

SINGAPORE

BUDGET | 2017

HIGHLIGHTS



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Readers should seek professional advice before taking any action
based on the information contained herein.*

FOREWORD

Singapore's Budget 2017 addresses near-term issues for today and focuses on laying the groundwork for tomorrow's growth.

Much of the longer-term measures announced were a follow up to the recommendations in the report of the Committee of the Future Economy ("CFE"). The key thrust is for the development of strong capabilities in enterprises and workers so that they can adapt to the changes in economic structures and technology. Additionally, the Government also encourages the forging of deep partnerships with businesses, unions, firms and workers to share expertise and solutions through the Industry Transformation Maps for 23 sectors. To this end, a slew of fairly substantive measures and initiatives were announced to help firms with good prospects to scale up, innovate and go international.

Small and medium-sized enterprises ("SMEs") are getting a more than \$80 million boost to go digital with a newly introduced SMEs Go Digital Programme. The aim of this programme is to help SMEs build digital capabilities step by step at each stage of their growth through the sectoral Industry Digital Plans. In-person assistance can also be sought at SME Centres and a new SME Technology Hub on off-the-shelf technology solutions that are pre-approved for funding support when SMEs are ready to adopt them.

In the areas of innovation, The Agency for Science, Technology and Research ("A*STAR") will provide companies with access to the use of advanced machine tools for prototyping and testing under Tech Access Initiative. A*STAR assistance could also be sought to conduct operation and technology road-mapping and collaborate with them on research, while enjoying royalty-free and exclusive intellectual property licences for 36 months in the first instance.

On the internationalisation front, the Government will commit up to \$600 million for a new International Partnership Fund where the Fund will co-invest with Singapore-based firms to help them scale up and internationalise.

The Government is not expected to plan every move that companies take in their transformation but will facilitate and provide the necessary support, including funding support. A sense of self-reliance in companies, workers and families needs to be instilled so that all can partner one another to drive the Singapore economy forward.

To address near-term issues, all companies will receive an enhanced corporate income tax rebate for Year of Assessment 2017. The payout from Wage Credit Scheme and the Additional Special Employment Credit in March 2017 will help firms cope with rising wages. The SME Working Capital Loan continues to be available for the next two years where the Government co-shares 50% of the default risk for loans of up to \$300,000 per SME. The scheduled increase in foreign worker levy for the marine and process sectors has been deferred for another year. The construction sector will benefit from the Government's decision to accelerate about \$700 million worth of public sector infrastructure projects to financial years 2017 and 2018.

Cindy Lim

Tax Partner
20 February 2017



BUDGET 2017 – A SNAPSHOT



Business

Addressing near-term needs

- Corporate income tax rebate
- Foreign Worker Levy
- SME Working Capital Loan
- Wage Credit Scheme
- Additional Special Employment Credit
- Refining tax incentives
- Withholding tax

Medium to longer-term measures

- Industry Transformation Maps
 - Digitalisation
 - Innovation
 - Scale up and internationalise



People

Take charge of your own career

- SkillsFuture Leadership Development Initiative
- "Adapt and Grow" Initiative
- "Attach and Train" Initiative
- Personal income tax rebate



Community

Foster stronger community bonds

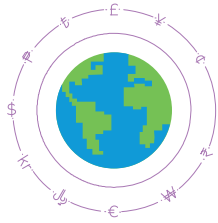
- Additional support for families and households
- Support for individuals, families and disadvantaged groups



A Vibrant and Connected City

Connectivity and environment

- Accelerate infrastructure projects
- Reduce harmful emissions and conserve scarce water resources



FOR BUSINESSES

ADDRESSING NEAR-TERM NEEDS

- Corporate income tax rebate of 50% for all companies, but capped at \$25,000 for Year of Assessment 2017. The rebate is at 20% and capped at \$10,000 for Year of Assessment 2018.
- Foreign Worker Levy increase for marine and process sectors deferred for another year
- SME Working Capital Loan available with Government co-sharing 50% of the default risk
- Wage support measures for companies who hire older workers

MEDIUM TO LONGER-TERM MEASURES

Today's world is in a state of VUCA (volatility, uncertainty, complexity and ambiguity). There is no well defined or clear road map ahead of us.

Singapore will continue to roll out Industry Transformation Maps ("ITMs"), which are industry-specific to boost innovation and productivity in 23 business sectors. Some of these ITM blueprints have already been launched in areas such as retail, food services, food manufacturing and logistics. Others such as construction, healthcare, education, infocomms technology and media, financial services, energy and chemicals, among others, will follow suit within the next twelve months.

The Committee of the Future Economy ("CFE") report recognises the need for Singapore workers and companies to deepen skills, build strong digital capabilities, strengthen enterprise capabilities to innovate and scale up, diversify international connections and develop Singapore as a vibrant city. These could be accomplished via ITMs and building partnerships.

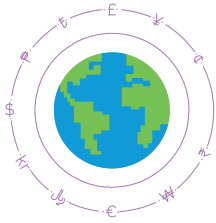
In the area of digitalisation, a new initiative called SMEs Go Digital Programme will see the Info-communications Media Development Authority work with SPRING and other agencies to develop sectoral Industry Digital Plans to help SMEs improve productivity and adopt digital solutions. Businesses that fail to get digitally connected run the risk of becoming obsolete.

