

Income Tax (Amendment) Bill 2019

Bill No. /2019.

Read the first time on .

A BILL

i n t i t u l e d

An Act to amend the Income Tax Act (Chapter 134 of the 2014 Revised Edition) and to make related amendments to the Stamp Duties Act (Chapter 312 of the 2006 Revised Edition).

Be it enacted by the President with the advice and consent of the Parliament of Singapore, as follows:

Short title and commencement

1. This Act is the Income Tax (Amendment) Act 2019.

(1) [*Commencement dates.*]

Amendment of section 2

5 2. Section 2(1) of the Income Tax Act (called in this Act the principal Act) is amended by inserting, immediately after the word “sections” in the definition of “Comptroller”, “34F(9),”.

[*Gazette date*]

Amendment of section 10B

10 3. Section 10B of the principal Act is amended by inserting, immediately after subsection (1), the following subsection:

“(1A) No unit trust may be approved as an approved unit trust under this section after 18 February 2019.”

[*19 February 2019*]

Amendment of section 10F

4. Section 10F of the principal Act is amended —

15 (a) by deleting the words “or FRS 115 construction or upgrade services” in subsections (1B), (1C)(a) and (1D)(a) and substituting in each case the words “FRS 115 construction or upgrade services, or SFRS(I) 15 construction or upgrade services”; and

20 (b) by deleting the definitions of ““FRS 11”, “FRS 17”, “FRS 115”, “FRS 116”, “INT FRS 104”, “INT FRS 112”, “SFRS(I) 1-17”, “SFRS(I) 16”, “SFRS(I) INT 4” and “SFRS(I) INT 12”” in subsection (2) and substituting the following definitions:

25 ““FRS 11”, “FRS 17”, “FRS 115”, “FRS 116”, “INT FRS 104”, “INT FRS 112”, “SFRS(I) 1-17”, “SFRS(I) 15”, “SFRS(I) 16”, “SFRS(I) INT 4” and “SFRS(I) INT 12” mean the financial reporting standards known respectively as —

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- (a) Financial Reporting Standard 11 (Construction Contracts);
- (b) Financial Reporting Standard 17 (Leases);
- (c) Financial Reporting Standard 115 (Revenue from Contracts with Customers);
- (d) Financial Reporting Standard 116 (Leases);
- (e) Interpretation of Financial Reporting Standard 104 (Determining whether an Arrangement contains a Lease);
- 10 (f) Interpretation of Financial Reporting Standard 112 (Service Concession Arrangements);
- (g) Singapore Financial Reporting Standard (International) 1-17 (Leases);
- 15 (h) Singapore Financial Reporting Standard (International) 15 (Revenue from Contracts with Customers);
- (i) Singapore Financial Reporting Standard (International) 16 (Leases);
- 20 (j) Singapore Financial Reporting Standard (International) Interpretation 4 (Determining whether an Arrangement contains a Lease); and
- (k) Singapore Financial Reporting Standard (International) Interpretation 12 (Service Concession Arrangements),
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that are made by the Accounting Standards Council under Part III of the Accounting Standards Act (Cap. 2B), as amended from time to time;

30 “SFRS(I) 15 construction or upgrade services” means any construction or upgrade services (as the case may be) to which SFRS(I) 15 applies.”

[12 Nov 2018]

Amendment of section 12

5 **5.** Section 12(7A) of the principal Act is amended by inserting, immediately after subsection (7AA), the following subsection:

“(7AB) Subsection (7)(d) excludes any rent or other payments
under any agreement or arrangement for the use outside
Singapore of any tangible movable property, where —

10 (a) such use is for or incidental to the purpose of a trip to a country outside Singapore that is in turn made for the purpose of a trade, business, profession or vocation carried on —

- (i) in Singapore by a person resident in Singapore; or
 - (ii) through a permanent establishment in Singapore;
- or

15 (b) such use is for or incidental to the purpose of operating a representative office maintained outside Singapore by a person resident in Singapore, for the purpose of a trade, business, profession or vocation carried on in Singapore by that person.”.

[Gazette date]

Amendment of section 13

20 **6.** Section 13 of the principal Act is amended —

(a) by deleting the words “on or before 31 March 2020” in subsection (1)(zh);

(b) by deleting the words “during the period from 1 July 2018 to 31 March 2020 (both dates inclusive)” in subsection (1)(zs);

25 (c) by deleting the words “1 April 2020” in subsections (12A) and (12B)(a) and substituting in each case the words “1 January 2026”;

(d) by deleting the words “1st April 2020” in subsection (12C) and substituting the words “1 January 2026”;

30 (e) by deleting the comma at the end of paragraph (c) of the definition of “qualifying debt securities” in subsection (16)

and substituting a semi-colon, and by inserting immediately thereafter the following paragraph:

5 “(d) debt securities whose values are derived from insured loss events underlying them, that are issued by a Special Purpose Reinsurance Vehicle during the period from 20 December 2018 to 31 December 2023 (both dates inclusive), where at least 20% of the issue costs for the issue are paid to a person or partnership carrying on any trade, 10 business or profession in Singapore,”; and

(f) by inserting, immediately after subsection (16), the following subsection:

15 “(16A) In paragraph (d) of the definition of “qualifying debt securities” in subsection (16) —
 “issue costs”, in relation to an issue of debt securities, means legal fees, modelling fees, arranger or underwriting fees, rating agency fees, audit fees, claim review fees, indenture trustee fees, listing or trustee fees, loss reserve specialist and administrator fees, and other fees that are 20 connected with or incidental to the issue; and
 “Special Purpose Reinsurance Vehicle” has the meaning given by regulation 2 of the Insurance (General Provisions and Exemptions for Special Purpose Reinsurance Vehicles) Regulations 2018 (G.N. No. S 837/2018).”.

[20 December 2018]

Amendment of section 13A

7. Section 13A of the principal Act is amended —

30 (a) by inserting, immediately after subsection (1CK), the following subsections:

“(1CL) The income of a shipping enterprise mentioned in this section includes income derived on or after 12 December 2018 by the shipping enterprise

from foreign exchange and risk management activities that are carried out in connection with or incidental to the finance leasing of a Singapore ship for use outside the limits of the port of Singapore.”;

- 5 (b) by deleting the definition of “finance leasing” in subsection (16) and substituting the following definition:

““finance leasing” means —

10 (a) in relation to a container, a lease of the container (including any arrangement or agreement made in connection with the lease) that has the effect of transferring substantially the obsolescence, risks or rewards incidental to ownership of the container to the lessee; and

15 (b) in relation to a ship, a lease of the ship (including any arrangement or agreement made in connection with the lease) that has the effect of transferring substantially the obsolescence, risks or rewards incidental to ownership of the ship to the lessee;”;

20 (c) by deleting the word “or” at the end of sub-paragraph (iv) of paragraph (a) of the definition of “operation” in subsection (16); and

25 (d) by deleting the word “and” at the end of sub-paragraph (v) of paragraph (a) of the definition of “operation” in subsection (16) and substituting the word “or”, and inserting immediately thereafter the following sub-paragraph:

30 “(vi) the finance leasing of the ship for use outside the limits of the port of Singapore, but only where the income in question is derived from the finance leasing on or after 12 December 2018; and”.

[Gazette date]

Amendment of section 13CA

8. Section 13CA(10) of the principal Act is amended by deleting the words “1st April 2019” in paragraphs (a) and (b) and substituting in each case the words “1 January 2025”.

[1 April 2019]

5 **Amendment of section 13F**

9. Section 13F of the principal Act is amended —

(a) by deleting the word “and” at the end of paragraph (p) of subsection (1);

10 (b) by deleting the full-stop at the end of paragraph (q) of subsection (1) and substituting a semi-colon, and inserting immediately thereafter the following paragraphs:

“(r) on or after 12 December 2018 from —

15 (i) the finance leasing of any foreign ship to any person where the ship is used by the person for the carriage of passengers, mail, livestock or goods outside the limits of the port of Singapore;

20 (ii) the finance leasing of any foreign dredger, foreign seismic ship, or any foreign ship used for offshore oil or gas activity to any person where the dredger, seismic ship or ship is used by the person for the person’s operation outside the limits of the port of Singapore;

25 (iii) the finance leasing of any foreign ship to any person where the ship is used by the person for towage and salvage operations carried out outside the limits of the port of Singapore; and

30 (iv) the finance leasing of any foreign ship for offshore renewable energy activity or offshore mineral activity to any person, where the ship is used by the person for the

person's operation outside the limits of the port of Singapore; and

- 5 (s) on or after 12 December 2018 from foreign exchange and risk management activities which are carried out in connection with and incidental to an activity mentioned in paragraph (r).”;
- (c) by deleting the words “ (n) to (q)” in subsection (4) and substituting the words “(n) to (s)”;
- 10 (d) by deleting the words “or” at the end of paragraph (b) of the definition of “special purpose company” in subsection (6); and
- (e) by deleting the full-stop at the end of paragraph (c) of the definition of “special purpose company” in subsection (6) and substituting the word “; or”, and inserting immediately
- 15 thereafter the following paragraph:
- “(d) any activity mentioned in subsection (1)(r) where the income in question is derived on or after 12 December 2018.”.

[Gazette date]

Amendment of section 13G

- 20 **10.** Section 13G of the principal Act is amended —
- (a) by deleting the words “1st April 2019” in subsections (6)(a), (b), (c)(i) and (d)(i) and (7) and substituting in each case the words “1 January 2025”; and
- 25 (b) by deleting the words “31st March 2019” in subsection (6)(c)(ii) and (d)(ii) and substituting in each case the words “31 December 2024”.

[1 April 2019]

Amendment of section 13H

- 11.** Section 13H of the principal Act is amended —
- 30 (a) by deleting subsection (2C) and substituting the following subsections:

“(2C) The Minister or such person as the Minister may appoint may, subject to such conditions as the Minister or person may impose, approve a venture company as an approved venture company for the purposes of this section.

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(2D) No approval may be granted to a venture company on or after 1 April 2020.”; and

(b) by deleting the definition of “approved” in subsection (18).

[Gazette date]

Amendment of section 13N

10 **12.** Section 13N of the principal Act is amended —

(a) by deleting paragraph (d) of subsection (3) and substituting the following paragraph:

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“(d) if he is resident in Singapore in any year of assessment between the years of assessment 2006 and 2020 (both years inclusive), but is not resident in Singapore for all the 3 years of assessment immediately preceding that year of assessment, for a period of 5 consecutive years commencing from that year of assessment in which he is resident in Singapore.”;

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(b) by inserting, immediately after the words “subject to” in subsection (4), the words “subsection (4A) and”; and

(c) by inserting, immediately after subsection (4), the following subsection:

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“(4A) No approval under subsection (4) may be granted for any application made on or after 1 January 2025.”.

[Gazette date]

Amendment of section 13O

13. Section 13O of the principal Act is amended —

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(a) by deleting the words “in Singapore” in sub-paragraphs (iii) and (v)(B) of paragraph (b) of the definition of “foreign

account” in subsection (3), and substituting the words “in or outside of Singapore”;

(b) by deleting the words “1st April 2019” in subsections (5)(a), (b), (c)(i) and (d)(i), (6) and (8) and substituting in each case the words “1 January 2025”; and

(c) by deleting the words “31st March 2019” in subsection (5)(c)(ii) and (d)(ii) and substituting in each case the words “31 December 2024”.

