# Singapore Budget 2022

## Commentary

mazars

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Introduction

# Mazars at a glance

## Global coverage

**1**
global partnership

**90+**
countries & territories

**44,000+***
professionals
* 28,000+ professionals in Mazars' integrated partnership, 16,000 via Mazars North America Alliance

**1,000+**
Partners

These figures are valid as of 1 January 2022.
For current up-to-date information, please visit:
**www.mazars.com/keydata**

Singapore Budget 2022

## A Bold Budget

On 18 February, Finance Minister Mr. Lawrence Wong delivered the much-anticipated Budget 2022 speech. The Budget remains expansionary, with an estimated ministry spending of S$102.4 billion, marking a 4.1 percent increase from the total expenditure in the previous year.

In a bid to provide relief to various sectors affected by Covid-19, Singapore has spent close to S$100 billion and had in part drawn from our past reserves over the past two years to fund these measures.

For this year, Singapore's fiscal position is expected to remain in deficit for the third consecutive year. The government plans to tap into a further S$6 billion to support public health measures, in view of the extraordinary headwinds brought by the pandemic.

Anchored on the goals of strengthening our digital capabilities and social compact, the theme "Charting A New Way Forward Together" augurs well for the future direction of our economy. As we forge ahead, it will be critical to overcome the near-term challenges resulting from the pandemic while attaining Singapore's long-term aspiration to become a more resilient and inclusive nation.

The Budget covers a wide spectrum of areas including infrastructure, technology, skills development and productivity. The climate change agenda assumes prominent focus in the Budget, with Singapore announcing an ambitious move to accelerate our net-zero transition by 2050 and introducing a blend of taxes and incentives that will prompt businesses to adopt greener solutions. This sends a strong message to the world on our commitment to protect the planet, in the face of mounting concern.

In an effort to make our tax regime more progressive, the government announced that it will not introduce a net wealth tax system. A fair(er) approach will be adopted, leading to a system that those who earn or have more will contribute more. To this end, it is proposed to raise the top marginal personal income tax rate for top-earners, which has remained fairly stable at 22% since 2016. On the same note, the city-state will see a radical increase in property taxes on both owner and non-owner-occupied properties to widen our revenue base and reduce social inequalities.

For corporations, Singapore is following and continuously looking at the international tax developments of the OECD in the Base Erosion and Profit Shifting project. In line with the recent developments, Singapore will explore a Minimum Effective Tax Rate (METR).

With all the different measures, including the increase of the personal income tax rates, inevitable GST increase and proposed METR etc., the government looks set in rebuilding our reserves to ensure long-term sustainability.

While the impact of the global minimum tax proposal is yet to be seen, it is enlightening to see robust steps being proposed to boost our position as a world leading business hub. Infrastructure improvements and R&D incentives, among others, will certainly enable our industries and workforce to develop new capabilities and facilitate inward investment.

Without a doubt, Covid-19 has radically altered the course of Singapore in many ways. Now, it is time to look forward with courage and conviction, as we move beyond the crisis together and set sail into the next phase of economic growth and prosperity.

**Gene Kwee**
Partner, Head of Tax in APAC
L.LM

**Elaine Chow**
Director, Tax
CA (Singapore), ISCA
Accredited Tax Advisor (Income Tax and GST)

# Charting A New Way Forward Together

For more details on Budget 2022, please refer to https://www.mof.gov.sg/singaporebudget.

### Corporate Tax

There is no change in the corporate tax rate of 17%.

### Goods and Services Tax (GST)

The GST rate will be increased progressively in two stages.

- 7% to **8%** on 1 January 2023
- 8% to **9%** on 1 January 2024

### Personal Income Tax

From year 2023, the new top marginal tax rate for tax income:

- from S$500,001 to S$1,000,000 per annum: increase from 22% to **23%**
- above S$1,000,000 per annum: increase from 22% to **24%**

### Property Tax

For owner-occupied residential properties, the progressive rates for properties with annual value in excess of S$30,000 will increase with the top marginal rate increasing from 16% to 23% on 1 January 2023 and further to 32% on 1 January 2024.

