

Income Tax (Amendment) Bill

Bill No. /2023.

Read the first time on 2023.

A BILL

i n t i t u l e d

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

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

EXPLANATORY STATEMENT

This Bill seeks to implement the tax changes in the Government's 2023 Budget Statement in the Income Tax Act 1947 (the Act) and to make related amendments to the Goods and Services Tax Act 1993 and the Property Tax Act 1960.

Clause 2 amends section 10 (Charge of income tax) to extend by 5 years (till 31 December 2028) the period within which qualifying debt securities are to be issued for subsection (20A)(f)(ii) and (h) to apply. Under subsection (20A)(f)(ii) and (h), 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.

Clause 2 also replaces (as types of income qualifying for the tax treatment under subsection (20A)) the terms “break cost” and “prepayment fee” in section 10(20A)(h) with “early redemption fee”. Early redemption fee covers all payments relating to an early redemption of debt securities, including break cost and prepayment fee.

Finally, clause 2 amends section 10 to update the references in subsection (26) to include sections 12A, 12AB, 12E, 12H and 12HA of the Child Development Co-Savings Act 2001.

Clause 3 amends section 10B (Excess provident fund contributions, etc., deemed to be income) to change the various amounts of Central Provident Fund (CPF) contributions by an employer for an employee that are to be exempt from tax. The amendment is necessitated by the phased increase in the monthly salary ceiling for compulsory CPF contributions from the present \$6,000 to \$8,000 in 2026, as announced in the 2023 Budget Statement.

Clause 4 replaces certain words in section 10G (Withdrawals from Supplementary Retirement Scheme) to make the language more inclusive. There is no change to the substance of the section.

Clause 5 introduces a new section 10K to provide the tax treatment for income derived by an approved covered bond company from a cover pool for covered bonds issued by a bank incorporated in Singapore, being a cover pool which the bank transferred to the approved covered bond company under a covered bond transaction during the period from 15 February 2023 to 31 December 2028 (both dates inclusive). Subject to the conditions in rules made under section 7, any income derived by the approved covered bond company from the cover pool is treated as income of the bank that is chargeable to tax for the year of assessment relating to the basis period in which the income is derived.

Clause 6 inserts a new section 10L (Gains of a relevant entity from the sale of foreign assets) to treat gains received in Singapore by a relevant entity from the sale of immovable or movable property situated outside Singapore (referred to in the section as foreign assets) as income chargeable with tax. This section applies if the gains would not otherwise be treated as income or if the gains would otherwise be exempt from tax under the Act.

This section only applies to entities that are part of a multinational group and that do not have reasonable economic substance in Singapore, based on (among other things) the number, qualifications and experience of its employees, the amount of business expenditure incurred in Singapore by the entity and whether its key business decisions are made in Singapore. A group of entities that only have business operations in Singapore is not subject to this section. This section also does not apply to any sale or disposal of foreign assets by financial institutions or entities under certain tax incentive schemes, or to gains received in Singapore by individuals.

Only the net amount of gains (after deducting relevant expenditure) that are received in Singapore or deemed to be received in Singapore is taxable.

Where the sale of the foreign asset is at a price less than the open market price of the foreign asset, the Comptroller may treat as the amount of gain received in Singapore, the open market price of the foreign asset.

Clause 7 amends section 13 (Exempt income) —

- (a) to extend by five years the last date (till 31 December 2028) on which qualifying debt securities must be issued for certain income derived by certain persons from those debt securities to be exempt from tax exemption under that section;
- (b) to replace the terms “break cost” and “prepayment fee” with the term “early redemption fee” and to amend the definition of “redemption premium” to provide clarity that all payments in relation to an early redemption of qualifying debt securities, qualifying project debt securities or other debt securities qualify for tax exemption under that section;
- (c) to provide that, for the purpose of the tax exemption, qualifying debt securities may be arranged by persons specified in the new paragraphs (b)(v) and (c)(iv) (called in this paragraph specified persons) of the definition of “qualifying debt securities” for securities issued during the period from 15 February 2023 to 31 December 2023 (both dates inclusive). However, for securities issued during the period from 1 January 2024 to 31 December 2028, they must be arranged by specified persons in order to be “qualifying debt securities”; and
- (d) to provide that for debt securities issued by a Special Purpose Reinsurance Vehicle (commonly known as insurance-linked securities)

on or after 1 January 2024 to qualify as “qualifying debt securities” for the purposes of the section, 30% of the costs incurred in relation to the issue of the securities must be paid to persons or partnerships carrying on any trade, business or profession in Singapore. This is an increase from the existing threshold of 20% of the issue costs.

