

## SUMMARY TABLE ON PROPOSED NON-BUDGET CHANGES TO THE INCOME TAX ACT (“ITA”)

### *S/N 1 to 20: Amendments arising from periodic review of the income tax regime*

S/N	Proposed Legislative Changes	Brief Description of Proposed Legislative Changes	Proposed Amendment to ITA [Clause in Draft Income Tax (Amendment) Bill 2021]
1	Amend Section 6 to allow persons authorised by IRAS to have access to necessary IRAS records and/or documents for the audit of the administration of public schemes specified in the Ninth Schedule of the ITA.	<p>Beyond tax collection, IRAS supports the Government in disbursing various support grants to enterprises. In administering these disbursements, IRAS may need to work with authorised persons, including non-public servants such as private sector auditors, to perform the necessary audits (e.g. on allotment and disbursement files, IRAS’ IT systems) to ensure accuracy. Currently, it is an offence under Section 6(2) of the ITA for protected information to be disclosed other than for the purposes of the ITA or with the express authority of the President. This proposed amendment will allow IRAS to extend access of legislatively protected data to authorised persons for the audit of the administration of public schemes listed in the Ninth Schedule of the ITA. Safeguards on the scope of persons allowed to access data, data to be accessed, purpose of data access, and confidentiality are included in the proposed amendment to minimise the risk of unauthorised disclosures and misuse of IRAS’ data.</p> <p>The proposed amendment, if approved, will take effect from the date the Amendment Act is published in the Gazette.</p>	Section 6  [Clauses 2 and 52]

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2	Provide the tax treatment for cases where trading stock is appropriated for non-trade or capital purposes, and where non-trade or capital asset becomes trading stock.	<p>Singapore's tax system has an income tax but not a capital gains tax. Thus, gains that are of a revenue nature are subject to income tax. Conversely, gains that are of a capital nature are not taxed. Likewise, tax deductions are allowed only for losses of a revenue nature, but not for losses of a capital nature.</p> <p>At times, trading stock held by taxpayers may be appropriated for non-trade or capital purposes. Conversely, non-trade or capital assets may become trading stock.</p> <p>The proposed amendments provide that as and when trading stock is appropriated for non-trade or capital purposes, the market value of the trading stock on the date of appropriation is treated as income that is subject to income tax at that juncture.</p> <p>Conversely, if a non-trade or capital asset becomes a trading stock that is subsequently sold, the proposed amendments provide that the cost of the trading stock is its market value on the date the non-trade or capital asset becomes trading stock. The gains from the disposal of the trading stock are then computed accordingly and subject to income tax.</p>	<p>Sections 10P, 19, 19A and 32A</p> <p>[Clauses 3, 18, 19 and 25]</p>

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		The proposed amendments, if approved, will take effect from the date the Amendment Act is published in the Gazette.	
3	Align the maximum penalty amounts for non-filing and other related offences under the ITA with those for similar offences under the Goods and Services Tax (“GST”) Act and Property Tax Act	<p>This proposed amendment updates the maximum penalty amounts for non-filing and other related offences under Sections 94(2) and 94A of the ITA, and ensures that the penalty amounts across the different tax legislation are broadly consistent.</p> <p>The proposed amendment, if approved, will take effect from the date the Amendment Act is published in the Gazette.</p>	<p>Sections 94 and 94A</p> <p>[Clauses 44 and 45]</p>
4	Include a protection of informers provision	<p>The proposed amendment seeks to protect informers by prohibiting the disclosure of information that may lead to the discovery of an informer’s identity, and to thus encourage informers to step forward with information that will enable more effective tax enforcement.</p> <p>The proposed amendment is similar to the provisions for protection of informers in other domestic legislation such as the Customs Act, the Cybersecurity Act 2018, and the Regulation of Imports and Exports Act.</p> <p>Similar provisions to protect informers will also be included in the other tax legislation such as the GST Act, the Property Tax Act and the Stamp Duties Act.</p>	<p>Section 104A</p> <p>[Clauses 47, and 50 to 55]</p>

