

ANNEX C-1: ENHANCING BUSINESS CASHFLOW AND COMPETITIVENESS

S/N	Name of Tax Change	Current Treatment	New Treatment
1.	Property Tax (PT) rebate for commercial and industrial properties	Nil	<p>A PT rebate of 40% will be given for commercial and industrial properties for calendar year 2009.</p> <p>The rebate is intended to lower business cost for commercial and industrial operators.</p> <p>The Government strongly encourage landlords to pass down the rebate to their tenants.</p>
2.	Property Tax (PT) deferral for land approved for development	Land owners are required to pay PT in advance every year, in January, for the whole year from January to December.	<p>PT deferral of up to two years will be granted to land approved for development.</p> <p>This deferral is to help ease cash-flow for commercial property developers with the intention of developing vacant land.</p> <p>For this PT deferral assistance measure, land approved for development will be defined as land with valid Written Permission (WP) / Provisional Permission (PP) from URA, and where the land sites are owned by companies.</p> <p>The PT deferral will take effect immediately from 22 January 2009, or from the date of WP / PP, whichever is later.</p>

			It will lapse on 21 January 2011, or upon Temporary Occupation Permit (TOP), or upon lapsing of the WP / PP (i.e. if the WP / PP is not renewed), or upon transfer of the property, whichever is the earliest.
3.	Deferment of increase in assessment rate for hotel rooms	The PT assessment rate for hotel rooms was due to increase to 25% with effect from 1 January 2009.	<p>The PT assessment rate for hotel rooms will remain at the current 20% for 2009.</p> <p>This will help hoteliers in view of the uncertain conditions in the tourism industry.</p>
4.	Enhancement of loss carry-back relief scheme	<p>Under the existing one year carry-back of current year unutilised capital allowances and trade losses (collectively referred to as qualifying deductions):</p> <p>(a) Only current year qualifying deductions are allowed to be carried back against the assessable income of the Year of Assessment immediately preceding that Year of Assessment in which the capital allowances were granted or the trade losses were incurred;</p> <p>(b) A business may carry back qualifying deductions of up to a limit of \$100,000;</p> <p>(c) The scheme is available to all businesses, including sole</p>	<p>The loss carry-back relief scheme will be temporarily enhanced for Years of Assessment 2009 and 2010.</p> <p>This measure is intended to help businesses which are making losses in this recession with their cash-flow.</p> <p>The enhancements are as follows:</p> <p>(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;</p> <p>(b) The order of setoff of qualifying deductions to the three immediate preceding Years of Assessment will be first to the third Year of</p>

		<p>proprietorships and partnerships;</p> <p>(d) A business has to meet the substantial shareholding test (in the case of a company) and same business test in order to qualify for the scheme.</p>	<p>Assessment, followed by the second Year of Assessment, and then the Year of Assessment immediately preceding the Year of Assessment in which the capital allowance were granted or the trade losses were incurred.</p> <p>(c) The limit on the aggregate amount of current year qualifying deductions that can be carried back will be increased from \$100,000 to \$200,000.</p> <p>These enhancements will be available to all businesses, including sole proprietorships and partnerships, with each business having to meet the same business test in order to qualify for the scheme. For companies, they also have to satisfy the substantial shareholding test.</p> <p>The administrative details will be released by IRAS shortly.</p>
5.	Expansion of scope of Foreign-Sourced Income Exemption	<p>Foreign-sourced dividends, foreign-sourced branch profits and foreign-sourced service income remitted to Singapore by resident non-individuals are exempted from income tax, subject to conditions:</p> <p>a) the specified foreign income must have been subjected to tax in the foreign jurisdiction from which the income is</p>	<p>With effect from 22 January 2009, resident non-individuals and resident partners of partnerships in Singapore will be exempted from tax on their remittance of all foreign-sourced income earned / accrued outside Singapore on or before 21 January 2009, if they remit their foreign-sourced income to Singapore during 22 January 2009 to 21 January 2010 (both dates inclusive).</p>

