

Income Tax (Amendment) Bill

Bill No. /2024.

Read the first time on 2024.

A BILL

i n t i t u l e d

An Act to amend the Income Tax Act 1947.

Be it enacted by the President with the advice and consent of the Parliament of Singapore, as follows:

EXPLANATORY STATEMENT

This Bill seeks to implement the tax changes in the Government's 2024 Budget Statement in the Income Tax Act 1947 (the Act), and to make certain other amendments to the Act.

Clause 1 relates to the short title and commencement.

Clause 2 amends section 10 (Charge of income tax) to revise the tax concession under subsection (14) (which deems certain income derived from copyright or assignment of those rights to be the lower of the net amount after allowable deductions and 10% of the gross amount) —

- (a) for such income derived in the basis period to be deemed at the lower of the net amount after allowable deductions and 40% of the gross amount for the year of assessment 2027; and
- (b) for such income derived in the basis period to be deemed at the lower of the net amount after allowable deductions and 70% of the gross amount for the year of assessment 2028.

Section 10 is also amended to remove the tax concession under subsection (14) for income derived in the basis period for the year of assessment 2029 and subsequent years of assessment.

Clause 3 amends section 10H (Securities lending or repurchase arrangement) —

- (a) to expand the scope of qualifying securities lending or repurchase arrangements under that section by including unlisted stocks and shares of company resident in Singapore as qualifying securities;
- (b) to align the tax treatment of all distributions of income in respect of securities transferred under such arrangements, including the application of section 45G to distribution (and compensatory payment in lieu of distribution) relating to transferred securities that are units of a Singapore real estate investment trust or an approved Singapore REIT exchange-traded fund; and
- (c) to make a technical amendment to the definition of "Singapore-based transferee" to include a person who enters into the securities lending or repurchase arrangement through, or for a business carried on through, a permanent establishment in Singapore.

Clause 4 amends section 10I (Additional Tier 1 capital instruments) to provide that any distribution that is liable to be made by —

- (a) a licensed insurer that is incorporated, formed or established in Singapore; or
- (b) a designated financial holding company that has a subsidiary that is such an insurer,

in respect of an AT1 capital instrument (other than shares) issued on or after 1 January 2025, is considered as interest derived from a debt security.

Clause 5 amends section 13D (Exemption of income of prescribed persons arising from funds managed by fund manager in Singapore) to apply the tax exemption under that section only to income from funds managed in Singapore by a fund manager that satisfies prescribed requirements. This amendment applies to income derived on or after 1 January 2025.

Clause 5 also amends section 13D to extend the date by which a company or trustee of a trust fund must be incorporated or constituted to be eligible for the tax exemption under that section, to 31 December 2029.

Clause 6 amends section 13F (Exemption of income of foreign trust) to extend the date by which a foreign trust or an eligible holding company is to be constituted or incorporated for certain of its income to be exempt from tax under the section, to 31 December 2027. In relation to a trust or company that is constituted or incorporated before that date, clause 6 amends section 13F to prescribe a later basis period in which certain conditions are to be satisfied for such exemption to apply.

Clause 7 amends section 13L (Exemption of income of foreign account of philanthropic purpose trust) to extend the date by which a philanthropic purpose trust or an eligible holding company is to be constituted or incorporated for certain of its income to be exempt from tax under the section, to 31 December 2027. In relation to a trust or company that is constituted or incorporated before that date, clause 7 amends section 13L to prescribe a later basis period in which certain conditions are to be satisfied for such exemption to apply.

Clause 8 amends section 13N (Exemption of relevant income of prescribed locally-administered trust) —

- (a) to extend the date by which a locally-administered trust or holding company established for the purpose of such trust, is to be constituted or incorporated for certain of its income to be exempt from tax under the section, to 31 December 2027, and, in relation to a trust or company that is constituted or incorporated before that date, to prescribe a later basis period in which certain conditions are to be satisfied for such exemption to apply; and
- (b) to apply the exemption to dividends received by a prescribed locally-administered trust from a prescribed holding company not resident in Singapore, that is paid out of income that is not “relevant income” (as defined) of the holding company.

