

Income Tax (Amendment) Bill 2021

Bill No. /2021.

Read the first time on .

A BILL

i n t i t u l e d

An Act to amend the Income Tax Act 1947 and to make related amendments to certain other Acts.

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

EXPLANATORY STATEMENT

This Bill seeks to implement the tax changes in the Government's 2021 Budget Statement in the Income Tax Act 1947 (the Act) and to make certain other amendments to the Act.

The Bill also makes related amendments to the Betting and Sweepstake Duties Act 1950, the Estate Duty Act 1929, the Goods and Services Tax Act 1993, the Private Lotteries Act 2011, the Property Tax Act 1960 and the Stamp Duties Act 1929.

Clause 1 relates to the short title and commencement.

Clause 2 amends section 6 (Official secrecy) to empower the Comptroller to allow any person authorised by the chief executive officer of the Inland Revenue Authority of Singapore (IRAS), access to any records or documents, that is necessary for the person to audit the administration by IRAS of any public scheme specified in the Ninth Schedule. That person must make and subscribe a declaration of secrecy under section 6(1). That person commits an offence if he or she discloses to another person or allows another person access to those records or documents.

Clause 3 inserts a new section 10P to provide that where a person appropriates on a permanent basis any trading stock for any purpose other than for sale or disposal in the ordinary course of any of the person's trades or businesses, an amount that is equivalent to its market value as at the date of appropriation is treated as income of that trade or business.

Where the new section 10P(1) applies, the person must at the time of lodgment of the person's return of income for the year of assessment relating to the basis period in which the trading stock is appropriated, give notice of the appropriation and specify the particulars of the appropriation to the Comptroller. When appropriation of any trading stock has occurred, but the person concerned has not been assessed for the resulting income under the new section 10P(1), that income is treated as the person's income for the year of assessment in which the Comptroller discovers all the facts on the basis of which the Comptroller may reasonably conclude that there has been such appropriation.

Clause 4 amends subsection (1)(zj) of section 13 (Exempt income) to exempt from tax income from any structured product offered by a financial institution that is derived from Singapore by a non-resident person that is not an individual if —

- (a) the contract for the structured product takes effect on or before 31 December 2026 (currently on or before 31 March 2021); or

- (b) the renewal or extension of the contract commences before 1 January 2027 (currently before 1 April 2021).

The clause also deletes the words “nor a permanent establishment in Singapore” in subsection (1)(zj)(iii) as they are inaccurate.

Finally, the clause amends the definition of “financial institution” in subsection (16) to delete the reference to an institution approved as an approved Fund Manager under section 43A, as it is no longer necessary.

Clause 5 amends section 13S (Exemption of income of shipping investment enterprise) which provides for certain income derived by an approved shipping investment enterprise to be exempt from tax. The clause inserts a new subsection (3A) so that the approval of a shipping investment enterprise or its related party may be subject to conditions specified by a public body to which the Minister has assigned his powers under that section pursuant to section 3A (called the authorised body), and the period of approval may also be specified or extended by the authorised body. The clause also amends the definition of “related party” in section 13S(20) to include any entity that is approved by the Minister or authorised body to be a related party of an approved shipping investment enterprise.

Clause 6 amends section 13U (Exemption of income of not-for-profit organisation) to extend the last date (till 31 December 2027) on which a not-for-profit organisation may be approved by the Minister or a person appointed by the Minister for the purpose of that section.

Clause 6 also amends section 13U to provide that any expenses, losses or allowances incurred or claimed by an approved not-for-profit organisation during the period of its approval that (by reason of its income being exempt from tax) remained unabsorbed at the end of that period, are not available as a deduction against any of its income for —

- (a) the year of assessment relating to the basis period in which the approval of the not-for-profit organisation expires or is withdrawn; or
- (b) any subsequent year of assessment.

Clause 7 amends section 13ZA (Exemption of certain payments received in connection with COVID-19 events) to exempt from tax any payment received by an individual who drives a chauffeured private hire car or taxi from the Land Transport Authority or an entity in the Tenth Schedule, that is given in connection with an amount received by the LTA or the entity out of a payment made by the Government from a fund established by the Government known as the COVID-19 Driver Relief Fund.

