
2009 SINGAPORE BUDGET COMMENTARY

INTRODUCTION

The Minister for Finance (“the Minister”) Mr Tharman Shanmugaratnam delivered his 2009 Budget Statement on 22 January 2009. The \$20.5 billion “resilience package” aims to save jobs and help viable companies stay afloat. The package consists of five key components, namely preserving jobs, stimulating bank lending, enhancing business cash-flow and competitiveness, supporting families and building a home for the future.

CORPORATE AND BUSINESS TAX

Corporate Tax Rate

The corporate tax rate will be reduced from 18% to 17% with effect from year of assessment (“YA”) 2010. The partial and full tax exemption scheme for qualifying companies remain unchanged.

Effective Date: YA 2010

Enhancement of loss carry-back relief

The loss carry-back relief scheme will be temporarily enhanced for YA 2009 and YA 2010 as follows:

- a Current year qualifying deductions will be allowed to be carried back for up to three years of assessment immediately preceding that year of assessment in which the capital allowances were granted or the trade losses were incurred.
- b The order of set off of qualifying deductions to the three immediate preceding years of assessment will be first to the 3rd YA, followed by the 2nd YA and then the YA immediately preceding the YA in which the capital allowances were granted or the trade losses were incurred. For example, qualifying deductions for YA 2009 will be first set off against the assessable income for YA 2006, followed by YA 2007 and then YA 2008.
- c The limit on the aggregate amount of the current year qualifying deductions that can be carried back will be increased from S\$100,000 to S\$200,000.



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- d These enhancements will be available to any person carrying on a trade, business, profession or vocation, including companies and individuals who are sole-proprietors or partners of a partnership.
 - e Provisional claims for tax refunds based on estimated losses instead of upon finalisation of assessment will be allowed by the Inland Revenue Authority of Singapore ("IRAS").

Effective Date: YA 2009 and YA 2010 only

Tax Exemption for Foreign-Sourced Income

Resident non-individuals and resident partners of partnerships in Singapore will be exempted from income tax on the remittance of all foreign-sourced income earned or accrued outside Singapore on or before 21 January 2009, if they remit their foreign-sourced income to Singapore during the period 22 January 2009 to 21 January 2010 (both dates inclusive).

Details will be released by the IRAS

Effective Date: 22 January 2009 to 21 January 2010 (both dates inclusive)

Enhancement of Existing Capital Allowances Regime

The Minister has proposed to grant accelerated capital allowance ("CA") for capital expenditure incurred on plant and machinery for the purposes of a trade, business or profession during the basis periods for YA 2010 and YA 2011. CA can be claimed over two years: 75% write-off in the first YA and 25% write-off in the next YA.

Effective Date: YA 2010 and YA 2011 only

Enhancement of Tax Deduction for Capital Expenditure Incurred on Renovation and Refurbishment Works

The Minister has proposed to allow business that incur qualifying renovation and refurbishment expenses in the basis periods for YA 2010 and YA 2011 to deduct such expenses in one year instead of three years. The cap of \$150,000 for every three years for each business entity remains unchanged.

Effective Date: YA 2010 and YA 2011 only



Enhancement of Start-Up Tax Exemption Scheme

The Minister has decided to extend the start-up tax exemptions scheme to companies limited by guarantee, subject to the same conditions that are imposed on companies limited by shares.

Effective Date: YA 2010

Accelerated Writing-Down Allowances for the Acquisition of Intellectual Property Rights for Media and Digital Entertainment Content

The Minister has decided to reduce the writing down period for writing down allowances (“WDA”) in respect of capital expenditures incurred by a media and digital entertainment company or partnership in acquiring qualifying Intellectual Property Rights (“IPRs”) from five years to two years, subject to satisfying certain conditions. The accelerated WDA will be granted on an approval basis by the EDB for qualifying IPRs acquired during the period 22 January 2009 to 31 October 2013 (both dates inclusive).

Effective Date: 22 January 2009 to 31 October 2013 (both dates inclusive)

Tax Framework for Facilitating Corporate Amalgamations

The Minister has announced that the IRAS would release a new tax framework in February 2009 to make it easier for companies to restructure and rationalise in an amalgamations exercise and to help minimise the tax consequences arising from amalgamations.

Details will be released by the IRAS.

Financial Sector and Maritime Industry

Several enhancements were also proposed for the financial sector and maritime industry.

PERSONAL TAX

Personal Income Tax Rates

The Minister did not propose any reduction in the personal income tax rates.

Personal Income Tax Rebate

The Minister has proposed to give a personal income tax rebate of 20%, subject to a cap of \$2,000 for all tax resident individuals.

