SINGAPORE BRIEFING

February 2024

Singapore Budget 2024 Update

Below we provide salient takeaways from Budget 2024, with a focus on key changes. For the comprehensive budget statement and changes, please visit:
https://www.mof.gov.sg/singaporebudget/budget-2024/budget-statement

1. Key highlights for Businesses

Corporate Income Tax ("CIT") Rebate & CIT Cash Rebate

A 50% CIT rebate is available to reduce corporate tax payable and a CIT Rebate Cash Grant of S$2,000 will be granted to companies that employ at least one local employee. These will be automatically calculated when the tax returns are filed for YA 2024 (being financial year 2023).

As an example, if a company that hired one local employee had a tax payable of S$25,000 in YA 2024. The company will receive:

- S$2,000 CIT Rebate Cash Grant of S$2,000 by 3rd quarter 2024; and
- S$10,500 [(50% x $25,000) – S$2,000] CIT rebate after the YA 2024 tax return is reviewed by IRAS.

The maximum benefits under CIT Rebate and CIT Cash Rebate will be S$40,000.

The one local employee condition is considered met if the employer has made CPF contribution to at least one local employee (Singaporean or Permanent Resident) who is not directors or shareholder of the company in the year 2023.

BEPS Pillar Two – 1 January 2025

From 1 January 2025, Singapore will implement the following measures under BEPS Pillar Two:

- Income Inclusion Rule ("IIR")
- Domestic Top-up Tax ("DTT")

Broadly, the implementation of Pillar Two rules will only impact Multinational Enterprise ("MNE") groups with revenue above EUR750 million (certain sectors such as funds are excluded).

The IIR will ensure that tax is imposed on a Singapore MNE if entities within the group are taxed at below 15%. The DTT will require Singapore companies held by the MNE to pay at least 15% tax.

In conjunction with Pillar Two rules, refinements of existing tax incentives that are popular with MNEs (such as Financial Treasury Centre, Development and Expansion Incentive, Intellectual Property Development Incentive, etc) were made to ease administration and facilitate the implementation.

Refundable Investment Credit

Refundable Investment Credit ("RIC") will be awarded to businesses that make sizable investments that generate economic growth. This scheme will be administered by the Economic Development Board ("EDB") and Enterprise Singapore ("ES") and is granted for a period of 10 years.

RIC credits can be used to reduce corporate tax payable, with unused credits being refunded in cash within 4 years if conditions are met. This is targeted to provide cushion for MNEs caught under Pillar Two where they will be subject to at least 15% tax in Singapore.

The quantum of RIC credits granted will be determined by EDB or ES in consideration of the economic outcomes generated from investments and is capped at 50% of qualifying expenditure. More details will be released by 3rd quarter 2024.

Renovation and Refurbishment ("R&R") claims

R&R claims allow companies to claim tax deduction on renovation and refurbishment works which do not qualify for capital allowances. From YA 2025, this scheme has been enhanced to:

- Allow tax deduction on designer and professional fees;
- Fixing the relevant 3-year period to ease administration; and
- Allow an option to claim R&R in 1 year instead of the current 3 years.

Further details will be provided by 3rd quarter 2024.

2. Financial and Wealth Management Sector

It was announced that the Section 13D/O/U tax incentives will be extended to 31 December 2029.

The conditions to qualify for these schemes will be changed - details to be announced in 3rd quarter 2024. We will need to keep an eye on the revised economic conditions.

We expect that current incentive holders will not be affected.

Section 13O enhancement

Currently, under this scheme, the incentivized fund needs to be a Singapore incorporated company that is tax resident in Singapore. The Section 13O tax incentive will be enhanced to include Singapore registered Limited Partnerships.

Tax exemptions for Trusts administered by Singapore Trustees

Both the Section 13F - Foreign Trust tax exemption and Section 13N – Prescribed Locally Administered Trust are due to expire on 1 January 2025. There was no comment in Budget 2024 about the extension of these incentives.

We remain optimistic that these 2 tax incentives will be extended as they play a key role in attracting wealthy families to have their trusts being administered in Singapore by licensed trust companies, though it should not be surprising if new conditions are imposed.

4. Key highlights for Individuals

Personal Income Tax Rebate (“PIT”)

A 50% PIT, capped at S$200, will be granted to all Singapore tax resident individuals for the YA 2024 (being income earned in year 2023).

Overseas Humanitarian Assistance Tax Deduction Scheme (“OHAS”)

From 1 January 2025 to 31 December 2028, a 100% tax deduction is allowed for qualifying overseas cash donations made through designated charities (with relevant permits) toward emergency humanitarian assistance. Such donations were not previously tax-deductible.

Tax deductions will be capped at 40% of the donor’s statutory income. This cap considers donations made under the Philanthropy Tax Incentive Scheme for Family Offices (“PTIS”).

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