Singapore Budget 2023

Commentary

mazars

Contents

Introduction

03 Foreword

Budget 2023

04 Summary: Tax highlights

Tax

06 Corporate tax changes
12 Other changes
14 Commentary

Industry

15 Industry changes
18 Commentary

Employment and workforce

19 Employment and workforce changes
22 Commentary

Conclusion

23 Conclusion
24 Mazars at a glance

Seizing opportunities in a new epoch

Deputy Prime Minister and Finance Minister Lawrence Wong unveiled a confident and inclusive Budget on 14 February.

Themed "Moving forward in a new era", the Budget comes at an opportune time as Singapore emerges stronger from the shadows of Covid-19 following the end of health measures and border restrictions on 13 February.

The statement revolves around three key thrusts, i) economic growth, skills development and opportunities for advancement; ii) strengthening social compact and support for Singaporeans and iii) building collective resilience to recover from external setbacks.

We echo the necessity for Singaporeans to secure new prospects in uncertain times. To remain fiscally prudent, the government is expecting a total expenditure of S$104.2 billion, which is 2.6% or S$2.8 billion less than the S$107 billion spent in FY2022. Singapore will no longer tap into past reserves to pay for Covid-19 public health expenditure this year. This underscores the move to increase our tax rates to ensure sufficient resources.

A notable tax update appears to be the green light for the Minimum Effective Tax Rate (METR) implementation. The Deputy Prime Minister announced an introduction of 15% minimum tax for MNEs in 2025. This move demonstrates that Singapore is taking steps to align with Pillar 2 of BEPS 2.0 while finding ways to retain our revenue as a leading financial hub.

The S$4 billion injection into the National Productivity Fund is a measure consistent with the nation's goal to remain globally competitive. As global tax changes come to the forefront, this effort is welcomed to attract quality investment and create value-added jobs for our people.

Another welcomed tax measure is the introduction of the Enterprise Innovation Scheme for businesses to get larger tax deductions from 250% to 400% in activities like conducting research and development in Singapore. The government will also extend the 250% tax deduction for donations until the end of 2026.

Furthermore, the Budget is carefully curated to encompass a wide range of support including cash vouchers to cushion the impact of GST hike and inflationary pressures as well as new jobs-skills integrators to improve training and placement of workers.

Future growth and prosperity in Singapore will rely on how successful we are at driving innovation and skills development, accelerating our transition to net zero, and fostering a sustainable business environment.

As we usher in a new era, we are optimistic that Budget 2023 will help to reposition the economy and elevate business confidence.

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

Elaine Chow
Partner, Tax
CA (Singapore), ISCA, Accredited Tax Advisor (Income Tax and GST), SCTP

Budget 2023
Summary: Tax highlights

Corporate Tax
Enhancement and extension of deductions for R&D, plant and machinery and philanthropy

- The **Investment Allowance Scheme** will be extended to 31 December 2028.
- The Investment Allowance Scheme for Automation Projects will be extended to 31 March 2026.

- **Tax deduction rate for donations** at 250% will be continued for another three years till end-2026.
- The scope of eligible activities for tax incentives under the Corporate Volunteer Scheme will be expanded.

- Option to accelerate **capital allowance claim** on capital expenditure incurred on plant and machinery during the basis period for Year of Assessment 2024.

- Option to accelerate **R&R deduction claim** over 3 years to 1 year for Year of Assessment 2024 (expenditure in 2023).

- **IP Development Incentive**, Pioneer Certificate Incentive and Development and Expansion Incentive will be extended till 31 December 2028.

Financial sector
Enhanced financial sector incentives

- The existing concessionary tax rates under the **Financial Sector Incentive Scheme** (extended till 31 December 2028) will be streamlined to 10%/13.5% for awards approved/renewed on or after 1 January 2024.

- The **withholding tax exemption** granted on interest payments made to non-residents on loans (under certain conditions) during the tenure of the **FSI-Headquarter Services** award will also be extended till 31 December 2028.

- A new **Philanthropy Tax Incentive Scheme** will be introduced for qualifying donors with family offices operating in Singapore to claim 100% deduction for overseas donations (capped at 40% of the donor's statutory income).

- The tax concession for Deduction of General Provisions for **Doubtful Debts and Regulatory Loss Allowances** Made in Respect of Non-credit-impaired Financial Instruments for Banks (Including Merchant Banks) and Qualifying Finance Companies has been extended till YA 2029 (for December year-end entities) or YA 2030 (for non-December year-end entities).

The following tax incentives are extended until 31 December 2028:

- **Qualifying Debt Securities Scheme** (with updates)
- **Tax Exemption on Income Derived by Primary Dealers** from Trading in Singapore Government Securities
- **Approved Special Purpose Vehicle** engaged in asset securitisation transactions scheme (with updates)
- **Insurance Business** Development – Insurance Broking Business Scheme.