Clause 8 amends section 13M (Exemption of income derived from asset securitisation transaction) to extend by 5 years (till 31 December 2028) the period within which an asset securitisation transaction must be entered into in order for income derived from it to enjoy tax exemption under that section.

Clause 9 inserts a new section 13QA (Exemption of estate income received by beneficiary, etc.) to exempt from tax any share of the statutory income of an estate administered in Singapore received by, distributed to or applied to the benefit of a beneficiary resident in Singapore, if the income would have been exempt from tax had it been derived or received directly by the beneficiary. The amendment accords such a beneficiary the same tax treatment under section 13Q in respect of the share of any statutory income of a trust administered in Singapore to which a Singapore resident beneficiary is entitled.

Clause 10 amends section 14A (Deduction for costs for protecting intellectual property), as part of the Enterprise Innovation Scheme —

- (a) to extend to the year of assessment 2028, the period in which a deduction for qualifying intellectual property registration costs incurred for the purposes of a trade or business is allowed; and
- (b) to enhance the deduction to 300% for up to \$400,000 of those costs, for each year of assessment between the years of assessment 2024 and 2028 (both years inclusive).

Clause 11 amends section 14B (Further deduction for expenses relating to approved trade fairs, exhibitions or trade missions or to maintenance of overseas trade office) to allow a deduction for expenses incurred by an approved firm or company in connection with the use of an electronic medium (called an electronic marketplace) to trade goods or provide services in a foreign country.

The expenses include expenses for the creation and maintenance of an account with the electronic marketplace, expenses for promotion campaigns and expenses for engaging a third party to provide advisory services.

Clause 12 amends section 14C (Expenditure on research and development) as part of the Enterprise Innovation Scheme to extend to the year of assessment 2028, the period in which a deduction is allowed for any expenditure incurred by a person on research and development in Singapore that is not related to the person’s trade or business.

Clause 13 amends section 14D (Enhanced deduction for qualifying expenditure on research and development) as part of the Enterprise Innovation Scheme —

- (a) to extend to the year of assessment 2028, the period in which an enhanced deduction of 150% is allowed for qualifying expenditure on research and development; and
- (b) to provide for a further deduction of 150% for up to \$400,000 of qualifying expenditure on research and development, incurred during the basis period for each year of assessment from the years of assessment 2024 to 2028 (both years inclusive).

Clause 14 inserts a new section 14EA as part of the Enterprise Innovation Scheme, to provide a 400% deduction for up to \$50,000 of qualifying expenditure paid by a person to an approved educational or research institution for undertaking a qualifying innovation project together with the person during the basis period for each year of assessment from the years of assessment 2024 to 2028 (both years inclusive). The project must be certified by the approved educational or research institution as one that predominantly involves the carrying out of one or more relevant activities (as defined).

However, a deduction under section 14EA is not allowed if a deduction or allowance has been allowed in respect of such expenditure under section 14, 14A, 14C, 14D, 14U or 19B.

In addition, the deduction is not allowed if —

- (a) a trade or business of the person involves the carrying out of one or more relevant activities on behalf of another person; and
- (b) the qualifying innovation project is undertaken in the course of carrying on that trade or business.

Clause 15 amends section 14F (Expenditure on building modifications for benefit of disabled employees) to provide that the last day on which any expenditure mentioned in section 14F(1) may be approved for the purpose of a deduction under that section is 14 February 2023.

Clause 16 amends section 14G (Provisions by banks and qualifying finance companies for doubtful debts and diminution in value of investments) to provide an exception to section 14G(2)(a) so that any of the following provisions and allowance that is written back by a bank or qualifying finance company is not deemed as its trading receipt, but only if the amount of provision or allowance that is written back is directly identifiable to any of the following provisions or allowance:

- (a) a provision made for expected credit losses of any loan that is not credit-impaired and is one mentioned in paragraph (a)(i) to (v) of the new subsection (2CA), being losses that were recognised in accordance with FRS 109 or SFRS(I) 9 in the basis period for the year of assessment 2021 or any preceding year of assessment;

- (b) a provision made for expected credit losses of securities issued or guaranteed by the Government or a foreign government that are not credit-impaired, being losses that were recognised in accordance with FRS 109 or SFRS(I) 9 in the basis period for the year of assessment 2021 or any preceding year of assessment;
- (c) an allowance for any loan or investment in securities mentioned in paragraph (a) or (b) that is not credit-impaired, being allowances that were recognised in the retained earnings account of the bank or qualifying finance company as required by an MAS notice in the basis period for the year of assessment 2021 or any preceding year of assessment.

