



News Alert on the 2020 Singapore Budget and Other Recent Tax Developments

Facing the headwinds of anaemic growth in 2019 and uncertainties due to the coronavirus outbreak, Finance Minister Heng Swee Keat delivered the 2020 Budget with a focus on stability, growth and transformation. Mr. Heng announced a raft of measures, including job support schemes, property tax and corporate tax rebates, rental rebates, financing support, reskilling, care & support packages for local households, extension of various tax incentive schemes, among others.

On the corporate and individual tax front, the budget entails corporate tax rebates, acceleration of capital allowance along with the extension, rationalisation and enhancements of the existing tax incentives to reflect evolving policy considerations. The Minister has reiterated the government's commitment to ensuring that the tax policy remains fair, progressive, and pro-growth; the renewal of the existing tax measures – especially in the areas of global trading, M&A, investment in equity shares and the maritime sector – is a reflection of this commitment, which has long been a cornerstone of Singapore's tax policy. Considering the current state of economy, the gradual increase in GST rate from 7% to 9% will not begin until 2021.

As a result of various support measures, Singapore's budget projects a record deficit of S\$10.9 billion; clearly signalling an expansionary stance of the Government.

This alert summarises selected key tax proposals from the Budget, as well as the major tax developments over the past one year, which may be of interest to businesses and investors operating in Singapore.



Corporate Tax

- The prevailing corporate tax rate remains at 17%.

- **Corporate Income Tax (CIT) rebate**

In order to help companies with cash flow, a CIT rebate of 25% of tax payable, capped at S\$15,000, will be granted for the Year of Assessment ("YA") 2020.

To further help with the cashflows, companies paying their CIT by GIRO can automatically enjoy an additional 2 months of interest-free instalments for Estimated Chargeable Income filed during 2020.

- **Loss carry-back relief**

Currently, tax losses and allowances for a YA may be carried back for an offset against the tax profits of the immediately preceding YA, capped at S\$100,000. For YA 2020, such carry-back will be allowed up to 3 immediate preceding YAs, but the cap still remains at S\$100,000.

Inland Revenue Authority of Singapore ("IRAS") is expected to provide further details on the above by the end of March 2020.

- **Acceleration of write-off/ deduction claim**

Plant and Machinery ("P&M")

Under the existing provisions, capital allowances ("CA") are available for capital expenditure on the acquisition of P&M over the working life of the assets as specified in the Sixth Schedule, or over 3 years. It is now proposed to allow a taxpayer which incurs capital expenditure on the acquisition of P&M in the basis period for YA 2021 (i.e. financial year 2020) an irrevocable option to accelerate the write-off of the cost of acquiring such P&M over 2 years (75% of the cost incurred in YA 2021 and the balance 25% in YA 2022). This option does not allow for deferment of CA claim.

Streamlining of CA allowances based on the working life of P&M

Under the existing regime, businesses have an option to claim annual allowances on their P&M over 5, 6, 8, 10, 12, or 16 years, instead of accelerated allowances.

For P&M acquired in or after financial year (FY) 2022, and in cases where P&M were purchased prior to FY 2022 and no claim for CA has been made, businesses may make an irrevocable election to write down their P&M as follows:

Prescribed working life of P&M	Number of years for CA claim
<= 12 years	6 or 12 years
16 years	6, 12, or 16 years



Renovation and Refurbishment (“R&R”)

A taxpayer incurring expenditure on R&R during the basis period for YA 2021 will have an irrevocable option to claim accelerated R&R deduction in one YA instead of the usual time period of three consecutive YAs. The cap of S\$300,000 for every relevant block of three consecutive YAs will still apply.

- **Double Tax Deduction for Internationalisation (“DTDi”) scheme**

Under the DTDi scheme, a 200% tax deduction is allowed on expenses incurred on:

- Overseas business development trips;
- Overseas investment study trips;
- Overseas trade fairs;
- Approved local trade fairs.

No prior approval is required from Enterprise Singapore or Singapore Tourism Board (“STB”) for tax deduction on the first S\$150,000.

To continue encouraging internationalisation, the DTDi scheme will be extended to 31 December 2025. In addition, the scope of the DTDi scheme will be enhanced to cover the following expenses incurred on or after 1 April 2020:

- Third-party consultancy costs relating to new overseas business development to identify suitable talent and build up business network;
- New categories of expenses incurred for overseas business missions (i.e. fees incurred on speaking spots to pitch products/services at overseas business and trade conferences, transporting materials/samples used during the business missions, and third-party consultancy costs to arrange business networking events to promote products/services).

Enterprise Singapore will provide further details of the changes by the end of March 2020.

