Income Tax (Amendment) Bill

Bill No. /2017.

Read the first time on   2017.

EXPLANATORY STATEMENT

This Bill seeks to implement the tax changes in the Government's 2017 Budget Statement in the Income Tax Act (Cap. 134) (the Act) and to make certain other amendments to the Act, and to make a consequential amendment to the Economic Expansion Incentives (Relief from Income Tax) Act (Cap. 86).

Clause 1 relates to the short title and commencement.

Clauses 2 and 3 amend sections 8 (Service and signature of notices) and 8A (Electronic service), respectively, to enable notices of the Comptroller to be served through the electronic service if such service is permitted by regulations made under the amended section 8A. Currently, electronic service is permitted only with the consent of the person to be served.

Clause 3 further amends section 8A to enable regulations to be made to provide for matters relating to the service by the Comptroller on a person of any notice through the electronic service. In particular, the amendments to section 8A permit regulations to be made to provide for an "opt out" scheme for such service under which a person who is notified by the Comptroller that any document will be served on the person through the electronic service will be so served unless the person notifies the Comptroller that the person does not wish to be so served.

Clause 4 amends section 10C (Excess provident fund contributions, etc., deemed to be income) to increase the maximum amount of an employer's contribution to an employee's medisave account that is not treated as income of the employee, from $1,500 to $2,730 per employer per year beginning with 2018.

Clause 5 makes consequential amendments to section 10F (Ascertainment of income from certain public-private partnership arrangements) as a result of the replacement of Financial Reporting Standard 11 (Construction Contracts) ("FRS 11") with Financial Reporting Standard 115 (Revenue from Contracts with Customers ("FRS 115"). Currently, a person providing FRS 11 construction or upgrade services to the Government or an approved statutory body under a public-private partnership arrangement to which the financial reporting standard known as the Interpretation of Financial Reporting Standard 112 (Service Concession Arrangements) ("INT FRS 112") applies, has a right to elect for any amount that is treated as income from such services under INT FRS 112, to be treated as having been derived in the basis period in which those services are completed. The amendment to section 10F extends this treatment to FRS 115 construction or upgrade services.

Clause 6 amends section 13 (Exempt income) to increase the maximum amount of voluntary cash contribution by a prescribed person to the medisave account of a self-employed individual that may be exempt from tax, from $1,500 to $2,730 per prescribed person per year beginning with 2018.

The clause also amends subsections (1)(*b*), (2C) and (2D) as well as the definition of "qualifying project debt securities" in subsection (16) of section 13 (Exempt income), to extend to 31 December 2022 the period in which income derived from qualifying project debt securities is exempt from tax.

The clause further amends subsection (1)(*zj*) of section 13 to exempt from tax income from any structured product offered by a financial institution that is derived from Singapore by a non-resident, non-individual person if —

(*a*) the contract for the structured product takes effect on or before 31 March 2021 (currently on or before 31 March 2017); or

(*b*) the renewal or extension of the contract commences before 1 April 2021 (currently before 1 April 2017).

Finally, the clause amends subsection (1)(*zr*) of section 13 to replace the term "National Service Recognition Award" with "National Service Housing, Medical and Education Awards". The latter has replaced the former Award.

Clause 7 amends the definition of "ship management services" in section 13A (Exemption of shipping profits) for greater accuracy. The term is used in that section and section 13F for the purposes of exempting income derived between 22 February 2010 and 23 February 2015 by a shipping enterprise and international shipping enterprise from providing ship management services to certain entities.

Clause 8 amends section 13W (Exemption of relevant income of eligible family-owned investment holding company) to provide that the exemption under that section ceases to apply with effect from the year of assessment 2024.

Clause 9 amends the rule in section 13Z (Exemption of gains or profits from disposal of ordinary shares) that, where gains or profits from the disposal of ordinary shares are exempt from tax under that section, then any profit recognised under various financial reporting standards that are attributable to those shares and charged to tax in an earlier year of assessment, is an expense allowable to the divesting company for the year of assessment of the basis period in which the shares are disposed. The amendment extends the rule to a profit recognised under the financial reporting standard known as Financial Reporting Standard 109 (Financial Instruments).