(2) Subsection (1)(a) has effect for the year of assessment 2021 and subsequent years of assessment.

*[Para (a): Gazette date;
Paragraphs (b) and (c): 1 Apr 2019]*

Amendment of section 13Q

14. Section 13Q of the principal Act is amended —

(a) by deleting the words “1st April 2019” in subsections (4)(a), (b), (c)(i) and (d)(i), (5) and (7) and substituting in each case the words “1 January 2025”; and

(b) by deleting the words “31st March 2019” in subsection (4)(c)(ii) and (d)(ii) and substituting in each case the words “31 December 2024”.

[1 April 2019]

Amendment of section 13R

15. Section 13R(2) of the principal Act is amended by deleting the words “31st March 2019” and substituting the words “31 December 2024”.

[1 April 2019]

Amendment of section 13S

16. Section 13S of the principal Act is amended —

(a) by deleting the word “and” at the end of paragraph (cb) of subsection (1) and inserting immediately thereafter the following paragraphs:

“(cc) on or after 12 December 2018 from the chartering or finance leasing by the approved shipping

investment enterprise of any sea-going ship, for use by the lessee outside the limits of the port of Singapore, if the ship was—

5 (i) acquired by an approved related party before or during the period of its approval under subsection (3); and

(ii) chartered, or leased under a finance lease, by the approved related party to the approved shipping investment enterprise;

10 (cd) on or after 12 December 2018 from foreign exchange and risk management activities that are carried out in connection with and incidental to an activity mentioned in paragraph (cc); and”;

15 (b) by renumbering subsections (1AA) and (1B) as subsections (1F) and (1G) respectively;

(c) by inserting immediately after subsection (1A), the following subsections:

20 “(1B) In relation to income mentioned in paragraph (cc) or (cd) of subsection (1), subsection (1) continues to apply to a shipping investment enterprise the approval of which has expired or been withdrawn, but that continues to derive such income, if both the shipping investment enterprise and the related party mentioned in subsection (1)(cc) have, by the date of the expiry or before
25 the withdrawal, fulfilled all the conditions of their respective approvals under subsection (3).

(1C) For the purpose of subsection (1B), the shipping investment enterprise is treated under this section as an approved shipping investment enterprise.

30 (1D) Subsection (1)(ca) and (cc) does not apply to income derived on or after 12 December 2018 from the chartering or finance leasing of a sea-going ship that is acquired by the approved shipping investment enterprise or the approved related party by way of a finance lease

entered into with an entity that was not an approved related party.

(1E) Subsections (1)(*cc*) and (*cd*) and (1B) apply to income derived by an approved shipping investment enterprise in relation to a ship acquired by the related party before the period of the approval of the related party, if and only if the approved shipping investment enterprise is approved on or after 1 April 2008.”;

(*d*) by inserting, immediately after the words “shipping investment enterprise” in subsection (2), the words “or a related party of an approved shipping investment enterprise”;

(*e*) by deleting the word “, and (*cb*)” in subsection (6) and substituting the words “, (*cb*), (*cc*) and (*cd*)”;

(*f*) by inserting, immediately after the words “any sea-going ship” in the definition of “finance leasing” in subsection (20), the words “(including any arrangement or agreement in connection with such leasing)”;

(*g*) by inserting, immediately after the definition of “registered business trust” in subsection (20), the following definition:

““related party”, in relation to an approved shipping investment enterprise, means any entity that is related to the approved shipping investment enterprise in such manner as may be prescribed by rules under section 7.”; and

(*h*) by deleting the definition of “tax exempt period” in subsection (20) and substituting the following definition:

““tax exempt period”, in relation to an approved shipping investment enterprise, means —

(*a*) in a case where the enterprise is approved on or after 1 April 2008 and —

(i) acquired; or

(ii) chartered, or leased under a finance lease, from a related party,

- 5 a sea-going ship for use outside the limits of the port of Singapore before the date of approval of the enterprise — the period from the date of that approval to the date where no income of any sea-going ship of that enterprise is eligible for exemption from tax under subsection (1) (both dates inclusive); or
- 10 (b) in any other case — the period from the date the enterprise —
- (i) first acquired; or
- (ii) first chartered, or leased under a finance lease, from a related party,
- 15 during the period of approval of the enterprise, a sea-going ship for use outside the limits of the port of Singapore, to the date where no income of any sea-going ship of that enterprise is eligible for exemption from tax under subsection (1) (both dates inclusive).”.
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[Gazette date]

Amendment of section 13X

17. Section 13X of the principal Act is amended --

- (a) by inserting, immediately after the words “feeder fund,” in subsection (1) the words “SPV,”;
- 25 (b) by deleting the word “and” at the end of subsection (1)(c)(ii);
- (c) by deleting the comma at the end of sub-paragraph (iii) of subsection (1)(c) and substituting a semi-colon, and by inserting immediately thereafter the following sub-paragraphs:
- 30 “(iv) an approved eligible SPV of the structure, where the eligible SPV is not one mentioned in sub-paragraphs (v) to (vii);

- (v) a partner of an approved eligible SPV of the structure, where the eligible SPV is a partnership (including a limited partnership and a limited liability partnership);
- 5 (vi) the trustee of an approved eligible SPV of the structure, where the eligible SPV is a trust fund; and
- (vii) the taxable entity of an approved eligible SPV of the structure, where the eligible SPV is not a legal entity,”;
- 10 (d) by deleting the word “and” at the end of subsection (1)(d)(ii);
- (e) by deleting the comma at the end of sub-paragraph (iii) of subsection (1)(d) and substituting a semi-colon, and by inserting immediately thereafter the following sub-paragraphs:
- 15 “(iv) an approved eligible SPV of the structure, where the eligible SPV is not one mentioned in sub-paragraphs (v) to (vii);
- (v) a partner of an approved eligible SPV of the structure, where the eligible SPV is a partnership (including a limited partnership and a limited liability partnership);
- 20 (vi) the trustee of an approved eligible SPV of the structure, where the eligible SPV is a trust fund; and
- 25 (vii) the taxable entity of an approved eligible SPV of the structure, where the eligible SPV is not a legal entity,”;
- (f) by deleting the words “31st March 2019” in subsections (2) and (2A) and substituting in each case the words “31st December 2024”;
- 30 (g) by deleting subsection (2B) and substituting the following subsections:

“(2B) Approval under subsection (1)(c)(i) may be granted during the period from 1 April 2015 to 31 December 2024 (both dates inclusive).

5 (2C) Approval under subsection (1)(c)(ia), (ib) and (ic) may be granted during the period from 20 February 2018 to 31 December 2024 (both dates inclusive).

(2D) Approval under subsection (1)(c)(ii) and (iii) and (d)(ii) and (iii) may be granted during the period from 1 April 2015 to 18 February 2019 (both dates inclusive).

10 (2E) Approval under subsection (1)(c)(iv) to (vii) and (d)(iv) to (vii) may be granted during the period from 19 February 2019 to 31 December 2024 (both dates inclusive).”;

15 (h) by deleting the words “or 2nd tier SPV” wherever they appear in subsections (3) and (4)(a), (b) and (ca) and substituting in each case the words “, 2nd tier SPV or eligible SPV”;

(i) by inserting, immediately after the words “wholly owned” in the definitions of “1st tier SPV” and “2nd tier SPV” in subsection (5), the word “directly”;

20 (j) by inserting, immediately after the definition of “designated unit trust” in subsection (5), the following definition:

““eligible SPV”, in relation to a master-feeder fund-SPV structure or a master fund-SPV structure, means a special purpose vehicle that is either
25 wholly owned (directly or indirectly) by the master fund of the structure, or wholly owned (directly or indirectly) by the master fund of the structure and one or more of the following and no other person:

(a) a prescribed person under section 13CA;

30 (b) an approved company under section 13R;

(c) an approved person, an approved master fund, an approved feeder fund, an approved 1st tier SPV, an approved 2nd tier SPV or an

approved eligible SPV mentioned in subsection (1)(a), (b), (c) or (d);

(d) a prescribed sovereign fund entity or an approved foreign government-owned entity under section 13Y;

(e) an entity—

(i) that is not resident in Singapore;

(ii) that does not have a permanent establishment in Singapore (other than a fund manager);

(iii) that does not carry on a business in Singapore;

(iv) that is not set up solely for the purpose of avoiding or reducing the payment of any tax or penalty under this Act; and

(v) that carries on outside Singapore substantial business activity for a genuine commercial reason;”;

(k) by deleting the definition of “special purpose vehicle” or “SPV” in subsection (5) and substituting the following definition:

“ “special purpose vehicle” or “SPV” —

(a) in relation to a master-feeder fund-SPV structure, means an investment vehicle whose only activity is the holding of investments for other investment vehicles or persons which must include the master and feeder funds of the structure; or

(b) in relation to a master fund-SPV structure, means an investment vehicle whose only activity is the holding of investments for other investment vehicles or persons which must include the master fund of the structure;”;

(l) by deleting the words “and a feeder fund” in the definition of “taxable entity” in subsection (5) and substituting the words “, a feeder fund and an SPV”;

(m) by inserting, immediately after subsection (5), the following subsections:

(5A) For the purposes of the definitions of “1st tier SPV”, “2nd tier SPV” and “eligible SPV”, an SPV is wholly owned directly or indirectly by any person or investment vehicle mentioned in those definitions, or a combination of these (called in this section collectively as the owner) if—

(a) in the case where the SPV is a company – its issued shares are wholly owned (directly or indirectly) by the owner; or

(b) in the case of any other SPV – the SPV holds investments of the owner only.

(5B) For the purposes of subsection (5A)(a) –

(a) the issued shares of an SPV are owned (directly or indirectly) by an investment vehicle that is a trust fund if they are owned directly or indirectly by the trustee for the benefit of beneficiaries of the trust fund; and

(b) the issued shares of an SPV are owned directly or indirectly by an investment vehicle that is not a legal entity if they are owned directly or indirectly by its taxable entity.”; and

(n) by deleting subsection 6(c).

[19 Feb 2019]

Amendment of section 13Y

18. Section 13Y of the principal Act is amended by deleting the words “1st April 2010 and 31st March 2019” in subsection (2) and substituting the words “1 April 2010 and 31 December 2024”.

[1 April 2019]

Amendment of section 13Z

19. Section 13Z of the principal Act is amended —

- 5 (a) by deleting the words “SFRS for Small Entities or FRS 109” in subsections (6)(d) and (7)(b) and substituting in each case the words “SFRS for Small Entities, FRS 109 or SFRS(I) 9”; and
- (b) by deleting the definition of “FRS 109” in subsection (9) and substituting the following definition:
- 10 “ “FRS 109” and “SFRS(I) 9” have the meanings given to those expressions in section 34AA(15).”.