Budget 2023
Summary: Tax highlights

Global developments on BEPS 2.0

- Singapore plans to implement the Global Anti-Base Erosion rules under **Pillar 2 of the Base Erosion and Profit Shifting initiative (BEPS 2.0)** and the **Domestic Top-Up Tax (DTT)** on or after 1 January 2025.

Tax deductions to support innovation

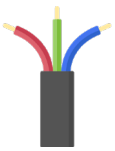
- Companies that invest in innovation, such as research and development (R&D), will be able to enjoy more tax deductions under the new **Enterprise Innovation Scheme**.

Tax relating to properties

- Higher marginal **Buyer Stamp Duty rates** for higher-value residential and non-residential properties are introduced with effect from 15 February 2023.

Other changes, grants and credits

- Expansion of scope of the **Double Tax Deduction** for Internationalisation scheme to include a new activity pertaining **e-commerce** campaigns.



- All three existing tax measures related to **Submarine Cable Systems** will be extended till 31 December 2028.

- Introduction of an uplifting employment credit (in a form of a time limited wage offset) to encourage firms to **employ ex-offenders.**

Personal Income Tax

- The **Foreign Domestic Worker Levy Tax Relief** will lapse for all taxpayers from the Year of Assessment 2025.

- Change in income condition from NIL to S$4,000 per annum for **Grandparent Caregiver Relief** to take effect from 1 January 2023 (Year of Assessment 2024 onwards).

- For qualifying Singapore children born or adopted on or after 1 January 2024, the **Working Mother's Child Relief** will be changed from a percentage of the working mother's earned income to a fixed dollar tax relief. This will take effect from the Year of Assessment 2025.

ESG and Sustainability

- The **carbon tax** will be raised progressively over the next few years.
- Enhancement to **Energy Efficiency Grant (EEG)**

- Extension and enhancement of the following grants/credits subject to criteria:
  - **Progressive Wage Credit Scheme** in year 2022 and year 2023.
  - **Senior employment credit** and part time reemployment grant till year 2025.
  - **Enabling Employment Credit** to cover a larger proportion of wages and a longer duration for persons with disabilities who have not been working for at least six months.

The icons are sourced from Freepik - Flaticon.com

Tax changes

Budget 2023
Corporate Tax changes

Option to Accelerate the Write-Off of the Cost of Acquiring Plant and Machinery (P&M)

Currently:

- Capital allowance (CA) is claimable on capital expenditure incurred on acquiring P&M under Section 19 (write-off over the working life of assets as specified in the Sixth Schedule) or Section 19A (write-off over one or 3 years) of the ITA.

Proposed changes:

- Businesses that incur capital expenditure on acquisition of P&M in the basis period for YA 2024 (I.e. for financial year ending in 2023) can choose to claim CA on the cost on an accelerated basis over 2 years as follows:
  - 75% of the cost incurred to be written off in the first year (YA 2024); and
  - 25% of the cost incurred to be written off in the second year (YA 2025)

The above option, if exercised, is irrevocable and the CA claims cannot be deferred.

Extend the Pioneer Certificate Incentive (PC) and Development and Expansion Incentive (DEI)

Currently:

- Under the PC, companies are eligible for corporate tax exemption on income from qualifying activities
- Under the DEI, companies are eligible for concessionary tax rates of 5% or 10% on qualifying income.
- Both PC and DEI are scheduled to lapse after 31 December 2023

Proposed changes:

- The PC and DEI will be extended till 31 December 2028. The above option, if exercised, is irrevocable and the CA claims cannot be deferred

Extend and Refine the Qualifying Debt Securities (QDS) Scheme

Currently:

- The QDS scheme offers a 10% concessionary tax rate for qualifying companies and bodies of persons in Singapore as well as income tax exemption for qualifying non-residents / individuals on qualifying income from QDS. The scheme is scheduled to lapse after 31 December 2023.
- To qualify as QDS, debt securities must be substantially arranged in Singapore with certain conditions to be met.

Proposed changes:

- The QDS scheme will be extended till 31 December 2028.
- The scope of qualifying income under the QDS scheme will be streamlined and clarified.
- For all debt securities issued on or after 15 February 2023, they must be substantially arranged in Singapore by a financial institution holding a specified licence instead of a FSI company. For insurance linked securities (ILS) issued on or after 1 January 2024, at least 30% of the ILS issuance costs must be paid to Singapore businesses if they are unable to meet the condition.