Clause 9 amends section 13O (Exemption of income of company incorporated and resident in Singapore arising from funds managed by fund manager in Singapore) for the following purposes:

- (a) to enable conditions for the exemption of the income of an approved company to be specified and notified or publicised to the company in a manner other than by regulations or in its letter of approval;
- (b) to enable the conditions of approval of an approved company to be varied or deleted and the addition of new conditions;
- (c) to enable regulations to be made to provide for the revocation or suspension of an approval for non-compliance with a condition of approval, and for such revocation to be effective from a date before the date of non-compliance or (if the condition is to be complied with over a period) before the date of commencement of the period;
- (d) to extend the last date for giving approval under the section to 31 December 2029.

Clause 10 inserts a new section 13OA to extend the tax treatment in section 13O to the income of partners of approved limited partnerships from funds managed by fund managers in Singapore.

The new section 13OA(1) provides that prescribed income of a partner of an approved limited partnership from funds managed in Singapore by a fund manager or an approved person is (subject to certain conditions) exempt from tax.

The new section 13OA(2), (3) and (4) provides that the approval of a limited partnership may be subject to conditions, and provides for the variation or deletion of any condition and the addition of new conditions.

The new section 13OA(5) provides that no approval may be granted after 31 December 2029.

The new section 13OA(6) provides that a partner (*X*) of an approved limited partnership (*Y*) whose income is exempt from tax under the new section and who (together with *X*'s associates) beneficially owns equity interests in *Y*, is liable to pay a penalty, if the value of those equity interests exceeds a prescribed percentage of the total value of all equity interests in *Y*.

The new section 13OA(7) provides that *X* need not pay the penalty if *X* or its associates reduce their equity interests in *Y* within a specified period.

The new section 13OA(8) provides that if *X* is a non-bona fide entity (i.e. one that is set up solely for tax planning purposes or that does not carry out any business activity for a genuine commercial reason), then *X* is not liable to pay the penalty; but another person *XI* that beneficially owns equity interests in *X* and is not a non-bona fide entity, is liable to pay a penalty if *XI* (together with *XI*'s associates) beneficially owns equity interests in *Y* the value of which exceeds a prescribed percentage of the total value of all equity interests in *Y*. The amount

of the penalty is computed in accordance with the formula in the new section 13OA(9).

The new section 13OA(10) in effect provides that *XI* need not pay the penalty if *XI* or its associates reduce their equity interests in *X* within a specified period.

The new section 13OA(11) defines what beneficial ownership of equity interests in an entity means and how the percentage of ownership is to be computed.

The new section 13OA(12) enables the Minister or an authorised body to remit or refund any penalty under the new section.

The new section 13OA(13) is a regulation-making power for the purposes of the new section.

The new section 13OA(14) enables the Comptroller to make an assessment of tax on a partner previously allowed an exemption from tax in the event an approval of the partner's limited partnership is revoked.

The new section 13OA(15) provides that a limited partnership whose approval is suspended is treated as not approved during the period of suspension.

The new section 13OA(16) defines terms for the new section.

Clause 11 amends section 13U (Exemption of income arising from funds managed by fund manager in Singapore) for the following purposes:

- (a) to enable conditions for the exemption of income under that section to be specified and notified or publicised to the person to whom the relevant approval for exemption was given, other than by regulations or in the letter of approval;
- (b) to clarify that approval under the section may be given subject to conditions;
- (c) to enable the conditions of approval to be varied or deleted and the addition of new conditions;
- (d) to enable regulations to be made to provide for the revocation or suspension of an approval for non-compliance with a condition of approval, and for such revocation to be effective from a date before the date of non-compliance or (if the condition is to be complied with over a period) before the date of commencement of the period;
- (e) to extend the last date for giving approval under the section to 31 December 2029;
- (f) to make related amendments as a result of the new section 13OA.