[12 November 2018]

Amendment of section 14V

20. Section 14V of the principal Act is amended —

- (a) by inserting, immediately after the words “INT FRS 112” in subsection (1)(a)(ii), the words “or SFRS(I) INT 12”;
- 15 (b) by inserting, immediately after the words “INT FRS 112” in subsection (1)(c), the words “or SFRS(I) INT 12 (as the case may be)”;
- (c) by inserting, immediately after the words “FRS 38” wherever they occur in subsection (1), the words “or SFRS(I) 1-38 (as
- 20 the case may be)”;
- and
- (d) by deleting subsection (2) and substituting the following subsection:

“(2) In this section —

25 “FRS 38” and “SFRS(I) 1-38” mean the financial reporting standards known respectively as —

- (a) Financial Reporting Standard 38 (Intangible Assets); and
- (b) Singapore Financial Reporting Standard (International) 1-38 (Intangible Assets),

that are made by the Accounting Standards Council under Part III of the Accounting Standards Act (Cap. 2B), as amended from time to time;

5 “INT FRS 112” and “SFRS(I) INT 12” have the meanings given to those expressions by section 10F”.

[12 November 2018]

Amendment of section 14ZB

21. Section 14ZB of the principal Act is amended —

10 (a) by deleting subsection (1) and substituting the following subsections:

“(1) Subject to this section, where the Comptroller is satisfied that a qualifying person has incurred, during the period between 1 July 2016 and 31 December 2021 (both dates inclusive), qualifying expenditure in respect of —

- 15 (a) the provision during that period by a qualifying employee of the qualifying person, of services that satisfy subsection (2) to an IPC; or
- (b) the secondment during that period of a qualifying employee of the qualifying person to an IPC,

20 then there is to be allowed to the qualifying person a deduction in accordance with subsection (1A) or (1B), as the case may be.

(1A) Where the qualifying expenditure is salary expenditure, the deduction that the qualifying person is to be allowed is as follows:

- 25 (a) where —
- (i) the expenditure is allowable as a deduction under section 14; and
- 30 (ii) the qualifying person did not opt in the declaration under subsection (6) to compute the expenditure at the prescribed hourly rate,

a further deduction equal to 150% of the endorsed amount of the expenditure in addition to the deduction allowed under that section;

(b) where —

- 5 (i) the expenditure is allowable as a deduction under section 14; and
- (ii) the qualifying person opted in the declaration under subsection (6) to compute the expenditure at the prescribed hourly rate,
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a further deduction equal to 150% of the computed salary amount in addition to the deduction allowed under that section;

(c) where —

- 15 (i) the expenditure is not allowable as a deduction under section 14; and
- (ii) the qualifying person did not opt in the declaration under subsection (6) to compute the expenditure at the prescribed hourly rate,
- 20

a deduction equal to 250% of the endorsed amount of the expenditure;

(d) where —

- 25 (i) the expenditure is not allowable as a deduction under section 14; and
- (ii) the qualifying person opted in the declaration under subsection (6) to compute the expenditure at the prescribed hourly rate,

30 a deduction equal to 250% of the computed salary amount.

(1B) Where the qualifying expenditure is not salary expenditure, the deduction that the qualifying person is to be allowed is as follows:

5 (a) where the expenditure is allowable as a deduction under section 14 — a further deduction equal to 150% of the endorsed amount of the expenditure in addition to the deduction allowed under that section;

10 (b) where the expenditure is not allowable as a deduction under section 14 — a deduction equal to 250% of the endorsed amount of the expenditure.”.

(b) by inserting, immediately after subsection (5), the following subsection:

15 “(5A) Where a qualifying person opted in a declaration under subsection (6) to compute any salary expenditure at the prescribed hourly rate, then the computed salary amount—

20 (a) is treated as the amount of that expenditure incurred by the qualifying person for the purposes of subsections (3) and (5); and

25 (b) is to be used in computing the maximum amount of qualifying expenditure for which deductions may be allowed in relation to the IPC in question for the purposes of subsection (4).”;

(c) by deleting sub-paragraph (ii) of subsection (6)(b) and substituting the following sub-paragraph:

“(ii) the relevant details specified in subsection (6A); and”;

30 (d) by inserting, immediately after subsection (6), the following subsection:

“(6A) In subsection (6)(b)(ii), the relevant details are —

(a) where —

(i) the qualifying expenditure is salary expenditure; and

(iii) the qualifying person opted in the declaration under subsection (6) to compute the expenditure at the prescribed hourly rate,

the actual number of hours for which the services were provided, as well as the number of those hours (which may be the same number or a smaller number of hours) endorsed by the IPC for the deduction under subsection (1); or

(b) in all other cases, the amount of the actual qualifying expenditure incurred, as well as the part of that amount (which may be the full amount or a part of it) endorsed by the IPC for the deduction under subsection (1).”;

(e) by inserting, immediately after the word “expenditure” in subsection (10), the words “or the endorsed number of hours (as the case may be)”;

(f) by inserting, immediately after subsection (11), the following subsection:

“(11A) Where —

(a) the qualifying expenditure mentioned in subsection (11) is salary expenditure; and

(b) the computed salary amount of that expenditure was used to compute the amount of deduction allowed to the qualifying person,

then, for the purpose of that subsection, the amount of the deduction that corresponds to the expenditure reimbursed is to be computed using the formula:

$$A + \left(\frac{A}{B} \times 150\% \times C \times D \right),$$

where —

- (c) A is the amount of the reimbursement;
- (d) B is the amount of the actual salary expenditure;
- (e) C the prescribed hourly rate used in computing the computed salary amount; and
- 5 (f) D is the endorsed number of hours used in computing the computed salary amount.”;

(g) by inserting, immediately after the definition of “central hiring arrangement”, the following definition:

10 “computed salary amount”, in relation to any salary expenditure for the provision of any services by a qualifying employee, means an amount computed using the formula $A \times B$, where —

(a) A is the endorsed number of hours for those services; and

15 (b) B is the prescribed hourly rate for those services;”;

(h) by deleting the words “subsection (6)(b)” in the definition of “endorsed amount” in subsection (12) and substituting the words “subsection (6A)(b)”;

20 (i) by inserting, immediately after the definition of “endorsed amount” in subsection (12), the following definition:

25 ““endorsed number of hours”, in relation to any services, means the number of hours for which those services are provided, as endorsed by an IPC under subsection (6A)(a);”;

(j) by inserting, immediately after the definition of “IPC” in subsection (12), the following definition:

30 “prescribed hourly rate”, in relation to the provision of any services by a qualifying employee, means the rate prescribed by rules made under section 7 for those services;”;

- (k) by deleting the words “under which the employee is required to work for at least 35 hours each week,” in the definition of “qualifying employee” in subsection (12); and
- (l) by deleting “2018” in subsection (13) and substituting “2021”.

5

[para (l) 31 December 2018. The rest: Gazette Date]

New section 14ZD

22. The principal Act is amended by inserting, immediately after section 14ZC, the following section:

“Deduction for expenditure incurred by individual in deriving commission

10

14ZD.—(1) This section applies for the purpose of ascertaining, for the basis period for the year of assessment 2020 or a subsequent year of assessment, a qualifying individual’s income by way of commission that is derived from carrying on one or more trades, businesses, professions or vocations that are prescribed by rules made under section 7 (called in this section prescribed activity or activities), in respect of which there are outgoings or expenses that are deductible under this Part.

15

(2) Despite any other provision in this Part, there is to be deducted, in lieu of those outgoings or expenses, an amount computed in accordance with the formula $A \times B$, where —

20

(a) A is 25% or such other percentage as may be prescribed by rules made under section 7; and

(b) B is the gross amount of the individual’s commission derived from carrying on a prescribed activity or (if the individual carries on more than one prescribed activity in the basis period) all of those prescribed activities in the basis period, being commission in respect of which there are outgoings or expenses that are deductible under this Part.

25

30

(3) However, subsection (2) does not apply to an individual who has made an election under subsection (4) to disapply subsection (2) to the individual’s commission derived from

carrying on a prescribed activity or prescribed activities in the basis period.

5 (4) An individual may, in such form and manner and within such time as the Comptroller may determine, make an election to the Comptroller to disapply subsection (2) to the individual's commission derived from carrying on a prescribed activity or prescribed activities in the basis period for a particular year of assessment.

10 (5) If the individual derived commission from carrying on more than one prescribed activity in the basis period in respect of which there are outgoings or expenses that are deductible under this Part, the individual may not make an election under subsection (4) in respect of only one or some of those prescribed activities.

15 (6) In this section —

“qualifying individual”, in relation to any basis period, means an individual who satisfies the following conditions:

20 (a) the individual is resident in Singapore in the year of assessment relating to the basis period;

25 (b) the individual derived commission from a prescribed activity or prescribed activities in the basis period, being commission in respect of which there are outgoings or expenses that are deductible under this Part, and the total amount of such commission does not exceed \$50,000 or such amount as may be prescribed by rules made under section 7;

30 (c) such other conditions as may be prescribed by rules made under section 7;

“commission” means commission that is chargeable to tax under section 10(1)(a), and includes such other payment as may be prescribed by rules made under section 7, but excludes any commission —

(a) that is derived by the individual concerned as a partner of a partnership; or

(b) that is prescribed by rules made under section 7.”.

5 (2) Subsection (1) has effect for the year of assessment 2020 and subsequent years of assessment.

[Gazette date]

Amendment of section 19B

23. Section 19B of the principal Act is amended —

(a) by inserting, immediately after subsection (2B), the following subsections:

10 “(2BA) If —

(a) any requirement under subsection (2A)(a) and (b) has been waived for a company under subsection (2B); and

(b) the company fails to comply with a condition subsequent imposed under subsection (2B) for such waiver,

15

then, if the Minister or the person appointed by the Minister is satisfied, having regard to the company’s representation and all the relevant circumstances of the case, that it is just and reasonable to do so, the Minister or appointed person may determine that the allowance which would not have been allowed to the company but for the waiver, is to be recovered from the company, for such year or years of assessment as the Minister or appointed person may determine.

20

(2BB) If a determination mentioned in subsection (2BA) is made, the allowances mentioned in that subsection are treated as the company’s income for the year of assessment in which the non-compliance is discovered.”; and

25

(b) by deleting paragraph (a) of subsection (10) and substituting the following paragraphs:

30 “(a) under subsection (1) for any capital expenditure incurred in respect of intellectual property rights

acquired after the last day of the basis period for the year of assessment 2016;

- (aa) under subsection (1AA) for any capital expenditure incurred in respect of intellectual property rights acquired after the last day of the basis period for the year of assessment 2025; or”.

[Gazette date]

Amendment of section 26

24. Section 26 of the principal Act is amended —

- (a) by inserting immediately after the words “Insurance Act (Cap. 142)” in subsection (3)(b)(i), the words “after deducting any liability in respect of reinsurance ceded to a reinsurer”;

- (b) by inserting immediately after the words “Insurance Act” in subsection (3)(b)(ii), the words “after deducting any liability in respect of reinsurance ceded to a reinsurer”;

- (c) by inserting immediately after the words “Insurance Act” in each of the following definitions in subsection (12), the words “and after deducting any liability in respect of reinsurance ceded to a reinsurer”:

paragraph (a)(ii) and (b)(iv) of both definitions of “offshore life insurance surplus”, and paragraph (a)(ii) and (b)(iv) of both definitions of “onshore life insurance surplus”;

- (d) by inserting, at the end of the definition of “policy liabilities” in subsection (12), the words “, but excludes liabilities ceded to a reinsurer”; and

- (e) by inserting, immediately after the definition of “policy moneys” in subsection (12), the following definition:

““reinsurer” has the meaning given by section 1A of the Insurance Act;”.

