Income Tax (Amendment) Bill 2018

Bill No. /2018.

Read the first time on .

A BILL

i n t i t u l e d

An Act to

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

Short title and commencement

1.—(1) This Act is the Income Tax (Amendment) Act 2018.

Amendment of section 2

2. Section 2(1) of the Income Tax Act (called in this Act the principal Act) is amended —

(*a*) by inserting, immediately after the definition of "prescribed minimum retirement age", the following definition:

" "private hire car" means a motor car —

(*a*) that is used as a private hire car within the meaning of the Road Traffic Act (Cap. 276); and

(*b*) in respect of which a licence is issued under Part V of that Act for such use;"; and

(*b*) by inserting, immediately after the definition "resident in Singapore", the following definition:

" "specially authorised officer" means an officer authorised under section 4(5) to exercise the powers mentioned in that provision;".

[Gazette Date]

Amendment of section 4

3. Section 4 of the principal Act is amended by inserting, immediately after subsection (4), the following subsection:

"(5) The Comptroller may, by notification in the *Gazette* or in writing, authorise a person authorised under subsection (1) to investigate offences under this Act, to exercise the powers in sections 65B(1A), (1B), (1C) and (1D), 65F, 65G, 65H, 65I and 65J.".

[Gazette Date]

Amendment of section 6

4. Section 6 of the principal Act is amended —

(*a*) by deleting subsections (10B) and (10C), and substituting the following subsections:

"(10B) Despite anything in this section, the Comptroller may furnish to the head of a law enforcement agency any information —

(*a*) that may be required by the law enforcement agency for the purpose of an investigation or prosecution of a person for an offence specified in the First or Second Schedule to the Corruption, Drug Trafficking and Other Serious Crimes (Confiscation of Benefits) Act (Cap. 65A); or

(*b*) that the Comptroller has reasonable grounds to suspect affords evidence of the commission of such an offence.

(10C) The following persons, namely:

(*a*) the head of a law enforcement agency to whom any information is furnished under subsection (10B) for the purpose of an investigation or prosecution of a person for an offence mentioned in subsection (10B)(*a*);

(*b*) any person under the command of the head of the law enforcement agency;

(*c*) any person to whom information is disclosed in compliance with this subsection,

must not disclose to any other person such information except where it is necessary for the purpose of an investigation or prosecution of a person for that offence, and any person who contravenes this subsection shall be guilty of an offence."; and

(*b*) by inserting, immediately after subsection (13), the following subsection:

"(14) In this section —

"law enforcement agency" means —

(*a*) the Singapore Police Force;

(*b*) the Commercial Affairs Department;

(*c*) the Central Narcotics Bureau;

(*d*) the Corrupt Practices Investigation Bureau; and

(*e*) any other authority charged with the responsibility of investigating any offence specified in the First or Second Schedule to the Corruption, Drug Trafficking and Other Serious Crimes (Confiscation of Benefits) Act; and

"head of any law enforcement agency" means —

(*a*) in relation to the Singapore Police Force, the Commissioner of Police;

(*b*) in relation to the Commercial Affairs Department, the Director;

(*c*) in relation to the Central Narcotics Bureau, the Director;

(*d*) in relation to the Corrupt Practices Investigation Bureau, the Director; and

(*e*) in relation to any other law enforcement agency, its head or director or equivalent.".

[Gazette Date]

Amendment of section 10

5. Section 10 of the principal Act is amended —

(*a*) by deleting the words "for the year of assessment 2015 and subsequent years of assessment" in subsection (2)(*ca*) and substituting the words "for any year of assessment between

the years of assessment 2015 and 2019 (both years inclusive)";

(*b*) by inserting, immediately after paragraph (*ca*) of subsection (2), the following paragraph:

"(*cb*) for the year of assessment 2020 and subsequent years of assessment, either —

(i) the rent paid by the employer for any place of residence provided by the employer (or the part of any place of residence occupied by the employee if the premises are shared with another), including for any furniture and fittings in that place or part; or

(ii) if no such rent is paid, the annual value of such place or part, less any rent paid by the employee for the place or part;";

(*c*) by inserting, immediately after the words "subsection (2)(*ca*)" in subsection (2A), the words "and (*cb*)(ii)";

(*d*) by inserting, immediately after subsection (2A), the following subsections:

"(2AA) For the purposes of subsection (2)(*cb*)(i), where the Comptroller is not satisfied that the rent paid by the employer (including for any furniture and fittings), is reasonable having regard to the rent that a lessee might reasonably be expected to pay under a lease of the place or part (including the furniture and fittings) if it were unoccupied and offered for renting, the Comptroller may adopt, either —

(*a*) the annual value of the place of residence provided by the employer (or the part of any place of residence occupied by the employee if the premises are shared with another), less any rent paid by the employee for the place or part; or

(*b*) in a case where no annual value or separate annual value is ascribed to any place of residence in the Valuation List prepared under section 10 of the Property Tax Act, such other value as appears to the Comptroller to be reasonable in the circumstances.

(2AB) In a case where —

(*a*) subsection (2)(*cb*)(i) applies; and

(*b*) the rent paid by the employer under that provision includes rent for any furniture and fittings in the place or part,

then, despite subsection (2)(*a*), no further account is to be taken of those furniture and fittings in determining the gains or profits of the employee from the employment.

(2AC) However (and to avoid doubt), subsection (2AB) does not apply in a case where the Comptroller exercises his power under subsection (2AA).";

(*e*) by deleting "2018" in subsection (20A)(*f*)(ii) and (*h*), and substituting in each case "2023"; and

(*f*) by deleting the words "section 35(12A)" in subsection (20A) and substituting the words "section 35(12)".

[Gazette Date]

Amendment of section 10D

6. Section 10D of the principal Act is amended by inserting, immediately after subsection (2), the following subsection:

"(2A) The income of a lessor from the finance leasing of any machinery or plant that is treated as sold by the lessor to the lessee pursuant to regulations made under subsection (1), is determined by the formula $A - B$, where —

(*a*) A is the total payments made by the lessee to the lessor under the finance lease; and

(*b*) B is that part of those payments that is attributable to the repayment of principal.".

[Gazette Date]

Amendment of section 10F

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

(*a*) by inserting, immediately after the words "INT FRS 104," in subsection (1)(*b*), the words "FRS 116, SFRS (I) 1-17 read with SFRS(I) INT 4, or SRFS(I) 16";

(*b*) by inserting, immediately after the words "INT FRS 112" in subsection (1A)(*a*)(ii), the words "or SFRS (I) INT 12";

(*c*) by inserting, immediately after the words "INT FRS 112" in subsection (1A)(*b*), the words "or SFRS (I) INT 12 (as the case may be)"; and

(*d*) by deleting the definition of "FRS 11", "FRS 17", "FRS 115", "INT FRS 104" and "INT FRS 112" in subsection (2) and substituting the following definition:

" "FRS 11", "FRS 17", "FRS 115", "FRS 116", "INT FRS 104", "INT FRS 112", "SRFS(I) 1-17", "SFRS(I) 16", "SFRS(I) INT 4" and "SFRS(I) INT 12" mean the financial reporting standards issued by the Accounting Standards Council, under Part III of the Accounting Standards Act (Cap. 2B) and known, respectively, as —

(*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);

(*f*) Interpretation of Financial Reporting Standard 112 (Service Concession Arrangements);

(*g*) Singapore Financial Reporting Standard (International) 1-17 (Leases);

(*h*) Singapore Financial Reporting Standard (International) 16 (Leases);

(*i*) Singapore Financial Reporting Standard (International) Interpretation 4 (Determining whether an Arrangement contains a Lease); and

(*j*) Singapore Financial Reporting Standard (International) Interpretation 12 (Service Concession Arrangements).".

[Gazette Date]

Amendment of section 12

8. Section 12 of the principal Act is amended —

(*a*) by inserting, immediately after subsection (6), the following subsection:

"(6AA) To avoid doubt, the reference to interest in subsection (6) is, in the case of an arrangement that is a finance lease of any machinery or plant that is treated as sold by the lessor to the lessee pursuant to regulations made under section 10D(1), a reference to the part of any payment made to the lessor by the lessee that is income of the lessor under section 10D(2A).";

(*b*) by inserting, immediately after subsection (7), the following subsection:

"(7AA) Any payment made to the lessor by the lessee under a finance lease of any machinery or plant that is not treated as sold by the lessor to the lessee pursuant to regulations made under section 10D(1), is treated as a

payment under an agreement or arrangement for the use of movable property under subsection (7)(*d*).”; and

(*c*) by inserting, immediately after subsection (9), the following subsection:

“(10) In this section, “finance lease” has the same meaning as in section 10D.”.

[Gazette Date]

Amendment of section 13

9. Section 13 of the principal Act is amended —

(*a*) by deleting “2018” in the following provisions and substituting in each case “2023”:

Subsections (1)(*a*)(i) and (ii), (*aa*)(ii), (*ab*) and (*ba*), (2) and (16) (paragraphs (*a*), (*b*)(ii)(A) and (iv) and (*c*)(iii) of the definition of “qualifying debt securities”);

(*b*) by inserting, immediately after the words “Asian Dollar Bonds” in subsection (1)(*v*), the words “issued on or before 31 December 2018”;

(*c*) by inserting, immediately after the words “real estate investment trust” in subsection (1)(*ze*)(v), the words “and approved REIT exchange-traded fund”;

(*d*) by deleting the word “and” at the end of sub-paragraph (v) of subsection (1)(*ze*), and by inserting immediately thereafter the following sub-paragraph:

“(*va*) any distribution made by the trustee of a collective investment scheme constituted as a unit trust and authorised under section 286 of the Securities and Futures Act (Cap. 289), that is an approved REIT exchange-traded fund and the units of which are offered to the public for subscription, where the distribution —

(i) is not made out of a distribution that is in turn made out of income of the kinds

mentioned in section 43(2A)(*a*)(i), (ii), (iii), (iv) and (v); and

(ii) is income or treated as income of the individual;";

(*e*) by inserting, immediately after the word "made" in subsection (1)(*zh*), the words "on or before 31 March 2020";

(*f*) by deleting the word "and" at the end of subsection (1)(*zq*);

(*g*) by deleting the full-stop at the end of subsection (1)(*zr*) and substituting the word "; and" and inserting immediately thereafter the following paragraph:

"(*zs*) any distribution made to an individual during the period from 1 July 2018 to 31 March 2020 (both dates inclusive) by a trustee of an approved REIT exchange-traded fund, out of a distribution from a real estate investment trust that is in turn made out of income of the kinds mentioned in section 43(2A)(*a*)(i), (ii), (iii), (iv) and (v), except where the firstmentioned distribution is derived by the individual through a partnership in Singapore or is derived from the carrying on of a trade, business or profession.";

(*h*) by deleting the word "and" at the end of subsection (1)(*zr*);

(*i*) by deleting the full-stop at the end of paragraph (*zs*) of subsection (1) and substituting the word "; and", and by inserting immediately thereafter the following paragraph:

"(*zt*) subject to subsection (2J), income of an entity (called in this section a sovereign risk pooling entity) that is established and operated for the sole object of insuring against risks faced by one or more governments (called in this section the insured governments) that arise directly or indirectly from a disaster (whether natural or man-made), subject to the following conditions:

(i) the sovereign risk pooling entity is not established or operated for the object of deriving a profit and its income and capital may only be applied towards its sole object;

(ii) its capital is provided only by governments, entities wholly owned by governments, and organisations that are not established or operated for the object of deriving a profit;

(iii) a government (not being an insured government) or an entity or organisation mentioned in sub-paragraph (ii) does not enjoy any risk coverage or receive any benefit in any form (including dividends) from the sovereign risk pooling entity;

(iv) benefits of any insurance provided by the sovereign risk pooling entity, as well as any distribution of the entity's property if it ceases operation, accrue only to the insured governments.";

(*j*) by inserting, immediately after subsection (2I), the following subsection:

"(2J) Despite any other provisions of this Act, in determining for any year of assessment the income of a sovereign risk pooling entity whose income is exempt under subsection (1)(*zt*) —

(*a*) any outgoings and expenses incurred by the entity in the production of its income for any year of assessment, and allowable under this Act, may only be deducted against its income for that year of assessment, and any excess of such outgoings and expenses over the income must be disregarded; and

(*b*) the allowances under sections 19, 19A, 20, 21 and 22 relating to the production of its income for a year of assessment may only be deducted against

that income, and any excess of such allowances over the income must be disregarded.";

(*k*) by inserting, immediately after the definition of "approved bond intermediary" in subsection (16), the following definition:

" "approved REIT exchange-traded fund" has the same meaning as in section 43(10)"; and

(*l*) by deleting paragraph (*a*) of the definition of "deposit" in subsection (16).

[(a), (b), (h). (i), (j) and (l): Gazette date; the rest: 1 July 2018]

Amendment of section 13CA

10. Section 13CA(9) of the principal Act is amended by deleting the word "or" at the end of paragraph (*b*) of the definition of "issued securities", and by inserting immediately thereafter the following paragraph:

"(*ba*) any other instrument that confers or represents a legal or beneficial ownership interest in the company; or".

