



BSL TAX SERVICES PTE LTD

2011 SINGAPORE BUDGET HIGHLIGHTS

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CORPORATE TAX

- No change to corporate tax rate which remains at 17%.
- One-off corporate income tax rebate for YA 2011 of 20% of corporate income tax payable, capped at \$10,000.
- Introduce the option of a SME Cash Grant based on 5% of the company's revenue for YA 2011, where companies will automatically receive the higher of the cash grant or the tax rebate.
- Enhance Productivity and Innovation Credit ("PIC") Scheme to include R&D done overseas, increase tax deduction/allowance from 250% to 400% of qualifying expenditure incurred, raise the cap for each activity from \$300,000 to \$400,000, and allow businesses to combine annual expenditure caps for YA 2013 to 2015.

Enhance PIC cash conversion option to 30% of the first \$100,000 of qualifying expenditure, up to a cap of \$30,000 per YA (up from cap of \$21,000 per YA).
- Introduce a new foreign tax credit pooling system to compute foreign tax credit on a pooled basis.
- Streamline Section 14B and 14K that allows double or further tax deduction on qualifying market/investment development activities expenditure, and introducing a sunset clause to the scheme.
- Allow tax deduction on pre-commencement expenses incurred in accounting year immediately preceding the accounting year in which the first dollar of trading receipt is earned.
- Grant tax deduction to cost of parent company shares acquired through special purposes vehicle set up to administer Employee Equity-Based Remuneration Schemes.
- Liberalise withholding tax exemption regime for banks to grant exemption on interest and qualifying payments to non-resident persons made for the purposes of their trade or business.
- Extend Captive Insurance Tax Incentive Scheme to 31 March 2018 and introduce an award renewal framework.
- Introduce a sunset clause of 31 March 2016 and award renewal framework for the Marine Hull and Liability Insurance Tax Incentive Scheme.
- Extend Specialised Insurance Tax Incentive Scheme till 31 August 2016, include agriculture insurance in the scheme and introduce an award renewal framework.

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- Extend Tax incentive for Project Finance till 31 March 2017, with the exception of Financial Sector Incentive – Project Finance scheme which will lapse on its expiry date of 31 December 2011.
- Enhance Tax Incentive Scheme for Trustee Company and streamline with other incentive schemes.
- Renew Tax Exemption Scheme for income derived from structured products to 31 March 2017.
- Withdraw withholding tax exemption scheme for Financial Guaranty Insurers.
- Streamline and consolidate incentive for maritime sector under the new Maritime Sector Incentive with effect from 1 June 2011.
- Enhance Global Trader Programme to include income from all derivative instruments as qualifying income and introduce a common sunset clause of 31 March 2021.
- Enhance Finance and Treasury Centre Incentive to exclude related party transactions from the revenue ratio used to determine the inclusion of local network companies and introduce a sunset clause of 31 March 2016.



PERSONAL TAX

- Lower personal tax rate structure for resident individuals effective from YA 2012, but highest tax bracket remains at 20%.
- One-off personal income tax rebate for YA 2011 of 20% of personal income tax payable, capped at \$2,000.
- Exempt alimony and maintenance from income tax and exclude ex-spouses from claiming spouse relief and handicapped spouse relief.

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GOODS AND SERVICES TAX (GST)

- New GST Scheme for marine industry to allow zero-rating of supply of goods to “approved marine customer” and certain repair and maintenance services, and ease compliance requirements for ships that are temporarily in Singapore and intend to leave as soon as possible.
- Grant GST relief to biomedical industry and extend Approved Contract Manufacturer and Trader Scheme to qualifying biomedical contract manufacturers.
- Zero-rate specified services provided by specialized storage and other value added services supplied to overseas persons on prescribed goods to be exported.



OTHERS

- Extend tax deduction of 250% on approved donations for another 5 years to 31 December 2015.
- Increase employer compulsory CPF contribution rate from 15.5% to 16%, and increase ordinary wage ceiling from \$4,500 to \$5,000 per month, effective from 1 September 2011.
- Raise the cap for annual Supplementary Retirement Scheme contribution from \$11,475 to \$12,750 for Singaporean and Permanent Residents, and \$26,775 to \$29,750 for foreigners, effective from 1 January 2011.
- Allow tax deduction for voluntary CPF Medisave contributions to self-employed persons by eligible companies.
- One-off Special Employment Credit of up to 50% of employer CPF contributions for workers aged 55 to 59, and up to 80% of employer CPF contribution for workers aged 60 and above.
- Extend stamp duty relief to cover conversion of an existing company to a Limited Liability Partnership.
- Extend stamp duty remission in excess of \$50 to cover aborted lease contracts or agreements.
- Remove most nominal or fixed stamp duties.

Writer's Caveat

These articles have merely attempted to provide a broad overview on the subject matters. It is not in any way intended to be comprehensive and no specific action should be taken on the basis of the above without consulting your professional advisors.