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**SINGAPORE BUDGET 2018**

The Minister for Finance, Mr. Heng Swee Keat, presented his Budget speech in Parliament on 19 February 2018.

The following is the overview of relevant tax changes for individual and businesses:

**1. TAX CHANGES FOR INDIVIDUALS & BUSINESSES**

**APPROVED DONATIONS**

**Current**

250% tax deduction for qualifying donations made on or before 31 December 2018.

**Proposed**

Extend the 250% tax deduction for qualifying donations to donations made on or before 31 December 2021.

**2. TAX CHANGES FOR BUSINESSES**

**i) Corporate Income Tax (“CIT”) REBATE**

**Current**

Companies enjoy CIT Rebate of 20% on tax payable for Year of Assessment (“YA”) 2018, capped at \$10,000.

**Proposed**

YA2018 - The CIT Rebate will be enhanced to 40% of tax payable, capped at \$15,000.

YA2019 - The CIT Rebate will be extended to YA2019, at a rate of 20% of tax payable and capped at \$10,000.



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ii) **RESEARCH AND DEVELOPMENT (“R&D”)**

**Current**

Tax deduction of 150% for staff costs and consumables incurred on qualifying R&D projects performed in Singapore.

**Proposed**

Tax deduction enhanced to 250% for staff costs and consumables incurred on qualifying R&D projects performed in Singapore from YA2019 to YA2025.

iii) **INTELLECTUAL PROPERTY (“IP”)**

**Current**

Tax deduction of 100% for the qualifying IP registration costs incurred for each YA up to YA2020.

**Proposed**

Tax deduction enhanced to 200% for the first \$100,000 of the qualifying IP registration costs incurred for each YA from YA2019 to YA2025. 100% tax deduction will continue to be allowable on qualifying IP registration costs incurred in excess of \$100,000 for each YA from YA2019 to YA2025.

iv) **INTELLECTUAL PROPERTY (“IP”) IN-LICENSING**

**Current**

Tax deduction of 100% for the qualifying IP in-licencing costs incurred.

**Proposed**

Tax deduction enhanced to 200% for the first \$100,000 of qualifying IP in-licencing costs incurred for each YA from YA2019 to YA2025. 100% tax deduction will continue to be allowable on qualifying IP in-licencing costs incurred in excess of \$100,000 for each YA.



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v) **DOUBLE TAX DEDUCTION FOR INTERNATIONALISATION (“DTDi”) SCHEME**

**Current**

Businesses may claim double tax deduction on qualifying expenses (e.g. airfare, hotel accommodation & meals, stand rental and etc) incurred from 1 April 2012 to 31 March 2020 in four qualifying activities up to \$100,000 per YA without prior approval from International Enterprise (“IE”) Singapore or Singapore Tourism Board (“STB”).

The four qualifying activities are as follows:

- a. Overseas business development trips/ missions;
- b. Overseas investment study trips/ missions;
- c. Participation in overseas trade fairs; and
- d. Participation in approved local trade fairs.

Businesses can apply to the IE Singapore or STB on qualifying expenses exceeding \$100,000 or on expenses incurred on other qualifying activities.

**Proposed**

The cap on expenses that qualify for DTDi without prior approval, has been raised to \$150,000 per YA. Businesses can continue to apply to the IE Singapore or STB on qualifying expenses exceeding \$150,000 from YA 2019 to 31 March 2020 or on expenses incurred on other qualifying activities.

IE and STB will release further details of the change by April 2018.

vi) **START-UP TAX EXEMPTION (“SUTE”) SCHEME**

**Current**

The tax exemption scheme for qualifying newly incorporated companies for their first 3 consecutive YAs are as follows:

- a) 100% exemption on the first \$100,000 of chargeable Income
- b) 50% exemption on the next \$200,000 of chargeable income



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**Proposed (with effect from YA2020)**

- a) 75% exemption on the first \$100,000 of chargeable Income
- b) 50% exemption on the next \$100,000 of chargeable income

vii) **PARTIAL TAX EXEMPTION (“PTE”) SCHEME**

**Current**

- a) 75% exemption on the first \$10,000 of chargeable Income
- b) 50% exemption on the next \$290,000 of chargeable income

**Proposed (with effect from YA2020)**

- a) 75% exemption on the first \$10,000 of chargeable Income
- b) 50% exemption on the next \$190,000 of chargeable income

viii) **BUSINESS AND IPC PARTNERSHIP SCHEME (“BIPS”) SCHEME**

**Current**

The scheme was introduced in Budget 2016 to encourage employee volunteerism through business. Subject to conditions, a business can enjoy tax deduction of 250% on qualifying expenditure incurred when they send their qualifying employees to volunteer and provide services to Institutions of a Public Character, including secondments. This is available from 1 July 2016 to 31 December 2018.

**Proposed**

BIPS is extended for another three years to 31 December 2021.

**3. GOODS AND SERVICES TAX (“GST”)**

**Current**

No GST was imposed on imported services provided by overseas suppliers.

**Proposed**

GST will be imposed on imported services by way of Reverse Charge Regime (Business-to-Business supplies) or Overseas Vendor Registration Regime (Business-to-Consumer supplies) from 1 January 2020.

Inland Revenue Authority of Singapore will release further details by February 2018.



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#### 4. BUYER'S STAMP DUTY ("BSD") ON RESIDENTIAL PROPERTIES

##### **Current**

BSD rates on purchase of residential properties:-

Rates	Tiers
1%	First \$180,000
2%	Next \$180,000
3%	Amount exceeding \$360,000

##### **Proposed**

The top marginal BSD rate will be raised from 3% to 4% and applied on the value of residential property in excess of \$1 million for all residential properties acquired on or after 20 February 2018.

Rates	Tiers
1%	First \$180,000
2%	Next \$180,000
3%	Next \$640,000
4%	Amount exceeding \$1,000,000

**Important Note:**

As the Budget proposals are yet to be legislated, this commentary should be used only as a guide. This commentary is prepared for clients and staff of MHC Tax Services Pte. Ltd. It is not intended to be comprehensive. Whilst every effort has been made to ensure the accuracy of information contained in the commentary, no responsibility can be accepted for any errors or omissions. Readers are advised that the contents of this article should not be relied on or acted upon without professional advice. No liability can be accepted for any action taken as a result of reading this article without prior consultation with regard to all relevant factors.