On the innovation front, businesses must continually innovate in order to remain competitive in today's economy. The following three measures have been identified to assist businesses in the area of innovation:

- A*STAR Operation and Technology Road-mapping that identifies how technology can help businesses to innovate and compete
- Improving access to Intellectual Property – SMEs get to enjoy royalty-free and exclusive intellectual property licences for 36 months in the first instance
- Tech Access Initiative that provides access to the use of advanced machine tools for prototyping and testing

To assist companies to develop international links, a \$600 million International Partnership Fund has been set aside with the aim to co-invest alongside Singapore-based companies in opportunities for scale-up and internationalisation.

A Global Innovation Alliance to be sited in innovation hubs around the world will run programmes for tertiary students to expose them to start-up opportunities, for entrepreneurs to link them with investors and for local companies to link up with innovative foreign firms keen to test bed products in Singapore and the region.



FOR BUSINESSES

ADDRESSING NEAR-TERM NEEDS

Corporate income tax rebate

The current corporate income tax rate is 17% with a partial tax exemption for normal chargeable income of up to \$300,000.

All companies, including registered business trusts, regardless of their tax residency status and whether or not enjoying a concessionary rate of tax, are granted a 50% corporate income tax rebate, capped at \$20,000 for the Year of Assessment 2017. The rebate, however, does not apply to income of a non-Singapore tax resident company that is subject to final withholding tax.

The effective rate of tax for the first \$300,000 of normal chargeable income, taking into account the 50% rebate, is 4.18%; it is 8.36% without the 50% rebate.

Proposed changes

To help companies cope with the economic uncertainty and continue restructuring, the corporate income tax rebate will be enhanced and extended as follows:

- Corporate income tax rebate cap will be raised from \$20,000 to \$25,000 for Year of Assessment 2017 (with the rebate rate unchanged at 50%); and
- Corporate income tax rebate will be extended for another year to Year of Assessment 2018, but at a reduced rate of 20% of tax payable and the rebate capped at \$10,000.

Foreign Worker Levy

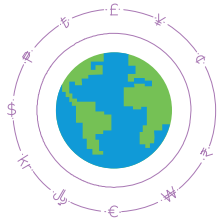
The Government has taken a calibrated approach based on sector-specific conditions for the foreign worker levy.

Proposed changes

The foreign worker levy increases for Work Permit holders in the Marine and Process sectors will be deferred for one more year from 1 July 2017 to 30 June 2018.

The levy rates for Basic tier R2 workers in the Construction sector will be raised from the current \$650 to \$700 on 1 July 2017.

The levy rates for the Manufacturing and Services sectors for Work Permit and S Pass holders remain unchanged.



FOR BUSINESSES

SME Working Capital Loan

The ongoing SME Working Capital Loan, launched in June 2016, is available for two more years. The Government continues to co-share 50% of the default risk for loans of up to \$300,000 per SME.

Wage Credit Scheme

The Wage Credit Scheme was first introduced in 2013. It is aimed at giving firms more time to adjust to rising wages in the tight labour market. There were no changes announced in Budget 2017 on the Scheme.

For 2017, the Government will co-fund 20% of wage increases for Singaporean employees earning a gross monthly wage of up to \$4,000. In addition, wage increases given by the same employer in 2016 and sustained in 2017 will continue to be co-funded at 20%.

Additional Special Employment Credit

The Additional Special Employment Credit ("ASEC") provides employers with wage offsets for hiring Singaporean workers who are older than the re-employment age and earning up to \$4,000 a month. The current re-employment age is 65 years. It will be raised to 67 years on 1 July 2017.

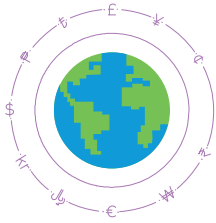
This is on top of the Special Employment Credit ("SEC") of up to 8% for eligible Singaporean workers aged 55 and above.

For example, an employer who hires an eligible worker with a monthly wage of not more than \$3,000 will receive an ASEC of 3% of his monthly wage, in addition to the SEC at 8%, making a total of 11% of the monthly wage.

Proposed Changes

The ASEC will be extended for two and a half years from 1 July 2017 to 31 December 2019.

Employers who hire Persons with Disabilities ("PWDs") will receive double the combined monthly SEC and ASEC, capped at \$330 per eligible PWD.



FOR BUSINESSES

Refining tax incentives

Global Trader Programme

The Global Trader Programme ("GTP") grants a concessionary tax rate of 5% or 10% on qualifying income derived by approved global trading companies from qualifying transactions.

Proposed changes

To facilitate and encourage more trading activities in Singapore and to simplify the GTP, the GTP will be enhanced as follows:

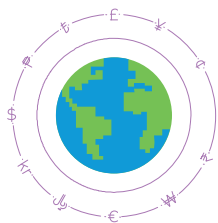
- With effect from 21 February 2017, the requirement for qualifying transactions to be carried out with qualifying counterparties will be removed. Consequently, the concessionary tax rate will be granted to approved global trading companies on income derived from qualifying transactions with any counterparty.
- The concessionary tax rate will be granted to approved global trading companies on physical trading income derived from transactions, effected on or after 21 February 2017, in which the commodity is purchased for the purposes of consumption in Singapore or for the supply of fuel to aircraft or vessels within Singapore.
- The concessionary tax rate will be granted to approved global trading companies on physical trading income, derived on or after 21 February 2017, which is attributable to storage in Singapore or any activity carried out in Singapore which adds value to commodity by any physical alteration, addition or improvement (including refining, blending, processing or bulk-breaking).
- The substantive requirement to qualify for the GTP will be increased for new or renewal incentive awards approved on or after 21 February 2017.

