

Singapore

Singapore Presents Budget 2022 - Summary

25 February 2022

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On 18 February 2022, the Minister for Finance, Mr. Lawrence Wong, presented Budget 2022 to Parliament (see [Singapore-1, News 18 February 2022](#)).

Thematically, Budget 2022 seeks to achieve a more equitable revenue structure to fund the growing spending needs of the Singapore government, particularly in healthcare and social programmes in the face of the ongoing COVID-19 pandemic, an aging demographic and the goal of achieving net-zero emissions by around 2050. In light of the urgent need to raise revenue and the possible negative fiscal implications of the OECD Pillars One and Two recommendations, should these be implemented globally, adjustments to the Singapore tax system are necessary to sustainably raise additional revenue without depleting Singapore's past reserves and, at the same time, to shift towards a more equitable revenue structure.

The key tax measures announced in Budget 2022 are summarized as follows:

- [corporate income tax](#);
- [individual income tax](#); and
- [indirect taxes and other measures](#).

Budget 2022 marks a decisive shift in policy direction towards living with COVID-19 just as the Singapore economy begins to turn a corner. To tackle the dual challenges posed by a rapidly aging population and climate change, Budget 2022 takes steps to expand Singapore's fiscal space by making the unprecedented move of announcing rate hikes in five tax types. While no ostensible wealth tax (such as an inheritance tax or a capital gains tax) was announced, some of the Budget 2022 measures reflect a growing commitment by the government to shift the fiscal burden towards members of society with greater means to shoulder it. It remains to be seen if these efforts will help to move the needle on Singapore's Gini coefficient.

The climate change agenda featured very prominently in Budget 2022 with a 5-fold increase in carbon tax to SGD 25 per tonne of greenhouse gas emissions by 2024 and with additional hikes planned further down the road. While the government's commitment to its net-zero climate target is laudable, it will also need to examine whether measures such as a carbon border adjustment mechanism will be required in the longer term to protect domestic industries from imports that are produced without being subject to similar environmental standards. In the meantime, Singapore businesses will need to take active steps to reduce their energy needs and carbon footprint, reassess their markets and, where feasible, reorientate their supply chains to focus on markets which have regulations that are favourable to green products.

Eagerly anticipated but conspicuously absent from Budget 2022 are details of Singapore's plans in response to the impending changes to international tax rules prompted by the OECD Pillars One and Two recommendations. As Singapore mulls its next moves and explores the feasibility of introducing a minimum effective tax rate (METR) to top-up the effective tax rate of the largest MNE groups operating in Singapore to 15%, reform to its corporate tax system (including its incentive schemes) will likely be necessary for Singapore to remain BEPS-compliant.

Taken together, Budget 2022 is an ambitious but tightly calibrated budget designed to address the competing priorities of providing for the future needs of Singapore and the global climate and retaining its economic competitiveness even as the rules of the road are gradually evolving. The revenue generated from the Budget 2022 measures should go some way towards mitigating the long-term, existential challenges facing Singapore and help to position it to ride the next wave of opportunities in a post-pandemic world.

See also

[Singapore-1, News 18 February 2022](#)

[Singapore - Corporate Taxation - Country Surveys sections 1.6., 1.6.1., 1.7., 8.5., 9.](#)

[Singapore - Individual Taxation - Country Surveys sections 1.9.1., 1.9.2., 6.1., 6.3.](#)

[Singapore - Country Analyses - Corporate Taxation sections 1., 1.2.3., 1.2.3.1., 1.9.2.4., 1.9.2.5., 1.9.2.11., 1.9.3.1., 1.9.3.3.4., 1.9.3.3.10., 1.9.3.3.11., 1.9.3.3.12., 1.9.3.3.14., 1.9.3.3.17., 5.3., 9., 9.2., 13.7., 14.6.2., 14.6.3.](#)

[Singapore - Country Analyses - Individual Taxation sections 1.10.1., 1.10.3., 7.1., 7.3.](#)