Singapore

Budget 2023: Singapore Proposes Implementation of Pillar Two from 2025, New Incentives for Innovation

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Budget 2023 was presented by Minister for Finance, Mr Lawrence Wong, to the Singapore parliament on 14 February 2023. The key tax measures of Budget 2023 are summarized below.

Corporate income tax

- Under Pillar Two Global Anti-Base Erosion (GloBE) Rules of the OECD/G20 Base Erosion and Profit Shifting (BEPS) 2.0 project, affected multinational groups (MNEs) will be subject to a minimum effective tax rate (ETR) of 15%. Singapore has now confirmed that it intends to implement the GloBE rules and a domestic top-up tax (DTT) to top-up the ETR of large multinational groups (with annual revenues exceeding EUR 750 million) operating in Singapore, from businesses' financial year (FY) commencing on or after 1 January 2025. The government will continue to monitor international developments and adjust the implementation timeline as needed if there is a delay to the international implementation of the GloBE rules.
- Budget 2023 introduces a new Enterprise Innovation Scheme (EIS). From years of assessment (YA) 2024 to 2028 (i.e. FYs 2023 to 2027), tax deductions for businesses engaged in prescribed activities, such as R&D conducted in Singapore, registration of intellectual property (IP) rights (for example, patents, trademarks and designs), acquisition and licensing of IP rights for businesses with revenue less than SGD 500 million, and approved training courses, will be increased to 400% of the qualifying expenditure for each activity (from the current rate of 250%), subject to a cap of SGD 400,000 per annum per activity. Further, businesses engaged in innovation projects carried out with certain Singapore educational institutions will qualify for a 400% deduction of qualifying expenditure, subject to a cap of SGD 50,000 per annum. Businesses without sufficient profits to maximize the benefits of tax deductions will have the option to convert 20% of their total qualifying expenditure per YA into a cash pay-out of up to SGD 20,000.
- Businesses will be given an option to accelerate the claiming of capital allowances relating to the cost of acquiring plant and machinery and renovation or refurbishment, as a temporary broad-based support to businesses undergoing restructuring.
- Various tax incentives that were due to lapse in 2023 were extended for another 5 years, including the Pioneer Certificate Incentive, Development and Expansion Incentive, IP Development Incentive, Qualifying Debt Securities Scheme (QDS), tax incentive scheme for Approved Special Purpose Vehicles (ASPV) engaged in Asset Securitization transactions, and the Financial Sector Incentive (FSI) Scheme. Refinements were also introduced to the QDS Scheme, the ASPC Scheme and the FSI Scheme.

Individual income tax

- From 1 January 2024, the Working Mother's Child Relief will be changed from a percentage of a mother's earned income to a fixed dollar relief.
- From 1 January 2024, the Foreign Domestic Worker Levy Tax Relief will lapse.
- A new tax incentive scheme will be introduced for qualifying donors with family offices operating in Singapore, subject to qualifying conditions. Qualifying donors can claim 100% tax deduction for overseas donations made through qualifying local intermediaries, subject to a cap of 40% of the donor's statutory income.

For indirect tax measures, *see* Budget 2023: Singapore to Raise GST Rate in 2024, Proposes Higher Tax on Immovable Properties and Luxury Vehicles (14 February 2023).

See also

Budget 2023: Singapore to Raise GST Rate in 2024, Proposes Higher Tax on Immovable Properties and Luxury Vehicles (14 February 2023)
Singapore - Corporate Taxation - Country Surveys sections 1.3.3. Deductions, 1.7. Incentives, 6. International Aspects, 7. Anti-Avoidance
Singapore - Individual Taxation - Country Surveys sections 1.7.1. Deductions, 1.7.2. Allowances, 1.7.3. Credits

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