Clause 7 also provides tax exemption for cash payments made under the Jobs Support Scheme as extended by the Budget Statement of the Government on 16 February 2021.

Clause 8 amends section 14B (Further deduction for expenses relating to approved trade fairs, exhibitions or trade missions or to maintenance of overseas trade office) to insert a new subsection (2)(ab) to provide that expenses incurred by an approved firm or company to establish, maintain or participate in an approved trade fair or trade exhibition held or conducted (whether wholly or in part) by teleconference, video-conferencing or any other electronic means of communications is allowed a deduction under that section.

The clause also inserts a new subsection (2AA) to provide that with effect from (and including) 17 February 2021, prescribed expenses under subsection (2)(a) and the new subsection (2)(ab) incurred by any firm or company are allowed a deduction under section 14B without the need for the firm or company to be approved.

In addition, the clause inserts new subsections (2AB) and (2AC) to allow a deduction for the following prescribed expenses incurred by any firm or company (whether or not approved) for the carrying out of any marketing project for the primary purpose of promoting the trading of goods or provision of services:

- (a) expenses incurred in the design of packaging;
- (b) expenses incurred in obtaining an approved certification of goods and services;
- (c) expenses incurred in any advertisement placed in any media or on any promotion campaign carried out overseas.

The total amount of expenses allowed deductions under the new subsections (2AA) and (2AB) are subject to an overall cap in subsection (2B).

Clause 9 amends the definition of “concessionary rate of tax” in section 14D (Expenditure on research and development), which is consequential on the amendment to section 37B(11).

Clause 10 amends section 14I (Provisions by banks and qualifying finance companies for doubtful debts and diminution in value of investments), which among other things gives banks and qualifying finance companies a deduction for provisions made for doubtful debts arising from their loans and the diminution in the value of their investments in securities. The amendments are for the following purposes:

- (a) to provide that with effect from year of assessment 2022, a provision for doubtful debts arising from *any* loan given by a bank or qualifying finance company or for diminution in the value of *any* investment in any debentures, bonds or notes of a bank or qualifying finance company is allowed a deduction. Before the amendment, a provision for doubtful debts on any loan mentioned in paragraphs (a) to (e) of the existing definition of “loan” in section 14(7) (excluded loans) or diminution in the value of any debentures, bonds or notes that are issued or guaranteed

by the Government or the government of any other country (excluded securities) is not allowed a deduction;

- (b) to provide that in determining (under subsections (5) and (6)) the maximum amount of provisions to be allowed a deduction under section 14I for any year of assessment, only loans that have been disbursed by a bank or qualifying finance company will be taken into account. However, the excluded loans and securities mentioned in paragraph (a) will remain excluded for the purpose of determining such maximum amount. This amendment takes effect from the year of assessment 2023, as subsections (5) and (6) is disapplied for the year of assessment 2022;
- (c) to amend the definition of “securities” to mean only debentures, bonds or notes. Banks and qualifying finance companies are no longer required under FRS 109 or SFRS(I) 9 to make provision for diminution in the value of their investment in the other instruments specified in the existing section 14I(8)(b).

Clause 11 amends section 14K (Further or double deduction for overseas investment development expenditure) to provide that with effect from (and including) 17 February 2021, prescribed investment development expenditure directly attributable to the carrying out of any study to identify investment overseas that is incurred by any firm or company is allowed a deduction without the need for the firm or company to be approved. The clause also amends the definition of “investment development expenditure” to include expenses incurred for the transportation of materials or samples for any overseas study for the purpose of identifying investment overseas.

Clause 12 amends subsection (3A) of section 14Q (Deduction for renovation or refurbishment expenditure), which allows the full amount of renovation or refurbishment expenditure incurred by a person during the basis period for the year of assessment 2021 to be deducted in that year of assessment, instead of over 3 years of assessment under subsection (3) (the taxpayer may however elect for the deduction to be made in accordance with subsection (3)). The amendment allows the same treatment to be given to any such expenditure incurred during the basis period for the year of assessment 2022.

