ANNEX A: PROPOSED AMENDMENTS TO THE INCOME TAX ACT AS ANNOUNCED IN THE UNITY BUDGET ON 18 FEBRUARY 2020

S/N	Proposed Legislative Change	Brief Description of Proposed Legislative Changes	Amendment to ITA [Clause in Draft Income Tax (Amendment) Bill 2020]
For Businesses			
1	Grant CIT Rebate for YA2020	To help companies with cash flow, the draft Bill proposes a CIT Rebate of 25% of tax payable, capped at $15,000 per company for YA2020.	Section 92I [Clause 56]
2	Increase the number of YAs for which the current year unabsorbed CA and trade losses for a YA (collectively referred to as "qualifying deductions") may be carried back	The draft Bill proposes to enhance the carry-back relief scheme for YA2020. Under the enhanced scheme, qualifying deductions for YA2020 may be carried back up to 3 immediate preceding YAs, capped at $100,000 of qualifying deductions and subject to conditions. Taxpayers may elect to carry back to the relevant preceding YAs an estimated amount of qualifying deductions available for YA2020, before the actual filing of their income tax returns for YA2020.	Sections 23, 36A, 36C, 37, 37E [Clauses 29, 34, 35, 36, 39
3	Extend and enhance the DTDi scheme	To continue encouraging internationalisation, the draft Bill proposes for the DTDi scheme to be extended till 31 December 2025. In addition, the draft Bill also proposes for the scope of the DTDi scheme to be enhanced to cover the following: a) Third-party consultancy costs relating to new overseas business development to identify suitable talent and build up business network; and	Sections 14B, 14K, and 14KA [Clauses 17, 19, and 20]

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		b) New categories of expenses incurred for overseas business missions (i.e. fees incurred on speaking spots to pitch products/services at overseas business and trade conferences, transporting materials/samples used during the business missions, and third-party consultancy costs to arrange business networking events to promote products/services). Under the draft Bill, the expanded scope is proposed to take effect for expenses incurred on or after 1 April 2020.	
4	Extend the M&A scheme	To continue encouraging companies to consider M&A as a strategy for growth and internationalisation, the draft Bill proposes for the M&A scheme to be extended to cover qualifying acquisitions made on or before 31 December 2025.	Section 37L [Clause 41]
5	Extend the Finance and Treasury ("FTC") scheme	To continue encouraging finance and treasury activities in Singapore, the draft Bill proposes for the FTC scheme to be extended till 31 December 2026.	Section 43G [Clause 46]
6	Provide an option to accelerate the write-off of the cost of acquiring plant and machinery ("P&M")	The draft Bill proposes to allow a taxpayer which incurs capital expenditure on the acquisition of P&M in the basis period for YA2021 (i.e. FY2020) an option to accelerate the write-off of the cost of acquiring such P&M over 2 years. This option, if exercised, is irrevocable. The rates of accelerated CA to be allowed are as follows:	Sections 19A and 34G [Clauses 27 and 32]

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		a) 75% of the cost incurred to be written off in the first year (i.e. YA2021); and, b) 25% of the cost incurred to be written off in the second year (i.e. YA2022). The above option is to be in addition to the options currently available under Sections 19 and 19A of the ITA. No deferment of CA claims is to be allowed under the above option. This means that if a taxpayer opts for the accelerated write-off option, it needs to claim the capital expenditure incurred for acquiring P&M based on the rates of 75% (in YA2021) and 25% (in YA2022).	
7	Provide an option to accelerate the deduction of expenses incurred on renovation and refurbishment ("R&R")	The draft Bill proposes to allow a taxpayer which incurs qualifying expenditure on R&R during the basis period for YA2021 (i.e. FY2020) for the purposes of its trade, profession or business an option to claim R&R deduction in 1 YA (i.e. accelerated R&R deduction). The cap of $300,000 for every relevant period of 3 consecutive YAs will still apply. This option, if exercised, is irrevocable. This option is to be in addition to the existing option currently available under Section 14Q of the ITA.	Section 14Q [Clause 21]
8	Extend and refine the upfront certainty of non-taxation of	To provide upfront certainty of non-taxation of companies' gains on disposal of ordinary shares, the draft Bill proposes for the scheme	Section 13Z and Third Schedule

