



SINGAPORE BUDGET 2009
KEY BUDGET INITIATIVES
ABSTRACT

ENHANCING BUSINESS CASHFLOW AND COMPETITIVENESS

(A) Easing Business Cash-flow

(A1) Property Tax Rebate for Industrial and Commercial Properties

The Government will provide a 40% property tax rebate for industrial and commercial properties for 2009. The Government strongly urges landlords to pass on the benefits of this rebate to their tenants.

(A2) Rental Rebates by JTC, HDB, and SLA

JTC, HDB, and SLA will provide a 15% rental rebate to their tenants and land lessees, exceeding the savings due to the property tax rebate. JTC, HDB, and SLA will be releasing the details of these concessions separately on 22 January 2009. The rental rebate will also be extended to stallholders who are paying market rents in markets and food centres managed by NEA.

(A3) Enhancements to Loss Carry-Back Scheme

To help businesses with their cash-flow, the loss *carry-back* relief system will be enhanced for Years of Assessment 2009 and 2010. The cap on losses that can be claimed against past taxable income is increased to \$200,000 from \$100,000. Businesses will also be allowed to claim losses against the taxable income of their preceding three Years of Assessment, instead of just the immediate preceding year as under the current scheme. IRAS will allow claims for the tax refund to be based on a declaration of estimated losses. This will allow businesses to obtain their cash refunds on taxes paid in previous years instead of having to wait for the finalisation of their chargeable income and taxes.



(A4) Tax exemption on Remittance of Foreign-Sourced Income

To enable businesses to make best use of all their sources of funds to meet their financing needs in Singapore during this time of credit tightness, the Government will temporarily expand the scope of the Foreign-Sourced Income Exemption scheme to cover all foreign-sourced income, and not just foreign-sourced dividends, branch profits and service income. The Government will also temporarily lift the conditions that are currently required for foreign-sourced income to be exempted from tax when remitted to Singapore. With these temporary enhancements, businesses will be exempt from tax on the foreign-sourced income that they remit between 22 Jan 2009 to 21 January 2010 (both dates inclusive), provided that the remitted income is earned on or before 21 January 2009.

(A5) Transport Rebates and Concessions

The Government will grant the following rebates and concessions on transport-related taxes and fees:

- A 30% road tax rebate for goods vehicles, buses and taxis for one year. This rebate will take effect on 1 July 2009.
- A 20% concession in port dues to be granted to all harbour craft (except pleasure craft for personal use) which will help local companies engaged in commercial activities within Singapore's port waters. This concession will be for one year and will take effect on 1 April 2009.
- An increase in aircraft landing fee rebate from 15% to 25% for 2009.
- Extension of the special tax exemption for Compressed Natural Gas (CNG) vehicles until December 2011. From 2012 onwards, the CNG special tax will be removed and replaced with a CNG duty of \$0.20 per kilogramme of CNG.

(A6) Further Extension of the Government Fee Freeze

The Government will extend the freeze on Government Fees and Charges to December 2009. This will include fees charged on all Government provided services, charges in public carparks, and all license fees. (Regulatory charges, such as those in the transport sector and the development charges applied in the property market, will not be frozen. The Government fee freeze is not applied to fees charged by non-government entities, such as the universities, restructured hospitals and town councils.)



(A7) Measures for Property Developers

Many developers are planning to hold back developments that they had originally planned. To support developers in doing so, the Government will introduce the following measures:

- Defer property tax for commercial developers for land approved for development for up to two years. Land approved for development refers to land with a valid Provisional or Written Permission granted by the URA. The property tax deferral will take effect from 22 January 2009 or the date of Provisional or Written Permission, whichever is later. The deferral will lapse on 21 January 2011, or at Temporary Occupation Permit (TOP), or date of transfer of the land, whichever is the earliest.
- Allow a one-year extension of the project completion period for private residential projects. This would give flexibility to developers to phase out their projects in the current uncertain market conditions.
- Allow re-assignment of Government sale sites and private land owned by foreign housing developers for applications made by 22 January 2010.
- Extend the period for developers to dispose of all residential units from two years to four years. Developers may also rent out unsold residential units for a maximum of four years to mitigate holding costs.

