Budget 2023 - Overview of Tax Changes

Tax Changes

Businesses

Tax Change	Summary	FAQ/Related Information
Implement the Global Anti-Base Erosion (GloBE) Rules (i.e., Income Inclusion Rule and Undertaxed Profits Rule) and Domestic Top-up Tax (DTT)[1]	Singapore plans to implement the GloBE rules and DTT from businesses' financial year starting on or after 1 January 2025. The Government will continue to monitor the international developments and adjust the implementation timeline as needed if there are delays internationally. The Government will also continue to engage businesses and provide them with sufficient notice ahead of any rules becoming effective.	
Introduce the Enterprise Innovation Scheme (EIS)	To encourage businesses to engage in R&D, innovation and capability development activities, the following suite of tax measures will be enhanced or introduced under the EIS: a) Enhance the tax deduction to 400% for the first $400,000 of staff costs and consumables incurred on qualifying R&D projects conducted in Singapore for each YA from YA2024 to YA2028. b) Enhance the tax deduction to 400% for the first $400,000 of qualifying IP registration costs incurred per YA from YA2024 to YA2028. c) Enhance the tax allowance/deduction to 400% for the first $400,000 (combined cap) of qualifying expenditure incurred on the acquisition and licensing of IP rights per YA from YA2024 to YA2028. This enhancement will only be available to businesses that generate less than $500 million in revenue in the relevant YA. d) Enhance the tax deduction to 400% for the first $400,000 of qualifying training expenditure incurred on qualifying courses (i.e. courses that are	Enterprise Innovation Scheme (EIS)

[1] Formerly referred to as Minimum Effective Tax Rate (METR).

	eligible for SkillsFuture Singapore (SSG) funding and aligned with the Skills Framework) per YA from YA2024 to YA2028. e) Introduce a 400% tax deduction for up to $50,000 of qualifying innovation expenditure incurred on qualifying innovation projects carried out with polytechnics, the Institute of Technical Education, and other qualified partners per YA from YA2024 to YA2028. f) Allow businesses to, in lieu of tax deductions/allowances, opt for a non-taxable cash payout at a cash conversion ratio of 20% on up to $100,000 of total qualifying expenditure across all qualifying activities in (a) to (e) above per YA. The cash payout option will be capped at $20,000 per YA, and will only be available to businesses which have at least three full-time local employees[2] (Singapore Citizens or Permanent Residents with CPF contributions) earning a gross monthly salary of at least $1,400 in employment for six months or more in the basis period of the relevant YA. g) The sunset dates for section 14A (Deduction for costs of protecting IP), section 14C (Deduction for qualifying expenditure on R&D), section 14D (Enhanced deduction for qualifying expenditure on R&D), section 14U (Enhanced deduction for expenditure on licensing IP rights) and section 19B (Writing-down allowance for capital expenditure on acquiring IP rights) of the Income Tax Act 1947 (ITA) will be extended till YA2028, in line with the above enhancements. All other conditions under sections 14A, 14C, 14D, 14U and 19B of the ITA remain the same. IRAS will also provide further details of the changes by 30 June 2023.	
Enhance the Double Tax Deduction for Internationalisation (DTDi) Scheme	E-commerce is an increasingly important and relevant mode of overseas expansion for businesses. To support businesses in their efforts to overcome initial challenges and build up capabilities in internationalising via e-commerce, the scope of the DTDi scheme will be enhanced to include a new qualifying activity "e-commerce campaign"[3] and cover the following e-commerce campaign startup expenses paid to e-commerce platform/service providers:	Double Tax Deduction for Internationalisation Scheme

[2] For the purposes of the cash payout, "employees" may include individuals who are deployed to the business under a centralised hiring arrangement or secondment arrangement.