Clause 12 amends section 13V (Exemption of certain income of prescribed sovereign fund entity and approved foreign government-owned entity) to extend the date by which the Minister or an authorised body may approve a foreign

government-owned entity for the purpose of an exemption from tax under that section of income from its funds that are managed in Singapore, and from the management of funds and the provision of investment advisory service in Singapore, to 31 December 2029.

Clause 12 also amends section 13V to expand the definitions of “foreign government-owned entity” and “sovereign fund entity” to entities that are owned or incorporated by the government or public authority of more than one foreign countries.

Finally, clause 12 amends section 13V —

- (a) to extend the tax treatment in that section of income of a prescribed sovereign fund entity from funds managed in Singapore by an approved foreign government-owned entity, to such income of a prescribed international organisation; and
- (b) to extend the tax treatment in that section of income of an approved foreign government-owned entity from its Singapore-managed funds, or from carrying out fund management and investment advisory services to a prescribed sovereign fund entity, to such income of an approved international organisation.

Clause 13 amends subsection (3A) of section 14N (Deduction for renovation or refurbishment expenditure) which allows the full amount of renovation or refurbishment expenditure incurred by a person during the basis period for the year of assessment 2021, 2022 or 2024 to be deducted in that year of assessment instead of over 3 years of assessment. The amendment allows for the same treatment to be given to such expenditure incurred during the basis period for the year of assessment 2025 or a subsequent year of assessment.

Clause 13 also amends the definition of “specified period” in section 14N. The deduction in that section is limited to \$300,000 of the expenditure in a specified period. The current definition is amended to end with a period that consists of or ends with the basis period for the year of assessment 2024.

With effect from the year of assessment 2025, “specified period” is a period of 3 consecutive basis periods, beginning with the basis period for the year of assessment 2025, or any successive period of 3 consecutive basis periods.

This means that a taxpayer who (for example) does not carry on a trade, profession or business for the whole of the specified period starting with the basis period for the year of assessment 2025, may still be allowed a deduction for qualifying expenditure incurred during the period in which it carries on the trade, profession or business that is within the specified period, up to the full deduction cap of \$300,000.

Finally, clause 13 amends section 14N to expand the scope of qualifying expenditure to include designer or professional fees that are not related to

renovation or refurbishment works the plans of which require the approval from the Commissioner of Building Control under the Building Control Act 1989.

Clause 14 inserts a new section 14ZI to provide for the computation of the deductible expenditure of a REIT manager who transfers REIT units to employees as remuneration, where the REIT units are received by the REIT manager from the REIT trustee as consideration for its services to the REIT. Broadly, the amount deductible is the market value of the REIT units when they are received by the REIT manager.

Clause 15 inserts a new section 34K to provide for an alternative net tonnage basis of taxation for shipping enterprises, approved international shipping enterprises and approved shipping investment enterprises on the qualifying income of such entities. Any of those entities may elect to be subject to the net tonnage basis of taxation for the year of assessment 2024 and subsequent years of assessment. The income chargeable to tax is computed on the basis of the net tonnage of qualifying ships owned or operated by the entity and used to derive its qualifying income in the basis period. The net tonnage is a measure of the useful capacity of those ships.

Clause 16 amends section 36B (Registered business trusts) to modify the definition of “local employee” in the new section 92J as that section applies to a registered business trust.

Clause 17 makes an amendment to section 37 (Assessable income) consequential on the insertion of the new section 37AB. The effect of the amendment is that a deduction for a donation under section 37 is only allowed after a deduction for a donation under the new section 37AB.

Clause 18 amends section 37A (Adjustment of capital allowances, losses or donations between income subject to tax at different rates) to extend the adjustment of donations under the section to donations made under section 37AA and the new section 37AB.