Finance and Treasury Centre Scheme

The Finance and Treasury Centre ("FTC") scheme grants a concessionary tax rate of 8% on qualifying income derived by approved FTCs.

Proposed changes

To ease the compliance burden of approved FTCs, qualifying counterparties for certain transactions of FTCs would be streamlined for new or renewal incentive awards approved on or after 21 February 2017.



FOR BUSINESSES

Aircraft Leasing Scheme

Under the Aircraft Leasing Scheme ("ALS"), which is due to lapse after 31 March 2017, approved aircraft lessors and aircraft investment managers can enjoy the following tax benefits:

- Approved aircraft lessors enjoy a concessionary tax rate of 5% or 10% on income derived from the leasing of aircraft or aircraft engines and qualifying ancillary activities under Section 43Y of the Income Tax Act ("ITA"); and
- Approved aircraft managers enjoy a concessionary tax rate of 10% on income derived from managing the approved aircraft lessor and qualifying activities under Section 43Z of the ITA.

Qualifying ancillary activities under Section 43Y of the ITA include incidental income derived from the provision of finance in the acquisition of any aircraft or aircraft engines by any airline company.

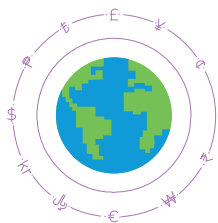
Automatic withholding tax exemption is granted on qualifying payments made by approved aircraft lessors to non-tax residents (excluding a permanent establishment in Singapore) in respect of qualifying loans entered into on or before 31 March 2017 to finance the purchase of aircraft and aircraft engines, subject to conditions.

Proposed changes

To continue encouraging the growth of the aircraft leasing sector in Singapore, the ALS will be extended and refined as follows:

- The ALS will be extended till 31 December 2022.

The automatic withholding tax exemption regime will also be extended to qualifying payments made on qualifying loans entered into on or before 31 December 2022.
- The scope of qualifying ancillary activities for approved aircraft lessors under Section 43Y of the ITA will be updated to cover incidental income derived from the provision of finance in the acquisition of aircraft or aircraft engines by any lessee. This enhancement is applicable to income derived on or after 21 February 2017 for all incentive recipients.
- The concessionary tax rate on income derived from leasing of aircraft or aircraft engines and qualifying ancillary activities will be streamlined from 5% and 10% to a single rate of 8%. This refinement will apply to new or renewal incentive awards approved on or after 1 April 2017.



FOR BUSINESSES

Integrated Investment Allowance Scheme

The Integrated Investment Allowance (“IIA”) scheme, scheduled to lapse after 28 February 2017, was introduced to keep pace with the evolving business environment. The scheme grants a qualifying company an additional allowance, on top of normal capital allowances, in respect of the fixed capital expenditure incurred on qualifying productive equipment placed with an overseas company for an approved project.

For the purpose of the scheme, one of the qualifying requirements is that the qualifying productive equipment has to be used by the overseas company solely to manufacture products for the qualifying company under the approved project.

Proposed changes

The IIA scheme will be extended till 31 December 2022.

The qualifying productive equipment may be used by the overseas company primarily to manufacture products for the qualifying company under an approved project. This will apply to expenditure incurred on qualifying productive equipment for a project approved on or after 21 February 2017.

Tax Incentive Schemes for Project and Infrastructure Finance

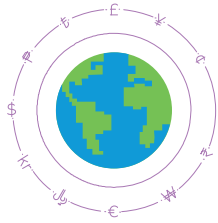
The package of tax incentive schemes for Project and Infrastructure Finance includes:

- Exemption of qualifying income from qualifying project debt securities;
- Exemption of qualifying income from qualifying infrastructure projects/assets received by approved entities listed on the Singapore Exchange (“SGX”);
- A 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 in relation to qualifying infrastructure projects/assets; and
- Remission of stamp duty payable on the instrument of transfer relating to qualifying infrastructure projects/assets to qualifying entities listed, or to be listed, on the SGX.

Proposed changes

With the exception of the stamp duty remission, which will lapse after 31 March 2017, the existing package of tax incentive schemes for Project and Infrastructure Finance will be extended till 31 December 2022.

All other conditions of the schemes remain the same.



FOR BUSINESSES

Withholding tax

Withholding tax exemption on payments made to non-resident non-individuals for structured products offered by Financial Institutions

Withholding tax exemption is allowed on payments made to non-resident non-individuals for structured products offered by Financial Institutions for contracts that take effect, are renewed or extended during the qualifying period from 1 January 2007 to 31 March 2017, subject to conditions.

Proposed changes

To continue promoting Singapore as a financial hub, the qualifying period for the withholding tax exemption on payments made to non-resident non-individuals for structured products will be extended till 31 March 2021.

All other conditions of the scheme remain the same.

