The Minister for Finance, Mr. Heng Swee Keat, delivered the Singapore Budget for financial year 1 April 2019 to 31 March 2020 in Parliament on 18 February 2019.

Singapore’s economy grew by 3.2% in 2018. For the year 2019, the Ministry of Trade and Industry has maintained the growth forecast at 1.5% to 3.5%, with growth expected to come in slightly below the mid-point of the forecast range.

With the shift in global economic weight towards Asia, rapid technological advancements, changing demographic patterns and declining support towards globalisation in some quarters, Budget 2019 aims to prepare the nation to take on this continuous changing landscape, respond to key challenges, and turn these challenges into opportunities.

Budget 2019 also aims to turn Singapore into a Global-Asia node of technology, innovation and enterprise. Various programmes and schemes were announced to support the three key thrusts of building a skilled workforce, innovative firms and a vibrant economy.

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Making innovation pervasive and scaling up businesses

1. **Extending the Writing Down Allowance (WDA) for acquisition of qualifying Intellectual Property Rights (IPRs) under section 19B of the Income Tax Act (ITA):** In recognition that IPRs are important creators of value in a knowledge-based economy, the WDA under section 19B will be extended by five years to cover capital expenditure incurred in respect of qualifying IPRs acquired on or before the last day of the basis period for the Year of Assessment (YA) 2025.

2. **Extending the 100% Investment Allowance (IA) under the Automation Support Package:** To maintain support to companies in their automation, productivity and scale-up efforts, the 100% IA measure under the Automation Support Package will be extended by two years, for projects approved by Enterprise Singapore from 1 April 2019 to 31 March 2021. The approved capital expenditure will remain capped at S$10m per project.

Promoting Singapore's position as a listing hub

3. **Extending the income tax concessions for Singapore-listed Real Estate Investment Trusts (S-REITs):** To continue to promote the listing of REITs in Singapore and to strengthen Singapore's position as a REITs hub in Asia, the following tax concessions for S-REITs, which are scheduled to lapse after 31 March 2020, will be extended to 31 December 2025:

   a) Concessionary income tax rate of 10% for S-REITs distributions received by non-resident non-individual investors

   b) Tax exemption on qualifying foreign-sourced income (i.e., foreign-sourced dividend income, interest income, trust distributions and branch profits) received by S-REITs and wholly-owned Singapore resident subsidiary companies of S-REITs, that is paid out of qualifying income or gains in respect of overseas property acquired on or before 31 March 2025 by the trustee of the S-REITs or its wholly-owned Singapore resident subsidiary company.

   The current sunset clause of 31 March 2020 for the tax exemption on S-REITs distributions received by individuals (excluding individuals who derive any distribution through a partnership in Singapore or from the carrying on of a trade, business or profession) will be removed. All other conditions for the income tax concessions remain the same. The Monetary Authority of Singapore (MAS) will provide further details of the change by May 2019.

4. **Extending the income tax concessions for Singapore-listed Real Estate Investment Trusts Exchange-Traded Funds (REITs ETFs):** The following tax treatment accorded to REITs ETFs, which are scheduled to lapse after 31 March 2020, will be extended to 31 December 2025:

   a) Tax transparency treatment on the distributions received by REITs ETFs from S-REITs, which are made out of the latter’s specified income
b) 10% concessionary tax rate on such REITs ETFs distributions received by qualifying non-resident non-individuals

The current sunset clause of 31 March 2020 for the tax exemption on REITs ETFs distributions received by individuals (excluding individuals who derive any distribution through a partnership in Singapore or from the carrying on of a trade, business or profession) will be removed. All other conditions for the income tax concessions remain the same. The MAS will provide further details of the change by May 2019.

5. Extending the Goods and Services Tax (GST) remission for S-REITs and Singapore-listed Registered Business Trusts (RBTs) in the infrastructure business, ship leasing and aircraft leasing sectors: To continue facilitating the listing of S-REITs and RBTs in the infrastructure business, ship leasing and aircraft leasing sectors, the existing GST remission, which allows for GST input claims on certain business expenses and is scheduled to lapse after 31 March 2020, will be extended to 31 December 2025. All conditions for the GST remission remain the same. The MAS will provide further details of the change by May 2019.

Strengthening the competitiveness of the financial sector

6. Extending and refining tax incentive schemes for funds managed by Singapore-based fund managers (qualifying funds): Subject to conditions, qualifying funds are granted tax exemption on specified income (SI) derived from designated investments (DI) and withholding tax exemption on interest and other qualifying payments made to non-resident persons (excluding permanent establishment in Singapore). Qualifying funds comprise basic tier funds (section 13CA and 13R schemes) and enhanced tier funds (section 13X scheme). The schemes for qualifying funds are scheduled to lapse after 31 March 2019. To continue to grow Singapore’s asset management industry, the tax concessions relating to qualifying funds will be extended to 31 December 2024.

The sections 13CA, 13R and 13X schemes will also be refined to keep the schemes relevant and to ease compliance burden. The key refinements are as follows:

a) The condition that a basic tier fund must not have 100% of the value of its issued securities beneficially owned, directly or indirectly, by Singapore persons will be removed.

b) The enhanced tier fund scheme will be enhanced to: (i) include co-investments, non-company special purpose vehicles (SPVs) and more than two tiers of SPVs; (ii) allow debt and credit funds to access the “committed capital concession”; and (iii) include managed accounts.

c) The list of DIs will be expanded by removing the counter-party and currency restrictions, and including investments such as credit facilities and advances, and Islamic financial products that are commercial equivalents of DI. The condition for unit trusts to wholly invest in DI will be removed.

d) The list of SIs will be enhanced to include income in the form of payments that fall within the ambit of section 12(6) of the ITA (e.g., interest that is borne by a person resident in Singapore or a permanent establishment in Singapore).
e) Qualifying non-resident funds under sections 13CA and 13X will be able to avail themselves of the 10% concessory tax rate applicable to qualifying non-resident non-individuals when investing in S-REITs and REITs ETFs.

