APAC News

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Regional updates & Caring / wealth redistribution to build cohesive society

We begin this issue of our Newsletter with a summary by our Beijing firm of key changes in Chinese accounting standards in 2017.

The Hong Kong Government witnesses a year of record high surplus and responded in her recently released Budget with a number of tax reductions and increases in allowances for fiscal year 2018/19.

Malaysia sees a change of heart on imposition of withholding tax on payments for offshore services. Starting from January 2017 withholding was required on all such payments. The Administration now accepts it appropriate to grant exemption, commencing from September 2017, in respect of payments for offshore technical services.

In the Philippines, the Train (Tax Reform for Acceleration and Inclusion) Act was implemented from January 2018. The Act introduced a number of changes with the aim to better distribute wealth between the poor and the rich. The impacted areas include personal income tax, passive income, capital gains, VAT, oils, fuels, cigarettes, beverages and mineral products etc.

Singapore also released her Budget in February 2018. Her key thrust is to build a caring and cohesive society, and to promote innovative economy. New measures include: extending corporate income tax rebate, partial tax exemption for start-up, extended tax deductions on IP costs, and extended deductions for qualified donations etc.

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CHINA

Summary of Changes in Chinese Accounting Standards in 2017

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In 2016 and 2017, the Chinese Accounting Standards for Business Enterprise ("ASBEs") witnessed the second large-scale revision and supplement (the first large-scale revision and supplement was in 2014). During the period, the Ministry of Finance ("MOF") released 6 ASBE Interpretations, 4 Regulations of accounting treatment, and 7 revised and new ASBEs.

"… a set of revised "Common Format of Enterprise Financial Statements…"

No	Revised and New ASBE	Release date	Corresponding IFRS
1	ASBE 22 – Recognition and Measurement of Financial Instruments (2017 revision)	6 April 2017	IFRS 9 Financial Instruments (release in July 2014）
2	ASBE 23 – Transfer of Financial Assets (2017 revision)	6 April 2017	IFRS 9 Financial Instruments (release in July 2014）
3	ASBE 24 – Hedge Accounting (2017 revision)	6 April 2017	IFRS 9 Financial Instruments (release in July 2014）
4	ASBE 37 - Presentation of Financial Instruments（2017 revision）	15 May 2017	IFRS 7 Financial Instruments: Disclosures (December 2014）
5	ASBE 42 - Non-Current Assets Held for Sale, Disposal Groups, and Discontinued Operations (new)	16 May 2017	IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (September 2014 revision）
6	ASBE 16 - Government Grants（2017 revision）	25 May 2017	IAS 20 - Accounting for Government Grants and Disclosure of Government Assistance (July 2014 revision）
7	ASBE 14 - Revenue（2017 revision）	19 July 2017	IFRS 19 - Revenue from Contracts with Customers (release in May 2014 + clarification in April 2016）

In response to the new ASBE 42 and revised ASBE 16, the MOF issued a set of revised "Common Format of Enterprise Financial Statements" at the end of 2017. In the balance sheet, "Assets held for sale" and "Liabilities held for sale" are added. In the income statement, "Gain on asset disposal" and "Other income" which mainly accounts for government grants are added above the line "Operating Profit", and net profit is divided into "Net profit from continuous operation" and "Net profit from terminated operation" under the line of "Net Profit".

Budget & Tax reduction – 2017/18 & 18/19

HONG KONG

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The 2018/19 Budget was released on 28 February 2018. The Financial Secretary revised his estimate for 2017/18, with net surplus to hit the record high of HK$138 billion. Against this backdrop and with forecasted 2018 GPD growth of 3~ 4%, various tax reduction measures were proposed.

For 2017/18, the proposal includes 75% reduction of profits tax, salaries tax and tax under personal assessment, capped at $30,000 per case. This measure will cost the Government HK$25.5 billion, benefitting about 2.02 million taxpayers.

Though this reduction is not applicable to property tax, individuals with rental income may still enjoy such reduction if they are eligible for election to be taxed under personal assessment.