Clause 16 also amends section 14G to extend the period in which a deduction under section 14G(1) may be made by 5 years. No deduction will be allowed starting from the year of assessment for a basis period that begins on or after 1 January 2029.

Clause 16 also deletes the definition of “capital funds” in section 14G(7) as the definition is no longer used in section 14G.

Clause 17 amends subsection (3A) of section 14N (Deduction for renovation or refurbishment expenditure), which allows the full amount of renovation or refurbishment expenditure incurred by a person during the basis period for the year of assessment 2021 or 2022 to be deducted in that year of assessment, instead of over 3 years of assessment under subsection (3) (subject to any election by the taxpayer for the deduction to be made in accordance with subsection (3)). The amendment allows the same treatment to be given to any such expenditure incurred during the basis period for the year of assessment 2024.

Clause 18 amends section 14O (Deductions for qualifying training expenditure) to insert “for years of assessment 2011 to 2018” in the section heading, in light of the new section 14ZG.

Clause 19 amends section 14U (Enhanced deduction for expenditure on licensing intellectual property rights) as part of the Enterprise Innovation Scheme —

- (a) to extend to the year of assessment 2028, the period in which a deduction may be given for expenditure incurred by a taxpayer on licensing from another person any intellectual property rights other than trade marks or software user rights;
- (b) to enhance the deduction to 300% up to \$400,000 of such expenditure, if incurred in the basis period for a year of assessment between 2024 to 2028 (both years inclusive) and the taxpayer is a qualifying person (as defined) for that year of assessment; and
- (c) to provide that the combined expenditure for a deduction under paragraph (b) and section 19B(1AD) (enhanced writing-down

allowance for intellectual property rights for the years of assessment 2024 to 2028) must not exceed the expenditure cap of \$400,000.

Clause 20 amends section 14Z (Deduction for expenditure for services or secondment to institutions of a public character) which allows a taxpayer whose employees provided services to, or were seconded to, an institution of a public character (called an IPC), to claim an additional deduction for any qualifying expenditure thereby incurred. The amendment extends by 3 years (till 31 December 2026) the period in which such qualifying expenditure may be incurred to be allowed a deduction under section 14Z(1).

Clause 20 also makes clear that the provision of services must be performed in Singapore, and the secondment must be to a position in Singapore with the IPC, in order for the deduction under section 14Z(1) to be allowed.

Lastly, clause 20 amends section 14Z to increase the maximum amount of qualifying expenditure for which a deduction may be allowed under section 14Z(1) in relation to each IPC, to \$100,000 for the calendar years in 2024, 2025 and 2026.

Clause 21 amends section 14ZC (Deduction for payments made to drivers of chauffeured private hire cars and taxis) which allows a deduction for a Tenth Schedule entity against its income for certain payments made to individuals who drive chauffeured private hire cars or taxis.

The amendment enables a deduction to be given for any benefit given on or after 1 August 2022 by a Tenth Schedule entity to an individual who drives a chauffeured private hire car or taxi. The benefit must be given in connection with an amount received by the Tenth Schedule entity out of a payment made by or on behalf of the Government pursuant to any public scheme, or out of a fund, established by or on behalf of the Government for the benefit (whether exclusively or otherwise) of individuals who drive chauffeured private hire cars or taxis.

Clause 22 inserts a new section 14ZG to provide for a further deduction (in addition to the deduction under section 14) of 300% of qualifying training expenditure (up to \$400,000) incurred by a person during the basis period for each year of assessment from the years of assessment 2024 to 2028 (both years inclusive).

The qualifying training expenditure consists of course fees, certification fees and assessment fees approved by the SkillsFuture Singapore Agency for eligible courses for the purposes of section 14ZG, and which are specified under the “Skills Framework” on the Agency’s Internet website.