Clause 10 amends section 14 (Deductions allowed) —

(*a*) to increase the maximum deduction allowable to an employer for the employer's contribution to an employee's medisave account from $1,500 to $2,730 per employee per year beginning with 2018; and

(*b*) to increase the maximum deduction allowable to a prescribed person for the person's voluntary contribution to the medisave account of a self-employed individual, from $1,500 to $2,730 per individual per year beginning with 2018.

Clause 11 amends section 14D (Expenditure on research and development) by inserting new paragraph (*g*) to subsection (1). The new paragraph provides that, beginning from the year of assessment 2018, payments made under an agreement between parties to share the expenditure of research and development activities (a "cost-sharing agreement") need not be related to the taxpayer's trade or business, and need not be undertaken in Singapore if unrelated to the taxpayer's trade or business, to be deductible.

Clause 12 amends section 14DA (Enhanced deduction for qualifying expenditure on research and development) to amend the types of expenditure pursuant to a cost-sharing agreement for which enhanced deductions under that section may be given. Currently, certain amounts of payments made under a cost-sharing agreement for a local research and development, or for that part of any research and development undertaken in Singapore (collectively called "Singapore R and D"), are eligible for the enhanced deductions. Beginning from the year of assessment 2018, these payments will not automatically be eligible for the enhanced deductions. Instead, where a taxpayer makes a payment under a cost-sharing agreement in a basis period, only the following amounts which a party to the agreement has agreed to bear, are eligible for the enhanced deduction under subsections (1) and (2):

(*a*) qualifying expenditure incurred by the taxpayer in undertaking Singapore R and D in respect of the cost-sharing agreement; and

(*b*) a specified amount of payments made by the taxpayer in respect of the cost-sharing agreement to a research and development organisation for undertaking Singapore R and D.

Further, the enhanced deduction under subsection (2) to be allowed for the year of assessment 2018, for payments under a cost-sharing agreement for a foreign research and development, or for that part of the research and development undertaken in a foreign country, is subject to a maximum amount. The maximum amount is the difference between the total deduction allowed to the taxpayer under the new section 14D(1)(*g*) for payments under the same agreement, and the sum of the amounts mentioned in paragraph (*a*) and (*b*) above in relation to the same agreement.

The amendments are illustrated in the following example.

Taxpayer (*A*) is a party to a cost-sharing agreement for research and development partly undertaken by *A* in Singapore, and partly undertaken overseas. *A* is required to pay $100,000 under the agreement, of which $70,000 is expenditure on staff costs and consumables for the foreign research and development.

If the total sum of the expenditure on staff costs and expenditure incurred by *A* in undertaking the part of the research and development in Singapore is $120,000 (which is reimbursed under the cost-sharing agreement), the following amounts are eligible for the enhanced deduction under section 14DA(1) and (2) :

Section 14DA(1)	$100,000[*] x 50%, or $50,000
Section 14DA(2)	($100,000[*] x 250%) + [$70,000 subject to a cap of ($100,000[**] – $100,000[*])] x 300%, or $250,000

* The sum of $120,000 is subject to a cap, being the sum *A* is allowed a deduction under the new section 14D(1)(*g*), or $100,000.

** This is the sum *A* is allowed a deduction under the new section 14D(1)(*g*).

If the total sum of the expenditure on staff costs and expenditure incurred by *A* in undertaking the part of the research and development in Singapore is $60,000 and this is reimbursed under the cost-sharing agreement, the following amounts are eligible for the enhanced deduction under section 14DA(1) and (2) :

Section 14DA(1)	$60,000 x 50%, or $30,000
Section 14DA(2)	($60,000 x 250%) + [$70,000 subject to a cap of ($100,000[1] – $60,000)] x 300%, or $270,000

The above example is based on the assumption that the expenditure and payments qualifying for the enhanced deduction under section 14DA(2) do not exceed the amount in section 14DA(4)(*h*).