For non-owner-occupied residential properties, progressive rates will increase for all bands of annual values with the top marginal rate increasing from 20% to 27% on 1 January 2023 and further to 36% on 1 January 2024.

### Minimum Effective Tax Rate (METR)

Singapore is exploring imposing a top up tax called METR on Multinational Enterprise (MNE) groups operating in Singapore that have annual global revenue of at least €750 million reflected in the consolidated financials of their ultimate parent entities. If implemented, this seeks to top up the MNE group's effective tax rate in Singapore to 15%.

The Inland Revenue Authority of Singapore (IRAS) will consult industry stakeholders on the design of the METR rules.

The icons are sourced from Freepik - Flaticon.com

## Corporate Tax

| Nature of tax changes | Existing laws | Summary of Proposed Changes |
|---|---|---|
| **Withholding tax (WHT) exemption for payments to non-tax resident lessors of operating leases** | WHT exemption for lease payments for use of qualifying containers for carriage of goods by sea was to lapse after 31 December 2022. | Extended till 31 December 2027 |
| **Exemption of WHT for payments to non-tax resident lessors of finance leases for Maritime-Sector Incentive recipients** | WHT tax exemption for lease payments on qualifying ship and container lease payments was to lapse after 31 December 2023. | Extended till 31 December 2028 |
| **Mazars Comments:** With the adoption of FRS 116, the above extension of WHT exemption would provide greater tax certainty and ease the administrative burden for the Shipping Sector. | | |

| Nature of tax changes | Existing laws | Summary of Proposed Changes |
|---|---|---|
| **Approved Foreign Loan (AFL) scheme** | Exemption or reduced WHT rate on interest payments to non-residents on loans taken to purchase productive equipment to lapse after 31 December 2023. | Extended till 31 December 2028 |
| **Mazars Comments:** The extension continues to encourage business to carry out more extensive upgrading activities in Singapore with reduced business costs. | | |

| Nature of tax changes | Existing laws | Summary of Proposed Changes |
|---|---|---|
| **Basis of preparation of tax computations for insurers** | Insurers currently use financial statements as the basis for preparing their tax computations. | Due to the adoption of FRS 117 for preparing financial statements ("FS") , insurers are allowed to use MAS Statutory Returns as the basis for preparing their tax computations with effect from YA 2024 (or YA 2025 for insurers whose financial year end is not 31 December). |
| **Mazars Comments:** FS prepared according to FRS 117 will not provide sufficient information necessary to apply the existing tax rules. However the MAS Statutory Returns will allow for that without adding substantial tax compliance burden on insurers. | | |

## Corporate Tax

| Nature of tax changes | Existing laws | Summary of Proposed Changes |
|---|---|---|
| **Corporate amalgamations under Section 34C of the Income Tax Act** | The amalgamated company will be treated as having "stepped into the shoes" of the amalgamating companies and continue with the businesses seamlessly. For eg. unabsorbed tax loss items of the amalgamating company can be carried over to the amalgamated company under certain conditions. | Extended to Singapore incorporated companies involving a scheme of transfer under Section 117 of the Insurance Act 1966, subject to certain conditions to be fulfilled by both amalgamated and amalgamating companies. |
| **Mazars Comments:** The above extension of the concessionary tax treatment will allow qualifying Singapore insurance corporate amalgamations to achieve tax neutrality. You can reach out to our M&A tax specialists on tax issues relating to restructuring. | | |

| Nature of tax changes | Existing laws | Summary of Proposed Changes |
|---|---|---|
| **Aircraft Leasing Scheme ("ALS")** | ▪ Approved aircraft lessors & managers enjoy a concessionary tax rate of 8% and 10% respectively on certain qualifying income.<br>▪ Automatic WHT exemption is granted on certain qualifying payments made to non-tax-residents.<br>Scheduled to lapse after 31 December 2022. | Extended till 31 December 2027 |
| **Mazars Comments:** Extension of the ALS will help the aircraft leasing sector in Singapore and shall boost further expansion plans for companies. | | |

