

**SUMMARY TABLE ON CHANGES TO THE INCOME TAX ACT (“ITA”) AS ANNOUNCED IN
BUDGET 2017 STATEMENT**

S/N.	Legislative Change	Brief Description of Legislative Change	Amendment to ITA [Clause in Income Tax (Amendment) Bill 2017]
1	Enhance and Extend the Corporate Income Tax (“CIT”) Rebate for YA 2017 and YA 2018	<p>To help companies cope with the economic uncertainty and continue restructuring, the CIT rebate will be enhanced and extended as follows:</p> <ul style="list-style-type: none"> i. CIT rebate cap will be raised from \$20,000 to \$25,000 for YA 2017 (with the rebate rate unchanged at 50%); and ii. CIT rebate will be extended for another year to YA 2018, but at a reduced rate of 20% of tax payable and capped at \$10,000 of rebate. 	Sections 92E, 92F and 92G [Clauses 39 and 40]
2	Liberalise tax deduction for payments under Cost Sharing Agreements (“CSAs”) for R&D projects	<p>A 75% safe harbour rule was announced in Budget 2017. Arising from post-Budget feedback, MOF has decided to:</p> <ul style="list-style-type: none"> i. Liberalise the treatment by allowing a full deduction of such CSA payments without the need to provide a breakdown of the expenditure covered by the CSA payments; and ii. Allow an additional 50% deduction on qualifying costs incurred on R&D performed in Singapore, by the taxpayer or 	Sections 14D, 14DA and 15 [Clauses 11, 12 and 14]

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		<p>a research and development organization on his behalf, under a CSA, even if the costs are reimbursed under the CSA.</p> <p>These changes will apply from YA 2018.</p>	
3	Extend the tax exemption on payments made to non-resident non-individuals for structured products offered by financial institutions	To continue promoting Singapore as a financial hub, the qualifying period for the tax exemption on payments made to non-resident non-individuals for structured products will be extended till 31 March 2021. All other conditions of the scheme remain the same.	Section 13 [Clause 6]
4	Extend the Tax Incentive Schemes for Infrastructure Project	To continue the deepening of Singapore's infrastructure expertise, the existing package of tax incentive schemes for infrastructure project will be extended till 31 December 2022, with the exception of the remission of stamp duty payable on instruments transferring qualifying infrastructure projects/ assets to qualifying entities listed, or to be listed, on the Singapore Exchange. The stamp duty remission will be allowed to lapse after 31 March 2017. All other conditions of the schemes remain the same.	Sections 13 and 43ZD [Clauses 6 and 32]

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5	Withdraw the Tax Deduction for Computer Donation scheme	As the objective of the scheme has been achieved, the scheme will be withdrawn after 20 February 2017.	Section 37 [Clause 24]
6	Withdraw the Accelerated Depreciation Allowance for Energy Efficient Equipment and Technology (“ADA-EEET”) scheme	<p>To streamline incentives that promote energy efficiency, the ADA-EEET scheme introduced in 1996 will be withdrawn after 31 December 2017. No ADA-EEET will be granted for equipment installed on or after 1 January 2018.</p> <p>Existing incentives such as Investment Allowance – Energy Efficiency scheme and the Productivity Grant (Energy Efficiency), will continue to promote energy efficiency.</p>	Section 19A [Clause 15]
7	Extend and refine the Aircraft Leasing Scheme (“ALS”)	<p>To continue encouraging the growth of the aircraft leasing sector in Singapore, the ALS will be extended and refined as follows:</p> <ul style="list-style-type: none"> i. The ALS will be extended till 31 December 2022; and ii. The concessionary tax rates on income derived from the leasing of aircraft or aircraft engines and the conducting of qualifying ancillary activities will be streamlined from 5% and 10% to a single rate of 8%. 	Sections 43Y and 43Z [Clauses 30 and 31]

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		The refinement in (ii) will apply to new or renewed incentive awards approved on or after 1 April 2017.	
8	Grant a Personal Income Tax Rebate for Resident Individual Taxpayers	To provide a personal income tax rebate of 20% of tax payable by tax resident individuals for YA 2017 (i.e. for income earned in 2016). The rebate will be capped at \$500 per taxpayer.	[Clause 46]