Clause 13 amends section 14I (Provisions by banks and qualifying finance companies for doubtful debts and diminution in value of investments) to provide for a case where a loan is transferred by a bank or qualifying finance company to another bank or qualifying finance company, along with a provision made for the loan for which a deduction has been allowed to the transferor under the section. If both transferor and transferee are in the lending business, then the deduction is treated as having been allowed to the transferee. If only one or none of them is in the lending business, then the provision is treated as a trading receipt of the transferor.

Clause 14 amends section 15 (Deductions not allowed) to provide that the prohibition on deduction of various types of expenses under that section does not apply to a deduction made under section 14D for the year of assessment 2018 onwards, for payments made under a cost-sharing agreement for research and development undertaken for the taxpayer or on the taxpayer’s behalf. The prohibition however continues to apply for the purposes of a deduction under section 14DA.

Clause 15 amends subsection (6) of section 19A (Allowances of 3 years or 2 years write off for machinery and plant, and 100% write off for computer, prescribed automation equipment and robot, etc.) to provide that the capital allowance for the provision of any certified energy-efficient equipment that replaces any other equipment, or of any certified energy-saving equipment, can no longer be fully deducted in a single year of assessment, if the equipment is installed after 31 December 2017.

Clause 16 amends section 22 (Expenditure on machinery or plant) to provide that any reference to capital expenditure on the provision of machinery or plant excludes option premium that is paid on an option agreement entered into for hedging against the cost of acquiring the machinery or plant.

Clause 17 amends section 26 (Profits of insurers) to provide for the following in determining the taxable income of an insurer:

(*a*) in a case where the insurer is a general insurer, the net increase or net decrease between the opening value and ending value in the basis period of its policy liabilities is to be deducted from or added to its gross income (as the case may be). Currently, the unexpired risk reserve of the insurer at the end of the basis period is to be deducted from its gross income, and its unexpired risk reserve at the beginning of the period is to be added to its gross income;

(*b*) in a case where insurance business is transferred by an insurer (whether a general or a life insurer) during the basis period, the value of its policy liabilities as at the end of the basis period must include its liabilities before the transfer under those policies that form part of the business being transferred;

(*c*) in a case where insurance business is transferred to an insurer (whether a general or life insurer) during the basis period, the value of its policy liabilities as at the beginning of the basis period must include the liabilities of the transferor before the transfer under those policies that form part of the business being transferred;

(*d*) to make various changes that are consequential on amendments made to section 43C (Exemption and concessionary rate of tax for insurance and reinsurance business);

(*e*) to include a definition for “life insurance fund” used in the section; and

(*f*) to make an amendment that is consequential on the insertion of the new section 34AA.

Clause 18 makes an amendment to the heading of section 34A (Adjustment on change of basis of computing profits of financial instruments) that is consequential on the insertion of the new section 34AA.

Clause 19 inserts a new section 34AA which provides for changes to the basis of computing profits, losses or expenses in respect of financial instruments, arising from the adoption of the financial reporting standard known as Financial Reporting Standard 109 (Financial Instruments) ("FRS 109").

Subsection (1) provides that, with certain exceptions, any amount charged to tax or allowable as a deduction in respect of any financial instrument of a qualifying person is that which, in accordance with FRS 109, is recognised in determining the profit or loss or expense in respect of that financial instrument.

The following are the qualifying persons:

(*a*) in the case of the year of assessment of a basis period beginning on or after 1 January 2018 (which is the operative date of FRS 109), all persons required to prepare financial accounts in accordance with FRS 109;

(*b*) in the case of the year of assessment of an earlier basis period, any person mentioned in paragraph (*a*) who chooses to prepare financial accounts in accordance with FRS 109;

(*c*) In any case, any person who applies to the Comptroller to be subject to the new section.

Subsection (3) provides for certain exceptions to subsection (1), including —

(*a*) a different treatment for interest derived from a negotiable certificate of deposit, and gains or profits from the sale of such instrument;

(*b*) a different basis of computing certain interest from debt securities;

(*c*) the disregarding of any amount of profit or expense in respect of interest-free loans;

(*d*) the disregarding of any amount of profit or loss in respect of hedging instruments acquired under a bona fide commercial arrangement for the sole purpose of hedging against any risk, where the underlying asset or liability is employed or intended to be employed as capital;

(*e*) the disregarding of expected credit losses (recognised under FRS 109) of financial instruments that are not credit-impaired; and

(*f*) providing for the application of section 14I for a period prescribed by regulations, to —

(i) provisions made for expected credit losses recognised under FRS 109 in respect of loans which are not credit-impaired; or

(ii) allowances for loans, as required by the Monetary Authority of Singapore.