## Corporate Tax

| Nature of tax changes | Existing laws | Summary of Proposed Changes |
|---|---|---|
| **Approved Royalties Incentive ("ARI")** | Tax exemption or a concessionary WHT rate is granted on approved royalties, technical assistance fees, or contributions to research and development costs made to a non-tax-resident. | Extended till 31 December 2028 and will be simplified to cover classes of royalty agreements based on an activity-set-based approach. |
| **Mazars Comments:** The changes announced would benefit existing incentive holders who would like to renew their incentive applications and new qualifying companies who may like to apply for the ARI scheme. | | |

| Nature of tax changes | Existing laws | Summary of Proposed Changes |
|---|---|---|
| **Disclosure of company-related information for official duties** | IRAS can disclose information collected under the Income Tax Act to a public officer or certain authorised persons where taxpayers have provided consent.<br>In the absence of taxpayers' consent, disclosure of information can only be made to public agencies where specific legislative exemptions have been provided. | In addition to what IRAS can disclose to public officers or certain authorised persons, IRAS can disclose a prescribed list of identifiable information (albeit redacted to be less granular) on companies to public sector agencies for performance of official duties (with certain exceptions) without the taxpayers' consent. |
| **Mazars Comments:** The additional changes of refining the identifiable information to maintain taxpayer's confidentiality and non-disclosure of the same to any person outside the public sector are positive moves that would strengthen the taxpayers' confidence in sharing such information with the IRAS. | | |

## Corporate Tax

| Nature of tax changes | Existing laws | Summary of Proposed Changes |
|---|---|---|
| **Tax incentive scheme for fund managed by Singapore-based Fund Manager ("Qualifying Funds")** | Qualifying funds under Sections 13D, 13O and 13U enjoy tax exemption on specified income derived from designated investments (DI) subject to conditions.<br><br>Physical commodities qualify as DI but provided that it must be incidental to the trading of the derivative commodity (incidental condition) and its trade volume is capped at 15% of total trade volume of those physical and related commodity derivatives (the cap). | W.e.f 19 February 2022:<br>▪ The incidental condition imposed on the investments in physical Investment Precious Metals under the DI list will be removed.<br>▪ The cap will be revised to 5% of the total investment portfolio for company's incentive award under Sections 13D, 13O and 13U of the Income Tax Act. |

**Mazars Comments:** With the refinements, trading of physical commodities by qualifying funds is being encouraged giving more flexibility to fund managers to invest in physical trades. Our Financial Services tax specialists can provide more information if so required.

| Nature of tax changes | Existing laws | Summary of Proposed Changes |
|---|---|---|
| **WHT exemption for the financial sector** | WHT exemption on certain cross currency swaps, margin deposits, specified payments under securities lending or repurchase agreements and interest rate or currency swaps by MAS and by financial institutions will lapse after 31 December 2022. | WHT exemption for these payments (except for payment made under interest rate or currency swaps by financial institutions) will be extended till 31 December 2026. |

**Mazars Comments:** The above extension further enhances the competitiveness of the Singapore financial sector. Our Financial Services tax specialists can provide more information if so required.

## Corporate Tax

| Nature of tax changes | Existing laws | Summary of Proposed Changes |
|---|---|---|
| **Tax incentives for Project and Infrastructure Finance** | This package of tax incentives is scheduled to lapse after 31 December 2022. | The existing tax incentive schemes - (a) exemption of qualifying income from qualifying project debt securities and (b) exemption of qualifying foreign-sourced income from qualifying offshore infrastructure projects/ assets received by approved entities listed on the Singapore Exchange will be extended to 31 December 2025.<br><br>However, the Infrastructure Trustee-Manager/ Fund Management Company scheme will lapse after 31 December 2022. |
| **Mazars Comments:** The extension will strengthen the competitiveness of Singapore's Financial Services sector. Our Financial Services tax specialists can provide more information if so required. | | |

| Nature of tax changes | Existing laws | Summary of Proposed Changes |
|---|---|---|
| **Carbon tax** | S$5 per tonne of emission on companies that emit at least 25,000 tonnes of greenhouse gas annually. | The carbon tax will be increased to S$25 per tonne from 2024, S$45 per tonne in 2026 and 2027 before reaching S$50 to S$80 per tonne by 2030.<br><br>From 2024, carbon-tax liable business will be able to utilise carbon credits to offset up to 5% of taxable emissions. |
| **Mazars Comments:** As a measure to achieve a net zero emission ambition by 2050, companies impacted by this change such as petrochemical companies, will be driven to invest in cleaner technologies or make certain reduction in emissions in order to mitigate the potentially higher carbon taxes. Our Tax and ESG experts can take a holistic view in how to advance to becoming greener and addressing the positions at the same time. | | |

