



**Paul Wan & Co., Singapore**

Accountants & Business Advisors

# Budget Synopsis



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# 2016



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Compiled by Paul Wan & Co., Singapore Tax Team



## THE BUDGET IN SUMMARY

Singapore 2016 Budget was unveiled in Parliament on 24 March 2016 by the Singapore Minister for Finance, Mr. Heng Swee Keat. The budget aims to transform Singapore economy, equip workers with the right skills and foster a sense of community through a more caring and cared-for Singapore. In addition, there are measures to help the less fortunate and give a head-start to young families so that all Singaporeans will have a hand in shaping our future together.

The key measures mainly targeted at SMEs, lower income groups and seniors on the immediate and medium-term needs in this year's budget are:-

1. Relief for companies such as tax rebate, special employment credit, levies and debt financing;
2. Internationalisation and transformation of enterprises and industries;
3. "Industrial park of the future" in Jurong;
4. Investing heavily in skills upgrading;
5. Help for lower income families with children;
6. Silver support payouts for seniors;
7. More cash assistance for needy households;
8. Building a Outward Bound Singapore (OBS) campus on Coney Island; and
9. No change to property cooling measures.

It is expected that 2016 budget will have an overall surplus of S\$3.4 billion (0.8% of GDP). In addition, Singapore's GDP growth is predicted to be between 1% to 3% (Year 2015 was 2%).

Overall, a prudent budget aimed at balancing the short-term economic concerns with long-term challenges.

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## **CORPORATE AND BUSINESSES**

### **1. CORPORATE INCOME TAX RATE**

The current corporate income tax rate remained unchanged at 17%.

### **2. CORPORATE INCOME TAX (CIT) REBATE**

For Years of Assessment 2016 and 2017, CIT Rebate will be raised from 30% to 50% of the tax payable, subjected to a cap of S\$20,000/-. The increase in the rebate is targeted to help SMEs.

### **3. PRODUCTIVITY AND INNOVATIVE CREDIT (PIC) SCHEME**

The PIC Cash Payout rate applicable for the existing six qualifying activities will be reduced from 60% to 40% on expenditure up to S\$100,000/- incurred on or after 1 August 2016. However, the 400% under the PIC Enhanced deduction on qualifying expenditure incurred will remain status quo. The PIC Cash Payout and enhanced PIC schemes will ceased with effect from Year of Assessment 2019.

### **4. MERGERS AND ACQUISITIONS (M&As)**

To support more M&As, allowance will be granted on up to S\$40 million of the value of the deal, instead of the current cap of S\$20 million. It includes:-

1. Tax allowance of 25% will be granted for up to S\$40 million of consideration paid for qualifying M&A deals per Year of Assessment; and
2. Stamp duty relief will be granted for up to S\$40 million of consideration paid for qualifying M&A deals per financial year.

Companies can now enjoy up to S\$10 million of M&A tax allowances per Year of Assessment. These changes will take effect for qualifying M&A deals made from 1 April 2016 to 31 March 2010.

Further details will be released by IRAS by June 2016.

### **5. SPECIAL EMPLOYMENT CREDIT (SEC)**

SEC was introduced previously to provide employers with a wage offset for workers aged 55 and above earning up to S\$4,000/- a month. The SEC was scheduled to expire in 2016. However, The Minister has extended the SEC for another three years till 2019, as follows:-



Age of worker (years)	Year 2017 to 2019
55 to 59	Up to 3% of monthly wage
60 to 64	Up to 5% of monthly wage
65 and above	Up to 8% of monthly wage (+additional 3% until the re-employment age is raised)