Clause 19 makes amendments to section 37AA (Deduction for donation of money by person related to or connected with company approved under section 13O or person, master fund, etc., approved under section 13U) consequential on the insertion of the new section 13OA.

Clause 19 also amends section 37AA(12) to provide that section 37(2) applies in relation to a donation under section 37AA. The effect of this is that where the donor’s income is subject to different tax rates for a year of assessment, the Comptroller must apportion any sum allowable for that donation under section 37AA among the different tax rates on such basis the Comptroller considers reasonable.

Clause 20 inserts a new section 37AB to provide that, in determining the assessable income in a year of assessment of a person, there is to be deducted a prescribed amount of qualifying overseas cash donations made by that person in

the year before that year of assessment. Any amount of deduction not deducted in any year of assessment may not be carried forward.

The section applies to qualifying overseas cash donations made from 1 January 2025 to 31 December 2028 (both dates inclusive). Qualifying overseas cash donations are donations made to a designated charity in response to a permitted fund-raising appeal to provide humanitarian assistance connected with an emergency or event in a country outside Singapore and approved by the Minister or an authorised body for the purpose of the section.

Clause 21 amends section 39 (Relief and deduction for resident individual) to increase from \$4,000 to \$8,000 the following annual income thresholds for the giving of certain tax reliefs, with effect from the year of assessment 2025:

- (a) the annual income threshold of a spouse for spousal relief under subsection (2)(a);
- (b) the annual income threshold of a non-handicapped aged dependant for relief for the maintenance of that dependant under subsection (2)(i);
- (c) the annual income threshold of a parent or grandparent caregiver for relief in respect of that caregiver under subsection (2)(p);
- (d) the annual income threshold of a non-handicapped spouse or sibling for a deduction under subsection (3) for a payment to the retirement account, special account or medisave account of that spouse or sibling.

Clause 21 also amends section 39 to provide that tax deduction will not be allowed to a resident individual for an amount of cash top-up made on or after 1 January 2025 by the individual to the individual's own or the individual's spouse's, sibling's, parent's, parent-in-law's, grandparent's or grandparent-in-law's retirement account or special account. The amount is the full amount of cash top-up in respect of which a matching grant is made under the Central Provident Fund Board's Matched Retirement Savings Scheme or part of that amount prescribed by rules.

Clause 21 further amends section 39 to insert a new subsection (12C) to provide that subsections (2)(k), (12) and (12A) cease to have effect from the year of assessment 2026. These provisions provide for deductions for a fee incurred by an individual taxpayer for a course of study, seminar or conference.

Clause 22 amends section 43E (Concessionary rate of tax for Finance and Treasury Centre) to —

- (a) provide for an additional concessionary tax rate tier of 10% for qualifying income derived from operating a Finance and Treasury Centre that is approved on or after 17 February 2024; and
- (b) enable the Minister or an authorised body to substitute the concessionary rate of tax that is applicable to qualifying income derived from operating an approved Finance and Treasury Centre with a concessionary rate of

either 8% or 10% from a specified date onwards. The substitution may be made on the Minister or authorised body's own initiative or on application by the company concerned.

Clause 23 amends section 43I (Concessionary rate of tax for global trading company and qualifying company) to —

- (a) provide for an additional concessionary tax rate tier of 15% for qualifying income derived by a global trading company that is approved on or after 17 February 2024; and
- (b) enable the Minister or an authorised body to substitute the concessionary rate of tax that is applicable to qualifying income derived by an approved global trading company with a concessionary rate of either 5%, 10% or 15% from a specified date onwards. The substitution may be made on the Minister or authorised body's own initiative or on application by the company concerned.

Clause 24 amends section 43N (Concessionary rate of tax for leasing of aircraft and aircraft engines) to —

- (a) provide for an additional concessionary tax rate tier of 10% for qualifying income derived by an aircraft leasing company that is approved on or after 17 February 2024; and
- (b) enable the Minister or an authorised body to substitute the concessionary rate of tax that is applicable to qualifying income derived by an approved aircraft leasing company with a concessionary rate of either 8% or 10% from a specified date onwards. The substitution may be made on the Minister or authorised body's own initiative or on application by the company concerned.