Effective Date: YA 2009 only



Instalment Payment for Personal Income Tax

The Minister has proposed to allow individuals who have lost their jobs in 2008 or lose their jobs in 2009 to pay their personal income tax for YA 2009 of up to 24 Months GIRO instalments.

Effective Date: YA 2009 only

Removal of Income Tax on Net Annual Value

Currently, an annual income tax exemption of up to \$150,000 is given to the Net Annual Value (“NAV”) of only one owner-occupied residential property. NAV in excess of \$150,000 is taxable. Residential properties occupied rent-free by others on the owner’s behalf are not covered by this exemption.

The Minister has proposed to remove income tax on the Net Annual Value (“NAV”). This will benefit residential property owners living in large properties with NAV exceeding \$150,000 and/or own and occupy more than one residential property or have residential properties that are occupied rent-free by others on their behalf.

Effective Date: YA 2010

GOODS AND SERVICES TAX

Several changes to the Goods and Services Tax (“GST”) were proposed:

- 1 Recovery of input GST on prescribed expenses for qualifying funds. Details will be released by the Monetary Authority of Singapore.
- 2 Expansion of scope for GST zero-rating and new special import relief scheme for the aerospace industry. Details will be released by the IRAS.
- 3 Suspension of GST and duty on goods temporarily removed from zero-GST or licensed warehouse for auctions and exhibitions. Details will be released by the Singapore Customs.
- 4 Exemption of GST and customs duty for a specified quantity of wine for approved wine exhibition and conference events. Details will be released by the Singapore Customs.



OTHER ANNOUNCEMENTS

Details of other announcements are summarised below:

Enhancement of Tax Deduction on Donation

The Minister has proposed that tax deduction for donation to Institutions of Public Character and other approved institutions made during the period 1 January 2009 to 31 December 2009 be increased from the current 200% to 250%.

Effective Date: 1 January 2009 to 31 December 2009

Job Credit

Employers will receive 12% cash grant on the first \$2,500 of each month's wages for each employee on their CPF payroll for one year in four quarterly payments (i.e. March, June, September and December 2009). The Jobs Credit is automatically granted to eligible employers and computed based on CPF contribution data.

Effective Date: January 2009 to December 2009

Property Tax

- a A property tax rebate of 40% will be given for commercial and industrial properties for 2009. Owner-occupied residential properties will also be given a property tax rebate of 40% for 2009.

Effective Date: Year 2009 only

- b Property tax deferral of up to two years will be granted to land approved for development with effect from 22 January 2009 or from the date of Written Permission ("WP") or valid Provisional Permission ("PP"), whichever is later. Land approved for development will be defined as land with valid WP or valid PP from the Urban Redevelopment Authority and where the land sites are owned by companies. The property tax deferral will lapse on 21 January 2011 or upon issue of Temporary Occupancy Permit or upon lapse of the WP/PP or upon transfer of the property, whichever is the earliest.

Effective Date: 22 January 2009

- c Property tax on hotel rooms will remain at 20% for 2009 instead of the proposed rate of 25%.



Motor Vehicle Taxes/Rebates

- a A 30% road tax rebate will be granted for goods vehicles (including goods-cum-passenger vehicles), buses and taxis for one year with effect from 1 July 2009.

Effective Date: 1 July 2009 (one year only)

- b Special (diesel) tax for un-hired taxis will be waived for one year with effect from 1 March 2009.

Effective Date: 1 March 2009 (one year only)

- c Green Vehicle Rebate (“GVR”) on the Additional Registration Fee (“ARF”) will be extended for another two years till 31 December 2011 as follows:

- For hybrid, electric and Compressed Natural Gas (“CNG”) passenger vehicles: 40% of the Open Market Value (“OMV”) of the vehicle at registration.
- For hybrid, electric and CNG buses and commercial vehicles: 5% of OMV at registration.

Effective Date: Years 2010 and 2011 only

- d The special tax exemption for CNG vehicles will be extended for another two years till 31 December 2011 and will be withdrawn permanently thereafter.

Effective Date: Years 2010 and 2011 only

- e With effect from January 2012, a CNG unit duty will be introduced at \$0.20 per kg. CNG cars will also not be included in the GVR scheme with effect from 2012. Details of CNG duty will be released at a later date.

Effective Date: January 2012

Important Note:

As the Budget proposals are yet to be legislated, this commentary should be used only as a guide. This commentary is prepared for clients and staff of MHC Tax Services Pte. Ltd. It is not intended to be comprehensive. Whilst every effort has been made to ensure the accuracy of information contained in the commentary, no responsibility can be accepted for any errors or omissions. Readers are advised that the contents of this article should not be relied on or acted upon without professional advice. No liability can be accepted for any action taken as a result of reading this article without prior consultation with regard to all relevant factors.