The new section further provides for a case where a gain relating to a financial instrument and recognised under FRS 109 was not taxed because it was treated as capital in nature, and a loss or expense relating to a financial instrument and recognised under FRS 109 was allowed as a deduction because it was treated as revenue in nature. If the gain is later discovered to be revenue in nature or the loss or expense discovered to be capital in nature, then the gain, loss or expense is treated as income for the year of assessment of the basis period in which the discovery takes place. This rule is necessary because unrealised gains, losses or expenses may be recognised under FRS 109, before their true nature becomes known.

Finally, the section enables regulations to be made for various transitional matters, including regulations to treat as the income of a person an amount of profit recognised under FRS 109 as the person's profit before the person becomes a qualifying person, and allowing a deduction to a person for an amount of expense or loss recognised under FRS 109 as the person's expense or loss before the person becomes a qualifying person. Such regulations may be made e.g. to deal with the "transitional" gains, losses or expenses for financial instruments of persons who had previously elected not to be subject to the tax treatment under section 34A, but who then become subject to section 34AA.

Clause 20 amends section 34D (Transactions not at arm's length) to clarify its application to transfer pricing between related parties. In particular —

(*a*) it clarifies the meaning of arm's length conditions. These are conditions which would be made or imposed if the parties were not related parties dealing independently with one another in comparable circumstances;

(*b*) it provides for how the arm's length conditions are to be identified. These are to be identified on the basis of the actual commercial or financial relations between the parties. However, if non-related parties in comparable circumstances would have entered into substantially different relations, then the identification must be done on the basis of the latter. Further, if non-related parties in comparable circumstances would not have entered into any commercial or financial relations, then the identification must be done on the basis of the absence of any such relations;

(*c*) it clarifies the tax advantage obtained as a result of not imposing arm's length conditions for which the Comptroller may make an adjustment. These could be a lesser amount of income, a greater amount of deduction or allowance, or a greater amount of loss;

(*d*) it clarifies the type of action that the Comptroller may take to counteract the tax advantage.

Clause 21 inserts new sections 34E and 34F.

The new section 34E provides that where action is taken under the amended section 34D to increase a person's income, or to reduce a person's allowance, deduction or loss, a surcharge of 5% of the amount increased or reduced is recoverable from the person as a debt due to the Government.

The new section 34F requires certain parties involved in related party transactions to prepare transfer pricing documentation. The new section codifies the guidance found in the Transfer Pricing Guidelines issued by the Inland Revenue Authority of Singapore. The purpose of transfer pricing documentation is for a taxpayer to explain whether its transactions with related parties are conducted at arm's length. Under the new section, a company, the person making the return for a firm (including a partnership) or the trustee of a trust is required to prepare transfer pricing documentation once the gross revenue of the company, firm or trust in the basis period for a year of assessment exceeds $10 million, or such documentation is required to be prepared for a transaction by the company, firm or trustee in the previous basis period. The transfer pricing documentation must be prepared no later than the time for making the tax return and must contain the details provided for in rules.

Clause 22 inserts new sections 34G and 34H which set out the tax treatment for foreign companies redomiciled in Singapore under the new Part XA of the Companies Act (Transfer of registration).