Withholding tax exemption on payments for international telecommunications submarine cable capacity under an Indefeasible Rights of Use Agreement

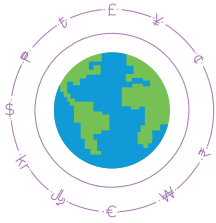
As payments for international telecommunications submarine cable capacity under an Indefeasible Rights of Use ("IRU") agreement fall under the scope of Section 12(7) of the ITA, persons making such payments to non-residents are required to withhold tax on the payments.

The withholding tax exemption on payments for international telecommunications submarine cable capacity under an IRU agreement was introduced to encourage telecommunications operators to provide international connectivity.

The scheme is scheduled to lapse after 27 February 2018.

Proposed changes

In line with the Government's thrust to grow the digital economy and continue to be a key hub for data flow, the withholding tax exemption on payments for international telecommunications submarine cable capacity under an IRU agreement will be extended till 31 December 2023.



FOR BUSINESSES

MEDIUM TO LONGER-TERM MEASURES

Industry Transformation Maps

Digitalisation

SMEs Go Digital Programme

This new \$80 million Programme will help SMEs build digital capabilities. The Info-communications Media Development Authority ("IMDA") will work with SPRING and other sector lead agencies in this effort.

The Programme comprises three components:

- Helping SMEs to build digital capabilities step by step at each stage of their growth through the sectoral Industry Digital Plans
- Availability of in-person assistance at SME Centres and at a new SME Technology Hub to be set up by IMDA on off-the-shelf technology solutions
- SMEs who are ready to pilot emerging Info-communications and Technology ("ICT") solutions may apply for funding support

Innovation

A*STAR Operation and Technology Road-mapping

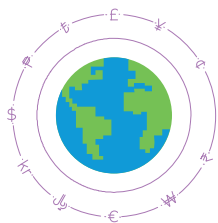
A*STAR presently works with firms to conduct operation and technology road-mapping to identify how technology can help them innovate and compete. A*STAR plans to expand its efforts to support 400 companies over the next four years.

Improving Access to Intellectual Property ("IP")

Intellectual Property Intermediary, a SPRING affiliate, currently matches companies seeking access to IP with the appropriate IP that meets their needs. Also, through the Headstart Programme, SMEs co-develop IP with A*STAR to enjoy royalty-free and exclusive licences for 36 months in the first instance.

Tech Access Initiative

A*STAR will provide companies access to costly specialised and advanced machine tools for prototyping and testing under this new initiative. A*STAR will also dispense user training and advice.



FOR BUSINESSES

New IP Regime for exploitation of IP arising from Research and Development (“R&D”) activities

Currently, IP income arising from qualifying activities is incentivised under different incentive programmes such as the Pioneer-Services/Headquarters Incentive and the Development and Expansion Incentive-Services/Headquarters.

Under the Pioneer-Services Incentive, qualifying companies enjoy full corporate income tax exemption on qualifying profits for up to 15 years.

Companies that are granted the Development and Expansion Incentive-Services/Headquarters enjoy a concessionary tax rate ranging from 5% to 10% on their incremental income derived from qualifying activities.

Proposed changes

To encourage the use of IPs arising from taxpayers' R&D activities, IP income will be incentivised under a new IP Regime named the IP Development Incentive (“IDI”). IDI incorporates the Base Erosion and Profit Shifting (“BEPS”)-compliant modified nexus approach.

Accordingly, such IP income will be removed from the scope of the Pioneer-Services/Headquarters Incentive and the Development and Expansion Incentive -Services/Headquarters for new incentive awards approved on or after 1 July 2017.

Existing incentive recipients will continue to have such IP income covered under their existing incentive awards till 30 June 2021.

Safe harbour rule for payments under Cost Sharing Agreements for R&D projects

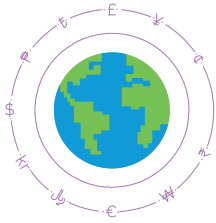
Taxpayers claiming tax deduction for R&D expenditure under Section 14D of the ITA for payments made under a Cost Sharing Agreement (“CSA payments”) are subject to specific restriction rules for certain categories of expenditure disallowed under Section 15 of the ITA. As such, the breakdown of the expenditure covered by the CSA payments is examined so as to exclude the disallowed expenditure.

Proposed changes

To ease compliance, taxpayers may opt to claim tax deduction under Section 14D for 75% of the payments made under a CSA incurred on or after 21 February 2017 for qualifying R&D projects instead of providing the breakdown of the expenditure covered by the CSA payments.

Taxpayers who wish to claim more than 75% of their payments under a CSA would still need to examine and provide the cost breakdown of their CSA payments.

The election for the safe harbour rule is to be made at the time of filing of the income tax return.



FOR BUSINESSES

Scale up and internationalise

International Partnership Fund

The Government will commit up to \$600 million to set up a new International Partnership Fund.

The Fund will co-invest alongside Singapore-based firms in opportunities for scale-up and internationalisation, with a focus on Asian markets. Such joint investment would allow Singapore-based firms to partner other promising Asian companies to extend product lines, brands or value chains or to gain access to markets, channels and technologies.

Qualifying Singapore-based firms should be headquartered in Singapore with annual revenues of no higher than \$800 million.

The International Partnership Fund will be managed by Heliconia Capital Management Pte Ltd.

Global Innovation Alliance

The Global Innovation Alliance is new. The scheme aims to allow Singaporeans to gain overseas experience, build networks and collaborate with their counterparts in other innovative cities.