Clause 23 inserts a new section 14ZH (Deduction for expenditure incurred in deriving income from providing delivery services) to enable an individual who derives in a basis period income from performing delivery services by certain means of transport that is chargeable to tax under section 10(1)(a), to claim a deduction for outgoings and expenses incurred of an amount that is determined by

a prescribed formula, instead of the actual amount of such outgoings and expenses. This only applies if there are deductible outgoings and expenses for the income.

The application of the new tax treatment is subject to the following:

- (a) the gross amount of the individual's income from performing delivery services by the prescribed means of transport in the basis period must not exceed \$50,000;
- (b) the treatment only applies to income derived from the personal performance of the delivery services;
- (c) the treatment does not apply to income derived by the individual when acting as an employee of another person;
- (d) the treatment only applies to income derived from performing delivery services by a prescribed means of transport, and not by other means;
- (e) the individual may elect to disapply the tax treatment to his or her income from performing delivery services derived in the basis period of a particular year of assessment. If the individual performed delivery services using more than one prescribed means of transport, he or she may not make the election for only delivery services performed using one or some of those prescribed means of transport.

Clause 24 amends section 19A (Allowances of 3 years or 2 years write-off for machinery and plant, and 100% write-off for computer, prescribed automation equipment and robot, etc.). Under section 19A(1E), a person who incurs capital expenditure on the provision of machinery or plant for the purposes of a trade, profession or business in the basis period for the year of assessment 2021 or 2022, may elect for the following allowances (in lieu of the allowances under section 19 or section 19A(1)):

- (a) an allowance of 75% in respect of the expenditure for the year of assessment of the basis period in which the expenditure is incurred;
- (b) an allowance of 25% in respect of the expenditure for the following year of assessment.

The amendment extends the tax treatment in section 19A(1E) to any such capital expenditure incurred in the basis period for the year of assessment 2024. This treatment is also extended to an instalment under a hire-purchase agreement that is entered into in the basis period for the year of assessment 2024.

Clause 25 amends section 19B (Writing-down allowances for intellectual property rights) as part of the Enterprise Innovation Scheme —

- (a) to extend the period (till the last day of the basis period for the year of assessment 2028) in which qualifying intellectual property rights may be acquired for the grant of the writing-down allowance under section 19B(1AA); and

- (b) to provide for a further writing-down allowance of 300% of capital expenditure for acquiring qualifying intellectual property right up to \$400,000, if incurred during the basis period for a year of assessment between 2024 and 2028 (both years inclusive) and the taxpayer is a qualifying company (as defined) for that year of assessment.

Clause 26 amends section 19D (Writing-down allowance for IRU) to extend the last day (till 31 December 2028) on which capital expenditure incurred for the acquisition of an indefeasible right to use any international telecommunications submarine cable system is eligible for a writing-down allowance under that section.

Clause 27 amends section 34AA (Adjustment on change of basis of computing profits of financial instruments resulting from FRS 109 or SFRS(I) 9) to extend the tax treatment applicable to a bank or qualifying finance company for the transfer of a loan on revenue account to another person, where a provision for an expected credit loss arising from that loan is also transferred by the bank or qualifying finance company to that person for which a deduction was previously allowed to the bank or qualifying finance company, to a taxpayer that is not a bank or qualifying finance company. This amendment addresses the risk of tax leakage arising from such transfers by a taxpayer that is neither a bank nor a qualifying finance company but that engages in any money lending business.

Clause 28 amends section 34AAA (Change of basis for computing profits from financial instruments for insurers) by inserting a new subsection (6A). The new subsection provides that if an insurer (called the transferor) transfers a loan on revenue account to another person (called the transferee) and a provision for impairment losses arising from that loan is also transferred to the transferee, then a deduction of an amount in respect of a provision for a doubtful debt arising from that loan which was previously allowed to the transferor is treated, for the purposes of section 14, as having been allowed to the transferee under that section if both the transferor and the transferee are, on the date of the transfer of that loan, in the business of lending money.

In any other case, the provision for the impairment loss that was transferred by the transferor to the transferee, is treated as a trading receipt of the transferor for the basis period in which the date of transfer falls.

