight Board (“PCAOB”) in the USA.

### SAS 70 (Type II) Compliant

The accounting and payroll outsourcing units are SAS 70 Compliant\*.

\*The Statement on Auditing Standards No. 70 (“SAS 70”) is an internationally recognised auditing standard developed by the American Institute of Certified Public Accountants (“AICPA”). A SAS 70 Compliant status conferred to a service organisation is a testimony that the service provider has adequate controls and safeguards in place to host and process the data of its clients.

# Services

## CPA PRACTICE

### Audit

- Statutory Audits
- Reporting Accountants
- Special Reviews
- Due Diligence for Mergers and Acquisitions
- Other Non-statutory Audits
- Funds Audits

### International Tax

- Cross-border Tax Structuring and Planning
- Group Rationalization and Restructuring
- Investment Structures and Holding Companies
- Structuring for IPO
- Tax Due Diligence
- Transfer Pricing
- Application for Tax Incentives
- Advice on Regional Tax Issues
- Tax Efficient Structuring of Employment Packages

### Tax Compliance

- Corporate Tax
- Partnership Tax
- Personal Income Tax
- Tax Investigation and Audit
- Representation on Objection and Tax Dispute Cases

### GST Services

- Application for GST Registration
- Application for various GST Relief Schemes
- Review and E-filing of GST Returns
- MES Renewal Process
- Managing and Dealing with Queries from the IRAS
- Managing IRAS Compliance Assurance Programme ("CAP") Audit
- Preparation of Submission / Ruling
- Advice on GST Implications involving Business Start-up, Restructuring, New Business Arrangements and Complex Transactions
- Advice on Internal Controls for GST Reporting
- Review and Advice on Accounting System Logic for GST Coding
- GST Compliance Review
- GST Due Diligence
- GST Training customised to Specific Business Transactions

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## ADVISORY SERVICES

### Profit Improvement

- Financial Healthcheck
- Business Modelling
- Revenue Modelling
- Capacity Management
- Funding Structure Review
- Management Structure Review
- Business Process Re-Engineering
- Deployment of Key Performance Indicators ("KPIs")

### Fund-Raising

- Working Capital Financing
- Project Financing
- Initial Public Offer ("IPO")
- Private Equity Fund-Raising

### Mergers & Acquisitions Advisory

- Sales and Divestments
- Acquisitions and Strategic Investments
- Restructuring, Mergers, Joint Ventures and Strategic Alliances
- Management Buy-outs and Buy-ins
- Fund-Raising & Refinancing

### Transaction Support

- Due Diligence
- IPO Advisory
- Corporate Restructuring
- Business Grooming and Exit Review
- Transaction Management

### **Corporate Recovery & Insolvency**

- Liquidation
- Receivership
- Judicial Management
- Scheme of Arrangement
- Bankruptcy and Voluntary Arrangement

### **Forensic & Litigation Support**

- Forensic Accounting
- Investigations
- Valuations
- Economic Loss Quantification
- Whistle-blowing Service
- Digital Forensics Services

### **Crisis Management**

- Financial Work-out
- Financial Restructuring
- Assessment of Business Viability

### **Corporate Risk Advisory**

- Internal Audit
- Corporate Risk Management
- Corporate Governance Advisory Services
- Investigation & Special Audit

### **Sarbanes-Oxley Services**

- Outsourcing and Co-sourcing SOX Compliance Efforts
- Sarbanes-Oxley Advisory Services
- Sarbanes-Oxley Compliance Services

### **CFO2SME™**

- Strategic Planning
- Cash Flow Management
- Business Management Review
- Budgetary Control
- Business / Project Feasibility Study
- Management Reporting
- Reviews of KPIs
- Setting up of Accounting Policies and Procedures

### **Cross-border Investment Advisory**

- Advice on Appropriate Entry Strategy
- Preparation of Business Plan
- Advice on Appropriate Corporate Structure and Jurisdiction
- Application for Government Licences
- Linking Investors with relevant Government Bodies, Professionals & Business Partners
- Raising Funds from Private Equity Market or Financial Institutions
- Tax Planning for Cross-Border Investments and Transactions
- Asset Protection Planning & Estate Planning
- Tax Planning for Expatriates

### **IT Advisory**

- Review and Setup of IS Control Environment
- Policies and Procedures Documentation
- Review of Compliance
- Applications Review
- Consulting in SAS70 / IT SOX Readiness, Business Continuity Planning and IT Disaster Recovery Planning

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## **BUSINESS SUPPORT SERVICES**

### **Financial Reporting**

- SWAT Accounting
- Business Crisis Management
- XBRL Filing
- Routine Accounting

### **Payroll & HR Administration**

- Payroll Processing
- Leave Administration
- Training Administration
- Staff Insurance Administration
- Claims Processing
- Employment Pass / Work Permit Application

### **Staffing Solutions & Managed Services**

- Managed Services in Accounting and Business Operations
- Contract Accountant Services
- Temporary / Permanent Placements for Finance and Accounting Personnel

### **IT Services**

- Sage ERP ACCPAC
- IT Training
- IT Health-Check
- IT Outsourcing

## CHINA PRACTICE

- Establishment of Company / Representative Office in China
  - Assistance in Foreign Exchange Control Matters
  - Financial Reporting for PRC Annual Returns
  - Financial Reporting to comply with International Financial Reporting Standards and Financial Reporting Standards in Other Countries
  - Financial Due Diligence
  - Payroll & Payroll-related Services
  - Business Assurance
  - International Tax Advisory
  - Domestic Tax Compliance and Advisory
  - Risk Management Audit Services
  - Provision of Accounting Services
  - Mergers and Acquisitions Advisory
  - Fund-Raising Advisory
  - Internal Audit
  - Liquidations and De-registrations
- 

## SERVICES FOR NON-PROFIT ORGANISATIONS (“NPO”)

- Financial Management
  - Internal Audit and Controls
  - Operational Management
  - IT Management
  - Audit and Accounting
  - Taxation
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## CORPORATE SERVICES

- Incorporation of Local and Offshore Companies
- Provision of Nominee Directors
- Companies Act Compliance
- Representative Office / Branch Registration
- Other Non-corporate Business Registration
- Application for Employment Pass and Permanent Residence
- Application for Government Licences
- Statistical Returns to Government / Regulatory Bodies

# Contacts

## GENERAL

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## CPA PRACTICE

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