[1 January 2019]

Amendment of section 34C

25. Section 34C of the principal Act is amended—

(a) by deleting the definition of ““FRS 38” and “FRS 103”” in subsection (2) and substituting the following definition:

5 ““FRS 38”, “FRS 103”, “SFRS(I) 1-38” and “SFRS(I) 3” mean the financial reporting standards known respectively as —

- (a) Financial Reporting Standard 38 (Intangible Assets);
- 10 (b) Financial Reporting Standard 103 (Business Combinations);
- (c) Singapore Financial Reporting Standard (International) 1-38 (Intangible Assets); and
- (d) Singapore Financial Reporting Standard
- 15 (International) 3 (Business Combinations),

that are made by the Accounting Standards Council under Part III of the Accounting Standards Act (Cap. 2B), as amended from time to time;”;
and

20 (b) by inserting, immediately after the words “FRS 38 and FRS 103” in subsection (2) and substituting the words “, or with SFRS(I) 1-38 and SFRS(I) 3,”.

[Gazette date]

Amendment of section 34G

26. Section 34G of the principal Act is amended —

25 (a) by deleting the definition of “FRS 109” in subsection (2) and substituting the following definition:

“FRS 109” and “SFRS(I) 9” have the meanings given to those expressions by section 34AA(15);”;
and

(b) by inserting, immediately after the words “FRS 109” in
30 subsection (5)(a), the words “or SFRS(I) 9, as the case may be”.

[12 November 2018]

New section 34J

27. The principal Act is amended by inserting, immediately after section 34I, the following section:

“Tax treatment arising from adoption of FRS 116 or SFRS(I) 16

5

34J.—(1) Where an MSI recipient makes an election in accordance with subsection (9) to adopt the tax treatment under this section, then, despite any other provision of this Act, that tax treatment applies in relation to the MSI recipient in accordance with this section.

10

(2) If, in the basis period for any of the following (each known as an antecedent year of assessment):

(a) the year of assessment relating to the basis period in which 12 December 2018 or the basis period in which the election under subsection (9) was made, whichever is later; and

15

(b) any subsequent year of assessment before the year of assessment relating to the basis period in which the electee ceases to be an MSI recipient,

20

a sublease by the electee of a sublease asset is recognized by the electee as a finance lease in accordance with FRS 116 or SFRS(I) 16, any income of the electee derived under that sublease in that basis period is taken as having been derived from a finance lease for the purpose of section 10D.

25

(3) If, in the basis period for an antecedent year of assessment, a sublease by the electee of a sublease asset is recognized by the electee as an operating lease in accordance with FRS 116 or SFRS(I) 16, any income of the electee derived under that sublease in that basis period is taken as not having been derived from a finance lease for the purpose of section 10D.

30

(4) The electee is not entitled to any deduction under Part V in an antecedent year of assessment for any outgoing or expense in relation to a qualifying asset incurred during the basis period for

that year of assessment against any income derived by the electee in that basis period from any use of a qualifying asset of which the electee is a lessee.

(5) For an antecedent year of assessment -

- 5 (a) an electee is not entitled to any allowance under section 19, 19A, 20, 21 or 22; and
- (b) no charge may be made on an electee under section 20 or 21,

10 in respect of any qualifying asset of which the electee is a lessee.

(6) For the year of assessment relating to the basis period in which the electee ceases to be an MSI recipient (called in this section the last year of assessment), the tax treatment set out in subsections (2) to (5) applies up till the date before the electee ceases to be an MSI recipient.

15

(7) For the last year of assessment, the capital allowances under section 19, 19A, 20, 21 or 22 for any qualifying asset of which the electee is a lessee, and which was leased for a trade or business of the MSI recipient before the date the MSI recipient ceases to be such, are to be—

20

- (a) calculated on the residue of the capital expenditure or reducing value of the qualifying asset (as the case may be) after deducting all such allowances (including initial and annual allowances) that would (but for subsection (5)) have been made to the electee for all antecedent years of assessment, even though no such allowance was made; and
- 25
- (b) pro-rated according to the part of the basis period for the last year of assessment that remains after the MSI recipient has ceased to be such, and during which that trade or business is continued.
- 30

(8) For each subsequent year of assessment after the last year of assessment, the capital allowances under section 19, 19A, 20, 21 or 22 for any qualifying asset of which the electee is a lessee,

and which was leased for a trade or business of the MSI recipient before the date the MSI recipient ceases to be such, are to be calculated on the residue of the capital expenditure or reducing value of the qualifying asset (as the case may be) after deducting —

5

(a) all such allowances (including initial and annual allowances) that would (but for subsection (5)) have been made to the electee for all antecedent years of assessment, even though no such allowance was made; and

10

(b) the total amount of such allowances that would have been made to the electee for the last year of assessment without the proration under subsection (7)(b).

15

(9) An MSI recipient may make an election to adopt the tax treatment under this section by providing a notice in writing to the Comptroller of this--

20

(a) at the time of lodgment of the return of income for the year of assessment relating to a basis period during which its financial accounts are prepared in accordance with FRS 116 or SFRS(I) 16; or

(b) within such further time as the Comptroller may allow.

(10) The election made under subsection (9) is irrevocable.

(11) In this section —

25

“approved container investment enterprise” means an approved container investment enterprise mentioned in section 43ZA;

“approved international shipping enterprise” means an approved international shipping enterprise mentioned in section 13F;

30

“approved shipping investment enterprise” means an approved shipping investment enterprise mentioned in section 13S;

“container” has the meaning given in section 43ZA(7);

“electee” means an MSI recipient that made an election in accordance with subsection (9);

5 “FRS 116” means the financial reporting standards issued by the Accounting Standards Council, under Part III of the Accounting Standards Act (Cap. 2B) and known as Financial Reporting Standard 116 (Leases);

“intermodal equipment” has the meaning given in section 43ZA(7);

10 “Maritime Sector Incentive recipient” or “MSI recipient” means a shipping enterprise, an approved international shipping enterprise, an approved shipping investment enterprise, or an approved container investment enterprise;

15 “SFRS(I) 16” means the financial reporting standards issued by the Accounting Standards Council, under Part III of the Accounting Standards Act (Cap. 2B) and known as Singapore Financial Reporting Standards (International) 16 (Leases);

20 “ship” has the meaning given in section 2(1) of the Merchant Shipping Act (Cap. 179);

“shipping enterprise” means a company that owns or operates, or both owns and operates, one or more Singapore ships;

25 “Singapore ship” means a ship in respect of which a permanent certificate of registry has been issued under the Merchant Shipping Act and whose registry is not closed or deemed to be closed or suspended;

“sublease asset” means –

30 (a) in the case of an electee that is a shipping enterprise, any Singapore ship or container;

(b) in the case of an electee that is an approved international shipping enterprise, any ship or container;

(c) in the case of an electee that is an approved shipping investment enterprise, any ship; and

(d) in the case of an electee that is an approved container investment enterprise, any container or intermodal equipment;

5

but excludes anything that is used solely in the basis period concerned to derive income other than income that is subject to exemption or a concessionary rate of tax under section 13A, 13F, 13S or 43ZA;

10

“qualifying asset” means –

(a) in the case of an electee which is a shipping enterprise, any of the following:

(i) any Singapore ship;

(ii) any on-board equipment integral to the operation of Singapore ships;

15

(iii) any container; or

(iv) any intermodal equipment or any other equipment integral to the operation of containers;

20

(b) in the case of an electee which is an approved international shipping enterprise, any of the following:

(i) any ship;

(ii) any on-board equipment integral to the operation of ships;

25

(iii) any container; or

(iv) any intermodal equipment or any other equipment integral to the operation of containers;

30

(c) in the case of an electee which is an approved shipping investment enterprise, any of the following:

(i) any ship; or

- (ii) any on-board equipment integral to the operation of ships; and
- (d) in the case of an electee which is an approved container investment enterprise, any of the following:
- (i) any container; or
- (ii) any intermodal equipment or any other equipment integral to the operation of containers.
- but excludes anything that is used solely in the basis period concerned to derive income other than income that is subject to exemption or a concessionary rate of tax under section 13A, 13F, 13S or 43ZA;

[Gazette date]

Amendment of section 37L

28. Section 37L of the principal Act is amended —
- (a) by deleting the words “FRS 28 or SFRS for Small Entities, as amended from time to time” in subsection (16E) and substituting the words “FRS 28, SFRS(I) 1-28, or SFRS for Small Entities”; and
- (b) by deleting subsection (16F) and substituting the following subsection:
- “(16F) In subsection (16E), “FRS 28”, “SFRS(I) 1-28” and “SFRS for Small Entities” mean the financial reporting standards known respectively as —
- (a) Financial Reporting Standard 28 (Investments in Associates and Joint Ventures);
- (b) Singapore Financial Reporting Standard (International) 1-28 (Investments in Associates and Joint Ventures); and
- (c) Singapore Financial Reporting Standard for Small Entities,

that are made by the Accounting Standards Council under Part III of the Accounting Standards Act (Cap. 2B), as amended from time to time.”;

5 (c) by inserting, immediately after subsection (19A), the following subsections:

“(19AA) If —

- 7 (a) any requirement under subsections (16A)(d) and (17)(e) has been waived for an acquiring company under subsection (19A); and
- 10 (b) the acquiring company fails to comply with a condition subsequent imposed under subsection (19A) for such waiver,

15 then, if the Minister or the person appointed by the Minister is satisfied, having regard to the acquiring company’s representation and all the relevant circumstances of the case, that it is just and reasonable to do so, the Minister or appointed person may determine that the deductions which would not have been made to the acquiring company but for the waiver, is to be recovered from the acquiring company, for such year or years of assessment as the Minister or appointed person may determine.

20 (19AB) If a determination mentioned in subsection (19AA) is made, the deductions mentioned in that subsection are treated as the acquiring company’s income for the year of assessment in which the non-compliance is discovered.”.

[paras (a) and (b): 1/1/18; para (c): Gazette date]

25 **Amendment of section 39**

29. Section 39 of the principal Act is amended —

- (a) by deleting sub-paragraph (ii) of subsection (2)(p) and substituting the following sub-paragraph:

30 “(ii) was looking after any of her children who is a citizen of Singapore and —

(A) is 12 years old and below at any time during the year preceding the year of assessment; or

(B) is unmarried throughout the year preceding the year of assessment, and also incapacitated by reason of physical or mental infirmity at any time in the year preceding the year of assessment; and”;

(b) by deleting the proviso to paragraph (p) of subsection (2) and substituting the following:

“except that —

(A) a deduction under this paragraph in respect of that parent or grandparent may be allowed to one woman only; and where more than one woman claims a deduction under this paragraph in respect of the same parent or grandparent, a deduction may be allowed to such claimant as the women may agree or (failing such agreement) to such claimant as determined by the Comptroller whose decision is final; and

(B) no deduction may be allowed under this paragraph if a deduction is claimed under paragraph (d) in respect of a spouse who is the child mentioned in sub-paragraph (ii)(B);” and

(c) by inserting, immediately after subsection (2), the following subsection:

“(2) In paragraph (p) of subsection (2), “child” has the meaning given in paragraph 7 of the Fifth Schedule.”.

(2) Subsection (1) has effect for the year of assessment 2020 and subsequent years of assessment.