		<p>received; and</p> <p>b) at the time the specified foreign income is received in Singapore, the headline tax rate of the foreign jurisdiction from which the income is received is at least 15%</p>	<p>The Government will also temporarily lift the conditions that are currently required for foreign-sourced income to be exempted from tax when remitted into Singapore.</p> <p>This is intended to help businesses tap on financing from their overseas investment and operations to meet their business financing needs in Singapore.</p> <p>IRAS will issue more details by April 2009.</p>
6.	Road Tax Rebate	<p>Currently, owners of goods vehicles (including goods-cum-passenger vehicles), buses and taxis pay road tax ranging from \$340 to \$2976 per year.</p>	<p>A 30% road tax rebate will be granted for goods vehicles (including goods-cum-passenger vehicles), buses and taxis for one year.</p> <p>This is part of the relief measures for businesses during the economic downturn.</p> <p>The rebate will take effect on 1 July 2009 and will yield savings of about \$40 million for businesses. Details of the measure will be announced by the Ministry of Transport.</p>
7.	Special (Diesel) Tax Waiver for Un-hired Taxis	<p>Currently, an owner of a diesel taxi pays a special (diesel) tax of \$5,100 per year.</p>	<p>The special (diesel) tax for un-hired taxis will be waived for one year.</p> <p>This is a relief measure for the taxi industry during the economic downturn.</p> <p>The waiver will take effect on 1 March 2009 and will</p>

			yield savings of about \$6 million for the taxi industry. Details of the measure will be announced by the Ministry of Transport.
8.	Extension of Green Vehicle Rebate (GVR) Scheme	Green vehicles currently qualify for a rebate on the Additional Registration Fee (ARF). This is to encourage the purchase of green vehicles, which are more environmentally friendly than their conventional equivalents. The GVR scheme will expire on 31 December 2009.	<p>The GVR scheme will be extended for another two years till 31 December 2011.</p> <p>This is to continue to encourage the adoption of green vehicles.</p> <p>The GVR scheme will be extended till 31 December 2011 as follows:</p> <ul style="list-style-type: none"> (a) For hybrid, electric and CNG passenger vehicles: 40% of the Open Market Value (OMV) of the vehicle at registration (b) For hybrid, electric and CNG buses and commercial vehicles: 5% of OMV at registration <p>Details will be announced by the Ministry of the Environment and Water Resources.</p>
9.	Extension of Special (CNG) Tax Exemption	Compressed Natural Gas (CNG) vehicles are currently exempted from special tax till 31 December 2009.	The special tax exemption for CNG vehicles will be extended for another two years till 31 December 2011. With effect from January 2012, a CNG unit duty will be introduced at \$0.20 per kg and the special tax on CNG cars, which had never been
10.	Introduction of CNG Unit	The CNG fuel is not subjected to any duty,	

	Duty	unlike petrol fuel which is subjected to a duty of \$0.41 or \$0.44 per litre (depending on the grade of petrol).	<p>imposed, will be removed permanently. CNG cars will also not be included in the Green Vehicle Rebate (GVR) scheme with effect from 2012.</p> <p>As CNG is substitutable for petrol, it should be subject to a fuel duty, like petrol. The current situation where CNG cars are granted special tax exemption and the CNG fuel is not subject to tax is meant to be a temporary concession. The CNG unit duty will only be introduced in 2012 to allow CNG car owners time to adjust to the changes.</p> <p>CNG cars will be removed from the GVR scheme as they are not significantly cleaner than petrol cars except for a lower CO₂ emission.</p> <p>The CNG duty will be phased in at \$0.20 per kg. The CNG duty of \$0.20 per kg remains significantly below the \$0.41 per litre we currently levy on petrol¹. The Government will study the appropriate long-term CNG duty rate, which should be benchmarked against the prevailing petrol duty rate, taking into account the relative impact that these two fuels have on the environment.</p> <p>Industrial usage of CNG (e.g. power generation) would be granted duty exemption. Details of the</p>
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¹ Given that CNG per kg has about 1.3 times more energy content and hence mileage than per litre of petrol, the CNG duty should be \$0.53 per kg to normalize it for the same distance travelled (i.e. \$0.41 per litre petrol duty x 1.3).