- **Mergers & Acquisitions (“M&A”) scheme**

The existing M&A scheme allows taxpayers to claim the following tax benefits on qualifying acquisitions:

- M&A allowance for 25% of the value of a qualifying acquisition, capped to S\$40 million;
- Stamp duty relief, capped at S\$80,000;
- 200% tax deduction on transaction costs, capped at S\$100,000 per YA.

To continue encouraging companies to consider M&A as a strategy for growth and internationalisation, the M&A scheme will be extended to cover qualifying acquisitions made on or before 31 December 2025 (as it was to lapse in March 2020).

However, the scheme will drop the following benefits for acquisitions made on or after 1 April 2020:



- Stamp duty relief for instruments executed 1 April 2020 onwards; and
- Possibility to apply for the waiver of the condition that the ultimate holding company must be Singapore-incorporated and a resident of Singapore.

- **Extension and refinement of upfront certainty of non-taxation of companies' gains on disposal of ordinary shares (Safe Harbour rules)**

Currently, section 13Z of Singapore Income Tax Act ("SITA") provides that gains derived from the disposal (prior to 1 June 2022) of ordinary shares by companies will not be taxed subject to certain conditions. The said scheme does not apply to the disposals of unlisted shares in an investee company that is in the business of trading or holding Singapore immovable properties (other than the business of property development).

To provide upfront certainty to companies in their corporate restructuring, the safe harbour rules under section 13Z will be extended to cover the disposal of ordinary shares by companies from 1 June 2022 to 31 December 2027.

However, the safe harbour will not apply to unlisted shares in a company in the business of trading, holding or developing immovable properties in Singapore or abroad. The tax treatment of such share disposals will be based on the facts and circumstances of the case. The change will apply to shares disposed-off on or after 1 June 2022.

The real estate investment holding companies will need to revisit their investment structures in light of this change.

- **Finance and Treasury Centre ("FTC") Scheme**

The existing scheme grants a concessionary tax rate of 8% on qualifying income derived by approved FTCs and was scheduled to expire on 31 March 2021.

Apart from extending the scheme to 31 December 2026, the following enhancements are available from 19 February 2020:

- Qualifying sources of funds will include convertible debt issued on or after 19 February 2020;
- Qualifying activities will include transacting or investing into private equity or venture capital funds that are not structured as companies.

- **Global Trader Programme ("GTP")**

The existing GTP grants a concessionary tax rate of 5% or 10% to approved global trading companies or structured commodity financing (SCF) with a special tax rate of 5% for liquefied natural gas (LNG) Trading.

GTP will be extended to 31 December 2026 while SCF & LNG sub-schemes will lapse after 31 March 2021, although existing awardees will still enjoy these sub-schemes until the expiry of their specific awards.

Enterprise Singapore will provide further details on the above changes by May 2020.



- **Extension of Land Intensification Allowance (“LIA”) scheme**

The LIA scheme is meant to encourage the intensification of industrial land usage.

For qualifying capital expenditure incurred on an approved LIA building, an initial allowance of 25% is granted. Subsequently, upon issuance of Temporary Occupation Permit, 5% annual allowance is granted.

The last date for LIA approval was scheduled to lapse on 30 June 2020, but it is now extended to 31 December 2025.

- **Extension of Writing-down allowance scheme for acquisition of an indefeasible right to use an international submarine cable system**

This scheme that was scheduled to lapse after 31 December 2020, is now extended to 31 December 2025.

- **Expiry of further deduction on research and development (“R&D”) expenditure under section 14E of SITA**

Taxpayers are eligible for a further tax deduction for R&D expenditure incurred on approved R&D projects conducted in Singapore. This incentive will lapse after 31 March 2020.,

However, the taxpayers can continue to enjoy the enhanced deduction of 250% for staff costs and consumables incurred on qualifying R&D projects performed in Singapore under section 14DA of SITA. Also, 100% tax deduction on other R&D expenses of capital nature can be claimed under section 14D of SITA.

- **Refinement of the tax treatment of expenditures funded by capital grants**

Currently, grants from the Government and statutory boards which are capital in nature are not taxable, and those of revenue nature are subject to income tax. Concurrently, the recipients of grants can claim tax deductions/allowances on the corresponding expenditure incurred which are funded by such grants; thereby resulting in double incentivisation for recipients.

In order to avoid such double incentivisation, for capital grants approved on or after 1 January 2021, recipients will not be allowed to claim tax deductions or allowances on the part of the expenditures that are funded by such grants.

- **Property tax (“PT”) rebates**

As part of the Stabilisation and Support Package, qualifying commercial properties will be granted a rebate (ranging from 10-30%) for PT payable for the period 1 January 2020 to 31 December 2020.



Financial Services Sector

Singapore continues to attune its tax policy to the needs of the financial services industry in order to retain its position as one of the most prominent financial centres in the world.