Extend the Tax Exemption on Income Derived by Primary Dealers from Trading in Singapore

Currently:

- Income tax exemption is granted on income derived by primary dealers from trading in Singapore Government Securities. The scheme is scheduled to lapse after 31 December 2023.

Proposed changes:

- The income tax exemption will be extended till 31 December 2028. All other conditions remain the same.

The icons are sourced from Freepik - Flaticon.com

Budget 2023
Corporate Tax changes

Extend and Refine the Financial Sector Incentive (FSI) Scheme

Currently:

- The FSI scheme accords concessionary tax rates of 5%, 10%, 12% and 13.5% on income from qualifying banking and financial activities, headquarters and corporate services, fund management and investment advisory services. The scheme is scheduled to lapse after 31 December 2023.

Proposed changes:

- The FSI scheme will be extended till 31 December 2028.
- Under the FSI-Headquarter Services, the withholding tax exemption granted on interest payments made to qualifying non-residents during the award tenure on qualifying loans will similarly be extended till 31 December 2028.
- The existing concessionary tax rates will also be streamlined for new and renewal awards approved on or after 1 January 2024.

Extend the Tax Concession for Deduction of General Provisions for Doubtful Debts and Regulatory Loss Allowances Made in Respect of Non-credit-impaired Financial Instruments for Banks (Including Merchant Banks) and Qualifying Finance Companies

Currently:

- Banks, merchant banks and qualifying finance companies ("entities") can claim a tax deduction for general provisions on non-credit-impaired loans and debt securities made under the relevant accounting standards and additional loss allowances required under prevailing MAS Notices, subject to a cap.
- The tax deduction is scheduled to lapse after YA 2024 (for entities with a 31-December financial year end (FYE)) or YA 2025 (for entities with a non-31-December FYE).

Proposed changes:

- The tax deduction will be extended till YA 2029 (for entities with a 31-December FYE) or YA 2030 (for entities with a non-31-December FYE).

Extend the Insurance Business Development – Insurance Broking Business (IBD-IBB) Scheme

Currently:

- The IBD-IBB scheme grants approved insurance and reinsurance brokers a concessionary tax rate of 10% on commission and fee income derived from insurance broking and advisory services. The scheme is scheduled to lapse after 31 December 2023.

Proposed changes:

- The IBD-IBB scheme will be extended till 31 December 2028. All other conditions remain the same.

Enhance the Progressive Wage Credit Scheme (PWCS)

Currently:

- PWCS was 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.

Proposed changes:

- The PWCS co-funding support will be increased by 15% to 25% for wage increases in the qualifying year 2023. The enhanced 2023 co-funding support will also apply to wage increases in year 2022 and sustained in year 2023.

The icons are sourced from Freepik - Flaticon.com

Budget 2023
Corporate Tax changes

IP Development Incentive (IDI)

Currently:

- Support companies that use and commercialise IP rights arising from Research & Development activities in Singapore
- Recipients are eligible for concessionary tax rates of 5% / 10% on a percentage of qualifying IP income.
- Scheduled to lapse after 31 December 2023

Proposed changes:

- Extended till 31 December 2028

Approved Special Purpose Vehicle (ASPV) engaged in asset securitisation transactions scheme

Currently:

- Tax exemption on income derived by an APSV from asset securitisation scheme
- GST recovery rates on qualifying business expenses at a fixed rate of 76%
- WHT exemption on payments to qualifying non-residents on over-the-counter financial derivatives in connection with an asset securitisation transaction.
- ·Scheduled to lapse after 31 Dec 2023

Proposed changes:

- Extended till 31 December 2028
- GST recovery rate to be aligned with the recovery rate accorded to licensed full banks under MAS.
- Introduction of new sub-scheme ASPV (Covered Bonds) for SPVs holding the "cover pool" in relation to the covered bonds.
- ASPV (Covered Bonds) sub-scheme will be effective from 15 February 2023 to 31 December 2028 and will be administered by MAS.
- All other tax concessions and conditions of the ASPV scheme remain the same.

Implementation of the Global Anti-Base Erosion (GloBE) Rules and Domestic Top-up Tax rate (DTT) (under consideration by MOF)

Currently:

- In Budget 2022, the MOF had announced the introduction of a Minimum Effective Tax Rate (METR) in response to Pillar 2 rules of OECD BEPS 2.0 project.
- The METR, 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.

Proposed changes:

- Singapore plans to implement the GloBE rules and DTT on or after 1 January 2025.
- In the meanwhile, MOF will continue to monitor the international developments and adjust the implementation timeline if needed, while continuously engaging with businesses on this topic.

Withdrawal of the Tax Deduction for Expenditure Incurred on Building Modifications for Benefit of Disabled Employees

Currently:

- Taxpayers can claim deductions for approved expenditure incurred in building additions or alterations which facilitate the mobility or work of disabled employees up to a max of S$100,000.