For 2018/19, the Financial Secretary proposed to widen and increase the number of tax bands and adjust the marginal tax rates for salaries tax as follows:

2017/18	Rate	Tax in HK$	2018/19	Rate	Tax in HK$
First HK$45,000	2%	900	First HK$50,000	2%	1,000
Next HK$45,000	7%	3,150	Next HK$50,000	6%	3,000
Next HK$45,000	12%	5,400	Next HK$50,000	10%	5,000
Balance	17%		Next HK$50,000	14%	7,000
			Balance	17%	

Other proposals for 2018/19 include a new personal disability allowance (HK$75,000), increase of child allowances (to HK$240,000 in year of birth and HK$120,000 for other years), increase of dependent parent/ grandparent allowance (to HK$50,000 for aged over 60 and HK$25,000 for aged between 55 and 59), and raising the deduction ceiling for elderly residential care expenses (to HK$100,000).

Tax deduction is also proposed for individuals who purchase eligible health insurance products for themselves or their dependents under the Voluntary Health Insurance Scheme. This measure will be implemented from the assessment year after the relevant legislative amendments. The available deduction is intended to be capped at HK$8,000 per insured person.

Currently pending approval by the Legislative Council is the two-tiered tax regime for calculating profits tax. Upon enactment of the regime, the first HK$2 million chargeable profits will be taxed at half rate, i.e. reduced to 8.25% for incorporated business and 7.5% for unincorporated business. Sole proprietors / individual partners of unincorporated business will also have the option to elect to be assessed under personal assessment.

In response to repeated requests of the public, it is proposed to remove the current restriction and allow husband and wife the option to decide whether to elect for personal assessment separately. Currently such election must be made jointly.

" … pending approval by the Legislative Council is the two-tiered tax regime…"

MALAYSIA

RUSSELL BEDFORD MALAYSIA

Withholding Tax Exemption for Offshore Services

The Finance Act 2017, gazetted on 17 January 2017, introduced a change on the withholding tax regime where withholding tax is levied on income of a non-resident person irrespective of where the technical services are performed; within or outside Malaysia.

Technical services include: (i) amounts paid in consideration of services rendered by a person or his employee in connection with the use of property or rights belonging to, or the installation or operation of any plant, machinery or other apparatus purchased from, such person; and
(ii) amounts paid in consideration of technical advice, assistance or services rendered in connection with technical management or administration of any scientific, industrial or commercial undertaking, venture, project or scheme.

Prior to 17 January 2017, the fees for technical services shall be deemed derived from Malaysia if responsibility of payment lies with the government, state government, a local authority, or a person who is resident in Malaysia; or the payment is charged as an outgoing payment or expense in the accounts of a business carried on in Malaysia, provided that the amount is attributable to services which are performed in Malaysia.

This change in the withholding legislation impacted non-resident service providers seriously as fees paid to them for services, even though wholly rendered offshore, were deemed to be derived from Malaysia and are subject to withholding tax in Malaysia.

After much deliberation between the Ministry of Finance and the various countries' trade association representatives in Malaysia, on 23 October 2017, the Ministry of Finance issued an Exemption Order to exempt non-resident person from payment of income tax for such services rendered and performed by the person outside Malaysia. With this exemption, <u>withholding tax is not levied on such offshore technical services</u>.

The Exemption Order is effective retrospectively from 6 September 2017. Offshore services rendered by non-residents between 17 January 2017 to 5 September 2017 are still subject to withholding tax. The Inland Revenue Board (IRB") has issued a clarification that a refund will be provided for withholding tax payments already made to the IRB for services rendered after 6 September 2017.

"… Exemption Order is effective retrospectively from 6 September 2017…"

The Tax Reform for Acceleration and Inclusion (Train) Act

PHILIPPINES

On December 19, 2017, the President signed into law Package 1 of the Tax Reform for Acceleration and Inclusion (TRAIN) bill or Republic Act (R.A.) No. 10963, which was implemented on January 1, 2018. The goal of the TRAIN Act is to create a more just, simple and more effective tax system, where the rich will have a bigger contribution to tax collection and the poor will benefit more from the government's programs and services.

The law contains amendments to several provisions of the National Internal Revenue Code of 1997 (Tax Code) on individual income taxation, passive income for both individuals and corporations, estate tax, donor's tax, value-added tax (VAT), excise tax, and documentary stamp tax (DST), among others. Below are the significant changes under the TRAIN Act.