Tax incentives for venture capital funds and venture capital fund management companies:

Venture capital funds approved (prior to 1 April 2020) under section 13H enjoy tax exemption on the following income for a specified period ("section 13H scheme"):

- Divestment gains from qualifying investments;
- Dividend income from foreign companies;
- Interest income arising from foreign convertible loan stock.

Further, approved venture capital fund management companies managing approved venture capital funds are granted a concessionary tax rate of 5% under section 43ZG on the income derived from managing an approved venture capital fund ("Fund Management Incentive").

To continue encouraging venture capital funding for Singapore-based companies, the section 13H scheme and Fund Management Incentive will be extended to 31 December 2025.

In addition, the key refinements to the incentives (1 April 2020 onwards) are as follows:

Section 13H scheme:

- The list of investments and income incentivised under section 13H scheme will be expanded to include relevant items of the Specified Income – Designated Investments list applicable for fund incentives (under sections 13CA, 13R, and 13X);
- Apart from companies incorporated in Singapore and partnerships, section 13H incentive may be granted to venture capital funds which are constituted as foreign- incorporated companies or Singapore Variable Capital Companies;
- The statutory sub-limit imposing a maximum tenure of 10 years for the first tranche of the tax exemption will be removed, while the 15-year cap on the overall tenure of the tax exemption status remains. This means that the tax exemption may be awarded for the fund life of the venture capital fund up to a total tenure of 15 years;
- Approved venture capital funds will be allowed, by way of remission, to claim GST incurred on their expenses at a fixed recovery rate to be determined for the industry.

Fund Management Incentive:

Present statutory limitations on the total incentive tenure allowed for each venture capital fund management company will be removed. Instead, each Fund Management Incentive award for the fund manager will be set at a maximum tenure of 5 years and can be renewed subject to conditions.

Enterprise Singapore will provide further details of the above changes by May 2020.



Personal Income Tax

- The top marginal tax rate remains at 22%, with the rates and bands also remaining unchanged.

- **Extension of withholding tax exemption for non-resident mediators and arbitrators**

Typically, withholding tax rate applicable to non-resident professionals is either 15% on gross income or 22% on net income.

However, income derived by non-resident mediators and arbitrators from work carried out in Singapore is exempt from tax, subject to certain conditions. This exemption scheduled to lapse after 31 March 2020 is now extended to 31 March 2022.

- **Extension of concessionary withholding tax rate for non-resident public entertainers ("NRPEs")**

NRPEs are subject to withholding tax at a rate of 15% on gross income in respect of services performed in Singapore. As a concession, the withholding tax rate of 15% is reduced to 10%.

The concessionary rate of 10% that is scheduled to lapse after 31 March 2020 is now extended to 31 March 2022 and will lapse thereafter.

- **Expiry of Angel Investors Tax Deduction ("AITD") scheme**

The scheme was introduced to stimulate angel investments into Singapore-based startups. Under this scheme, an approved angel investor is granted a tax deduction of 50% of the cost of his qualifying investments.

This scheme is scheduled to lapse after 31 March 2020, i.e. investors can no longer obtain new approvals or renewal of the "angel investor" status for any period commencing after 31 March 2020.

However, angel investors will continue to enjoy a tax deduction in respect of qualifying investments made during the period of the approved status, subject to existing conditions of the scheme. Also, Singapore-based start-ups can access funding through other government schemes such as the Startup SG programme.



Key tax developments over last one year

1. SINGAPORE VARIABLE CAPITAL COMPANY (VCC)

VCC framework that was first proposed in March 2017 has finally arrived!

MAS and ACRA ran a pilot programme in Quarter 4 of 2019, which saw participation of 18 fund managers for launching new investment funds as VCCs. In Jan 2020, VCC framework was successfully launched and these fund managers incorporated or re-domiciled a total of 20 investment funds as VCCs. These investment funds comprise venture capital, private equity, hedge fund and Environmental, Social, and Governance (ESG) strategies, demonstrating the viability of the VCC framework across diverse use cases.

To encourage fund managers to adopt the VCC, MAS also introduced a VCC Grant Scheme to help to meet the incorporation, tax advisory, and legal cost related to set-up of VCC. For a quick snapshot of the VCC framework and its benefits, please refer to the VCC brochure on our website.

https://dhruvaadvisors.com/files/SingaporeVCC_ataglance.pdf

The VCC is a game changer in the development of Singapore as an international fund management and domiciliation hub. VCC fund structure will encourage the fund managers to set-up /redomicile funds in Singapore due to its structural benefits, privacy, and tax incentives.

2. TECH@SG PROGRAMME

This new pilot programme aims to help fast-growing technology companies incorporated in Singapore such as software-as-a-service, e-commerce, digital media, digital gaming, medtech, biotech, cleantech, fintech companies etc. to access the critical talent they need to grow and scale their business in Singapore and the region. The programme is jointly administered by the Singapore Economic Development Board (EDB) and Enterprise Singapore.

