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Global Tax Alert

Singapore releases Budget 2020

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Executive summary

On 18 February 2020, Singapore's Minister for Finance delivered the Singapore Budget for the financial year 1 April 2020 to 31 March 2021 (Budget 2020).

Against the backdrop of near-term uncertainties and economic slowdown, Budget 2020 introduces a range of business-friendly tax changes and measures aimed at enhancing Singapore's position as a Global-Asia hub of technology, innovation and enterprise.

This Alert summarizes the key tax initiatives relevant to businesses in Budget 2020.[1]

Detailed discussion

Strengthening Singapore's tax competitiveness

To strengthen the resilience and competitiveness of Singapore's tax system, various tax incentives have been extended, refined and/or enhanced. These include:

- The Finance and Treasury Centre scheme
- The Global Trader Programme
- The Maritime Sector Incentive

Building a better working world

- The withholding tax exemption for interest on margin deposits
- Tax incentive schemes for insurance businesses, venture capital funds and venture capital fund management companies

Budget 2020 also proposed enhancements to existing enterprise development schemes. In addition, it introduced a number of new schemes and pilot programs, aimed at supporting businesses, specifically start-ups and small and medium enterprises. The various schemes facilitate access to capital and cash flow and enhance digital and market connectivity.

Non-taxation of gains on disposal of ordinary shares

Singapore does not impose tax on capital gains. Nevertheless, it is necessary to first consider if a gain on disposal is revenue or capital in nature – this depends on the facts and circumstances of each case and may not always be straightforward. To provide upfront certainty to companies pursuing corporate restructuring, the exemption of gains or profits from the disposal of ordinary shares (subject to conditions) will be extended to 31 December 2027. To ensure consistency in the tax treatment for property-related business, the scheme will not apply to disposals of unlisted shares in an investee company that is in the business of trading, holding or developing immovable properties in Singapore and abroad.

Additional temporary boosts for businesses

Budget 2020 proposes several short-term measures to help businesses with their cash flow. These include:

- Granting a Corporate Income Tax rebate of 25% of tax payable, capped at S$15,000 (US$10,700) for the year of assessment[2] (YA) 2020.
- Enhancing the carry-back relief scheme to allow qualifying deductions for YA 2020 to be carried back up to the three immediate preceding YAs (it is currently allowed for only the immediate preceding YA), capped at S$100,000 (US$71,400) of qualifying deductions and subject to conditions.
- Providing an option to accelerate the tax depreciation claim for plant and machinery acquired for YA 2021 over two years i.e., 75% of the cost in YA 2021 and remaining 25% in YA 2022.
- Providing an option to accelerate the deduction of qualifying expenditure incurred on renovation and refurbishment for YA 2021 in one YA instead of over three consecutive YAs as currently allowed, subject to an expenditure cap of S$300,000 (US$214,200).

Endnotes

1. The Singapore Budget 2020 Synopsis which can be found here provides an in-depth analysis of the Budget 2020 measures.
2. The term "year of assessment" (YA) refers to the year in which income tax is assessed on the company. The basis period for a particular YA for a company is the financial year ending in the year preceding that YA.

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