[4 May 2018]

Amendment of section 13P

11. Section 13P(1) of the principal Act is amended by deleting "2018" and substituting "2023".

[Gazette Date]

Amendment of section 13X

12. Section 13X of the principal Act is amended —

(*a*) by deleting paragraph (*b*) of subsection (1) and substituting the following paragraph:

"(*b*) in relation to an approved master-feeder fund structure —

(i) a person (not being an individual, a body of persons or a Hindu joint family) that is an

approved master fund or an approved feeder fund of the structure;

(ii) 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 the structure;

(iii) a trustee of a trust fund where the trust fund is the approved master fund or an approved feeder fund of the structure; and

(iv) a taxable entity in relation to the approved master fund or an approved feeder fund of the structure, where the master fund or feeder fund is not a legal entity,

arising from funds of the master fund or any feeder fund of that structure, that are managed in Singapore by a fund manager;";

(*b*) by inserting, immediately after sub-paragraph (i) of subsection (1)(*c*), the following sub-paragraphs:

"(*ia*) a person (not being a company, an individual or a Hindu joint family) that is an approved feeder fund of the structure;

(*ib*) a partner of a partnership (excluding a limited partnership but including a limited liability partnership), where the partnership is an approved feeder fund of the structure;

(*ic*) a taxable entity in relation to an approved feeder fund of the structure, where the feeder fund is not a legal entity;";

(*c*) by deleting the words "company, trustee, partner" in subsections (3) and (4)(*a*) and (*b*) and substituting in each case the words "person, trustee, partner, taxable entity";

(*d*) by deleting the words "approved limited partnership" in subsection (4)(*c*) and substituting the words "approved

partnership (including a limited partnership and a limited liability partnership)";

(*e*) by deleting the words "limited partnership" in subsection (4)(*c*) and substituting the word "partnership";

(*f*) by deleting the words "company, trustee" in subsection (4)(*ca*) and substituting the words "person, trustee, taxable entity";

(*g*) by deleting the words "limited partnership" in subsection (4)(*cb*) and substituting the words "partnership (including a limited partnership and a limited liability partnership)";

(*h*) by deleting the definition of "approved person" in subsection (5) and substituting the following definition:

" "approved person" means —

(*a*) any approved person (not being an individual, a body of persons or a Hindu joint family);

(*b*) any partner of an approved partnership (including a limited partnership and a limited liability partnership);

(*c*) any trustee of an approved trust fund; or

(*d*) the taxable entity of an approved investment vehicle that is not a legal entity;";

(*i*) by deleting the definition of "feeder fund" in subsection (5) and substituting the following definition:

" "feeder fund" means an investment vehicle (whether or not a legal entity) that invests its funds, or whose funds are invested, substantially and directly through only one master fund;";

(*j*) by deleting the definition of "master fund" in subsection (5) and substituting the following definition:

" "master fund" —

(*a*) in relation to a master fund-SPV structure or master-feeder fund-SPV structure, means a company, a trust fund or a limited partnership; or

(*b*) in relation to a master-feeder fund structure, means an investment vehicle (whether or not a legal entity),

that enables investors to invest funds in one or more underlying investments that are managed by a fund manager;";

(*k*) by inserting, immediately after the definition of "special purpose vehicle" or "SPV" in subsection (5), the following definition:

" "taxable entity", in relation to an investment vehicle (including a master fund and a feeder fund) that is not a legal entity, means the person to whom income from the investment vehicle accrues;"; and

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

"(6) The following approvals may only be granted on or after 20 February 2018:

(*a*) the approval, for the purposes of the definition of "approved person" in subsection (5), of —

(i) a person other than a company;

(ii) a partnership, including a limited liability partnership but excluding a limited partnership; or

(iii) an investment vehicle that is not a legal entity (other than a trust fund);

(*b*) the approval, for the purpose of subsection (1)(*b*), of —

(i) a person that is not a company;

(ii) a partnership, including a limited liability partnership but excluding a limited partnership; or

(iii) a master fund or a feeder fund that is not a legal entity (other than a trust fund),

as a master fund or feeder fund;

(*c*) the approval, for the purpose of subsection (1)(*c*), of —

(i) a person that is not a company;

(ii) a partnership, including a limited liability partnership but excluding a limited partnership; or

(iii) a feeder fund that is not a legal entity (other than a trust fund),

as a feeder fund.".

[20 February 2018]

Amendment of section 14A

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

(*a*) by deleting the words "year of assessment 2020" in subsection (1)(*b*) and substituting the words "year of assessment 2025";

(*b*) by inserting, immediately after subsection (1BA), the following subsection:

"(1BB) Subject to this section, for the purpose of ascertaining the income of a person carrying on a trade or business during the basis period for any year of assessment between the years of assessment 2019 and 2025 (both years inclusive), there is to be allowed in respect of all the person's trades and businesses, in addition to the deduction allowed under subsection (1), a deduction of the amount of qualifying intellectual property registration costs incurred during the basis period

for the purposes of those trades and businesses, up to $100,000.";

(*c*) by deleting subsections (1E) and (1F), and substituting the following subsections:

"(1E) For the purposes of subsections (1A), (1B), (1BA) and (1BB), where an individual carrying on a trade or business through 2 or more firms (excluding partnerships) has, during the basis period for any year of assessment between the years of assessment 2011 and 2025 (both years inclusive), incurred qualifying intellectual property registration costs in respect of such firms for the purposes of the individual's trade or business, the deduction that may be allowed to the individual for those costs in respect of all the individual's trades and businesses must not exceed the amount computed in accordance with subsection (1A), (1B), (1BA) or (1BB) (as the case may be) for that year of assessment.

(1F) For the purposes of subsections (1A), (1B), (1BA) and (1BB), where a partnership carrying on a trade or business has, during the basis period for any year of assessment between the years of assessment 2011 and 2025 (both years inclusive), incurred qualifying intellectual property registration costs for the purposes of the partnership's trade or business, the aggregate of the deductions that may be allowed to all the partners of the partnership for those costs in respect of all the trades and businesses of the partnership must not exceed the amount computed in accordance with subsection (1A), (1B), (1BA) or (1BB) (as the case may be) for that year of assessment.";

(*d*) by deleting the words "or (1BA)" in subsection (2) and substituting the words ", (1BA) or (1BB)"; and

(*e*) by deleting the words "or (1BA)" wherever they appear in subsection (5A) and substituting in each case the words ", (1BA) or (1BB)".

[Gazette Date]

Amendment of section 14B

14. Section 14B of the principal Act is amended by deleting subsection (2A) and substituting the following subsections:

"(2A) For the purposes of subsection (1) and subject to subsection (2B), the firm or company need not be an approved firm or approved company to be allowed a deduction under subsection (1) in respect of expenses mentioned in subsection (2)(*a*) which are incurred at any time between 1 April 2012 and 31 March 2020 (both dates inclusive) for the primary purpose of promoting the trading of goods or the provision of services.

(2B) The amount of the expenses for which the deduction may be allowed under subsection (2A), after adding the expenditure for which a deduction is allowed to the firm or company under section 14K(1A), must not exceed —

(*a*) for a year of assessment before the year of assessment 2019 — $100,000; or

(*b*) for the year of assessment 2019 or a subsequent year of assessment — $150,000.".

[Gazette Date]

Amendment of section 14D

15. Section 14D of the principal Act is amended by inserting, immediately after subsection (2), the following subsection:

"(2A) Subsection (2) does not apply to any expenditure if a deduction has already been allowed for that expenditure under subsection (1) in a previous year of assessment.".

[Gazette Date]

Amendment of section 14DA

16. Section 14DA(1) of the principal Act is amended —

(*a*) by deleting "50%" in the formula and substituting "A%";

(*b*) by deleting the word "and" at the end of the definition of "U"; and

(*c*) by deleting the full-stop at the end of the definition of "V" and substituting the word "; and", and by inserting immediately thereafter the following definition:

"A is —

(*a*) for a year of assessment between the years of assessment 2009 and 2018 (both years inclusive) — 50%; or

(*b*) for a year of assessment between the years of assessment 2019 and 2025 (both years inclusive) — 150%.".

[Gazette Date]

Amendment of section 14E

17. Section 14E of the principal Act is amended by deleting subsection (3A) and substituting the following subsection:

"(3A) The total amount of deduction allowed under this section for any expenditure incurred by a person for an approved research and development project in Singapore must not, after adding the total amount of deduction allowed under sections 14, 14D and 14DA for the same expenditure, result in the total amount of deductions for that expenditure exceeding 200% of that expenditure; and if it so exceeds then no deduction is allowed under this section for that expenditure.".

[Gazette Date]

Amendment of section 14I

18. Section 14I of the principal Act is amended —

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

"(2A) If, for a basis period beginning on or after 1 January 2018, the amount computed under subsection (2C) for the bank or qualifying finance

company is a negative amount, then, for the purpose of subsection (1), the bank or qualifying finance company is treated as having made in that basis period provisions for doubtful debts arising from its loans and for the diminution in the value of its investments in securities, of an amount equal to that amount expressed as a positive amount.

(2B) If, for a basis period beginning on or after 1 January 2018, the amount computed under subsection (2C) for the bank or qualifying finance company is a positive amount, then, for the purpose of subsection (2)(*a*), the bank or qualifying finance company is treated as having written back in that basis period an amount of its provisions that is equal to that amount.

(2C) The amount in subsections (2A) and (2B) is computed using the formula $A+B+C$, where —

(*a*) A is —

(i) if a loss is recognised, in accordance with FRS 109 or SFRS(I) 9 (as the case may be), in the profit and loss accounts of the bank or qualifying finance company for that basis period in respect of its loans that are not credit-impaired, owing to any provisions made for expected credit losses arising from those loans, the amount of that loss expressed as a negative amount; or

(ii) if a gain is recognised, in accordance with FRS 109 or SFRS(I) 9 (as the case may be), in the profit and loss accounts of the bank or qualifying finance company for that basis period in respect of its loans that are not credit-impaired, owing to a write back of any provisions made for expected credit losses arising from those loans, the

amount of that gain expressed as a positive amount;

(*b*) B is —

(i) if a loss is recognised, in accordance with FRS 109 or SFRS(I) 9 (as the case may be), in the profit and loss accounts of the bank or qualifying finance company for that basis period in respect of its investments in securities that are not credit-impaired, owing to any provisions made for expected credit losses arising from those securities, the amount of that loss expressed as a negative amount; or

(ii) if a gain is recognised, in accordance with FRS 109 or SFRS(I) 9 (as the case may be), in the profit and loss accounts of the bank or qualifying finance company for that basis period in respect of its investments in securities that are not credit-impaired, owing to a write back of any provisions made for expected credit losses arising from those securities, the amount of that gain expressed as a positive amount; and

(*c*) C is —

(i) if an MAS notice mentioned in subsection (6A) requires the bank or qualifying finance company to make for that basis period an amount of allowance for loans or investments in securities that are not credit-impaired, and that amount is recognised in the retained earnings account of the bank or qualifying finance company as required by that MAS

notice, that amount expressed as a negative amount; or

(ii) if an MAS notice mentioned in subsection (6A) requires the bank or qualifying finance company to reverse an amount of any allowance mentioned in paragraph (i) for a basis period, and that amount is recognised in the retained earnings account of the bank or qualifying finance company as required by that MAS notice, that amount expressed as a positive amount.

(2D) For the purpose of subsection (2)(*b*), if the bank or qualifying finance company permanently ceases to carry on business in Singapore in a basis period beginning on or after 1 January 2018, then the amount that is deemed as its trading receipts for that basis period is the sum of —

(*a*) any provisions in its expected credit loss allowance account at the date of the cessation; and

(*b*) any provisions at that date in the reserve account that it is required to maintain by an MAS notice.

(2E) Where, in any basis period that begins on a day before 1 January 2018 —

(*a*) the bank or qualifying finance company prepares or maintains financial accounts in accordance with FRS 109 or SFRS(I) 9 (as the case may be), even though it is only required to do so in a later basis period; and

(*b*) the amount computed under subsection (2G) for it is a negative amount,

then, for the purpose of subsection (1), the bank or qualifying finance company is treated as having made in that basis period provisions for its loans and investments in securities that are not credit-impaired, of that amount expressed as a positive amount.

(2F) Where, in any basis period that begins on a day before 1 January 2018 —

(*a*) the bank or qualifying finance company prepares or maintains financial accounts in accordance with FRS 109 or SFRS(I) 9 (as the case may be), even though it is only required to do so in a later basis period; and

(*b*) the amount computed under subsection (2G) for it is a positive amount,

then, for the purpose of subsection (2)(*a*), an amount of the provisions of the bank or qualifying finance company equal to that amount is treated as having been written back in that basis period.

(2G) The amount in subsections (2E) and (2F) is computed using the formula $A + B$, where A and B have the meanings given to them in subsection (2C).";

(*b*) by inserting, immediately after the words "subsection (2)" in subsection (3), the words ", (2B), (2D), (2F) or (4A)(ii)";

(*c*) by inserting, immediately after the words "those loans, or" in subsection (4A)(*c*), the word "provision";

(*d*) by deleting the words "and (3)" in subsections (5)(*c*) and (6)(*b*) and substituting in each case the words ", (2B), (2D), (2F) and (4A)(ii)";

(*e*) by deleting the words ", for such period as may be prescribed by rules made under section 7," in subsection (6A);

(*f*) by inserting, immediately after subsection (6A), the following subsection:

"(6B) No deduction is allowed under subsection (1) starting from the year of assessment for a basis period that begins on or after 1 January 2024.";

(*g*) by inserting, immediately after the definition of "capital funds" in subsection (7), the following definitions:

" "credit-impaired" and "expected credit loss" have the same meanings as in FRS 109 or SFRS(I) 9, as the case may be;

"FRS 109" and SFRS(I) 9 have the same meanings as in section 34AA(15);";

(*h*) by inserting, immediately after the definition of "loan" in subsection (7), the following definition:

" "MAS notice" means a notice or direction of the Monetary Authority of Singapore given under —

(*a*) section 55 of the Banking Act (Cap. 19);

(*b*) section 30 of the Finance Companies Act (Cap. 108); or

(*c*) section 28(3) of the Monetary Authority of Singapore Act (Cap. 186);";

(*i*) by deleting the definition of "qualifying finance company" in subsection (7) and substituting the following definition:

" "qualifying finance company" means a company licensed under the Finance Companies Act to carry on financing business;";

(*j*) by deleting the words "(excluding any extraordinary gain which is not subject to tax)" in the definition of "qualifying profit" in subsection (7);

(*k*) by deleting the words "any extraordinary loss not allowed as a deduction," in the definition of "qualifying profit" in subsection (7);

(*l*) by deleting the definition of "securities" in subsection (7); and

(*m*) by inserting, immediately after subsection (7), the following subsection:

"(8) In this section, "securities" means —

(*a*) in a case where —

(i) the bank or qualifying finance company is required to prepare or maintain financial accounts in accordance with FRS 109 or SFRS(I) 9 (as the case may be); or

(ii) prepares or maintains financial accounts in accordance with FRS 109 even though it is only required to do so in a later basis period,

debentures, bonds or notes, but not those that are issued or guaranteed by the Government or the government of any other country;

(*b*) in any other case —

(i) debentures, stocks, shares, bonds or notes excluding —

(A) those issued or guaranteed by the Government or the government of any other country; and

(B) stocks and shares held by a bank or qualifying finance company and issued by any company in which 5% or more of the total number of its issued shares are beneficially owned, directly or indirectly, by the bank or qualifying finance company at any time during the basis period for the relevant year of assessment;

(ii) any right or option in respect of any debentures, stocks, shares, bonds or notes referred to in sub-paragraph (i);

(iii) units in any unit trust within the meaning of section 10B;

(iv) units in a registered business trust within the meaning of section 36B;

(v) any right or option in respect of any unit in a registered business trust within the meaning of section 36B; or

(vi) units in a real estate investment trust within the meaning of section 43(10).".