The programme aims to provide company-level endorsement to the Ministry of Manpower (MOM), reducing the risks of rejection for Employment Pass (EP) applications to MOM and facilitating the entry of foreign "core team members" to Singapore. Qualifying firms are required to have secured more than US\$10 million in venture capital (VC) funding cumulatively and have received funding from a programme-recognised VC in the past 36 months.

Tech@SG Programme intends to promote Singapore as a technology hub and help Singapore-based high-growth tech companies to grow rapidly. It is intended for companies that have the commitment and ability to build teams and products in Singapore. Qualifying companies can participate in the pilot programme to ease the EP applications process for its key foreign employees.



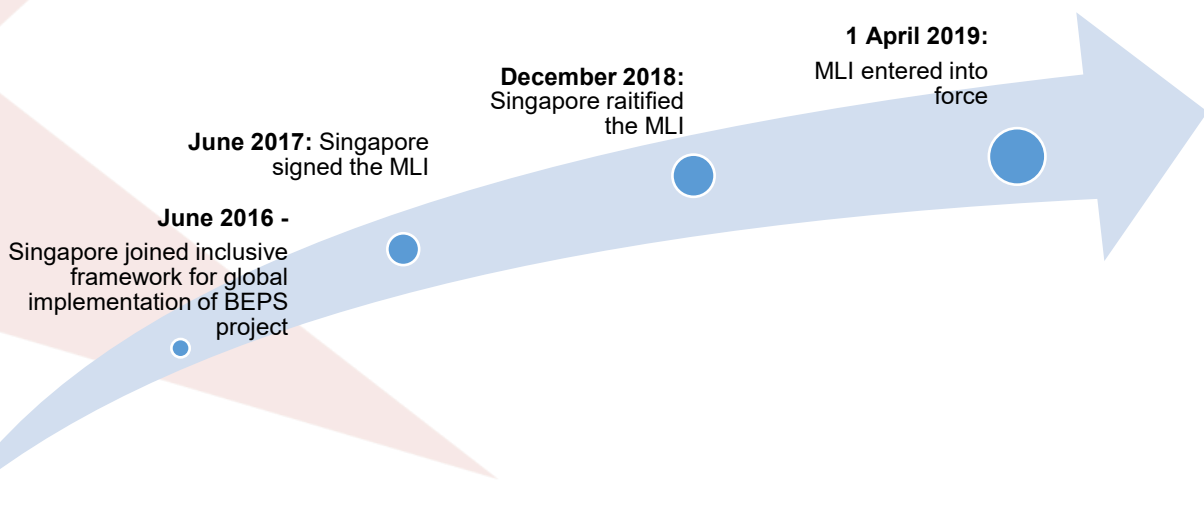
3. AVOIDANCE OF DOUBLE TAXATION AGREEMENT (DTA)

3.1 Multilateral Instrument (MLI)

At the time of ratification of the MLI, Singapore intended to cover 86 existing income tax treaties referred to as Covered Tax Agreements (CTAs) under the MLI. Several tax treaties including India, Mauritius, Luxembourg, Ireland, Netherlands, Canada, France, Australia, and the United Kingdom, have been amended to give effect to the MLI provisions.

Singapore has adopted various mandatory and non-mandatory MLI provisions which are as follows:

- Inclusion of **Purpose statements in the CTAs** clarifying that the agreement is intended to eliminate double taxation.
- Adoption of **Principal Purpose Test (PPT)** to prevent treaty abuse.
- A mechanism to allow a Singapore resident taxpayer to seek assistance from IRAS when the taxpayer encounters taxation in a DTA jurisdiction that is not in accordance with the intended application of the DTA under the article of the “**Mutual agreement procedure**”
- Adoption of the **mandatory binding arbitration** provision that provide an alternative dispute resolution mechanism if the competent authorities are unable to reach agreement or are unable to do so in a timely manner



For providing more guidance on MLI, IRAS has issued FAQs which can be found by clicking on the following link:

https://www.iras.gov.sg/irashome/uploadedFiles/IRASHome/Quick_Links/2019-04-01%20MLI%20FAQs.pdf

Given that for many tax treaties the MLI impact has already kicked in, the cross-border structures and transactions may need to be revaluated, especially if they currently enjoy any reduced withholding tax rates.