## 6. REVISIONS IN FOREIGN WORKER LEVY

The following are the changes to the Work Permit Holders Levy:-

Sector	Tier	Sector Dependency Ratio	Levy Rates					
			Current		w.e.f. 01/07/2016		w.e.f. 01/07/2017	
			R1 (S\$)	R2 (S\$)	R1 (S\$)	R2 (S\$)	R1 (S\$)	R2 (S\$)
Construction	Basic Tier MYE-Waiver	≤ 8.75%	300/- 600/-	550/- 950/-	300/- 600/-	650/- 950/-	300/- 600/-	700/- 950/-
Services	Basic Tier Tier 1 Tier 2	≤ 10% 10% to 25% 25% to 40%	300/- 400/- 600/-	420/- 550/- 700/-	300/- 400/- 600/-	450/- 600/- 800/-		
Marine	Basic Tier	≤ 81.8%	300/-	400/-	300/-	400/-		
Process	Basic Tier MYE- Waiver	≤ 87.5%	300/- 600/-	450/- 750/-	300/- 600/-	450/- 750/-		
Manufacturing	Basic Tier Tier 1 Tier 2	≤ 25% 25% to 50% 50% to 60%	250/- 350/- 550/-	370/- 470/- 650/-	250/- 350/- 550/-	370/- 470/- 650/-		

The following are the changes to S Pass Holders Levy:-

Tier (Sector)	Sector Dependency Ratio (DR)	Levy Rates	
		Current (S\$)	w.e.f. 1 July 2016 (S\$)
Basic Tier (All)	≤ 10%	315/-	330/-
Tier 2 (Services)	10% -15%	550/-	650/-
Tier 2 (Other Sectors)	10% -20%	550/-	650/-

## 7. SME LOAN ASSISTANCE

The SME Working Capital Loan scheme was introduced, for loans of up to S\$300,000/- per SME. Under this Scheme, the government will co-share 50% of the default risk of such loans with participating financial institutions for 3 years to encourage lending to SMEs.

<b>Use of Funds</b>	For daily operations or for automation and upgrading of factory and equipment
<b>Maximum Loan Quantum</b>	S\$300,000/-
<b>Interest Rate</b>	Subject to PFIs' assessment of risk involved





Businesses must meet the following criteria in order to apply for the loan:-

1. Registered in Singapore;
2. Have at least 30% local shareholding; and
3. Company's group annual sales of not more than S\$100 million OR company's group employment size of not more than 200.

Further details will be released by The Ministry of Trade and Industry (MTI) in due course.

## **8. INTELLECTUAL PROPERTY (IP)**

Businesses will be allowed the flexibility of writing down the cost of acquiring IP over different periods of 5, 10 or 15 years instead of the current 5 years only.

## **9. LAND INTENSIFICATION ALLOWANCE (LIA) SCHEME**

To encourage higher industrial land productivity, effective from 25 March 2016, the LIA scheme will be extended to buildings used by a user or multiple users, who are related, for one or multiple qualifying trades or businesses so long as the conditions are met.

Further details will be released by EDB in due course.

## **10. AUTOMATION SUPPORT PACKAGE**

To help firms grow, a new Automation Support Package was introduced for an initial period of 3 years, administrated by SPRING. It comprise of four components:-

1. A grant to support the roll-out or scaling up of automation projects. The government will fund these projects at up to 50% of project cost, with a maximum grant of S\$1 million.
2. For qualifying projects, a new 100% Investment Allowance may be eligible on approved capital expenditure, net of grants and is capped at S\$10 million per project. This is in addition to the existing capital allowance for plant and machinery.
3. Improve SMEs' access to loans for qualifying projects.
4. For large-scale automation projects, IE Singapore will work together with SPRING in relevant cases to help these businesses to access overseas markets.

Further details will be released by The Ministry of Trade and Industry (MTI) in due course.



## **11. REVITALISATION OF SHOPS SCHEME**

The Revitalisation of Shops package for businesses will be enhanced to support promotional activities and upgrading projections in HDB town centres and neighbourhood centres.

Further details will be released by SPRING in due course.

## **12. DOUBLE TAX DEDUCTION ON EXPENSES (DTD)**

DTD for Internationalisation Scheme will be extended till 31 March 2020 for qualifying expenses up to S\$100,000/- incurred for activities such as participation in overseas business development and investment study trips.