[3] "E-commerce" refers to the business of buying and selling goods and services on the Internet, while in the context of DTDi "campaign" refers to an organised course of action to promote goods and services abroad.

	a) Business advisory: Advisory on market promotion and execution plans (e.g. choice of suitable e-commerce platforms); b) Account creation: Assistance with setting up accounts on e-commerce platforms, and the right to sell on e-commerce platforms; c) Content creation: Design of e-commerce campaign publicity materials (e.g. e-store banners, online product images); and d) Product listing and placement: Uploading content on products/services to e-commerce platforms, and selection of suitable frequency and timing to display content on products/services. Prior approval is required from EnterpriseSG to enjoy DTDi on the new qualifying activity. For each business, EnterpriseSG will only approve DTDi support for e-commerce campaigns for a maximum period of one year applied on a per-country basis. The above enhancement will take effect for qualifying e-commerce campaign startup expenses incurred on or after 15 February 2023. EnterpriseSG will provide further details of the changes by 28 February 2023.	
Provide an Option to Accelerate the Write-off of the Cost of Acquiring Plant and Machinery (P&M)	To provide temporary broad-based support to businesses during this period of restructuring, businesses that incur capital expenditure on the acquisition of P&M in the basis period for YA2024 (i.e. financial year ending in 2023) will have an option to accelerate the write-off of the cost of acquiring such P&M over two years. This option, if exercised, is irrevocable. The rates of accelerated CA allowed are as follows: a) 75% of the cost incurred to be written off in the first year (i.e. YA2024); and b) 25% of the cost incurred to be written-off in the second year (i.e. YA2025). The above option will be in addition to the options currently available under sections 19 and 19A of the ITA. No deferment of CA claims is allowed under the above option. This means that if a business opts for the accelerated write-off option, it needs to claim the capital expenditure incurred for acquiring P&M based on the rates of 75% (in YA2024) and 25% (in YA2025) over the two consecutive YAs.	Capital Allowances

Provide an Option to Accelerate the Deduction for Renovation or Refurbishment (R&R) Expenditure	To provide temporary broad-based support to businesses during this period of restructuring, businesses that incur qualifying expenditure on R&R during the basis period for YA2024 (i.e. financial year ending in 2023) will have an option to claim R&R deduction in one YA (i.e. accelerated R&R deduction). The cap of $300,000 for every relevant period of three consecutive YAs will still apply. This option, if exercised, is irrevocable. This option will be in addition to the existing option currently available under section 14N of the ITA.	Tax Treatment of Business Expenses (M – R)
Extend the Investment Allowance (IA) Scheme	To continue encouraging businesses to make capital investments in plant and productive equipment in Singapore, the IA scheme will be extended till 31 December 2028.	
Extend the IA-100% Scheme for Automation Projects	To continue to encourage businesses to transform through automation, the IA-100% scheme will be extended till 31 March 2026, with the same parameters.	
Extend the Pioneer Certificate Incentive (PC) and Development and Expansion Incentive (DEI)	To continue encouraging companies to anchor and grow strategic high value-added manufacturing and services activities in Singapore, the PC and DEI will be extended till 31 December 2028.	
Extend the IP Development Incentive (IDI)	To continue supporting the use and commercialisation of IP rights arising from R&D activities in Singapore, the IDI will be extended till 31 December 2028.	
Extend and Refine the Qualifying Debt Securities (QDS) Scheme	To continue supporting the development of Singapore's debt market, the QDS scheme will be extended till 31 December 2028. The scope of qualifying income under the QDS scheme will be streamlined and clarified such that it includes all payments in relation to early redemption of a QDS.	