Income Tax

Personal Income Tax (PIT)

TRAIN lowers PIT for all taxpayers, except the richest. Under the TRAIN Act, those with annual taxable income below ₱ 250,000 are exempted from paying PIT, while the rest of taxpayers, except the richest, will see lower tax rates ranging from 20% to 32% in 2018 to 2022 and 15% to 30% effective on January 1, 2023. The top individual taxpayers whose annual taxable income exceeds ₱8 million will now be taxed a higher rate from the current 32% to 35%.

Minimum wage earners continue to be exempted from income taxes as their income fall below ₱250,000.

Self-employed and professionals with gross sales below the value-added tax (VAT) threshold of ₱3 million now have the option to pay an 8% flat rate in excess of ₱250,000, in lieu of income and percentage tax, while those above the VAT threshold will follow the PIT schedule.

Preferential Tax Rate

Preferential tax treatment shall not apply for employees of regional or area headquarters (RHQ) and regional operating headquarters (ROHQ) of multinational companies, offshore banking units (OBUs) and petroleum service contractors and subcontractors, which registered with the Securities and Exchange Commission (SEC) beginning January 1, 2018.

" … Preferential tax treatment shall not apply for employees of regional or area headquarters …"

Relative to this, the President vetoed the following proviso of Section 6(F) TRAIN: "Provided, however, that the existing RHQ and ROHQ of multinational companies, OBUs and petroleum service contractors and subcontractors presently availing of preferential tax rates for qualified employees shall continue to be entitled to avail of the preferential tax rate for present and future qualified employees." Notably, the President did not veto the first part of Section 6 Subsections (C), (D) and (E), which contains the existing 15% special tax rate of qualified employee of these firms. To take the President's veto of Section 6(F) of TRAIN as a withdrawal of the 15% special tax rate altogether and to subject the qualified employees to the regular tax rate would allow the President to make an act of legislation, which is beyond his power. For now, this remains a legal issue which is still being resolved.

Passive Income

Philippine Charity Sweepstakes Office and lotto winnings, which have been exempt from the 20% final tax, are now subject to the 20% final tax.

The final tax on interest income from a depository bank under the expanded foreign currency deposit system is increased from 7.5% to 15%.

Capital Gains from Sale of Shares of Stock

Capital gains tax on sale of shares of stock not traded in the local stock exchange is increased to a flat rate of 15%, from the previous 5% on the first ₱ 100,000 and 10% in excess thereof.

Estate and Donor's Tax

Estate tax rate is now fixed at 6%. Under the 1997 Tax Code, the rate can reach up to 20% of the net estate value.

Donor's tax has also been adjusted to a fixed rate of 6%, whether the donee is a stranger or not. The 1997 Tax Code provided for rates as high as 15% for a donee who is not a stranger and a fixed rate of 30% for a donee who is a stranger.

"… TRAIN repeals special laws with non-essential VAT exemption…"

Expansion of Value-Added Tax (VAT) Base

The Philippines has one of the highest VAT rates but also the highest number of exemptions in the Southeast Asia region. TRAIN repeals special laws with non-essential VAT exemptions by limiting VAT exemptions to necessities, such as raw agriculture food, education and health. Purchases of senior citizens and persons with disabilities, however, will continue to be exempt from VAT. Housing that cost below ₱2 million will be exempt from VAT beginning 2021, while medicines for diabetes, high cholesterol and hypertension will be exempt beginning 2019.

TRAIN also limits the VAT zero-rating to direct exporters who actually export goods out of the country. This will be implemented together with an enhanced VAT refund system that will provide timely cash refunds to exporters.

The VAT threshold is increased from ₱1.9 million to ₱3 million to protect the poor and low-income Filipinos and small and micro businesses. Under TRAIN, VAT exempt taxpayers will have the following options:

- PIT schedule with 40% optional standard deduction (OSD) on gross receipts or gross sales, plus 3% percentage tax;
- PIT schedule with itemized deductions, plus 3% percentage tax; or
- Final tax of 8% on gross sales or gross revenues in lieu of percentage tax and PIT.