## Goods & Services Tax (GST)

| Nature of tax changes | Existing laws | Summary of Proposed Changes |
|---|---|---|
| **GST Rate** | 7% | Increase to 8% w.e.f. 1 January 2023 and 9% w.e.f. 1 January 2024. |
| **Mazars Comments:** Affected by the increase are partially and fully exempt businesses. Those affected may want to consider accelerating expenditures ahead of the GST hike. Non-GST registered businesses may now want to consider the additional GST administration costs against 1% and 2% cost increase of their GST purchases in the respective years. | | |

| Nature of tax changes | Existing laws | Summary of Proposed Changes |
|---|---|---|
| **GST treatment for travel arranging services** | Services relating to the arranging of international transportation of passengers and insurance for such transportation are zero-rated; and that for arranging Singapore and overseas accommodation are standard and zero-rated respectively. | W.e.f 1 January 2023,<br>▪ If the customer (i.e. the contractual customer) belongs in Singapore, the travel arranging service is standard rated; or<br>▪ If the customer of the service belongs outside Singapore and the direct beneficiary either belongs outside Singapore or is GST-registered in Singapore, the services will be zero-rated. |
| **Mazars Comments:** Non GST registered, partially or fully exempt traders may want to assess the cost impact of this increase in cost coupled with the GST hike. If so relevant, we can collaborate to explore altering contractual arrangements to mitigate the GST leakage with this change and for non GST registered businesses, consider the benefits of voluntary registrations. | | |

## Personal Tax

| Nature of tax changes | Existing laws | Summary of Proposed Changes |
|---|---|---|
| **Increase in tax resident personal tax income rates** | Highest top-tier tax rate of 22% for taxable income above S$320,000. | With effect from YA 2024:<br>Increase in tax rates from 22% to 23% for taxable income above S$500,000 per annum and from 22% to 24% for taxable income above S$1,000,000. |
| **Mazars Comments:** This will increase the cost of employing employees, especially when their personal income taxes are borne by their employers. We can discuss with employers and look at various options of delivering total compensation in a tax efficient manner. | | |

| Nature of tax changes | Existing laws | Summary of Proposed Changes |
|---|---|---|
| **Exemption of withholding tax for payments made to non-tax resident mediators.** | WHT tax exemption for mediation work carried out in Singapore for the period from 1 April 2015 to 31 March 2022, subject to qualifying conditions | WHT tax exemption is extended till 31 March 2023. Thereafter till 31 December 2027, such income will be subject to WHT rate of 10% on gross income subject to conditions. Alternatively, they may elect to be taxed at 24% on net income from YA 2024. |
| **Exemption of withholding tax for payments made to non-tax resident arbitrators.** | WHT tax exemption is available for arbitration work carried out in Singapore for the period from 3 May 2002 to 31 March 2022. | WHT tax exemption is extended till 31 March 2023. Thereafter till 31 December 2027, such income will be subject to WHT rate of 10% on gross income subject to conditions. Alternatively, they may elect to be taxed at 24% on net income from YA 2024. |
| **Mazars Comments:** Non resident mediators and arbitrators should compare both bases of taxation to explore the more favourable basis before making an election. | | |

# Budget 2022
# Tax changes

## Property Tax

| Nature of tax changes | Existing laws | Summary of Proposed Changes |
|---|---|---|
| **Property tax rates for owner-occupied residential properties** | Progressive rates from 1 January 2015:- 4% to 16% | Progressive rates to increase for annual values in excess of $30,000. This change will be phased in over two years: |

| Annual Value | Property Tax Rate for Owner-occupied Residential Properties |
|---|---|
| First $8,000 | 0% |
| Next $47,000 | 4% |
| Next $15,000 | 6% |
| Next $15,000 | 8% |
| Next $15,000 | 10% |
| Next $15,000 | 12% |
| Next $15,000 | 14% |
| Above $130,000 | 16% |

| Annual Value | Property Tax Rate for Owner-occupied Residential Properties | |
|---|---|---|
| | Effective 1 Jan 2023 | Effective 1 Jan 2024 |
| First $8,000 | 0% | 0% |
| Next $22,000 | 4% | 4% |
| Next $10,000 | 5% | 6% |
| Next $15,000 | 7% | 10% |
| Next $15,000 | 10% | 14% |
| Next $15,000 | 14% | 20% |
| Next $15,000 | 18% | 26% |
| Above $100,000 | 23% | 32% |