Clause 29 replaces subsection (9) of section 35 (Basis for computing statutory income) which provides that in determining the statutory income of the estate for any year of assessment, there is to be allowed a deduction of any income received by, distributed to or applied to the benefit of a beneficiary before 31 March in the year after that year of assessment. The new subsection (9) provides that the deduction is limited to any income received by, distributed to or applied to the benefit of a beneficiary within the same calendar year in which the income is derived, or any longer period allowed by the Comptroller.

Clause 30 amends section 37 (Assessable income) to extend by 3 years (till 31 December 2026) the period within which a qualifying donation made by a person under section 37(3)(b) to (f) is entitled to a deduction of 2.5 times the amount or value of the donation.

Clause 30 also amends section 37(7), which is consequential on the new section 37AA. The amendment provides that the deduction under section 37AA(1) must first be allowed against the statutory income of a person before any deduction under section 37(3)(b), (c), (d), (e) or (f) is allowed to that person.

Clause 31 inserts a new section 37AA to provide that, in determining the assessable income in a year of assessment of a person approved by the Minister or an authorised body (called an approved donor) that is related in accordance with rules to —

- (a) a company incorporated and resident in Singapore and approved under section 13O (called a section 13O company); or
- (b) a person, feeder fund, master fund, master-feeder fund structure, master-feeder fund-SPV structure, master fund-SPV structure or SPV approved under section 13U (called a section 13U vehicle),

there is to be deducted a prescribed amount of all donations of money made to persons approved by the Minister or authorised body as approved recipients in the year before that year of assessment. Any amount of donation not deducted in any year of assessment may not be carried forward.

The Minister or authorised body may approve a person as an approved donor during the period between 1 January 2024 and 31 December 2028 (both dates inclusive). However, there can only be one approved donor in relation to each section 13O company or section 13U vehicle at any one time.

The deduction allowed to an approved donor is subject to any condition precedent or condition subsequent imposed on the fund manager managing the funds of the section 13O company or section 13U vehicle. If the fund manager fails to comply with any condition subsequent, the amount of deduction allowed is treated as the approved donor's income for the year of assessment in which the non-compliance is discovered by the Comptroller.

Clause 32 inserts new sections 37R and 37S as part of the Enterprise Innovation Scheme.

The new section 37R(1) to (3) allows an eligible person (as defined) to make an irrevocable written election for deductions or allowances that may be allowed or made under the Enterprise Innovation Scheme for qualifying expenditure incurred by the eligible person, to be replaced by a cash payout for such expenditure, subject to a cap on the amount of such expenditure that may be the subject of a cash payout (called selected expenditure). The selected expenditure will reduce, dollar for dollar, the expenditure that would otherwise qualify for

deductions or allowance. The new section 37R(4) provides for the computation of the amount of cash payout.

The new section 37R(5) provides that any election that is not made in accordance with section 37R(2) may be rejected by the Comptroller.

The new section 37R(6) to (12) provides for an eligible person to elect for a cash payout to be given for capital expenditure incurred to acquire intellectual property rights (IPR) under an instalment agreement, where the instalments are payable over 2 or more basis periods. This applies to IPR instalment agreements that are signed during the basis periods for the years of assessment 2024 to 2028 (both years inclusive). The cash payout for expenditure incurred under the IPR instalment agreement will be computed together with all other expenditure eligible for a cash payout in the year of assessment in which the IPR instalment agreement is signed, based on the cash price of the IPR instalment agreement and subject to the cap on expenditure eligible for a cash payout for that year of assessment. The amount of cash payout attributable to the IPR will then be paid out in each basis period during which capital expenditure under the IPR instalment agreement is incurred.

The new section 37R(13) precludes the making of an election under certain circumstances.

The new section 37R(14) provides that the total cash payout available to an individual is subject to the caps on the amount of cash payout in the new section 37R(4) or (6) regardless of the number of firms through which the individual carries on his or her trades or businesses.

The new section 37R(15) provides that where certain expenditure is incurred by an eligible person for an application for the registration or grant of a qualifying IPR over 2 or more basis periods, the eligible person is treated as having incurred such expenditure in the year of assessment which the outcome of the application is determined. However, the eligible person must not have claimed a deduction in respect of such expenditure in any year of assessment prior to the year of assessment.

The new section 37R(16) provides that if the Comptroller has treated the open-market price mentioned in section 19B(10E) as the capital expenditure incurred for the acquisition of any IPR, any reference to the selected expenditure for which a cash payout is elected is to the open-market price of the IPR.