Excise Tax

Cigarettes

TRAIN imposes excise tax on both cigarettes packed by hand and packed by machines from ₱32.50/pack effective January 1, 2018 up to ₱ 40/pack effective on January 1, 2022. The current excise tax of cigarettes is ₱30/pack. The increase in excise tax for cigarettes will help discourage the habit of smoking, while generating incremental revenues for health programs and services.

Manufactured Oils and Other Fuels

Excise tax on manufactured oils and other fuels, which has not been adjusted since 1997, will be increased every year effective January 1, 2018 to January 1, 2020. In particular, diesel fuel which is not subjected to excise tax will now be subject to excise tax of

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₱2.50, ₱4.50 and ₱6 per liter effective January 1, 2018, January 1, 2019 and January 1, 2010, respectively.

Automobiles

TRAIN simplifies the excise tax on automobiles. The amended schedule of excise tax imposed on automobiles is as follows:

	Excise Tax Rate
Not over ₱600,000	4%
Over ₱1,000,000	10%
Over ₱1,000,000 to ₱4,000,000	20%
Over ₱4,000,000	50%

Non-Essential Services
Gross receipts, net of excise tax and VAT, derived from performance of invasive cosmetic surgeries, procedures and body enhancement for aesthetic purposes are now subject to 5% excise tax. There was no such provision in the 1997 Tax Code.

Sweetened Beverages

There is no provision on excise tax for sweetened beverages in the 1997 Tax Code. TRAIN imposes a tax per liter of volume capacity of ₱6/liter and ₱ 12/liter of sweetened beverages using purely caloric sweetener, purely non-caloric sweetener, or mixture of both, and using purely high-fructose corn syrup or in combination with any caloric or non-caloric sweetener, respectively. Sweetened beverages using purely coconut sap sugar/purely steviol glycosides are exempt.

All milk products, 100% natural fruit juices, 100% natural vegetable juices, meal replacement and medically indicated beverage and ground coffee, instant soluble coffee, and prepackaged powdered coffee products are not considered excisable products under this provision.

The excise tax on sweetened beverages is part of a comprehensive health measure aimed to curb the consumption of sweetened beverages and address the worsening number of diabetes and obesity cases in the country, while raising revenue for complementary health programs that address these problems. This is a measure that is meant to encourage consumption of healthier products, to raise public awareness of the harms of sweetened beverages and to help the industry to develop healthier products and complements.

Mineral Products

Excise taxes on domestic or imported coal and coke, notwithstanding any incentives granted in any law or special law, have been increased to ₱ 50/metric ton, ₱ 100/metric ton and ₱ 150/metric ton effective January 1, 2018, January 1, 2019 and January 1, 2020, respectively.

Documentary Stamp Tax (DST)

DST has been increased 100% on all kinds of transactions subject to DST, except on loans with only 50% increase. DST rates for property, savings and non-life insurance transactions were not changed.

"… address the worsening number of diabetes and obesity cases …"

For five years, revenues generated from TRAIN are earmarked for specific programs. Seventy per cent (70%) will be used to fund infrastructure projects, such as the Build, Build, Build program and other projects that address road congestion through mass transportation and the creation of road networks, and 30% will fund social services.

SINGAPORE

Singapore Budget 2018 Overview of Tax Changes

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On 19 February 2018, the Minister for Finance (the Minister), Mr. Heng Swee Keat, presented Singapore's 2018 Budget Statement. The key thrust of the Budget is on building a caring and cohesive society and the Minister announced various initiatives to support education, look after the ageing, as well as measures to support families. The 2018 Budget is a strategic and integrated plan to position Singapore for the future and it focuses on building a vibrant and innovative economy, centred on promoting innovation, building capabilities and forging partnerships locally and abroad.

Below are some tax related highlights of the Budget:

Business Tax

Enhancing and extending Corporate Income Tax (CIT) Rebate

- CIT rebate will be raised to 40% of tax payable for Year of Assessment (YA) 2018 with the cap at $15,000; and
- The rebate will be extended for another year to YA 2019, but at a reduced rate of 20% of tax payable and capped at $10,000.

