

AOYAMA SOGO NEWS

Aoyama Sogo Accounting Office Singapore



Income Tax Changes for Businesses in Singapore Budget 2022

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The Singapore Budget for fiscal year 2022 was announced on 18 February 2022 (Friday), focused on enhancing innovation, productivity, and the sustainability of Singapore. Whilst the previous years' Budgets focused primarily on helping Singapore businesses to withstand the challenges brought by COVID-19, Budget 2022 sets its sights on longer-term goals to prepare Singapore businesses for challenges and opportunities post-pandemic.

The income tax changes for businesses are summarised below:

1. Exploration of a Minimum Effective Tax Rate ("METR") Regime

The Ministry of Finance is studying the introduction of a top-up tax called the METR where certain multi-national enterprise group in Singapore will be subject to a METR of 15%.

The Inland Revenue Authority of Singapore ("IRAS") will conduct a thorough study of the METR and consult industry stakeholders on the design of the regime.

2. Extension and Enhancement of the Approved Royalties Incentive ("ARI")

The existing ARI originally scheduled to lapse after 31 December 2023 will be extended until 31 December 2028.

The ARI will also be simplified to cover classes of royalty agreements based on an activity-set-based approach.

The Singapore Economic Development Board will release further details of the changes by 30 June 2022.

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3. Extension of the Approved Foreign Loan (“AFL”) Scheme

The existing AFL Scheme originally scheduled to lapse after 31 December 2023 will be extended until 31 December 2028.

4. Extension of the Tax Framework for Facilitating Corporate Amalgamations under Section 34C of the Singapore Income Tax Act (“SITA”) to Licensed Insurer

Subject to conditions, the existing tax framework for facilitating corporate amalgamations will be extended to cover amalgamation of Singapore companies involving a scheme of transfer under Section 117 of the Insurance Act 1966 (“IA”), where the court order for the confirmation of the scheme referred to under section 118 of the IA is made on or after 1 November 2021.

The tax treatments under the tax framework will apply with the appropriate modifications.

IRAS will provide further details of the changes by 31 October 2022.

5. Facilitation of the Disclosure of Company-Related Information for Official Duties

To facilitate the disclosure of information by IRAS to support data-driven policymaking, operations, and integrated service delivery, the following changes will be made:

- a. Where taxpayers have provided consent for their information to be shared, IRAS can disclose such information to a public officer (or any other authorised person outside the public sector who is engaged by the Government or a statutory board) for the performance of his official duties.
- b. IRAS can disclose a prescribed list of identifiable information on companies to public sector agencies for the performance of official duties. This sharing of identifiable company-related information within the public sector will be conducted without the need for taxpayer’s consent. Any such information shared will be made less granular by IRAS to preserve the taxpayer’s confidentiality, while remaining useful to public sector agencies. Additionally, such information will not be disclosed to any person outside the public sector even if the person is engaged by the Government or a statutory board.

6. Lapse of the Integrated Investment Allowance (“IIA”) Scheme

The existing IIA Scheme will be allowed to lapse after 31 December 2022.

7. Enhancement of the Tax Incentive Scheme for Funds Managed by Singapore-based Fund Manager

Effective 19 February 2022, the conditions imposed on the investments in physical Investment Precious Metals (“IPMs”) will be refined where:

- a. the condition that the investments in physical IPMs need to be incidental to the trading of derivative IPMs will be removed; and
- b. the cap will be revised to 5% of the total investment portfolio for the taxpayer’s incentive award under Sections 13D/13O/13U of the SITA.

The Monetary Authority of Singapore (“MAS”) will provide further details of the changes by 31 May 2022.

8. Extension and Rationalisation of the Withholding Tax (“WHT”) Exemption for the Financial Sector

WHT exemption for the following payments originally scheduled to lapse after 31 December 2022 will be extended until 31 December 2026:

- a. Payments made under cross currency swap transactions by Singapore swap counterparties to issuers of Singapore dollar debt securities;
- b. Interest payments on margin deposits made under all derivatives contracts by approved exchanges, approved clearinghouses, members of approved exchanges, and members of approved clearinghouses;
- c. Specified payments made under securities lending or repurchase agreements by specified institutions; and
- d. Payments made under interest rate or currency swap transactions by MAS.

However, WHT exemption for payments made under interest rate or currency swap transactions by financial institutions will be allowed to lapse after 31 December 2022. Such payments can be covered under the existing WHT exemption for payments on over-the-counter financial derivatives.

MAS will provide any consequential details by 31 May 2022.