The new section 34G sets out the following tax treatment for such a company that has not carried on any trade or business in Singapore at any time before the date of redomiciliation:

(*a*) if any debt of the company incurred before the date it is redomiciled (called its registration date) is written off as bad on or after that date, or is one for which provision is made for any impairment loss on or after that date, no deduction may be made for the debt or any provision made for it. Correspondingly, any amount recovered from the debt or any reversal of the impairment loss is not chargeable with tax;

(*b*) any amount reversed after the company's registration date of an impairment loss from a financial asset incurred before that date is not chargeable to debt;

(*c*) any impairment loss incurred on or after the company's registration date in respect of a financial asset that is acquired before that date, is allowed a deduction to the extent the financial asset is credit-impaired. Correspondingly, any amount of that loss that is subsequently reversed is chargeable to tax;

(*d*) no deduction is allowed under section 14 for any expense incurred before the company's registration date for which it is given a deduction or relief by the income tax law of another country;

(*e*) the value of any trading stock acquired before its registration date to be used to determine a deduction to be allowed to the company under any provision of the Act, is the lower of the cost of the trading stock to the company, and its net realisable value;

(*f*) if the company did not carry out any trade or business outside Singapore at any time before its registration date, a deduction may only be given to the company under section 14A (Deductions for costs for protecting intellectual property), 14D (Expenditure on research and development), 14Q (Deduction for renovation or refurbishment expenditure), 14S (Deduction for qualifying design expenditure) or 14U (Deduction for expenses incurred before first dollar of income from trade, business, profession or vocation), for expenditure incurred before its registration date if it is incurred solely for the purpose of a trade or business in Singapore.

In addition, the new section 34G provides that a redomiciled company which did not carry on any trade or business in Singapore before its registration date, and uses property acquired before that date for its trade or business in Singapore after that date, may claim capital allowances under section 19, 19A or 19B for capital expenditure incurred for such acquisition. The new section modifies sections 19, 19A and 19B for the purpose of making those allowances to the company for that expenditure. In particular, such allowance will be made on the basis that the capital expenditure is equal to —

(*a*) if the property is an intellectual property right, the lower of its acquisition cost (less accumulated amortisation and impairment losses) and its open market price as of the company's registration date;

(*b*) if the property is any property for which allowance may be made under section 19 or 19A, the lower of its net book value and market value as of the company's registration date.

The new section 34H enables a tax credit to be given to a redomiciled company if its originating jurisdiction imposes an exit tax on its unrealised profits, and those profits are also taxed in Singapore. The company must be approved by the Minister for this purpose. In giving the approval, the Minister must specify the years of assessment for which the tax credit is to be allowed against the tax chargeable on its income, and the conditions it must satisfy before the tax credit is allowed.

A tax credit is to be allowed to an approved redomiciled company against the amount of tax chargeable on a specified amount of its income for any year of assessment, if the company is resident in Singapore in the relevant basis period and satisfies the conditions of its approval throughout that basis period.

If the company ceases to carry on any trade or business in Singapore within a period specified to it at the time of its approval, the company is liable to repay a specified amount of the tax credit already allowed to it to the Comptroller. Where any amount of tax credit is allowed to the company as a result of any false information or omission, the company is liable to repay that amount to the Comptroller.

The example below illustrates the operation of the new section 34H.

Company (*A*), a company incorporated in a foreign country, transfers its domicile to Singapore. The foreign company imposes income tax at 20% on *A*'s income (estimated at $1 million) which will only be realised in Singapore in the 1st and 2nd year of *A*'s redomiciliation. The Minister approves *A* for the purposes of allowing *A* tax credits under the new section 34H for 2 years of assessment, starting from the year of assessment for the basis period in which it is redomiciled. The total amount of tax credits *A* is allowed is $1 million x 17% or $170,000 (17% being the lower of 20% and the tax rate of 17% it is subject to under section 43(1)(*a*) for the year of assessment for the basis period in which it becomes a Singapore company).

The amount of tax credit *A* is allowed for each of the 2 years of assessment are as follows:

1st year of assessment	
Realised income	$600,000
Gross tax payable @ 17%	$102,000
Less: Tax Credit	($102,000)
Net tax payable	0
2nd year of assessment	
Realised income	$900,000
Gross tax payable @ 17%	$153,000
Less: Tax Credit***	($68,000)
Net tax payable	$85,000

*** In the 2nd year of assessment, the tax credit is the lower of

(*a*) $153,000 and

(*b*) ($1,000,000 x 17%) – $102,000, or $68,000.