The new section 37R(17) provides that the cash payout in lieu of a deduction or allowance under section 14A or 19B is treated as made on the full amount of expenditure (net of any grant or subsidy) qualifying for the deduction or allowance, and incurred for the registration or grant of each qualifying IPR in each country, or the acquisition of each qualifying IPR.

The new section 37R(18) provides that where an election is made for a cash payout in respect of any expenditure (or part of such expenditure) mentioned in

subsection (17), no part of such expenditure is available as a deduction or an allowance against the income of an eligible person.

The new section 37R(19) provides that no election for cash payout may be made in respect of capital expenditure incurred on the acquisition of IPR in software for the purpose of licensing such IPR.

The new section 37R(20) provides that where a cash payout has been made to an eligible person in lieu of a deduction under section 14A(1)(b) and (1BC), and the IPR are disposed of within one year after the date of filing of the application for the registration or grant of the IPR, the eligible person must notify the Comptroller of the disposal and repay the cash payout.

The new section 37R(21) and (22) makes similar provisions to those described in subsection (20) for a cash payout in lieu of a writing-down allowance under section 19B where the IPR come to an end or are disposed of, the eligible person permanently ceases to carry on the trade or business concerned, or the IPR in any software for which the allowance is granted are licensed, within 5 years after the acquisition of the IPR.

The new section 37R(23) provides that the Comptroller may disallow a cash payout pursuant to an election if the eligible person is no longer carrying on a trade, profession or business at the time of disbursement of the cash payout.

The new section 37R(24) provides for the recovery of outstanding taxes, duties, interest or penalties under the Act and certain other Acts out of the cash payout.

The new section 37R(25) provides that the amount of expenditure qualifying for a deduction or allowance must be reduced by the amount in respect of which an election for a cash payout for such expenditure has been made.

The new section 37R(26) provides for the recovery of a cash payout where the expenditure qualifying for the deduction or allowance is subsequently disallowed, certain requirements under the section are not met or the cash payout is in excess of what is allowed under the section.

The new section 37R(27) provides for the time and manner of repayment of the cash payout under subsections (20), (21) (22) and (26), and the recovery of such cash payout by the Comptroller.

The new section 37R(28) provides that the amount of the relevant expenditure mentioned in subsection (25) is to be increased upon the recovery of the cash payout under subsection (26)(b) or (c).

The new section 37R(29) provides that the Comptroller may disallow the increase in relevant expenditure under subsection (28) under certain circumstances.

The new section 37R(30) to (32) defines certain terms used in the section.

The new section 37S criminalises the giving of false information or the omission of information in connection with an election for a cash payout under the new section 37R, and the falsification of books or the employment of any fraud, art or contrivance in connection with such election.

Clause 33 amends certain words in section 39 (Relief and deduction for resident individual) to make the language more inclusive. There is no change to the substance of the section.

Clause 33 also amends section 39 to allow a married woman, widow or divorcee to claim the deduction under the grandparent caregiver relief provided in section 39(2)(p), if the caregiver did not derive income exceeding \$4,000 from any trade, business, profession, vocation or employment in the year immediately preceding the year of assessment concerned. Presently, the deduction is allowed only if the caregiver was not carrying on any trade, business, profession, vocation or employment in that year. All other conditions to claim the deduction remain unchanged. The change takes effect from the year of assessment 2024.

Finally, clause 33 amends section 39 to lapse, after the year of assessment 2024, the deduction allowed to a woman for the levy imposed under the Employment of Foreign Manpower Act 1990 for a domestic servant employed by the woman or her husband.

Clause 34 amends section 43H (Concessionary rate of tax for income derived from debt securities) —

- (a) to extend the last date (till 31 December 2028) in which qualifying debt securities mentioned 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;
- (b) to extend by 5 years (till 31 December 2028) the period within which tax exempt income may be derived by a primary dealer from trading in any Singapore Government securities; and
- (c) to replace the terms “break cost” and “prepayment fee” with the term “early redemption fee” and incorporate the amended definition of “redemption premium” in section 13(16).