	To ensure continued relevance, the requirement that the QDS has to be substantially arranged in Singapore will be rationalised, as follows: a) For all debt securities that are issued on or after 15 February 2023, they must be substantially arranged in Singapore by a financial institution holding a specified licence (instead of a Financial Sector Incentive (FSI) company). b) For insurance-linked securities (ILS) that are issued on or after 1 January 2024, if they are unable to meet the condition in (a) above, at least 30% of the ILS issuance costs incurred by the issuer must be paid to Singapore businesses. All other conditions of the scheme remain the same. The Monetary Authority of Singapore (MAS) will provide further details by 31 May 2023.	
Extend the Tax Exemption on Income Derived by Primary Dealers from Trading in Singapore Government Securities (SGS)	To continue supporting primary dealers and encourage trading in SGS, the tax exemption on income derived by primary dealers from trading in SGS will be extended till 31 December 2028. All other conditions of the scheme remain the same.	
Extend and Refine the Tax Incentive Scheme for Approved Special Purpose Vehicle (ASPV) Engaged in Asset Securitisation Transactions (ASPV scheme) and Introduce a New Sub-scheme to Support Covered Bonds	To continue developing the structured debt market, the ASPV scheme will be extended till 31 December 2028. Instead of a fixed rate of 76%, the GST recovery rate will be the prevailing GST recovery rate/methodology accorded to licensed full banks under MAS for the specific year in question. All other tax concessions and conditions of the ASPV scheme remain the same. Further, to support the issuance of covered bonds in Singapore, a new sub-scheme named ASPV (Covered Bonds) will be introduced for the special purpose vehicle holding the “cover pool” in relation to the covered bonds as defined in MAS Notice 648. The ASPV (Covered Bonds) scheme will take effect from 15 February 2023 to 31 December 2028 and will be administered by MAS. MAS will provide further details by 31 May 2023.	

Extend and Refine the Financial Sector Incentive (FSI) Scheme	To continue supporting the growth of financial sector activities in Singapore, the FSI scheme will be extended and refined as follows: a) The FSI scheme[4] will be extended till 31 December 2028. b) The existing concessionary tax rates will be streamlined to two tiers of 10% and 13.5% for new and renewal awards approved on or after 1 January 2024, as follows: i) FSI-Capital Market, FSI-Derivatives Market and FSI-Credit Facilities Syndication – from 5% to 10%; ii) FSI-Fund Management and FSI-Headquarter Services – remain at 10%; iii) FSI-Trustee Companies – from 12% to 13.5%; and iv) FSI-Standard Tier – remain at 13.5%. c) The qualifying activities will be updated to ensure continued relevance. MAS will provide further details of the changes by 31 May 2023.	
Extend the Insurance Business Development – Insurance Broking Business (IBD-IBB) Scheme	To further strengthen Singapore's position as a leading insurance and reinsurance centre, the IBD-IBB scheme will be extended till 31 December 2028. All other conditions of the scheme remain the same.	
Extend the Tax Concession for Deduction of General Provisions for Doubtful Debts and Regulatory Loss Allowances Made in Respect of Non-credit-impaired Financial Instruments for Banks (Including	To continue to promote the overall robustness and stability of the Singapore financial system, the tax deduction under section 14G of the ITA will be extended till YA2029 (for banks, merchant banks, and qualifying finance companies with a 31-December FYE) or YA2030 (for banks, merchant banks, and qualifying finance companies with a non-31-December FYE).	

[4] Under the FSI-Headquarter Services, Withholding Tax exemption is granted on interest payments made to qualifying non-residents during the award tenure on qualifying loans. The Withholding Tax exemption will similarly be extended till 31 December 2028.

Merchant Banks) and Qualifying Finance Companies		
Extend Three Tax Measures Relating to Submarine Cable Systems	Currently, there are three tax measures relating to submarine cable systems: a) Withholding Tax exemption on payments made to non-residents for use of international telecommunications submarine cable capacity under indefeasible right to use (IRU) agreements. This is scheduled to lapse after 31 December 2023. b) Writing-down allowance for the acquisition of an IRU over their useful life. This is scheduled to lapse after 31 December 2025. c) IA for the construction and operation of submarine cable systems in Singapore. This is scheduled to lapse after 31 December 2023. To maintain and enhance Singapore's international connectivity, all three tax measures will be extended till 31 December 2028, with the same parameters.	
Withdraw the Tax Deduction for Expenditure Incurred on Building Modifications for Benefit of Disabled Employees	The scheme will be withdrawn from 15 February 2023. Introduced in Budget 1989, the scheme has become less relevant over the years. Since then, other support schemes (e.g. the Open Door Programme Job Redesign Grant) have been introduced to help employers recruit and retain disabled employees, or to support employers for accommodations beyond (and including) physical modifications of the workplace. Section 14N on tax deductions for Renovation and Refurbishment, introduced in Budget 2008, can also be tapped upon for workplace modifications without the need for prior approval from government agencies.	