(A8) Deferment of Increase in Assessment Rate for Hotels

The Government will defer the increase in assessment rate for hotel rooms, which was due to increase to 25% on 1 January 2009, by one year. Hence, the assessment rate for hotel rooms will remain at 20% for 2009.

(B) Reducing Taxes to Encourage Investments

(B1) Corporate Income Tax (CIT) Rate Cut

To promote Singapore's competitiveness, the Government will reduce the CIT rate from 18% to 17%. This reduction will take effect from the Year of Assessment 2010.



(B2) Accelerated Capital Allowance (CA)

Currently, businesses can generally write down the costs incurred for the acquisition of plants and machinery on a three-year straight line basis. To support businesses intending to invest in preparation for the recovery, the Government will allow plant and machinery acquired during the financial years ended 2009 and 2010 to qualify for an accelerated write-down. This temporarily accelerated write-down will allow businesses to write down the costs of these newly acquired plants and machinery within two years with 75% of the write-down taking place in the first year of CA claim alone.

(B3) Writing Down of Renovation and Refurbishment Expenses

To encourage especially small businesses in the service sector to refit their business premises this year and the next, the Government will allow businesses to temporarily write-down qualifying expenses incurred on renovation and refurbishment of business premises fully within one year, instead of the current three years. This concession will apply to qualifying renovation and refurbishment expenses incurred during the financial years ended 2009 and 2010. The current cap on the amount of qualifying renovation and refurbishment expenses that can be written down will remain at \$150,000 every three years per business entity.

(B4) New Tax Framework for Corporate Amalgamations

In a corporate amalgamation, the amalgamated company takes over all assets and liabilities of the amalgamating companies, and the amalgamating companies cease to exist. Under the existing tax treatment, when assets and liabilities are transferred upon amalgamation, tax consequences are often triggered as the amalgamating companies are treated as having ceased business and disposed of their assets and liabilities, and the amalgamated company having acquired or commenced a new business. So, for instance, plant and machinery are treated to have been sold by the amalgamating companies to the amalgamated company.

To make it easier for companies to restructure and rationalise, the Government will introduce a tax framework for qualifying corporate amalgamations. This framework will alleviate the tax cost associated



with corporate amalgamations. A public consultation will be held in February 2009 to seek views on this new tax framework for qualifying corporate amalgamations.

(C) Sector Specific Taxes and Duties

For financial sector activities

(C1) Enhancements to and Streamlining of Fund Management Incentives

Currently, under the fund management incentives, there are conditions such as the fund cannot be 100% beneficially owned by resident investors and there are limits placed on the holdings by resident corporate investors in these funds. The Government will now remove all these limits on qualifying funds so that they can accept investments freely from resident corporates, in addition to resident individuals. This will allow our resident corporates to enjoy the full benefits of tax exemption on qualifying income derived by the funds, thus encouraging resident corporates to have more of their monies managed by funds in Singapore.

This enhancement of the fund management incentives will also apply to qualifying funds that are constituted in the form of Limited Partnerships. A qualifying fund is one which, amongst other conditions, has at least \$50 million under management at the point of application for the tax incentive. Fund managers may apply for the scheme with effect from 1 April 2009. Both the existing and enhanced fund management incentives will also be subject to review after five years. MAS will release the details by April 2009.

(C2) Recovery of GST for Qualifying Local Funds

To promote fund administration and fund management in Singapore, the Government will allow qualifying funds that are managed by a prescribed fund manager in Singapore to recover a substantial portion of the GST incurred on prescribed expenses. This change will be in place from 22 January 2009 to 31 March 2014 (both dates inclusive). MAS will release the details by April 2009.

(C3) Expansion of Scope of Tax Exemption under Fund Management and Trust Incentives



The Government will enhance the lists of specified income and designated investments under the fund management and trusts incentives, thus expanding the scope of tax exemption. For instance, amount payable on qualifying Islamic debt securities will be included in the list of specified income. The enhancements will take effect from 22 January 2009. MAS will release the details by April 2009.

(C4) Enhancements to Financial Sector Incentive - Headquarter Services (FSI-HQ) Scheme

To promote Singapore as the choice location for headquarter functions of financial institutions, the Government will enhance the FSI-HQ scheme by granting withholding tax exemption on interest payable on qualifying loans taken by an FSI-HQ company. The Government will also subsume the current tax incentive scheme for provision of these processing services under the FSI-HQ scheme, thus allowing FSI-HQs to enjoy incentivised income from their provision of high value-added processing services. These enhancements will be effective from 22 January 2009 to 31 December 2013 (both dates inclusive). MAS will release the details by April 2009.

