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## BILLS SUPPLEMENT

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**Notification No. B 33** — The Income Tax (Amendment) Bill is hereby published for general information. It was introduced in Parliament on the 7th day of October 2014.

# **Income Tax (Amendment) Bill**

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**Bill No. 33/2014.**

*Read the first time on 7 October 2014.*

A BILL

*i n t i t u l e d*

An Act to amend the Income Tax Act (Chapter 134 of the 2014 Revised Edition) and to make a related amendment to the Economic Expansion Incentives (Relief from Income Tax) Act (Chapter 86 of the 2005 Revised Edition).

Be it enacted by the President with the advice and consent of the Parliament of Singapore, as follows:

## **Short title and commencement**

1.—(1) This Act may be cited as the Income Tax (Amendment) Act 2014.

(2) Section 7 shall be deemed to have come into operation on 28 February 2013.

(3) Sections 49 and 50 shall be deemed to have come into operation on 21 February 2014.

(4) Section 29 shall be deemed to have come into operation on 22 February 2014.

(5) Sections 9, 10, 11, 12, 13, 14, 16 and 17 shall be deemed to have come into operation on 1 April 2014.

(6) Section 3(i) and (j) shall be deemed to have come into operation on 30 May 2014.

(7) Sections 3(b), (c), (d), (g) and (h), 34(a) to (g) and 71(b) to (i) shall be deemed to have come into operation on 1 September 2014.

(8) Sections 51, 52, 54 and 56 shall come into operation on 1 January 2015.

(9) Section 3(e) and (f) shall come into operation on 1 June 2015.

(10) Sections 5, 53 and 57 shall come into operation on 1 July 2015.

## **Amendment of section 6**

2. Section 6 of the Income Tax Act (referred to in this Act as the principal Act) is amended by inserting, immediately after subsection (4), the following subsection:

“(4A) The obligation as to secrecy imposed by this section shall not prevent the disclosure to the authorised officers of the government of any other country of any information that the Comptroller considers to be foreseeably relevant to the administration or enforcement of that other country’s laws concerning any tax of that country, pursuant to the terms of an arrangement that has effect under section 49 or 105BA.”.

### Amendment of section 10

#### 3. Section 10 of the principal Act is amended —

- (a) by inserting, immediately after subsection (2), the following subsections:

“(2A) For the purposes of subsection (2)(ca), in a case  
where no annual value or separate annual value is  
ascribed to any place of residence in the Valuation List  
prepared under section 10 of the Property Tax Act  
(Cap. 254), the annual value shall be ascertained in  
accordance with the definition of that term in section 2 of  
that Act. 5

(2B) For the purposes of subsection (2), the Minister  
may, for the purposes of such year of assessment as he  
may specify, by regulations prescribe the value of any  
furniture and fittings in any place of residence.”; 15

- (b) by deleting the words “to any unit holder or by an approved  
CPF unit trust” in subsection (20) and substituting the words  
“for any year of assessment”;

- (c) by deleting the words “or approved CPF unit trust” in  
subsections (20) and (20A); 20

- (d) by deleting the words “or an approved CPF unit trust” in  
subsection (20A) and substituting the words “for any year of  
assessment”;

- (e) by inserting, immediately after subsection (20A), the  
following subsections: 25

“(20B) If —

- (a) the income of the trustee of a unit trust, unit trust  
scheme or exchange traded fund interest scheme  
(referred to in this section as the unit trust) did  
not form part of his statutory income for one or  
more past years of assessment by reason of  
section 35(12); and 30

- (b) any of the events set out in the first column of  
the following table occurs,

then a person to whom this subsection applies shall be treated as having derived, on the date in the second column of the table opposite to that event (referred to in this subsection and subsections (20C) and (20E) as the corresponding date), an amount of income that is equal to the prescribed amount of any income referred to in paragraph (a) that has yet to be distributed to any unit holder by the corresponding date:

	<i>First column</i>	<i>Second column</i>
	<i>Event</i>	<i>Corresponding date</i>
5		
10	1. The unit trust is dissolved, and is a designated unit trust for the year of assessment for the basis period in which the dissolution occurred	Date of dissolution
15		
20	2. The unit trust is not a designated unit trust within the meaning of section 35 for any year of assessment	Last day of the basis period for the immediately preceding year of assessment
25	3. The trustee fails to elect under section 35(12B) for section 35(12) to apply to his income for any year of assessment	Last day of the basis period for the immediately preceding year of assessment
30	4. The trustee elects under section 35(12B) for section 35(12) to apply to his income derived in only a part of the basis period for any year of assessment	Last day of that part of the basis period

(20C) Subsection (20B) shall not apply if the corresponding date is before 1st June 2015.