[Gazette Date]

Amendment of section 14K

19. Section 14K of the principal Act is amended by deleting subsection (1A) and substituting the following subsections:

"(1A) For the purposes of subsection (1) and subject to subsection (1B), the firm or company —

(*a*) need not be an approved firm or approved company to be allowed a deduction under subsection (1) in respect of expenditure that is incurred at any time between 1 April 2012 and 31 March 2020 (both dates inclusive) that is directly attributable to the carrying out of any study to identify investment overseas; and

(*b*) need not seek approval for the investment project to which the expenditure relates.

(1B) The amount of the expenditure for which the deduction may be allowed under subsection (1A), after adding the expenditure for which a deduction is allowed to the firm or company under section 14B(2A), must not exceed —

(*a*) for a year of assessment before the year of assessment 2019 — $100,000; or

(*b*) for the year of assessment 2019 or a subsequent year of assessment — $150,000.".

[Gazette Date]

New section 14WA

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

"Enhanced deduction for expenditure on licensing intellectual property rights

14WA.—(1) Subject to this section, for the purpose of ascertaining the income of a person carrying on a trade or business during the basis period for any year of assessment between the years of assessment 2019 and 2025 (both years inclusive), there is to be allowed in respect of all of the person's trades and businesses, in addition to the deduction allowed under section 14 or 14D (as the case may be), a deduction of the amount of the expenditure incurred during the basis period for the purposes of those trades and businesses on the licensing from another person of any qualifying intellectual property rights, up to $100,000.

(2) For the purposes of subsection (1), where an individual carrying on a trade or business through 2 or more firms (excluding partnerships) has, during the basis period for any year of assessment between the years of assessment 2019 and 2025 (both years inclusive), incurred expenditure on the licensing from another person of any qualifying intellectual property rights in respect of such firms for the purposes of the individual's trade or business, the deductions that may be allowed to the individual for that expenditure in respect of all of the individual's trades and businesses must not exceed the maximum amount referred to in subsection (1).

(3) For the purposes of subsection (1), where a partnership carrying on a trade or business has, during the basis period for any year of assessment between the years of assessment 2019 and 2025 (both years inclusive), incurred expenditure on the licensing from another person of any qualifying intellectual property rights for the purposes of the partnership's trade or business, the deductions that may be allowed to all the partners of the partnership for that expenditure in respect of all the trades and businesses of the partnership must not exceed the maximum amount referred to in subsection (1).

(4) No deduction may be allowed under this section in respect of —

(*a*) any expenditure which is not allowed as a deduction under section 14 or 14D (as the case may be);

(*b*) any expenditure incurred by a person on licensing from its related party, of any qualifying intellectual property rights, where such rights were acquired or developed (in whole or in part) by the related party; or

(*c*) any qualifying intellectual property rights for which a writing-down allowance has been previously made to a person under section 19B.

(5) The Minister may by order exempt a person from subsection (4)(*b*) in respect of such transaction as may be specified in the order.

(6) In this section —

"qualifying intellectual property rights" has the same meaning as in section 14W(8);

"related party" has the same meaning as in section 13(16).

(7) In this section, a reference to expenditure incurred on the licensing from another person of qualifying intellectual property rights excludes any such expenditure to the extent that it is or is to be subsidised by grants or subsidies from the Government or a statutory board.

(8) In this section, a reference to expenditure incurred on the licensing from another person of qualifying intellectual property rights means the licence fees and excludes —

(*a*) expenditure for the transfer of ownership of any of those rights; and

(*b*) legal fees and other costs related to the licensing of such rights.".

[Gazette Date]

Amendment of section 14ZB

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

(*a*) deleting "2018" in subsection (1) and substituting "2021"; and

(*b*) deleting the words "2017 and 2018" in subsection (4) and substituting the words "between 2017 and 2021 (both years inclusive)".

[Gazette Date]

New section 14ZC

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

"Deduction for expenditure incurred in deriving income from driving private hire car or taxi

14ZC.—(1) This section applies for the purpose of ascertaining an individual's income for the basis period for the year of assessment 2019 or a subsequent year of assessment, from driving a chauffeured private hire car or taxi for a prescribed purpose, that is chargeable to tax under section 10(1)(*a*) (called in this section specified income).

(2) This section —

(*a*) only applies if, at the time the specified income is derived, the individual holds a chauffeured private hire car licence or taxi licence (as the case may be) issued under section 110 of the Road Traffic Act (Cap. 276), or is otherwise permitted under that Act, to drive the chauffeured private hire car or taxi; and

(*b*) does not apply if the individual has made an election under subsection (6) not to apply this section to the individual's specified income derived in the basis period.

(3) Despite any other provisions in this Part, if there are any outgoings or expenses (excluding any service fee) deductible against the specified income under any provision of this Part, then there is to be deducted, in lieu of those outgoings or

expenses, an amount of expenses computed in accordance with the following formula $A \times (B - C)$, where —

(*a*) A is 40% or such other percentage as may be prescribed under section 7;

(*b*) B is the gross amount of the specified income derived in the basis period; and

(*c*) C is the amount of service fee incurred by the individual in the basis period for the purpose of deriving the specified income.

(4) In this section —

"chauffeured private hire car" means a motor car that —

(*a*) does not ply for hire on any road;

(*b*) is hired, or made available for hire, under a contract (express or implied) for use as a whole with a driver for the purpose of conveying the hirer, and one or more passengers (if any), in that car; and

(*c*) in respect of which a chauffeured private hire car licence is issued under Part V of the Road Traffic Act (Cap. 276);

"prescribed purpose" means —

(*a*) the carriage of passengers; or

(*b*) the collection, conveyance and delivery, for reward, of any cargo not incidental to the carriage of any passenger in a motor vehicle, and any goods, article, food or baggage which is unaccompanied by any passenger travelling in the motor vehicle must be treated as cargo, but only if such collection, conveyance and delivery is approved by the Registrar pursuant to rules made under the Road Traffic Act;

"Registrar" has the meaning in section 2(1) of the Road Traffic Act (Cap. 276);

"ride-sourcing service" has the meaning in section 110B of the Road Traffic Act (Cap. 276);

"service fee" means any of the following (as applicable):

(*a*) any fee payable to a private hire car booking service operator (within the meaning of the Road Traffic Act) in connection with the provision of ride-sourcing services;

(*b*) any fee payable to a registered provider of third-party taxi booking services (within the meaning of the Third-Party Taxi Booking Service Providers Act 2015 (Act 17 of 2015)) in connection with the provision of third-party taxi booking services;

(*c*) any fee payable to any person for the provision of any service for the booking by passengers of a chauffeured private hire car or taxi;

"third-party taxi booking service" has the meaning in section 3 of the Third-Party Taxi Booking Service Providers Act (No. 17 of 2015);".

(5) This section does not apply to any specified income derived by an individual through a partnership.

(6) An individual may, in such form and manner and within such time as the Comptroller may determine, make an election to the Comptroller for this section not to apply to all of the individual's specified income derived in the basis period for a particular year of assessment.

(7) If an individual derives specified income (other than income mentioned in subsection (5)) from more than one vehicle in a basis period, the individual may not make an election under subsection (6) in respect of only one or some of those vehicles.

(8) Where an individual makes an election under subsection (6) for this section not to apply to all of the individual's specified income derived in the basis period for a particular year of assessment, then (despite anything in this Act) any excess of any

outgoings or expenses (excluding any service fee) over the specified income is not available as a deduction against any other income of the individual.".

[Gazette Date]

Amendment of section 15

23. Section 15 of the principal Act is amended —

(*a*) by deleting the word "and" at the end of subsection (1)(*k*)(iv);

(*b*) by inserting the word "and" at the end of sub-paragraph (v) of subsection (1)(*k*), and by inserting immediately thereafter the following sub-paragraph:

"(vi) for the year of assessment 2019 or a subsequent year of assessment, a chauffeured private hire car that is used for a prescribed purpose by the person (being an individual who holds a chauffeured private hire car licence issued under section 110 of the Road Traffic Act or is otherwise permitted under that Act to use the chauffeured private hire car) otherwise than as an employee of another, but only for the outgoings and expenses mentioned in subsection (2D);"; and

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

"(2D) Subsection (1)(*k*)(vi) —

(*a*) only applies to outgoings and expenses attributable to the use of the chauffeured private hire car for a prescribed purpose; and

(*b*) does not apply to the cost of renewal in respect of the car."; and

(*d*) by inserting, immediately after subsection (3), the following subsection:

"(4) In this section, "chauffeured private hire car" and "prescribed purpose" have the meanings in section 14ZC(4).".

[Gazette Date]

Amendment of section 19

24. Section 19(5) of the principal Act is amended by deleting paragraph (*a*) and substituting the following paragraph:

"(*a*) a taxi, and then only to the following:

(i) a person that is not an individual and that holds a licence under section 111B of the Road Traffic Act (called in this paragraph a taxi service operator licence);

(ii) an individual who is a partner of the partnership that acquired the taxi and that holds a taxi service operator licence;

(iii) an individual who holds a taxi service operator licence, being a licence that was first granted at any time before 1 January 1975.".

[Gazette Date]

Amendment of section 34A

25. Section 34A(10) of the principal Act is amended by inserting, immediately after the words "as the case may be" in the definition of "qualifying person", the words ", but excludes a person who is treated under section 34AA(6) as a qualifying person for that year of assessment for the purposes of section 34AA".

[Gazette Date]

Amendment of section 34AA

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

(*a*) by inserting, immediately after the words "FRS 109" in the following provisions, the words "or SFRS(I) 9 (as the case may be)":

Subsections (1), (2), (3)(*g*) and (*m*), (5)(*c*), (7)(*a*), (10)(*a*), and (13)(*c*)(i) and (ii);

(*b*) by deleting the words "(subject to the regulations made under subsection (13)(*a*))" in subsection (3)(*h*);

(*c*) by deleting paragraph (*a*) of subsection (13);

(*d*) by inserting, immediately after the words "FRS 109" in paragraph (*a*) of the definition of "qualifying person" in subsection (15) and in the section heading, the words "or SFRS(I) 9";

(*e*) by deleting the full-stop at the end of the definition of "qualifying person" in subsection (15) and substituting a semi-colon, and by inserting thereafter the following definition:

" "SFRS(I) 9" means the financial reporting standard known as Singapore Financial Reporting Standard (International) 9 (Financial Instruments) that is made, and amended from time to time, under Part III of the Accounting Standards Act."; and

(*f*) by deleting subsection (16) and substituting the following subsection:

"(16) Any term used in this section and not defined in this section but defined in FRS 109 or SFRS(I) 9, has the same meaning as in FRS 109 or SFRS(I) 9, as the case may be.".

[Gazette Date]

New section 34AB

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

"Chargeability of profit or loss from foreign exchange differences

34AB.—(1) This section applies in a case where —

(*a*) a person keeps the person's financial statements in one currency; and

(*b*) a transaction to which the person is a party is or is to be settled in a different currency.

(2) Despite the provisions of this Act, for the purpose of sections 10 and 14, any change in the value of any receivable or payable from the transaction that is reflected in the person's financial statements, being a change arising from movements in the rates of the 2 currencies, is treated as —

(*a*) a gain accruing to the person; or

(*b*) a deductible expense,

(as the case may be) in the basis period in which the change is recognised as a gain or loss (as the case may be) in those financial statements.

(3) To avoid doubt, subsection (2) —

(*a*) applies whether or not the gain or loss is realised; and

(*b*) does not apply to a transaction the gain or loss from which is capital in nature.

(4) This section does not apply to a person who made an election to the Comptroller, at the time of lodgment of the person's return of income for the year of assessment 2004, for any of the person's recognised gains or losses mentioned in subsection (2) that were unrealised, not to be treated as the person's gain or loss for that year of assessment and every subsequent year of assessment, for the purposes of this Act.

(5) However, the person mentioned in subsection (4) may in the person's return of income for any year of assessment, make an irrevocable election to the Comptroller to be subject to this Act, and, if the election is approved by the Comptroller, this section applies to that person for that year of assessment and every subsequent year of assessment.".

