



# Singapore tax landscape: Key developments in Year 2022

## INTRODUCTION<sup>1</sup>

While global growth and inflation dynamics have worsened over recent months, the Singapore economy expanded modestly in Q3 2022, supported in part by industries which continued to benefit from the reopening of borders. Singapore's GDP growth is estimated to be around 3–4% in 2022.<sup>2</sup>

Compared to trade-driven growth in 2021, there has been a rebalancing of growth drivers this year with broad-based contributions from the trade-related, modern services, domestic-oriented and travel-related clusters. Recovery in the travel-related and consumer-facing sectors may continue in the near term, but their growth momentum could ease as pent-up demand from economic reopening dissipates.

The near-complete removal of border restrictions in April allowed firms to ramp up hiring of non-resident workers, especially in the construction sector. Meanwhile, resident employment also expanded resulting in a drop of the resident unemployment rate to 2.8% in June 2022. Ongoing recovery in tourism and business-related travel, along with resilient domestic consumption, should support employment growth in the domestic-oriented and travel-related sectors.

On the tax front, the Budget continues the motto of Singapore's stable economic policy by extending the sunset dates of various exemptions applicable to the financial services sector, infrastructure sectors and in general. This publication highlights summaries of the major tax developments over the past year, which may be of interest to businesses and investors operating in Singapore. While the key Budget highlights were captured in our earlier publication<sup>3</sup>, the key non-budget changes to the Singapore Income Tax Act ('SITA') are highlighted hereunder:

## KEY NON-BUDGET CHANGES TO SITA IN 2022

### 1. Tax Incentive Schemes for the Fund (Section 130/ 13U of SITA)

MAS has issued certain clarifications relating to Tax Incentive Schemes for the Funds under Section 130 and Section 13U of SITA including application criteria and process for Family Offices.

<sup>1</sup> This article is contributed by Mahip Gupta (Partner, Dhruva Advisors), Niti Agarwal (Principal, Dhruva Advisors) and Pallavi Gudka (Manager, Dhruva Advisors)

<sup>2</sup> Macroeconomic Review Volume XXI Issue 2, Oct 2022 published by Monetary Authority of Singapore on October 27, 2022. <https://www.mas.gov.sg/-/media/mas/epg/mr/2022/oct/mroct22.pdf>

<sup>3</sup> [News-Alert-Singapore-Budget-2022.pdf \(dhruvaadvisors.sg\)](#)



Some of the other significant amendments introduced in the Act are as under:

- **Clarificatory amendment for Section 13U of SITA**

In the context of enhanced tier funds approved as a collective structure (“approved structure”), it has been clarified that the requirement for a special purpose vehicle (“SPV”) to be wholly owned by the master fund in an approved structure has been waived, insofar as co-investments are via foreign investors or Qualifying Funds. Correspondingly, subject to the other relevant conditions under the enhanced tier fund scheme, qualifying income of the eligible SPV arising from the funds of foreign investors and Qualifying Funds (in addition to the funds of a master fund or any feeder funds) will be exempted from tax.

- **Specified Income from Designated Investments**

The Designated Investments list was updated to include physical investment precious metals (with specified condition) and non-publicly traded partnership which invests wholly in designated investments. The Specified Income arising from the updated list of the Designated Investments will now be eligible for tax incentive schemes for the Fund subject to compliance with other conditions as may be applicable.

2. Section 13(12A) of SITA was amended to extend the exemption from tax in respect of foreign sourced income received in Singapore by:
  - A trustee of sub-trust wherein all rights or interest in property of sub-trust are held by trustee of the S-REIT for the benefit of S-REIT beneficiaries; or
  - A Singapore incorporated company the share capital of which is wholly owned indirectly by trustees of S-REIT.
3. Section 34A and 34AA of SITA amended to clarify that interest income derived from loans of capital nature should be charged to tax based on contractual interest, which does not include any capital expenses, instead of effective interest rates.
4. Amendment made to extend the application of section 37A adjustment factor<sup>4</sup> to a “body of persons” deriving qualifying income from qualifying debt securities (‘QDS’). QDS is the only incentive that accords concessionary tax rate to the body of persons.
5. Section 45I of SITA amended to extend the withholding tax (‘WHT’) Exemption treatment to varied contract where variation takes effect on or after the date the Amendment Act is published in the Gazette to the end of the relevant period for the various WHT exemption.
6. Section 63, 68 and 71 of SITA have been amended to expressly provide powers to Controller of Income Tax (‘CIT’) to extend due dates for filing of estimate chargeable income, partnership incomes and employee income returns.