[Gazette date]

Amendment of section 43

30. Section 43 of the principal Act is amended —

5 (a) by deleting the words “March 2020” in subsections (2A)(ba), (3B) and (3C)(b) substituting in each case the words “December 2025”;

(b) by inserting, immediately after subsection (3C), the following subsections:

10 “(3D) In the application of subsection (3B) to a distribution mentioned in that subsection made during the period from 1 July 2019 to 31 December 2025 (both dates inclusive) to a person mentioned in subsection (3F) with a fund manager in Singapore, that fund manager is not
15 considered a permanent establishment in Singapore of that person.

(3E) In the application of subsection (3C) to a distribution mentioned in that subsection made during the period from 1 July 2019 to 31 December 2025 (both dates
20 inclusive) to a person mentioned in subsection (3F) with a fund manager in Singapore, that fund manager is not considered a permanent establishment in Singapore of that person.

(3F) Subsection (3D) or (3E) applies to a distribution made to any of the following persons or entities that is not
25 resident in Singapore:

- (a) a prescribed person (other than an individual) under section 13CA;
- (b) an approved person under section 13X;
- 30 (c) a person (not being an individual, a body of persons or a Hindu joint family) that is the approved master fund or an approved feeder fund

of a structure that is an approved master-feeder fund structure under section 13X;

- 5
- (d) a partner of a partnership (including a limited partnership and a limited liability partnership), where the partnership is the approved master fund or an approved feeder fund of a structure that is an approved master-feeder fund structure under section 13X;
- 10
- (e) a trustee of a trust fund where the trust fund is the approved master fund or an approved feeder fund of a structure that is an approved master-feeder fund structure under section 13X;
- 15
- (f) a taxable entity in relation to the approved master fund or an approved feeder fund of a structure that is an approved master-feeder fund structure under section 13X, where the master fund or feeder fund is not a legal entity;
- 20
- (g) a company, a trustee of a trust fund or a partner of a limited partnership, where the company, trust fund or limited partnership is an approved feeder fund of a structure that is an approved master-feeder fund-SPV structure under section 13X;
- 25
- (h) a person (not being a company, an individual or a Hindu joint family) that is an approved feeder fund of a structure that is an approved master-feeder fund-SPV structure under section 13X;
- 30
- (i) a partner of a partnership (excluding a limited partnership but including a limited liability partnership), where the partnership is an approved feeder fund of a structure that is an approved master-feeder fund-SPV structure under section 13X;

- 5 (j) a taxable entity in relation to an approved feeder fund of a structure that is an approved master-feeder fund-SPV structure under section 13X, where the feeder fund is not a legal entity;
- (k) an approved 1st tier SPV of a structure that is an approved master-feeder fund-SPV structure under section 13X;
- 10 (l) an approved 2nd tier SPV of a structure that is an approved master-feeder fund-SPV structure under section 13X;
- (m) an approved 1st tier SPV of a structure that is an approved master fund-SPV structure under section 13X;
- 15 (n) an approved 2nd tier SPV of a structure that is an approved master fund-SPV structure under section 13X;
- (o) an approved eligible SPV of a structure that is an approved master-feeder fund-SPV structure under section 13X, where the eligible SPV is not one
20 mentioned in paragraphs (p) to (r);
- (p) a partner of an approved eligible SPV of a structure that is an approved master-feeder fund-SPV structure under section 13X, where the eligible
25 SPV is a partnership (including a limited partnership and a limited liability partnership);
- (q) the trustee of an approved eligible SPV of a structure that is an approved master-feeder fund-SPV structure under section 13X, where the
30 eligible SPV is a trust fund;
- (r) the taxable entity of an approved eligible SPV of a structure that is an approved master-feeder fund-SPV structure under section 13X, where the eligible SPV is not a legal entity;

- (s) an approved eligible SPV of a structure that is an approved master fund-SPV structure under section 13X, where the eligible SPV is not one mentioned in paragraphs (t) to (v);
- 5 (t) a partner of an approved eligible SPV of a structure that is an approved master fund-SPV structure under section 13X, where the eligible SPV is a partnership (including a limited partnership and a limited liability partnership);
- 10 (u) the trustee of an approved eligible SPV of a structure that is an approved master fund-SPV structure under section 13X, where the eligible SPV is a trust fund;
- 15 (v) the taxable entity of an approved eligible SPV of a structure that is an approved master fund-SPV structure under section 13X, where the eligible SPV is not a legal entity; and
- 20 (w) a prescribed sovereign fund entity or an approved foreign government-owned entity under section 13Y.”.

[1 July 2019]

Amendment of section 43A

31. Section 43A(2)(d) of the principal Act is amended by inserting, immediately after the words “FRS 109”, the words “or SFRS(I) 9”.

[12 November 2018]

Amendment of section 43C

- 25 **32.** Section 43C(1) of the principal Act is amended —
- (a) by inserting, immediately after the word “derived” in paragraph (a), the words “before 1 July 2021”; and
- (b) by inserting, immediately after paragraph (aa), the following paragraph:
- 30 “(ab) to provide for tax at the rate of 10% to be levied and paid for each year of assessment upon such

income as the Minister may specify that is derived on or after 1 July 2021 by an approved insurer whose approval is granted before 1 June 2017, from—

- 5 (i) the reinsurance of liabilities under policies relating to life business as defined in section 2(1)(a) of the Insurance Act (Cap. 142); or
- 10 (ii) such description of general business within the meaning of section 2(1)(b) of that Act, as may be prescribed;”.

[Gazette date]

Amendment of section 43ZA

33. Section 43ZA of the principal Act is amended —

- 15 (a) by deleting the word “and” at the end of paragraph (c) of subsection (1);
- (b) by deleting the full-stop at the end of paragraph (d) of subsection (1) and substituting a semi-colon, and inserting immediately thereafter the following paragraphs:
- 20 “(e) the leasing of any container used for international transportation of goods, if the container was —
- (i) acquired by an approved related party before or during the period of the approval of the related party under subsection (4); and
- 25 (ii) leased by the approved related party to the approved container investment enterprise;
- (f) the leasing of any intermodal equipment that is incidental to the lease mentioned in paragraph (e), if the intermodal equipment was —
- 30 (i) acquired by an approved related party before or during the period of the approval

of the related party under subsection (4);
and

(ii) leased by the approved related party to the
approved container investment enterprise;
and

5

(g) foreign exchange and risk management activities
that are carried out in connection with and
incidental to the lease mentioned in paragraphs (e)
and (f).”;

10 (c) by inserting, immediately after subsection (1), the following
subsection:

“(1A) Subsection (1)(e) to (g) only applies to income
derived on or after 12 December 2018.”;

15 (d) by deleting the words “referred to in subsection (1)” in
subsection (2) and substituting the words “mentioned in
subsection (1)(a), (b), (c) or (d)”;

(e) by inserting, immediately after subsection (2), the following
subsections:

20 “(2A) Subsection (1) continues to apply to a container
investment enterprise the approval of which has expired
or been withdrawn, but that continues to derive income of
the type mentioned in subsection (1)(e), (f) or (g) if both
the container investment enterprise and the approved
25 related party have by the date of the expiry or before the
withdrawal, fulfilled all the conditions of their respective
approvals under subsection (4).

(2B) For the purpose of subsection (2A), the container
investment enterprise is treated under this section as an
approved container investment enterprise.

30 (2C) Subsections (1)(a), (c), (e) and (f) do not apply to
income derived on or after 12 December 2018 from the
leasing of a container or intermodal equipment that is
acquired by the approved container investment enterprise
or the approved related party by way of a finance lease

entered into with an entity that is not an approved related party.”;

5 (f) by inserting, immediately after the words “container investment enterprise” in subsection (3), the words “or a related party of an approved container investment enterprise”; and

10 (g) by deleting the full-stop at the end of the definition of “registered business trust” in subsection (7) and substituting a semi-colon, and inserting immediately thereafter the following definition:

15 “related party”, in relation to an approved container investment enterprise, means any entity that is related to the approved container investment enterprise in such manner as may be prescribed by rules under section 7.”.

[12 December 2018]

Amendment of section 45AA

34. Section 45AA of the principal Act is amended —

(a) by deleting subsection (1) and inserting the following subsections:

20 “(1) Subsection (1A) applies where a notification has been made under section 13(4) to exempt from tax (wholly or in part) payments made by a person to a non-resident person under section 45 or 45A, and —

25 (a) the exemption is on the basis that the first-mentioned person is approved by the Minister or a person appointed by the Minister under a section specified in the Third Schedule, and the approval is revoked under section 105R after any such payment has been made; or

30 (b) the first-mentioned person contravenes any condition imposed by the Minister under the notification (whether a condition precedent or a

condition subsequent) after any such payment has been made.

(1A) The amount of tax which, but for the approval or the notification (as the case may be), would have been deductible by the first-mentioned person from that payment —

(a) is deemed to have been deducted from that payment;

(b) is a debt due from the first-mentioned person to the Government; and

(c) is recoverable in the manner provided in section 89.”; and

(b) by deleting the words “subsection (1)” in subsections (2), (4) and (7) and substituting in each case the words “subsection (1A)”.

[Gazette date]

Amendment of section 45G

35. Section 45G of the principal Act is amended —

(a) by inserting, immediately after the words “section 43(3B)” in subsection (1)(a), the words “ (3C), (3D) or (3E)”;

(b) by deleting the words “March 2020” in subsections (2)(a) and (b) and (5) and substituting in each case the words “December 2025”.

New section 45J

36. The principal Act is amended by inserting, immediately after section 45I, the following section:

“Application of section 45, etc. to Government

45J.—(1) Subject to the modifications in subsection (2), sections 45, 45A, 45F and 45GA apply to the payment of any income described in those sections that is liable to be made by the Government to a person not known to the Government to be resident in Singapore, as they apply to the payment of such

income liable to be made by a person to another person not known to the first-mentioned person to be resident in Singapore.

(2) The modifications are —

- 5 (a) any amount deducted by the Government under section 45, 45A, 45F or 45GA does not constitute a debt due to the Government and is not recoverable in the manner provided by section 89; and
- 10 (b) section 45(3) to (7) (including those provisions as applied by sections 45A, 45F and 45GA) do not apply.

[Gazette date]

Amendment of section 101

37. Section 101 of the principal Act is amended by inserting “34F(8),” immediately after the word “sections” in subsection (2).

[Gazette date]

15 New sections 105R and 105S

38. The principal Act is amended by inserting, immediately before section 106, the following sections:

“Revocation of approval

105R.—(1) This section applies where —

- 20 (a) either —
- (i) a person is approved by the Minister or a person appointed by the Minister (called in this section the approving authority) under a prescribed section for a tax incentive to be applied to the person’s income under that provision or regulations made under that provision; or
- 25 (ii) a matter is approved by an approving authority under a prescribed section for a tax incentive to be applied to a person’s income under that provision or regulations made under that provision; and
- 30

(b) the person fails to comply with a condition of the approval.

5 (2) The approving authority may, by notice in writing, require the person to show cause, within 30 days after the date the notice is served on the person, why the approval should not be revoked.

10 (3) If the approving authority is satisfied, having regard to the person's representation and all the relevant circumstances of the case, that it is just and reasonable to do so, the approving authority may revoke the approval, and the revocation is effective from a date specified by the approving authority to the person.

(4) The approving authority may specify any date for the revocation to take effect, including (if it is just and reasonable to do so) —

15 (a) a date before the date of the non-compliance with the condition; or

(b) if the condition is to be complied with over a period of time, before the date of commencement of that period.