If *A* ceases to carry on business at the end of 3 years starting from the date of its redomiciliation, then an amount of $68,000 is recoverable, computed as follows:

$$\frac{(5-3)}{5} \times \$(102{,}000 + 68{,}000) = \$68{,}000$$

Clause 23 inserts a new section 34I which makes adjustments to the amount of statutory or exempt income of a person for a year of assessment, that are necessitated by the adoption for the first time of Financial Reporting Standard 115 (Revenue from Contracts with Customers ("FRS 115") in preparing the person's financial accounts. By reason of such adoption, the revenue amount in its financial accounts in any previous basis period may be retrospectively adjusted. If the income assessed for a past year of assessment is different from the amount that would have been computed had the Comptroller used the adjusted revenue amount as the starting point for the computation, then the difference is treated as income chargeable to tax, to be deducted from the amount of exempt income, or allowable as a deduction (as the case may be) for the year of assessment of the basis period in which FRS 115 is first applied.

Clause 24 amends section 37 (Assessable income) to provide that no approval may be given for the 250% tax deduction under section 37(3)(*d*) for a donation made on or after 21 February 2017 by a company of a computer (including computer software and peripherals) to an institution of a public character, or to a prescribed Singapore educational, research or other institution.

Clause 25 amends section 39(2)(*q*), which provides for a deduction for a voluntary contribution to an individual's CPF medisave account if (among other conditions), the contribution, together with the balance in the account, is within the "basic healthcare sum". The basic healthcare sum is the maximum amount directed by the Minister for Manpower under section 13(6) of the Central Provident Fund Act. With effect from 1 January 2017, the Minister may direct different maximum amounts for different classes of CPF members. The amendment to section 39(2)(*q*) is made to reflect this.

Clause 26 makes an amendment to section 43A (Concessionary rate of tax for Asian Currency Unit, Fund Manager and securities company) that is consequential on the insertion of the new section 34AA.

Clause 27 amends section 43C (Exemption and concessionary rate of tax for insurance and reinsurance business —

(*a*) to enable regulations to be made to apply a concessionary tax rate to income from qualifying onshore insurance business; and

(*b*) to provide that, in the case of life business, regulations may only be made to apply a concessionary tax rate to income from the reinsurance of life policies for approvals given on or after 1 June 2017.

Clause 28 amends section 43P (Concessionary rate of tax for global trading company and qualifying company) to provide that the concessionary tax rate under that section only applies to income of an approved qualifying company from such prescribed qualifying structured commodity financing activities, treasury activities and advisory services in relation to mergers and acquisitions, as are specified by the Minister or a person appointed by the Minister to the company.

The clause also amends section 43P to enable a company that carries on the following businesses to be approved for the tax incentive under the section:

(*a*) international trading in commodities derivatives;

(*b*) brokering international trades in commodities.

Clause 29 amends section 43Q (Concessionary rate of tax for financial sector incentive company) to enable an alternative concessionary tax rate of 13.5% to be levied on income of financial sector incentive companies.

Clause 30 amends section 43Y (Concessionary rate of tax for leasing of aircraft and aircraft engines) —

(*a*) to provide that the concessionary tax rate that applies to income of an aircraft leasing company that is approved for the purpose of that section on or after 1 April 2017, is 8%; and

(*b*) to extend the period in which such a company may be approved for such purpose, to 31 December 2022.

Clause 31 amends section 43Z (Concessionary rate of tax for aircraft investment manager) to extend the period in which an aircraft investment manager may be approved for the purpose of that section, to 31 December 2022.

Clause 32 amends section 43ZD (Concessionary rate of tax for income derived from managing qualifying registered business trust or company) to extend to 31 December 2022 the period in which entities may be approved for the purposes of enjoying a concessionary tax rate for certain income connected with a prescribed offshore infrastructure asset or project.

Clause 33 makes various amendments to the scope of the term "corporate service" in section 43ZF (Concessionary rate of tax for shipping-related support services). That section applies a concessionary tax rate to the income of an approved company from the provision of shipping-related support services, which includes corporate services.

Clause 34 makes a technical amendment to section 45 (Withholding of tax in respect of interest paid to non-resident persons) to clarify that the failure to give a notice of a deduction of tax to the Comptroller after deducting any amount of tax (and not just the amount required by the section to be deducted) constitutes an offence.