Clause 13 amends section 14ZA (Further or double deduction for qualifying expenditure on issue of debentures and making available debentures for secondary trading). The section allows a deduction for qualifying expenditure incurred for an issue of certain retail bonds. The retail bonds are straight debentures and post-seasoning debentures the offer of which is exempt from prospectus requirements under various regulations made under the Securities and Futures Act 2001, as well as potential seasoned debentures, i.e. debentures intended to be made available for trading by retail investors on a securities exchange. The section also allows a deduction for qualifying expenditure incurred for making available potential

seasoned debentures for such secondary trading. The clause inserts a new subsection (1A) for the following purposes:

- (d) with effect from (and including) 19 May 2021, a deduction for qualifying expenditure is allowed only if the retail bonds that are issued, or the potential seasoned debentures that are made available for secondary trading, are given at least one credit rating from specified credit rating agencies at the time the retail bonds are issued or the potential seasoned debentures are made available for secondary trading;
- (e) to provide 31 December 2026 as the last date on which credit-rated retail bonds may be issued in order for any expenditure mentioned in paragraph (a) to qualify for deduction.

Clause 14 amends section 14ZB (Deduction for expenditure for services or secondment to institutions of a public character), which allows an entity whose employees provided services to or were seconded to an institution of a public character, to claim an additional deduction for any qualifying expenditure thereby incurred. The amendment extends by 2 years (till 31 December 2023) the period in which qualifying expenditure incurred may be allowed a deduction under the section.

Clause 15 amends section 14ZE (Deduction for payments made to individual drivers of chauffeured private hire cars and taxis due to COVID-19 events) which allows an entity set out in the Tenth Schedule to be given a deduction against its income for certain payments made by the entity to individuals who drive chauffeured private hire cars or taxis due to COVID-19 events.

The amendment enables a deduction to be given for certain payments arising from both COVID-19 and non-COVID 19 events —

- (a) monetary payments given during the period between 1 January 2021 and 31 December 2021 (both dates inclusive) by a Tenth Schedule entity to a chauffeured private hire car or taxi driver, that the Comptroller is satisfied is given to mitigate the individual's loss of income arising from a COVID-19 event;
- (b) the value of benefits given by a Tenth Schedule entity on or after 1 January 2021 to a chauffeured private hire car or taxi driver, in connection with an amount received by the entity from the COVID-19 Driver Relief Fund mentioned above;
- (c) monetary payments given by a Tenth Schedule entity on or after 1 January 2021 to an individual who drives a chauffeured private hire car or taxi that is a petrol car or petrol-electric car, in connection with an amount received by the entity out of a payment made on behalf of the Government (known as the Additional Petrol Duty Rebate), that is part of the Budget Statement of the Government dated 16 February 2021; and

- (d) monetary payments given by any non-individual person (who may not be a Tenth Schedule entity) who paid a tax under section 11 of the Road Traffic Act 1961 for a vehicle that is a petrol car or petrol-electric car, to an individual who drives that vehicle as a chauffeured private hire car or taxi, in connection with an amount received by the person as a rebate against that tax for the period on or after 1 August 2021.

Clause 16 inserts new sections 14ZG and 14ZH.

The new section 14ZG provides that a deduction may be given to a person for any expenditure incurred by the person in obtaining, renewing or extending a lease of an immovable property that is used by the person for the purpose of the person's trade or business. However, any company or trustee of a property trust in the business of letting immovable properties in which it has a proprietary interest (other than as a legal owner) and would receive consideration if the proprietary interest is disposed of or transferred (whether in whole or in part) is not allowed the deduction under the new section 14ZG.

Similarly, in determining the rental income of a person from an immovable property that is chargeable to tax under section 10(1)(f), a deduction is allowed for any expenditure incurred by the person in granting, renewing or extending the lease of the immovable property.

The new section 14ZG does not apply to any outgoing or expense that is allowed as a deduction under section 14, or to certain specified leases.

The new section 14ZH provides that any expenditure (other than any outgoing or expense that is allowed as a deduction under section 14) incurred by a person for the repair, insurance, maintenance and upkeep of an immovable property when it is vacant in any part of a basis period, and any property tax paid on that immovable property in such basis period, are allowed as a deduction against any rental income derived by the person from the immovable property that is chargeable to tax under section 10(1)(f) in that basis period.

Clause 17 makes amendment to section 15 (Deductions not allowed), which are consequential on the new sections 14ZG and 14ZH.