[Gazette Date]

Amendment of section 34G

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

(*a*) by deleting paragraph (*b*) of subsection (1);

(*b*) by deleting the words "incurred any debt in any trade or business" in subsection (3) and substituting the words "has any debt owed to it in respect of a trade or business outside Singapore, that was incurred";

(*c*) by inserting, immediately after the word "debt" in subsection (3)(*b*), the words ", or any reversal of the impairment loss,";

(*d*) by deleting the words "incurs any impairment loss from any financial asset on revenue account before its registration date" in subsection (4) and substituting the words "incurred before its registration date any impairment loss from any financial asset on revenue account acquired for the purpose of any trade or business outside Singapore";

(*e*) by deleting the words "from any financial asset on revenue account that is acquired by the company" in subsection (5) and substituting the words ", in the course of carrying on a trade or business in Singapore, from any financial asset on revenue account that was acquired by the company for the purpose of any trade or business outside Singapore";

(*f*) by inserting, immediately after the words "registration date" in subsections (7) and (8), the words "for the purpose of any trade or business outside Singapore";

(*g*) by deleting subsection (9) and substituting the following subsection:

"(9) Despite anything in sections 14A, 14D, 14Q, 14S and 14U, a redomiciled company that has never, at any time before its registration date, carried on any trade or business in Singapore, may only make a claim for a deduction under any of those sections for any cost, payment or expenditure incurred or made before its registration date, if —

(*a*) such cost, payment or expenditure is incurred or made for the purpose of a trade or business in Singapore; and

(*b*) the company has not carried on the same trade or business outside Singapore at any time before its registration date.";

(*h*) by inserting, immediately after the word "plant" in subsection (11)(*a*), the words "for the purpose of any trade or business outside Singapore";

(*i*) by inserting, immediately after the words "section 19A(10)" in subsection (14)(*a*), the words ", for the purpose of any trade or business outside Singapore";

(*j*) by deleting paragraph (*a*) of subsection (17) and substituting the following paragraph:

"(*a*) incurred capital expenditure before its registration date to acquire any intellectual property rights for the purpose of any trade or business outside Singapore";

(*k*) by inserting, immediately after the words "those rights for" in subsection (17)(*b*), the words "the purpose of"; and

(*l*) by inserting, immediately after subsection (20), the following subsections:

"*Ascertainment of profits of insurers*

(20A) Where —

(*a*) a foreign corporate entity that is registered as a redomiciled company carried on insurance business (not being life business) outside Singapore at any time before its registration date;

(*b*) the redomiciled company carries on the same insurance business (not being life business) in Singapore on or after its registration date; and

(*c*) the registration date of the redomiciled company falls within a period for which its gains or profits

from that insurance business in Singapore are to be ascertained for the purposes of this Act,

then, for the purposes of applying section 26(3) to the period mentioned in paragraph (*c*), the liabilities of the redomiciled company immediately before the registration date in respect of the common policies, are to be added to the beginning value mentioned in section 26(3)(*b*).

(20B) If —

(*a*) a foreign corporate entity that is registered as a redomiciled company carried on life business outside Singapore at any time before its registration date;

(*b*) the redomiciled company carries on the same life business in Singapore on or after its registration date; and

(*c*) the registration date of the redomiciled company falls within a period for which its gains or profits from that life business in Singapore are to be ascertained for the purposes of this Act,

then, for the purposes of applying section 26(6) to the period mentioned in paragraph (*c*), the liabilities of the redomiciled company immediately before the registration date in respect of the common policies, are to be added to the beginning value mentioned in paragraphs (*a*)(ii) and (*b*)(iv) of both definitions of "onshore life insurance surplus", and paragraphs (*a*)(ii) and (*b*)(iv) of the definitions of "offshore life insurance surplus" in section 26(12).

(20C) In subsections (20A) and (20B) —

(*a*) "life business" means the business of insuring or reinsuring the liability of a life policy, or accident and health policy.";

(*b*) a redomiciled company carries on the same insurance business or life business in Singapore

that it carried on outside Singapore if the policies which it assumes the risks or undertakes the liabilities of, or for which it collects or receives premiums, when carrying on an insurance business or life business in Singapore —

(i) are policies that are, or are part of; or

(ii) include policies that are, or are part of,

the policies which it assumed the risks or undertook the liabilities of, or for which it collected or received premiums, when carrying on an insurance business or life business outside Singapore; and

(*c*) a reference to common policies is a reference to the policies mentioned in sub-paragraph (*b*)(i) or (ii), as the case may be.".

[26 October 2017]

Amendment of section 34I

29. Section 34I of the principal Act is amended —

(*a*) by inserting, immediately after the words "FRS 115" in subsection (1)(*a*) and the section heading, the words "or SFRS(I) 15";

(*b*) by inserting, immediately after the words "FRS 115" in subsections (1)(*b*) and (6)(*b*)(i) and (ii), the words "or SFRS(I) 15 (as the case may be)";

(*c*) by deleting the words "the statutory income or any exempt income" in subsection (1)(*c*) and substituting the words "the amount W";

(*d*) by inserting, immediately after subsection (1), the following subsection:

"(1A) In subsection (1)(*c*), the amount W of a person for a year of assessment is ascertained by the formula $X + Y - Z$, where —

(*a*) X is the chargeable income of the person for that year of assessment;

(*b*) Y is all exempt income of the person for that year of assessment; and

(*c*) Z is the sum of each deduction or allowance for any expenditure, donation or loss, that remains unabsorbed after ascertaining the chargeable income or any exempt income.";

(*e*) by deleting sub-paragraph (B) of subsections (3)(*b*)(i) and (5)(*b*)(i) and substituting in each case the following sub-paragraph:

"(B) the deduction allowed or allowance made for each expenditure, donation or loss in ascertaining the chargeable income or any exempt income of the person or partner for that year of assessment, and attributable to the production of, or apportioned to, that part;";

(*f*) by deleting sub-paragraph (B) of subsections (3)(*b*)(ii) and (5)(*b*)(ii) and substituting in each case the following sub-paragraph:

"(B) the deduction allowed or allowance made for each expenditure, donation or loss in ascertaining the chargeable income or any exempt income of the person or partner for that year of assessment, and attributable to the production of, or apportioned to, the income amount C or a part of it;";

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

"(5A) To avoid doubt, the deduction or allowance mentioned in subsection (3)(*b*)(i)(B) or (ii)(B), or subsection (5)(*b*)(i)(B) or (ii)(B), excludes any deduction

or allowance (or any part of any deduction or allowance) that remains unabsorbed after ascertaining the chargeable income or exempt income mentioned in that provision."; and

(*h*) by deleting the full-stop at the end of the definition of "person" in subsection (7) and substituting a semi-colon, and by inserting immediately thereafter the following definition:

" "SFRS(I) 15" means the financial reporting standard known as Singapore Financial Reporting Standards (International) 15 (Revenue from Contracts with Customers), issued by the Accounting Standards Council under the Accounting Standards Act.".

[26 October 2017]

Amendment of section 35

30. Section 35 of the principal Act is amended —

(*a*) by inserting, immediately after subsection (12C), the following subsection:

"(12D) To avoid doubt, subsection (12) does not affect the operation of section 43(2) (read with section 43(2A)(*d*)) in relation to a designated unit trust that is also an approved REIT exchange-traded fund within the meaning of section 43(10).";

(*b*) by inserting, immediately after subsection (15A), the following subsection:

"(15AA) To avoid doubt, section 43(2) (read with section 43(2A)(*d*)) applies to the statutory income under subsection (15) of a beneficiary who is a trustee of an approved REIT exchange-traded fund."; and

(*c*) by deleting the word "or" at the end of paragraph (*b*) of subsection (16), and by inserting immediately thereafter the following paragraph:

"(*ba*) in relation to a trustee of an approved REIT exchange-traded fund within the meaning of section 43(10), any income from a trade or business carried on by the trustee, other than a distribution received from a real estate investment trust that is in turn made out of income of the kinds mentioned in section 43(2A)(*a*)(i), (ii), (iii), (iv) and (v); or".

[1 July 2018]

Amendment of section 37

31. Section 37(3A) of the principal Act is amended by deleting "2018" in paragraph (*a*)(ii) and substituting "2021".

[Gazette Date]

Amendment of section 43

32. Section 43 of the principal Act is amended —

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

"(2AA) Subsection (2) does not apply to a trust that is a REIT exchange-traded fund unless it is an approved REIT exchange-traded fund";

(*b*) by deleting the word "or" at the end of subsection (2A)(*b*);

(*c*) by deleting the full-stop at the end of paragraph (*c*) of subsection (2A) and substituting the word "; or", and by inserting immediately thereafter the following paragraph:

"(*d*) in the case of an approved REIT exchanged-traded fund, any income from any trade or business carried on by its trustee, other than a distribution in cash received in the period between 1 July 2018 and 31 March 2020 (both dates inclusive) from a real estate investment trust, that is in turn made out of any income mentioned in paragraph (*a*)(i) to (v).";

(*d*) by inserting, immediately after subsection (2B), the following subsection:

"(2C) To avoid doubt, subsection (2) (read with subsection (2A)(*d*)) does not affect the operation of section 35(12) in relation to an approved REIT exchange-traded fund that is also a designated unit trust within the meaning of section 35(14).";

(*e*) by inserting, immediately after subsection (3B), the following subsection:

"(3C) Despite anything in this Act, tax at the rate of 10% is levied and must be paid on the gross amount of any distribution by a trustee of an approved REIT exchange-traded fund that is —

(*a*) made out of a distribution by a real estate investment trust that is in turn made out of income of the kinds mentioned in subsection (2A)(*a*)(i), (ii), (iii), (iv) and (v);

(*b*) made during the period from 1st July 2018 to 31st March 2020 (both dates inclusive); and

(*c*) made to a person (other than an individual) not resident in Singapore —

(i) who does not have any permanent establishment in Singapore; or

(ii) who carries on any operation in Singapore through a permanent establishment in Singapore, where the funds used by that person to acquire the units in that approved REIT exchange-traded fund are not obtained from that operation.";

(*f*) by deleting subsections (6) and (6A) and substituting the following subsections:

"(6) Despite subsection (1) but subject to subsection (6C), tax as described in subsection (6A) or (6B) (as the case may be) is levied and must be paid for

each year of assessment upon the chargeable income of every company or body of persons.

(6A) For the purposes of subsection (6), the tax that is levied —

(*a*) in the case of a company, for the years of assessment 2008 to 2019 (both years inclusive); and

(*b*) in the case of a body of persons, for the years of assessment 2010 to 2019 (both years inclusive),

is tax at the rate prescribed in subsection (1)(*a*) on every dollar of the chargeable income, except that —

(*c*) for every dollar of the first $10,000 of the chargeable income, only 25% is chargeable with tax; and

(*d*) for every dollar of the next $290,000 of the chargeable income, only 50% is chargeable with tax.

(6B) For the purposes of subsection (6), the tax that is levied for the year of assessment 2020 and subsequent years of assessment, is tax at the rate prescribed in subsection (1)(*a*) on every dollar of the chargeable income, except that —

(*a*) for every dollar of the first $10,000 of the chargeable income, only 25% is chargeable with tax; and

(*b*) for every dollar of the next $190,000 of the chargeable income, only 50% is chargeable with tax.

(6C) Despite subsections (1) and (6), where, in any of the first 3 years of assessment falling in or after the year of assessment 2008 of a company, the company is a qualifying company, then for that year of assessment tax as described in subsection (6D) is levied and must be paid upon the chargeable income of the company.

(6D) For the purposes of subsection (6C), the tax that is levied is tax at the rate prescribed in subsection (1)(*a*) on every dollar of the chargeable income, except that —

(*a*) for the years of assessment 2008 to 2019 (both years inclusive) —

(i) every dollar of the first $100,000 of the chargeable income is exempt from tax; and

(ii) for every dollar of the next $200,000 of the chargeable income, only 50% is chargeable with tax; and

(*b*) for the year of assessment 2020 and subsequent years of assessment —

(i) for every dollar of the first $100,000 of the chargeable income, only 25% is chargeable with tax; and

(ii) for every dollar of the next $100,000 of the chargeable income, only 50% is chargeable with tax.";

(*g*) by inserting, immediately before the definition of "approved sub-trust" in subsection (10), the following definition:

" "approved REIT exchange-traded fund" means a REIT exchange-traded fund that is approved by the Comptroller for the purposes of subsection (2);"; and

(*h*) by inserting, immediately after the definition of "real estate investment trust" in subsection (10), the following definition:

" "REIT exchange-traded fund" means a collective investment scheme authorised under section 286 of the Securities and Futures Act (Cap. 289) and listed on the Singapore Exchange, and that invests or proposes to invest only in —

(*a*) real estate investment trusts; and

(*b*) any entity, trust or other arrangement that invests or proposes to invest in immovable property and immovable property-related assets, and is listed on a stock exchange outside Singapore;".

[all 1 July 2018 except

(f) Gazette Date]

Amendment of section 43N

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

(*a*) by deleting "2018" in the following provisions and substituting in each case "2023":

Subsections (1)(*aa*)(ii), (*ab*) and (*ac*), (2)(*a*), (*b*)(ii), (*c*) and (*d*) and (3)(*b*);

(*b*) by inserting immediately after subsection (2A), the following subsection:

"(2B) Subsection (1) does not apply to income derived by a financial sector incentive (capital market) company from qualifying debt securities on or after 1 January 2014."; and

(*c*) by inserting, immediately after the definition of "debt securities" in subsection (4), the following definition:

" "financial sector incentive (capital market) company" means a financial sector incentive company within the meaning of section 43Q(3), being one that has been approved by the Minister or a person appointed by the Minister as a financial sector incentive (capital market) company.".

[(b) & (c) 1 January 2014

(a) Gazette Date]

Amendment of section 43Y

34. Section 43Y of the principal Act is amended by inserting, immediately after subsection (1), the following subsections:

"(1A) Despite subsection (1), where —

(*a*) a company was approved as an approved aircraft leasing company on or before 31 March 2017;

(*b*) the company is approved again as an approved aircraft leasing company at any time on or after 1 April 2017;

(*c*) the period of approval in paragraph (*b*) (called in this subsection the current approval period) starts immediately upon the expiry of the period of the approval in paragraph (*a*) (called in this subsection the previous approval period); and

(*d*) the company elects to apply the concessionary rate of tax specified to it under subsection (1)(*a*) for the previous approval period, to the company's income that accrues in or is derived from Singapore between the date of commencement of the current approval period and 31 December 2027 (both dates inclusive), using an aircraft or aircraft engine to which this subsection applies,

then that concessionary rate of tax applies to such income if the company remains an approved aircraft leasing company at the time it derives the income.