Clause 35 inserts a new section 43MA (Concessionary rate of tax for estate income received by beneficiary, etc.) to provide that a concessionary rate of tax applies to any share of the statutory income of an estate administered in Singapore that is received by, distributed to or applied to the benefit of a beneficiary who is resident in Singapore, if that rate of tax would have applied had the income been derived or received directly by the beneficiary.

The amendment accords such a beneficiary the same tax treatment as that accorded under section 43M to a Singapore resident beneficiary entitled to a share of statutory income of a trust administered in Singapore.

Clause 36 amends section 43R (Concessionary rate of tax for approved insurance brokers) to extend the date by which an insurance broker may be approved for the purposes of that section, to 31 December 2028.

Clause 37 amends section 43X (Concessionary rate of tax for intellectual property income) which provides for a concessionary rate of tax to be levied on a percentage of qualifying intellectual property income derived by an approved company from any qualifying intellectual property right elected by the company in any part of a basis period for a year of assessment that falls within its tax relief period. The amendment extends the last day for approving a company for the purposes of the section to 31 December 2028.

Clause 38 amends section 45 (Withholding of tax in respect of interest paid to non-resident persons) to extend by 5 years (till 31 December 2028) the period within which qualifying debt securities must be issued for the withholding tax exemption under that section to apply to income derived from such securities.

Clause 39 amends section 45A (Application of section 45 to royalties, management fees, etc.) —

- (a) for a similar purpose to the amendment to section 45; and
- (b) to replace the terms “break cost” and “prepayment fee” with the term “early redemption fee”, and incorporate the amended definition of “redemption premium” in section 13(16).

Clause 40 amends section 45F (Application of section 45 to income from profession or vocation carried on by non-resident individual, etc.) to insert a new subsection (2A).

The new section 45F(2A) provides that where a non-resident individual or foreign firm opts under section 43(5) to be taxed at the rate of 24% on the individual or firm’s chargeable income (instead of 15% or 10% on the gross amount of any income), the payor of such income to the individual or firm must withhold tax in accordance with the following requirements:

- (a) the payor is to deduct expenditure which the payor reasonably believes is wholly and exclusively incurred by the individual or foreign firm in producing that income;
- (b) the withholding tax rate is 24% instead of 15% or 10%.

Clause 41 amends section 45GA (Application of section 45 to income derived as public entertainer) to provide that for the purpose of determining the amount of tax to be withheld from income payable to a person as a public entertainer under section 45 as applied by section 45GA, there is to be deducted from that income expenses that the payor reasonably believes is wholly and exclusively incurred by the public entertainer in the production of that income.

Clause 42 inserts a new section 50BA (Tax credits for estate income received by beneficiary, etc.) to provide that where an executor of an estate administered

in Singapore receives income from outside Singapore, tax credit for any part of that income that is received by, distributed to or applied to the benefit of a Singapore resident beneficiary is to be given to the beneficiary. This is similar to the treatment given under section 50B to a share of trust income received from outside Singapore that a beneficiary of the trust is entitled to.

Clause 43 makes consequential amendments to section 50C (Pooling of credits) arising from clause 42.

Clause 44 inserts a new section 68A to impose an obligation on any person (*X*) who belongs to a prescribed class of persons to comply with various notices by the Comptroller. The Comptroller may give a notice requiring *X* to collect and retain identification and income information (including expenses) of any person (*Y*), who entered into an agreement or arrangement of a specific description with *X* for carrying on any trade, business, vocation or profession for which *Y* derives chargeable income. The Comptroller may further give notice requiring *X* to provide any such information to the Comptroller or any other specified person. Examples of *X* may include commission-paying agencies and taxi/platform operators. The classes of persons that fall within *X* may be expanded from time to time by rules made by the Minister.

The purpose of the new section 68A is to facilitate the income tax assessment of certain classes of self-employed persons (including non-individual taxpayers).

Clause 45 amends section 80A (Hearing of appeal by committee where member becomes unavailable) to provide that where there is an appeal before a committee of the Board or where an appeal has been determined before the making of an ancillary order, and any member of that committee resigns or is otherwise unable to hear the appeal or make the ancillary order, another committee of the Board must be constituted to rehear the appeal or make the ancillary order if *any* party objects to the remaining members hearing the appeal or making the ancillary order.