Individuals

Tax Change	Summary	FAQ/Related Information
Change in Working Mother's Child Relief (WMCR) from a Percentage of an	For an eligible working mother with a qualifying Singapore citizen child born or adopted before 1 January 2024, there is no change to the WMCR that the mother can claim. Working mothers of these children can continue to claim the	Working Mother's Child Relief (WMCR)

<table>
<tr>
<td>Eligible Working Mother's Earned Income to a Fixed Dollar Tax Relief for Those with a Qualifying Child who is a Singapore Citizen Born or Adopted on or after 1 January 2024</td>
<td>WMCR in respect of these children based on the existing design and quantum, i.e. a percentage of their earned income.

As part of the review of the Government's support for Marriage & Parenthood, the WMCR will be changed to a fixed dollar tax relief for eligible working mothers in respect of qualifying children who are Singapore citizens born or adopted on or after 1 January 2024[5].

The WMCR amount for eligible working mothers in respect of a qualifying child who is a Singapore citizen born or adopted on or after 1 January 2024 is as follows:

<table>
<tr><th>Child Order</th><th>WMCR Amount
For a qualifying Singapore citizen child born or adopted on or after 1 January 2024</th></tr>
<tr><td>1st</td><td>$8,000</td></tr>
<tr><td>2nd</td><td>$10,000</td></tr>
<tr><td>3rd and beyond</td><td>$12,000</td></tr>
</table>

WMCR will continue to be part of a suite of support measures for eligible working mothers, including lower- to middle- income working mothers of qualifying Singapore citizen children.

This change will take effect from the YA2025.

Further details can also be found at www.go.gov.sg/wmcr.</td>
<td></td>
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<tr>
<td>Lapse the Foreign Domestic Worker Levy Relief (FDWLR) from YA2025</td>
<td>The FDWLR was introduced in 1989 to support working married women who needed the help of a migrant domestic worker.

Since then, the Government has introduced a number of schemes that directly support those caring for dependants, including working mothers. In particular, those living with children below 16 years old, elderly or persons with disabilities who require the help of a migrant domestic worker enjoy a concessionary levy of $60 per month, instead of the usual levy of $300 or $450 per month for the</td>
<td>Foreign Domestic Worker Levy Relief (FDWLR)</td>
</tr>
</table>

[5] For a child born to a mother before she is married to her spouse/ex-spouse, the date of marriage would be used to determine the type of WMCR the mother is eligible for. For a child who is not a Singapore citizen at birth, it would be the date of approval of Singapore citizenship.

	first and subsequent helper respectively. This concessionary levy directly benefits all families who need help with caring for their dependents, including those who do not pay income tax. The FDWLR will be lapsed for all taxpayers with effect from the YA2025.	
Allow Resident Individual Taxpayers to Claim Grandparent Caregiver Relief (GCR) in Respect of Caregivers who have Trade, Business, Profession, Vocation or/and Employment Income not Exceeding $4,000 in the Year Preceding the YA of Claim	To give caregivers the flexibility to do some incidental work, working mothers will be able to claim GCR in respect of caregivers who have trade, business, profession, vocation or/and employment income, as long as the caregivers' total income from these activities does not exceed $4,000 in the year preceding the YA of claim, if they have met all other conditions. This change will take effect from the YA2024.	Grandparent Caregiver Relief (GCR)