---

<sup>4</sup> An adjustment factor is applied when a company offsets its unabsorbed capital allowances, losses and donations in respect of income that is subject to tax at one rate against income that are subject to tax at a different rate, whether within the same or across different Years of Assessment.



7. Definition of “local employee” amended under section 37O of the SITA to recognize central hiring and secondment arrangements under the Mergers and Acquisitions Scheme.
8. Section 105M(2) of SITA amended to grant the CIT the power to compound offences under section 105M(1B) of SITA with those covered under section 105M(1) of SITA to extend the penalties accorded to certain Automatic Exchange of Information offences.
9. Part 18 (Appeals) of SITA amended to streamline provisions on the Board of Review (‘BOR’) and empower BOR Chairpersons with discretion to convene a one-member coram, instead of the default three-member coram, for greater efficiency in managing BOR cases.

## OTHER KEY INCOME TAX DEVELOPMENTS AND UPDATES OF 2022

### 1. Goods and Service Tax (‘GST’) Updates

- a. Change in GST rates - Singapore’s GST will be revised from 7% to 8% w.e.f. 1 January 2023. Considering the change in rate w.e.f 1 January 2023, any unpaid invoices (in full or in part) issued prior to the GST Effective Date, where billed services span across and beyond 1 January 2023, will be subject to the revised GST rate of 8%. Hence, a credit note (at current GST rate of 7%) must be issued for any unpaid balance on services on and from 1 January 2023 along with a fresh invoice for these services with the revised GST rate of 8%.
- b. GST on imports of low-value goods and Business-to-Consumer (‘B2C’) imported non-digital services

*With effect from 1 January 2023, GST will be extended to:*

- (a) Goods imported via air or post that are valued up to (and including) the current GST import relief threshold of S\$400; and
- (b) B2C imported non-digital services, through Overseas Vendor Registration (‘OVR’) regime.

#### **Reverse Charge (RC) for Business-to-Business (‘B2B’) import of low-value goods**

For GST-registered business - From 1 January 2023, a GST-registered business which is subject to RC should perform reverse charge on low-value goods. The requirement to perform reverse charge applies to all low-value goods and includes low-value goods purchased from local and overseas suppliers, electronic marketplace operators and redeliverers, regardless of whether they are GST-registered or not.

For non-GST registered business - From 1 January 2023, if the total value of imported services and low-value goods for a 12-month period exceeds S\$1 million, and the business would not be entitled to full input tax credit even if the business were GST-registered, it may become liable for GST-registration under the new GST registration rules.

#### **OVR for B2C imported non-digital services**

From 1 January 2023, GST will be extended to B2C imported non-digital services, through the Overseas Vendor Registration regime.



- c. GST on Carbon Credits – Issuance, transfer or sale of any carbon credit (or any digital representation of carbon credit), including those issued by the National Environment Agency, is treated as neither a supply of goods nor a supply of services i.e. an excluded transaction. As such, GST is not chargeable on the consideration received for the issuance, transfer or sale w.e.f. from 23 November 2022. Similarly, carbon credits purchased from overseas exchanges or suppliers fall outside the scope of imported services and are not subject to GST. Previously, the issuance of carbon credits by the NEA (including the crediting of any carbon credit by the NEA into any registry account under the Carbon Pricing Act 2018) was an excluded transaction for which GST was not chargeable. However, the issuance, transfer or sale of any other carbon credit (or any digital representation of the carbon credit) in return for a consideration was treated as taxable supply of services. The supply was considered standard-rated (i.e. GST of 7% applied) if made to a local person, or zero-rated under section 21(3)(j) of the GST Act if made to an overseas person belonging outside Singapore. Similarly, carbon credits purchased from overseas exchanges or suppliers was considered within the scope of imported digital services, which could be subject to GST under the reverse charge or overseas vendor registration regime.
- d. Enhanced administrative concession for qualifying funds (including standalone VCCs and sub-funds of umbrella VCCs)  
Where a fund cannot meet the conditions of the specific income tax concession at the end of the first year of the grant of income tax concession as it is unable to meet the minimum spending requirement, but the fund is able to meet the conditions at the end of the second year, the fund can claim the GST incurred in the second year. However, the GST remission can only be claimed after the fund has established that it meets the conditions of the income tax concession at the end of the second year. The GST incurred in the first year remains not claimable.
- e. Appeal by the Comptroller of GST with the Singapore High Court against the GST Board of Review's decision in the case of GDY v Comptroller of GST [2021] SGGST 1  
The Hon'ble High Court dismissed the Comptroller's appeal and upheld the Board's decision on 18 March 2022. The decision of the High Court supports the taxpayer's views that zero-rating may still apply to the export of goods in certain situations. This applies even if the taxpayer has not maintained all the documents listed in the e-tax guide on exports.