(1B) Subsection (1A) —

(*a*) applies to an aircraft or aircraft engine that the company either owned, or of which it was a lessee under a finance lease treated as a sale under section 10D, as at the last day of the previous approval period but not one that has been disposed of by the company after that day and then re-acquired by or leased back to the company; and

(*b*) does not apply to any aircraft or aircraft engine that has not been delivered to the company as of that day.

(1C) The election under subsection (1A) must be made by written notice to the Comptroller at the time of lodgment of the return of income for the year of assessment relating to the basis period in which the approval in subsection (1A)(*b*) is given or within such extended time as the Comptroller may allow.".

[Gazette Date]

Amendment of section 43ZC

35. Section 43ZC of the principal Act is amended —

(*a*) by deleting the words "5% or" in subsection (1); and

(*b*) by deleting the words "31st March 2018" in subsection (4) and substituting the words "31st December 2023".

[1 April 2018]

New section 43ZI

36. The Income Tax Act (called in this Act the principal Act) is amended by inserting, immediately after section 43ZH, the following section:

"**Concessionary rate of tax for intellectual property income**

43ZI.—(1) Despite section 43 and subject to this section, the concessionary rate of tax under subsection (5) applies for each year of assessment upon a percentage determined in accordance with regulations of qualifying intellectual property income of an approved company, that is derived —

(*a*) from a qualifying IPR elected by the approved company for that year of assessment under subsections (7) and (8); and

(*b*) in the whole or any part of a basis period for that year of assessment that falls within the tax relief period applicable to the approved company.

(2) The Minister or a person appointed by the Minister may approve a company as an approved company (subject to such

terms and conditions as the Minister or appointed person may specify), but not after 31 December 2023.

(3) The Minister or the appointed person may —

(*a*) specify an initial tax relief period for an approved company that does not exceed 10 years;

(*b*) specify a commencement date for the initial tax relief period that is not earlier than 1 July 2018; and

(*c*) extend the tax relief period for a further period or periods, not exceeding 10 years for each period, as the Minister or the appointed person may determine.

(4) Where the commencement date for the initial tax relief period is a date before the company becomes an approved company, then for the purposes of subsection (1), the company is treated as an approved company beginning on the commencement date.

(5) For the purpose of subsection (1), the concessionary rate of tax for an approved company is a rate determined in accordance with the formula $A + B$, where —

(*a*) A is a base rate of 5% or 10% as the Minister may determine; and

(*b*) B is the sum of every rate of increase specified by the Minister or the appointed person to the approved company in accordance with subsection (6).

(6) For the purposes of subsection (5)(*b*), the Minister or the appointed person must specify to an approved company, for every 5-year period beginning with the third 5-year period of its tax relief period and ending with the eighth 5-year period of its tax relief period, a rate of increase of at least 0.5% that applies to the years of assessment of all the basis periods within that 5-year period.

(7) Subject to subsection (8), an approved company must elect a qualifying IPR to which subsection (1) is to apply for any year of assessment —

(*a*) in the form and manner determined by the Comptroller; and

(*b*) at the time the approved company lodges its return of income for that year of assessment, or by such later time as the Comptroller may allow in any particular case.

(8) An election of any qualifying IPR made under subsection (7) for a year of assessment is irrevocable, and the approved company is treated as making an election for the same qualifying IPR for each subsequent year of assessment.

(9) To avoid doubt, subsections (7) and (8) do not prevent an approved company from electing for any year of assessment, any qualifying IPR not already elected or treated as elected under those subsections.

(10) The approved company must, in such circumstances as the Comptroller may determine and in such form and manner as the Comptroller may require, provide the Comptroller with such information and documents as the Comptroller may require for the purposes of determining the applicability of subsection (1) in a particular case.

(11) The Minister may make regulations to provide for any of the following:

(*a*) the determination of the percentage of qualifying intellectual property income of an approved company for the purposes of subsection (1);

(*b*) the intellectual property income that is qualifying intellectual property income for this section;

(*c*) the circumstances under which a prescribed amount of qualifying intellectual property income that has been assessed to tax at the concessionary rate in subsection (1) may be deemed as income chargeable to tax at the rate of tax in section 43(1) for a specified year of assessment;

(*d*) the records to be kept by an approved company;

(*e*) generally to give effect to or carry out the purposes of this section.

(12) To avoid doubt, any regulations made under subsection (11)(*d*) do not affect the generality of section 67.

(13) In this section —

"qualifying intellectual property income" means any intellectual property income prescribed by the Minister in regulations made under this section;

"qualifying intellectual property right" or "qualifying IPR" in relation to an approved company, means any intellectual property right prescribed by the Minister in regulations made under this section.".

[1 July 2018]

Amendment of section 45

37. Section 45 of the principal Act is amended —

(*a*) by deleting "2018" in subsection (9)(*a*) and substituting "2023";

(*b*) by deleting the words "31st March 2017" in subsection (9)(*b*) and substituting the words "31st December 2022"; and

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

"(11) To avoid doubt, in this section, "interest" includes the part of any payment made by a lessee to a lessor under a finance lease of any machinery or plant treated as sold by the lessor to the lessee pursuant to regulations made under section 10D(1), that is income of the lessor under section 10D(2A).".

[(a)& (c) Gazette Date

(b) 1 April 2017]

Amendment of section 45A

38. Section 45A is amended —

(*a*) by deleting "2018" in the following provisions and substituting in each case "2023":

Subsections (2)(*b*), (2A) and (2B)(*a*); and

(*b*) by deleting the words "31st March 2017" in subsection (2B)(*b*) and substituting the words "31st December 2022 ".

[(a) Gazette Date

(b) 1 April 2017]

Amendment of section 45G

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

(*a*) by inserting, immediately after the words "real estate investment trust" in subsection (1), the words "or by a trustee of any approved REIT exchange-traded fund";

(*b*) by deleting subsection (2) and substituting the following subsection:

"(2) For the purpose of subsection (1)(*a*), the deduction of tax under section 45 is at the rate of 10% on —

(*a*) every dollar of a distribution by the trustee of the real estate investment trust made during the period from 18 February 2005 to 31 March 2020 (both dates inclusive); and

(*b*) every dollar of a distribution made by the trustee of the approved REIT exchange-traded fund made during the period from 1 July 2018 to 31 March 2020 (both dates inclusive).";

(*c*) by deleting the words "where tax has been paid by the trustee of the trust" in subsection (4) and substituting the words "or the trustee of the approved REIT exchange-traded fund, where tax has been paid by the trustee";

(*d*) by inserting, immediately after the words "real estate investment trust" in subsection (4A), the words "or a trustee of an approved REIT exchange-traded fund"; and

(*e*) by deleting subsection (5) and substituting the following subsections:

"(5) Subsection (1) does not apply to any distribution made during the period from 1 July 2018 to 31 March 2020 (both dates inclusive) by a trustee of a real estate investment trust to a trustee of an approved REIT exchange-traded fund.

(6) In this section, "approved REIT exchange-traded fund" and "real estate investment trust" have the same meanings as in section 43(10).".

[1 July 2018]

Amendment of section 46

40. Section 46(1) of the principal Act is amended by inserting, immediately after the words "real estate investment trust" in paragraph (*d*), the words "or a trustee of an approved REIT exchange-traded fund".

[1 July 2018]

Amendment of section 65B

41. Section 65B of the principal Act is amended —

(*a*) by deleting paragraph (*f*) of subsection (1) and substituting the following paragraph:

"(*f*) shall be entitled to require a person in or at the building or place, and who appears to the Comptroller or officer to be acquainted with —

(i) any facts or circumstances concerning the person's or another person's income, assets or liabilities; or

(ii) any facts or circumstances that are relevant to an investigation of, or the prosecution of a person for, an offence under this Act,

to do any or both of the following:

(iii) answer any question to the best of that person's knowledge, information and belief;

(iv) to take reasonable steps to produce a document for inspection.";

(*b*) by inserting, immediately after subsection (1), the following subsections:

"(1A) The Comptroller or a specially authorised officer may, for the purpose of investigating an offence under section 37J(3) or (4), 96 or 96A, break open any outer or inner door or window, or use any other reasonable means, to gain entry to a building or place.

(1B) The Comptroller or a specially authorised officer may only exercise the power under subsection (1A) if —

(*a*) he has reason to believe that there is in that building or place any document or thing that may be, or that contains information that may be —

(i) relevant to the investigation; or

(ii) required as evidence in proceedings for the offence being investigated;

(*b*) he has reason to believe that the document or thing is likely to be concealed, removed or destroyed, or the information is likely to be deleted, by any person; and

(*c*) he is unable to gain entry to that building or place after stating his authority and purpose and demanding such entry.

(1C) To avoid doubt, the Comptroller or a specially authorised officer who has gained entry to a building or place by exercising his power under subsection (1A), may

exercise any of his powers under subsection (1) after such entry.

(1D) The Comptroller or a specially authorised officer may, after gaining entry into a building or place under subsection (1) or (1A) for the purpose of investigating an offence under this Act, search or caused to be searched a person found in the building or place for any document or thing which may be relevant for the investigation, or is required as evidence in proceedings for that offence.

(1E) A woman must not be searched except by a woman.";

(*c*) by deleting subsection (3) and substituting the following subsection:

"(3) The Comptroller may by notice require any person to give orally, in writing, or through the electronic service —

(*a*) any information concerning his or any other person's income, assets or liability that is relevant for the purposes of this Act; or

(*b*) any information that is relevant for an investigation of, or the prosecution of a person for, an offence under this Act.";

(*d*) by deleting the words "For the purposes of this Act, the" in subsection (3B) and substituting with the words "The"; and

(*e*) by deleting paragraphs (*a*) and (*b*) of subsection (3B) and substituting the following paragraphs:

"(*a*) provide, to the best of that person's knowledge, information and belief —

(i) any information concerning the person's or any other person's income, assets or liabilities that is relevant for the purposes of this Act; or

(ii) any information that is relevant for an investigation of, or the prosecution of a person for, an offence under this Act; or

(*b*) take reasonable steps to produce for inspection any document concerning such income, assets or liabilities, or that contains such information.".

[Gazette Date]

New sections 65F to 65K

42. The principal Act is amended by inserting, immediately after section 65E, the following sections:

"Arrest of person

65F.—(1) The Comptroller or a specially authorised officer (called in this section and sections 65G to 65J an arresting officer) may arrest without warrant any person whom the arresting officer reasonably believes —

(*a*) has committed an offence under section 37J(3) or (4), 96 or 96A; or

(*b*) is doing any of the following:

(i) destroying or attempting to destroy any document or thing;

(ii) deleting or attempting to delete any information contained in any thing;

(iii) resisting or attempting to resist the taking of any document or thing by the arresting officer,

being any document, thing or information that may be relevant to an investigation of an offence under this Act, or that may be required as evidence in proceedings for an offence under this Act.

(2) An arresting officer may search or cause to be searched an arrested person.

(3) A woman must not be searched except by a woman.

(4) An arresting officer making an arrest must, without unnecessary delay and subject to subsection (7) and the rules mentioned in subsection (9), take or send an arrested person before a Magistrate's Court.

(5) An arresting officer must not detain in custody an arrested person for a longer period than under the circumstances of the case is reasonable.

(6) Such period must not exceed 48 hours, excluding the time necessary for the journey from the place of arrest to the Magistrate's Court.

(7) An arrested person must not be released except —

(*a*) on the person's own bond;

(*b*) on bail by a Magistrate or an arresting officer; or

(*c*) under the special order in writing by a Magistrate or an arresting officer.

(8) If any arrested person escapes, he may, at any time afterwards, be arrested in accordance with this section and section 65G.

(9) The Minister may make rules under section 7 to provide for —

(*a*) any matter relating to the release of any person on any bond, bail, or special order under subsection (7); and

(*b*) the arrest of any person with or without warrant by an arresting officer for a breach of the conditions of a bond, bail or special order or other specified circumstances.

No unnecessary restrain

65G.—(1) In making an arrest, an arresting officer must touch or confine the body of a person to be arrested unless the person submits to arrest by word or action.

(2) If the person forcibly resists, or tries to evade arrest, the arresting officer may use all reasonable means necessary to make the arrest.

(3) An arrested person must not be subject to more restraint than is necessary to prevent the person's escape.

(4) An arresting officer may use handcuffs or any similar means of restraint on an arrested person to prevent the person from —

(*a*) inflicting any bodily injury to himself or others;

(*b*) damaging any property;

(*c*) creating any disturbance; or

(*d*) escaping from custody.

(5) The handcuffs or means of restraint must not be used for the purpose of punishment.

Investigation officer to be armed

65H. An arresting officer may be provided with such batons and accoutrements as may be necessary for the effective discharge of his duties under sections 65F and 65G.

Search of place entered by person sought to be arrested

65I.—(1) If an arresting officer has reason to believe that a person to be arrested under section 65F(1) is inside any building or place and demands entry to that building or place, any person residing in or in charge of the building or place must allow the arresting officer free entry and provide all reasonable facilities for a search in it.

(2) If free entry or access to that building or place cannot be gained under subsection (1), it is lawful for an arresting officer to enter and search the building or place.

(3) After stating his authority and purpose and demanding entry to a building or place, an arresting officer who is unable to obtain free entry or access may, for the purposes of

subsection (2), break open any outer or inner door or window or use any other reasonable means to gain such entry.

Arrested person may be orally examined

65J.—(1) An arresting officer may examine orally a person arrested under section 65F(1).

(2) A person examined by an arresting officer need not state anything which —

(*a*) the person is under any statutory obligation (other than sections 128, 128A, 129 and 131 of the Evidence Act (Cap. 97)) to observe secrecy; or

(*b*) is subject to legal privilege.

