

SUMMARY TABLE ON PROPOSED CHANGES TO THE INCOME TAX ACT (“ITA”) AS ANNOUNCED IN THE 2021 BUDGET STATEMENT

S/N	Proposed Legislative Change	Brief Description of Proposed Legislative Changes	Proposed Amendment to ITA [Clause in Draft Income Tax Amendment Bill 2021]
1	Extend the Year of Assessment (“YA”) 2020 enhancements to the carry-back relief scheme	To continue providing support to businesses, the enhancements to the carry-back relief scheme for YA 2020 will be extended to YA 2021. Under the enhanced scheme, current year unabsorbed capital allowances (“CA”) and trade losses (collectively referred to as “qualifying deductions”) for YA 2021 may be carried back up to three immediate preceding YAs, capped at \$100,000 of qualifying deductions, subject to conditions.	Section 37E [Clause 30]
2	Extend the option to accelerate the write-off of the cost of acquiring plant and machinery (“P&M”)	To continue providing support to businesses, the option to accelerate the write-off of the cost of acquiring P&M over two years will be extended. Taxpayers who incurred capital expenditure on the acquisition of P&M in the basis period for YA 2022 (i.e. financial year (“FY”) 2021) have an irrevocable option to accelerate the write-off of the cost of acquiring such P&M over two years, at specified rates. This option is in addition to the options currently available under Section 19 and 19A of the Income Tax Act (“ITA”).	Section 19A [Clause 19]
3	Extend the option to accelerate the deduction of renovation and refurbishment (“R&R”) expenses	To continue providing support to businesses, the irrevocable option to claim R&R deduction in one YA (i.e. accelerated R&R deduction) will be extended to qualifying expenditure incurred on R&R in the basis period for YA 2022 (i.e. FY 2021). The cap of \$300,000 for every relevant period of three consecutive YAs continues to apply.	Section 14Q [Clause 12]

S/N	Proposed Legislative Change	Brief Description of Proposed Legislative Changes	Proposed Amendment to ITA [Clause in Draft Income Tax Amendment Bill 2021]
		This option is in addition to the existing option under Section 14Q of the ITA.	
4	Enhance the Double Tax Deduction for Internationalisation (“DTDi”) scheme	<p>To continue supporting internationalisation efforts of businesses amid changes in the business environment, the proposed amendments seek to enhance the scope of the DTDi scheme to cover the following specified expenses incurred to participate in approved¹ virtual trade fairs:</p> <p>a) Package fees charged by event organisers for virtual exhibition hall and booth access, collateral creation, business meeting/match sessions, pitches/product launches/speaking slots, webinar/conference, and post event analytics;</p> <p>b) Third-party costs for design and production of digital collaterals and promotion materials for virtual fairs; and</p> <p>c) Logistics costs incurred to send materials/samples overseas to potential clients met at virtual trade fairs².</p> <p>The proposed amendments also seek to expand the list of qualifying expenses for participation in overseas investment study trips to include logistics costs to transport materials/samples used during the investment trips.</p>	Sections 14B and 14K [Clauses 8 and 11]

¹ The virtual trade fair needs to be an event approved by Enterprise Singapore.

² The following conditions need to be met:

- (i) Both the business claiming tax deduction under the DTDi scheme and the recipient of the materials/samples have attended the approved virtual trade fair; and
- (ii) Materials/samples are sent within six months from the end of the approved virtual fair.

S/N	Proposed Legislative Change	Brief Description of Proposed Legislative Changes	Proposed Amendment to ITA [Clause in Draft Income Tax Amendment Bill 2021]
		<p>In addition, the scope of activities for which the expenses incurred would qualify for a 200% tax deduction without prior approval from Enterprise Singapore or the Singapore Tourism Board (“STB”) will be enhanced to cover the following additional activities, up to the current annual expense cap of \$150,000:</p> <ul style="list-style-type: none"> a) Product/service certification (primarily to increase buyer’s acceptance in overseas markets) approved by Enterprise Singapore; b) Overseas advertising and promotional campaign; c) Design of packaging for overseas markets; d) Advertising in approved local trade publication; and e) Participation in virtual trade fairs approved by Enterprise Singapore. <p>The above proposed enhancements, if approved, will take effect for qualifying expenses incurred on or after 17 February 2021.</p> <p>The draft bill also seeks to provide for the introduction of subsidiary legislation to specify the expenses incurred (in respect of qualifying activities) that would qualify for a 200% tax deduction without the need to obtain prior approval from Enterprise Singapore or STB. The subsidiary legislation seeks to provide greater clarity for businesses and is to take effect from 17 February 2021.</p>	

