



**BSL** TAX SERVICES PTE LTD



# 2016 SINGAPORE BUDGET HIGHLIGHTS

## WHY IT MATTERS TO YOU...

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## CORPORATE TAX

- No change to corporate tax rate which remains at 17%. The corporate tax rebate has been increased from 30% to 50% for YA 2016 and YA 2017. The annual cap of \$20,000 for YA 2016 and YA 2017 remains unchanged.
- No change to the Start-Up Tax Exemption Scheme that provides full tax exemption on the first \$100,000 of chargeable income, and 50% tax exemption on the next \$200,000 of chargeable income for first 3 consecutive YA.
- No change to the Productivity and Innovation Credit (“PIC”) Scheme which is available till YA 2018, and allows 400% tax deduction on \$400,000 of qualifying expenditure per activity. For qualifying SMEs, they are allowed expenditure cap of \$600,000 per qualifying activity per YA from YA 2015 till YA 2018.
- Reduce PIC cash payout rate from 60% to 40% for qualifying expenditure capped at \$100,000 incurred from 1 August 2016. All other conditions of the PIC scheme remain unchanged.
- Allow the PIC scheme to expire after YA 2018.
- Introduce 100% Investment Allowance under the Automation Support Package on approved capital expenditure, net of grants.
- Enhance the Mergers & Acquisition (“M&A”) scheme to increase the qualifying M&A consideration cap from \$20m to \$40m. The 25% tax allowance and stamp duty relief will be applied on the new cap of \$40m.
- Extend the upfront certainty of non-taxation of companies’ gains on disposal of equity investments till 31 May 2022.
- Extend the double tax deduction for qualifying expenses incurred on overseas business development and investment study trips, trade fairs and approved local trade fairs till 31 March 2020.
- Enhance the Land Intensification Allowance to buildings used by a user or multiple users who are related for one or multiple qualifying trade or businesses.
- Provide election for writing-down period of 5, 10 and 15 years for Writing Down Allowance claim on qualifying intellectual property rights.
- Introduce a requirement to transfer intellectual property rights at open market value as a specific anti-avoidance mechanism.
- Extend the Finance and Treasury Centre Scheme till 31 March 2021 as well as introduce a 8% concessionary tax rate, and allow indirect transfer of funds from approved offices and associated companies.
- Extend and refine the tax incentive scheme for Trustee Companies to be subsumed under the Financial Sector Incentive scheme from 1 April 2016 with a 12% concessionary tax rate applicable to new awards.

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- Extend and refine the tax incentive for Insurance Companies for Marine Hull and Liability, Specialised Insurance Business and Captive Insurance to be subsumed under the Insurance Business Development umbrella scheme.
- Enhance the Global Trader Programme (Structured Commodity Finance) to include other approved activities.
- Enhance the Maritime Sector Incentive to include operations of ships used for exploration or exploitation of offshore energy or offshore minerals or ancillary activity as well as to cover leasing of ships used for such activities.
- Introduce the Business and IPC Partnership scheme to allow 150% additional tax deduction on wages and incidental expenses incurred by employees who volunteer and provide services to IPCs capped at \$250k per business and \$50k per IPC on qualifying costs.
- Provide allocation of pre-commencement expenses to pre-incentive and incentive income.
- Introduce mandatory electronic filing for corporate income tax returns including estimated chargeable income, Form C and Form C-S.
- Introduce mandatory electronic filing for PIC cash payout application.
- Withdraw the Approved Investment Company Scheme.
- Extend the Not-for-Profit Organisation tax incentive till 31 March 2022.
- Withdraw the tax exemption on income derived by non-residents trading in Singapore in specified commodities via consignment arrangements.

## PERSONAL TAX

- No change to personal tax rates whereby the topline rate remains at 22% with effect from YA 2017
- Introduce a cap of \$80,000 on personal income tax reliefs from YA 2018.
- Remove the tax concession of taxing only 20% of the value of home leave passages for expatriate employees with effect from YA 2018.

## OTHERS

- Extend the Special Employment Credit for the reemployment of older workers aged 55 years and above from 1 January 2017 to 31 December 2019.

### Writer's Caveat

These articles have merely attempted to provide a broad overview on the subject matters. They are not in any way intended to be comprehensive and no specific action should be taken on the basis of the above without consulting your professional advisors.

#### Published by:

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