Proposed changes:

- The scheme will be withdrawn from 15 February 2023.

The icons are sourced from Freepik - Flaticon.com

Budget 2023
Corporate Tax changes

Extend the Investment Allowance (IA) Scheme

Currently:

- The IA scheme provides an additional tax allowance for businesses which incur qualifying fixed capital expenditure on approved projects. This is calculated as a percentage of the amount of capital expenditure incurred, net of grants, on an approved project
- The IA scheme is scheduled to lapse after 31 December 2023

Proposed changes:

- The scheme will be extended till 31 December 2028.

Extend the IA-100% Scheme for Automation Projects

Currently:

- Businesses can enjoy 100% IA support on the amount of approved capital expenditure, net of grants, for automation projects approved by EnterpriseSG. The IA-100% scheme is scheduled to lapse after 31 March 2023.

Proposed changes:

- The IA-100% scheme will be extended till 31 March 2026, with the same parameters.

Extend the 250% Tax Deduction for Qualifying Donations to IPCs and Eligible Institutions

Currently:

- Donors are eligible for a 250% tax deduction for qualifying donations made to Institutions of a Public Character (IPCs) and other eligible institutions from 1 January 2016 to 31 December 2023.

Proposed changes:

- Extended the 250% tax deduction to qualifying donations made from 1 January 2024 to 31 December 2026. All other conditions of the scheme remain the same.

Extend and Enhance the Corporate Volunteer Scheme (CVS)

Currently:

- The Business and IPC Partnership Scheme (BIPS) provides businesses with a 250 per cent tax deduction on wages and qualifying expenses when their employees volunteer, provide services or are seconded to IPCs.
- Qualifying expenses have an annual cap of S$250,000 per business and S$50,000 per IPC. The BIPS is due to lapse on 31 December 2023.

Proposed changes:

- The BIPS will be folded into a broader Corporate Volunteer Scheme (CVS) and extended for three more years to 31 Dec 2026.
- Under the CVS, which comes into effect on 1 January 2024, the scope of volunteering activities will be extended to ones conducted virtually or outside the IPCs premises.
- The cap on qualifying expenses for IPCs will be doubled to S$100,000.

Extension of three tax measures relating to Submarine Cable Systems

Currently:

- Currently, there are three tax measures relating to submarine cable systems:
  - a) WHT exemption on payments made to non-residents for use of international telecommunications submarine cable capacity under indefeasible right to use (IRU) agreements (valid till 31 December 2023)
  - b) WDA for the acquisition of an IRU over their useful life (valid till 31 December 2025)
  - c) IA for the construction and operation of submarine cable systems in Singapore (valid till 31 December 2023)

Proposed changes:

- All three tax measures will be extended till 31 December 2028, with the same parameters.

Budget 2023
Corporate Tax changes

Enhancement of the Double Tax Deduction for Internationalisation (DTDi) Scheme

Currently:

- Businesses are allowed a tax deduction of 200% on qualifying market expansion and investment development expenses (if they qualify for the scheme as per the prescribed list), subject to prior approval from Enterprise Singapore or Singapore Tourism Board.
- The DTDi scheme is in place until 31 December 2025.

Proposed changes:

- The scope of the DTDi scheme will be expanded to include a new qualifying activity pertaining to "e-commerce campaign".
- This would cover the following e-commerce campaign startup expenses paid to e-commerce platform/service providers:
  - Business advisory
  - Account creation
  - Content creation
  - Product listing and placement
- Prior approvals to avail DTDi on the new qualifying activity would still be required from EnterpriseSG which would be valid for a maximum period of one year applied on a per-country basis.
- The above enhancement will take effect for qualifying e-commerce campaign startup expenses incurred on or after 15 February 2023. EnterpriseSG will provide further details of the changes by 28 February 2023.

Carbon tax

Currently:

- The carbon tax is set at a rate of $5 per tonne of GHG emissions (tCO2e) from 2019 to 2023.

Proposed changes:

- The carbon tax will be raised progressively over the next few years.

Energy Efficiency Grant

Currently:

- Launched in September 2020 to lapse after 31 March 2023.

Proposed changes:

- Extended to 31 March 2024 for SMEs in the Food Services, Food Manufacturing, and Retail sectors.