The Global Innovation Alliance comprises three programmes:

- **Innovators Academy**
The Academy will enable tertiary students from Singapore to build connections and capabilities overseas. The existing NUS Overseas College programme that connects tertiary students to start-ups overseas will be built upon. There are also plans to make such opportunities available to students from other Singapore universities.
- **Innovation Launchpads**
Innovation Launchpads will be established in selected overseas markets. These will create opportunities for entrepreneurs and business owners from Singapore to connect with mentors, investors and service providers.
- **Welcome Centres**
Through these Welcome Centres, innovative foreign companies can link up with Singapore partners to co-innovate, test new products in Singapore and expand in the region.

In the initial phase, The Global Innovation Alliance will be launched in Beijing, San Francisco and various ASEAN cities.



OUR PEOPLE

As businesses innovate and digitalise, employees should also learn new skills and deepen skill sets to remain relevant. This is especially crucial when businesses are looking to scale up globally. Our people need to venture overseas and immerse themselves in these markets to gain deep insights.

Companies that wish to expand overseas need capable leaders. The SkillsFuture Leadership Development Initiative will help identify and groom 800 promising Singapore leaders by sending them on specialised courses and overseas postings over three years.

Last year, the "Adapt and Grow" initiative was introduced to help workers looking to take on new jobs, or move to a different sector or industry. This scheme will be further strengthened to provide the necessary support to workers.

Budget 2017 introduces a new "Attach and Train" initiative where workers can go on training and work attachments in industries with good growth prospects.



OUR PEOPLE

TAKE CHARGE OF YOUR OWN CAREER

SkillsFuture Leadership Development Initiative

Companies that wish to expand overseas need capable leaders who have spent time in these markets with insights and connections that can help their businesses scale up globally.

This new initiative will support companies to groom Singaporean leaders by expanding leadership development programmes. It includes sending promising individuals on specialised courses and overseas postings.

The target is to develop 800 potential leaders over three years.

“Adapt and Grow” Initiative

The “Adapt and Grow” Initiative was launched in 2016 to help workers adapt to structural shifts in the economy, especially those who seek to move to a different sector or industry.

The key programmes under the “Adapt and Grow” Initiative for Professionals, Managers, Executives and Technicians (“PMET”) and Rank-and-File workers in transition will be strengthened as follows:

- Career Support Programme (“CSP”)

Provision of wage support for employers to hire mature and retrenched, or long-term unemployed Singapore Citizen PMETs into mid-level PMET jobs

The CSP will be enhanced for employers who hire mature PMETs as well as to help more SMEs to qualify for the support.
- Professional Conversion Programme (“PCP”)

The PCP helps PMET job seekers re-skill to take up new careers through providing training subsidies and salary support.

Under the PCP, individuals are employed by companies and undergo a period of training to acquire relevant skills.

The PCP will be enhanced to enable more mid-level career conversions to take place.
- Re-skilling for Jobs-Work Trial Programme

The Programme helps Rank-and-File job seekers and prospective employers to assess job fit through a short-term work stint.

The Programme will be enhanced to provide for a longer trial period, especially for the long-term unemployed and persons with disabilities.

Additional retention incentive and wage support will be extended to those unemployed for more than 12 months to encourage hiring of these individuals.



OUR PEOPLE

“Attach and Train” Initiative

Under this new “Attach and Train” Initiative, Workforce Singapore will work with industry partners to re-skill jobseekers to take up new careers ahead of employment.

The Initiative will be introduced for sectors that have good growth prospects but where companies may not be ready to hire yet. Instead, industry partners can send participants for training and work attachments. This will increase the chances of these workers finding a job in the sector at a later date.

Personal income tax rebate

Proposed changes

A personal income tax rebate of 20% of tax payable will be granted to all individual tax residents for Year of Assessment 2017 (i.e. for income earned in 2016).

The rebate will be capped at \$500 per taxpayer.



OUR COMMUNITY

Whilst the hard infrastructures pave the way for a future-ready city, human bonds and cultural vibrancy are what make Singapore truly attractive as an inclusive society and lifestyle destination. Singaporeans continue to think globally and act locally, retaining the core values of our country.

In line with the provisions made in prior years, Budget 2017 makes further provisions for the building of an inclusive society, including fostering stronger community bonds through the arts and cultural activities, community sports and sports excellence programmes. Social support is provided for all, in particular, affordable housing for young couples, preschool and post-secondary education and the disadvantaged groups.



A VIBRANT AND CONNECTED CITY

Cities are the economic drivers of the future. A disruptive cycle of change serves as a timely reminder of our geographically constrained space and scarce resources. Singapore's competitive edge in creating opportunities and attracting talent hinges on its ability to flourish as a connected, sustainable and vibrant city state. Constructing a connected, secure and clean environment lays the foundation for Singapore to become truly global.

A well connected Singapore provides a seamless conduit directing global business, investment and talent towards our opportunities. Budget 2017 aims to strengthen the city state's position as a global air and sea hub through world-class infrastructure, digital communication facilities and an urban logistics network.

To this end, targeted measures were announced to address environmental issues such as the introduction of Carbon Tax from 2019 to combat emission of greenhouse gases, restructuring the Diesel Tax to one that is consumption-based as well as adjustments to water pricing to encourage water conservation and sustain the water supply.