Adjusting the Partial Tax Exemption and Start-up Tax Exemption schemes

Partial Tax Exemption (income taxable at normal rate)

YA 2010 to YA 2019			YA 2020 onwards		
Chargeable income	*Exempt from tax*	*Exempt income*	*Chargeable income*	*Exempt from tax*	*Exempt income*
First $10,000	75%	$7,500	First $10,000	75%	$7,500
Next $290,000	50%	$145,000	Next $190,000	50%	$95,000
Total		$152,500	Total		$102,500

Start-up Tax Exemption (income taxable at normal rate)

YA 2010 to YA 2019			YA 2020 onwards		
Chargeable income	*Exempt from tax*	*Exempt income*	*Chargeable income*	*Exempt from tax*	*Exempt income*
First $100,000	100%	$100,000	First $100,000	75%	$75,000
Next $200,000	50%	$100,000	Next $100,000	50%	$50,000
Total		$200,000	Total		$125,000

" … 150% tax deduction for qualifying expenditure incurred on qualifying R&D activities…"

Enhancing tax deductions to promote innovation

- Currently, businesses enjoy 150% tax deduction for qualifying expenditure incurred on qualifying R&D activities up to YA 2025 under Section 14DA(1) of the Singapore Income Tax Act (SITA). There is no cap applicable for this provision and this additional 50% deduction is only applicable for staff costs and consumables incurred for qualifying R&D activities conducted in Singapore.
- With the lapse of the enhanced deductions under the Productivity and Innovation Credit (PIC) scheme in YA 2018 and to continue to maintain Singapore as an attractive regime for R&D activities, the Minister has proposed

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to increase the further deduction from 50% to 150% for staff costs and consumables incurred on qualifying R&D activities conducted in Singapore from YA 2019 to YA 2025.

- With the expiry of the PIC scheme, qualifying R&D activities conducted overseas would not qualify for enhanced deductions.

<u>Enhancing tax deductions for costs on protecting intellectual property (IP)</u>

- With the expiry of the PIC scheme in YA 2018, businesses that have incurred qualifying IP registration costs can only claim 100% tax deduction on such costs incurred up to YA 2020.
- To encourage smaller businesses to register and protect their IPs, the Minister has proposed to extend the scheme till YA 2025 and enhance the tax deduction to 200% for the first $100,000 of qualifying IP registration costs incurred for each YA. Qualifying costs in excess of $100,000 continue to be eligible for 100% tax deduction.
- The above change will take effect from YA 2019 to YA 2025.

<u>Enhancing tax deductions for costs incurred on IP licensing</u>

- With the expiry of the PIC scheme in YA 2018, businesses that have incurred qualifying IP licensing costs can only claim 100% tax deduction on such costs under Section 14 SITA or as R&D expenditures under Section 14D SITA assuming the project is a qualifying R&D project.
- Qualifying IP licensing cost refers to expenditure incurred on the licensing of qualifying IP [patents, copyrights (excluding rights to use software), registered designs, geographical indications, lay-out design of integrated circuit, trade secrets or information that has commercial value, and plant varieties], including payments made to publicly funded research performers or third-party businesses. It excludes legal fees, expenditure incurred in relation to the transfer of ownership of the rights, and any amount that is offset by grants or subsidies from the Government or a statutory board.
- To encourage businesses to "buy and use new solutions", the Minister has proposed to enhance the tax deduction to 200% for the first $100,000 of qualifying IP licensing costs incurred for each YA made to third parties. Qualifying costs in excess of $100,000 continue to be eligible for 100% tax deduction.
- The above change will take effect from YA 2019 to YA 2025.

<u>Enhancing the double tax deduction for Internationalisation (DTDi) scheme</u>

- Under the current DTDi scheme, businesses are allowed tax deduction of 200% on qualifying market expansion and investment development expenses under Sections 14B and 14K SITA, subject to approval from IE Singapore and Singapore Tourism Board (STB).
- No prior approval is needed from IE Singapore or STB for tax deduction on the first $100,000 of qualifying expenses incurred on qualifying activities for each YA.
- The qualifying activities are (i) overseas business development trips/missions; (ii) overseas investment study trips/missions; (iii) participation in overseas trade fairs; and (iv) participation in approved local trade fairs.
- To further encourage internationalization, the Minister has proposed that the expenditure cap for claims without prior approval from IE Singapore or STB will be raised to $150,000 per YA.
- For qualifying expenses exceeding $150,000 or for expenses incurred on other qualifying activities, businesses can continue to apply to IE Singapore or STB.