Clause 46 amends section 93 (Repayment of tax) to provide that where the Comptroller withholds a refund of tax pending the determination of an appeal by the Comptroller against a decision by the Income Tax Board of Review or by a court, the interest payable for any part of the period on or after 1 April 2023, on any refund amount ultimately determined to be due as a result of the appeal, is interest at the rate of 1.5%-point above the applicable 3-month compounded Singapore Overnight Rate Average (or SORA).

The 3-month compounded SORA is the compounded average of the SORA —

- (a) for the part of the period that falls within the 6-month period beginning on 1 April of any calendar year beginning with 2023 — for the 3-month period immediately before 1 March of the same calendar year; and
- (b) for the part of the period that falls within the 6-month period beginning on 1 October of any calendar year beginning with 2023 — for the 3-

month period immediately before 1 September of the same calendar year.

By way of illustration, the rate of interest on a refund that is withheld from 1 January 2023 to 31 December 2023 (both dates inclusive), is —

- (a) for the period between 1 January 2023 and 31 March 2023 (both dates inclusive), the average prime lending rates for the months of October, November and December in the year 2021;
- (b) for the period between 1 April 2023 and 30 September 2023 (both dates inclusive), 1.5%-point above the 3-month compounded SORA as described in sub-paragraph (a) of the preceding paragraph; and
- (c) for the remaining period between 1 October 2023 and 31 December 2023 (both dates inclusive), 1.5%-point above the 3-month compounded SORA as described in sub-paragraph (b) of the preceding paragraph.

Clause 47 amends section 101 (Consent for prosecution) to provide that prosecution in respect of an offence under section 105M may also be commenced at the instance or with the consent of the Comptroller (in addition to the Public Prosecutor). Clause 48 also amends section 101(2) to allow the Comptroller to authorise an officer to compound an offence under section 105M(1) and (1B) of the Act.

Clause 48 introduces a new section 102A to provide for the service by the Comptroller of a notice to attend court on any person who appears to the Comptroller to have committed an offence that is punishable by a fine or an imprisonment not exceeding 12 months, or to both.

Clause 49 amends the Fifth Schedule (Child relief) to change the basis of determining the amount of deduction allowed to a married woman, divorcee or widow (*W*) for maintaining a child (*Y*) who is an eligible child in the year immediately preceding the year of assessment. Presently, the amount of deduction is calculated based on a percentage of *W*'s earned income, depending on the ranking of the eligible child in respect of whom the deduction is claimed.

After the amendment, the amount of deduction will be a fixed quantum as follows (based on the ranking of the eligible child), and not a percentage of *W*'s income:

- (a) if *Y* is the first eligible child — \$8,000;
- (b) if *Y* is the second eligible child — \$10,000;
- (c) if *Y* is the third or a subsequent eligible child — \$12,000.

The change takes effect from the year of assessment 2025 onwards and will apply in the following cases:

- (a) where *Y* is born to *W* and her husband, former husband or deceased husband on or after the date of their marriage — *Y*'s date of birth is on or after 1 January 2024;
- (b) where *Y* is born to *W* and her husband, former husband or deceased husband before she is married to him — the date of marriage is on or after 1 January 2024;
- (c) where *Y* is a stepchild of *W* — *Y*'s date of birth is on or after 1 January 2024;
- (d) where *Y* is adopted by *W* and her husband, former husband or deceased husband — the date of the adoption as specified in the adoption order is on or after 1 January 2024;
- (e) where *Y* is not a citizen of Singapore by birth — the date on which *Y* becomes a citizen of Singapore is on or after 1 January 2024.

Clause 50 makes amendments to various provisions in the Act that are consequential to the introduction of the Enterprise Innovation Scheme.

Clause 51 makes a related amendment to section 53 of the Goods and Services Tax Act 1993. Clause 51 also inserts a new section 73A to provide for the service by the Comptroller of a notice to attend court on any person who appears to the Comptroller to have committed an offence that is punishable by a fine or to an imprisonment not exceeding 12 months or to both.

Clause 52 makes a related amendment to the Property Tax Act 1960 to insert a new section 68A to provide for the service by the Comptroller of a notice to attend court on any person who appears to the Comptroller to have committed an offence that is punishable by a fine or to an imprisonment not exceeding 12 months or to both.

Clause 53 enables the Minister, for a period of 2 years after the commencement of the clause, to make saving and transitional provisions by regulations.

EXPENDITURE OF PUBLIC MONEY

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