(3) A statement made by an arrested person must —

(*a*) be reduced in writing;

(*b*) be read over to the person;

(*c*) if the person does not understand English, be interpreted to the person in a language that the person understands; and

(*d*) after correction (if necessary), be signed by the person.

(4) Any person who, without reasonable excuse, fails or refuses to answer any question when examined under subsection (1) shall be guilty of an offence and shall be liable on conviction to a fine not exceeding $10,000 or to imprisonment for a term not exceeding 12 months or to both.

(5) The Comptroller may compound any offence under subsection (4).

(6) The generality of the term "reasonable excuse" in subsection (4) is not affected by subsection (2).

(7) Except as provided under subsection (2), it is not a defence to a charge under subsection (4) for a failure or refusal to provide any information demanded by an arresting officer that the person is under a duty of secrecy in respect of that information (called in this section a displaced duty of secrecy).

(8) A person who in good faith provides information demanded by an arresting officer under subsection (1) is not treated as being in breach of a displaced duty of secrecy.

(9) No civil or criminal action for a breach of a displaced duty of secrecy, other than a criminal action for an offence under subsection (10), lies against the person mentioned in subsection (8) for providing any information if he had done so in good faith in compliance with a demand of an arresting officer under subsection (1).

(10) Any person who, in purported compliance with a demand of an arresting officer under subsection (1), provides any information known to the person to be false or misleading in a material particular —

(*a*) without indicating to the arresting officer that the information is false or misleading and the part that is false or misleading; and

(*b*) without providing correct information to the arresting officer if the person is in possession of, or can reasonably acquire, the correct information,

shall be guilty of an offence and shall be liable on conviction to a fine not exceeding $10,000 or to imprisonment for a term not exceeding 2 years or to both.

Disposal of item furnished or seized

65K.—(1) Any item furnished to or seized by the Comptroller or an officer authorized by the Comptroller under section 65A or 65B must —

(*a*) where the item is produced in any criminal proceedings, be dealt with in accordance with section 364 of the Criminal Procedure Code 2010; or

(*b*) in any other case, be dealt with in accordance with subsections (2), (3) and (4).

(2) The Comptroller or an officer authorized by the Comptroller must serve a notice on the owner of the item

instructing the owner to take custody of it within the period specified in the notice, which must be at least 48 hours after the date of service of the notice.

(3) If the owner fails to take custody of the item within the period specified in the notice, or where the owner is unknown or cannot be found, then —

(*a*) if the item is a document, (other than one specified in paragraph (*d*) or (*e*) of the definition of "document" in section 65B(3E)), the item may be disposed of in such manner as the Comptroller directs; or

(*b*) if the item is anything not specified in paragraph (*a*), the Comptroller must make a report of this to a Magistrate.

(4) The Magistrate to whom a report is made under paragraph (3)(*b*) may order the item to be forfeited or disposed of in such manner as the Magistrate thinks fit.

(5) Nothing in this section affects any right to retain or dispose of any property which may exist in law apart from this section.".

[Gazette Date]

Amendment of section 92G

43. Section 92G of the principal Act is amended —

(*a*) by deleting "20%" in paragraph (*a*) and substituting "40%"; and

(*b*) by deleting "$10,000" in paragraph (*b*) and substituting "$15,000".

[Gazette Date]

New section 92H

44. The principal Act is amended by inserting, immediately after section 92G, the following section:

"Remission of tax of companies for year of assessment 2019

92H. Where the Comptroller is satisfied that the remission of tax would be beneficial to a company, then there is to be remitted the tax payable for the year of assessment 2019 by the company of an amount equal to the lower of the following:

(*a*) 20% of the tax payable for that year of assessment (excluding any tax levied and paid or payable pursuant to section 43(3), (3A) and (3B));

(*b*) $10,000.".

[Gazette Date]

Repeal and re-enactment of section 98

45. Section 98 of the principal Act is repealed and the following section substituted therefor:

"Penalty for obstructing Comptroller or officers

98.—(1) Any person who obstructs or hinders the Comptroller or any officer in the discharge of his duties or the exercise of his powers under this Act, shall be guilty of an offence and shall be liable on conviction to a fine not exceeding $10,000 or to imprisonment for a term not exceeding 12 months or to both.

(2) The Comptroller may compound an offence under subsection (1).".

[Gazette Date]

Amendment of section 105F

46. Section 105F of the principal Act is amended by inserting, immediately after subsection (2), the following subsection:

"(3) Section 65K applies to any item seized under section 65A or 65B as applied by subsection (1).".

[Gazette Date]

Amendment of section 105N

47. Section 105N of the principal Act is amended by inserting, immediately after subsection (2), the following subsection:

"(3) Section 65K applies to any item seized under section 65A or 65B as applied by subsection (1).".

[Gazette Date]

Amendment of section 105P

48. Section 105P of the principal Act is amended by deleting subsection (1A) and substituting the following subsection:

"(1A) The Minister may also make regulations to enable the Comptroller to obtain a country-by-country report or its equivalent from a prescribed person who is resident in Singapore or has a permanent establishment in Singapore in prescribed circumstances.".

[Gazette Date]

Repeal of obsolete provisions

49. The principal Act is amended by —

(*a*) repealing section 47 and the Fourth Schedule; and

(*b*) deleting the word "Fourth," in section 106(3).

[Gazette Date]

Consequential amendments

50. The principal Act is amended —

(*a*) by deleting the words "or (6A)" in section 13V(7) and substituting the words "or (6C)";

(*b*) by deleting the words "section 43(6A)" wherever they appear in section 34C(27) (including the subsection heading) and substituting in each case the words "section 43(6C)";

(*c*) by deleting the words "Section 43(6A)" in section 34G(21) (including the subsection heading) and substituting the words "Section 43(6C)";

(*d*) by deleting the words "or (6A)" in the definition of E in section 37G(4) and substituting the words "or (6C)";

(*e*) by deleting the words "or (6A)" in section 62B(2) and substituting the words "or (6C)"; and

[Gazette Date]

(*f*) by deleting the words "or 43ZH" in the following provisions and substituting in each case the words ", 43ZH or 43ZI":

Sections 14D(5) (paragraph (*b*) of the definition of "concessionary rate of tax"), 37B(7) (paragraph (*b*) of the definition of " "higher rate of tax" or "lower rate of tax" ") and 37E(17) (paragraph (*b*) of the definition of "concessionary rate of tax").

[Gazette Date]

EXPLANATORY STATEMENT

This Bill seeks to implement the tax changes in the Government's 2018 Budget Statement in the Income Tax Act (Cap. 134) (the Act) and to make certain other amendments to the Act.

Clause 2 amends section 2 (Interpretation) to insert a new definition of "specially authorised officer", used in the amended section 65B and the new sections 65F to 65J. Clause 2 also inserts a definition for "private hire car" in that section, used in sections 15(1)(*k*) and 19(5).

Clause 3 inserts a new subsection (5) in section 4 (Powers of Comptroller) to empower the Comptroller to authorise a person who has been authorised by the Comptroller to investigate an offence under the Act, to exercise the powers of forced entry, search of persons, and arrest, conferred by the amendments made to section 65B and the new sections 65F to 65J.

Clause 4 amends section 6 (Official secrecy) to empower the Comptroller to disclose information to the head of any law enforcement agency any information —

(*a*) required for the purpose of investigating an offence specified under the First or Second Schedule of the Corruption, Drug Trafficking and Other Serious Crimes (Confiscation of Benefits) Act (Cap. 65A); or

(*b*) that the Comptroller has reasonable grounds to suspect affords evidence of the commission of any such offence.

Any onward disclosure by the head of the law enforcement agency or a person under his command, as well as by a person who has been given such information under the exception, is prohibited except where it is necessary for the investigation or prosecution of the offence for which the information was first disclosed to the head of the law enforcement agency.

Clause 5 amends section 10 (Charge of income tax) to provide that with effect from the year of assessment 2020, the taxable benefit of a place of residence provided by an employer to his or her employee is the rent paid by the employer for that place and for any furniture and fittings in that place. Where no such rent is paid by the employer, the taxable benefit of such place of residence remains the annual value of that place. Where it appears to the Comptroller that the rent paid by the employer for the place is below the rent which it may reasonably be expected to be leased, the Comptroller may adopt the annual value for that place, or (if no annual value is ascribed to that place) any other value that appears reasonable in the circumstances.

Clause 5 also amends section 10 to extend by 5 years (till 31 December 2023) the period within which qualifying debt securities are to be issued for subsection (20A)(*f*)(ii) and (*h*) to apply. Under that provision, a distribution by a designated unit trust to a unit holder out of certain income from qualifying debt

securities, that do not form part of the statutory income of the designated unit trust because of section 35(12), is treated as the income of the unit holder unless the unit holder is a foreign investor. The clause also amends section 10 to correct a cross reference in subsection (20A).

Clause 6 amends section 10D (Income from finance or operating lease) to clarify that, in the case of a finance lease that is treated as a sale by regulations made under subsection (1), the part of any payment that is attributable to repayment of the principal, is not considered the income of the lessor.

Clause 7 amends section 10F (Ascertainment of income from certain public-private partnership arrangements). The section provides for the ascertainment of income derived under a contract entered into under a public-private arrangement between the Government or an approved statutory body and any person, and which is or which contains a finance lease recognised as such by the lessor under certain financial reporting standards. The section is amended by including new financial reporting standards, namely, FRS 116, SFRS (I) 1-17, SFRS (I) 16, SFRS (I) INT 4, and SFRS (I) INT 12.

Clause 8 amends section 12 (Sources of income) —

(*a*) to clarify that the reference in section 12(6) to "interest" includes a payment made under a finance lease treated by regulations made under section 10D(1) as a sale, that is considered income of the lessor under the amendment made to section 10D; and

(*b*) to provide that the reference in section 12(7) to payment made under an agreement or arrangement for the use of movable property, includes any payment that is made under a finance lease that is not treated by regulations made under section 10D(1) as a sale.

Section 12(6) and (7) treats certain types of income as being derived from Singapore.

Clause 9 amends section 13 (Exempt income) for the following purposes:

(*a*) to extend by 5 years (till 31 December 2023) the period within which qualifying debt securities are to be issued for various provisions in that section to apply. The various provisions provide exemption from tax for certain types of income derived by certain descriptions of persons from those securities;

(*b*) to provide that the exemption from tax under subsection (1)(v) only applies to Asian Dollar Bonds issued on or before 31 December 2018;

(*c*) to delete a part of the definition of "deposit" that is obsolete in light of the deletion of subsection (1)(*zc*) by the Income Tax (Amendment No.3) Act 2016 (Act 34 of 2016);

(*d*) to provide that distributions from a real estate investment trust made out of income that is subject to tax transparency under section 43, to an

individual unit holder are not exempt from tax if made on or after 31 March 2020;

(*e*) to provide that distributions 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 exempt from tax if made between 1 July 2018 and 31 March 2020;

(*f*) to grant exemption from tax of any income of an entity whose sole object is to underwrite sovereign disaster risks.

Clause 10 amends section 13CA (Exemption of income of prescribed persons arising from funds managed by fund manager in Singapore) to expand the term "issued securities" to include any other instrument that confers or represents a legal or beneficial ownership interest in a company. The reason for this is to enable a company that does not issue debentures, stocks or shares to qualify as a "prescribed person" under the section.

Clause 11 amends section 13P (Exemption of income derived from asset securitisation transaction) to extend by 5 years (till 31 December 2023) the period within which an asset securitisation transaction must be entered into in order for income from it to enjoy tax exemption under that section.

Clause 12 amends section 13X (Exemption of income arising from funds managed by fund manager in Singapore) to expand the types of investment vehicle that may be used in producing the income covered by that section. The table below summarises the changes made:

Provision of section 13X	**Current scope**	**New scope**
Subsection (1)(*a*)	The investment vehicle must be a — (*a*) company (*b*) limited partnership; or (*c*) trust fund	The investment vehicle may be in any form, including a non-legal entity.
Subsection (1)(*b*) (Master-feeder fund structure)	The master fund or feeder fund must be a — (*a*) company (*b*) limited partnership; or (*c*) trust fund	The master fund or feeder fund may be in any form, including a non-legal entity.
Subsection (1)(*c*)	The feeder fund must be a —	The feeder fund may be in any form, including a non-legal entity.

(Master-feeder fund-SPV structure)	(*a*) company (*b*) limited partnership; or (*c*) trust fund	

Clause 13 amends section 14A (Deduction for costs for protecting intellectual property) by —

(*a*) extending to the year of assessment 2025, the tax deduction allowable for qualifying intellectual property registration costs incurred for the purposes of a trade or business; and

(*b*) enhancing the tax deduction for qualifying intellectual property registration costs incurred for the purpose of a trade or business, for the years of assessment 2019 to 2025 (both years inclusive). The enhanced deduction is the amount of the costs up to $100,000 for each year of assessment.

Clause 14 amends section 14B (Further deduction for expenses relating to approved trade fairs, exhibitions or trade missions or to maintenance of overseas trade office) to adjust the maximum amount of expenses for which a deduction may be allowed for an unapproved firm or company under this section and section 14K(1A). The maximum amount starting with the year of assessment 2019 is $150,000 instead of $100,000.

Clause 15 amends section 14D (Expenditure on research and development) to clarify the application of subsection (2). Subsection (2) provides that expenditure on research and development incurred before the commencement of a trade or business is treated as incurred on the first day of the trade or business. After the amendment, the subsection will not apply in a case where the expenditure has been allowed a deduction under the section in a previous year of assessment. For example, if a person has been allowed a deduction under section 14D for expenditure on research and development that is not related to the person's trade or business, but is related to another trade or business of the person that has yet to commence, that expenditure will subsequently not be allowed a deduction under subsection (1) for the same expenditure by the operation of subsection (2).

Clause 16 amends section 14DA (Enhanced deduction for qualifying expenditure on research and development) to increase the amount of enhanced tax deduction for qualifying expenditure for research and development under that section, from 50% to 150% of the expenditure. The amendment is effective for each year of assessment from years of assessment 2019 to 2025 (both years inclusive).