" … deduction to 200% for the first $100,000 of qualifying IP registration costs…"

SINGAPORE

(Continued)

" … encourage Singaporeans to give back to community…"

- The change will apply to qualifying expenses incurred on or after YA 2019.

<u>Extending the 250% tax deduction for qualifying donations</u>

- To continue to encourage Singaporeans to give back to community, the 250% tax deduction for qualifying donations will be extended for donations made on or before 31 December 2021.

<u>Investment allowance for submarine cable systems landing in Singapore</u>

- To encourage the location of data centres in Singapore and to strengthen Singapore's position as a leading digital connectivity hub, the Minister has proposed to extend the investment allowance scheme to cover qualifying capital expenditure on newly constructed strategic submarine cable systems landing in Singapore.
- The percentage of tax allowance was not specified by the Minister. However, up to 100% additional allowance can be approved.

<u>Introducing a review date for withholding tax exemption for container leases</u>

- Currently, withholding tax exemption is allowed on lease payments made to non-resident lessors (excluding permanent establishment in Singapore) for the use of qualifying containers for the carriage of goods by sea.
- A review date of 31 December 2022 will be introduced whereby, unless the above scheme is extended, such payments accruing to a non-resident lessor under any lease or agreement entered into on or after 1 January 2023 will be subject to withholding tax.

<u>Extending the Section 13X Enhanced-Tier Fund scheme</u>

- Currently, tax exemption under the Enhanced-Tier Fund Scheme is available for companies, trusts and limited partnerships, subject to qualifying
- To cater for more diverse fund structures, the above tax exemption scheme will be extended to all fund vehicles constituted in all forms, provided the qualifying conditions are met.
- This applies to new awards approved on or after 20 February 2018.

<u>Introducing a tax framework for Singapore Variable Capital Companies (S-VACCs)</u>

- In 2017, the Monetary Authority of Singapore (MAS) issued a consultation paper on the S-VACC framework. However, tax considerations were not discussed in that paper.
- The Minister has now announced in the Budget that a tax framework for S-VACC will be introduced to complement the S-VACC regulatory framework:
  - An S-VACC will be treated as a company and a single entity for tax purposes;
  - Tax exemption under Sections 13R and 13X SITA will be extended to S-VACCs;
  - 10% concessionary tax rate under the FSI-FM scheme will be extended to approved fund managers managing an incentivised S-VACC; and
  - The existing GST remission for funds will be extended to incentivised S-VACCs.
- The conditions under the existing schemes will remain unchanged and the changes will take effect on or after the effective date of the S-VACC regulatory framework.
- MAS will release further details of the tax framework for S-VACCs by October 2018.

<u>Extending the Section 14I tax deduction for banks and qualifying finance</u>

companies

- Currently, banks, merchant banks and finance companies in Singapore are required by MAS to provide adequate impairment losses against the carrying amount of loans and investments in their books.
- Under Section 14I SITA, banks and qualifying finance companies can claim a tax deduction for impairment losses on non-credit-impaired loans and debt securities made under Financial Reporting Standard 109, and any additional loss allowances as required by MAS.
- The tax deduction under Section 14I SITA is scheduled to lapse after YA 2019 (for banks and qualifying finance companies with December financial year end) or YA 2020 (for banks and qualifying finance companies with non-December financial year end).
- To promote "the overall robustness and stability of the Singapore financial system", the tax deduction under Section 14I SITA will be extended till YA 2024 (for banks and qualifying finance companies with December financial year end) or YA 2025 (for banks and qualifying finance companies with non-December financial year end).
- All other conditions of the scheme remain the same.

Rationalising withholding tax exemption for the finance sector

- Generally, interest payments made to non-residents are subject to withholding tax. However, in the case of the financial sector, there is a broad range of exemption.
- The Minister has announced the rationalisation of the various withholding tax exemptions currently available for the financial sector, with a review date of 31 December 2022 set for the following withholding tax exemptions:
  - Payments made under cross-currency swap transactions made by Singapore swap counterparties to issuers of Singapore dollar debt securities.
  - Payments made under interest rate or currency swap transactions by financial institutions or the MAS.
  - Specified payments made under securities lending and repurchase agreements by specified institution.
- The Minister has also announced that the Government will legislate the withholding tax exemptions, with a review date of 31 December 2022, for interest on margin deposits paid by members of approved exchanges for (a) transactions in futures, and (b) non-Singapore dollar spot foreign exchange transactions, both in relation to agreements made on or after 20 February 2018.
- The withholding tax exemptions will be withdrawn for the following payments under agreements entered into on or after 1 January 2019: (i) interest from approved Asian Dollar bonds, and (ii) payments made under over-the-counter financial derivatives by companies with Financial Sector Incentive-Debt Market (FSI-DM) awards approved on or before 19 May 2007.