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		The proposed amendment, if approved, will take effect from the date the Amendment Act is published in the Gazette.	
5	Count a stillborn sibling in determining the child order for purposes of the Parenthood Tax Rebate (“PTR”) and Working Mother’s Child Relief (“WMCR”), and consequently the amount of PTR and WMCR	<p>The proposed amendment recognises that stillbirths are difficult situations for parents, and accords the said treatment on compassionate grounds.</p> <p>PTR and WMCR will continue not to be allowable in respect of a stillborn child, as these are meant to support parents in bringing up a child.</p> <p>For example, if a couple has a stillbirth, PTR and WMCR will continue not to be allowable in respect of this stillborn child. However, if the couple subsequently has a child, this child will be counted as the couple’s second child (rather than first child) for PTR and WMCR purposes, with this proposed amendment.</p> <p>The proposed amendment, if approved, will take effect for WMCR and PTR claims from YA 2022 onwards, irrespective of whether the stillbirth occurred before 2021 or from 2021.</p>	<p>Section 42A and Fifth Schedule</p> <p>[Clauses 33 and 49]</p>

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6	Proposed amendment relating to Jobs Support Scheme (“JSS”) payouts to businesses	<p>The proposed amendment seeks to exempt the JSS payouts from income tax. This is to help employers use the JSS payouts to retain their local employees during the COVID-19 pandemic.</p> <p>The proposed amendment, if approved, will take effect from YA 2022.</p>	Section 13ZA [Clause 7]
7	Proposed amendments relating to the COVID-19 Driver Relief Fund (“CDRF”) and the additional petrol duty rebate (“APDR”)	<p>The proposed amendments seek to allow income tax deductions for the following payments made by taxi and private hire car (“PHC”) operators:</p> <ul style="list-style-type: none"> <li>a) Disbursement of CDRF payouts from the Government to taxi and PHC drivers;</li> <li>b) Disbursement of APDR from the Government to taxi and PHC drivers; and</li> <li>c) Voluntary payments that are meant to provide financial support in response to the COVID-19 pandemic for taxi and PHC drivers.</li> </ul> <p>To help taxi and PHC drivers alleviate costs and cope with the impact of COVID-19, the CDRF payouts will be exempt from income tax in the hands of the taxi and PHC drivers.</p>	Sections 13ZA and 14ZE [Clauses 7 and 15]

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		<p>The proposed amendments, if approved, will take effect for CDRF payouts and APDR made from 2021.</p> <p>For operator-provided COVID-19 related support payments that taxi and PHC drivers receive or claim as reduced expenses, they will continue to be subject to the usual income tax treatment, such as being subject to income tax on the receipts.</p> <p>For operator-provided COVID-19 related support payments, the proposed amendment, if approved, will apply to payments made in 2021.</p>	
8	Proposed amendment relating to road tax rebates	<p>The proposed amendment seeks to allow income tax deductions for road tax rebates passed on in the form of monetary payments from taxi operators and vehicle lessors to taxi and PHC drivers who lease taxis and cars from the vehicle lessors.</p> <p>The proposed amendment, if approved, will take effect for the road tax rebates passed on to drivers from 2021.</p>	Section 14ZE [Clause 15]
9	Amend Section 50 to: (i) extend the time limit for the claim of Foreign Tax Credit (“FTC”) from two years to four years; and	For (i), the time limit for claim of FTC will be increased from two years to four years from the end of the YA in which the income was assessed to tax in Singapore. The proposed amendment, if approved, will take effect from YA 2022.	Sections 50 and 101

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	(ii) require taxpayers to give the Comptroller of Income Tax (the “Comptroller”) a written notice within six months from the date of the downward adjustment of the foreign tax which results in the FTC previously allowed becoming excessive	For (ii), taxpayers will be required to give the Comptroller a written notice within six months from the date of the downward adjustment of the foreign tax which results in the FTC previously allowed becoming excessive. Failure to comply with the written notice requirement will constitute an offence, and a taxpayer shall, on conviction, pay a penalty not exceeding the amount of the excess FTC. The penalty is in addition to the additional taxes assessed due to reduction in the amount of FTC previously given by the Comptroller. The Comptroller may compound the offence. The proposed amendments, if approved, will take effect from the date the Amendment Act is published in the Gazette.	[Clauses 41 and 46]
10	Review of ring-fencing rules applicable to the taxation of participating fund (“par fund”) surplus apportioned to policyholders of a life insurer	<p>The proposed amendments clarify that a par fund’s profits that are apportioned to policyholders, as well as the capital allowances, losses and donations in respect of such profits, are ring-fenced from those of other insurance funds and the shareholders’ funds. This is to safeguard policyholders’ interests.</p> <p>The proposed amendments, if approved, will take effect from the date the Amendment Act is published in the Gazette.</p>	<p>Sections 14D, 26, 37B, 37C and 37E</p> <p>[Clauses 9, 24, 28, 29 and 30]</p>