Clause 17 amends section 14E (Further deduction for expenditure on research and development project) to provide that the amount of deductions allowed under that section must not (after adding the deductions allowed for the same

expenditure under sections 14, 14D and 14DA) result in the total deductions for that expenditure exceeding 200% of the expenditure.

Clause 18 amends section 14I (Provisions by banks and qualifying finance companies for doubtful debts and diminution in value of investments), which gives banks and qualifying finance companies a deduction for provisions made for doubtful debts from its loans and a diminution in value of its investments in securities under subsection (1), and treats as trading receipts any reversal of such provisions under subsection (2). The amendments are mainly made because of the following:

(*a*) the adoption by banks and qualifying finance companies of the financial reporting standards known as Financial Reporting Standard 109 (Financial Instruments) (FRS 109) and Singapore FRS (International) 9 (Financial Instruments) (SFRS(I) 9) for accounting periods beginning on or after 1 January 2018. Under these financial reporting standards, banks and qualifying finance companies are required to account for expected credit losses from loans and investments in securities;

(*b*) the revision of existing notices issued by the Monetary Authority of Singapore to banks and qualifying finance companies. Under the revised notices, banks and qualifying finance companies are required to make allowances over and above those expected credit losses, if the expected credit losses fall below the minimum level of allowance required by the revised notices.

These amendments are given effect to in the new subsections (2A) to (2G).

The new subsections (2A) and (2B) provide that an amount computed by the formula A+B+C for a basis period beginning on or after 1 January 2018 is either treated as an amount of provision made for doubtful debts or a diminution in the value of investment in securities (and eligible for a deduction), or as a reversal of those provisions (and subject to tax).

The following examples illustrate the operation of subsections (2A) and (2B).

Example 1: Bank A recognises the following for the basis period 1 January 2019 to 31 December 2019.

	In $ millions	Denoted by Formula
Provision for expected credit losses on loans that are not credit-impaired, determined under FRS 109 and reported in Bank A's profit and loss statement	100	A = –100
Reversal of expected credit losses on debt securities that are not credit-impaired, determined under FRS 109	60	B = +60

and reported in Bank A's profit and loss statement		
Allowance for loans and securities that are not credit-impaired, determined under MAS notice dated 29 December 2017 and reported in Bank A's retained earnings account	20	C = –20
Total amount = A + B + C = (–100) + (60) + (–20) = –60 Amount computed is a negative 60. Hence, the amount of 60 is to be allowed under subsection (1), subject to the limit under subsection (5).		

Example 2: Bank B recognises the following for the basis period 1 January 2019 to 31 December 2019.

	In $ millions	Denoted by Formula
Provision for expected credit losses on loans that are not credit-impaired, determined under FRS 109 and reported in Bank B's profit and loss statement	100	A = –100
Reversal of expected credit losses on debt securities that are not credit-impaired, determined under FRS 109 and reported in Bank B's profit and loss statement	80	B = +80
Reversal of allowance for loans and securities that are not credit-impaired, determined under MAS notice dated 29 December 2017 and reported in Bank B's retained earnings account	20	C = +20
Total amount = A + B + C = (–100) + (80) + (20) = 0 Amount computed is zero. Hence, no amount is to be allowed or taxed under subsection (1) or (2)(*a*) respectively.		

Example 3: Bank C recognises the following for the basis period 1 January 2019 to 31 December 2019.

	In $ millions	Denoted by Formula
Reversal of expected credit losses on loans that are not credit-impaired, determined under FRS 109 and	70	A = +70

reported in Bank C's profit and loss statement		
Reversal of expected credit losses on debt securities that are not credit-impaired, determined under FRS 109 and reported in Bank C's profit and loss statement	80	B = +80
Allowance for loans and securities that are not credit-impaired, determined under MAS notice dated 29 December 2017 and reported in Bank C's retained earnings account	50	C = –50
Total amount = A + B + C = (70) + (80) + (–50) = 100 Amount computed is a positive 100. Hence, the amount of 100 is to be taxed under subsection (2)(*a*), subject to the limit under subsection (3).		

The new subsection (2D) provides that if a bank or qualifying finance company permanently ceases to carry on business in Singapore in a basis period beginning on or after 1 January 2018, then the amount treated as its trading receipts is the sum of all provisions in its expected credit loss allowance account as at the date of the cessation, and the provisions in its reserve account as at the date of cessation. The amount treated as the bank or qualifying finance company's trading receipts is subject to the limit in subsection (3).

The new subsections (2E) to (2G) make special provisions for a bank or qualifying finance company that adopted FRS 109 or SFRS(I) 9 before the date it is required to do so. The amount of deduction to be allowed under subsection (1) or taxed under subsection (2) is the sum of A and B, explained above.

Clause 18 also makes the following other amendments to section 14I:

(*a*) to provide that subsection (1) ceases to apply starting from the year of assessment for a basis period that begins on or after 1 January 2024. As a related amendment, the restriction of the application of subsection (6A) (which provides that the section applies to an allowance required by an MAS notice as it applies to provisions made for doubtful debts, etc.) to a period prescribed by regulations, is removed;

(*b*) to omit accounting terms that are obsolete from the definition of "qualifying profit";

(*c*) to modify the definition of "securities" as a result of the adoption of FRS 109 and SFRS(I) 9 by banks and qualifying finance companies;

(*d*) to modify the definition of "qualifying finance company" to omit requirements already found in the Finance Companies Act (Cap. 108);

(*e*) to include a cross reference (to subsection (4A)(*a*)(ii)) in subsections (3), (5)(*c*) and (6)(*b*), which was inadvertently omitted when subsection (4A) was inserted.

Clause 19 amends section 14K (Further or double deduction for overseas investment development expenditure) for a similar reason as the amendment made to section 14B.

Clause 20 introduces a new section 14WA to provide for a deduction (in addition to the deduction under section 14 or 14D) for expenditure in the form of licence fees incurred by a taxpayer on licensing from another person of any intellectual property rights, other than trade marks or software user rights. The deduction is granted on up to $100,000 of such expenditure incurred for each year of assessment from years of assessment 2019 to 2025 (both years inclusive). No deduction is allowed for expenditure incurred by a taxpayer on licensing from a related party of any intellectual property rights, among other restrictions.

Clause 21 amends section 14ZB (Deduction for expenditure for services or secondment to institutions of a public character) to extend the period during which qualifying expenditure incurred for the provision of certain services to an institution of a public character, or for the secondment of a qualifying employee to such an institution during that period, may be allowed a deduction under that section. The period is extended by 3 years till 31 December 2021.

Clause 22 inserts a new section 14ZC to enable an individual who derives income from driving a chauffeured private hire car or taxi for the carriage of passengers or to provide a courier pick-up and delivery service, to claim a deduction for outgoings and expenses of an amount that is determined by a prescribed formula, instead of the actual amount of such outgoings and expenses. The following are features of the new section:

(*a*) it only applies if the individual is the holder of the relevant vocational licence issued under the Road Traffic Act (Cap. 276);

(*b*) it only applies to income derived in the basis period for the year of assessment 2019 or a subsequent year of assessment;

(*c*) it only applies to income chargeable to tax under section 10(1)(*a*);

(*d*) it does not apply to income derived by an individual through a partnership;

(*e*) no deduction is allowed under this section for any service fee incurred by the individual. Service fee is any fee payable to a private hire car booking service operator in connection with the provision of a ride-sourcing service, or to the provider of a third-party taxi booking service in connection with the provision of such service;

(*f*) an individual may elect to disapply the new section to his or her income. If an individual so elects, any excess of any outgoings or expenses over

the income is not available as a deduction against any other income of the individual.

Clause 23 amends section 15 (Deductions not allowed) to allow an individual who drives a chauffeured private hire car, and who holds a chauffeured private hire car licence under section 110 of the Road Traffic Act, to claim a tax deduction for outgoings and expenses (excluding any cost of renewal) incurred when driving the car for the carriage of passengers or the provision of a courier pick-up and delivery service. This amendment only applies for the year of assessment 2019 or a subsequent year of assessment.

Clause 24 amends section 19 (Initial and annual allowances for machinery or plant) to disallow capital allowance to be given in respect of a taxi to any person unless —

(*a*) the person is not an individual and holds a taxi service operator licence;

(*b*) the person is an individual who is a partner of the partnership that acquired the taxi and holds such a licence; or

(*c*) the person is an individual who holds such a licence, and the licence was first issued to the person at any time before 1 January 1975.

Clause 25 amends section 34A (Adjustment on change of basis of computing profits of financial instruments resulting from FRS 39 or SFRS for Small Entities) to disapply that section to a person who is treated as a qualifying person under section 34AA for the year of assessment concerned on the basis that the person applied to the Comptroller to be such qualifying person under section 34AA(6). Essentially, a person may only be a qualifying person under section 34A or 34AA but not both.

Clause 26 extends the scope of section 34AA (Adjustment on change of basis of computing profits of financial instruments resulting from FRS 109), which provides for changes to the basis of computing profits, losses or expenses in respect of financial instruments arising from the adoption of the financial reporting standard known as Financial Reporting Standard 109 (Financial Instruments). The amended section 34AA applies those changes in relation to the financial reporting standard known as Singapore Financial Reporting Standard (International) 9 (Financial Instruments).

The clause also amends subsection (3)(*h*) (read with subsection (13)(*a*)) of section 34AA which provides for the application of section 14I for a period prescribed by regulations, to provisions made for expected credit losses recognised under FRS 109 in respect of loans and securities which are not credit-impaired. The reference to the application of section 14I for a period prescribed by regulations is removed, as the relevant requirement will be set out in the amended section 14I instead.

Clause 27 inserts a new section 34AB to provide that, in a case where a person undertakes a transaction that is to be settled in a currency that is different from the currency in which the person maintains his financial statements, any change in the value of payables or receivables in the person's financial statements concerning that transaction, that arises from movements in the rates of those 2 currencies, is a gain (to be taxed) or an expense (to be deducted) in the basis period in which that change is recognised in the financial statements as a gain or loss. This does not apply to any transaction if the gain or loss from that transaction is capital in nature.

The new section does not apply to a person who elected, in his return of income for the year of assessment 2004 not to be subject to the tax treatment. However, such a person may subsequently make an irrevocable election to be subject to this section, and if the Comptroller approves such election, this section will apply to the person.

Clause 28 amends section 34G (Modification of provisions for companies redomiciled in Singapore) to extend the tax treatment in that section of a redomiciled company that has not carried on any trade or business in Singapore before the date of its redomiciliation (called its registration date), to a redomiciled company that carried on a trade or business in Singapore before its registration date. The extension of the tax treatment to the secondmentioned company is only in respect of its trade or business carried on outside Singapore before that date (called the foreign trade or business). Specifically —

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

(*b*) any amount reversed after the registration date of an impairment loss from a financial asset acquired for the foreign trade or business is not chargeable to tax;

(*c*) any impairment loss incurred on or after the registration date from a financial asset acquired before that date for the foreign trade or business, is allowed a deduction to the extent the financial asset is credit-impaired, but only if it is incurred in the course of carrying on a trade or business in Singapore. Correspondingly, any amount of that loss that is subsequently reversed is chargeable to tax;

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

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

Clause 28 also deletes and substitutes subsection (9) of section 34G so that it does not apply to a redomiciled company that had carried on a trade or business in Singapore before its registration date, and to modify its application. Under the amended subsection (9), a deduction may only be given to the company under section 14A (Deductions for costs for protecting intellectual property), 14D (Expenditure on research and development), 14Q (Deduction for renovation or refurbishment expenditure), 14S (Deduction for qualifying design expenditure) or 14U (Deduction for expenses incurred before first dollar of income from trade, business, profession or vocation), for expenditure incurred before its registration date if it is for the purpose of a trade or business in Singapore, and if it did not carry on the same trade or business outside Singapore before that date.

In addition, clause 28 amends the scope of subsections (11) to (18) of section 34G, which modify sections 19, 19A and 19B for the purpose of making capital allowances to a redomiciled company for capital expenditure incurred before its registration date in acquiring property for use in a trade or business in Singapore. With the amendment, the subsections only apply to property initially acquired for the purpose of a foreign trade or business and now used for the purpose of a trade or business in Singapore.

Lastly, clause 28 amends section 34G by inserting new subsections (20A), (20B) and (20C). The new subsections deal with a case where a redomiciled company carried on general or life insurance business outside Singapore before its registration date and carries on the same business in Singapore after that date, and its registration date falls in a period for which its taxable income is to be ascertained. The liabilities of the redomiciled company immediately before its registration date in respect of the business continued in Singapore are be added to the beginning value of its policy liabilities in that period for the purpose of ascertaining its taxable income.

Clause 29 amends section 34I (Adjustments arising from adoption of FRS 115) which makes adjustments to the chargeable income or exempt income of a person for a year of assessment, that are necessitated by the adoption for the first time of FRS 115 in preparing financial accounts. By reason of such adoption, the revenue amount in the financial accounts in a previous basis period may be retrospectively adjusted. If the income assessed for a past year of assessment (amount B) is different from the amount that would have been computed (amount A) had the Comptroller used an amount of profit that included the adjusted revenue amount as the starting point for the computation, then the excess amount (called the excess) is treated as income chargeable to tax, to be deducted from the amount of exempt income, or allowable as a deduction (as the case may be) for the year of assessment of the basis period in which FRS 115 is first applied.

Clause 29 amends the amounts A and B in section 34I. The amounts are now the sum of the person's chargeable income (amount X) and exempt income (amount Y), less the sum of each deduction or allowance for any expenditure, donation or loss, that remains unabsorbed after ascertaining the chargeable income and exempt income (amount Z).

Clause 29 also amends the amounts D and E in section 34I, which are used to determine the portion of the excess that is subject to a particular tax treatment. The amounts D and E include the amount of deduction allowed or allowance made for each expenditure, donation or loss which is used in ascertaining the chargeable income or exempt income. Any part of such deduction or allowance that remains unabsorbed after ascertaining such chargeable income or exempt income is excluded from amounts D and E.