Clause 25 amends section 43X (Concessionary rate of tax for intellectual property income), which provides for a concessionary tax rate that is the sum of a base rate and a rate increase applicable to certain 5-year periods of an approved company's tax relief period, on qualifying intellectual property income of the company. The amendments —

- (a) provide for an additional base rate of 15% under the new subsection (5)(b) for a company that is approved on or after 17 February 2024;
- (b) provide that the rate increase of at least 0.5% for the new base rate of 15% applies to the 5th and 7th 5-year period of an approved company's tax relief period under the new subsection (6)(b); and
- (c) enable the Minister or an authorised body to substitute the base rate under subsection (5)(a) or (b) with 5%, 10% or 15% from a specified date onwards. The substitution may be made on the Minister or

authorised body's own initiative or on application by the company concerned.

Clause 26 amends section 63 (Furnishing of estimate of chargeable income if no return is made under section 62) to exempt sole proprietors from the duty to furnish to the Comptroller an estimate of his or her income for the years of assessment 2026 to 2030.

Clause 27 amends section 71 (Return to be made by partnership) to exempt the person responsible for filing the return of a partnership from the duty to furnish to the Comptroller an estimate of the partnership's income for the years of assessment 2026 to 2030.

Clause 28 inserts a new section 92J as part of the Enterprise Support Package announced in the Budget Statement of 2024.

The new section 92J(1) provides for a corporate tax rebate for the year of assessment 2024. The rebate is 50% of the tax payable (less any cash grant of \$2,000 made under the new section) or \$40,000 (less the cash grant), whichever is lower. Where 50% of the tax payable is less than the cash grant of \$2,000 made to the company, no corporate tax rebate will be given.

The new section 92J(3) and (5) provides for a non-taxable cash grant of \$2,000 to be made to a company that has made a contribution to the Central Provident Fund (CPF) in respect of at least one local employee (as defined in the new section 92J(7)) in the calendar year 2023.

According to regulation 2(1) of the CPF Regulations, all contributions payable by an employer under section 7(1) of the CPF Act must be paid to the Central Provident Fund Board not later than 14 days after the end of the month in respect of which the contributions are payable. The new section 92J(4) enables the Comptroller of Income Tax (Comptroller) to waive such requirement in the case of a late CPF contribution if he or she is satisfied that it is just and equitable to do so.

The new section 92J(6) allows the Comptroller to recover the cash grant if the recipient was found to have not met any requirement for the cash grant, or any excess cash grant that was given. The new section 92J(6) also requires the amount of the cash grant to be reduced to pay any income tax, goods and services tax, property tax or stamp duty (including any interest or penalty) due by the company.

Clause 29 inserts a new section 93B which implements the Refundable Investment Credit (RIC) scheme introduced in the Budget Statement of 2024.

Subsection (1) sets out the purpose of the new section, which is to provide for the giving of tax credits (called Refundable Investment Credits or RICs) for qualifying expenditure by companies. The credits will be used offset taxes levied on and other amounts due from companies (called due taxes), and for unutilised credits to be paid to the companies.

Subsection (2) sets out definitions for terms used in the new section.

Subsections (3) to (10) —

- (a) provides for applications by companies for RICs to the Minister or an authorised body (called the approving authority);
- (b) provides for the issue of a letter of award to an approved company and what the letter must contain;
- (c) states that no approval may be given after 31 December 2029.

Subsections (11) and (12) enables an awardee company to apply to the approving authority to amend a matter in its letter of award.

Subsections (13) to (20) —

- (a) provides for when and how an awardee company may be given RICs;
- (b) sets out the amount of RICs that may be given; and
- (c) requires RICs given to an awardee company to be credited to an RIC account.