(20D) Subsection (20B) applies to the following persons:

- (a) a unit holder who is not an individual and not a foreign investor;
- (b) a unit holder who is an individual and not a foreign investor, and who holds the units for the purposes of a trade, profession or business; 5
- (c) a partner who is not an individual and not a foreign investor, of a partnership which is a unit holder; 10
- (d) a partner who is an individual and not a foreign investor, of a partnership in Singapore which is a unit holder.

(20E) For the purposes of subsection (20B) —

- (a) the income referred to in paragraph (a) of that subsection includes the income of the trustee that did not form part of his statutory income for one or more years of assessment by reason of section 35(12) or (12A) in force immediately before 1st September 2014; 15 20
- (b) the prescribed amount of the income referred to in paragraph (a) of that subsection which is treated as the income of a person referred to in subsection (20D)(a) or (b), is —
  - (i) the amount of that income that would have been distributed to him in accordance with the terms of the trust deed of the unit trust, had the income been distributed to unit holders on the corresponding date; or 25 30
  - (ii) if it is not possible to ascertain that amount under the terms of the trust deed, such part of that income as the total number of units held by the person bears

to the total number of units of the unit trust as of the corresponding date;

(c) the prescribed amount of the income referred to in paragraph (a) of that subsection which is treated as the income of a person referred to in subsection (20D)(c) or (d), is the share of the following amount that the person would have been entitled to as a partner of the partnership:

(i) the amount of that income that would have been distributed in accordance with the terms of the trust deed of the unit trust to the partnership, had the income been distributed to unit holders on the corresponding date; or

(ii) if it is not possible to ascertain that amount under the terms of the trust deed, such part of that income as the total number of units held by the partnership bears to the total number of units of the trust as of the corresponding date; and

(d) where the person referred to in subsection (20D) is an individual resident in Singapore, the prescribed amount of the income referred to in subsection (20B)(a) shall not include the amount of any gains or profits referred to in subsection (20)(a).

(20F) The trustee of the unit trust to which subsection (20B) applies shall, within such reasonable time after the occurrence of the event mentioned in that subsection as the Comptroller may specify and in such form and manner as the Comptroller may specify, give notice of the occurrence to —

(a) the Comptroller; and

(b) every person referred to in subsection (20D).”;

- (f) by inserting, immediately after “(20A),” in subsection (23), “(20B), (20D),”;
- (g) by deleting the definition of “approved CPF unit trust” in subsection (23);
- (h) by deleting the definition of “designated unit trust” in subsection (23) and substituting the following definition:
  - “ “designated unit trust”, in relation to any year of assessment, has the same meaning as in section 35(14);”;
- (i) by deleting paragraph (b) of the definition of “foreign investor” in subsection (23) and substituting the following paragraph:
  - “(b) in relation to a company, means a company which is neither resident in Singapore nor carrying on business through a permanent establishment in Singapore, and not less than 80% of the total number of the issued shares of which are beneficially owned, directly or indirectly, by persons who are not citizens of Singapore and not resident in Singapore; and”;
  - and
- (j) by inserting, immediately after the words “neither citizens of Singapore nor resident in Singapore” in paragraph (c)(ii) of the definition of “foreign investor” in subsection (23), the words “, nor do they carry out duties as such trustees through a permanent establishment in Singapore”.

#### **Repeal of sections 10I, 10J, 10K and 10M**

- 4.** Sections 10I, 10J, 10K and 10M of the principal Act are repealed.

#### **Amendment of section 10L**

- 5.** Section 10L of the principal Act is amended —
  - (a) by deleting subsection (3D) and substituting the following subsections:



“(3D) Where any funds in an SRS account have been used for investment, then all the funds standing in the SRS account shall be considered as having been withdrawn at the same time for the purposes of subsection (3)(a) if, and only if, every investment has either been sold or liquidated, or is one which has been deducted from the balance in the SRS account, and —

(a) in the case of every investment that has been sold or liquidated, amounts which the financial product provider declared to the SRS member to be all the gains or profits from the investment, all funds used for the investment, and all the proceeds from the sale or liquidation have been returned to the account and these, together with all funds standing in the SRS account, are withdrawn at the same time; and

(b) in the case of every investment which has been deducted from the balance in the SRS account, the date of the deduction is the same as the date on which the withdrawal referred to in paragraph (a) takes place.