Clause 18 amends section 19 (Initial and annual allowances for machinery or plant) to apply that section to a case where any trading stock is appropriated on a permanent basis under section 10P(1) for use as machinery or plant for a person's trade or business. This amendment is consequential on the new section 10P.

Clause 19 amends section 19A (Allowances of 3 years or 2 years write off for machinery and plant, and 100% write off for computer, prescribed automation equipment and robot, etc.). Under subsection (1E), a person who incurs capital expenditure on the provision of machinery or plant for the purposes of a trade, profession or business carried on by that person in the basis period for the year of assessment 2021, may make an irrevocable election for the following allowances to be made (in lieu of the allowances provided under subsection (1) or section 19):

- (a) for the year of assessment relating to the basis period in which the capital expenditure is incurred — an annual allowance of 75% in respect of the capital expenditure incurred;
- (b) for the year of assessment immediately following the year of assessment mentioned in paragraph (a) — an annual allowance of 25% in respect of the capital expenditure incurred.

The amendment provides that a person who incurs such capital expenditure in the basis period for the year of assessment 2022 may make an irrevocable election for the allowances mentioned in paragraphs (a) and (b) to apply. This treatment also applies (with the necessary modifications) to an instalment paid in a basis period for any year of assessment under a hire-purchase agreement that is entered into in the basis period for the year of assessment 2022.

Clause 19 also amends section 19A(5), which provides that a person that installs any efficient pollution control equipment or device for the purposes of the person's trade, business or profession, may elect for (in lieu of the allowances provided under subsection (1), (1B) or (1E) or section 19) an allowance of 100% in respect of the capital expenditure incurred. The amendment provides that section 19A(5) applies only to any equipment or device installed during the period between 1 January 1996 and 16 February 2021 (both dates inclusive).

Finally, clause 19 amends section 19A to apply that section to a case where any trading stock is appropriated on a permanent basis under section 10P(1) for use as machinery or plant for a person's trade or business. This amendment is consequential on the new section 10P.

Clause 20 inserts a new section 19E. The new section 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 under section 19 (Initial and annual allowances for machinery or plant), section 19A (Allowances of 3 years or 2 years write off for machinery and plant, and 100% write off for computer, prescribed automation equipment and robot, etc.) or section 19D (Writing-down allowance for IRU).

The insertion of new section 19E does not imply that, before its insertion, allowances under sections 19, 19A and 19D could have been made for capital expenditure for any machinery, plant or IRU that exceeds its open-market price.

Clauses 21 and 22 amend sections 20 (Balancing allowances and charges for machinery or plant) and 24 (Special provisions as to certain sales) respectively. The amendments are to replace the reference in those sections to "special allowances" with "allowances". The term "special allowances" is not used in section 19A. Clause 22 also inserts a definition for the term "Indefeasible Right of Use" in section 24.

Clause 23 inserts a new section 25 to provide that where there is a transfer of property without consideration as a result of the following circumstances, the transferor and transferee may make an election so that amongst other things, allowances may be made to the transferee under sections 19, 19A and 19D in respect of any expenditure that had been incurred by the transferor on the provision of the property, which remained unallowed under those sections at the time of the transfer as if no transfer had taken place:

- (a) a conversion of a firm to a limited liability partnership under section 20 of the Limited Liability Partnerships Act 2005;
- (b) a conversion of a private company to a limited liability partnership under section 21 of the Limited Liability Partnerships Act 2005;
- (c) a conversion of any business carried on by an individual proprietor to one carried on by a firm, where the individual proprietor is a partner of, and has control over, the firm after the conversion;
- (d) a conversion of any business carried on by a firm to one carried on by an individual proprietor, where the individual proprietor was a partner of, and had control over, the firm before the conversion.

In addition, allowances in respect of machinery or plant under section 19A and writing-down allowances in respect of an Indefeasible Right of Use (IRU) under section 19D continue to be available to the transferee as if the transfer had not taken place. Any balancing charge under section 19D in respect of an IRU or section 20 in respect of machinery or plant must also be made on the transferee on any event occurring after the transfer, as would have fallen to be made on the transferor if the transfer had not happened and the transferor had done all the things and been allowed all the allowances and deductions in connection with the IRU, machinery or plant (as the case may be) that were done by or allowed to the transferee.