Subsections (21) and (22) allows an awardee company (if allowed by the approving authority at the time of approval of its application for RICs) to elect for RICs given to it to be paid to it instead of being used to offset its taxes and other amounts.

Subsections (23) to (28) —

- (a) provides for when RICs given to an awardee company may be used to offset due taxes of the company;
- (b) provides for how the offset is to be effected, including the principle that RICs are to be applied on a “first in, first out” basis; and
- (c) enables the Comptroller to determine how the offset is to be carried out in the event there is more than one due tax and there are insufficient RICs to offset all of these.

Subsections (29) to (31) requires the Comptroller to pay to an awardee company an amount equivalent to the RICs remaining in its RIC account 90 days before the payout date specified in its letter of confirmation or (if it has made an election to be paid the RICs in lieu of their being used to offset due taxes) 90 days before the date the payment becomes due.

Subsections (32) to (40) provides for a case where the approving authority is satisfied that an awardee company has contravened a provision of the Act or a condition subsequent in its letter of award. The approving authority may require the company to show cause why a matter in its letter of award should not be amended or its letter of award revoked. The approving authority may proceed to

amend a matter in the letter of award, or revoke the letter (including retroactively) if he or she is satisfied that it is just and reasonable to do so.

If a letter of award of a company is revoked, an amount equivalent to all RICs given to the company after the date of revocation is recoverable from the company by debiting RICs in its RIC account, or as debt due from the company.

Subsections (41) to (43) provide for a case where a company (*X*) in an amalgamation of companies has RICs yet to be given or utilised as at the date of amalgamation. The amalgamated company (*Y*) may apply to the approving authority for *X*'s letter of award to be transferred to *Y*. Upon approval, the new section applies as if *Y* were the awardee company of the letter of award, and as if the unutilised RICs were given to *Y* on the date they were given to *X*.

Subsection (44) provides for regulations to be made to enable a company (*X*) to apply to the approving authority for its RICs to be applied to offset due taxes of one or more companies in the same group as *X* as at a date to be prescribed by regulations. Subsection (45) defines when companies are members of the same group. Subsection (46) provides that *X* remains responsible for compliance with the Act and with conditions subsequent in its letter of award despite the application of its RICs to offset due taxes of another company, and action may be taken under the new section against *X* for the contravention.

Subsection (47) treats an amount of expenditure equivalent to the RICs given for it as expenditure subsidised by a Government grant under Part 5 (Deductions Against Income), Part 6 (Capital Allowances) or Part 9 (Ascertainment of Assessable Income) of the Act. The effect of this is that such expenditure is not eligible for certain deductions and allowances under those Parts.

Subsection (48) enables the Minister to make regulations to carry out the purposes and provisions of the new section.

Clause 30 makes amendments to section 100 (Provisions relating to penalty) consequential on the insertion of the new section 130A.

Clause 31 amends section 106 (Power to amend Schedules) to enable the Minister to amend the Twelfth Schedule, which sets out how the "deemed income" of an MSI Recipient is to be determined for the purposes of the new section 34K.

Clause 32 amends section 107 (Variable capital companies or VCCs) to modify the definition of "local employee" in the new section 92J as that section applies to a variable capital company.

Clause 33 amends the Fifth Schedule (Child relief) to raise the annual income threshold of a child from \$4,000 to \$8,000 for the giving of relief for the maintenance of that child, with effect from the year of assessment 2025.

Clause 34 introduces a new Twelfth Schedule for the purposes of determining the “deemed income” of an MSI Recipient for the purposes of the new section 34K.

Clause 35 provides for a remission of the tax payable by a resident individual for the year of assessment 2024. The amount of remission is 50% of the tax payable or \$200, whichever is lower.

EXPENDITURE OF PUBLIC MONEY

This Bill will involve the Government in extra financial expenditure, the exact amount of which cannot at present be ascertained.