The removal of condition in (a) will be effective from YA 2020. The enhancements in (b) will apply from 19 February 2019. The enhancements in (c) and (d) will apply to income derived on and after 19 February 2019. The enhancements in (e) will apply to S-REITs and REITs ETFs distributions made during the period from 1 July 2019 to 31 December 2025. The MAS will provide further details of the changes by May 2019.

7. Recovery of GST for qualifying funds: To further grow Singapore as a centre for fund management and administration, the concession to allow qualifying funds that are managed by prescribed fund managers in Singapore to claim GST incurred on expenses at a fixed recovery rate, will be extended to 31 December 2024. The MAS will release further details of the change by May 2019.

Other tax changes

8. Lapse the Designated Unit Trust (DUT) scheme: Under the DUT scheme, specified income derived by a unit trust with the DUT status is not taxed at the trustee level, but is taxable upon distribution in the hands of investors. Qualifying foreign investors and individuals are exempt from tax on distributions made by a DUT. The DUT scheme will be allowed to lapse after 31 March 2019. Funds in the form of unit trusts may apply for other tax incentives for funds. Existing DUTs will continue to receive the tax deferral benefits under the DUT scheme, on and after 1 April 2019, if they continue to meet all the conditions.

9. Lapse the Approved Unit Trust (AUT) scheme: Under the AUT scheme, the trustee is taxed on its investment income, and 10% of the gains derived from the disposal of securities. The remaining 90% of the gains from the disposal of securities are instead taxed in the hands of the unitholders when distributed. Tax exemption is allowed on such distribution for certain unitholders. The AUT scheme will be allowed to lapse after 18 February 2019. Existing AUTs will continue to receive the tax concession under the AUT scheme for a period of five years from YA 2020 to YA 2024. This will allow existing AUTs sufficient time to transit to alternative tax incentive schemes, where relevant.

10. Lapse the Property Tax (Tourist Projects) Order: Under the Property Tax (Tourist Projects) Order, approval may be granted for new tourist projects to have their annual value computed based on 6% of the preceding year’s gross receipts, for the first five years from the completion of the building. The Property Tax (Tourist Projects) Order will be allowed to lapse after 18 February 2019.

11. Extending the Special Employment Credit (SEC) and Additional SEC (ASEC) schemes: To support employers in hiring older Singaporean workers and to encourage employers hiring workers who are above the re-employment age, the SEC and ASEC schemes will be extended for another year until 31 December 2020.
Tax changes for individuals

12. **Personal income tax rebate for resident individual taxpayers**: As part of the Bicentennial Bonus, a personal income tax rebate of 50% of tax payable will be granted to all tax resident individuals for YA 2019. The rebate will be capped at S$200 per taxpayer.

13. **Allow resident individual taxpayers to claim Grandparent Caregiver Relief in respect of a handicapped and unmarried dependent child, regardless of the child’s age**: To provide greater support and recognition to working mothers with handicapped and unmarried dependent children, taxpayers who engage the help of their parents, grandparents, parents-in-law or grandparents-in-law to take care of their young children, will be allowed to claim Grandparent Caregiver Relief in respect of a handicapped and unmarried dependent child, regardless of the child’s age, if they have met all other conditions. This will take effect from YA 2020.

14. **Lapse the Not Ordinary Resident (NOR) scheme**: The NOR scheme, which grants eligible individuals certain tax concessions such as time apportionment of Singapore employment income for a five-year period and tax exemption on contribution to non-mandatory overseas pension or provident fund, will be allowed to lapse after YA 2020. The last such NOR status will be granted for YA 2020 and expire in YA 2024. Individuals who have been accorded the NOR status will continue to be granted NOR tax concessions until their NOR status expires, if they continue to meet the conditions of the concessions.

15. **Tighten the GST import relief for travellers**: Travellers who spend less than 48 hours outside Singapore will get GST import relief for the first S$100 (instead of S$150 currently) of the value of goods bought overseas. Travellers who spend at least 48 hours outside Singapore will get GST import relief for the first S$500 (instead of S$600 currently) of the value of goods bought overseas. This will take effect for travellers arriving in Singapore from 12:00 am on 19 February 2019.

16. **Tighten the duty-free allowance for liquor products**: The total duty-free allowance will be two litres, with the maximum duty-free allowance for spirits remaining at one litre. This will take effect on and after 1 April 2019. All the conditions for the provision of duty-free allowance remain unchanged.

Tax changes for vehicles

17. **Restructure diesel taxes**: The excise duty on diesel fuel will be increased from S$0.10 per litre to S$0.20 per litre with effect from 18 February 2019. The annual special tax will be permanently reduced for diesel cars and taxis by $100 and $850 respectively.

18. **Offset measures for commercial diesel vehicles**: To cushion the impact of the increase in diesel duty in Budget 2019, three years of road tax rebates will be provided for commercial diesel vehicles. In addition to the three-year road tax rebates, diesel school buses and eligible diesel private hire and excursion buses that ferry students will also be given cash grants to ease the impact of diesel duty on school bus fees.
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