20 (5) The revocation of an approval under this section does not affect the operation of any provision of this Act providing for other consequences for a breach of a condition of the approval.

(6) To avoid doubt, where —

25 (a) a tax incentive has been applied to any income of the person under a prescribed section, or an order under section 13(12);

30 (b) the tax incentive would not have been applied to the person's income if the person or matter was not approved under the prescribed section on the date the relevant income accrued to or was derived or received by the person, or the relevant expenditure was incurred by the person, as the case may be; and

(c) the approval is revoked under this section with effect from or before that date,

the Comptroller may make an assessment or additional assessment under section 74 on the person.

(7) This section applies to an approval given under a prescribed section whether before, on or after [*Gazette*] date.

- 5 (8) In this section —
- (a) a prescribed section is a section of the Act specified in the Third Schedule;
 - (b) a tax incentive is any of the following:
 - 10 (i) an exemption from tax;
 - (ii) a concessorary rate of tax;
 - (iii) a deduction or an allowance;
 - (iv) a reduction of the statutory income of a person;
 - (c) a tax incentive that is an exemption from tax is applied to a person's income if any income of the person becomes exempt from tax;
 - 15 (d) a tax incentive that is a concessorary rate of tax is applied to a person's income if tax is levied on any income of the person at that rate;
 - (e) a tax incentive that is a deduction or an allowance is applied to a person's income if it is allowed or made for any expenditure in ascertaining the person's chargeable income; and
 - 20 (f) a tax incentive that is a reduction of the statutory income of a person is applied to a person's income if such reduction is made to the person's statutory income.
 - 25

Conditions for application of tax incentive treated as conditions of approval

30 **105S.**—(1) This section applies to each of the following approvals made before [*Gazette*] date:

- (a) an approval of a Finance and Treasury Centre of a company under section 43G for tax at a concessionary rate to be levied on the company's income under regulations made under that section;
- 5 (b) an approval of a person under section 43P, 43Q, 43R, 43W, 43Y, 43Z, 43ZB, 43ZC or 43ZD, for tax at a concessionary rate to be levied on the person's income under that section or regulations made under that section (as the case may be).
- 10 (2) For the purposes of section 105R, every condition imposed or specified before the date mentioned in subsection (1) under section 43G(2), 43P(2), 43Q(2), 43R(2), 43W(3), 43Y(2), 43Z(3), 43ZB(3), 43ZC(3) or 43ZD(3) in force immediately before that date, in relation to a Finance and Treasury Centre or person is treated as a condition imposed on the approval of the
- 15 Finance and Treasury Centre or person (as the case may be) under the corresponding section mentioned in subsection (1).
- (3) In this section —
- 20 "Finance and Treasury Centre" has the same meaning as in section 43G

[Gazette date]

Amendment of section 106

39. Section 106(3) of the principal Act is amended by inserting, immediately after the word "First," the word "Third,".

[Gazette date]

Miscellaneous amendments relating to new sections 105R and 105S

25 **40.** The sections of the principal Act in the 1st column of the following table is amended in the manner set out in the 2nd column of the table:

Section 43G	<ol style="list-style-type: none"> 1. Insert the word "and" at the end of subsection (2)(a). 2. Delete the word "; and" at the end of subsection (2)(b) and substitute a full-stop therefor.
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	<p>3. Delete subsection (2)(c).</p> <p>4. Insert, immediately after subsection (2), the following subsection: “(2A) The Minister or a person appointed by the Minister may, subject to such conditions as the Minister or person may impose, approve a Finance and Treasury Centre for a company for the purposes of this section.”.</p> <p>5. Delete the definition of “approved” in subsection (3).</p>
Section 43N	<p>Delete the definition of “financial sector incentive (standard tier) company” in subsection (4) and substitute the following definition: “financial sector incentive (standard tier) company” means a company approved as such under section 43Q;”.</p>
Section 43P	<p>1. Insert, immediately after subsection (1), the following subsections: “(1AA) Subject to the regulations under subsection (1), the income of an approved global trading company or approved qualifying company mentioned in that subsection — (a) is chargeable with tax at the rate of 5% if the company has been approved for that rate; or (b) is chargeable with tax at the rate of 10% if the company has been approved for that rate. (1AB) For the purposes of this section, the Minister or a person appointed by the Minister may, subject to such conditions as the Minister or person may impose, approve — (a) a global trading company as an approved global trading company; or (b) a qualifying company as an approved qualifying company.”.</p> <p>2. Delete subsection (2).</p>

	3. Delete the definition of “approved” in subsection (3).
Section 43Q	<p>Delete subsections (2) and (3) and substitute the following subsection:</p> <p>“(2) The Minister or a person appointed by the Minister may, subject to such conditions as the Minister or person may impose, approve a company carrying on such qualifying activities as may be prescribed, as a financial sector incentive company for the purposes of this section, and the Minister or person may approve different classes of financial sector incentive companies for the purposes of this section.”.</p>
Section 43R	<p>1. Delete subsection (2) and substitute the following subsection:</p> <p>“(2) The Minister or a person appointed by the Minister may, subject to such conditions as the Minister or person may impose, approve a company as an approved company for the purposes of this section.”.</p> <p>2. Delete subsection (5).</p>
Section 43W	<p>Delete subsection (3) and substitute the following subsection:</p> <p>“(3) The Minister or a person appointed by the Minister may, subject to such conditions as the Minister or person may impose, approve a shipping investment manager as an approved shipping investment manager for the purposes of this section.”.</p>
Section 43Y	<p>1. Delete subsection (2) and substitute the following subsection:</p> <p>“(2) The Minister or a person appointed by the Minister may, subject to such conditions as the Minister or person may impose, approve an aircraft leasing company as an approved aircraft leasing company for the purposes of this section.”.</p> <p>2. Delete the definition of “approved” in subsection (7).</p>

Section 43Z	<p>Delete subsection (3) and substitute the following subsection:</p> <p>“(3) The Minister or a person appointed by the Minister may, subject to such conditions as the Minister or person may impose, approve an aircraft investment manager as an approved aircraft investment manager for the purposes of this section.”.</p>
Section 43ZB	<p>Delete subsection (3) and substitute the following subsection:</p> <p>“(3) The Minister or a person appointed by the Minister may, subject to such conditions as the Minister or person may impose, approve a container investment manager as an approved container investment manager for the purposes of this section.”.</p>
Section 43ZC	<ol style="list-style-type: none"> 1. Delete subsection (3) and substitute the following subsection: “(3) The Minister or a person appointed by the Minister may, subject to such conditions as the Minister or person may impose, approve a company that is a direct insurance broker, general reinsurance broker or life reinsurance broker, as an approved insurance broker for the purposes of this section.”. 2. Delete the definition of “approved insurance broker” in subsection (5).
Section 43ZD	<ol style="list-style-type: none"> 1. Delete subsection (3) and substitute the following subsection: “(3) For the purposes of this section, the Minister or a person appointed by the Minister may, subject to such conditions as the Minister or person may impose — (a) approve a trustee-manager of a qualifying registered business trust as an approved trustee-manager; or (b) approve a fund management company as an approved fund management company.”.

	2. Delete the definition of “approved” in subsection (5).
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[Gazette date]

New Third Schedule

41. The principal Act is amended by inserting, immediately after the Second Schedule, the following Schedule:

“THIRD SCHEDULE

5

Section 105R

Prescribed Sections

Sections 13F, 13H, 13P, 13S, 13U, 14E, 37K, 43C, 43G, 43J, 43P, 43Q, 43R, 43W, 43Y, 43Z, 43ZA, 43ZB, 43ZC, 43ZD, 43ZF, 43ZG, 43ZH and 43ZI of the Act.”.

[Gazette date]

10 Related amendments to Stamp Duties Act

42. Section 15A of the Stamp Duties Act is amended —

(a) by deleting the words “FRS 28, or SFRS for Small Entities, as amended from time to time” in subsection (18A) and substituting the words “FRS 28, SFRS(I) 1-28, or SFRS for Small Entities”;

(b) by deleting the definition of “FRS 28” in subsection (19) and substituting the following definition:

““FRS 28”, “SFRS(I) 1-28” and “SFRS for Small Entities” mean the financial reporting standards known respectively as —

(a) Financial Reporting Standard 28 (Investments in Associates and Joint Ventures);

(b) Singapore Financial Reporting Standard (International) 1-28 (Investments in Associates and Joint Ventures); and

(c) Singapore Financial Reporting Standard for Small Entities,

that are made by the Accounting Standards Council under Part III of the Accounting Standards Act (Cap. 2B), as amended from time to time;” and

- 5 (c) by deleting the definition of “SFRS for Small Entities” in subsection (19).

[Gazette date]

Remission of tax for year of assessment 2019

43.—(1) There is to be remitted the tax payable for the year of assessment 2019 by an individual resident in Singapore an amount equal to the lower of the following:

- 10 (a) 50% of the tax payable by that individual for that year of assessment; and
 (b) \$200.

(2) The amount of such remission is to be determined by the Comptroller.

[Gazette date]

EXPLANATORY STATEMENT

This Bill seeks to implement the tax changes in the Government’s 2019 Budget Statement in the Income Tax Act (Cap. 134 of the 2014 Revised Edition) (the Act) and to make certain other amendments to the Act. It also makes related amendments to the Stamp Duties Act (Cap. 312 of the 2006 Revised Edition).

Clause 2 amends the definition of “Comptroller” in section 2 (Interpretation) so that, for the purpose of compounding an offence under section 34F(8), the reference to “Comptroller” in section 34F(9) does not include a Deputy Comptroller or an Assistant Comptroller.

Clause 3 amends section 10B (Profits of unit trusts) to provide that no unit trust may be approved under that section after 18 February 2019.

Clause 4 amends section 10F (Ascertainment of income from certain public-private partnership arrangements). The section provides that a person providing FRS 115 construction or upgrade services to the Government or an approved statutory body under a public-private partnership arrangement to which the financial reporting standard INT FRS 112 or SFRS(I) INT 12 applies, has a right to elect for any amount that is treated as income from such services under that financial reporting standard, to be treated as having been derived in the basis

period in which those services are completed. The amendment extends this treatment to SFRS(I) 15 construction or upgrade services.

Clause 5 amends section 12 (Sources of income) to provide an exception to subsection (7). Subsection (7) provides (among other things) that rent for the use of movable property that is borne by a person resident in Singapore or a permanent establishment in Singapore, or is deductible against income accruing in or derived from Singapore, is deemed as derived from Singapore and chargeable to tax. The amendment disapplies this provision to rent that is paid for the use outside Singapore of any tangible movable property, where —

- (a) the use is connected with the purpose of an overseas trip undertaken for a trade, business, profession or vocation carried on in Singapore by a person resident in Singapore, or carried on through a permanent establishment in Singapore; or
- (b) the use is connected with the operation of a representative office outside Singapore for the purpose of a trade, business, profession or vocation carried on in Singapore by a person resident in Singapore.

