

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

<b>S/N.</b>	<b>Legislative Change</b>	<b>Brief Description of Legislative Change</b>	<b>Amendment to ITA [Clause in Income Tax (Amendment) Bill 2018]</b>
1	Introduce the Intellectual Property Development Incentive (“IPDI”)	<p>To encourage the use of IPs arising from taxpayer’s R&amp;D activities, it was announced in Budget 2017 that IP income will be incentivised under the IDI. The IDI incorporates the internationally-agreed tax standard on the design of preferential tax regimes for IP i.e. income (the modified nexus approach) under the Organisation of Economic Co-operation and Development (“OECD”)’s Base Erosion and Profit Shifting project.</p> <p>The IDI will be effective from 1 July 2018.</p>	<p>Sections 14D, 37B, 37E, 43ZI</p> <p>[Clauses 36, 50(f)]</p>
2	Enhance Inland Revenue Authority of Singapore (“IRAS”)’s powers to investigate tax crimes	<p>To deal with fraud syndicates and recalcitrant taxpayers more effectively, the following changes will be introduced:</p> <p>(a) Enhance IRAS’ investigative powers for investigation of serious tax crimes, or where the suspect attempts to destroy evidence, by introducing the (i) power of forced entry, (ii) power of arrest without warrant and (iii) power of body search, with proper safeguards. These powers will be exercised only by trained IRAS investigation officers and where necessary;</p>	<p>Sections 2(1), 4, 65B, 65F to 65J, 98, 105F, 105N</p> <p>[Clauses 2(b), 3, 41, 42, 45, 46, 47]</p>

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		<p>(b) Align the penalties for persons who obstruct investigations under the ITA<sup>1</sup> with those under the Goods and Services Act<sup>2</sup>; and</p> <p>(c) Expand IRAS' powers to gather all information that is relevant to its investigations from a person.</p> <p>The amendments will take effect from the date the Amendment Act is published in the Gazette.</p>	
3	Sharing of information by IRAS with law enforcement agencies to combat serious crimes	To facilitate Whole-of-Government enforcement against serious crimes, the ITA will be amended to allow IRAS to share information to other law enforcement agencies for the investigation or prosecution of specified serious crimes. Serious crimes are offences listed in First and Second Schedules of the Corruption, Drug Trafficking and Other Serious Crimes (Confiscation of Benefits) Act. Information shared with law enforcement agencies is to be disclosed only to the prescribed officers in that law enforcement agency. Further disclosure of such information which is not for the purpose of investigation or prosecution will be an offence.	Section 6 [Clause 4]

<sup>1</sup> General Obstruction is an offence under section 98 of the ITA. The penalties for an offence under section 98 is currently provided under section 94 (general penalties provision which prescribes a fine of \$1,000 or an imprisonment of not more than 6 months in a default of the fine.)

<sup>2</sup> A fine of \$10,000 or an imprisonment of not more than 12 months or both.

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		The amendment will take effect from the date the Amendment Act is published in the Gazette.	
4	Allow tax deduction for motor car-related expenses for private-hire car (“PHC”) drivers, against their fare-takings and make other changes in relation to PHCs and taxis	<p>Unlike taxi drivers, PHC drivers are currently not allowed to claim tax deduction on car-related expenses. We have reviewed this with the Ministry of Transport, as part of our periodic review and arising from feedback from various Members of Parliament and the National Private Hire Vehicles Association (NPHVA). Taxi drivers and PHC drivers now provide similar point-to-point transport services.</p> <p><u>Deduction for car-related expenses to be allowed</u></p> <p>We will allow tax deduction on car-related expenses incurred by PHC drivers, against their driving income. Such expenses include car rental and petrol.</p> <p>To ease compliance in claiming tax deduction, a PHC driver, subject to conditions, will be allowed to claim tax deduction for:</p> <ul style="list-style-type: none"> <li>(a) expenses (other than service fees paid to platform providers) incurred to earn driving income based on a deemed expense ratio prescribed in the Income Tax Act, set at “40% of all driving income less service fees”; and</li> <li>(b) service fees paid to platform providers based on the actual amount incurred under normal tax rules.</li> </ul>	<p>Sections 2, 14ZC, 15, 19</p> <p>[Clauses 2(a), 22, 23, 24]</p>