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	companies' gains on disposal of ordinary shares	under Section 13Z to be extended to cover disposals of ordinary shares by companies from 1 June 2022 to 31 December 2027. In addition, to ensure consistency in the tax treatment for property-related businesses, the scheme is to not apply to disposals of unlisted shares in an investee company that has developed, or mainly carries on the activity of holding immovable properties, or is in the business of trading immovable properties in Singapore or abroad. The tax treatment of such share disposals is to be based on the facts and circumstances of the case. The change is to apply to shares disposed on or after 1 June 2022. The draft Bill also proposes to clarify that the upfront certainty of non-taxation applies to disposals of ordinary shares in an investee company that holds and uses immovable properties to carry on its business. Such business would include the business of letting immovable properties.	[Clauses 15 and 59]
9	Streamline of tax incentive schemes for insurance businesses	To streamline and simplify the Insurance Business Development ("IBD") umbrella scheme, the draft Bill proposes for the Insurance Business Development-Marine Hull and Liability Insurance ("IBD-MHL") scheme to lapse after 31 March 2020. With the lapsing of the IBD-MHL scheme, insurers engaged in the MHL insurance and reinsurance business will be incentivised under the IBD scheme.	Section 43C [Clause 45]
10	Extend and enhance the Maritime Sector Incentive ("MSI")	To continue developing Singapore as an international maritime centre, the draft Bill proposes for the MSI scheme to be extended till 31 December 2026.	Sections 13A, 13F, 13S, 34J,

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		In addition, the the draft Bill proposes for the following changes to be made to the MSI scheme: a) Expand the scope of in-house ship management income exemption under the MSI-Approved International Shipping ("AIS") Award to include such income derived by MSI-AIS Sister Company and MSI-AIS Local Subsidiary; and b) Allow income derived from operating a ship that is provisionally registered with the Singapore Registry of Ships ("SRS") to qualify for tax exemption under the MSI-SRS scheme, regardless of whether a permanent certificate is subsequently obtained. Where a permanent certificate is not obtained, the tax exemption is only allowed up to 1 year from the date of issue of the provisional certificate; Under the draft Bill, the proposed changes in (a) and (b) is to apply to existing and new award recipients for qualifying income derived on or after 19 February 2020.	43W, 43ZA, 43ZB, and 43ZF [Clauses 10, 11, 13, 33, 48, 49, 50, and 51]
11	Extend and refine the Global Trader Programme ("GTP")	To further strengthen Singapore's position as a global trading hub and to encourage more structured commodity financing ("SCF") activities to be done in Singapore, the draft Bill proposes for the GTP to be extended till 31 December 2026.	Section 43P [Clause 47]

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		The draft Bill also proposes for the following changes to be made to the GTP: a) Subsume the qualifying activities of GTP (Structured Commodity Financing) ("GTP(SCF)") under GTP with effect from 19 February 2020; and b) Allow GTP(SCF) to lapse after 31 March 2021. Existing recipients of GTP(SCF) awards can continue to enjoy the tax concession under the GTP(SCF) till the expiry of their awards, if the conditions for approval of their awards continue to be met.	
12	Extend and refine the tax incentives for venture capital funds ("Section 13H scheme") and venture capital fund management companies ("Fund Management Incentive")	To continue encouraging venture capital funding for Singapore-based companies, the draft Bill proposes for the Section 13H scheme and Fund Management Incentive to be extended till 31 December 2025. In addition, the following amendments is to be made to the ITA: <u>Section 13H scheme</u>: a) The list of investments and income incentivised under the Section 13H scheme is to be expanded to include relevant items of the Specified Income – Designated Investments list applicable for fund incentives[1];	Sections 13H, 43ZG, and 107 [Clauses 12, 52, and 58]

[1] Under Sections 13CA, 13R and 13X of the ITA.