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

S/N.	Legislative Change	Brief Description of Legislative Change	Amendment to ITA [Clause in Income Tax (Amendment) Bill 2017]
1	Introduce the requirement for mandatory Transfer Pricing (“TP”) Documentation requirements (“TPD”) and penalties for non-compliance	<p>To introduce a requirement to maintain contemporaneous and adequate TPD, and penalties for non-compliance from (“YA”) 2019. This requirement is in line with IRAS’ existing TP Guidelines.</p> <p>To limit compliance burden for smaller businesses, this requirement will only apply to businesses with turnover exceeding \$10m and significant related party transactions.</p> <p>The amendment will take effect from YA 2019.</p>	Section 34F [Clause 21]
2	Clarify existing Comptroller powers and introduce surcharge to enforce arm’s length principle	<p>To provide greater clarity to existing section 34D which allows the Comptroller to enforce the arm’s length principle. The powers of the Comptroller for this purpose are elaborated or supplemented in the amendments:</p> <ul style="list-style-type: none"> i. Disregard the form where the substance of the transaction is inconsistent with the form of the transaction; and ii. Introduce a surcharge for non-compliance with the arm’s length principle. <p>To lift the statutory time limit of 4 years for the Comptroller to raise additional assessments for cases under the Mutual Agreement Procedures (“MAP”) process to give taxpayers certainty that the</p>	Sections 34D, 34E, 74 and 93A [Clauses 20, 21, 37 and 41]

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		<p>outcome of the MAP agreed with the relevant foreign competent authority can be given full effect by IRAS.</p> <p>To clarify that any claim for error or mistake under section 93A of the ITA¹ on transfer pricing must be supported by contemporaneous and adequate TPD.</p> <p>The amendments will take effect from the date the Amendment Act is published in the Gazette. For the surcharge, it will apply from YA 2019.</p>	
3	Enable the Minister for Finance to make an order to modify the provisions of an Avoidance of Double Taxation Agreement	<p>To enable Singapore to implement its obligations under the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (also known as the Multilateral Instrument), which Singapore has signed on 7 June 2017.</p> <p>The amendment will take effect from the date the Amendment Act is published in the Gazette.</p>	Section 49 [Clause 36]
4	Introduce a tax framework for re-domiciliation	To introduce a tax framework for companies which re-domicile into Singapore under the inward re-domiciliation regime, introduced in	Sections 34G and 34H.

¹ Section 93A of the ITA allows any person to make an application (within a four-year time limit after the end of the YA in which an assessment has been made) in writing to the Comptroller for relief where the person alleges that an assessment is excessive or any unabsorbed loss, allowance or donation that may be carried forward ought to be of a higher amount, by reason of some error or mistake made in the return or statement by himself.

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		<p>the Companies (Amendment) Bill 2017. Under the tax framework, amongst other changes, the re-domiciled company will be subject to the following tax treatment:</p> <ul style="list-style-type: none"> i. Allow the claim of capital allowances for transferred-in plants and machinery used for business in Singapore, based on the lower of their market value on the date of re-domiciliation or net book value; ii. Allow the claim of writing-down allowance for transferred-in intellectual property rights used for business in Singapore, based on the lower of their market value on the date of re-domiciliation or net intangible value; iii. Disallow the deduction of transferred-in trade receivables that have subsequently become bad or impaired after the re-domiciliation, and not tax all subsequent recoveries of the bad debts or reversal of impairment losses that have not been allowed deduction. iv. Disallow the deduction for impairment loss and not tax reversal to impairment for financial assets on revenue account, unless gains or losses from the assets will be taxed or allowed in Singapore; v. Allow a tax credit to relieve double taxation on Singapore sourced income on an approval basis; and vi. Allow a deduction for the pre-commencement expenses incurred by a re-domiciled company that has not commenced business in the original jurisdiction. 	[Clause 22]