S/N	Proposed Legislative Change	Brief Description of Proposed Legislative Changes	Proposed Amendment to ITA [Clause in Draft Income Tax Amendment Bill 2021]
5	Extend the 250% Tax Deduction for Qualifying Donations	<p>To continue encouraging Singaporeans to give back to the community, the proposed amendment seeks to extend the 250% tax deduction for qualifying donations made to Institutions of a Public Character (“IPCs”) and other qualifying recipients for another two years, i.e. for qualifying donations made during the period 1 January 2022 to 31 December 2023 (both dates inclusive).</p> <p>All other conditions of the scheme remain the same.</p>	Section 37 [Clause 27]
6	Extend and refine the double tax deduction (“DTD”) scheme for qualifying upfront cost attributable to retail bonds issued under MAS’ Bond Seasoning and Exempt Bond Issuer Frameworks	<p>To promote rated retail bond issuances, the proposed amendments seek to extend the DTD scheme for qualifying upfront cost incurred on or after 19 May 2021 that is attributable to rated retail bonds³ (instead of all retail bonds) issued during the period from 19 May 2021 to 31 December 2026 (both dates inclusive) under MAS’ Seasoning Framework⁴ and Exempt Bond Issuer Framework⁵. The refinement of the DTD scheme seeks to provide investors with access to rated retail bonds. Credit rating improves market transparency by providing timely and independent assessments of the creditworthiness of bond issuers.</p>	Section 14ZA [Clause 13]

³ Rated by credit rating agencies namely Standard & Poor (S&P) Global, Moody’s, or Fitch Ratings.

⁴ Issuers’ wholesale bonds offered in denominations of at least \$200,000 can be re-sized into smaller denominations after six months for retail investors’ secondary trading on SGX. Issuers can also make additional offers of new bonds (“re-tap”) up to 50% of the initial wholesale offer size to retail investors based on the Seasoned Bonds’ terms.

⁵ New retail bond issuances by issuers who meet a more stringent credit test under the Exempt Bond Issuer Framework will be exempted from prospectus requirements.

S/N	Proposed Legislative Change	Brief Description of Proposed Legislative Changes	Proposed Amendment to ITA [Clause in Draft Income Tax Amendment Bill 2021]
		<p>All other conditions of the DTD scheme remain the same.</p> <p>The proposed amendments, if approved, will take effect from 19 May 2021.</p>	
7	Extend the withholding tax (“WHT”) exemption for the financial sector	<p>To support Singapore’s value proposition and competitiveness of our financial sector, specified entities⁶ are not required to withhold tax on all Section 12(6) payments⁷ made to any Permanent Establishment (“PE”) in Singapore of a non-resident person if the payments:</p> <p>a) are made during the period from 17 February 2012 to 31 December 2026 (both dates inclusive) under a contract that took effect before 17 February 2012; or</p> <p>b) are made under a contract that takes effect during the period from 17 February 2012 to 31 December 2026 (both dates inclusive). In such cases, the specified entities do not need to withhold tax on all Section 12(6) payments that are made for the entire duration of the contract, including payments that are made beyond 31 December 2026 under that contract.</p>	Section 45I [Clause 40]

⁶ Specified entities are:

(i) Banks licensed under the Banking Act or merchant banks approved under the MAS Act.

(ii) Finance companies licensed under the Finance Companies Act.