(C5) Extension and Enhancement of Commodity Derivatives Traders (CDT) scheme

To encourage the growth of derivative trading activities in Singapore, the Government will extend the CDT scheme (which is due to expire on 26 February 2009) and subsume it under a new Derivatives Market (Commodity Derivatives Trader) award under the Financial Sector Incentive scheme. The Government will also lift existing counterparty restrictions for trades carried out on exchanges under this scheme. These changes will be effective from 27 February 2009 to 31 December 2013 (both dates inclusive). MAS will release the details by April 2009.

For Maintenance, Repair and Overhaul (MRO) activities

(C6) Zero-Rating for the Aerospace Industry

To support the growth of the Maintenance, Repair and Overhaul (MRO) industry in Singapore, the Government will expand the scope of qualifying aircraft to include all aircraft, including private aircraft, which is wholly used or intended to be wholly used for international transportation of goods and passengers. This is in line with the zero-rating of international transportation.



To ease GST compliance costs for the MRO industry, zero-rating is also extended to cover the sale, maintenance or repair services of aircraft components or systems, as long as they form part of a qualifying aircraft. A new scheme will be introduced to facilitate the import of aircraft components or systems for qualifying aircraft without GST.

These changes will take effect from 1 April 2009. IRAS will release the details by March 2009.

For auction, exhibition and specialised storage activities

(C7) Suspension of GST and Duty on Goods Temporarily Removed from Zero-GST or Licensed Warehouses

To encourage the growth of the auction and exhibition industry, as well as specialised storage facilities, the Government will, with effect from 1 April 2009, suspend GST and duty on goods (including wine) that are temporarily removed from a zero-GST or Licensed warehouse for auctions or exhibitions, even if the goods are sold during the auction or exhibition, provided that the goods are returned to the warehouses subsequently. Singapore Customs will release the details by March 2009.

For wine trading activities

(C8) Exemption of Duty to Facilitate Wine Trading Activities

To promote wine trading activities and help develop the wine industry in Singapore, the Government will exempt duty and provide GST relief for a specified quantity of wine for use at approved wine exhibitions and conference events with effect from 1 April 2009. Singapore Customs will release the details by March 2009.

For maritime activities

(C9) Withholding Tax Exemption for Maritime Industry

To give support to the maritime industry, the Government will extend the withholding tax exemption on interest payable on qualifying loans taken by shipping enterprises to acquire vessels which are registered



with the Singapore Registry of Ships under the Block Transfer Scheme, subject to conditions. This extension will be for a further period of five years with effect from 1 January 2009.

(D) Making Innovation Pervasive

(D1) Accelerated Writing-Down Allowance (WDA) for acquisition of Intellectual Property (IP) rights for Media and Digital Entertainment (MDE) content

To encourage media and digital entertainment (MDE) businesses to create and exploit their intellectual property from Singapore, the Government will enhance the current WDA incentive to allow MDE businesses to write down the costs of their qualifying IP rights for MDE content in two years, instead of five years. This accelerated write-down will apply for qualifying IP for MDE content acquired between 22 January 2009 and 31 October 2013 (both dates inclusive).

(D2) Test-Bedding Fund

To further encourage creation and test-bedding of new ideas, the Government will put \$200 million in a Test-Bedding Fund to make Singapore a “living lab” for companies and entrepreneurs to nurture new ideas, test innovative solutions and develop future global businesses. The fund will be managed by the Economic Development Board (EDB).

(D3) Government Taking the Lead in Innovation

In 2008, the Government set up the Core Innovation Fund to help private companies collaborate directly with government agencies to develop innovative solutions for public services. We will set aside \$180 million in the fund over the next two years. In addition, the Government will be more proactive in seeking collaboration with the private sector, through the use of Calls-for-Collaboration (CFC). This will bring clusters of companies together to develop solutions for government agencies, businesses and the public.