Clause 6 amends section 13 (Exempt income) for the following purposes:

- (a) to delete the words “on or before 31 March 2020” in subsection (1)(zh) so that any distribution from a real estate investment trust (REIT) made out of income that is subject to tax transparency under section 43, to an individual unit holder is (with some exceptions) exempt from tax under that provision, regardless of the date of distribution;
- (b) to delete the words “during the period from 1 July 2018 to 31 March 2020 (both dates inclusive)” in subsection (1)(zs) so that any distribution from a REIT exchange-traded fund that is approved for the purposes of section 43(2), out of income that is subject to tax transparency under section 43, to an individual unit holder is (with some exceptions) exempt from tax under that provision, regardless of the date of distribution;
- (c) to extend the date by which orders made under subsection (12) are to operate as set out in subsections (12A) and (12B), to 1 January 2026. Subsections (12A) and (12B) provide that orders made under subsection (12) which exempt from tax income received by the trustee of a real estate investment trust (REIT) or a wholly owned subsidiary of a REIT, continue to have effect on or after the stated date only in relation to income received in Singapore that is paid out of income or gains relating to immovable property outside Singapore and acquired before that date, and derived at a time when the trustee or subsidiary beneficially owns the property, or from the disposal of the property;
- (d) to grant exemption from tax of certain income derived from debt securities commonly known as insurance-linked securities, if 20% of the costs incurred in relation to the issue of the securities is paid to a person

or partnership that carries on a business, trade or profession in Singapore.

Clause 7 amends section 13A (Exemption of shipping profits) which provides for certain income of a shipping enterprise to be exempt from tax under that section. The amendment provides that the tax exemption applies to income derived on or after 12 December 2018 by a shipping enterprise from the finance leasing of a Singapore ship, including any such income derived from foreign exchange and risk management activities that are carried out in connection with and incidental to the finance lease. The clause also makes consequential amendments to the definition of “finance leasing” in that section.

Clause 8 amends section 13CA (Exemption of income of prescribed persons arising from funds managed by fund manager in Singapore) to extend the date by which a company or trustee of a trust fund must be incorporated or constituted to be eligible for the tax exemption under that section, to 31 December 2024.

Clause 9 amends section 13F (Exemption of international shipping profits) which provides for certain income of an approved international shipping enterprise to be exempt from tax under that section. The amendment provides that the following income derived on or after 12 December 2018 by an approved international shipping enterprise is exempt from tax:

- (a) the finance leasing of any foreign ship to any person where the ship is used by that person for the carriage of passengers, mail, livestock or goods outside the limits of the port of Singapore;
- (b) the finance leasing of any foreign dredger, foreign seismic ship, or any foreign ship used for offshore oil or gas activity to any person for such use outside the limits of the port of Singapore;
- (c) the finance leasing of any foreign ship to any person where the ship is used by the person for towage and salvage operations outside the limits of the port of Singapore;
- (d) the finance leasing of any foreign ship for offshore renewable energy activity or offshore mineral activity to any person, for the person’s operation outside the limits of the port of Singapore; and
- (e) foreign exchange or risk management activities in connection with or incidental to an activity mentioned in paragraph (a) to (d).

Clause 10 amends section 13G (Exemption of income of foreign trust) to extend the date by which a foreign trust or eligible holding company is to be constituted or incorporated for certain of its income to be exempt from tax under the section and, in relation to a trust or company that is constituted or incorporated before that date, to prescribe a later basis period in which certain conditions are to be satisfied for such exemption to apply.

Clause 11 amends section 13H (Exemption of income of venture company) to amend subsection (2C) to remove any doubt that the Minister or such person as the Minister may appoint may impose conditions in granting approval for tax exemption under the section. The clause also deletes the definition of “approved” in subsection (3) as it is not necessary.

Clause 12 amends section 13N (Exemption of tax on income derived by non-ordinarily resident individual) to provide for the phasing-out of the Not Ordinarily Resident (“NOR”) Scheme. The last consecutive 5-year period for which an NOR status may be granted to an individual under that section is the period from the year of assessment 2020 to the year of assessment 2024. An application for the NOR status must be made before 1 January 2025, and the last year of assessment which an NOR individual may elect for the tax exemption to apply under that section is the year of assessment 2024.

Clause 13 amends section 13O (Exemption of income of foreign account of philanthropic purpose trust) —

- (a) to extend the date by which a philanthropic purpose trust or eligible holding company is to be constituted or incorporated for certain of its income to be exempt from tax under the section and, in relation to a trust or company that is constituted or incorporated before that date, to prescribe a later basis period in which certain conditions are to be satisfied for such exemption to apply; and
- (b) to modify the requirements to be satisfied by a corporate settlor of an account of a philanthropic purpose trust for income from such account to be exempt from tax, as follows:
 - (i) the settlor must not carry on a business in or outside of Singapore (and not just in Singapore);
 - (ii) the settlor must not have 20% or more of the total number of its issued shares beneficially owned by another company which carries on a business in or outside of Singapore (and not just in Singapore).

Clause 14 amends section 13Q (Exemption of relevant income of locally administered trust) to extend the date by which a locally administered trust or holding company established for the purpose of such trust, is to be constituted or incorporated for certain of its income to be exempt from tax under the section and, in relation to a trust or company that is constituted or incorporated before that date, to prescribe a later basis period in which certain conditions are to be satisfied for such exemption to apply.

Clause 15 amends section 13R (Exemption of income of company incorporated or resident in Singapore arising from funds managed by fund manager in Singapore) to extend the date by which a company may be approved for a tax exemption under that section, to 31 December 2024.

Clause 16 amends section 13S (Exemption of income of shipping investment enterprise) which provides, among others, for income derived by an approved shipping investment enterprise from the chartering or finance leasing of any sea-going ship that was acquired by the enterprise before or during the period of its approval, and income derived from foreign exchange and risk management activities in connection with and incidental to such chartering or finance leasing, to be exempt from tax under that section.

The amendment extends the provision by exempting from tax income derived on or after 12 December 2018 by an approved shipping investment enterprise from the chartering or finance leasing of a sea-going ship, which the enterprise had chartered, or leased under a finance lease, from an approved related party. The ship must have been acquired by the related party before or during the period of the approval of the related party. Income from foreign exchange and risk management activities connected with or incidental to such chartering or finance leasing is similarly exempt from tax.

Clause 16 further amends section 13S to provide that income of an approved shipping investment enterprise derived on or after 12 December 2018 from the chartering or finance leasing of a sea-going ship that was acquired by way of a finance lease entered into with an entity that is not an approved related party, does not qualify for tax exemption.

Clause 17 amends section 13X (Exemption of income arising from funds managed by fund manager in Singapore) –

- (a) to provide that the exemption of tax under that section is also subject to the conditions of approval of a special purpose vehicle (SPV), in a case where the income to be exempt is that of an SPV;
- (b) to enable the income of an SPV of an approved master-feeder fund-SPV structure or an approved master fund-SPV structure to be approved for tax exemption under the section, even though it is not a 1st or 2nd tier SPV that is wholly owned by the master fund of the structure. To be eligible to be so approved, the SPV must either be wholly owned by the master fund, or wholly owned by the master fund and certain other persons and investment vehicles only. Such approval may only be given on or after 19 February 2019;
- (c) to enable an SPV that is not a company to be approved for tax exemption under the section; and
- (d) to extend the period by which approvals of persons for the purpose of the tax exemption under the section may be granted.

Clause 18 amends section 13Y (Exemption of certain income of prescribed sovereign fund entity and approved foreign government-owned entity) to extend till 31 December 2024 the period in which a foreign government-owned entity may be approved for a tax exemption under that section.

Clause 19 amends section 13Z (Exemption of gains or profits from disposal of ordinary shares) which provides for tax exemption on any gains or profits derived by a company from the disposal of ordinary shares belonging to it in another company. Where the company given the exemption had in an earlier year of assessment claimed a deduction or been charged to tax for certain losses or profits attributable to the disposed shares, the amount of the losses or profits will be treated as chargeable income or allowable expenses of the company in the year of the disposal. The losses and profits include a loss and profit recognised under certain financial reporting standards. The amendment adds a reference in the latter to the financial reporting standard known as SFRS(I) 9.

Clause 20 amends section 14V (Deduction for amortisation of intangible asset created under public-private partnership arrangement), which provides that where an intangible asset is created under a public-private partnership arrangement to which INT FRS 112 applies, and amortisation of the asset is recognised in accordance with the financial reporting standard known as FRS 38 in financial statements for a basis period for a year of assessment, then the amount of the amortisation that (in accordance with FRS 38) is recognised as an expense is an allowable deduction against an amount deemed as income for that basis period from providing services under the arrangement under the amended section 10F. The amendment extends the section to an intangible asset created under a public-private partnership arrangement to which SFRS(I) INT 12 applies, and to the amortisation of such asset that is recognised under the financial reporting standard known as SFRS(I) 1-38.

Clause 21 makes various amendments to section 14ZB (Deduction for expenditure for services or secondment to institutions of a public character), which allows an entity that incurs certain expenditure when its employees provided services to an institution of a public character by arrangement with the institution and on the instruction or request of the entity, to claim an additional deduction. The amendments are for the following purposes:

- (a) where the expenditure is salary expenditure, to allow an entity to opt for the expenditure to be computed on a fixed hourly rate to be prescribed in rules;
- (b) to allow an entity to claim such deduction irrespective of the number of working hours per week of the employee who provided the services or who was seconded;
- (c) to make an amendment to subsection (13) that was inadvertently omitted when the section was amended in 2018 extending the period during which expenditure incurred may be allowed a deduction under that section.

Clause 22 inserts a new section 14ZD to enable a resident individual who derives in a basis period commission from one or more prescribed activities that is chargeable to tax under section 10(1)(a), to claim a deduction for outgoings and

expenses incurred of an amount that is determined by a prescribed formula, instead of the actual amount of such outgoings and expenses.

This only applies to commission income from a prescribed activity or prescribed activities in respect of which there are deductible outgoings or expenses. For example, if an individual--

- (a) derived commission income from activity A, in respect of which the individual did not incur any deductible expense; and
- (b) derived commission income from activity B, in respect of which the individual incurred deductible expense,

- 5 then the prescribed formula may only be applied to the commission income from activity B and is to be computed against such income.

The application of the new tax treatment is subject to the following:

- (a) the gross amount of commission derived by the individual from a prescribed activity or prescribed activities in the basis period for which there are deductible outgoings and expenses must not exceed \$50,000;
- (b) the individual may elect to disapply the tax treatment under the section to any such commission derived in the basis period for a particular year of assessment. If the individual carried on more than one prescribed activity, he or she may not make the election for only one or some of those activities;
- (c) the commission excludes any commission derived by the individual as a partner in a partnership.

Clause 23 amends section 19B (Writing-down allowances for intellectual property rights) to provide that, if a condition subsequent imposed for the waiver of certain requirements for the making of writing-down allowances to a company is not complied with, and the authority that waived the requirements considers that it is just and reasonable that allowances that would not have been made but for the waiver should be recovered for a particular year or years or assessment, then those allowances are treated as income of the company for the year of assessment in which the non-compliance is discovered.

Clause 23 also amends section 19B —

- (a) to provide that the period in which intellectual property rights must be acquired for writing-down allowances to be granted under subsection (1) ends on the last day of the basis period for the year of assessment 2016;
- (b) to extend the period (till the last day of the basis period for the year of assessment 2025) in which intellectual property rights may be acquired for the grant of the writing-down allowance under subsection (1AA) on the capital expenditure incurred in such acquisition.