A VIBRANT AND CONNECTED CITY

CONNECTIVITY AND ENVIRONMENT

Accelerate infrastructure projects

As one of the near-term measures to support the Construction sector, the Government will bring forward \$700 million worth of public sector infrastructure projects to start in financial years 2017 and 2018. The projects include the upgrading of community clubs and sports facilities.

Reduce harmful emissions and conserve scarce water resources

Carbon Tax

Proposed changes

In line with the Paris Agreement and reaffirming our commitment to address climate change and reduce greenhouse gas emissions, a carbon tax on the emission of greenhouse gases will be implemented from 2019. The tax will generally be applied upstream, for example, on power stations and other large direct emitters, rather than electricity users.

A tax rate of between \$10 and \$20 per tonne of greenhouse gas emissions is proposed.

Vehicular Emissions Scheme

The current Carbon Emissions-Based Vehicle Scheme ("CEVS") gives out rebates or imposes surcharges according to the amount of carbon dioxide emitted by cars and taxis.

To encourage usage of cleaner and environmentally friendly vehicles so as to account more holistically for the health and environmental impact of vehicular emissions, the CEVS will be replaced by a new Vehicular Emission Scheme ("VES") that takes into consideration the emission of four other pollutants on top of carbon dioxide.

The CEVS will be extended until 31 December 2017. The new VES will run for two years starting from 1 January 2018.



A VIBRANT AND CONNECTED CITY

Diesel Taxes

Currently, a lump sum Special Tax on diesel cars and taxis is levied in lieu of a volumetric diesel duty.

- The Special Tax on diesel taxis is \$2,550 every six months.
- The Special Tax on diesel cars (excluding taxis) is as noted in the Table below.

Emission Standard	Special Tax rate every six months
Pre-Euro IV compliant	Six times the Road Tax of an equivalent petrol-driven car
Euro IV compliant	\$0.625 per cc, subject to a minimum payment of \$625
Euro V or JPN2009 compliant	\$0.20 per cc, subject to a minimum payment of \$200

The current Industrial Exemption Factory Scheme ("IEFS") is a duty exemption scheme for industries that use dutiable goods as raw materials solely to manufacture non-dutiable finished goods.

Proposed changes

With effect from 20 February 2017, a volumetric diesel duty of \$0.10 per litre is introduced to incentivise users to reduce their usage of diesel as automotive diesel, industrial diesel and the diesel component of biodiesel.

The annual Special Tax for diesel cars and taxis will be permanently reduced by \$100 and \$850 respectively.

Diesel has been removed from the IEFS with effect from 20 February 2017. Industrial diesel will be subject to a volumetric diesel duty of \$0.10 per litre.

To ease the transition to the diesel duty for commercial diesel vehicles, road tax rebates will be provided for three years. In addition, diesel school buses and eligible diesel private hire buses and diesel excursion buses that ferry schoolchildren will be given yearly cash rebates to ease the impact of diesel duty on school bus fees.

Early Turnover Scheme

The Early Turnover Scheme ("ETS") for commercial diesel vehicles was first introduced in 2013 to encourage the early replacement of older and more pollutive commercial diesel vehicles.

The ETS is due to expire on 31 July 2017.

The ETS for vehicle owners who turn over their existing Euro II and III commercial diesel vehicles for Euro VI vehicles is extended until 31 July 2019.

The Certificate of Entitlement ("COE") bonus period for Light Goods Vehicles will be enhanced also.



A VIBRANT AND CONNECTED CITY

Tiered Additional Registration Fee for motorcycles

The Additional Registration Fee ("ARF") for all motorcycles currently is a flat rate of 15% of their Open Market Value ("OMV").

Proposed changes

Tiered ARF for motorcycles will be introduced to improve the progressivity of the vehicle tax system.

The tiered ARF rates noted in the Table below will apply to all motorcycles registering with Certificates of Entitlement ("COE") obtained from the second COE bidding exercise on 22 February 2017.

OMV	ARF Rates
First \$5,000 of the OMV	15%
Next \$5,000 of the OMV (i.e. \$5,001 to \$10,000)	50%
Remaining OMV above \$10,000	100%

For motorcycles that do not need to bid for a COE (e.g. classic motorcycles), tiered ARF for them has taken effect from 21 February 2017.

Water Price Changes

Water prices were last revised in the year 2000 while the demand of water and cost of production have been on the rise over the years.

Total water demand is expected to almost double by the year 2060, with the non-domestic sector accounting for almost 70 per cent. By then, NEWater and desalination will meet up to 85 per cent of Singapore's future water demand.

Proposed changes

To encourage water conservation and sustain water supply, starting from 1 July 2017:

- Water prices will increase by 30% in two phases.
- The sanitary appliance fee and waterborne fee will be restructured into a single, volume-based fee.
- A Water Conservation Tax on NEWater, which will be 10% of the NEWater tariff.