## **2. Transfer Pricing Updates - Indicative Margins for Related Party Loans**

From 2022, IRAS no longer publishes indicative margins for base reference rates that are Interbank Offered Rates ('IBORs'). With the transition of IBORs to Risk-Free Rates ('RFRs'), IRAS has enhanced the methodology to derive indicative margins for base reference rates that are RFRs, like Singapore Overnight Rate Average ("SORA"), Secured Overnight Financing Rate ("SOFR"), Sterling Overnight Index Average ("SONIA"), etc.

The indicative margin for the related party loans obtained or provided during 2022 is 1.8%. Thus, for e.g. where a taxpayer provides a floating rate loan of S\$10 million to its related party on 1 Mar 2022



and decides to adopt 3-Month SORA as the base reference rate for the related party loan, then the interest rate for the related party loan is 1.80% plus the 3-Month SORA rate.

### **3. Advance rulings**

Additional matters on which advance rulings have been issued in 2022 include income tax treatment on sale of investment for approved company, taxation on digital tokens, characterization of securities, deferred distributions by unitholders, tax treatment of liquidation proceeds etc.

### **4. International tax updates**

- a. Singapore and Greece have entered tax treaty on 14 March 2022 and the treaty would be effective from 1 January 2023.
- b. A summary of the effective dates on which the MLI changes to various Double Tax Avoidance Agreements (DTAs) of Singapore come into force are as follows:
  1. Seychelles –1 April 2022
  2. Bahrain –1 June 2022
  3. Spain – 1 July 2022
  4. Thailand – 1 July 2022
  5. China – 1 September 2022
  6. Japan –10 June 2022 (Arbitration Clause)



## DHRUVA SERVICES IN SINGAPORE





## ADDRESSES

### Singapore

Dhruva Advisors (Singapore) Pte. Ltd.  
20 Collyer Quay, #11-05  
Singapore 049319  
Tel: +65 9105 3645

### Mumbai

1101, One World Center, 11th floor,  
Tower 2B, 841 Senapati Bapat Marg,  
Elphinstone Road (West),  
Mumbai 400 013  
Tel: +91 22 6108 1000 / 1900

### Ahmedabad

B3, 3rd Floor, Safal Profitaire,  
Near Auda Garden,  
Pralhadnagar, Corporate Road,  
Ahmedabad - 380 015  
Tel: +91-79-6134 3434

### Bengaluru

Prestige Terraces, 2nd Floor  
Union Street, Infantry Road,  
Bengaluru 560 001  
Tel: +91-80-4660 2500

### Delhi / NCR

101 & 102, 1st Floor, Tower 4B  
DLF Corporate Park  
M G Road, Gurgaon  
Haryana - 122 002  
Tel: +91-124-668 7000

### Pune

305, Pride Gateway,  
Near D-Mart, Baner,  
Pune - 411 045  
Tel: +91-20-6730 1000

### Kolkata

4th Floor, Unit No 403, Camac Square,  
24 Camac Street, Kolkata,  
West Bengal – 700016  
Tel: +91-33-66371000

### Dubai

WTS Dhruva Consultants  
Emaar Square Building 4, 2nd Floor,  
Office 207, Downtown,  
P.O. Box 127165  
Dubai, UAE  
Tel: +971 4 240 8477

## CONTACTS

### Dinesh Kanabar

Chief Executive Officer  
dinesh.kanabar@dhruvaadvisors.com

### Mahip Gupta (Singapore)

mahip.gupta@dhruvaadvisors.com

### Punit Shah (Mumbai)

punit.shah@dhruvaadvisors.com

### Mehul Bheda (Ahmedabad)

mehul.bheda@dhruvaadvisors.com

### Ajay Rotti (Bengaluru)

ajay.rotti@dhruvaadvisors.com

### Vaibhav Gupta (Delhi/NCR)

vaibhav.gupta@dhruvaadvisors.com

### K. Venkatachalam (Pune)

k.venkatachalam@dhruvaadvisors.com

### Aditya Hans (Kolkata)

aditya.hans@dhruvaadvisors.com

### Nimish Goel (Dubai)

nimish.goel@dhruvaadvisors.com

### Disclaimer:

This information contained herein is in summary form and is therefore intended for general guidance only. This publication is not intended to address the circumstances of any particular individual or entity. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation. This publication is not a substitute for detailed research and opinion. Before acting on any matters contained herein, reference should be made to subject matter experts and professional judgment needs to be exercised. Dhruva Advisors (Singapore) Pte. Ltd. cannot accept any responsibility for loss occasioned to any person acting or refraining from action as a result of any material in this publication