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		<p>Alternatively, instead of the treatment at para (a) and (b), the PHC driver may opt to claim tax deduction based on the actual amount of running expenses and service fees incurred in earning driving income.</p> <p>A numerical illustration of the application of the 40% deemed expense ratio for a PHC driver is as follows:</p> <table border="1" data-bbox="711 716 1570 1357"> <thead> <tr> <th></th> <th style="text-align: right;">\$</th> </tr> </thead> <tbody> <tr> <td>Annual fare-takings</td> <td style="text-align: right;">46,000</td> </tr> <tr> <td>Less: 20% service fees paid to platform provider</td> <td style="text-align: right;">(9,200)</td> </tr> <tr> <td>Incentives given by platform provider, on which no service fee is charged</td> <td style="text-align: right;">15,600</td> </tr> <tr> <td>Total driving income, net of service fees</td> <td style="text-align: right;">52,400</td> </tr> <tr> <td>Less: 40% deemed expense ratio</td> <td style="text-align: right;">(20,960)</td> </tr> <tr> <td><b>Net earnings / assessable income</b></td> <td style="text-align: right;"><b>31,440</b></td> </tr> </tbody> </table> <p style="text-align: right;"><b>Note:</b> This is before claims for personal income tax reliefs.</p>		\$	Annual fare-takings	46,000	Less: 20% service fees paid to platform provider	(9,200)	Incentives given by platform provider, on which no service fee is charged	15,600	Total driving income, net of service fees	52,400	Less: 40% deemed expense ratio	(20,960)	<b>Net earnings / assessable income</b>	<b>31,440</b>	
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		<p>Taxi drivers will similarly be allowed to opt for the treatment referred to in paragraph (a) and (b), to ease their tax compliance. Alternatively, taxi drivers can choose to continue with their current practice of claiming tax deduction based on the actual amount incurred on relevant expenses.</p> <p><u>No capital allowance for purchase cost of the cars</u></p> <p>Capital allowance for the purchase costs of cars will continue to be not allowed for PHC drivers.</p> <p>As for taxi drivers, currently, almost all do not own their taxis and thus do not claim capital allowance. Only about 80 taxi drivers hold a valid taxi service operator licence first issued to them prior to 1 January 1975, which allow them to own a taxi. These licensees drive yellow-top taxis. For these taxi drivers, their capital allowance will be grandfathered.</p> <p>The above changes in tax treatment maintain support for our long-standing policies on car ownership, while updating our tax regime to allow deduction for car-related expenses incurred by PHC drivers.</p> <p>The amendments will take effect from YA 2019, i.e. income earned in 2018.</p>	

S/N.	Legislative Change	Brief Description of Legislative Change	Amendment to ITA [Clause in Income Tax (Amendment) Bill 2018]
5	Extend the qualifying project debt securities (“QPDS”) scheme	To make consequential amendments arising from the announcement in Budget 2017 on extending the exemption of qualifying income from QPDS to 31 December 2022.	Sections 45, 45A  [Clauses 37, 38]
6	Extend the re-domiciliation tax framework	To facilitate the inward re-domiciliation <sup>3</sup> of foreign companies which carried on a trade or business in Singapore via a branch or permanent establishment prior to re-domiciliation, the re-domiciliation tax framework is modified to cater to such companies.  The amendment will take effect from 26 October 2017 <sup>4</sup> .	Section 34G  [Clause 28]
7	Introduce a tax exemption for insurance risk pooling entities	To support sovereign risk pooling, a tax exemption will be granted for not-for-profit insurance risk pooling entities which are set up solely to underwrite sovereign catastrophic risks, where all benefits accrue only to the insured governments.  The amendment will take effect from the date the Amendment Act is published in the Gazette.	Section 13  [Clause 9(h), (i)]
8	Provide transitional measure for Aircraft Leasing Scheme	To provide transitional measure for existing ALS recipients, by allowing them to opt in for applying the tax rate under their existing	Section 43Y