**Mazars Comments:** While Singapore does not operate a wealth tax system, the 'progressivity' approach is deployed through taxing assets (property, shares, cars etc). The increase of property tax rates can be seen as a measure for a fairer tax system, to tax those who (earn or) have more to pay more tax. Our Private Clients and tax experts have always been working with clients to address tax issues associated with holding and managing assets.

| Nature of tax changes | Existing laws | Summary of Proposed Changes |
|---|---|---|
| **Property tax for non-owner-occupied residential properties (vacant or let-out)** | Progressive rates from 1 January 2015:- 10% to 20% | Progressive rates increased for non-owner occupied residential properties will be phased in over two years: |

| Annual Value | Property Tax Rate for Non-owner-occupied Residential Properties |
|---|---|
| First $30,000 | 10% |
| Next $15,000 | 12% |
| Next $15,000 | 14% |
| Next $15,000 | 16% |
| Next $15,000 | 18% |
| Above $90,000 | 20% |

| Annual Value | Property Tax Rate for Non-owner-occupied Residential Properties | |
|---|---|---|
| | Effective 1 Jan 2023 | Effective 1 Jan 2024 |
| First $30,000 | 11% | 12% |
| Next $15,000 | 16% | 20% |
| Next $15,000 | 21% | 28% |
| Above $60,000 | 27% | 36% |

**Mazars Comments:** Our Private Clients and tax expert have always been working with individual clients and or businesses to address tax issues associated with holding and managing assets.

## Tax changes for Vehicles

<table>
<tr><th>Nature of tax changes</th><th>Existing laws</th><th>Summary of Proposed Changes</th></tr>
<tr><td>New Additional Registration Fee (“ARF”) tier for cars</td><td>The ARF is currently tiered based on the following rates:<table><tr><th>Open Market Value (“OMV”)</th><th>ARF rate</th></tr><tr><td>First $20,000</td><td>100% of OMV</td></tr><tr><td>Next $30,000</td><td>140% of OMV</td></tr><tr><td>In excess of $50,000</td><td>180% of OMV</td></tr></table></td><td>The portion of OMV in excess of $80,000 for cars will be taxed at 220%.<table><tr><th>Open Market Value (“OMV”)</th><th>ARF rate</th></tr><tr><td>First $20,000</td><td>100% of OMV</td></tr><tr><td>Next $30,000</td><td>140% of OMV</td></tr><tr><td>Next $30,000</td><td>180% of OMV</td></tr><tr><td>In excess of $80,000</td><td>220% of OMV</td></tr></table>These apply to all cars, including imported used cars, and goods-cum-passenger vehicles registered with Certificates of Entitlement (COEs) obtained from COE bidding exercise in February 2022 onwards. For cars that do not need to bid for COEs (e.g. taxis, classic cars), the new rates will apply from 19 February 2022.</td></tr>
<tr><td colspan="3">Mazars Comments: In the pursuit of becoming a car-light state, and in conjunction with a fairer tax system, vehicle costs will increase as a consequence of the ARF increase. We can look at the potential implications for businesses being confronted with higher costs of qualifying vehicles and cars used for hiring out and/or providing driving lessons.</td></tr>
</table>