Further details will be released by IE Singapore by June 2016.

## **13. DONATIONS IN CASH AND/OR IN-KIND**

Currently, a 250% tax deduction is allowed for donations of cash and qualifying in-kind donations such as land and computers, to certain Institutions of Public Character (IPCs).

From 1 July 2016 till 31 December 2018, businesses that organize their employees to volunteer and provide services to IPCs, including secondments, will receive a 250% tax deduction on associated cost incurred, subject to the receiving IPC's agreement. This deduction will be subjected to a yearly cap of S\$250,000/- per business and S\$50,000/- per IPC.

Furthermore, from April 2016 to March 2019, a dollar-for-dollar matching for any donations through SHARE, over and above the FY2015 level will be provided. Where businesses encourage their staff to donate regularly, part of the matching funds will be allowed to be used by them to organize Corporate Social Responsibility activities.

Further details will be released by The Minister for Social and Family Development in due course.

## **14. MARITIME SECTOR INCENTIVE (MSI)**

MSI will be enhanced with effect from to include:-

1. Income derived from the operation of ships (MSI-Singapore Registry of Ships (MSI-SRS) and the MSI-Approved International Shipping Enterprise (MSI-AIS) awards) and income derived from leasing of ships (MSI-Maritime Leasing (Ship) (MSL-ML (Ship)) award) used for or ancillary activities relating to exploration or exploitation of offshore energy or offshore minerals.



2. The restriction on the qualifying counterparty's requirement under MSI-ML(Ship) award will be removed. Therefore, tax exemption will be granted on income derived from leasing of ships used for qualifying activities to any counterparties for use outside the port limits of Singapore.

Further details will be released by MPA by June 2016.

## **15. GAINS ON DISPOSAL OF EQUITY INVESTMENTS (SECTION 13Z)**

Non-taxation of companies' gains on disposal of their equity investment will be extended until 31 May 2022 (to cover disposal of equity investments from 1 June 2017 to 31 May 2022). All conditions of the scheme remained the same.

## **16. JURONG INNOVATION DISTRICT**

An "Industrial park of the future" in Jurong will extend beyond manufacturing and a body to bring together facilities for learning, research, innovation and production. In addition, a new SG-Innovation body will be setup to help start-ups. The government will match them with mentors, introduce them to venture capital firms and help them go aboard.

## **17. APPROVED INVESTMENT COMPANY SCHEME (SECTION 10A)**

As this scheme is assessed to be no longer relevant, it will be withdrawn from Year of Assessment 2018.



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## GOODS AND SERVICES TAX (GST)

### 1. GOODS AND SERVICES TAX (GST)

As expected, it is unlikely that the GST rate will increase at this point of time as the economy does not appear to be promising. In addition, it is unlikely that by increasing the GST rate is the only solution in generating revenue.

Period covered	GST rates
* 01/04/1994 to 31/12/2002	3%
01/01/2003 to 31/12/2003	4%
01/01/2004 to 30/06/2007	5%
01/07/2008 and thereafter	7%

\* Date GST was first implemented in Singapore



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## INDIVIDUALS AND HOUSEHOLDS

### 1. INDIVIDUAL INCOME TAX RATE

The Minister has already unveiled in 2015 Budget, the individual income tax rate changes for Singapore resident individuals for the Years of Assessment 2016 and 2017. Therefore, there is no necessity to revise the rates in this year's Budget. The revised tax rates for Years of Assessment 2016 and 2017 are shown below:-