S/N	Proposed Legislative Changes	Brief Description of Proposed Legislative Changes	Proposed Amendment to ITA [Clause in Draft Income Tax (Amendment) Bill 2021]
11	Review of Section 14I tax deductions on provisions made by banks and qualifying finance companies for doubtful debts and diminution in the value of their investments	<p>1. The proposed amendments seek to expand the scope of Section 14I to allow tax deductions on the provisions made by banks and qualifying finance companies in respect of:</p> <ul style="list-style-type: none"> <li>a) any loan, advance or credit facility made or granted by a bank or qualifying finance company, such as: <ul style="list-style-type: none"> <li>i. loans to and placements with financial institutions in Singapore or any other country;</li> <li>ii. loans to the Government of Singapore or the government of any other country;</li> <li>iii. loans to and placements with the Monetary Authority of Singapore or the central bank or other monetary authority of any other country;</li> <li>iv. loans to statutory bodies or corporations guaranteed by the Government of Singapore or the government of any other country;</li> <li>v. such other loans or advances as may be prescribed; and</li> </ul> </li> <li>b) their investments in any debentures, bonds or notes, such as those issued or guaranteed by the Government of Singapore or the government of any other country.</li> </ul>	Section 14I [Clause 10]



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		<p>The proposed amendments, if approved, will take effect from the YA 2022.</p> <p>2. Currently, the total amount of Section 14I tax deductions is subject to a cap. The proposed legislative amendments ensure that the amount of the above-mentioned loans and securities will continue to be excluded for the purposes of computing the maximum amount of Section 14I tax deduction allowable to the banks and qualifying finance companies.</p> <p>The proposed legislative amendments also seek to clarify that for the purposes of computing the maximum amount of Section 14I tax deductions allowable to the banks and qualifying finance companies, the computation of the prescribed value of loans will continue to only take into account the actual amount of loans that had been drawn-down or disbursed.</p> <p>The proposed amendments, if approved, will take effect from the YA 2023.</p>	
12	Lift the statutory time limit for the Comptroller to raise additional	The proposed amendment seeks to lift the statutory time limit of 4 years for the Comptroller to raise additional assessments relating to	Section 74

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	assessments to implement the agreed outcomes from concluded Advance Pricing Arrangement (“APA”) agreements	APA agreements concluded with foreign competent authorities. This is to give taxpayers certainty that the outcome of the APA agreed with the relevant foreign competent authority will be fully implemented by IRAS.	[Clause 43]
13	Allow tax deductions for upfront lease expenses incurred by landlords and tenants to secure leases in properties	<p>The proposed amendments seek to allow income tax deductions for upfront lease expenses (e.g. commission fees, legal fees, stamp duties, advertising expenses) incurred by landlords (who lease out properties to derive rental income that is subject to tax under Section 10(1)(f) and tenants<sup>1</sup>, subject to the following:</p> <ul style="list-style-type: none"> <li>a) The deductibility of the expenses is limited to those incurred on leases with lease term not exceeding 3 years; and</li> <li>b) Expenses incurred on leases that are part of or associated with the disposal of a property or the structuring of a business are excluded from the scope of the deduction.</li> </ul> <p>The proposed amendments, if approved, will take effect from YA 2022.</p>	<p>Sections 14ZG, 14ZH and 15</p> <p>[Clauses 16 and 17]</p>

<sup>1</sup> This is not applicable to tenants subject to the tax treatment under Section 10E of the ITA.

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14	Allow tax deductions for expenses incurred during vacancy period in between leases by landlords on income-producing properties	<p>Income tax deductions will be allowed for expenses (e.g. expenses incurred on repair, insurance, maintenance and upkeep) incurred during the vacancy period for a YA on properties leased out by landlords to derive rental income that is subject to tax under Section 10(1)(f), subject to the following conditions:</p> <ul style="list-style-type: none"> <li>a) The property derived rental income during the basis period for the YA; and</li> <li>b) The landlord is able to substantiate that concerted effort was put in to rent out the property during the vacancy period for that YA.</li> </ul> <p>The proposed amendments, if approved, will take effect from YA 2022.</p>	<p>Sections 14ZG, 14ZH and 15</p> <p>[Clauses 16 and 17]</p>
15	Increase the maximum penalty amounts for certain Automatic Exchange of Information (“AEOI”) offences under Section 105M	This proposed amendment seeks to increase the maximum penalty amounts for AEOI non-filing and non-registration offences to align with the proposed increase in maximum penalty amounts for non-filing and other related offences under the ITA, and with those penalty amounts for similar offences under the GST Act and Property Tax Act.	<p>Section 105M</p> <p>[Clause 48]</p>