STIMULATING BANK LENDING



(A) Special Risk-Sharing Initiative (SRI)

The Government will launch the Special Risk-Sharing Initiative (SRI) to ensure that viable companies continue to have access to credit to sustain their operations and keep jobs. The SRI will help extend Government support to a broader segment of the credit market, especially mid-sized companies, and share in the risks of trade financing for the first time.

The SRI has the following two components:

1. The New Bridging Loan Programme (BLP)
2. Trade Finance Schemes
 - a. Loan Insurance Scheme - Plus (LIS+)
 - b. Trade Credit Insurance Programme (TCIP)

The programmes under the SRI will be in operation for one year, but with possible extension for another year if the situation warrants.

(1) The New Bridging Loan Programme (BLP)

Commencing on 1 February 2009, the new Bridging Loan Programme (BLP) focuses on the needs of all companies, and especially the mid-sized companies, by improving their access to working capital.

Details of the BLP are as follows:

Structure	Details
Use of Funds	Working capital, including unsecured credit
Interest Rate	Minimum of 5%. The Participating Financing Institutions (PFIs) have the flexibility to charge interest rates above 5%, and interest spreads above 5% accrue fully to the PFIs ¹
Maximum Loan Quantum	\$5 million per borrower group
Eligible Companies	All locally-owned companies, and foreign-owned SMEs ²
Risk Share	Government: 80% Participating Financial Institution (PFI): 20%

¹ Previously, 50% of the interest rate spreads above 5% accrued to the Government in exchange for taking on 50% of the risk

² A foreign-owned SME is defined as a company with less than 30% local shareholding, which also: (a) has maximum \$15m Fixed Asset Investments (FAI); (b) is incorporated in Singapore; (c) is tax resident of Singapore; and (d) has at least one individual shareholder directly holding at least 10% of total number of issued ordinary shares.

(2) Trade Finance Schemes

To address constraints of limited private insurance capacity and a reduced risk appetite, the Government will take on a significant proportion of the risks in trade financing.

Companies with orders need loans to fulfill their orders as well as insurance against the risk of their buyers defaulting on payments. The new trade finance schemes will help mid-sized and large exporters obtain loans and trade insurance on the scale they need.

Under SRI, there are two schemes which address the trade finance component:

- a. Loan Insurance Scheme - Plus (LIS+)
- b. Trade Credit Insurance Programme (TCIP)



(a) New Loan Insurance Scheme - Plus (LIS+)

- LIS+ helps Singapore-based companies to secure working capital and trade financing facilities by providing private insurance to banks against default by borrowers.
- Commencing on 1 February 2009, details of the Scheme are as follows:

Structure	Details
Use of Funds	Secured working capital (e.g. against receivables)
Maximum Loan Quantum	\$15 million per borrower group
Eligible Companies	All companies (at least 30% local shareholding)
Risk Share (for qualifying loans)	<ul style="list-style-type: none">▪ Government: 75%▪ PFI: 25%

(b) New Trade Credit Insurance Programme (TCIP)

- To protect Singapore-based companies against non-payment by buyers, a new Trade Credit Insurance Programme (TCIP) will be launched in March 2009.
- The Government is examining ways to increase the insurance coverage capacity. Also, to ameliorate the rising insurance premium costs, the government will be subsidising part of the insurance premiums.
- More details will be announced in MTI's COS

(B) Enhancements to Existing Credit Measures

The Government will enhance existing loan schemes. These enhancements will in effect for one year, starting 1 February 2009.

(B1) Local Enterprise Finance Scheme (LEFS)

For loans made under LEFS, the Government will increase its risk-share for loans made to local non-



SMEs, from 50% to 80%. This will be similar to the Government risk-share for LEFS loans made to SMEs.

(B2) Micro Loan Programme (MLP)

For loans made under the MLP, the Government will increase its risk-share, from 80% to 90%.

(B3) Internationalisation Finance Scheme

The Government will increase the maximum loan quantum per borrower group, from \$15 million to \$50 million.

(C) Other Credit-related Measures

(C1) Extension of Tax Deduction on Loan Loss Provisions for Banks

To encourage banks to continue making adequate loan impairment provisions and bolster their financial strength to underpin continued lending in the downturn, the Government will extend the tax deduction on loss provisions made pursuant to MAS Notice 612, as well as other equivalent MAS notices for finance companies and merchant banks, for a further three Years of Assessment.