	YA 2016 and before			With effect from YA 2017		
	Chargeable Income* (S\$)	Tax Rate (%)	Gross Tax Payable (S\$)	Chargeable Income* (S\$)	Tax Rate (%)	Gross Tax Payable (S\$)
On the first	20,000/-	0	0	20,000/-	0	0
On the next	10,000/-	2	200/-	10,000/-	2	200/-
On the first	30,000/-	-	200/-	30,000/-	-	200/-
On the next	10,000/-	3.5	350/-	10,000/-	3.5	350/-
On the first	40,000/-	-	550/-	40,000/-	-	550/-
On the next	40,000/-	7	2,800/-	40,000/-	7	2,800/-
On the first	80,000/-	-	3,350/-	80,000/-	-	3,350/-
On the next	40,000/-	11.5	4,600/-	40,000/-	11.5	4,600/-
On the first	120,000/-	-	7,950/-	120,000/-	-	7,950/-
On the next	40,000/-	15	6,000/-	40,000/-	15	6,000/-
On the first	160,000/-	-	13,950/-	160,000/-	-	13,950/-
On the next	40,000/-	17	6,800/-	40,000/-	18	7,200/-
On the first	200,000/-	-	20,750/-	200,000/-	-	21,150/-
On the next	120,000/-	18	21,600/-	40,000/-	19	7,600/-
On the first				240,000/-	-	28,750/-
On the next				40,000/-	19.5	7,800/-
On the first				280,000/-	-	36,550/-
On the next				40,000/-	20	8,000/-
On the first	320,000/-	-	42,350/-	320,000/-	-	42,350/-
In excess of	320,000/-	20		320,000/-	22	

### 2. INDIVIDUAL INCOME TAX RELIEF CAP

A cap on the total amount of personal income tax relief at S\$80,000/- per Year of Assessment has been introduced and will take effect from Year of Assessment 2018.



### 3. EXPATRIATE HOME LEAVE PASSAGE

Effective from Year of Assessment 2018, the tax concession of 20% on value of home leave passages for expatriate employees, their spouse and children will be removed.

Currently, air passages for home leave that expatriate employees, their spouses and children enjoy are taxed at 20% of their value instead of the full cost of the passages.

### 4. SUPPORTING OUR PEOPLE THROUGH CHANGE

As economic cycles shorten and changes occur faster, the pressure on people to adapt will rise. Dealing with change will be a long-term endeavor. It is important that firms raise productivity and aim for a virtuous cycle of higher skills, higher productivity and higher wages. New skills are constantly needed as technologies change rapidly. Hence, the people should remain adaptable, learn, unlearn and relearn quickly, so that they can stay relevant and seek new careers.

The government together with employers and unions will support by:-

#### 1. Investing in SkillsFuture

Since SkillsFuture started from 1 January 2016, Singaporeans have put in many initiatives to learn new skills. This will broaden and deepen their skills with better education and training.

#### 2. Adapt and grow initiative

To support our people amidst softening economic conditions and ongoing restructuring, MOM will enhance employment support through this initiative by helping them to adjust to changing job demands and grow their skills.

#### 3. Enabling to seize new opportunities

The government will support the people to acquire new skills and match them to new opportunities in growing sectors.

Further details will be released by The Ministers for Communications and Information, Education, Manpower, National Development, and Trade and Industry in due course.

### 5. BUILDING A CARING AND RESILIENT SOCIETY

The government hope Singapore will become a great place to raise a family, able to bring out the best in every Singaporean, a society that takes care of all wards of life.





1. Child Development Account First Step Grant

The government will introduce a new Child Development Account (CDA) First Step Grant for all Singaporean children by automatically credited S\$3,000/- in their child's CDA with their parents. This can be used for their children's healthcare and childcare needs. This will apply to eligible babies born from 24 March 2016 onwards.

In addition, the government will match dollar-for-dollar co-savings grant capped at S\$3,000/- to S\$15,000/- each child depending on their birth order as shown in the table below:-

CDA First Step Grant and Total Government CDA Grant

Birth Order	New CDA First Step grant for each child	Adjusted co-savings caps (Government matches savings by parents, up to these caps)	Maximum Government contribution for each child
1 <sup>st</sup> and 2 <sup>nd</sup>	S\$3,000/-	S\$3,000/-	S\$6,000/-
3 <sup>rd</sup> and 4 <sup>th</sup>	S\$3,000/-	S\$9,000/-	S\$12,000/-
5 <sup>th</sup> and higher	S\$3,000/-	S\$15,000/-	S\$18,000/-

2. Medisave withdrawal limit for pre-delivery medical expenses

Medisave withdrawal limit for pre-delivery medical expenses will be doubled from S\$450/- to S\$900/- with effect from 24 March 2016.