3.2 Singapore – Korea updated tax treaty entered into force in December 2019

The updated treaty with Korea takes effect from 1 Jan 2020. The key changes introduced in the new tax treaty are:

1. **Reduced WHT:** Withholding tax rate on royalties reduced from 15% to 5%.
2. **Enhanced scope of capital gains exemption:** Gains derived from the alienation of shares in a non-land rich company where the seller (together with its related parties) holds less than 25% in the company's capital.
3. **New Article 26 – Entitlement to benefits** has been added to include an anti-treaty abuse provision based on the principal purpose test

3.3 Singapore and Ukraine signed Protocol to amend tax treaty

In August 2019, Singapore signed a protocol with Ukraine which amends the Exchange of Information Article to be in line with the existing internationally agreed standard on exchange of information on request.

3.4 New tax treaties entered by Singapore in 2019

Tax rates for streams of income under various tax treaties entered in 2019 are as follows:

Country	Status	Dividend rates	Interest rates	Royalty rates
Tunisia	Effective date: 1 Jan 2020	5%	5%/ 10% ¹	5%/ 10% ²
Ghana	Effective date: 1 Jan 2020	7%	7%	7%
Turkmenistan	Pending ratification	0%/ 10% ³	10%	10%
Armenia	Pending ratification	0%/ 5% ⁴	5%	5%
Greece	Pending ratification	5%/ 10% ⁵	7.5%	7.5%

¹ Reduced rate of 5% for interest payments to banks and financial institutions.

² 5% for technical services, 10% for royalty payments.

³ Nil withholding where at least 25% is beneficially held by a company (directly or indirectly).

⁴ Nil withholding where at least 25% is beneficially held by a company (direct holding) or the beneficial owner is a company that has invested at least US\$ 300,000 in the share capital.

⁵ 5% withholding where at least 25% is beneficially held by a company (direct holding)



4. TRANSFER PRICING (TP)

Transfer Pricing Guidelines – Commodity Marketing and Trading Activities

In May 2019, the IRAS released TP guidelines for entities engaged in the business of marketing and/or trading in commodities. This e-tax guide analyses the economic value of taxpayers' commodity marketing and trading activities in Singapore and helps taxpayers to comply with the arm's length principle and transfer pricing documentation requirement when such activities are carried out with their related parties.

Commodity marketing and trading activities involve not just buying and selling commodities, but a wide spectrum of activities, such as sourcing, collecting real time market intelligence, managing logistics, sales and marketing, storage, building and maintaining customer relationships, managing risks and cash flows, financial management, etc.

The precise nature of the activities and their contribution to value can vary widely. Where such activities are conducted between related parties, a thorough examination of the actual functions performed, assets used and risks assumed in each specific related party commodity transaction is important in determining the arm's length transfer price.

The e-tax guide provides guidance on how to analyse related party commodity transactions and the transfer pricing methods that may be appropriate to determine the arm's length transfer price. It also provides the TP documentation requirements and guidance on avoiding and resolving transfer pricing dispute.

Over the past few years, the IRAS has made continued efforts to guide businesses in ensuring that transactions with related parties are carried out at arm's length prices. The above e-tax guide is yet another step in this direction.

5. CORPORATE INCOME TAX

5.1 Tax treatment for life insurance or personal accident policy premium where employer is beneficiary of policy and there is no contractual obligations to on-pay the pay-out to employees

Prior to Year of Assessment (YA) 2019, such premiums were not deductible as they were considered to be for the purpose of acquiring a capital asset. The pay-outs received under such policies were also not taxable in the hands of the employers. As such policies are purchased to provide a staff benefit and employers are named as beneficiaries only for administrative convenience, a tax deduction on such premiums is allowed with effect from YA 2019 on the basis that these are staff costs. Correspondingly, the pay-outs made under such policies will be taxable in the hands of the employers with effect from YA 2019.



5.2 Guidance on “headline tax rate condition” for exemption of foreign dividend by listed companies

One of the qualifying conditions for foreign dividend exemption is a minimum foreign headline tax rate of 15% in the source country. The IRAS has issued further guidance for determining the country of source for foreign dividend-paying company that is listed on a stock exchange in one country but is a tax resident in another country. In such cases, the Comptroller may treat the dividends as sourced in the country in which the company is tax resident and not sourced in the country of listing unless the facts show otherwise. Accordingly, the “headline tax rate condition” will be considered as not met if the dividend-paying company is tax resident of a country with a headline tax rate of less than 15%.

5.3 Income Tax (Amendment) Act 2019

The Income Tax (Amendment) Act 2019 was published on 2 December 2019. The non-budget changes to the Act are as follows:

5.3.1 Introduction of section 14ZC to SITA – Presumptive tax deduction for individuals deriving commission income

This amendment introduces a prescribed deemed expense ratio for tax resident individuals who are self-employed commission agents (i.e. general commission agents, insurance agents, real estate agents, and remisiers) earning gross annual commission income of up to S\$50,000 in respect of which there are deductible outgoings or expenses. To ease tax compliance, these commission agents will be allowed to claim a tax deduction based on either:

- (i) a prescribed deemed expense ratio set at 25% of gross commission income; or
- (ii) the actual amount of expenses incurred in the production of their commission income.