Clause 24 makes various amendments to section 26 (Profits of insurers) that are consequential on amendments made to the Insurance (Valuation and Capital) Regulations 2004 in 2018. The amendments made to section 26 are to ensure that any increase or decrease in policy liabilities of an insurer in a basis period that is deductible or taxable continues to be net of liabilities in respect of reinsurance ceded to a reinsurer.

Clause 25 amends subsection (20) of section 34C (Amalgamation of companies), which provides that no writing-down allowances under section 19B may be granted to an amalgamated company of a qualifying amalgamation in respect of intellectual property rights that are recognised under certain financial reporting standards but were not in existence prior to the amalgamation. The amendment extends this treatment to intellectual property rights that are recognised under the financial reporting standards SFRS(I) 1-38 and SFRS(I) 3.

Clause 26 amends subsection (5) of section 34G (Modification of provisions for companies redomiciled in Singapore), which provides that where a redomiciled company incurs on or after its registration date any impairment loss from a financial asset on revenue account acquired for a trade or business outside Singapore before that date, it is allowed a deduction for that loss to the extent it becomes credit-impaired within the meaning of the financial reporting standard known as FRS 109. The amendment adds a reference in the latter to the financial reporting standard known as SFRS(I) 9.

Clause 27 inserts a new section 34J which allows a recipient of a Maritime Sector Incentive (i.e. a company or registered business trust entitled to a tax incentive for its income under 13A, 13F, 13S or 43ZA) that has prepared its financial accounts in accordance with the financial reporting standards known as FRS 116 or SFRS(I) 16, to elect for the tax treatment set out in the section. The tax treatment is as follows:

- (a) for any year of assessment before the year of assessment (called the last year of assessment) for the basis period in which it ceases to be a recipient of the Maritime Sector Incentive—
 - i. income of an electee from a sublease of certain assets recognised by the electee as a finance lease in accordance with FRS 116 or SFRS(I) 16, will be treated as having been derived from a finance lease for the purpose of section 10D (Income from finance or operating lease); and
 - ii. income of an electee from a sublease of certain assets that is recognised by the electee as an operating lease in accordance with FRS 116 or SFRS(I) 16 will be treated as not having been derived from a finance lease for the purpose of section;
- (b) for any year of assessment before the last year of assessment, an electee is not entitled to any deduction for any outgoing or expense in relation to

- qualifying assets leased by the electee against income derived from the use of those assets;
- (c) for any year of assessment before the last year of assessment, no capital allowance may be made to, and no balancing charge may be made on, an electee in respect of certain assets leased by the electee;
- (d) for the last year of assessment, the tax treatment under (a), (b) and (c) will apply up till the date before the electee had ceased to be a Maritime Sector Incentive recipient;
- (e) for the last year of assessment, any capital allowance to be made to an electee must take into account any allowances that would have been made to the electee but for paragraph (c), even though no such allowance was in fact made. The balance is then pro-rated for the period remaining after the electee has ceased to be a Maritime Sector Incentive recipient;
- (f) any capital allowance to be made to an electee for any subsequent year of assessment must similarly take into account allowances not made in the past years of assessment.

Clause 28 amends subsection (16E) of section 37L (Deduction for acquisition of shares of companies), which subjects the right to a deduction for certain qualifying share acquisitions to prescribed conditions that are designed to ensure that the acquiring company or acquiring subsidiary is not merely a passive investor. This includes a condition requiring the acquiring company or subsidiary to exert “significant influence” (within the meaning of certain financial reporting standards) over the target company. The amendment adds a reference in the latter to the financial reporting standard known as SFRS(I) 1-28.

Clause 28 also amends section 37L to provide that, if a condition subsequent imposed for the waiver of certain requirements for allowing deductions to a company for a qualifying acquisition of shares is not complied with, and the authority that waived the requirements considers that it is just and reasonable that deductions that would not have been made but for the waiver should be recovered for a particular year or years or assessment, then those deductions are treated as income of the company for the year of assessment in which the non-compliance is discovered.

Clause 29 amends section 39 (Relief and deduction for resident individual) to allow a woman resident in Singapore to claim deduction for the year of assessment 2020 and any subsequent year of assessment, in respect of the woman’s handicapped and unmarried child who was looked after by the child’s grandparent or great-grandparent in the preceding year, regardless of the child’s age. No deduction may be claimed under this subsection in any year of assessment, if the child becomes married in that year of assessment.

Clause 30 amends section 43 (Rate of tax upon companies and others) —

- (a) to extend till 31 December 2025 the date distributions from certain income by an approved REIT exchange-traded fund are to be received from a REIT, to enjoy tax transparency;
- (b) to extend till 31 December 2025 the date distributions from certain income are to be made by the trustee of a REIT or REIT exchange-traded fund, for the distributions to enjoy a concessionary tax rate of 10%; and
- (c) to insert new subsections (3D) and (3E) which applies the concessionary tax rate of 10% to a distribution made out of certain incomes during the period from 1 July 2019 to 31 December 2025 by a trustee of a REIT, or a trustee of an approved REIT exchange-traded fund, to certain persons or entities that are eligible for tax exemptions for their income under sections 13CA, 13X or 13Y.

Clause 31 amends subsection (2) of section 43A (Concessionary rate of tax for Asian Currency Unit, Fund Manager and securities company), which (among other things) enables regulations to be made to exempt from tax income of an approved bank, merchant bank, or holder of a capital markets services licence to deal in securities, from certain syndicated facilities. Regulations may further be made to treat an expected credit loss recognised under the financial reporting standard known as FRS 109, as chargeable income. The amendment adds a reference in the latter to the financial reporting standard known as SFRS(I) 9.

Clause 32 amends section 43C (Exemption and concessionary rate of tax for insurance and reinsurance business) —

- (a) to limit subsection (1)(a) (which enables regulations to be made applying a concessionary tax rate of 10% to income from certain offshore businesses of an approved insurer whose approval is granted before 1 June 2017) to income derived before 1 July 2021; and
- (b) to insert a new paragraph (ab) in subsection (1) to enable regulations to be made applying the concessionary tax rate of 10% to income derived on or after 1 July 2021 from certain general businesses and life reinsurance businesses, by an approved insurer whose approval is granted before 1 June 2017.

Clause 33 amends section 43ZA (Concessionary rate of tax for container investment enterprise) which provides for a concessionary rate of tax to be levied and paid on the income of an approved container investment enterprise accruing in or derived from Singapore from the leasing of any container or intermodal equipment that is acquired by the enterprise before or during the period of its approval, and income derived from foreign exchange and risk management activities in connection with and incidental to the leasing.

The amendment extends the section by applying the concessionary rate of tax to income derived on or after 12 December 2018 by an approved container investment enterprise from the leasing of a container or intermodal equipment,

that the enterprise had leased from an approved related party. This applies only if the container or intermodal equipment was acquired by the related party before or during the period of the approval of the related party. The concessionary tax rate also applies to foreign exchange and risk management activities connected with or incidental to such leasing.

Clause 33 further amends section 43ZA to disapply the concessionary tax rate under that section to income derived by an approved container investment enterprise on or after 12 December 2018 in relation to a container or intermodal equipment acquired by way of a finance lease entered into with an entity that is not an approved related party.

Clause 34 amends section 45AA (Tax deemed withheld and recoverable from person in breach of condition imposed under section 45AA) which provides that where the payer of a payment to a non-resident person under section 45 or 45A contravenes any condition imposed under a notification made under section 13(4), the amount of tax which would have been deductible by the payer from that payment under that section is deemed to have been deducted from the payment and recoverable from the payer by the Comptroller. Section 45AA is amended to apply also to a case where the payer is a person approved under a provision of the Act set out in the new Third Schedule, and the payment is exempt from tax under a section 13(4) notification on that basis. If the approval is then revoked under the new section 105R after any such payment is made, the amount of tax which would have been deductible by the payer from that payment under section 45 or 45A is deemed to have been so deducted and recoverable from the payer by the Comptroller.

Clause 35 amends section 45G (Application of section 45 to distribution from any real estate investment trust) —

- (a) to impose withholding tax requirements on distributions by a trustee of a real estate investment trust or an approved REIT exchange-traded fund, to persons to whom the concessionary tax rate under subsection (3C) or the new subsection (3D) or (3E) of section 43 applies; and
- (b) to extend the date by which a distribution is to be made to enjoy a withholding tax rate of 10%, to 31 December 2025.

Clause 36 inserts a new section 45J to reflect that certain withholding tax obligations under Part XII are applicable to the Government. However, no civil or criminal action may be taken against the Government to enforce such obligations.

Clause 37 amends subsection (2) of section 101 (Consent for prosecution) to enable the Comptroller to authorise an officer to compound an offence under section 34F(8). Section 34F(8) criminalises the failure to prepare transfer pricing documentation, the failure to retain in safe custody such documentation for a

specified period, and the failure to comply with a notice from the Comptroller to provide a copy of such documentation.

Clause 38 inserts a new section 105R to enable the approval of a taxpayer or a matter for a tax incentive under a section of the Act prescribed in the Third Schedule to be revoked for a breach of a condition of approval. The consequence of a breach of condition of approval is set out in the new section 105R, and replaces any representation as to the consequences of such breach set out in a letter of approval given to the taxpayer concerned.

Clause 38 also inserts a new section 105S to treat, for the purposes of section 105R, every condition imposed or specified by the Minister or such person as the Minister may appoint before the commencement date of section 105S under section 43G(2), 43P(2), 43Q(2), 43R(2), 43W(3), 43Y(2), 43Z(3), 43ZB(3), 43ZC(3) or 43ZD(3) as a condition imposed on the approval in relation to a Finance and Treasure Centre or person (as the case may be) under section 43G, 43P 43Q, 43R, 43W, 43Y, 43Z, 43ZB, 43ZC or 43ZD.

Clause 439 amends section 106 to enable the Third Schedule (inserted by this Bill) to be amended by the Minister by an order.

Clause 40 makes miscellaneous amendments to sections 43G, 43N, 43P, 43Q, 43R, 43W, 43Y, 43Z, 43ZB, 43ZC and 43ZD that are related to the new section 105R. From the date of commencement of section 105R, the Minister or such person as the Minister may appoint may impose condition of approval for any tax incentive given under section 43G, 43P, 43Q, 43R, 43W, 43Y, 43Z, 43ZB, 43ZC or 43ZD. Any such tax incentive is liable to be revoked under the new section 105R.

Clause 41 inserts a new Third Schedule, for the purposes of the new section 105R.

Clause 42 makes an amendment to subsection (18A) of section 15A (Relief from ad valorem stamp duty for acquisition of shares of companies) of the Stamp Duties Act that is related to the amendment made to section 37L of the Income Tax Act. Subsection (18A) empowers the Minister to make rules subjecting the right to relief for certain share acquisitions to conditions designed to ensure that the acquiring company or acquiring subsidiary is not merely a passive investor, including a condition that the acquiring company or subsidiary must exert “significant influence” (within the meaning of certain financial reporting standards) over the target company. The amendment adds a reference in the latter to the financial reporting standard known as SFRS(I) 1-28.

Clause 43 provides for a remission of the tax payable by a resident individual for the year of assessment 2019. The amount of remission is 50% of the tax payable or \$200, 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.

Note 1: [LCH/Income Tax \(Amdt\) Bill 2019/\(v01.02\)/aidah140619](#)