## Global Minimum Tax

| Nature of tax changes | Existing laws | Summary of Proposed Changes |
|---|---|---|
| **Minimum Effective Tax Rate (METR) in response to Pillar 2 rules of OECD BEPS 2.0 project (under consideration by MOF)** | NA | METR, if introduced, will top up a multinational enterprise (MNE) group’s effective tax rate in Singapore to 15% and apply to MNE groups operating in Singapore that have annual revenues of at least €750 million reflected in the consolidated financial statements of the ultimate parent entity.<br>Design of the METR is being studied and IRAS will consult industry stakeholders. |
| **Mazars Comments:** Introduction of METR will be a game changer and will likely result in higher effective taxes for MNE in Singapore. Mazars will provide timely updates of developments and participate in providing feedback to IRAS when the draft rules are open for consultation. Please contact us, should you require an impact analysis to be carried out and/or would like to understand how the new rules would work in your current business operating model. | | |

## Other changes

<table>
<tr><th>Nature of tax changes</th><th>Existing laws</th><th>Summary of Proposed Changes</th></tr>
<tr><td>Employment Pass (EP) minimum qualifying salary to be raised</td><td>Non-financial services sector: Minimum fixed monthly salary of $4,500.<br><br>Financial services sector: Minimum fixed monthly salary of S$5,000</td><td>Minimum qualifying salary for EP applicants increased by S$500 across the board.<br><br>Changes take effect for new applicants from 1 September 2022, and for EP renewal applications from 1 September 2023.</td></tr>
<tr><td colspan="3">Mazars Comments: Although companies face higher salary costs, they can claim a tax deduction of these expenses subject to qualifying conditions.</td></tr>
<tr><td>Minimum qualifying salary for S Pass (mid-skilled foreign employees) applications</td><td>S Pass qualifying salaries is S$2,500.</td><td>To increase by S$500 from 1 September 2022.</td></tr>
<tr><td>Foreign Worker Levy (FWL) Rates for S Pass</td><td>The Tier 1 S Pass FWL rate is currently $330.</td><td>It will be raised from $330 to $650 by 2025:<br><br><table><tr><th rowspan="2">Tier</th><th rowspan="2">DRC</th><th colspan="3">New Levy Rates</th></tr><tr><th>From 1 Sep 2022</th><th>From 1 Sep 2023</th><th>From 1 Sep 2025</th></tr><tr><td>Tier 1</td><td>≤ 10%</td><td>$450</td><td>$550</td><td>$650</td></tr><tr><td>Tier 2</td><td>> 10%*</td><td colspan="3">$650</td></tr></table><br>*DRC – dependency ratio ceiling</td></tr>
<tr><td colspan="3">Mazars Comments: This will raise the cost of hiring S Pass holder employees.</td></tr>
</table>

<table>
<tr><th>Nature of tax changes</th><th>Existing laws</th><th>Summary of Proposed Changes</th></tr>
<tr><td>Implementation of Progressive Wage Credit Scheme (PWCS)</td><td>NA</td><td>PWCS will be set up to co-fund wage increases over the next 5 years for workers earning up to S$3,000 per month. This enhances the Workfare Income Supplement (WIS) to boost lower wage workers</td></tr>
<tr><td colspan="3">Mazars Comments: The grant used to defray wage increase of employees is taxable to the employers in the years of receipt.</td></tr>
</table>

## Other changes

<table>
<tr><th>Nature of tax changes</th><th>Existing laws</th><th>Summary of Proposed Changes</th></tr>
<tr><td>Senior worker CPF contribution rates</td><td>
<table>
<tr><th rowspan="2">Age Band</th><th colspan="3">CPF Contribution Rates</th><th rowspan="2">CPF Transition Offset</th></tr>
<tr><th>Total</th><th>Employer</th><th>Employee</th></tr>
<tr><td>≤ 55</td><td colspan="3">No change</td><td></td></tr>
<tr><td>› 50 to 60</td><td>29.5%<br>(+ 1.5%-pt)</td><td>14.5%<br>(+0.5%-pt)</td><td>15%<br>(+1%-pt)</td><td>0.25%-pt</td></tr>
<tr><td>› 60 to 65</td><td>20.5%<br>(+2%-pt)</td><td>11%<br>(+1%-pt)</td><td>9.5%<br>(+1%-pt)</td><td>0.5%-pt</td></tr>
<tr><td>› 65 to 70</td><td>15.5%<br>(+1.5%-pt)</td><td>8.5%<br>(+0.5%-pt)</td><td>7%<br>(+1%-pt)</td><td>0.25%-pt</td></tr>
<tr><td>› 70</td><td colspan="3">No change</td><td></td></tr>
</table>
Changes are w.e.f 1 January 2023.
</td></tr>
<tr><td colspan="3">Mazars Comments: The increase in employers' CPF contributions for their employees after the transition offset should generally be tax deductible to companies subject to normal deduction rules.</td></tr>
</table>