Further details will be released by the National Population and Talent Division in due course.

3. KidSTART initiative

The government will pilot a new initiative, called KidSTART, for children in their first six years. This is to help children to receive appropriate learning, developmental, and health support. The government will develop approaches that work best in the Singapore context.

Further details will be released by The Minister for Social and Family Development in due course.

4. Fresh Start Housing Scheme

This scheme is available for families who own a flat previously but sold it subsequently and now living in public rented flats. Grant of up to S\$35,000/- will be provided to such families with young children to own a 2-room flat, with a shorter lease provided they stay employed and their children are attending school.

Further details will be released by The Minister for National Development in due course.



## 6. ENHANCING WORKFARE INCOME SUPPLEMENT (WIS) SCHEME

To encourage workers who are 35 years old and above to join the workforce, the WIS scheme will be enhanced from January 2017 by:-

1. Raising the qualifying income ceiling from the current average wage of S\$1,900/- per month to S\$2,000/- per month.
2. Increase in WIS payouts of S\$100/- to S\$500/- depending on their age. 40% of the WIS will be payout in cash and balance 60% credited to their CPF account on a monthly basis instead of the current quarterly basis.
3. To be eligible for the payout, the worker must work 2 out of 3 consecutive months, or 3 out of 6 consecutive months, or 6 out of 12 consecutive months in a year.

Maximum WIS payout per year for work done from Jan 1, 2017

Age group (years)	Maximum WIS Payout per year	
	Employees	Self-employed
35 to 44	S\$1,500/-	S\$1,000/-
45 to 54	S\$2,200/-	S\$1,467/-
55 to 59	S\$2,900/-	S\$1,933/-
60 and above	S\$3,600/-	S\$2,400/-

## 7. PERSONS WITH DISABILITIES AT WORK

Persons under 35 years old with disabilities who want the opportunity to contribute through work and able to meet the WIS criteria, will also benefit from the WIS enhancements.

Employer who hire persons with disabilities who earn up to S\$4,000/- a month will continue to receive the SEC. They will receive a credit of up to 16% of the employees' wages, twice as large as the SEC for older workers.

Currently, only low wage workers 35 years old and above are eligible for the workfare Training Support scheme. To better support persons with disabilities in their learning, persons with disabilities who earn low wages and are under 35 years old, are now eligible for the Workforce Training scheme.

Further details will be released by The Minister for Social and Family Development in due course.

## 8. SILVER SUPPORT SCHEME

To help Singaporeans aged 65 and above having lower incomes over their lifetimes and less retirement support, eligible seniors must meet the following criteria:-

1. CPF contributed into the individual's CPF account in total is less than S\$70,000/- by age of 55;
2. Own and stay in 4-room or smaller HDB flat; or stay in 5-room HDB flat but not owner; and
3. Average monthly income per household member is less than S\$1,100/-.



### Silver Support Payouts

Live in HDB	Payout per quarter
1- and 2-room	\$750/-
3-room	S\$600/-
4-room	S\$450/-
5-room*	S\$300/-

\* Note: Live in and do not own a 5-room HDB flat.

The CPF Board will notify eligible seniors before the first payout is made. No application is required.

## 9. PUBLIC ASSISTANCE AND SINGAPORE ALLOWANCE

Currently, those who are permanently unable to work, and have little or no means of income and family support, receive free or highly subsidized social services and free medical treatment in polyclinics and public hospitals. In addition, they receive a basic monthly cash allowance of S\$790/- through the Public Assistance scheme. This allowance will be increased to S\$870/- per month.