<sup>3</sup> Inward re-domiciliation is a process where a company transfers its registration from one jurisdiction to another, without setting up a new legal entity. The entity will cease to exist in the original jurisdiction, and the obligations, liabilities, property rights or proceedings of/against the re-domiciled company and its directors and members will not be affected, and the re-domiciled company must comply with the applicable laws in the new jurisdiction.

<sup>4</sup> Date of gazette of Income Tax (Amendment) Act 2017

S/N.	Legislative Change	Brief Description of Legislative Change	Amendment to ITA [Clause in Income Tax (Amendment) Bill 2018]
	<p>(“ALS”) recipients arising from streamlining of tax rates from 5%/10% to 8% as announced in Budget 2017</p>	<p>award to qualifying income derived from leasing of aircrafts or aircraft engines acquired during their existing award tenure, until the aircrafts or aircraft engines are disposed of or 31 December 2027, whichever is earlier.</p> <p>The above proposed transitional measure eases transition to the new tax rate under ALS. In Budget 2017, the concessionary tax rate under the ALS was streamlined from 5% and 10% to a single tax rate of 8%. The revised tax rate will apply to ALS awards approved or renewed on and after 1 April 2017<sup>5</sup>.</p> <p>The transitional measure will be applicable to existing 5%/10% ALS recipient approved on or before 31 March 2017, subject to them meeting the commitments under their award.</p>	<p>[Clause 34]</p>
<p>9</p>	<p>Update terms used in section 14I – Provisions by banks and qualifying finance companies for doubtful debts and diminution in value of investments in securities</p>	<p>Section 14I is amended to update terms to align to that under Financial Reporting Standard (“FRS”) 109 tax treatment and MAS’ revised notices for banks and qualifying finance companies.</p> <p>The amendment will take effect from the date the Amendment Act is published in the Gazette.</p>	<p>Section 14I [Clause 18]</p>

<sup>5</sup> The transitional measure is required due to the capital intensive nature of the aircraft leasing industry, where ALS recipients are subject to tax on balancing adjustment upon disposal of aircrafts and aircraft engines, which extend beyond the existing 5%/10% award.

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10	Provide clarity on the scope of qualifying persons where FRS 109 tax treatment is applicable	<p>Provide clarity on tax treatment for a company applying Singapore FRS (“SFRS”) (International) 9, and to address the possibility of a person being seen as a "qualifying person" under both section 34A (FRS 39<sup>6</sup> tax treatment) and section 34AA (FRS 109<sup>7</sup> tax treatment).</p> <p>The amendment will take effect from the date the Amendment Act is published in the Gazette.</p>	<p>Sections 34A, 34AA</p> <p>[Clauses 25, 26]</p>
11	Provide further clarity on the transitional tax adjustments arising from the adoption of FRS 115 <i>Revenue from Contracts with Customers</i>	<p>Provide clarity on the transitional tax adjustments arising from the adoption of the accounting standards, FRS 115 and SFRS (International) 15. The amendment specifies the tax treatment for businesses that are taxed at multiple tax rates and are in a loss position.</p> <p>The amendment will take effect from 26 October 2017<sup>8</sup>.</p>	<p>Sections 34I</p> <p>[Clauses 29]</p>
12	Clarify the tax treatment for leases arising from the adoption of FRS 116 Leases (FRS 116)	<p>FRS 116 will be effective for annual periods beginning on or after 1 Jan 2019. It supersedes existing accounting standards:</p> <p>(a) FRS17 – Leases;</p>	<p>Sections 10D, 10F, 12, 45</p> <p>[Clauses 6, 7, 8, 37]</p>

<sup>6</sup> This is the FRS for Financial Instruments for annual periods beginning on or after 1 January 2005.