(3E) Where —

(a) an SRS member has used funds in his SRS account for any investment; and

(b) the investment is one which has been deducted from the balance in the SRS account,

then an amount equal to the value of the investment as determined in the manner prescribed by regulations made under subsection (11), shall be considered as having been withdrawn by the SRS member from his SRS account on the date of the deduction for the purposes of subsections (1), (2) and (3).

(3F) In subsections (3D) and (3E) —

(a) an investment is one which has been deducted from the balance in an SRS account if the SRS

operator in question has, in accordance with the regulations made under subsection (11), approved the deduction of the sums representing the investment from the balance in the SRS account; and

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(b) the date of the deduction is the date of the approval referred to in paragraph (a).”; and

(b) by inserting, immediately after subsection (12), the following subsection:

“(12A) Without prejudice to the generality of subsections (11) and (12), regulations made under subsection (11) may, for the purposes of subsections (3D), (3E) and (3F) and section 45EA (which relates to collection of tax by an SRS operator for payment to the Comptroller on the value of an investment deducted from an SRS account of a non-citizen) —

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(a) provide for the manner and time of valuation of any investment;

(b) enable an SRS operator to approve the deduction of the sums representing an investment from the balance in an SRS account under such circumstances as may be specified, and impose duties on the SRS operator before and after giving the approval; and

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(c) for the purposes of section 45EA, prescribe different methods of reckoning the value of an investment under different circumstances.”.

## **New section 10O**

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**6.** The principal Act is amended by inserting, immediately after section 10N, the following section:

### **“Additional Tier 1 capital instruments**

**100.**—(1) Any distribution that is liable to be made in respect of an AT1 instrument in the basis period for the year of assessment 2015 or a subsequent year of assessment shall be deemed for the purposes of this Act, and for that year of assessment, as interest derived from a debt security.

(2) In this section —

“AT1 instrument” means a security (not being shares) commonly known as Additional Tier 1 capital instrument which —

(a) is issued in Singapore but not through a branch situated outside Singapore; and

(b) either —

(i) according to MAS Notice 637, may be used to satisfy the capital adequacy requirement of a bank incorporated in Singapore with a full banking licence, under section 10(2) of the Banking Act (Cap. 19); or

(ii) according to a direction issued under section 28(3) of the Monetary Authority of Singapore Act (Cap. 186) and MAS Notice 637, may be used to satisfy the capital adequacy requirement of any other financial institution within the meaning of section 27A(6) of that Act;

“full banking licence” has the same meaning as in the Banking (Licence Fees) Notification (Cap. 19, N 1);

“MAS Notice 637” means the notice commonly known as MAS Notice 637 that is issued by the Monetary Authority of Singapore pursuant to sections 10(2), 36(2) and 55 of the Banking Act, and includes any notice that replaces it.”.

## Amendment of section 12

### 7. Section 12 of the principal Act is amended —

(a) by deleting the word “and” at the end of subsection (7A)(a);

(b) by deleting the full-stop at the end of paragraph (b) of subsection (7A) and substituting the word “; and”, and by inserting immediately thereafter the following paragraph:

“(c) the use of or the right to use software, information or digitised goods, not being a right to commercially exploit in one form or another the copyright in such software, information or digitised goods such as the right to —

(i) reproduce, modify or adapt, and distribute the software, information or digitised goods; or

(ii) prepare a derivative work based on the software, information or digitised goods for distribution.”; and

(c) by inserting, immediately after subsection (7A), the following subsection:

“(7B) In subsection (7A)(c) —

“digitised goods” means text, images or sounds that are transferred through a handphone, fixed-line phone, cable network, satellite, the Internet or other forms of electronic transmission, but does not include software;

“information” means —

(a) any information in any newspaper or magazine article or report, including financial and business data (such as foreign exchange, stock and property data), and other proprietary data; and

(b) any information obtained solely for research purposes.”.

### **Amendment of section 13**

**8.—**(1) Section 13 of the principal Act is amended —

(a) by deleting the words “the issue of those securities is beneficially held or funded, directly or indirectly, at any time during the life of the issue” in subsections (2), (2A), (2B), (2F)(a), (2G)(a), (2H)(a) and (2I) and substituting in each case the words “those securities which are outstanding at any time during the life of the issue is beneficially held or funded, directly or indirectly,”;

(b) by deleting the words “the issue of the securities is beneficially held or funded, directly or indirectly, at any time during the life of the issue” in subsection (2C) and substituting the words “those securities which are outstanding at any time during the life of the issue is beneficially held or funded, directly or indirectly,”;

(c) by deleting subsection (12A) and substituting the following subsections:

“(12A) Every order made under subsection (12) still in force on 1st April 2015, which exempts from tax any income received in Singapore by —

(a) the trustee of a real estate investment trust; or

(b) a company incorporated in Singapore the share capital of which is 100% owned by the trustee of a real estate investment trust on the commencement of the order,

shall, notwithstanding anything in the order, apply on or after that date only to income received by the trustee or the company that relates to any immovable property described in subsection (12B).