This will be effective from YA 2020, i.e. in respect of income earned in 2019.

5.3.2 Introduction of section 105R and section 105S to SITA - Revocation of tax incentives awards when an incentive recipient fails to meet conditions of a tax incentive

This amendment clarifies that if an incentive recipient fails to meet the conditions of a tax incentive, the approving authority may revoke the incentive award, and the revocation will be effective from a date specified by the approving authority.

The amendment will take effect from 2 December 2019.

5.3.3 Enhancement of the Maritime Sector Incentive (“MSI”)

The following enhancement is made to MSI with effect from 12 December 2018:

- a) Expansion in scope of tax exemption under the MSI for ship operators to cover income from finance leases (“FLs”) of ships;



b) Introduction of an option for MSI recipients to irrevocably elect on a bundled basis to:

- (i) As lessees: not claim deduction and CA on expenditure incurred for leasing ships and containers;
- (ii) As sub-lessors: not make any reclassification to their sub-lease income for ships and containers, i.e. accept the accounting classification for the sublease for tax purposes.

The enhancements ensure that the MSI remains updated with developments of the industry's business models and alleviates the administrative burden arising from change in accounting standards for leases (i.e. Financial Reporting Standards for leases "FRS 116").

5.3.4 Clarification on the scope of leasing income under the Maritime Sector Incentive – Maritime Leasing ("MSI-ML") award

This amendment clarifies that income derived from the leasing of ships/containers by MSI-ML recipients, in respect of ships/containers leased (whether via operating leases ("OLs") or FLs) from an approved related party, will qualify for tax benefits under MSI-ML award. The amendments will take effect from 12 December 2018 to align with the effective date of the related enhancements of the MSI.

5.3.5 Extension of various tax exemption schemes

The following tax exemption schemes are extended for five years till 31 December 2024:

- Section 13Y tax exemption scheme for sovereign wealth funds;
- Section 13G tax exemption scheme for foreign trust;
- Section 13O tax exemption scheme for foreign account of philanthropic purpose trust;
- Section 13Q tax exemption scheme for locally administered trust.

5.3.6 Rental income not deemed to be derived from Singapore under section 12(7)(d)

This amendment treats certain rent or other payments for the use of any tangible movable property outside Singapore as not falling within the scope of income deemed to be derived from Singapore under section 12(7)(d). Consequentially, withholding tax would not apply to these payments made to non-resident persons. For example, this would include rent paid for cars used in the course of overseas business trips made by employees of businesses in Singapore.

The amendment will take effect from 2 December 2019.



5.3.7 Clarification withholding tax obligations for payments made to non-residents by the Government

The amendment clarifies that relevant payments to non-resident vendors of the Government are subject to the same withholding tax mechanism as similar payments to non-residents by non-Government payers.

The amendments will take effect from 2 December 2019.

5.3.8 Broadening of scope of the Business and IPC Partnership Scheme ("BIPS") under section 14ZB of the SITA

Under BIPS, businesses can claim a 250% tax deduction on basic wages and related expenses incurred when their employees volunteer or provide services to IPCs, subject to the IPCs' agreement. The SITA is amended to:

- a) Allow businesses to claim a tax deduction for wage expenditures of all employees, including part-time employees, when employees volunteer;
- b) Allow businesses the additional option to claim tax deductions for wage expenditures based on fixed hourly rates for general or skills-based volunteerism rather than the actual wage expenditure incurred when employees volunteer

The amendments will take effect from the YA 2020.

5.4 **TAX CASE - BZZ v. Comptroller of Income Tax [2019] SGHC 252**

In the above case, Singapore High Court upheld the Board of Review's decision in *GCC v The Comptroller of Income Tax [2019] SGITBR 1* on the non-applicability of Section 24 of SITA to the facts of case as the parties were not related parties.

When a buyer company takes over or buys fixed assets from a seller company under common control, both buyer and seller companies may "elect" a tax neutrality for the transfer of the assets under Section 24 of SITA. As a result, it is not necessary to calculate the balancing allowance or balancing charge for the seller.

In the given case, the High Court held that the parties with a mere 22.2% common shareholding at the most had "substantial influence" but not "control" for the purpose of Section 24 of SITA.

6. **PERSONAL INCOME TAX**

6.1 **Taxation of Income of Singaporeans from Overseas Employment**

On 6 August 2019, the IRAS announced that the administrative concession that allows Singaporeans to elect to be assessed as non-residents will lapse from YA 2021. As a result, every Singaporean working overseas who has travelled to Singapore on business will be subject to tax on income attributable to the employment periods in Singapore. Accordingly,



both Singaporeans working overseas and their employers will need to track all business trips to Singapore from calendar year 2020 onwards and complete the appropriate tax filing.