			implementation of CNG duty will be announced nearer to 2012.
11.	Corporate Income Tax (CIT) rate cut	Currently, the CIT rate is 18%.	<p>The CIT rate will be cut by 1 percentage-point to 17%.</p> <p>This will help maintain Singapore's competitiveness.</p> <p>The rate cut will take effect from the Year of Assessment 2010.</p>
12.	Enhancement of existing Capital Allowances (CA) regime	Capital expenditures incurred in the provision of plant and machinery for the purposes of a trade, profession or business, are granted capital allowances over three years.	<p>Capital expenditure incurred on plant and machinery acquired, for the purposes of a trade, profession or business, in the basis periods for the Years of Assessment 2010 and 2011 will be allowed an accelerated write-down.</p> <p>This is to support businesses who intend to invest in new plants and machinery in preparation for the recovery.</p> <p>With this change, businesses can write down the costs of these newly acquired plants and machinery within two years with 75% of the write-down taking place in the first year of CA claim alone.</p>
13.	Enhancement of tax deduction for capital	A tax deduction is granted on qualifying R&R expenses (except those expenses	Businesses that incur qualifying R&R expenses in the basis periods for the Years of Assessment 2010 and

	expenditure incurred on Renovation and Refurbishment (R&R) works	relating to structural works and expansion of space) incurred during the period from 16 February 2008 to 15 February 2013. The amount incurred will be granted a tax deduction over three years, on a straight-line basis, and is subject to an expenditure cap of \$150,000 for every three years per business entity.	<p>2011 can deduct such expenses in one year instead of over 3 years currently.</p> <p>This is to encourage businesses to refit their business premises in this year and the next. Furthermore, the accelerated write-down from three years to one year will have a direct impact of reducing the income tax payable by businesses, thereby easing the cash-flow pressures that businesses may face.</p> <p>The cap of \$150,000 for every three years per business entity will remain unchanged.</p>
14.	Tax framework for facilitating corporate amalgamations	In an amalgamation under the Companies Act, the amalgamated company takes over all assets and liabilities of the amalgamating companies and the amalgamating companies cease to exist. Under the existing tax treatment, tax consequences are often triggered as the amalgamating companies are treated as having ceased businesses and disposed of their assets and liabilities, and the amalgamated company having acquired or commenced a new business. So, for instance, plant and machinery are treated to have been sold and balancing adjustments have to be made. Bad and doubtful debts taken over by the amalgamated company are neither deductible nor taxable in the hands of the amalgamated company, if the	<p>A new tax framework for qualifying amalgamations will be introduced.</p> <p>It is aimed at minimising the tax consequences arising from amalgamation.</p> <p>This framework will apply to qualifying corporate amalgamations where, amongst other conditions, the amalgamated company takes over all assets and liabilities of the amalgamating companies and the amalgamating companies cease to exist.</p> <p>IRAS will release details of the new tax framework for public consultation in February 2009.</p>

		amalgamated company subsequently writes off or recovers the debt respectively.	
15.	Enhancement of fund management incentives	<p>(a) Existing fund management tax incentives generally grant tax exemption on specified income derived by qualifying funds from designated investments. Qualifying funds can be in the form of companies, trusts or individual accounts.</p> <p>(b) Where a qualifying fund is in the form of a company or a trust, the qualifying fund must not be 100% beneficially owned by resident investors.</p> <p>(c) Resident non-individual investors of a qualifying fund are subject to a 30% or 50% investment limit, as the case may be depending on the number of investors in the fund. A breach of this limit would subject resident non-individual investors to a financial penalty.</p> <p>(d) Where the fund vehicle is a Limited Partnerships, the incentive conditions</p>	<p><u>New Enhanced Tier</u> We will introduce an Enhanced Tier to the existing fund management incentives for funds with a minimum fund size of S\$50 million at the point of application amongst other conditions, with effect from 1 April 2009 to 31 March 2014 (both dates inclusive).</p> <p>This move further positions Singapore as a hub for fund management as it will allow our resident corporates to fully enjoy the benefits of tax exemption on qualifying income earned by the funds which they have invested in.</p> <p>Under the Enhanced Tier, there will be no restrictions imposed on the residency status of the fund vehicles as well as that of investors. The Enhanced Tier will also apply to funds that are constituted in the form of Limited Partnerships i.e. there will no longer be a need to look through to the partners' level to apply the incentive conditions. The 30% or 50% investment limit imposed on resident non-individual investors will also be lifted for funds that come under the Enhanced Tier.</p> <p>Fund managers interested in the Enhanced Tier for</p>

