

## Annex B: MOF's responses to key feedback on the draft Income Tax (Amendment) Bill 2024

### 1. Introduction of the Refundable Investment Credit ("RIC")

- a) Feedback: Provide clarity on the tax treatment of RIC.

Response: **Accepted**. The RIC is fundamentally a grant disbursed through the tax system for efficiency. We will clarify in the legislation that the tax treatment of RIC will be aligned with that for grants.

- b) Feedback: Expand the scope of qualifying activities to include other activities (e.g. aviation, financial services).

Response: **To be further studied**. For a start, RIC is designed to support the qualifying activities as announced at Budget 2024. Companies from all industries can apply for RIC if they meet the current scope of qualifying activities. We will continue to monitor and study whether the scope of qualifying activities should be expanded.

- c) Feedback: Amend the definition of "group" for the purposes of using RIC to offset the taxes of related companies, to also cover other common holding structures.

Response: **Accepted**. For the purposes of allowing RIC to be used to offset the taxes of related companies, a "group" refers to a group of entities (whether incorporated or registered in Singapore or elsewhere) comprising a parent and its subsidiaries within the meaning of Financial Reporting Standard 110 (Consolidated Financial Statements).

### 2. Introduction of an alternative basis of tax where the qualifying income of shipping entities will be taxed by reference to net tonnage

- a) Feedback: Relax the irrevocable election such that entities under the Maritime Sector Incentive – Shipping Enterprise (Singapore Registry of Ships) ("MSI-SRS") may re-elect for the net tonnage basis of taxation ("NTT") under certain circumstances, e.g. after a specified period or after a specified event such as changes in major shareholding.

Response: **Accepted**. The election by MSI-SRS entities for NTT will be irrevocable for a period of 10 years or until the end of the period that they own or operate a qualifying ship, whichever is earlier. Entities may re-elect thereafter.

For MSI-SRS entities that are concurrently on the MSI-Approved International Shipping Enterprise ("MSI-AIS") or MSI-Maritime Leasing (Ship) ("MSI-ML(Ship)") award, the end date of the election period will follow the MSI-AIS/MSI-ML(Ship) award tenure.

- b) Feedback: Simplify the compliance process by allowing both qualifying and non-qualifying income to be covered under the NTT.

Response: **Not accepted.** The NTT is not a separate tax regime from the MSI. Rather, it is an alternative basis of subjecting the qualifying income of MSI entities to corporate income tax. Thus, only qualifying income under sections 13A, 13E and 13P of the ITA will be covered under the NTT. Non-qualifying income derived by MSI companies, like before, will be taxed according to the prevailing corporate tax rules.

To facilitate the compliance process, the Maritime and Port Authority of Singapore (“MPA”) will provide more details including a sample tax computation in its industry circular.

- c) Feedback: Make clear that the total net tonnage of each qualifying ship that will be subjected to tax will be rounded down to the nearest 100 Net Tonnes.

Response: **Accepted.** We will make clear in the legislation that the total net tonnage will be rounded down to the nearest 100 Net Tonnes.

### 3. Clarification of the tax treatment of real estate investment trust (“REIT”) units held by REIT managers

- a) Feedback: Allow REIT managers the option to compute the market value of REIT units transferred to employees based on the full basis period.

Response: **Accepted.** We will allow REIT managers the option of computing the market value of REIT units transferred to employees based on the full basis period.

- b) Feedback: Clarify the method to be used to compute the total amount of section 34AA adjustments for gains or losses of financial instruments recognised under Financial Reporting Standard 109 (Financial Instruments) in relation to REIT units transferred to employees.

Response: **Accepted.** The legislation will clarify that the method to be used to compute the total amount of section 34AA adjustments in relation to REIT units transferred to employees must be the same method used to compute the market value of REIT units transferred to employees.

- c) Feedback: Remove the word “equal” in the definition of “regular interval” to cater for a situation where the REIT manager changes its financial year-end and each period within the new basis period may not be of equal duration.

Response: **Partially accepted.** We will include a new provision to allow the Comptroller to consider any other basis period that is reasonable, taking into account the circumstances of the case.