Clause 24 amends section 26 (Profits of insurers) to provide that in determining the income of a life insurer, there is to be added the following amounts:

- (a) an amount allocated by the insurer to the surplus account of a participating fund in accordance with regulations made under section 17(7) of the Insurance Act 1966, which must not exceed 1/9th of the tax payable on the amount allocated out of the participating fund by way of bonus to the participating policies;
- (b) any other amount that may be allocated by the insurer to the surplus account of the participating fund in accordance with regulations made under section 17(7) of the Insurance Act 1966, but excluding any portion that is not chargeable to tax.

The clause also amends section 26 to provide that in ascertaining the income of a life insurer, only allowances, losses or donations that are in respect of —

- (a) the income of a life insurer from a participating fund that is apportioned to policyholders in accordance with regulations made under section 43(9) or 43C; or
- ((b)) any income of the life insurer from another participating fund that is apportioned to policyholders in accordance with those regulations,

may be deducted against the income mentioned in paragraph (a).

In other words, any allowances, losses or donations that are in respect of the insurer's income from a participating fund that is apportioned to shareholders or from shareholders' fund or any other insurance fund, is not available for deduction against the income mentioned in paragraph (a).

In addition, any unabsorbed allowances, losses or donations for any year of assessment in respect of an insurer's income from a participating fund that is apportioned to policyholders are only available for deduction in a subsequent year of assessment against the insurer's income from that participating fund or any other participating fund that is apportioned to policyholders in accordance with regulations made under section 43(9) or 43C.

Clause 25 inserts a new section 32A (Valuation of cost of trading stock converted from non-trade or capital asset) to provide that in ascertaining the gains or profits of a person arising from the sale or disposal of any trading stock that was previously not trading stock, the market value of the property as at the date it becomes trading stock is treated as the cost of the trading stock.

Clause 26 amends section 34E (Surcharge on transfer pricing adjustments), which provides that where the Comptroller makes any adjustment under section 34D(1A) to increase a person's income, or to reduce a person's deduction or loss, a surcharge of 5% of the amount increased or reduced is recoverable from the person as a debt due to the Government. The new subsection (2) provides for the service of the written notice of the surcharge to be in accordance with section 8(1), and for the payment of the surcharge to be made in the manner stated in the written notice.

Clause 27 amends section 37 (Assessable income) to extend by 2 years (till 31 December 2023) the period within which a qualifying donation made by a person under section 37(3)(b) to (f) is entitled to a deduction of 2.5 times the amount or value of the donation.

Clause 28 amends the definition of "rate of tax" in section 37B (Adjustment of capital allowances, losses or donations between income subject to tax at different rates). After the amendment, the adjustment factor that applies for the purpose of a deduction of any unabsorbed allowances, losses or donations in respect of any income subject to tax at one tax rate against any income that is subject to tax at a different tax rate will apply to any income derived by an insurer from any insurance business that enjoys a concessionary rate of tax under section 43C, and any unabsorbed allowances, losses or donations in respect of such income.

Clause 29 amends section 37C (Group relief for Singapore companies) to provide that —

- (a) no transfer may be made under that section by a life insurer to another life insurer, of any qualifying deduction relating to any income from a participating fund of the firstmentioned life insurer that is apportioned to policyholders in accordance with regulations made under section 43(9) or 43C; and
- (b) no claim may be made under that section by a life insurer of any qualifying deduction of another life insurer, against any income of the firstmentioned life insurer from a participating fund that is apportioned to policyholders in accordance with those regulations.

Clause 30 amends section 37E (Carry-back of capital allowances and losses) to allow a taxpayer to elect for any qualifying deduction for the year of assessment 2021 to be carried back and deducted against any of the taxpayer's assessable income for the years of assessment 2020, 2019 and 2018.

The qualifying deduction for the year of assessment 2021 must first be made against the assessable income for the year of assessment 2018. Any balance of the qualifying deduction must then be made against the assessable income for the year of assessment 2019. Any balance thereafter may then be made against the assessable income for the year of assessment 2020.