6.2 Taxable Car Benefit

To better reflect the prevailing costs of owning and maintaining a car, IRAS has reviewed the formula used for computing an employee's taxable car benefit. With effect from the YA 2020, the revised formula will be used to compute employees' taxable car, the details of which are given in the e-tax guide. Please refer to the link below:

https://www.iras.gov.sg/irashome/uploadedFiles/IRASHome/e-Tax_Guides/e-Tax%20Guide_car%20benefit%20formula_14%20Dec%202018.pdf

6.3 Accommodation Benefit

Until YA 2019, taxable value of housing benefit was based on Annual Value (AV) of the property after reducing any rent paid by the employee. The furniture and fittings were valued at 40% or 50% of the AV depending on whether the property is partially or fully furnished. From YA 2020, the taxable value of the accommodation will be computed based on the annual rent paid by the employer (for both accommodation and furniture) less total annual rent paid by the employee. Unrented furniture will continue to be valued at 40% or 50% of the AV depending on whether the property is partially or fully furnished.

6.4 Tax concession for employees in respect of contributions made by an investment holding company

The IRAS has made a retrospective amendment for allowing eligible not ordinarily resident (NOR) employees of an investment holding company to enjoy the tax concession on the contributions made by the employer to a non-mandatory overseas pension fund or social security scheme for YA 2015 to 2019, provided that their employers did not claim corporate tax deduction for such contributions.

7. GOODS AND SERVICE TAX

7.1 Taxing Business-to-Business (B2B) Services by way of Reverse Charge Mechanism

For a GST-registered business

From 1 Jan 2020, if the supplier is either:

- i. a GST-registered partially exempt business that is not entitled to full input tax credit;
or
- ii. a GST-registered charity or voluntary welfare organization that receives non-business receipts,



it will be required to account for GST on all services that are procured from overseas suppliers ("imported services") as if it were the supplier, except for certain services which are specifically excluded from the scope of reverse charge.

The GST-registered recipient would be allowed to claim the corresponding GST as its input tax, subject to the normal input tax recovery rules.

For a non-GST registered business

From 1 Jan 2020, if the total value of imported services for a 12-month period exceeds S\$1 million and the supplier would not be entitled to full input tax credit even if it were GST-registered, it may become liable for GST-registration under the new GST registration rules.

Once registered for GST, it will be required to account for GST on both its taxable supplies and imported services which are subject to a reverse charge.

For detailed guidance on reverse charge regime, IRAS has issued the following e-tax guide:

[https://www.iras.gov.sg/irashome/uploadedFiles/IRASHome/e-Tax_Guides/GST%20Taxing%20imported%20services%20by%20way%20of%20reverse%20charge%20\(2nd%20Edition\).pdf](https://www.iras.gov.sg/irashome/uploadedFiles/IRASHome/e-Tax_Guides/GST%20Taxing%20imported%20services%20by%20way%20of%20reverse%20charge%20(2nd%20Edition).pdf)

7.2 GST Guide for Business-to-Consumers (B2C) Services through overseas vendor registration regime

From 1 Jan 2020, GST is applicable to digital services purchased by consumers in Singapore from GST-registered overseas service providers. Digital services are automated services supplied over the Internet with minimal or no human interaction. This includes downloadable digital content, subscription-based media, software programs, electronic data management etc.

Under the overseas vendor registration regime, any supplier outside Singapore that has a global turnover exceeding S\$1 million and makes B2C supplies of digital services to customers in Singapore exceeding S\$100,000 is required to register, charge and account for GST.

Overseas Vendors should not charge GST on supplies of digital services made to GST-registered customers that have provided their GST registration numbers. Instead, where applicable, the GST-registered customers will perform a reverse charge on these overseas purchases if they fall within the scope of reverse charge.

To minimise extraterritorial compliance burden, the overseas suppliers and overseas electronic marketplace operators will be registered under a pay-only regime with simplified registration and reporting requirements. Under this regime, local rules relating to tax-invoicing and GST-inclusive price display requirements are also not be imposed.

For detailed guidance on overseas vendor registration regime, IRAS has issued the following e-tax guide:

https://www.iras.gov.sg/irashome/uploadedFiles/IRASHome/e-Tax_Guides/etaxguide_GST_Taxing%20imported%20services%20by%20way%20of%20an%20overseas%20vendor%20registration%20regime.pdf



7.3 GST Guide for e-Commerce

E-commerce refers to business transactions (sales and purchases) that are conducted electronically. The IRAS has clarified that the same GST rules apply for supplies of goods or services made in Singapore regardless of whether they are made via the Internet or an electronic network (including electronic marketplaces) or through traditional means. As such, if physical goods are supplied over the Internet or an electronic network, such supply attracts GST if the goods are delivered locally to the customers.