## Financial Services

| Industry-related changes | Summary of Proposed Changes |
|---|---|
| **Green bonds** | The Government aims to issue up to S$35 billion of green bonds by 2030 to fund public sector green infrastructure projects. This includes bonds issued by the Government, as well as statutory boards. In the financial services sector, green finance is one of the fastest growing segments in Singapore. |
| **Carbon Tax** | Carbon tax will be raised from S$5 to S$25 per tonne in 2024 and 2025, and S$45 per tonne in 2026 and 2027, with a view of reaching S$50 to S$80 per tonne by 2030. The Government will announce subsequent increases ahead of time to provide certainty for businesses. |
| **Carbon Services** | To help companies transition to the higher carbon tax, from 2024, the Government will allow businesses to use high-quality, international carbon credits to offset up to 5 per cent of their taxable emissions, in lieu of paying carbon tax. Singapore can become the go-to location in Asia for expertise in carbon services, and the trusted regional marketplace for carbon credits. |

**Mazars Comments:** The government has sent a strong signal to businesses in its latest budget, on the topics of sustainability, green financing and carbon emissions. With the aim of achieving net-zero emissions by or around mid-century, Singapore has announced significant increases in carbon taxes which can reach up to S$80 per tonne by 2030.

The immediate concerns of businesses would be on the increased costs of doing business, especially in the short and medium term. Another challenge for businesses would be on how to account for and disclose the various climate-related financial disclosures that impact their business. There are some measures in place to support businesses in this transition – for those in the emissions-intensive or trade-exposed sectors, a transition framework will be put into place to support them and reduce the short-term impact on their competitiveness in the market. All businesses will also be able to use high-quality international carbon credits to offset up to 5% of their taxable emissions, in lieu of paying carbon tax.

There are significant business and growth opportunities available, especially in the areas of green financing and carbon services. The government announced their intention to issue up to $35 billion of public sector green bonds by 2030 to fund public sector green infrastructure projects, which will be governed by the Singapore Green Bond framework that will be published later this year. Singapore currently accounts for almost half of the ASEAN green bond and loan market, and there is an opportunity to develop Singapore into a green financial solutions hub in Asia. Carbon services are also on the rise – consultancy, audit and certification services used to assist companies in measuring, reducing and/or managing their emissions, the development of clean energy projects, as well as the purchase/sale of carbon credits for carbon offsetting, all point towards a growing demand and market for carbon services.

This is an exciting and growing space, with ever-increasing opportunities and developments in green projects yet to come. Businesses will have to work closely with their stakeholders, regulators and professional service providers, in ensuring that they optimise their impact and keep on top of these changes.

## Privately Owned Businesses (POBs) and Small and Mid-size Enterprises (SMEs)

| Industry-related changes | Summary of Proposed Changes |
|---|---|
| **S$500 million Jobs & Business Support Package** | ▪ **Small Business Recovery Grant**<br>S$1,000 per local hired employee, capped at S$10,000 per firm for SMEs in hard-hit sectors<br>S$1,000 one-off grant for groups who do not hire local employees<br>▪ **Extension of Jobs Growth Incentive by 6 months** to September 2022 to further support firms who hire mature workers, ex-offenders or person with disabilities |
| **Uplifting SMEs** | ▪ **SkillsFuture Enterprise Credit**<br>A waiver of Skill Development Levy to increase no. of eligible SMEs to benefit from the scheme<br>▪ **S$600 million will be set aside over the next 4 years under the Productivity Solutions Grant** for SMEs to support more than 100,000 productivity projects |
| **Strengthening local enterprise ecosystem** | ▪ **Singapore Global Enterprises** and **Singapore Global Executive Programme** will be launched to help local enterprises scale up, invest in overseas market and talent development respectively<br>▪ **About S$100 million for NTUC to scale up Company Training Committees (CTCs)**, including a new grant for companies with CTCs to support their transformation plans<br>▪ Increase in capacity of centres that deal with technology, innovation and enterprise activities in Polytechnics and Institutes of Technical Education over the next five years to undertake close to 2,000 innovation projects |
| **Financing schemes to ease cashflows concerns** | ▪ **Extension of Temporary Bridging Loan Programme** to Sept 30, 2022 with revised parameters<br>▪ **Enterprise Financing Scheme**<br>1. Enhanced Trade Loan - Extension to Sept 30, 2022, 70% risk-share for more nascent markets (e.g. Bangladesh, Brazil) beyond Sept 2022<br>2. Enhanced Project Loan - Extension to Mar 31, 2023 to suppport domestic construction projects<br>3. Merger & Acquisition (M&A) Loan - Expansion to include domestic M&A activities from Apr 1, 2022 to Mar 31, 2026 |