The amendment also provides in the new subsection (1C) that if a person is entitled to make 2 or more of the qualifying deductions in the first column of the following table against the person's assessable income for a particular year of assessment, then the deductions must be made in the order set out in the second column of the table, and each deduction must as far as possible be made against such assessable income (or any balance of such income after an earlier deduction) by the amount set out opposite that deduction in the third column of the table:

| <i>First column</i> | <i>Second column</i> | <i>Third column</i> |
|--|----------------------|--|
| A qualifying deduction under section 37E(1) | First | Full amount of the qualifying deduction |
| A qualifying deduction for the year of assessment 2020 under section 37E(1A) | Second | Full amount of the qualifying deduction or its balance as described in subsection (1B) |
| A qualifying deduction for the year of assessment under section 37E(1A) | Third | Full amount of the qualifying deduction or its balance as described in subsection (1B) |

The following example illustrates the new subsection (1C):

| | Year of assessment 2018 | Year of assessment 2019 | Year of assessment 2020 | Year of assessment 2021 |
|-----------------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Assessable income | \$80,000 | - | \$30,000 | - |
| Qualifying deductions | - | \$20,000 | - | \$100,000 |

If an election is made under existing subsection (1) and the new subsection (1A) of section 37E to carry back qualifying deductions for the years of assessment 2019 and 2021 respectively, the orders for making qualifying deductions against the assessable income for the years of assessment 2018 and 2020 are as follows:

| | |
|---|-------------------|
| Assessable income for the year of assessment 2018 | \$80,000 |
| Less: Qualifying deductions for the year of assessment 2019 | \$20,000 [Note 1] |
| Less: Qualifying deductions for the year of assessment 2021 | \$60,000 [Note 2] |
| Net assessable income for the year of assessment 2018 | NIL |
| Assessable income for the year of assessment 2020 | \$30,000 |
| Less: Qualifying deductions for the year of assessment 2021 | \$30,000 [Note 3] |
| Net assessable income for the year of assessment 2020 | NIL |
| <p>Note 1: the full amount of qualifying deductions under existing subsection (1) is to be deducted before the amount of qualifying deductions under the new subsection (1A), in accordance with the new subsection (1C).</p> <p>Note 2: the lower of the full amount of qualifying deductions for the year of assessment 2021 and the amount of assessable income for the third year of assessment immediately preceding the year of assessment 2021 (i.e. the year of assessment 2018) is to be deducted against the assessable income for the year of assessment 2018, in accordance with the amended subsection (3A).</p> <p>Note 3: the lower of the balance of qualifying deductions for the year of assessment 2021 and the amount of assessable income for the year of assessment immediately preceding the year of assessment 2021 (i.e. the year of assessment 2020) is to be deducted against the assessable income for the year of assessment 2020, in accordance with the amended subsection (3A).</p> | |

A person may elect for any qualifying deduction for the year of assessment 2021 to be deducted under section 37E(1) or the new section 37E(1A).

Clause 30 also amends section 37E to provide that where the Comptroller discovers that any qualifying deduction for the year of assessment 2020 or 2021 made under the new section 37E(1A) against the assessable income of any person for the year of assessment 2017, 2018, 2019 or 2020 (whichever is applicable) has become excessive, the Comptroller may raise an assessment for the year of assessment 2017, 2018, 2019 or 2020 (as the case may be) —

- (a) in the case of a deduction of the qualifying deduction for the year of assessment 2020 — on or before 31 December 2024; or
- (b) in the case of a deduction of the qualifying deduction for the year of assessment 2021 — on or before 31 December 2025.

Clause 30 also amends section 37E to disallow a deduction under that section of any qualifying deduction of a life insurer for any year of assessment against any income of the insurer for any preceding year of assessment from a participating fund that is apportioned to policyholders, unless the qualifying deduction is in respect of such income or any income of the insurer from another participating fund that is apportioned to policyholders in accordance with regulations made under section 43(9) or 43C.

In addition, clause 30 amends section 37E to disallow the deduction under that section of any qualifying deduction for any year of assessment in respect of any income of the insurer from a participating fund that is apportioned to policyholders, against any income of the insurer for any preceding year of assessment, unless the income is from a participating fund that is apportioned to policyholders.

Finally, clause 30 amends the definition of “concessionary rate of tax” in section 37E(17), which is consequential on the amendment to section 37B(11).