The effects of these amendments are explained by the following illustration:

	Tax rate of 17%		**Tax rate of 10%**	
Gross trade revenue	5,000	(D_1)	6,000	(D_2)
Net profit/ (*loss*) before tax	2,000		(1,000)	
Less: Separate source income (*unremitted*)	(500)		(3,000)	
Add: Non-deductible expense	1,000		600	
Adjusted profit/ (*loss*)	2,500		(3,400)	
Less: Capital allowance	(600)			
Less: Investment allowance	(900)			
Chargeable income	1,000		0	

Computation of D:

D	=	Part of income subject to same tax rate	+	Deduction allowed or allowance made for each expenditure, donation or loss in ascertaining the income	
D_1	=	1,000	+	2,500* + 600 + 900	= 5,000
D_2	=	0	+	6,000**	= 6,000

* Deduction allowed = (5,000 + 500) – 2,000 – 1,000 = 2,500

** Capped at gross trade revenue since any deduction or allowance (or any part thereof) that remains unabsorbed is to be excluded

Computation of E:

$E = D_1 + D_2 = 5{,}000 + 6{,}000 = 11{,}000$

Finally, clause 29 extends section 34I to adjustments to a person's financial accounts that are necessitated by the person's adoption for the first time of the accounting standard known as SFRS(I) 15. With the amendment, the section will also apply where the revenue amount in a person's financial statements in any previous basis period has to be retrospectively adjusted because of the person's adoption of SFRS(I) 15 for the first time in preparing the person's financial statements.

Clause 30 amends section 35 (Basis for computing statutory income) —

(*a*) to clarify that subsection (12) (which allows a trustee of a designated unit trust to elect for certain income not to form part of the trustee's statutory income) does not affect the operation of the amended section 43 to a designated unit trust that is also be a REIT exchange-traded fund approved for the purposes of section 43(2) (called an approved REIT exchange-traded fund). The amended section 43 gives tax transparency to certain other income of an approved REIT exchange-traded fund;

(*b*) to clarify that the tax transparency given to certain income of the trustee of an approved REIT exchange-traded fund under the amended section 43, applies to any statutory income of the trustee received in the trustee's capacity as a beneficiary of a trust. The trustee may receive such income as a beneficiary of a real estate investment trust; and

(*c*) to provide that the statutory income of a beneficiary of an approved REIT exchange-traded fund includes a distribution that is subject to tax transparency under the amended section 43.

Clause 31 amends section 37 (Assessable income) to extend by 3 years (till 31 December 2021) the period within which a qualifying donation made is entitled to a deduction of 2.5 times the amount or value of the donation.

Clause 32 amends section 43 (Rate of tax upon companies and others) —

(*a*) to give tax transparency to certain income of a trustee of a REIT exchange-traded fund approved for the purposes of section 43(2). This includes a distribution in cash received in the period between 1 July 2018 and 31 March 2020 from a real estate investment trust from certain income that is also subject to tax transparency;

(*b*) to clarify that the tax transparency treatment under paragraph (*a*) does not affect the operation of section 35(12) in relation to an approved REIT exchange-traded fund that is also a designated unit trust. Section 35(12) allows the trustee of a designated unit trust to elect for certain of its other income not to form part of its statutory income; and

(*c*) to provide for a concessionary tax rate of 10% to be levied on distributions to certain non-individuals from income of the trustee of an approved REIT exchange-traded fund that is subject to tax transparency.

Clause 32 also amends section 43 by revising the amount of chargeable income eligible for the partial tax exemption under subsection (6) for all companies and bodies of persons, and under subsection (6A) for qualifying new companies.

Clause 33 amends section 43N (Concessionary rate of tax for income derived from debt securities) for the following purposes:

(*a*) to extend by 5 years (till 31 December 2023) the period within which qualifying debt securities specified in subsection (1) must be issued. Under subsection (1), regulations may be made to apply a concessionary tax rate of 10% to qualifying income derived by certain persons from qualifying debt securities, subject to conditions;

(*b*) to extend by 5 years (till 31 December 2023) the period within which income derived by a primary dealer from trading in Singapore Government securities may be exempt from tax by regulations;

(*c*) to provide that regulations may not be made under subsection (1) to apply the concessionary rate of tax of 10% to income derived on or after 1 January 2014 by a financial sector incentive company that is approved as a financial sector incentive (capital market) company. Such income will be taxed in accordance with the provisions under section 43Q.

Clause 34 amends section 43Y (Concessionary rate of tax for leasing of aircraft and aircraft engines) to provide for a transitional arrangement. Under the current section, incentivised income of an approved aircraft leasing company is subject to tax at either 5% or 10%, if it is approved before 1 April 2017, or 8%, if it is approved on or after that date. A company that is an approved aircraft leasing company on or before 31 March 2017, and is approved again at any time on or after 1 April 2017, may elect to apply the rate of tax which it enjoyed on its income during the previous approval period, to its income derived in the new approval period using an aircraft or aircraft engine that it owned, or of which it was a lessee (under a finance lease treated as a sale), as at the last day of the previous approval period, until the disposal of the aircraft or aircraft engine or 31 December 2027, whichever is earlier.

Clause 35 amends section 43ZC (Concessionary rate of tax for approved insurance brokers) —

(*a*) to provide that regulations under that section may only levy a concessionary tax rate of 10% on income derived by an approved insurance broker; and

(*b*) to extend the date by which an insurance broker may be approved for the purposes of the section to 31 December 2023".

Clause 36 amends section 43ZI, which provides for the levy of a concessionary rate of tax for each year of assessment upon a percentage of "qualifying intellectual property income" of an approved company that is derived —

(*a*) from a "qualifying intellectual property right" elected by the approved company for that year of assessment; and

(*b*) in the whole or any part of a basis period for that year of assessment that falls within the tax relief period applicable to the approved company.

"Qualifying intellectual property income", "qualifying intellectual property right", and the method for determining the percentage of qualifying intellectual property income of an approved company, are matters for the Minister to prescribe using regulations.

The Minister or a person appointed by the Minister may approve a company as an approved company, specify an initial tax relief period for an approved company that does not exceed 10 years, and extend the tax relief period for a further period or periods not exceeding 10 years for each period.

The concessionary rate of tax is determined in accordance with the formula A + B. A is a base rate of 5% or 10% as the Minister may determine, while B is the sum of every rate of increase specified by the Minister or an appointed person to the approved company. A rate of increase of at least 0.5% must be specified by the Minister or an appointed person for every 5-year period beginning with the third 5-year period of an approved company's tax relief period, and ending with the eighth 5-year period of its tax relief period. That rate of increase applies to years of assessment of all the basis periods within a 5-year period.

The example below illustrates how the concessionary rate of tax is determined.

A is an approved company that is given a 10-year tax relief period commencing on 1 July 2018. The Minister determines 5% as the base rate, which is the concessionary rate of tax applicable to *A* between 1 July 2018 and 30 June 2028.

A is later given an extension of its tax relief period for 10 years commencing on 1 July 2028. The Minister specifies a rate of increase of 0.5% to *A* that takes effect on 1 July 2028, and a rate of increase of 0.5% that takes effect on 1 July 2033. The concessionary rate of tax applicable to *A* between 1 July 2028 and 30 June 2033 is 5.5%, being the sum of the base rate of 5% and the rate of increase of 0.5%. The concessionary rate of tax applicable to *A* between 1 July 2033 and 30 June 2038 is 6%, being the sum of the base rate of 5% and the total rate of increase of 1%.

Clause 37 amends section 45 (Withholding of tax in respect of interest paid to non-resident persons) —

(*a*) to extend by 5 years (till 31 December 2023) the period within which qualifying debt securities must be issued for the withholding tax exemption under that section to apply;

(*b*) to extend by 5 years and 9 months (till 31 December 2022) the period within which qualifying project debt securities must be issued for the withholding tax exemption under that section to apply; and

(*c*) to clarify that the term "interest" includes a payment made under a finance lease treated by regulations made under section 10D(1) as a sale, that is considered income of the lessor under the amendment made to section 10D.

Clause 38 amends section 45A (Application of section 45 to royalties, management fees, etc.) for similar purposes to the amendments to section 45 in paragraphs (*a*) and (*b*) above.

Clause 39 amends section 45G (Application of section 45 to distribution from any real estate investment trust) to require tax to be withheld from a distribution by a trustee of a REIT exchange-traded fund that is approved for the purposes of the amended section 43(2). The withholding tax rate is 10% on a distribution that is made between 1 July 2018 and 31 March 2020.

Clause 40 makes an amendment to section 46 (Tax deducted from interests, etc.) that is consequential on the amendment to section 45G.

Clause 41 amends section 65B (Power of Comptroller to obtain information) to empower the Comptroller or an officer authorised by the Comptroller, to obtain from a person on any premises to which the Comptroller or officer has gained entry in exercise of his or her powers under that section, information that is relevant to an investigation of an offence under the Act, or to the prosecution of a person for such offence. The Comptroller may also give notice to a person to provide such information to the Comptroller by a specified means, including when attending before the Comptroller or an authorised officer.

Clause 41 further amends section 65B to empower the Comptroller or an officer authorised by the Comptroller to exercise additional powers under the new section 4(5) (called a specially authorised officer), to gain entry by force to any building or place. This power is only exercisable if the Comptroller or officer —

(*a*) has reason to believe that there is in that building or place any document or thing, or any thing containing information, that may be relevant to an investigation of an offence under section 37J(3) or (4), 96 or 96A of the Act, or that may be required as evidence in proceedings for such offence;

(*b*) has reason to believe that the document, thing or information is likely to be concealed, removed, destroyed or deleted by any person; and

(*c*) cannot gain entry after making a demand.

Lastly, clause 41 amends section 65B to empower the Comptroller or a specially authorised officer to search any person found in a building or place for any document or thing that may be relevant to the investigation, or that may be required as evidence in proceedings for an offence under the Act.

Clause 42 inserts new sections 65F to 65K to empower the Comptroller or a specially authorised officer (called an arresting officer) to arrest a person for certain offences, and to search and examine an arrested person.

The new section 65F empowers an arresting officer to arrest without a warrant a person whom he or she has reason to believe —

(*a*) has committed an offence under section 37J(3) (giving false information to obtain a cash payout or PIC bonus or a higher amount of any of these), 37J(4) (falsifying books or using fraud, etc., to obtain a cash payout or PIC bonus or a higher amount of any of these), 96 (tax evasion or wilful action to obtain PIC bonus) or 96A (serious fraudulent tax evasion and action to obtain PIC bonus); or

(*b*) is destroying or attempting to destroy any document or thing, is deleting or attempting to delete any information contained in any thing, or is resisting or attempting to resist the taking of any document or thing, being any document, thing or information that may be relevant to an investigation of an offence under the Act, or that may be required as evidence in proceedings for any offence under the Act.

The new section 65F also provides for the maximum period an arrested person may be detained, the power to search the person, and the release of the person on provision of bail or bond.

The new section 65G provides that an arresting officer may use any reasonable means necessary to make an arrest if the person forcibly resists or tries to evade arrest. If necessary, the arrested person may be restrained using handcuffs or similar means of restraint.

The new section 65H provides that an arresting officer may be armed with batons and other accoutrements for the effective discharge of his or her duties under sections 65F and 65G.

The new section 65I provides that an arresting officer may enter and search a building or place if the arresting officer has reason to believe that a person liable to be arrested is inside the building or place.

The new section 65J provides that an arresting officer may examine orally an arrested person. An arrested person, when examined, need not state anything which he is under any statutory obligation to observe secrecy, or which is subject to legal privilege. The section provides for immunities against liability for information that is disclosed in breach of any other duty of secrecy.

The new section 65J also criminalises the failure by an arrested person to answer any question, or provide false or misleading information, during the examination.

The new section 65K provides for the disposal of items furnished to or seized by the Comptroller or an officer authorised by the Comptroller in the exercise of

information gathering powers under section 65A or 65B and not produced in criminal proceedings.

Clause 43 amends section 92G (Remission of tax of companies for year of assessment 2018) to enhance the corporate tax rebate for the year of assessment 2018 to the lower of 40% of the tax payable and $15,000.

Clause 44 inserts a new section 92H to provide for a corporate tax rebate for the year of assessment 2019, of 20% of the tax payable and $10,000, whichever is lower.

Clause 45 repeals and re-enacts section 98 —

(*a*) to clarify that it applies to obstructing or hindering the Comptroller when discharging his or her duties;

(*b*) to clarify that it applies to obstructing or hindering the Comptroller or an officer when exercising his or her powers under the Act;

(*c*) to increase the penalties to make them the same as for a similar offence under the Goods and Services Tax Act; and

(*d*) to make it compoundable by the Comptroller.

Clause 46 and 47 amend sections 105F and 105N (Power of Comptroller to obtain information) respectively, to apply the new section 65K to the disposal of items obtained pursuant to the exercise of powers under those sections.

Clause 48 amends section 105P (Regulations to implement international tax compliance agreements, etc.) to set out in regulations the conditions for invoking what is commonly known as "local filing" under the Transfer Pricing Documentation and Country-by-Country Reporting, Action 13 — 2015 Final Report published by the Organisation for Economic Co-operation and Development on 5 October 2015. Under the "local filing" mechanism, a domestic constituent entity that would otherwise not be required to file a country-by-country report with its revenue authority, is required to file an equivalent of that report with that authority in certain circumstances.

Clause 49 repeals section 47 and the Fourth Schedule of the Act as they are obsolete, and makes an amendment to section 106(3) consequential on the repeal.

Clause 50 renumbers certain cross references in various provisions of the Act to section 43(6A) of the Act, as a result of amendments made to that section in the Bill. It also makes amendments to various provisions that are consequential on the insertion of the new section 43ZI.

EXPENDITURE OF PUBLIC MONEY

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