The icons are sourced from Freepik - Flaticon.com

Budget 2023
Other Tax changes

Philanthropy Tax Incentive Scheme for Family Offices

New measure:

- Qualifying donors with family offices operating in Singapore can claim 100% tax deduction for overseas donations made through qualifying local intermediaries (capped at 40% of the donor's statutory income). These donors must have a fund under the Monetary Authority of Singapore ("MAS")'s Sections 13O or 13U schemes and meet certain eligibility conditions such as incremental business spending of S$200,000.
- Prior to the scheme, no tax deduction was allowed on overseas donations.
- The MAS will provide further details by 30 June 2023.

Foreign Maid Levy relief (FML)

Currently:

- FML is available to a woman tax resident in Singapore, subject to satisfying the qualifying conditions.
- The amount of FML available is twice the amount of levy paid in the previous year to employ a foreign domestic worker.

Proposed changes:

- Lapsed from YA 2025

Renovation and Refurbishment (R&R) scheme

Currently:

- Taxpayers can claim qualifying R&R expenses incurred during the basis period for YA 2024 (in the financial year ending 2023) up to a max of S$300,000, over a 3-year relevant YAs.

Proposed changes:

- Option to claim the deduction over 1 YA (i.e. accelerated R&R deduction) instead of over 3 YAs.
- The cap of S$300,000 for every relevant 3 consecutive YAs remain the same.
- This option once exercised, is irrevocable.

Working Mother's Child relief (WMCR)

Currently:

- WMCR is available to an eligible working mother with a qualifying child who is a Singapore Citizen at a certain percentage based on the child order:
  - 1st child - 15% of earned income
  - 2nd child - 20% of earned income
  - 3rd child and beyond - 25% of earned income

Proposed changes:

- For a qualifying child born or adopted on or after 1 January 2024, the WMCR will be changed to a fixed dollar amount according to the child order.
  - 1st child - S$8,000
  - 2nd child - S$10,000
  - 3rd child and beyond - S$12,000

The icons are sourced from Freepik - Flaticon.com

Other Tax changes

Grandparent Caregiver Relief (GCR)

Currently:

- GCR of S$3,000 is available to a working mother whose parent, grandparent, parent-in-law or grandparent-in-law was looking after her child (Singapore Citizen) under the age of 12 in the previous year.
- The parent, grandparent, parent-in-law or grandparent-in-law must not be working or carrying on any trade, business, profession or vocation in the previous year.
- The claim of GCR is subject to the working mother satisfying the rest of the qualifying conditions.

Proposed changes:

- From YA 2024 onwards, GCR is available to a working mother if the caregiver does not have annual income of more than S$4,000 from employment, trade, business, profession or vocation.
- No change in the other conditions.

Raise Buyer's Stamp Duty (BSD) Rates for Higher-value Residential and Non-residential Properties

Currently:

- Before 15 February 2023:

Higher of Purchase Price of Market Value of the property	Marginal BSD Rate	
	Residential Property	Non-residential Property
First S$180,000	1%	1%
Next S$180,000	2%	2%
Next S$640,000	3%	3%
Amount exceeding S$1,000,000	4%	

Proposed changes:

- With effect on and from 15 Feb 2023:

Higher of Purchase Price of Market Value of the property	Marginal BSD Rate	
	Residential Property	Non-residential Property
First S$180,000	1%	1%
Next S$180,000	2%	2%
Next S$640,000	3%	3%
Next S$500,00	4%	4%
Next S$1,500,000	5%	5%
Exceeding $3,000,000	6%	

The icons are sourced from Freepik - Flaticon.com

Budget 2023

Tax commentary: Creating a growth-oriented economy anchored on key tax shifts

Future-proofing the Financial Services Industry

To stay competitive in a post-BEPS 2.0 era, the extension of the **Financial Sector Incentive** is a welcome sight.

With Pillar Two GLoBE rules likely to be implemented by other countries in year 2024 and Singapore intending to implement Pillar Two GLoBE rules Domestic Topup Tax in year 2025, the FSI incentive is likely to play a less crucial role.

Hence, we are seeing an increase in concessionary tax rates for certain FSI incentives. Other non-tax factors (e.g., political stability and supportive business environment) may be more important in attracting foreign banks to set up or remain in Singapore.

The extension and refinement of the **Qualifying Debt Securities (QDS) Scheme** is in line with the Government's policies to support the domestic debt market. This move seeks to further enhances the competitiveness of the Singapore financial sector.

To continue to promote the overall robustness and stability of the Singapore financial system, the tax deduction under section 14G of the ITA will be extended for banks, merchant banks, and qualifying finance companies .

Given the continued global economic uncertainty and rising interest rates, the extension is in line with the Government's initiatives to mitigate the impact of high credit costs on the capital positions of banks and qualifying finance companies in Singapore. This would help to support lending in Singapore to support and stimulate economic growth.

Boosting Industry 4.0

Singapore boasts a strong and vibrant manufacturing sector, supported by key segments like electronics, chemicals, and biomedical science.