Further details will be released by The Minister for Social and Family Development in due course.

To help government pensioners who draw lower pensions, the Singapore Allowance and monthly pension ceiling will be increased by S\$20/- per month each to S\$300/- and S\$1,230/- respectively.

## 10. ONE-OFF GST VOUCHER – CASH SPECIAL PAYMENT

A one-off GST Voucher – Cash Special Payment of up to S\$200/- will be given to eligible GST Voucher – Cash recipients. In total, eligible households can receive up to S\$500/- in GSTV – Cash in 2016 as follows:-

Assessable Income for YA 2015 ≤ S\$26,000/-	Annual Value of Home as at 31 Dec 2015	
	Up to S\$13,000/-	S\$13,001/- to S\$21,000/-
Aged 21 and above	S\$300/- + S\$200/- GSTV – Cash Special Payment  Total in 2016: S\$500/-	S\$150/- + S\$100/- GSTV – Cash Special Payment  Total in 2016: S\$250/-

Note: Recipients should not own more than one property.



## 11. SERVICE AND CONSERVANCY CHARGES (S&CC) REBATES

Eligible HDB households will be provided with a One-off one to three months of S&CC rebates for 2016, as follows:-

HDB Flat Type	FY2016 S&CC Rebate (No. of months offset)
1- and 2-room	3
3- and 4-room	2
5-room	1.5
Executive / Multi-Generation	1



## **OTHERS**

### **1. NATIONAL OUTDOOR ADVENTURE EDUCATION MASTERPLAN**

A Outward Bound Singapore (OBS) adventure school will be built by 2020 on the rustic Coney Island in Singapore's north-east giving our young people the chance to go for an OBS expedition.

Further details will be released by The Minister for Culture, Community, and Youth in due course.

### **2. SINGAPORE FUND**

A new fund, called "Our Singapore Fund" will support projects that build the spirit of caring and resilience, nurture our can-do spirit, and promote unity and our sense of being Singaporean.

The total fund size will be up to S\$25 million and it will set up by the second half of 2016.

Further details will be released by The Minister for Culture, Community, and Youth in due course.

### **3. PROPERTY COOLING MEASURES**

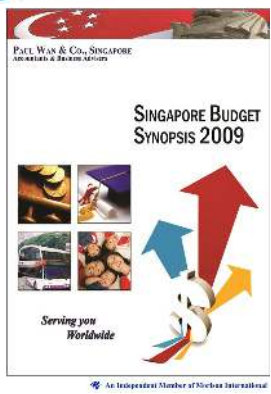
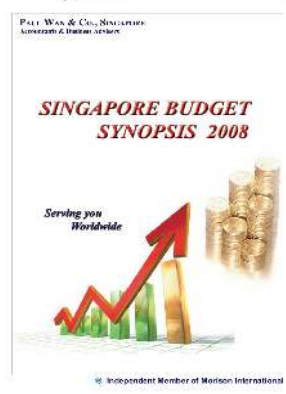
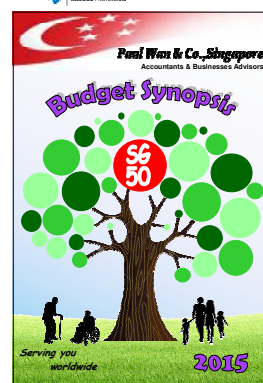
No change was announced as the government's stance on the measures rolled out progressively since 2010 were to prevent property speculation in real estate. However, The Minister will continue to monitor developments in the property market closely before relaxing these measures.



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# Paul Wan & Co.

## Past Years' Singapore Budget Synopsis



Soft copies of the above Singapore Budget Synopsis are available upon request from our Paul Wan & Co.'s Tax Department at Tel.: +65 6220 3280 Ext. 200/201/202 or email us at [taxdept@pwco.com.sg](mailto:taxdept@pwco.com.sg)



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