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5	Increase the maximum amount of tax deduction and tax exemption for qualifying third-party voluntary contributions made to Medisave accounts of employees and self-employed persons (“SEPs”)	<p>With effect from 1 January 2018, the following changes will be made:</p> <ul style="list-style-type: none"> i. The maximum amount of contributions made by an employer per year to his employee’s Medisave account under the Additional Medisave Contribution Scheme (“AMCS”), which is not treated as income of the employee, will be raised from \$1,500 to \$2,730; ii. The maximum amount of contributions (that is treated as income²) made by an eligible company per year to the Medisave account of an SEP with whom the eligible company works with that may be exempt from tax in the hands of the SEP will be increased from \$1,500 to \$2,730; and iii. The maximum amount of tax deduction allowable to an employer for his contributions to an employee’s Medisave account under AMCS, or to an eligible company for its contribution to the SEP’s Medisave account, will be increased from \$1,500 to \$2,730 per year. 	<p>Sections 10C, 13 and 14.</p> <p>[Clauses 4, 6 and 10]</p>
6	Refine the Insurance Business Development (“IBD”) Umbrella Scheme	To streamline and simplify the scheme, the scope of IBD will be refined to cover both onshore and offshore qualifying activities. The relevant subsidiary legislations will be revised to prescribe the	Sections 14D, 26, 37B, 37E and 43C.

² There are also contributions made by an eligible company to an SEPs’ Medisave account which are not deemed as income. For example, co-contributions under the Drive and Save Scheme are not deemed as income.

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	and Insurance Broking Schemes	<p>income from the expanded qualifying activities under IBD as follows:</p> <ul style="list-style-type: none"> i. Underwriting income derived from insuring and reinsuring both onshore and offshore insurance risks for IBD and IBD-Captive Insurance; ii. Both onshore and offshore investment income (dividend, qualifying interest, gains from sale of qualifying investment) relating to the incentivised insurance business lines for IBD, IBD-Marine Hull and Liability Insurance Business, IBD-Captive Insurance and IBD-Specialised Insurance; and iii. Onshore and offshore broking business income for IBD-Insurance Broking Business and IBD-Specialised Insurance Broking Business. <p>In addition, the following activities and income will be excluded from the scope of IBD:</p> <ul style="list-style-type: none"> i. All underwriting income, investment income, and insurance broking commission and fee income from onshore and offshore direct life insurance; ii. All underwriting income, investment income, and insurance broking commission and fee income from onshore and offshore direct stand-alone fire, motor, work injury compensation, personal accident and health insurance; iii. Interest income other than qualifying interest; 	[Clauses 17, 27 and 44]

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		iv. Gains from sale of investments other than qualifying investments; and v. All investment income relating to immovable properties, not relating to any prescribed asset or project, in and outside Singapore. The amendment will take effect for new awards granted or existing awards renewed, on or after 1 June 2017.	
7	Refine the Financial Sector Incentive (“FSI”) schemes	In order to maintain tax neutrality as a result of the refined scope of incentivised activities, the tax rate for FSI (standard tier) companies will be increased from 12% to 13.5% for new awards granted or existing awards renewed, on or after 1 June 2017, for incentive period commencing on or after 1 June 2017.	Section 43Q [Clause 29]
8	Refine the Maritime Sector Incentive – Shipping related Support Services (“MSI-SSS”) scheme	To streamline and rationalise the MSI-SSS award, the following corporate services provided by the MSI-SSS recipients to its approved related company will be excluded under the MSI-SSS scheme: i. Marketing control, planning and brand management services under paragraph (a) of the corporate service definition; ii. Research and development (including test bedding) services carried out on behalf of the approved related company; and	Section 43ZF [Clause 33]

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		<p>iii. Intellectual property management services under paragraph (f) of the corporate service definition.</p> <p>The amendment will take effect for income derived on or after the date the Amendment Act is published in the Gazette.</p>	
9	Clarify the scope of Corporate Services under the MSI-SSS scheme	<p>To clarify that under the definition of corporate services, Information Technology (“IT”) services refers to IT support services.</p> <p>The amendment will take effect for income derived on or after 2 June 2011.</p>	Section 43ZF [Clause 33]
10	Clarify the definition of ship management services under Maritime Sector Incentive (“MSI”)	<p>To clarify on the scope of ship management services that qualifies for tax exemption for the period from 22 February 2010 to 23 February 2015 under the MSI – Singapore Registry of Ships and the MSI - Approved International Shipping Enterprise award and for the purpose of definition of ship management services under the MSI-Shipping Related Support Services.</p> <p>The amendment will take effect from 22 February 2010.</p>	Section 13A [Clause 7]
11	End-date the tax exemption for relevant income of eligible Family-owned Investment Holding Company (“FIHC scheme”)	<p>To introduce an end-date of YA 2023 to the tax benefit accorded to the existing incentive recipients of the FIHC scheme.</p> <p>Although the FIHC scheme was discontinued from 1 April 2013, existing incentive recipients of the FIHC scheme (which were incorporated before 1 April 2013) were able to continue enjoying</p>	Section 13W [Clause 8]