The extension of the **Pioneer Certificate Incentive (PC) and Development and Expansion Incentive** is timely to encourage companies to continue engaging in strategic high value-added manufacturing and services activities in Singapore.

On the same note, the **100% Investment Allowance** has been extended to 2026. The government continues to encourage businesses to transform through automation.

Promoting business growth

Companies planning to expand overseas can benefit from the **Double Tax Deduction Scheme for Internationalisation (DTDi)** for international market expansion and investment development activities.

Budget 2023 sees major enhancements to this scheme, expanding its scope to cover qualifying startup expenses incurred for "e-commerce campaign".

This is a step in the right direction to further support businesses in their efforts to overcome initial challenges while building up capabilities in the e-commerce space. At the same time, more Singapore businesses can internationalise and compete in the global market.

Setting Pillar Two plans in motion

In line with Singapore's plans to implement **GLoBE rules,** Mazars will provide timely updates on the subsequent developments to the businesses and shall also 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. For more information on how these newly announced measures can benefit your business, please reach out to our Tax Specialists and our Financial Services Tax experts.

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

Elaine Chow
Partner, Tax
CA (Singapore), ISCA, Accredited Tax Advisor (Income Tax and GST), SCTP

Industry changes

Budget 2023
Industry changes

Enhanced Enterprise Innovation Scheme (EIS)

Currently:

- Businesses can enjoy tax deductions of up to 250% of qualifying expenditure on five key activities in the innovation value chain:
  - i. i. R&D conducted in Singapore;
  - ii. ii. Registration of intellectual property, including patents, trademarks, and designs;
  - iii. iii. Acquisition and licensing of intellectual property rights;
  - iv. iv. Innovation carried out with Polytechnics and ITE;
  - v. v. And training via courses approved by SkillsFuture Singapore and aligned to the Skills Framework.

Proposed changes:

- Tax deductions will be raised to 400% of qualifying expenditure on each of the five activities.

EIS conversion of qualifying expenditure to cash payout

Currently:

- NIL

Proposed changes:

- The option to convert qualifying expenditure into a cash payout is to help small, growing businesses defray the costs of their innovation activities.
- In lieu of tax deductions and/ or allowances, eligible businesses may opt to convert up to $100,000 of the total qualifying expenditure across all the qualifying activities for each YA into cash at a conversion rate of 20%. The cash payout is capped at $20,000 per YA and is not taxable.

Extension of the Enterprise Financing Scheme project loans, trade loans and working capital loans

Currently:

- The enhanced EFS-TL was scheduled to lapse on 30 September 2022.

Proposed changes:

- Singapore will extend the current enhancements afforded by Enterprise Singapore under its Enterprise Financing Scheme.
- The enterprise financing scheme – trade loan (EFS-TL) has been put in place from April 1, 2023, to March 31, 2024.
- The EFS-TL provides enterprises with trade financing of up to S$10 million (US$7.3 million) per borrower. The government's risk share on the loan is 70 percent and the maximum repayment period is one year.
- The enterprise financing scheme project loans (EFS-PL) will be further extended until March 31, 2024. The program provides financing for certain overseas projects:
  - Land/building/factory (including purchases/ renovation/construction);
  - Working capital loans;
  - Machinery, equipment, other fixed assets; and
  - Guarantees.
- The enhance enterprise financing scheme – working capital loan has been extended from April 1, 2023, to March 31, 2024, providing S$500,000 (US$373,000) as a loan for operating capital.

The icons are sourced from Freepik - Flaticon.com

Industry changes

Singapore Global Enterprises

Currently:

- Introduced in 2022, the initiative provides customised assistance to promising large local enterprises in areas such as innovation, internationalisation and fostering of partnership with other firms.

Proposed changes:

- The government will set aside S$1 billion to provide a further boost to this initiative.
- Promising companies will be offered specialised capability building programmes tailored to their individual corporate needs. This may involve working with experts to strengthen the core leadership team, accelerate their internationalisation plans, and build a strong talent pipeline.
- Enterprise Singapore will also support them to secure resources to execute their growth plans, and to build sustained research and innovation capabilities to strengthen their value proposition and stay competitive.

SME Co-investment Fund

Currently:

- The Singapore government has previously mobilised investments in SMEs through Heliconia Capital, which deploys equity financing.
- To date, the Government has committed $1 billion to this effort, and invested in about 60 Singapore-based companies.

Proposed changes:

- The Government will commit another $150 million to invest in promising SMEs via the SME Co-Investment Fund.
- This comes with the aim to catalyse a corresponding $300 million from other investors.