Income Tax Changes for Businesses, Individuals and Bodies of Persons

Tax Change	Summary	FAQ/Related Information
Extend the 250% Tax Deduction for Qualifying Donations to IPCs and Eligible Institutions	To continue encouraging Singaporeans to give back to the community, we will extend the 250% tax deduction to qualifying donations made from 1 January 2024 to 31 December 2026. All other conditions of the scheme remain the same.	Donations & Tax Deductions

Extend and Enhance the Corporate Volunteer Scheme[6] (CVS)	a) To continue supporting corporate volunteering, we will extend the 250% tax deduction on qualifying expenditure incurred under the CVS until 31 December 2026. b) The scope of qualifying volunteering activities will be expanded to include activities which are conducted virtually (e.g. online mentoring and tuition support for youths/children) or outside of the IPCs' premises (e.g. refurbishment of rental flats). c) The cap on qualifying expenditure per IPC per calendar year has been doubled to $100,000. The above enhancements will take effect from 1 January 2024. All other conditions of the scheme remain the same.	Business & IPC Partnership Scheme
Philanthropy Tax Incentive Scheme for Family Offices	A tax incentive scheme will be introduced for qualifying donors with Family Offices operating in Singapore. To qualify, donors must have a fund under MAS' section 13O or 13U schemes and meet eligibility conditions, such as incremental business spending of $200,000. Under the scheme, qualifying donors can claim 100% tax deduction for overseas donations made through qualifying local intermediaries. The tax deduction is capped at 40% of the donor's statutory income. MAS will provide further details by 30 Jun 2023.	

Stamp Duty

Tax Change	Summary	FAQ/Related Information
Raise Buyer's Stamp Duty (BSD) Rates for Higher-value Residential and Non-residential Properties	To enhance the progressivity of our BSD regime, higher marginal BSD rates will be introduced for higher-value residential and non-residential properties. For residential properties, a new marginal BSD rate of: a) 5% will apply to the portion of the property value in excess of $1.5 million and up to $3 million; and	Buyer's Stamp Duty

[6] With effect from 1 April 2023, the scheme will be renamed from the Business and IPC Partnership Scheme (BIPS) to CVS.

b) 6% will apply to the portion of the property value in excess of $3 million.

For non-residential properties, a new marginal BSD rate of:

a) 4% will apply to the portion of the property value in excess of $1 million and up to $1.5 million; and
b) 5% will apply to the portion of the property value in excess of $1.5 million.

The revised rates will apply to all properties acquired on or after 15 February 2023;[7]

Higher of Purchase Price or Market Value of the Property	**Marginal BSD Rate**	
	Residential Property	**Non-Residential Property**
First $180,000	1%	1%
Next $180,000	2%	2%
Next $640,000	3%	3%
Next $500,000	4%	4% New
Next $1,500,000	5% New	5% New

[7] The Additional Conveyance Duties for Buyers (ACDB) rates, which apply to qualifying acquisitions of equity interest in property holding entities (PHEs), will also be adjusted accordingly, from up to 44% to up to 46%. The revised ACDB rate comprises:
a. Revised BSD at 1% to 6%; and
b. Additional Buyer's Stamp Duty (ABSD) at 40% (flat rate).

A PHE is an entity that has at least 50% (i.e., asset ratio) of its total tangible assets comprising prescribed immovable properties in Singapore. Please refer to IRAS' website for more details on PHEs and prescribed immovable properties. More details can be found at https://www.iras.gov.sg/taxes/stamp-duty/for-property-holding-entities-('phe')/basics-of-stamp-duty-for-property-holding-entities/determining-the-additional-conveyance-duties-payable.

Amount exceeding $3,000,000	6% New	

There will be a transitional provision, where the BSD rates on or before 14 February 2023 will apply for cases that meet all the conditions below:

a) The Option to Purchase (OTP) was granted by sellers to potential buyers on or before 14 February 2023;
b) This OTP is exercised on or before 7 March 2023, or within the OTP validity period, whichever is earlier; and
c) This OTP has not been varied on or after 15 February 2023.