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		b) Apart from companies incorporated in Singapore and partnerships, the Section 13H scheme may be granted to venture capital funds which are constituted as foreign-incorporated companies or Singapore Variable Capital Companies; c) The statutory sub-limit imposing a maximum tenure of 10 years for the first tranche of the tax exemption is to be removed, while the 15-year cap on the overall tenure of the tax exemption status remains. This means that the tax exemption may be awarded for the fund life of the venture capital fund, up to a total tenure of 15 years; and Fund Management Incentive: d) The statutory limitations on the total incentive tenure allowed for each venture capital fund management company is to be removed. Instead, each Fund Management Incentive award for the fund manager is to be set at a maximum tenure of 5 years, and can be renewed subject to conditions. The above amendments is to take effect from 1 April 2020.	
13	Extend the Land Intensification Allowance ("LIA") scheme	The draft Bill proposes for the LIA scheme to be extended till 31 December 2025. This refers to the last date a building or structure may be approved for LIA.	Section 18C [Clause 25]

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14	Extend the writing-down allowance (“WDA”) scheme under Section 19D of the ITA for the acquisition of an indefeasible right to use an international submarine cable system (referred to as “Indefeasible Right of Use” or “IRU”)	The draft Bill proposes for the WDA scheme under Section 19D to be extended till 31 December 2025, i.e. WDA is to be allowed on qualifying capital expenditure incurred on or before 31 December 2025 for the acquisition of an IRU.	Section 19D [Clause 28]
15	Streamline the number of years of working life of P&M for CA claims under Section 19 and the Sixth Schedule of the ITA	The draft Bill proposes to simplify CA claims under Section 19 of the ITA by streamling the prescribed working life of P&M in the Sixth Schedule. Businesses claiming annual allowance under Section 19 of the ITA may make an irrevocable election to write down their P&M as follows: a) If the current prescribed working life of the P&M in the Sixth Schedule is 12 years or less, businesses may choose to claim annual allowance over 6 or 12 years; or b) If the current prescribed working life of the P&M in the Sixth Schedule is 16 years, businesses may choose to claim annual allowance over 6, 12 or 16 years. The above is to apply for P&M acquired in or after FY2022, and in cases where P&M were purchased prior to FY2022 and no claim for	Section 19 [Clause 26]

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		CA (both initial and annual allowances) has been made (i.e. the claim for CA in respect of the entire cost of the P&M has been deferred).	
16	Refine the tax treatment of expenditures funded by capital grants	There should be no double incentivisation of recipients through grants and tax deductions or allowances. For capital grants approved on or after 1 January 2021, the draft Bill proposes that recipients are not to be allowed to claim tax deductions or allowances on that part of the expenditures that are funded by such grants from the Government or statutory boards.	Section 37N [Clause 43]
For Individuals			
17	Extend the withholding tax ("WHT") exemption for non-resident mediators	The draft Bill proposes for the WHT exemption to be extended till 31 March 2022.	Section 13 [Clause 9]
18	Extend the WHT exemption for non-resident arbitrators	The draft Bill proposes for the WHT exemption to be extended till 31 March 2022.	Section 13 [Clause 9]
19	Allow the concessionary WHT rate for non-resident public entertainers ("NRPEs") to lapse	The draft Bill proposes for the concessionary WHT rate of 10% to be extended till 31 March 2022. It is to then lapse after 31 March 2022. The concessionary WHT rate for NRPEs was introduced in 2010 to kick-start Singapore's push to being a vibrant global city. Over the years, the local sports and entertainment scenes have developed significantly, and government schemes have been introduced to promote the sector.	Sections 40A and 45GA [Clauses 44 and 55]

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20	Allow the Angel Investors Tax Deduction ("AITD") scheme to lapse	To maintain the resilience and progressivity of the tax system, the AITD scheme was allowed to lapse after 31 March 2020. The amendment proposed in the draft Bill is to allow angel investors, whose approved angel investor status commenced on or before 31 March 2020, to continue to be granted the tax deduction under the AITD scheme in respect of qualifying investments made during the period of his approved angel investor status, subject to existing conditions of the AITD scheme.	Section 37K [Clause 40]