For detailed guidance on GST on e-commerce, IRAS has issued the following e-tax guide:

https://www.iras.gov.sg/irashome/uploadedFiles/IRASHome/e-Tax_Guides/GST%20Guide%20for%20E-Commerce.pdf

7.4 GST Guide on digital payment tokens

A digital payment token refers to any cryptographically-secured digital representation of value that is used or intended to be used as a medium of exchange, e.g. Bitcoins, Ether, Litecoin, Dash, Monero, Ripple and Zcash.

With effect from 1 Jan 2020, supplies of digital payment tokens will no longer be subject to GST. Specifically:

- (i) The use of digital payment tokens as payment for goods or services will no longer give rise to a supply of those tokens. That is, if digital payment tokens are used to pay for the purchase of goods or services, GST is not applicable.
- (ii) A supply of digital payment tokens in exchange for fiat currency or other digital payment tokens, and the provision of any loan, advance or credit of digital payment tokens will be exempt from GST. Therefore, the supply of such tokens, being an exempt supply, will not contribute to annual taxable turnover for the determination of GST registration liability.

For detailed guidance on GST on digital payment tokens, IRAS has issued the following e-tax guide:

https://www.iras.gov.sg/irashome/uploadedFiles/IRASHome/e-Tax_Guides/e-Tax%20Guide_GST_Digital%20Payment%20Tokens.pdf

7.5 GST Guide on Advance Ruling System

To provide greater clarity and certainty to taxpayers, the Comptroller of GST (CGST) operates an advance ruling system. The system provides a written interpretation on how specific provisions of the GST Act apply to a particular business arrangement or a specific transaction.



The IRAS will publish summaries of advance rulings that taxpayers apply for on or after 1 May 2019 to enhance taxpayers' understanding of the IRAS' interpretation and application of tax laws in specific scenarios.

For detailed guidance on Advance Ruling System please refer to the following e-tax guide:

[https://www.iras.gov.sg/irashome/uploadedFiles/IRASHome/e-Tax Guides/etaxguide GST Advance%20Ruling%20System%20\(Sixth%20Edition\).pdf](https://www.iras.gov.sg/irashome/uploadedFiles/IRASHome/e-Tax%20Guides/etaxguide%20GST%20Advance%20Ruling%20System%20(Sixth%20Edition).pdf)

8. INFORMATION SHARING

8.1 Foreign Account Tax Compliance Act (FATCA) updates

- IRAS issued a Supplementary XML Schema User Guide on 30 September 2019 for preparing the FATCA Reporting Data File (effective from 1 April 2020)
- From 1 April 2020, IRAS will no longer accept FATCA returns submitted through the International Data Exchange System (IDES).
- Singaporean Financial Institutions ("Reporting SGFIs") must provide IRAS with their FATCA registration information via the "Apply for CRS Registration" e-Service. Reporting SGFIs that do not provide their FATCA registration information will be unable to file their FATCA returns via myTax Portal.

8.2 Common Reporting Standard (CRS)

CRS is an internationally agreed standard for the automatic exchange of financial account information between jurisdictions for tax purposes to better combat tax evasion and ensure tax compliance.

On 23 July 2019, the IRAS published the first edition of CRS Compliance Guidelines and the IRAS e-Tax Guide to assist Reporting SGFIs in complying with the CRS requirements in Singapore.

The e-Tax Guide, read with IRAS-issued CRS FAQs and other guidance on the IRAS website, helps SGFIs understand the CRS framework and their CRS compliance obligations.

The Compliance Guidelines explains how Reporting SGFIs should incorporate a set of internal controls to manage their CRS regulatory risks in Singapore. To achieve this, IRAS has established 23 hallmarks or desired outcomes that Reporting SGFIs should achieve to demonstrate the sufficiency and robustness of the Reporting SGFI's operating environment, how it fulfils its CRS due diligence obligations and the manner in which the Reporting SGFI fulfils its CRS reporting obligations. To assist Reporting SGFIs in meeting the hallmarks or desired outcomes, IRAS has designed a self-review toolkit containing recommended internal controls that a Reporting SGFI may implement.



Further updates in 2020

On 11 February 2020, IRAS published an updated List of Reportable Jurisdictions for 2019. Newly added jurisdictions include the Cook Islands, Cyprus and Mauritius. Reporting Singapore Financial Institutions (“FIs”) must report information related to the Common Reporting Standard (“CRS”) for the new jurisdictions by 31 May 2020.

In addition, on 12 February 2020, IRAS announced an updated List of Participating Jurisdictions under CRS. Newly added jurisdictions include Ecuador.



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