		are to be applied on each partner, to determine if they qualify for the tax incentives.	<p>their funds may apply to MAS for approval.</p> <p><u>Sunset Clause</u> A sunset clause will also be introduced for the Enhanced Tier as well as the existing fund management incentives at the incentive scheme level. Both incentives will expire on 31 March 2014. All funds that are on the scheme on or before 31 March 2014 will continue to enjoy the tax exemption after 31 March 2014, subject to them continuing to meet the scheme conditions.</p> <p>The sunset clause allows us to review schemes on a regular basis and ensure that they continue to be useful to the industry.</p> <p>MAS will release the details by April 2009.</p>
16.	Recovery of input GST for qualifying funds	Services provided to a fund outside Singapore generally qualify for zero-rating whereas services provided to a fund in Singapore are standard-rated. Therefore, funds may incur irrecoverable GST on their expenses unless they qualify for GST registration.	<p>Qualifying funds that are managed by a prescribed fund manager in Singapore will be allowed to claim a substantial portion of their input GST on prescribed expenses.</p> <p>By simplifying the GST rules and process for qualifying funds to claim input GST, this will help promote fund management and administration services in Singapore.</p> <p>This will take effect from 22 January 2009 to 31 March 2014 (both dates inclusive). MAS will release</p>

			the details by April 2009.
17.	Enhancements of Financial Sector Incentive-Headquarter Services (FSI-HQ) scheme	<p>The FSI-HQ scheme grants a 10% concessionary tax rate to a FSI-HQ company on qualifying income derived from providing qualifying services to qualifying network companies.</p> <p>A company cannot be approved as an FSI company if:</p> <p>(a) It is not licensed or approved by MAS or is exempted from such licensing or approval under any Act; and</p> <p>(b) It provides treasury, investment or financial services in Singapore to any of its offices or its associated companies.</p> <p>The tax concession under the FSI-HQ scheme does not extend to income from qualifying services to Local Network Companies (LNC).</p> <p>Separately, there is a tax incentive scheme for provision of high value-added processing services (hereafter referred to as the Qualifying Processing Services Company (QPC) scheme), which grants a 5%</p>	<p>The FSI-HQ scheme will be enhanced for the period of 22 January 2009 to 31 December 2013 (both dates inclusive).</p> <p>The enhancements are to further encourage financial institutions to manage and control their regional / global operations from Singapore.</p> <p>The enhancements are as follow:</p> <p>(a) The FSI-HQ scheme will be amended to admit a company that is (i) wholly-owned, directly or indirectly by, or wholly owns directly or indirectly, a company that is licensed or approved by MAS or by the financial supervisory authority in its home country; and (ii) provides treasury, investment or financial services in Singapore for any of its offices or its associated companies.</p> <p>(b) Withholding tax (WHT) exemption will be granted on interest payments made by a FSI-HQ company to qualifying persons on qualifying loans entered into during the period from 22 January 2009 to 31 December 2013 (both dates inclusive) to perform qualifying activities.</p>

		<p>concessionary tax rate on income derived from providing prescribed processing services in Singapore to any financial institution or another QPC. This incentive is valid for the period from 27 February 2004 to 26 February 2009.</p>	<p>(c) An LNC can be approved as a qualifying network company of a FSI-HQ company, subject to condition.</p> <p>(d) The activities incentivised under the QPC scheme will be subsumed under the FSI-HQ scheme and income from providing prescribed processing services in Singapore to any financial institution or another QPC will be taxed at a concessionary rate of 10%. There will be no other changes to the scope of the QPC scheme. Companies that have been approved during the period from 27 February 2004 to 26 February 2009 will continue to enjoy the concessionary rate of 5% until the end of their respective awards.</p>
			<p>MAS will release the details by April 2009.</p>
18.	Extension and enhancement of Commodity Derivatives Traders (CDT) scheme	<p>The CDT scheme grants a concessionary tax rate of 5% on income derived by an approved company from:</p> <p>(a) Qualifying trades in commodity derivatives carried out Over-The-Counter (OTC) and on exchanges;</p> <p>(b) Services as an intermediary in connection with transactions relating to commodity derivatives; and</p>	<p>Enhancements will be made to the CDT scheme with effect from 27 February 2009.</p> <p>These changes are to capitalise on the success of the CDT scheme and to strengthen our efforts to encourage the development of the exchange-traded market.</p> <p>The enhancements are as follow:</p>