The icons are sourced from Freepik - Flaticon.com

The icons are sourced from Freepik - Flaticon.com

Budget 2023

Industry commentary: Spurring innovation and unlocking business potential

Building internal capabilities with innovative edge

The budget focuses on building internal capabilities within the nation by granting additional incentives through the new Enterprise Innovation Scheme (EIS) with tax deductions up to 400% for activities like R&D in Singapore, IP Registration, and training. This is a strong enabler the government is putting in place to encourage companies, big and small, to continue to invest to stay competitive and relevant in a challenging global landscape.

With the intensifying global competition for talent and capabilities, this 400% tax deduction on initial $400k of qualifying expenditure appears to be a good incentive for organisations to further enhance their internal digital and innovation capabilities while operating in a challenging economic environment.

The EIS is all encompassing, benefitting and supporting not just local enterprises but also multinational companies operating in Singapore, making Singapore an attractive ground for R&D. Not to forget, small and growing businesses that have yet to turn profitable will have a cash pay-out option of up to S$20,000.

Strengthening businesses in the post-pandemic future

The national budget calls upon businesses to seize new opportunities amid heightened global uncertainty.

Budget 2023 issues support for Singapore businesses as they transition to a post-COVID-19 world and combat elevated inflation and growth slowdown. The support measures include tax deductions for research and development (R&D) as well as for innovation, among others.

It is wonderful to see a diverse mix of incentives and support schemes being introduced and enhanced this year. To further promote business success, the S$1 billion boost to the Singapore Global Enterprises Initiative will provide incentives for enterprises to strive for productivity, innovation and internationalisation.

It is clear that enterprises remain central to our economic growth. We hope that businesses will leverage these incentives to build upon their strengths and advance towards a resilient future.

Chester Liew
Partner, Head of Risk Consulting & Sustainability

Wee Han Tah
Partner, Head of Management Consulting

Kee Yin Lai
Director, Technology & Digital Consulting

Aidan Khoo
Associate Director, Management Consulting

Employment and workforce changes

Budget 2023
Employment and workforce changes

CPF monthly salary ceiling

Currently:

- The CPF monthly salary ceiling is $6,000.

Proposed changes:

- The ceiling will be gradually raised to S$8,000 by 2026. It will take place in four steps to allow employers and employees to adjust to the changes.

From	CPF monthly salary ceiling	CPF annual salary ceiling
1 Sep 2023	$6,300 (+$300)	$102,000
1 Jan 2024	$6,800 (+$500)	
1 Jan 2025	$7,400 (+$600)	
1 Jan 2026	$8,000 (+$600)	

- To alleviate business costs due to the increase, employers will be provided with a one-year CPF Transition Offset.

Senior Worker CPF contribution rates

Currently:

- The latest increment to the CPF contribution rates for employees aged above 55 to 70 took effect from 1 January 2023.
- The minimum CPF monthly payout that seniors on the Retirement Sum Scheme (RSS) can receive is $250.

Proposed changes:

- The Government will continue the next increase in 2024. The CPF contribution rates for older workers aged above 55 to 70 will increase by between 1 and 1.5 percentage points.
- There will also be an increase in the minimum CPF monthly payout for seniors on the Retirement Sum Scheme to $350 from 1 June 2023.

Senior Employment Credit (SEC)

Currently:

- Employers of Singaporeans aged 55 and above receive wage offsets up to $4,000 a month.

Proposed changes:

- The SEC is extended until 2025, and continue providing wage offsets to employers that hire Singaporean senior workers.

Part-time Re-employment Grant (PTRG)

Currently:

- Employers that commit to a part-time re-employment policy for its eligible senior workers receive funding of up to S$125,000.

Proposed changes:

- The Government will also extend the PTRG until 2025, to encourage employers to offer part-time re-employment, flexible work arrangements, and structured career planning to senior workers.

Platform Worker CPF Transition Support

Currently:

- Platform workers can voluntarily contribute up to 10.5% of their net trade income to their CPF MediSave account.

Proposed changes:

- Platform workers below 30 years old will be required to make increased CPF contributions. over a period of five years. Platform Companies will also be required to pay CPF contributions for these workers.
- A CPF Transition Support scheme is introduced to cushion the impact on their take-home pay.

Budget 2023
Employment and workforce changes

Enabling Employment Credit (EEC)

Currently:

- A wage offset of up to 30% for the employment of every Singaporean person with disability (PWD) earning below $4,000 per month.
- Employers who hire a PwD who have not been in employment for the past six months receive an additional wage offset for the first six months of employment.

Proposed changes:

- The EEC is enhanced to cover a larger proportion of wages and a longer duration for PwDs who have not been working for at least six months.