Clause 31 amends section 37L (Deduction for acquisition of shares of companies), which allows a Singapore company to claim certain deductions for capital expenditure incurred by the Singapore company or its wholly-owned subsidiary for any qualifying acquisition of ordinary shares in another company. Under the new section 37L(17)(db), no deduction is allowed in respect of any qualifying acquisition mentioned in section 37L(4A)(a) or (b) for any year of assessment relating to the basis period in which the acquiring company or its acquiring subsidiary (as the case may be) fails to satisfy any condition prescribed under section 37L(16E) (*viz.* a condition requiring the acquiring company or acquiring subsidiary to exert “significant influence” over the target company), or for any subsequent year of assessment.

Clause 32 amends section 42 (Rates of tax upon individuals) to delete subsection (2) 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. Subsection (2) is deleted as it is obsolete.

Clause 33 amends section 42A (Rebate for children of family), which provides for a rebate against the tax payable by an individual in respect of a child of the individual's family. Under the section, the amount of rebate allowable in respect of each child depends on the ranking of the child among his or her siblings in the household. The new section 42A(12A) provides that, in determining the ranking of a child for the purpose of the rebate for the year of assessment 2022 or a subsequent year of assessment, any sibling of the child that is a stillborn child (whether issued from the mother before, on or after 1 January 2022) is to be included in determining the number of siblings the child has, but only if the natural mother of the stillborn child is a member of the same household.

Clause 34 amends subsection (1)(c) of section 43C (Exemption and concessionary rate of tax for insurance and reinsurance business), which enables the Minister to make regulations to provide (among other matters) for a concessionary tax rate to be levied on income derived from insurance and reinsurance business by an approved specialised insurer. The amendment provides that the last date on which a specialised insurer may be approved for the purposes of regulations under section 43C(1)(c) is 31 August 2021.

Clause 35 amends section 43W (Concessionary rate of tax for shipping investment manager), which enables the Minister to make regulations for a concessionary rate of tax of 10% to be levied on certain income of an approved shipping investment manager. The clause amends section 43W(4A) to provide that the period of approval of a shipping investment manager may be specified or extended by a public body to which the Minister has assigned that function under section 3A.

Clause 36 amends section 43ZA (Concessionary rate of tax for container investment enterprise), which provides for a concessionary rate of tax of 5% or 10% to be levied on the income of an approved container investment enterprise accruing in or derived from Singapore from various types of activities. The clause inserts a new subsection (4A) so that the approval of a container investment enterprise or its related party may be subject to conditions specified by a public body to which the Minister has assigned his or her powers under section 3A (called the authorised body), and the period of approval may also be specified or extended by the authorised body. The clause also amends the definition of "related party" in section 43ZA(7) to include any entity that is approved by the Minister or authorised body to be a related party of an approved container investment enterprise.

Clause 37 amends section 43ZB (Concessionary rate of tax for container investment manager), which enables the Minister to make regulations for a concessionary rate of tax of 10% to be levied on certain incomes of an approved

container investment manager. The clause amends section 43ZB(4A) to provide that the period of approval of a container investment manager may be specified or extended by a public body to which the Minister has assigned that function under section 3A.

Clause 38 amends section 43ZF (Concessionary rate of tax for shipping-related support services) to provide that the approval of a company for the purpose of a concessionary rate of tax under that section for income derived from providing any approved shipping-related support service may be subject to conditions imposed by a public body to which the Minister has assigned that power under section 3A.

Clause 39 amends section 43ZI (Concessionary rate of tax for intellectual property income), which provides for a concessionary rate of tax to be levied on a percentage of qualifying intellectual property income derived by an approved company from any qualifying intellectual property right elected by the company for each year of assessment within its tax relief period. The new paragraphs in section 43ZI(11) empowers the Minister to make regulations to prescribe the circumstances under which a prescribed amount of expenses, allowances or donations deducted from qualifying intellectual property income may be deemed as a loss in respect of income subject to tax at the rate specified in section 43(1)(a) for a specified year of assessment, and to provide for the manner and extent to which the prescribed amount may be deducted against any income for a year of assessment in accordance with the Act (with prescribed modifications).