(12B) The immovable property —

(a) must be situated outside Singapore;

(b) must have been acquired, directly or indirectly, by the trustee or the company before 1st April 2015; and

(c) must be beneficially owned, directly or indirectly, by the trustee or the company and continues to be so owned as of the date the income is received in Singapore.

(12C) To avoid doubt, any exemption on or after 1st April 2015 referred to in subsection (12A) is subject to the conditions and restrictions of the exemption as prescribed in the order, insofar as those conditions and restrictions remain applicable.”; and

(d) by deleting the words “and certificates of deposits” in paragraph (b) of the definition of “qualifying debt securities” in subsection (16) and substituting the words “, certificates of deposits and AT1 instruments within the meaning of section 10O(2),”.

(2) Subsection (1)(d) shall have effect for the year of assessment 2015 and subsequent years of assessment.

### **Amendment of section 13C**

9. Section 13C of the principal Act is amended by inserting, immediately after subsection (3), the following subsections:

“(4) This section shall not apply to any income derived on or after 1st April 2014 except to the extent allowed by subsection (5).

(5) This section continues to apply to income referred to in subsection (1) of a trustee of a trust fund that is derived on or after 1st April 2014 and before the end of the basis period of that trustee in which that date falls, if —

(a) the trustee has a basis period that ends on a date other than 31st March; and

(b) the trustee makes an election, at the time of lodgment of the return of income for the year of assessment 2015 or 2016 (as the case may be), or such later time as the

Comptroller may allow, to apply this section to such income.”.

## Amendment of section 13CA

**10. Section 13CA of the principal Act is amended —**

(a) by deleting subsection (1A) and substituting the following subsection:

“(1A) The Minister shall not prescribe the following as prescribed persons for the purposes of subsection (1):

(a) the trustee of a pension or provident fund constituted as a trust and approved under section 5;

(b) the trustee of a designated unit trust referred to in section 35(14);

(c) the trustee of a real estate investment trust within the meaning of section 43(10);

(d) a company or trustee of a trust fund which is an approved person within the meaning of section 13X.”;

(b) by inserting, immediately after subsection (7A), the following subsection:

“(7B) The Minister or such person as he may appoint may at any time, in the discretion of the Minister or person and subject to such conditions as the Minister or person may impose, remit or refund, wholly or in part, the penalty that is payable or paid by a person under subsection (2), (4) or (6); and section 92(2B) to (2E) shall, with the necessary modifications, apply to any non-compliance with any such condition as they apply to the non-compliance with a condition imposed under section 92(2).”;

(c) by deleting the definition of “value” in subsection (9) and substituting the following definition:

“ “value” —

- (a) in relation to issued securities of a company other than those prescribed under paragraph (c) of the definition of “issued securities”, means — 5
  - (i) where the relevant day is before 1st April 2014, the value of those securities at the time of their issue by the company; and
  - (ii) where the relevant day falls on or after 1st April 2014, the net asset value of those securities as at the relevant day; or 10
- (b) in relation to issued securities of a company prescribed under paragraph (c) of the definition of “issued securities”, means — 15
  - (i) where the relevant day is before 1st April 2014, the value of those securities at the prescribed time; and 20
  - (ii) where the relevant day falls on or after 1st April 2014, the net asset value of those securities as at the relevant day.”; and 25
- (d) by deleting the words “1st April 2014” in subsection (10)(a) and (b)(i) and substituting in each case the words “1st April 2019”.

### **Amendment of section 13G**

**11.** Section 13G of the principal Act is amended by inserting, immediately after subsection (5), the following subsections: 30

“(6) This section shall not apply to —

- (a) a trust that is constituted on or after 1st April 2019;



(b) a company that is incorporated on or after 1st April 2019;

(c) a trust that —

(i) is constituted before 1st April 2019; and

(ii) in the basis period in which 31st March 2019 falls, is not a foreign trust specified in the regulations under subsection (1) (referred to in this subsection and subsection (8) as a specified trust) that is administered by a trustee company in Singapore within the meaning of those regulations; or

(d) a company that —

(i) is incorporated before 1st April 2019; and

(ii) in the basis period in which 31st March 2019 falls —

(A) is not an eligible holding company established for the purposes of a specified trust, and specified in the regulations under subsection (1); or

(B) is not administered by a trustee company in Singapore within the meaning of those regulations.