		<p>(c) Forward freight agreements.</p> <p>A qualifying trade is one which satisfies the condition that the transaction is carried out with qualifying counter-parties.</p> <p>The CDT scheme will expire on 26 February 2009.</p>	<p>(a) The CDT scheme will be extended and subsumed under the Financial Sector Incentive-Derivatives Market (FSI-DM) scheme for the period from 27 February 2009 to 31 December 2013 (both dates inclusive). A new FSI-DM(CDT) award will be created;</p> <p>(b) The definition of commodity derivatives is expanded to include emission derivatives under the FSI-DM (CDT) award; and</p> <p>(c) The counter-party restrictions under the FSI-DM (CDT) award will be removed for qualifying trades carried out on exchanges*.</p> <p>Enhancements (b) and (c) apply to trades entered into during the period of 27 February 2009 to 31 December 2013 (both dates inclusive).</p> <p>MAS will release the details by April 2009.</p> <p><i>* This enhancement will also apply to qualifying trades carried out under the Global Trader Programme (GTP) and are entered into during the period of 27 February 2009 to 31 December 2013 (both dates inclusive).</i></p>
19.	Enhancements of specified income and designated investments lists	Currently, there is a list of specified income and a list of designated investments used under the following financial sector tax	Both lists will be enhanced with effect from 22 January 2009.

		<p>incentive schemes:</p> <ul style="list-style-type: none"> (a) Foreign trust scheme (b) Fund management incentives (c) Approved Trustee Company (ATC) scheme (d) Financial Sector Incentive- Standard Tier Scheme (e) Financial Sector Incentive-Fund Management scheme 	<p>The enhancements will enable our tax incentives to keep up with industry development and changes.</p> <p>The specified income list will be expanded to cover:</p> <ul style="list-style-type: none"> (a) Income realised (other than through sale) on or after 22 January 2009 from designated investments in other forms (held to maturity, redemption, or where the realisation leads to a transfer of both economic and legal ownership) (b) Income derived from debt securities under the Qualifying Debt Securities (QDS) scheme, specifically: <ul style="list-style-type: none"> (ii) Prescribed income directly attributable to QDS issued on or after such date as may be prescribed by regulations. (iii) Amount payable on any Islamic debt securities which are QDS issued on or after 22 January 2009. <p>The designated investments list will also be expanded to cover the following</p> <ul style="list-style-type: none"> (a) Investments in structured products (b) Units in business trusts (c) Qualifying Islamic investments involving the <i>Murabaha, Mudaraba, Ijara wa Igtina, Musharaka, Istisna</i> and <i>Salam</i> concepts
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			<ul style="list-style-type: none"> (d) Emissions derivatives (e) Stocks and shares of unlisted companies (whether resident or non-resident in Singapore) denominated in any currency (f) Adjudicated and non-adjudicated liquidation claims <p>MAS will release the details by April 2009.</p>
20.	GST zero-rating for the aerospace industry	<p>Zero-rating of GST is allowed for:</p> <ul style="list-style-type: none"> (a) Sale and lease of qualifying aircraft; and (b) Sale of aircraft components exported as well as Maintenance, Repair and Overhaul (MRO) works that are performed <u>directly</u> on aircraft <p>provided that the aircraft is not used for recreational or pleasure purposes.</p>	<ul style="list-style-type: none"> a) The scope of qualifying aircraft will be expanded to include all aircraft which are wholly used or intended to be wholly used for international transportation of goods and passengers. This includes private aircraft, provided that it is wholly used or intended to be wholly used for travel outside Singapore. b) Zero-rating is extended to cover the sale, maintenance or repair services of aircraft components or systems as long as they form part of a qualifying aircraft. c) A new scheme will also be introduced to facilitate the import of aircraft components or systems for qualifying aircraft without GST. <p>The above changes will ease GST compliance for the MRO businesses, and are in line with current zero-rating concessions granted for international</p>