Clause 40 amends section 45I (Sections 45 and 45A not applicable to certain payments) which exempts banks, merchant banks, finance companies, and certain approved capital markets services licence holders which underwrite debts or equity issuances, from the obligation to withhold tax, when they make payment of any income mentioned in section 12(6) to a non-resident person under specified circumstances. The exemption is extended to cover any such payment made on or before 31 December 2026 under a contract that took effect before 17 February 2012, or any such payment which was made under a contract that took effect, was extended or renewed between 17 February 2012 and 31 December 2026 (both dates inclusive), or under a debt security which was issued on a date between 17 February 2012 and 31 December 2026 (both dates inclusive).

Clause 41 amends section 50 (Tax credits) which provides for the grant of a tax credit to a person resident in Singapore for an amount of foreign tax payable in respect of any income chargeable with tax under the Act. The amendment extends the time limit for a person to make any claim for tax credit to 4 years after the end of the year of assessment to which the claim relates, with effect from the year of assessment 2022.

Clause 41 also amends section 50 to impose an obligation on a person to give the Comptroller notice of any adjustment of the tax payable in a foreign territory, which results in the amount of any tax credit given being rendered excessive. The

notice must be given within 6 months of the adjustment and failure to comply with this obligation is an offence.

Clause 42 amends section 62B (Currency other than Singapore dollar to be used in certain circumstances) by making an amendment that is consequential on the introduction of the new section 25.

Clause 43 amends subsection (2A) of section 74 (Additional assessments), which disapplies the time bar under subsection (1) to the making of an additional assessment pursuant to an agreement made in accordance with a mutual agreement procedure under an avoidance of double taxation agreement. The amendment extends the disapplication of the time bar to an advance pricing arrangement made in accordance with a mutual agreement procedure on or after the date of commencement of the clause.

Clause 43 also amends section 74 to make clear that the disapplication of the time bar applies to any agreement to which the existing subsection (2A) applies, that is made on or after 26 October 2017.

Clause 44 amends section 94 (General penalties) by increasing the maximum penalty for an offence under that section for which no other penalty is provided, from \$1,000 to \$5,000.

Clause 45 amends section 94A (Penalty for failure to make return) by increasing the maximum penalty for an offence under section 94A(1) or (3), from \$1,000 to \$5,000. The clause also increases the penalty for a continuing offence mentioned in section 94A(2), from \$50 to \$100 per day.

Clause 46 amends section 101 (Consent for prosecution) to empower the Comptroller to authorise an officer to compound an offence under the new section 50(11A).

Clause 47 inserts a new section 104A (Protection of informers) to provide that any information disclosed by an informer who has given information with respect to an offence under the Act, or information relating to the identity of the informer, must not be disclosed in any civil or criminal proceedings. This is to encourage the reporting of offences under the Act.

Clause 48 amends section 105M (Offences) to increase the maximum penalty for an offence arising from non-compliance with section 105L(1), or any regulation made under section 105P that requires a person to apply for registration or submit any information to the Comptroller, from \$1,000 to \$5,000. The penalty for any offence that continues after the conviction of such an offence is also increased from \$50 to \$100 per day. The penalty for an offence arising from a failure or neglect to comply with any other requirement imposed by regulations made under section 105P remains unchanged.

Clause 49 amends the Fifth Schedule (Child relief), which provides the deduction to be allowed under section 39(2)(e) for the maintenance of an eligible child by an individual. In determining whether a child is a “first eligible child”,

“second eligible child” or “third and subsequent eligible child” in respect of whom a deduction is allowed under that provision, for the year of assessment 2022 or a subsequent year of assessment, any sibling that is a stillborn child (whether issued from the mother before, on or after 1 January 2022) is treated as if the sibling were an eligible child. However, this applies only if the married woman, divorcee or widow claiming the deduction is the natural mother of the stillborn child.

Clauses 50 to 55 make amendments similar to clause 47, to the Betting and Sweepstake Duties Act 1950, the Estate Duty Act 1929, the Goods and Services Tax Act 1993, the Private Lotteries Act 2011, the Property Tax Act 1960 and the Stamp Duties Act 1929, respectively.

Clause 52 also makes an amendment to the Goods and Services Tax Act 1993 that is similar to clause 2.

EXPENDITURE OF PUBLIC MONEY

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