

Press Release

MOF INVITES FEEDBACK ON PROPOSED CHANGES TO THE INCOME TAX ACT

1. The Ministry of Finance is inviting interested parties to provide feedback on the draft Income Tax (Amendment) Bill 2018 from 20 June to 11 July 2018.

Proposed Amendments arising from Budget 2018

2. The proposed amendments to the Income Tax Act ("ITA") include 17 changes announced in the 2018 Budget Statement. The key changes are:

- a) Enhancement and extension of the Corporate Income Tax ("CIT") rebate. To ease business costs and support restructuring, the CIT rebate will be enhanced to 40% of tax payable, with a higher cap of \$15,000 for the Year of Assessment ("YA") 2018. The CIT rebate will also be extended to YA2019, at 20% of tax payable and capped at \$10,000.
- b) Adjustments to the Start-Up Tax Exemption Scheme ("SUTE") and Partial Tax Exemption Scheme ("PTE") from YA 2020. The tax exemption under both schemes will be reduced from the first \$300,000 to \$200,000 of normal chargeable income. Exemption under SUTE will also be lowered from 100% to 75% for the first \$100,000 of normal chargeable income.
- c) Enhancement of tax deductions for qualifying research and development ("R&D") performed locally. To encourage R&D to be done in Singapore, the tax deduction for staff costs and consumables incurred on qualifying R&D projects performed in Singapore will be increased from 150% to 250%. The change will take effect from YA 2019 to YA 2025.
- d) Enhancement of the Double Tax Deduction for Internationalisation ("DTDi") scheme. To encourage firms to internationalise, the expenditure cap for DTDi claims without prior approval from Enterprise Singapore or the Singapore Tourism Board will be raised from \$100,000 to \$150,000 per YA from YA 2019.

Other Proposed Amendments

3. The Income Tax (Amendment) Bill 2018 provides for eight changes to existing tax policies and administration, arising from the periodic review of Singapore's income tax system, as well as to strengthen Whole-of-Government law enforcement. The changes include:

- a) Enhance the Inland Revenue Authority of Singapore's ("IRAS") powers to investigate tax crimes. Syndicates and recalcitrant taxpayers are becoming more active and are employing more sophisticated strategies for tax fraud. When investigated, these suspects may refuse to cooperate with IRAS' investigation. For instance, they may refuse to hand over potential evidence, attempt to destroy evidence, or may contact other suspects to corroborate statements. Such acts of non-cooperation affect IRAS' effectiveness in bringing the perpetrators to justice.

The proposed amendments will:

- enhance IRAS' enforcement powers for investigation of specified serious tax crimes, or where the suspect attempts to destroy evidence. Specifically, the proposed amendments introduce the (i) power of forced entry, (ii) power of arrest without warrant and (iii) power of body search subject to conditions. These powers under the proposed amendments will be exercised only by trained IRAS investigation officers and where necessary so that investigations are not impeded.
 - expand IRAS' power to gather all information relevant to its investigations from any person.
 - align penalties imposed under the ITA for persons who obstruct officers acting in discharge of their duty under the ITA with those under the Goods and Services Tax Act.
- b) Sharing of information by IRAS with law enforcement agencies ("LEAs") to combat serious crimes. The activities of criminals including syndicates are often multi-faceted. For instance, their criminal activity may not be limited to tax evasion only, but other forms of illegal activities such as drug dealing and corruption. A Whole-of-Government approach is needed to better fight such serious crimes.

Currently, IRAS is allowed to provide information to LEAs under limited circumstances (e.g. pursuant to a Court Order). The proposed amendment will allow IRAS to share with LEAs information that IRAS assesses as critical for investigation or prosecution of serious crimes. Serious crimes are offences listed in the First and Second Schedules of the Corruption, Drug Trafficking and Other Serious Crimes (Confiscation of Benefits) Act. Information shared with LEAs is to be disclosed to prescribed officers in the

LEAs. Further disclosure of such information which is not for the purpose of investigation or prosecution will be an offence.

- c) Provide for the disposal of documents or things seized under the ITA. Where a matter has not proceeded to prosecution, the amendment will allow the disposal of documents or things seized during investigation if the owner of the seized items fails to collect the items upon the end of investigation.
- d) Allow tax deduction for motor car-related expenses for private hire car (“PHC”) drivers. Unlike taxi drivers, PHC drivers are currently not allowed to claim tax deduction on car-related expenses. We have reviewed this with the Ministry of Transport, as part of our periodic review and arising from feedback from various Members of Parliament and the National Private Hire Vehicles Association (NPHVA). Taxi and PHC drivers now provide similar point-to-point transport services.

Deduction for car-related expenses to be allowed

We will allow tax deduction on car-related expenses incurred by PHC drivers, against their driving income. Such expenses include car rental and petrol.

- i. To ease compliance in claiming tax deduction, a PHC driver, subject to conditions, will be allowed to claim tax deduction for:
 - expenses (other than service fees paid to platform providers) incurred to earn driving income based on a deemed expense ratio prescribed in the Income Tax Act, set at “40% of all driving income less service fees”; and
 - service fees paid to platform providers based on the actual amount incurred under normal tax rules.

Alternatively, instead of the treatment at para 3(d)(i), the PHC driver may opt to claim tax deduction based on the actual amount of running expenses and service fees incurred in earning driving income.

- ii. Taxi drivers will similarly be allowed to opt for the treatment at para 3(d)(i), to ease their tax compliance. Alternatively, taxi drivers can choose to continue with their current practice of claiming tax deduction based on the actual amount incurred on relevant expenses.

No capital allowance for purchase cost of the cars

Capital allowance for the purchase costs of cars will continue to be not allowed for PHC drivers.

As for taxi drivers, currently, almost all do not own their taxis and thus do not claim capital allowance. Only about 80 taxi drivers hold a valid taxi service operator licence first issued to them prior to 1 January 1975, which

allow them to own a taxi. These licensees drive yellow-top taxis. For these taxi drivers, their capital allowance will be grandfathered.

The above changes in tax treatment maintain support for our long-standing policies on car ownership, while updating our tax regime to allow deduction for car-related expenses incurred by PHC drivers.

The amendments will take effect from YA 2019, i.e. income earned in 2018.

- e) Introduce the Intellectual Property (“IP”) Development Incentive (“IDI”). To encourage the use of IPs arising from taxpayer’s R&D activities, IP income will be incentivised under the IDI. The IDI incorporates the internationally-agreed tax standard for tax incentives for IP income. The IDI will be effective from 1 July 2018.

- 4. The remaining changes are technical amendments.

Consultation Details

- 5. The public can access the detailed consultation documents for the draft Income Tax (Amendment) Bill 2018 on the Ministry of Finance's website (www.mof.gov.sg) and the REACH consultation portal (www.reach.gov.sg).

- 6. We encourage all interested parties to submit your comments using the [prescribed template](#), through:

- a) email to pc_itabill@mof.gov.sg (preferred mode); or
- b) fax to 6337 4134; or
- c) post to: Ministry of Finance
100 High Street, #10-01
The Treasury
Singapore 179434
Attention: Tax Policy Directorate

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We achieve this together with our departments (Accountant-General's Department, Singapore Customs and Vital.org – Centre for Shared Services), and statutory boards (Accounting & Corporate Regulatory Authority, Inland Revenue Authority of Singapore and Tote Board).

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