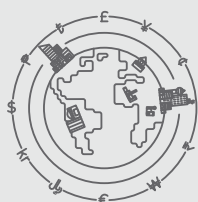
Phasing out deductions, allowances and incentives

Subject	Budget Changes
<ul style="list-style-type: none"> ▪ Tax deduction for Computer Donation Scheme 	<ul style="list-style-type: none"> ▪ A 250% tax deduction is granted on donation of computers (including computer software and peripherals) by any company to an Institution of Public Character or prescribed educational, research or other institution in Singapore. ▪ The scheme has been withdrawn after 20 February 2017.
<ul style="list-style-type: none"> ▪ Accelerated Depreciation Allowance for Energy Efficient Equipment and Technology ("ADA-EEET") scheme 	<ul style="list-style-type: none"> ▪ Capital expenditure incurred for certified energy efficient and energy saving equipment may qualify for an accelerated writing-down period of one year. ▪ To streamline incentives that promote energy efficiency, the ADA-EEET scheme will be withdrawn after 31 December 2017.
<ul style="list-style-type: none"> ▪ Accelerated Writing-Down Allowances ("WDA") for Acquisition of intellectual property rights ("IPRs") for Media and Digital Entertainment ("MDE") content scheme 	<ul style="list-style-type: none"> ▪ An approved MDE company or partnership is allowed to claim WDA over a period of two years for capital expenditure incurred in respect of IPRs pertaining to films, television programmes, digital animation or games, or other MDE content acquired for use in its business. ▪ The scheme will be allowed to lapse in respect of IPRs acquired for MDE content after the last day of the basis period for Year of Assessment 2018. <p>MDE companies may elect to claim WDA over a writing-down period of 5, 10 or 15 years on the capital expenditure incurred to acquire qualifying IPRs.</p>
<ul style="list-style-type: none"> ▪ International Arbitration Tax Incentive ("I Arb") 	<ul style="list-style-type: none"> ▪ The incentive grants approved law practices 50% tax exemption on qualifying incremental income derived from the provision of legal services in connection with international arbitration. <p>The I Arb is scheduled and allowed to lapse after 30 June 2017.</p>
<ul style="list-style-type: none"> ▪ Approved Building Project scheme 	<ul style="list-style-type: none"> ▪ Currently, land under development is granted property tax exemption for a period of up to three years under the Approved Building Project scheme, subject to conditions. <p>The scheme is scheduled and allowed to lapse after 31 March 2017.</p>

Subject	Budget Changes
<ul style="list-style-type: none"> ■ Goods and Services Tax ("GST") Tourist Refund Scheme for tourists departing by international cruise 	<ul style="list-style-type: none"> ■ Departing tourists may claim GST refunds on their goods purchased in Singapore, subject to the tourists' eligibility and conditions of the GST Tourist Refund Scheme ("TRS"). ■ The GST TRS is available to tourists departing Singapore via: <ul style="list-style-type: none"> (a) air – from Changi International Airport and Seletar Airport; and (b) international cruise – from Marina Bay Cruise Centre Singapore and International Passenger Terminal at Harbourfront Centre (collectively known as "cruise terminals"). ■ Due to the very low transaction volume at the cruise terminals for tourist refunds, the GST TRS will be withdrawn for tourists who are departing by international cruise from the cruise terminals and whose purchases are made on or after 1 July 2017. Tourists will have until 31 August 2017 to claim refunds on purchases made before 1 July 2017.

TAX SERVICES

International Tax Advisory and Tax Compliance



- Cross-border Tax Structuring and Planning
- Corporate Group Restructuring
- Tax Due Diligence
- Funds Structuring
- Tax Investigation and Audit
- Tax Incentive and Advance Tax Ruling Applications
- Corporate Income Tax Compliance Services
- Personal Income Tax Compliance and Global Mobility Services

Goods & Services Tax



- Assisted Compliance Assurance Programme Review ("ACAP")
- Assisted Self-Help Kit Review ("ASK")
- GST Health Check
- GST Guidebook and Tax Code Analysis
- Due Diligence Review for Mergers and Acquisitions and IPO
- GST Scheme Certifications (i.e. MES, ACMT, IGDS, AISS, AFMT, ARCS)
- GST Consulting and Advisory
- GST Analytics

Transfer Pricing



- Singapore Compliance Documentation
- Strategy and Policy Development
- Planning and Tax Efficient Value Chain Transformation
- Risk Assessment and Controversy Management
- Transfer Pricing Audit Defence
- Advanced Pricing Arrangements and Rulings

Contacts



Cindy Lim, International Tax
+65 6594 7852
cindylim@RSMSingapore.sg



Koh Puay Hoon, International Tax
+65 6594 7820
phkoh@RSMSingapore.sg



Elis Tan, Transfer Pricing
+65 6594 7819
elistan@RSMSingapore.sg



Wang Chai Hong, Tax Compliance
+65 6594 7306
chwang@RSMSingapore.sg



William Chua, International Tax
+65 6594 7860
williamchua@RSMSingapore.sg



Richard Ong, Goods & Services Tax
+65 6594 7821
richardong@RSMSingapore.sg



Chua Hwee Theng, Tax Compliance
+65 6594 7301
chuahweetheng@RSMSingapore.sg



Cheah Paik An, Technical
+65 6594 7859
cheahpaikan@RSMSingapore.sg

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30 years' experience serving businesses

As advisors to growing businesses, we help clients to:



Maximise profits



Internationalise



Enhance business value

WHY RSM

Clients partner RSM for the exceptional value they derive from us:

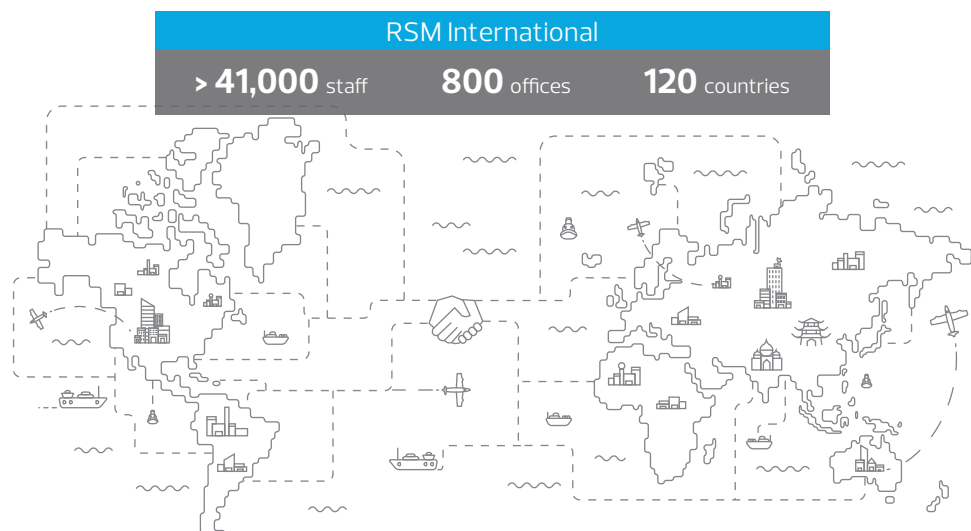
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- One-stop, end-to-end capabilities across business life cycle
- Single point of contact
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Global reach for internationalisation needs



GROWING WITH YOU

Scale Up

Build Up

Start Up



➤ Small Business



➤ SME



➤ Enterprise

Your Priorities	<ul style="list-style-type: none"> ◆ Focus on core business ◆ Get foundations right ◆ Drive revenue & cash flow 	<ul style="list-style-type: none"> ◆ Drive growth ◆ Improve profits ◆ Recruit & manage talent 	<ul style="list-style-type: none"> ◆ Internationalise ◆ Expand business ◆ Raise funds ◆ Plan business succession ◆ Enhance business value
Our Solutions	<ul style="list-style-type: none"> ◆ Accounting & payroll setup ◆ ACRA / IRAS Filing ◆ Cloud solutions in Accounting / Payroll / IT 	<ul style="list-style-type: none"> ◆ Profit Improvement ◆ Budget & Forecast ◆ Talent Acquisition ◆ Accounting, HR, Payroll & IT Outsourcing ◆ CFO2SME™ ◆ Corporate Compliance 	<ul style="list-style-type: none"> ◆ International Tax Planning ◆ Internationalisation ◆ Risk Management ◆ Security & Mobility ◆ M&A ◆ Transaction Support ◆ Valuation ◆ Corporate Governance ◆ Global Compliance ◆ Financial Planning & Analysis
Other Services			
How we may help	Tax Advisory & Compliance		
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	Risk Advisory		
Compliance / Governance	◆ Corporate Governance & Risk Management ◆ Cyber Security ◆ Digital Forensics		
	◆ eDiscovery ◆ Internal Audit ◆ IT Governance & Oversight ◆ Probity Advisory & Assurance ◆ Regulatory Compliance ◆ Technology Assurance & Advisory ◆ Technology Risk Management		
Business Solutions	Audit		
	◆ Financial Due Diligence ◆ Reporting Accountants ◆ Special Reviews ◆ Statutory Audit ◆ Regulatory Compliance Reporting		
Specials	◆ Accounting ◆ Business Process Outsourcing ◆ Executive Search & Placement ◆ Formation, Compliance & Advisory ◆ IT Solutions & Technology Consulting ◆ Payroll & HR Advisory		
	◆ Forensic & Litigation Support ◆ Corporate Restructuring ◆ Crisis Management		

INDUSTRY SPECIALISATIONS

The hallmark of a good business partner is the ability to understand and identify your needs and goals in your industry. For industry-specific insights and tailored solutions to help tackle your challenges or grow your business, please contact our Industry Leaders below:



Chow Khen Seng
+65 6594 7861
chowkhenseng@RSMSingapore.sg



Terence Ang
+65 6594 7862
terenceang@RSMSingapore.sg



Derek How
+65 6594 7885
derekhow@RSMSingapore.sg



Adrian Tan
+65 6594 7876
adriantan@RSMSingapore.sg



Yang Li Lian
+65 6594 7897
yanglilian@AccountStaff.com.sg



David Eu
+65 6594 7851
david.eu@RSMSingapore.sg



Peter Jacob
+65 6594 7898
peterjacob@RSMSingapore.sg



Woo E-Sah
+65 6594 7843
eswoo@RSMSingapore.sg



Lee Mong Sheong
+65 6594 7865
leemongsheong@RSMSingapore.sg



Chan Weng Keen
+65 6594 7864
chanwengkeen@RSMSingapore.sg



www.RSMSingapore.sg

8 Wilkie Road, #03-08, Wilkie Edge, Singapore 228095
T +65 6533 7600 F +65 6594 7822

Tax

Tax@RSMSingapore.sg

Audit

Audit@RSMSingapore.sg

Other Services

Info@StoneForest.com.sg