Clause 35 amends section 45G (Application of section 45 to distribution from any real estate investment trust) to extend to 31 March 2020 the period for the application of the 10% withholding tax rate on REIT distributions to certain non-residents.

Clause 36 amends section 49 (Avoidance of double taxation arrangements) to enable the Minister to make an order to amend any avoidance of double taxation arrangements given effect under the section, in order to give effect to Singapore's obligations under the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (BEPS).

Clause 37 amends section 74 (Additional assessments) to disapply the time bar in subsection (1) for making an additional assessment, to an assessment made pursuant to an agreement made in accordance with a mutual agreement procedure under an avoidance of double taxation agreement. However, the time bar still applies to an agreement made pursuant to an advance pricing arrangement.

A mutual agreement procedure in an avoidance of double taxation agreement is one which allows a taxpayer who considers that the taxpayer is being taxed in a way contrary to the agreement to make an application to a tax authority. The tax authority may either resolve this on its own or consult with the other tax authority to resolve the case by mutual agreement.

An advance pricing arrangement is an arrangement made in advance between a taxpayer and a tax authority on the transfer pricing criteria to be applied to a set of transactions over a period of time.

Section 74 is further amended to clarify that additional assessments may also be made in a case where an advance assessment under section 73 was made on a person (which by reason of section 73(4)(*a*) must be made on the basis of the law in force for the year of assessment in which the assessment is made), and the law applicable to that year of assessment is then changed retrospectively.

Clause 38 inserts a new section 80A to deal with a case where a member of the Income Tax Board of Review is unable for any reason to continue hearing an appeal. The new section 80A provides that the remaining members (not being less than 2) must hear and determine the appeal, if the parties consent to this. The appeal is decided in accordance with the opinion of the majority of the remaining members and, if there is an equality of votes, the presiding member has a casting vote. If the parties do not consent to the remaining members continuing with the hearing or (if there are only 2 remaining members) the remaining members are unable to reach a unanimous decision, the appeal must be reheard.

Clause 39 amends section 92E (Remission of tax of companies for years of assessment 2016 and 2017) by deleting the reference to the year of assessment 2017. The tax remission for companies for the year of assessment 2017 is enhanced and provided for under the new section 92F.

Clause 40 inserts new sections 92F and 92G to provide different tax remissions for companies for the years of assessment 2017 and 2018 respectively.

Compared to the year of assessment 2016, the new section 92F increases the cap for such remissions for the year of assessment 2017 from $20,000 to $25,000. The remission is the lower of $25,000 and 50% of the tax payable (excluding any final withholding tax levied on income under section 43(3), (3A) and (3B)).

The new section 92G extends the tax remission for companies for another year of assessment to the year of assessment 2018, but at a reduced rate of 20% of the tax payable (excluding any final withholding tax levied on income under section 43(3), (3A) and (3B)) or a reduced cap of $10,000, whichever is lower.

Clause 41 amends section 93A (Relief in respect of error or mistake) to provide that an application for relief for an error or mistake in an assessment, in connection with a related party transaction, must be supported by transfer pricing documentation. This applies even if the applicant is not required under section 34E to prepare such documentation.

Clause 42 amends section 105K (International tax compliance agreements) to clarify that the Minister may declare a competent authority agreement between the competent authority of Singapore and the corresponding competent authority of another country as an international tax compliance agreement, and not just a competent authority agreement between governments.

Clause 43 repeals various provisions of the Act which are spent, and makes consequential amendments to other provisions of the Act as a result of the repeal.

Clause 44 makes miscellaneous amendments to various provisions of the Act that are consequential on the amendments made to section 43C of the Act.

Clause 45 makes an amendment to the definition of "concessionary income" in section 66 of the Economic Expansion Incentives (Relief from Income Tax) Act, that is consequential on the repeal of section 43U of the Income Tax Act by the Bill.

Clause 46 provides for a remission of the tax payable by a resident individual for the year of assessment 2017. The amount of remission is 20% of the tax payable or $500, whichever is lower.

EXPENDITURE OF PUBLIC MONEY

This Bill will involve the Government in extra financial expenditure, the exact amount of which cannot at present be ascertained.