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		<p>This is to deter non-compliance and is part of Singapore’s continued commitment towards an effective implementation of the Exchange of Information standards and to promote greater tax transparency.</p> <p>The proposed amendment, if approved, will take effect from the date the Amendment Act is published in the Gazette.</p>	
16	Authority to waive the shareholding requirement under the Maritime Sector Incentive – Maritime Leasing (“MSI-ML”) award	<p>This proposed amendment seeks to allow the Minister or an authorised body to waive the shareholding requirement prescribed in rules made under Section 7 of the ITA for a related party of an approved shipping investment enterprise (“ASIE”) or an approved container investment enterprise (“ACIE”) under the MSI-ML award.</p> <p>The requirement for MSI-ML recipients to have a minimum effective shareholding of 25% in its related entities (be it direct or indirect) is to prevent free-riding (i.e. unrelated entities from coming together to game the MSI-ML award), as the award is given on a group basis and the commitments are to be met on a group basis. Allowing the Minister or authorised body the authority to waive the shareholding condition will cater for structures that are set up for bona fide commercial reasons but do not meet the</p>	<p>Sections 13S and 43ZA</p> <p>[Clauses 5 and 36]</p>

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		<p>shareholding requirement in respect of a related party of an ASIE or ACIE.</p> <p>The proposed amendment, if approved, will take effect from the date the Amendment Act is published in the Gazette.</p>	
17	Provide that the Comptroller may treat the open-market price as the capital expenditure for the purposes of making an allowance for the acquisition of any machinery, plant or Indefeasible Right of Use (“IRU”)	<p>This proposed amendment provides that where the capital expenditure for acquiring any machinery, plant or IRU exceeds its open-market price, the Comptroller may treat the open market price as the capital expenditure for the purposes of making an allowance.</p> <p>The proposed amendment, if approved, will take effect from the date the Amendment Act is published in the Gazette.</p>	Section 19E [Clause 20]
18	Extend the tax treatment under Section 24 to certain scenarios involving a transfer of property <sup>2</sup> which is not effected by a sale	Under Section 24, a buyer and a seller under common control, or where one has control over the other, can elect to substitute the price at which a property is sold with the tax written down value (“TWDV”) <sup>3</sup> of that property, as if no sale has taken place, so long as the relevant conditions under Section 24 are met. This means that the buyer is not given any initial allowance in respect of the property it has bought from the seller, but would be entitled to annual	Sections 25 and 62B [Clauses 23 and 42]

<sup>2</sup> The word “property” under Section 24 refers to plant and machinery, IRU, and industrial building or structure.

<sup>3</sup> TWDV of a property means the remaining amount of capital expenditure that has yet to be claimed as allowance.

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		<p>allowances based on the TWDV, and no balancing allowance or charge<sup>4</sup> would be made on the seller at the time of sale.</p> <p>To simplify tax compliance and administration, the tax treatment above will be extended to the following scenarios where the transfer of property is not effected by a sale, so long as the relevant conditions are met:</p> <ul style="list-style-type: none"> <li>a) Conversion of a company / General Partnership (“GP”)/ Limited Partnership (“LP”) to a Limited Liability Partnership (“LLP”) under Sections 20 and 21 of the LLP Act;</li> <li>b) Conversion of a Sole Proprietorship (“SP”) to a GP / an LP; and</li> <li>c) Conversion of a GP / an LP to an SP</li> </ul> <p>The proposed amendment, if approved, will take effect from the date the Amendment Act is published in the Gazette.</p>	
19	Disallow deductions under the Mergers and Acquisitions (“M&A”)	In Budget 2015, to support small and medium enterprises (“SMEs”) in taking their first steps in M&A, the M&A scheme was enhanced	Section 37L

<sup>4</sup> Balancing charges or allowances arise from the sale of property when the sale price differs from the property’s TWDV.