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		<p>the scheme benefit as long as they satisfy its conditions for every subsequent basis period beginning on or after 1 April 2013. Companies incorporated on or after 1 April 2013 are unable to enjoy the scheme benefits.</p> <p>The end-date of the tax benefit ensures parity in tax treatment across all family-owned investment holding companies, whether they were incorporated before, on or after 1 April 2013. The end-date of YA 2023 allows existing incentive recipients of the FIHC scheme sufficient time to transit to alternative tax incentive schemes, where necessary, while allowing them to continue availing themselves to the tax incentive for another five years.</p>	
12	Enhance the Global Trader Programme (“GTP”)	<p>To allow a company that carries on the following businesses to be approved under the GTP, subject to conditions:</p> <ul style="list-style-type: none"> i. international trading in commodities derivatives; ii. brokering international trades in commodities. <p>Currently, businesses conducting such activities can only be approved under the GTP if they are also in the business of physical trading. The amendment will take effect from the date the Amendment Act is published in the Gazette.</p>	Section 43P [Clause 28]
13	Extend the concessionary income tax rate of 10% on	To continue to promote the listing of REITs in Singapore and strengthen Singapore’s position as a REITs hub in Asia, the	Section 45G [Clause 35]

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	distributions made by the trustee of a Real Estate Investment Trust (“REIT”) to qualifying non-resident non-individual investors	concessionary income tax rate of 10% on distributions made by the trustee of a REIT to qualifying non-resident non-individual investors of listed REITs, among other tax concessions, was extended till 31 March 2020.	
14	Revise a condition for tax deduction for tax resident individuals’ voluntary contributions to their Medisave accounts	<p>Currently, one of the conditions for a tax deduction under section 39(2)(q) of the ITA for a voluntary contribution to an individual’s CPF Medisave account is that such contributions, together with the existing balance in the account, are within the “basic healthcare sum” (“BHS”), being the maximum amount directed by the Minister for Manpower under section 13(6) of the Central Provident Fund Act.</p> <p>With effect from 1 January 2017, the Minister may direct different maximum amounts for different classes of CPF members. Each cohort’s BHS is fixed when they turn 65 years old. The yearly BHS adjustment will continue to apply to cohorts aged below 65.</p> <p>This condition will be revised, with effect from 1 January 2017, to clarify that a voluntary contribution, together with existing balance in the Medisave account, has to be within the BHS applicable to the individual to qualify for tax deduction.</p>	Section 39 [Clause 25]
15	Provide basis to implement an “opt-out” approach for digital tax notices	The widespread use of computers and mobile devices allows taxpayers to receive digital instead of hardcopy tax notices. The use of digital notices gives taxpayers greater convenience, security and	Sections 8 and 8A [Clauses 2 and 3]

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		<p>timeliness of alert. To enable more taxpayers to benefit from digital channels, the ITA will be amended so that taxpayers who wish to continue receiving hardcopies can opt out while others will receive digital tax notices. (The current provisions of the ITA require taxpayers to provide specific consent before the Comptroller can issue them with digital tax notices instead of hardcopy notices.) Taxpayers will have the flexibility to manage their preference for hardcopy or e-copy.</p> <p>For more information on the change, please refer to the draft Goods and Services Tax (Electronic Service) Regulations 2017 (“GST e-Service Regulations”). Provisions similar to those contained in the GST e-Service Regulations will apply for income tax.</p> <p>The amendment will take effect from the date the Amendment Act is published in the Gazette.</p>	
16	Provide for greater operational flexibility for hearings at the Income Tax Board of Review (“the Board”)	<p>Under section 78 of the ITA, all the powers, duties and functions of the Board may be exercised, discharged or performed by any committee of the Board consisting of <i>not less than 3 members</i> of the Board, at least one of whom shall be the Chairman of the Board or Deputy Chairman of the Board.</p> <p>To provide operational flexibility, it is proposed that at any time before delivery of the judgment on an appeal, if any member of the committee hearing the appeal is unable, through illness or any other</p>	Section 80A [Clause 38]