" … claim a tax deduction for impairment losses on non-credit-impaired loans…"

Enhancing the tax transparency for Singapore-listed Real Estate Investment Trusts (S-REITs) to Singapore-listed Real Estate Investment Trusts Exchange-Traded Funds (REITs ETFs)

- Currently, distributions made by S-REITs to REITs ETF out of specified income derived by S-REITs are subject to tax at the prevailing corporate tax rate of 17% in the hands of REITs ETF. All investors of REITs ETFs will not be taxed on the distributions made out of such income from REITs ETFs.
- To have parity in tax

" … B2B imported services will be taxed via a reverse charge mechanism…"

treatments between investing in individual S-REIT and via REITs ETF with investments in S-REITs, the tax transparency treatment currently given to S-REITs will be accorded to REITs ETFs.

Extending tax incentive schemes to 31 December 2023

- A number of tax incentive schemes were due to expire in 2018.
- The Minister has announced the extension of the following tax incentive schemes to 31 December 2023: Qualifying Debt Securities, Approved Special Purpose Vehicle for asset securitisation, Financial Sector Incentive, Insurance Business Development-Insurance Broking Business and tax exemption for primary dealers trading in Singapore Government Securities.

Indirect Tax

Introducing GST on imported services

- Currently, GST is not applicable on imported services provided by an overseas supplier which does not have an establishment in Singapore.
- To ensure that our tax system remains fair and resilient in a digital economy, the Minister has announced that GST on imported services will be implemented with effect from 1 January 2020.
- B2B imported services will be taxed via a reverse charge mechanism. Only businesses that: (i) make exempt supplies, or (ii) do not make any taxable supplies need to apply reverse charge. The reverse charge mechanism requires the local business customer to account for GST to IRAS on the services it imports. The local business customer can in turn claim the GST accounted for as its input tax, subject to the GST input tax recovery rules. The majority of the businesses that will be affected by the introduction of the reverse charge would be those in the financial services and real estate sectors and charities or voluntary welfare organisations that are GST-registered.
- The taxation of B2C imported services will take effect through an Overseas Vendor Registration mode. This requires overseas suppliers and electronic marketplace operators which make significant supplies of digital services to local customers to register with IRAS for GST. Under the new regime, overseas vendors will be required to register for GST if their global turnover is more than $1 million annually and their online sales to Singapore consumers exceed $100,000.

Increasing GST rate to 9%

- The Minister has proposed to increase the GST rate from 7% to 9% sometime between 2021 and 2025, subject to spending requirements and other considerations.

Others

Increasing the Buyer's stamp duty rate

Rates	Tiers (on or before 19 Feb 2018)	Tiers (on or after 20 Feb 2018)	
	All properties	Residential (revised)	Non-residential (no change)
1%	First $180,000	First $180,000	First $180,000
2%	Next $180,000	Next $180,000	Next $180,000
3%	Amount exceeding $360,000	Next $640,000 (revised)	Amount exceeding $360,000
4% (new)	Not applicable	Amount exceeding $1,000,000 (New)	Not applicable

Introducing carbon tax

- With effect from 2019, carbon tax will be imposed at $5 per tonne of carbon dioxide-equivalent (tCO2e) emissions (first payment will be in 2020, based on emissions in 2019) and applicable on facilities producing 25,000 tCO2e or more of emissions in a year.
- No carbon tax on petrol, diesel and compressed natural gas as these products are already subject to excise duties.
- Taxable facilities have to buy credits issued by the National Environment Agency at $5 per tCO2e of emissions in order to produce and surrender the number of credits corresponding to their emissions.
- The carbon tax rate will be reviewed by 2023.

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