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	scheme <sup>5</sup> for subsequent YAs when conditions prescribed for qualifying acquisitions at the 20% shareholding threshold are not met	<p>to allow acquisitions that result in at least 20% ordinary shareholding to qualify for tax benefits under the scheme. To preclude passive investments from qualifying, conditions prescribed under Section 37L(16E) must be met (“20% threshold conditions”).</p> <p>The proposed amendment disallows the acquiring company from claiming deductions under the M&amp;A scheme for the YA relating to the basis period in which any of the 20% threshold conditions is not met and for any subsequent YAs.</p> <p>The proposed amendment, if approved, will take effect from the date the Amendment Act is published in the Gazette.</p>	[Clause 31]
20	Amend Section 43ZI to introduce a provision to allow deeming of losses under the Intellectual Property Development Incentive (“IDI”)	This proposed amendment seeks to provide the Minister with the powers to make regulations allowing a prescribed amount of qualifying intellectual property losses accorded the IDI concessionary tax rate to be deemed as losses accorded the normal corporate tax rate for a specified YA, upon discovery by the Comptroller of Income Tax that the approved IDI company has	Section 43ZI [Clause 39]

<sup>5</sup> Legislated under Section 37L.

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		<p>ceased to have a qualifying intellectual property right that is a patent application<sup>6</sup>.</p> <p>The proposed amendment, if approved, will take effect from the date the Amendment Act is published in the Gazette.</p>	

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<sup>6</sup> This can arise when the patent application is rejected or upon the withdrawal, sale or transfer of the patent application. Where the patent has been approved, it should not be regarded as a situation where the company has “ceased to have a patent application”. The scenarios in which the approved IDI company has ceased to have the patent application are provided for under the Income Tax (Concessionary Rate of Tax for Intellectual Property Income) Regulations 2021.



***S/N 21 to 24: Technical amendments to the ITA***

<b>S/N</b>	<b>Proposed Legislative Changes</b>	<b>Brief Description of Proposed Legislative Changes</b>	<b>Proposed Amendment to ITA [Clause in Draft Income Tax (Amendment) Bill 2021]</b>
21	Amend various Maritime Sector Incentive (“MSI”) provisions <sup>7</sup> to clarify the delegation of approving authority for the MSI schemes	<p>These proposed amendments clarify the assignment of approving authority for MSI schemes from MOF to the Maritime and Port Authority of Singapore.</p> <p>These proposed amendments, if approved will take effect from the date the Amendment Act is published in the Gazette.</p>	<p>Sections 13S, 43W, 43ZA, 43ZB and 43ZF</p> <p>[Clauses 5, 35, 36, 37 and 38]</p>
22	Amend Section 26 on Profits of Insurers arising from MAS’ amendment to the Insurance (Valuation and Capital) Regulations	<p>This proposed amendment is consequential to MAS’ amendment of the Insurance (Valuation and Capital) Regulations, and clarifies that the additional distribution to shareholders (i.e. 1/9th of the tax payable on the par fund’s distribution to policyholders) is subject to tax in the hands of life insurers.</p> <p>The proposed amendment, if approved, will take effect from YA 2021.</p>	<p>Section 26</p> <p>[Clause 24]</p>
23	Allow notice of surcharge under Section 34E(2) to be served via normal post or electronically, per	Section 34E imposes on taxpayers a surcharge of 5% on the amount of adjustments made under Section 34D for any non-compliance with the arm’s length conditions (“transfer pricing adjustments”).	<p>Section 34E</p> <p>[Clause 26]</p>

<sup>7</sup> Section 13S, 43ZA, 43W, 43ZB and 43ZF of the ITA.

S/N	Proposed Legislative Changes	Brief Description of Proposed Legislative Changes	Proposed Amendment to ITA [Clause in Draft Income Tax (Amendment) Bill 2021]
	Section 8(1)	<p>Currently, the notice of assessment for the transfer pricing adjustments can be served via personal service, post or through electronic means, per Section 8(1). However, the notice of the surcharge under Section 34E(2) can only be served personally or by registered post, and cannot be served by ordinary post or electronically. The proposed amendment, which seeks to allow the service of the notice of surcharge under Section 34E(2) to be governed by Section 8(1), will thus permit the Comptroller to also serve the notice of surcharge by ordinary post or through electronic means.</p> <p>The proposed amendment, if approved, will take effect from the date the Amendment Act is published in the Gazette.</p>	
24	Repeal Section 42(2)	<p>This proposed amendment seeks to repeal Section 42(2), an obsolete provision which provides that the rate of tax applicable to the income of an individual received in Singapore from outside Singapore is to be determined by reference to that income together with all other income and is treated as the highest rate applicable to the individual's total income. Most foreign-sourced income received by residential individuals have been exempt from income tax since 1 Jan 2004.</p>	Section 42 [Clause 32]

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		The proposed amendment, if approved, will take effect from the date the Amendment Act is published in the Gazette.	