**Mazars Comments:** This year's budget is a boon for businesses in Singapore, especially SMEs with a number of schemes to spur industry and sector recovery and growth. The $500 million Jobs and Business Support Package and the additional S$600 million injected into the Productivity Solutions Grant will lend continued support to companies dealing with the economic impacts of Covid-19 while providing a leg up for overseas market expansion and talent development.

One notable measure is the extension of the Enterprise Financing Scheme which encourages local firms to not only build their resilience, but continue to invest, innovate, venture into nascent overseas markets and grow via mergers and acquisitions. Similarly, the wide range of skills development initiatives are a welcome move in the face of a rapidly changing technology landscape. We are hopeful that Budget 2022 will help to prepare today's businesses and workforce to be future-ready and seize the socio-economic opportunities ahead.

## Technology and digitalisation

| Industry-related changes | Summary of Proposed Changes |
|---|---|
| **Upgrading broadband infrastructure over the next few years** | ▪ Broadband speeds increasing by around tenfold<br>▪ Investing in future technologies such as 6G cellular technology. |
| **Investments in digital capabilities** | S$200 million will be set aside over the next few years to enhance schemes that build digital capabilities such as in Artificial Intelligence in businesses and workers.<br><br>1. **Infocomm Media Development Authority's Advanced Digital Solutions initiative**<br>From Apr 1, 2022, the scheme will be expanded to include solutions that leverage artificial intelligence and cloud technologies.<br>2. **Grow Digital**<br>From Apr 1, 2022, the scheme will include more pre-approved digital platforms that help companies access overseas markets digitally.<br>3. **The TechSkills Accelerator (TeSA)**<br>The scheme will expand and include partnering with industry leaders to grow product development teams, expanding TeSA to small and medium-sized enterprises and start-ups to provide more opportunities for mid-career workers, and upskilling the current workforce. |

**Mazars Comments:** Budget 2022 reiterated Singapore's commitment to ensure businesses continue to advance in the digital maturity scale by expanding digital adoption to include cloud solutions and artificial intelligence into 2022. As alluded in the recent Mazars Global Data Maturity Survey, cloud solutions and artificial intelligence provides tremendous opportunities to businesses to level set themselves with their industry or larger peers. Specifically:

- Artificial Intelligence (AI) has the ability to efficiently transform real-time data management and enable companies to extract the maximum value from their data.
- The cloud offers many opportunities to enable organizations to transform themselves into data-driven business, allowing them to derive better insights. Cloud analytics enables an organisation to scale seamlessly and help the data team to focus on high level tasks that contribute to the bottom line

As we have seen many first movers in AI and Cloud Solutions reap benefits from the initial investments, businesses should take the opportunity to learn and explore how to integrate AI and cloud solutions with their overall digital strategy to improve business performance and promote innovation across the economy.

# Budget 2022
## Conclusion

This year's Budget is bold and comprehensive, containing measures that impact individuals and industries alike. This includes significant changes to the tax regime, the acceleration of our timeline for carbon neutrality and investments in future technologies.

**"Without a doubt, Covid-19 has radically altered the course of Singapore in many ways. Now, it is time to look forward with courage and conviction, as we move beyond the crisis together and set sail into the next phase of economic growth and prosperity."**

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