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		<p>cause, to continue to hear or to determine the appeal, the remaining members of the committee, not being less than 2, shall, if the parties consent, hear and determine the appeal.</p> <p>The amendment will take effect from the date the Amendment Act is published in the Gazette.</p>	
17	Enable the Minister of Finance to declare competent authority agreements entered into between competent authorities of two or more contracting jurisdictions as international tax compliance agreements	To clarify that a competent authority agreement, entered into between IRAS and a competent authority in another jurisdiction or competent authorities of two or more jurisdictions, is an international tax compliance agreement under section 105K.	Section 105K [Clause 42]
18	Amend the provision to make clear the tax treatment of policy liabilities (“PL”) of insurers	<p>The amendments are intended:</p> <ul style="list-style-type: none"> i. To make clear that a tax deduction is granted to Singapore general (re)insurers for an amount equal to an increase in PLs, or taxing such (re)insurers on an amount equal to a decrease in PLs for each YA. ii. To clarify the tax treatment when an insurer in Singapore (the transferee) takes over PLs of an insurance business from another person (the transferor). 	Section 26 [Clause 17]

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		This applies for both general insurers and life insurers (in relation to non-participating fund and investment-linked fund). The amendment will take effect from the date the Amendment Act is published in the Gazette.	
19	Introduce Financial Reporting Standard (“FRS”) 109 tax treatment	To provide for the tax treatment of financial instruments under the new FRS 109 – Financial Instruments, which will apply to entities for financial periods beginning on or after 1 January 2018. FRS 109 replaces the existing FRS 39 – Financial Instruments: Recognition & Measurement. The FRS 109 tax treatment, largely aligns the tax treatment of financial instruments to the accounting treatment.	Sections 13Z, 14I, 22, 26, 34A and 34AA [Clauses 9, 13, 16, 17, 18 and 19]
20	Provide for adjustments to the amount of statutory or exempt income arising from the adoption of FRS 115	<p>FRS 115 – Revenue from Contracts with Customers, will be effective for annual periods beginning on or after 1 January 2018. It supersedes existing accounting standards, FRS 11 – Construction Contracts, FRS 18 – Revenue, INT FRS 113 – Customer Loyalty Programmes, INT FRS 115 – Agreements for the Construction of Real Estate, INT FRS 118 – Transfers of Assets from Customers, and INT FRS 31 – Revenue: Barter Transactions involving Advertising Services.</p> <p>To allow adjustments to be made to the amount of statutory or exempt income of a person for the YA of the basis period in which FRS 115 is first applied.</p> <p>To introduce consequential amendment to section 10F of the ITA, which makes reference to FRS 11.</p>	Sections 10F and 34I [Clauses 5 and 23]

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21	Amend the provision relating to the applicable penalties for failure to give requisite notification to the Comptroller after tax has been withheld	To clarify that penalties would apply if requisite notification is not given to the Comptroller, regardless of the amount of tax withheld. The amendment will take effect from the date the Amendment Act is published in the Gazette.	Section 45 [Clause 34]
22	Rename the National Service Recognition Award as the National Service Housing, Medical and Education Awards	With the “National Service Recognition Award” renamed as the “National Service Housing, Medical and Education Awards”, the provisions for the tax exemption of the award will be updated correspondingly. The amendment will take effect from 1 April 2014.	Section 13 [Clause 6]
23	Repeal the provision relating to the temporary liberalisation of foreign sourced income exemption (“FSIE”)	The provision is obsolete as the temporary liberalisation of FSIE no longer applies.	Section 13 [Clause 43]
24	Repeal the provision relating to temporary enhancement of loss carry-back relief for YA 2009 and YA 2010	The provision is obsolete as the temporary enhancement of loss carry-back relief no longer applies.	Sections 23, 36A, 36C, 37 and 37E [Clause 43]
25	Repeal the provision relating to deduction for hotel refurbishment expenditure	The provision is obsolete as the scheme had expired on 30 June 2003 and no new awards can be granted after the sunset date.	Sections 14M and 15 [Clause 43]

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26	Repeal the provision relating to the concessionary tax rate for income derived from organising or staging tourism event	The provision is obsolete as the scheme has expired on 31 March 2010 and no new awards can be granted after the sunset date.	Sections 14D, 37B, 37E and 43U [Clause 43] Consequential amendment to Economic Expansion Incentives (Relief from Income Tax) Act Section 66 [Clause 45]