9. Extension and Rationalisation of the Tax Incentives for Project and Infrastructure Finance

The following tax incentive schemes originally scheduled to lapse after 31 December 2022 will be extended until 31 December 2025:

- a. Exemption of qualifying income from qualifying project debt securities; and
- b. Exemption of qualifying foreign-sourced income from qualifying offshore infrastructure projects/assets received by approved entities listed on the Singapore Exchange (“SGX”).

However, the tax incentive scheme that offers concessionary tax rate of 10% on qualifying income derived by an approved Infrastructure Trustee-Manager/Fund Management Company from managing qualifying SGX-listed Business Trusts/Infrastructure funds concerning qualifying infrastructure projects/assets will be allowed to lapse after 31 December 2022.

MAS will provide any consequential details by 31 May 2022.

10. Change in Basis of preparing Tax Computations for Insurers from Financial Statements (“FS”) to MAS Statutory Returns

Following the adoption of the new Financial Reporting Standard (“FRS”) 117 for the preparation of FS, the MAS Statutory Returns instead of FS will be used as the basis for insurers to prepare their tax computations. Related consequential adjustments to existing tax treatments will also be introduced.

This change is because of the following:

- a. Insurers will not be able to prepare their tax computations using the FS prepared under FRS 117 as the FS will not provide sufficient information necessary to apply the existing tax rules such as those under Section 26 of SITA; and
- b. Using MAS Statutory Returns as the basis for preparing the tax computations will allow the existing tax rules and tax incentives (if applicable) to continue to apply without adding substantial tax compliance burden on insurers.

This change will take effect from the year of assessment (“YA”) 2024 (or YA 2025 for insurers whose financial year-end is not 31 December).

IRAS will provide further details of the changes by 30 September 2022.

11. Extension of the Broad-Based WHT Exemption for Container Lease Payments made to Non-Tax-Resident Lessors under Operating Lease Agreements

The existing WHT exemption originally scheduled to lapse after 31 December 2022 will be extended until 31 December 2027.

12. Extension of the Broad-Based WHT Exemption for Ship and Container Lease Payments under Finance Lease Agreements for Maritime Sector Incentive (“MSI”) Recipients

The existing WHT exemption originally scheduled to lapse after 31 December 2023 will be extended until 31 December 2028.

13. Extension of the Aircraft Leasing Scheme (“ALS”)

The existing ALS originally scheduled to lapse after 31 December 2022 will be extended until 31 December 2027.

ABOUT THE WRITER



LOUIS MAK

Louis is an accredited tax advisor of the Singapore Chartered Tax Professionals and is currently a tax manager in Aoyama Sogo Accounting Office Singapore Pte Ltd.

Louis has over 20 years of tax work experience in various capacities. Louis started his career in the enforcement division of the Inland Revenue Authority of Singapore, after which he moved into tax consulting where he spent most of his career mainly in the corporate tax departments of first and second tier public accounting firms including PwC Singapore, KPMG Singapore, RSM Singapore and Nexia TS, handling both compliance and advisory works.

Louis also spent a year as an assistant tax manager in a Singapore listed company with operations in Singapore, Malaysia, Hong Kong and Thailand.

Louis has extensive experience managing a portfolio of corporate tax clients and are responsible for a range of tax services. His clients include multinational enterprises as well as companies with local and overseas operations.

Louis holds a diploma in accountancy from Singapore Polytechnic and certificate from the Association of Chartered Certified Accountants.

HOW WE CAN HELP

We, Aoyama Sogo Accounting Office Singapore Pte. Ltd., is a well-established consultancy firm set up in 2011.

We provide a wide range of professional services such as direct & indirect tax compliance, international tax advisory, transfer pricing, accounting, payroll, corporate secretarial and other business support services. Our clients include multinational and local businesses of different industries including maritime, fund management and trading.

Our specialization includes tax and business advisory on maritime and fund-related matters, including the application for the following tax incentives in the Singapore Maritime and Financial Sectors, which provide for tax exemption or concessionary tax rates on qualifying income:

- MSI - Approved International Shipping Enterprise Award for international ship owners and ship operators establishing commercial shipping operations in Singapore;
- MSI - Maritime Leasing Award for entities using Singapore as their capital and funding base to finance their vessels or sea containers;
- MSI - Shipping Related Support Services Award for ancillary shipping service providers and shipping conglomerates establishing corporate services functions in Singapore;
- Withholding tax exemption on interest and related payments made by qualifying shipping enterprises for arrangements to finance the purchase and/or construction of vessels, containers and intermodal equipment; and
- Financial Sector Incentive (FSI) Award for licensed financial institutions with plans to establish or expand their operations in Singapore.

Our team of experienced professionals would be able to offer integrated and customized solutions and services to address your business needs and requirements.

For more information on how we can help to address your tax compliance and advisory needs, please contact the personnel below:

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