(iii) Approved entities that are (a) licensed under the Securities and Futures Act for dealing in capital markets products and advising on corporate finance; (b) involved or will be involved in the underwriting of debt or equity issuances; and (c) approved by MAS for the purpose of the exemption.

⁷ This refers to interest payments and also other payments in connection with any loan or indebtedness, which are covered under Section 12(6) of the ITA.

S/N	Proposed Legislative Change	Brief Description of Proposed Legislative Changes	Proposed Amendment to ITA [Clause in Draft Income Tax Amendment Bill 2021]
		<p>As per the existing tax treatment, any non-resident person with a PE in Singapore is required to declare the Section 12(6) payments received in respect of the PE in the person’s annual income tax returns and be assessed to tax on such payments (unless the payments are specifically exempt from tax)⁸.</p> <p>The proposed amendment, if approved, will take effect from 1 April 2021.</p>	
8	Extend the WHT exemption on payments made for structured products	<p>To support Singapore’s value proposition and competitiveness of our financial sector, the proposed amendment seeks to extend the WHT exemption on payments made to a non-individual, non-resident person (excluding any PE in Singapore) from structured products offered by a financial institution in Singapore for another five years up till 31 December 2026. All other conditions of the WHT exemption remain the same.</p> <p>The proposed amendment, if approved, will take effect from 1 April 2021.</p>	Section 13 [Clause 4]
9	Streamline of tax incentive schemes for insurance businesses	<p>To streamline and simplify the Insurance Business Development (“IBD”) umbrella scheme, the proposed amendment seeks to allow IBD-Specialised Insurance (“IBD-SI”) scheme to lapse after 31 August 2021.</p>	Section 43C [Clause 34]

⁸ As a PE is not “a person” in itself, but is instead a fixed place where a business is carried on (as defined under Section 2 of the ITA), it is the non-resident person with a PE in Singapore which will file the income tax return.

S/N	Proposed Legislative Change	Brief Description of Proposed Legislative Changes	Proposed Amendment to ITA [Clause in Draft Income Tax Amendment Bill 2021]
		<p>With the lapse of the IBD-SI scheme, insurers engaged in the specialised insurance and reinsurance business can apply for the IBD scheme.</p>	
10	<p>Withdraw the Accelerated Depreciation Allowances for Highly Efficient Pollution Control Equipment (“ADA-PCE”) scheme</p>	<p>Since the introduction of this scheme in 1996, regulatory measures have been introduced including our air emission standards, which set emission concentration limits for a list of controlled pollutants. With our periodic review of schemes, the ADA-PCE scheme is assessed to be no longer relevant.</p> <p>The Ministry of Sustainability and the Environment (“MSE”) and the National Environment Agency (“NEA”) will continue to regularly review our measures to manage pollution and improve air quality in Singapore.</p> <p>The proposed amendment, if approved, will take effect from 17 February 2021.</p>	<p>Section 19A [Clause 19]</p>
11	<p>Extend the Not-for-Profit Organisation (“NPO”) tax incentive</p>	<p>To continue attracting NPOs to Singapore, the NPO tax incentive will be extended till 31 December 2027.</p> <p>In addition, any expenses, losses or allowances that are not deducted by an approved NPO during the incentive period when its income is tax-exempt, are to be disregarded in the post-incentive period.</p> <p>All other conditions of the incentive remain the same.</p>	<p>Section 13U [Clause 6]</p>

S/N	Proposed Legislative Change	Brief Description of Proposed Legislative Changes	Proposed Amendment to ITA [Clause in Draft Income Tax Amendment Bill 2021]
12	Extend the Business and IPC Partnership Scheme (“BIPS”)	<p>To continue supporting corporate volunteering, the 250% tax deduction on qualifying expenditure incurred by businesses when their staff provide services to IPCs, or are seconded to IPCs under BIPS, will be extended for another two years, i.e. for qualifying expenditure incurred during the period 1 January 2022 to 31 December 2023 (both dates inclusive).</p> <p>All other conditions of the scheme remain the same.</p>	<p>Section 14ZB</p> <p>[Clause 14]</p>