			<p>transportation of goods or passengers.</p> <p>These changes will take effect from 1 April 2009 and IRAS will release the details by March 2009.</p>
21.	Suspension of GST and duty on goods temporarily removed from Zero-GST or Licensed warehouse for auctions and exhibitions	GST and duty are payable when goods are removed from a Zero-GST or Licensed warehouse.	<p>With effect from 1 April 2009, GST and duty will be suspended on goods (including wine) temporarily removed from a Zero-GST or Licensed warehouse for auctions or exhibitions, even if the goods are sold during the auction or exhibition, provided the goods are returned to the warehouses subsequently.</p> <p>This is intended to promote specialised storage facilities and auctions / exhibitions in Singapore.</p> <p>Singapore Customs will release the details by March 2009.</p>
22.	Exemption of duty and GST for a specified quantity of wine for approved wine exhibitions and conference events.	Duty and GST are payable for wine used at wine exhibitions and conference events.	<p>Duty and GST will be exempted for a specified quantity of wine for use at approved wine exhibitions and conference events with effect from 1 April 2009.</p> <p>This is to promote wine trading activities and help develop the wine industry in Singapore.</p> <p>Duty exemption and GST relief will be granted on up to 3 bottles of wine per label per day for each exhibitor and the main conference organiser at approved wine exhibitions and conference events. Singapore Customs will release the details by March 2009.</p>

23.	Accelerated Writing-Down Allowances (WDA) for acquisition of Intellectual Property (IP) rights for Media and Digital Entertainment (MDE) content	Capital expenditure incurred by a company or partnership in acquiring all genres of IP rights can automatically be written down over a period of five years under the WDA scheme, if the legal and economic ownership of the IP rights are acquired. Where only economic ownership of the IP rights is acquired, but not the legal ownership, approval has to be obtained from EDB for WDA to be claimed.	<p>The writing-down period for WDA in respect of capital expenditure incurred by a MDE company or partnership in acquiring qualifying IP rights for MDE content will be reduced from five years to two years, subject to conditions.</p> <p>This will encourage MDE businesses to actively exploit their IP rights from Singapore.</p> <p>The accelerated WDA will be granted on an approval basis by EDB for qualifying IP rights for MDE content acquired during 22 January 2009 to 31 October 2013 (both dates inclusive).</p> <p>Approval for the accelerated WDA on IP rights for MDE content is required for all instances, including cases where both economic and legal ownership of the IP rights for MDE content are acquired.</p>
24.	Extension and enhancement of withholding tax (WHT) exemption for maritime industry	Under the Block Transfer Scheme (BTS), WHT exemption can be granted in respect of interest payable on a loan taken by a shipping enterprise from a lender outside Singapore to acquire a Singapore-flagged ship. This WHT exemption was for ships registered with the Singapore Registry of Ships (SRS) on any date from 1 November 2003 to 31 December 2008.	<p>The WHT exemption under the BTS has been extended by five years to 31 December 2013.</p> <p>This is to encourage the growth of the SRS and to reap the strategic and economic benefits of a sizeable shipping registry.</p> <p>WHT exemption can be granted, subject to terms and conditions, on interest payable on a loan taken by a shipping enterprise from a lender outside Singapore</p>

			<p>to acquire a ship that is a new entrant to the SRS and registered with the SRS on any date from 1 January 2009 to 31 December 2013 (both dates inclusive).</p> <p>In addition, with effect from 1 January 2009, the WHT exemption under the BTS has been extended to interest payable on a loan taken by a shipping enterprise from a lender outside Singapore to acquire 100% of the shares in a Special Purpose Company (SPC) owning 100% of a ship that is a new entrant to the SRS and registered with the SRS on any date from 1 January 2009 to 31 December 2013 (both dates inclusive).</p>
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