Uplifting Employment Credit

New measure:

- Singapore is introducing a New Uplifting Employment Credit in the form of a time-limited wage offset to encourage firms to employ ex-offenders. More details to come at the upcoming COS and it will be reviewed in 2025.

Government-Paid Paternity Leave

Currently:

- Working fathers are entitled to two weeks of paid paternity leave funded by the Government.

Proposed changes:

- Singapore will double the leave to four weeks for eligible working fathers of Singaporean children born on or after 1 January 2024.
- For a start, employers who voluntarily grant the extra two weeks will be reimbursed. This will give more time for employers to adjust amidst existing economic conditions and manpower challenges. Singapore intends to make it mandatory in due course.

Unpaid infant care Leave

Currently:

- Parents get six days of leave per year.

Proposed changes:

- The leave will be increased to 12 days.
- All parents of Singaporean children will be eligible if they have worked with their employer for a continuous period of at least three months.
- From 1 January 2024 onwards, it will apply to eligible working parents with Singaporean children aged under two years old.

The icons are sourced from Freepik - Flaticon.com

Commentary: Building a resilient workforce of the future

CPF salary ceiling increase to keep pace with inflation

The latest budget shows that the Government is monitoring the rising salaries in the market and implementing relevant policies to keep pace with the changes. The incremental increase in the Central Provident Fund monthly salary ceiling may be timely because of rising inflation and cost of living. With diminishing purchasing power, the current contribution rates may not be sufficient and sustainable in the future.

From the business perspective, the rising ceiling will also result in higher business expenses. It is a relief to see that the government is providing businesses with a one-year CPF Transition Offset to mitigate business costs due to the increase.

Transforming the workplace with diversity and family-friendly initiatives

This year's budget signals an increasingly positive message encouraging employers to embrace and prepare for a diverse workforce. This intended move will see businesses embrace diversity from multiple angles and cultivate a mindset shift from conventional employment to a more flexible, diverse and hybrid approach to fill their manpower shortages. Companies need to look beyond traditional hiring preferences to expand their pool of potential human resources.

These multifaceted measures are timely and essential in light of the global talent crunch. The traditional method of parachuting foreign talents is becoming a less viable option for most countries. So, there is a need to act fast and build a resilient human capital that will support our businesses and meet future needs.

Rethinking value creation

The progressive changes in our CPF will no doubt add stress to companies' manpower costs but will also drive them to rethink value creation in jobs. Companies need to constantly review and revamp the quality and value of jobs to match the increase in payroll costs. Channelling more focus on training, job re-skilling and upskilling are crucial to ensure we have quality talents that grow in tandem with the rising costs of labour.

Justin Lim
Partner, Outsourcing
Head of Corporate Secretarial

Iris Goh
Director, Talent

Budget 2023
Conclusion

"This year's Budget announced significant changes to the tax system across the spectrum. These include a range of Corporate Tax measures, the introduction of the Domestic Top-up Tax and enhanced Financial Services incentives. The Budget confirms strong support for Singapore's Research and Development activities, which will continue to foster a culture of innovation in enterprises. All in all, Singapore is well-positioned to attract new investments and opportunities in the post-pandemic era."

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

Mazars in Singapore at a glance

Singapore

1
office

350
professionals

25
partners and directors

$30.1M
Singapore turnover
(2021-2022)

24.7%
Increase on prior year

These figures are valid as of 31 August 2022.
For current up-to-date information, please visit:
w**ww.mazars.sg**

Contact

Gene Kwee
Partner, Head of Tax in APAC
L.LM
gene.kwee@mazars.com.sg

Elaine Chow
Partner, Tax
CA (Singapore), ISCA, Accredited Tax Advisor (Income Tax and GST), SCTP
elaine.chow@mazars.com.sg

Justin Lim
Partner,
Head of Corporate Secretarial
justin.lim@mazars.com.sg

Wee Han Tah
Partner,
Head of Management Consulting
wee-han.tah@mazars.com.sg

Chester Liew
Partner, Head of Risk Consulting & Sustainability
chester.liew@mazars.com.sg

Kee Yin Lai
Director, Technology & Digital Consulting
kee-yin.lai@mazars.com.sg

Iris Goh
Director, Talent
iris.goh@mazars.com.sg

Aidan Khoo
Associate Director, Management Consulting
aidan.khoo@mazars.com.sg

Mazars is an internationally integrated partnership, specialising in audit, accountancy, advisory, tax and legal services*. Operating in over 90 countries and territories around the world, we draw on the expertise of 47,000 professionals – 30,000+ in Mazars' integrated partnership and 17,000+ via the Mazars North America Alliance – to assist clients of all sizes at every stage in their development.

*where permitted under applicable country laws.

www.mazars.sg

mazars