<sup>7</sup> This is the FRS replacing FRS 39, for annual periods beginning on or after 1 January 2018.

<sup>8</sup> Date of gazette of Income Tax (Amendment) Act 2017

S/N.	Legislative Change	Brief Description of Legislative Change	Amendment to ITA [Clause in Income Tax (Amendment) Bill 2018]
		<p>(b) INT FRS104 - Determining whether an Arrangement contains a lease;</p> <p>(c) INT FRS 15 - Operating Leases – Incentives; and</p> <p>(d) INT FRS 27 - Evaluating the Substance of Transactions involving the Legal Form of a Lease.</p> <p>Consequential amendments to clarify that the existing tax treatment for leases would continue to apply, notwithstanding the adoption of FRS 116.</p> <p>The amendment will take effect from the date the Amendment Act is published in the Gazette.</p>	
13	Set the rent paid as the default basis of reporting the housing benefits provided to employees	<p>To set the rent paid by employers as the default basis of reporting the housing benefits provided to employees. This helps to ease tax compliance for employers. Where there is no rent paid, the Annual Value of the premises plus imputed furniture and fitting costs will be used as the basis of reporting.</p> <p>This change will take effect from YA 2020.</p>	Section 10 [Clause 5(a)-(d)]
14	Enable the Comptroller to accept the accounting treatment for revenue foreign exchange differences for tax purposes.	<p>To enable the Comptroller to tax or allow as a deduction the revenue foreign exchange gains or losses when they are recognised in the Profit and Loss statements irrespective of whether the foreign currency is physically converted. For those taxpayers who have previously opted out from the above treatment when they lodged</p>	Section 34AB [Clause 27]

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		<p>their tax return for YA 2004, their revenue foreign exchange gains or losses will continue to be taxed or be allowed a deduction when realised.</p> <p>The amendment will take effect from the date the Amendment Act is published in the Gazette.</p>	
15	Repeal section 47 (Special allowance for interest received as trading receipts) and the Fourth Schedule (name of bond, securities, stock or fund that section 47 applies to)	<p>The provision and the Fourth Schedule are no longer used.</p> <p>The amendment will take effect from the date the Amendment Act is published in the Gazette.</p>	Section 47, Fourth Schedule  [Clause 49]
16	Provide clarity on circumstances where the deeming provisions under section 14D(2) would apply	<p>To clarify that the deeming provision will only apply where tax deduction has not been claimed on the expenditure in previous years of assessment.</p> <p>The amendment will take effect from the date the Amendment Act is published in the Gazette.</p>	Section 14D  [Clause 15]
17	Amend the scope of secondary mechanism under Country-by-Country Reporting (“CbCR”)	To allow the Comptroller to implement secondary mechanism for CbCR.	Section 105P  [Clause 48]

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		<p>Secondary mechanism will not be required if a foreign MNE group has filed a CbC report in another jurisdiction and that jurisdiction exchanges the CbC report with Singapore. Conditions for invoking the secondary mechanism will be set out in the Regulations. These conditions will be in line with the OECD’s CbCR guidelines.</p> <p>The amendment will take effect from the date the Amendment Act is published in the Gazette.</p>	
18	Clarify conditions under section 13CA (tax exemption scheme for offshore funds managed by fund managers in Singapore) for companies which do not have issued shares	<p>To ascertain if the investor residency conditions have been met under section 13CA for companies without issued securities, the definition of “issued securities” will be amended to include membership or similar interests in a company.</p> <p>The amendment will take effect from 4 May 2018.</p>	Section 13CA [Clause 10]
19	Provide for the disposal of documents or things seized under the ITA	<p>Where a matter has not proceeded to prosecution, this amendment will allow the disposal of documents or things seized during investigation, if the owner of the seized items fails to collect the items upon the end of investigation after a written notice has been provided to the owner to collect them.</p> <p>The amendment will take effect from the date the Amendment Act is published in the Gazette.</p>	Section 65K [Clause 42]