(7) Where, in any basis period beginning on or after 1st April 2019 —

(a) a trust or company does not satisfy the requirements referred to in subsection (8); or

(b) the trustee company which administers a foreign trust or an eligible holding company established for the purposes of a foreign trust fails to comply with any of the regulations under subsection (1),

then this section shall not apply to the trust or company in paragraph (a), or the foreign trust or eligible holding company in paragraph (b), for the year of assessment to which that basis

period relates, and for every subsequent year of assessment even if the requirements are satisfied and the regulations are complied with in the basis period for that subsequent year of assessment.

(8) In subsection (7), the requirements are —

- (a) in the case of the trust, that it is a specified trust and is administered by a trustee company in Singapore within the meaning of those regulations; or 5
- (b) in the case of the company —
  - (i) that it is an eligible holding company established for the purposes of a specified trust, and specified in those regulations; and 10
  - (ii) that it is administered by a trustee company in Singapore within the meaning of those regulations.”.

## **Amendment of section 13O**

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**12.** Section 13O of the principal Act is amended by inserting, immediately after subsection (4), the following subsections:

“(5) This section shall not apply to —

- (a) a trust that is constituted on or after 1st April 2019;
- (b) a company that is incorporated on or after 1st April 2019; 20
- (c) a trust that —
  - (i) is constituted before 1st April 2019; and
  - (ii) in the basis period in which 31st March 2019 falls, is not a philanthropic purpose trust that — 25
    - (A) has a foreign account; and
    - (B) is administered by a trustee company in Singapore; or
- (d) a company that —
  - (i) is incorporated before 1st April 2019; and 30

- (ii) in the basis period in which 31st March 2019 falls, is not an eligible holding company established for the purposes of a philanthropic purpose trust which satisfies the requirements in paragraph (c)(ii)(A) and (B).

(6) Where, in any basis period beginning on or after 1st April 2019, a trust or company does not satisfy the applicable requirement referred to in subsection (7), then this section shall not apply to the trust or company for the year of assessment to which that basis period relates, and for every subsequent year of assessment even if that requirement is satisfied in the basis period for the subsequent year of assessment.

(7) In subsection (6), the requirement is —

- (a) in the case of the trust, that it is a philanthropic purpose trust that has a foreign account and is administered by a trustee company in Singapore; or
- (b) in the case of the company, that it is an eligible holding company established for the purposes of a philanthropic purpose trust which satisfies all of the requirements in paragraph (a).

(8) Where, in any basis period beginning on or after 1st April 2019, the trustee company which administers a philanthropic purpose trust fails to comply with any of the regulations under subsection (1), then this section shall not apply to the trust or the eligible holding company established for the purposes of the trust for the year of assessment to which that basis period relates, and for every subsequent year of assessment even if those regulations are satisfied in the basis period for the subsequent year of assessment.”.

### **Amendment of section 13Q**

**13.** Section 13Q of the principal Act is amended by inserting, immediately after subsection (3), the following subsections:

“(4) This section shall not apply to —

- (a) a trust that is constituted on or after 1st April 2019;

(b) a company that is incorporated on or after 1st April 2019;

(c) a trust that —

(i) is constituted before 1st April 2019; and

(ii) in the basis period in which 31st March 2019 falls, is not a locally administered trust prescribed under subsection (1) (referred to in this subsection and subsection (6) as a prescribed trust); or

(d) a company that —

(i) is incorporated before 1st April 2019; and

(ii) in the basis period in which 31st March 2019 falls, is not a holding company established for the purposes of a prescribed trust, and prescribed under subsection (1).

(5) Where, in any basis period beginning on or after 1st April 2019, a trust or company does not satisfy the requirement referred to in subsection (6), then this section shall not apply to the trust or company for the year of assessment to which that basis period relates, and for every subsequent year of assessment even if the requirement is satisfied in the basis period for the subsequent year of assessment.

(6) In subsection (5), the requirement is —

(a) in the case of the trust, that it is a prescribed trust; or

(b) in the case of the company, that it is a holding company established for the purposes of a prescribed trust, and prescribed under subsection (1).

(7) Where, in any basis period beginning on or after 1st April 2019, the trustee company which administers a locally administered trust fails to comply with any of the regulations made under subsection (1), then this section shall not apply to the trust or the holding company established for the purposes of the trust for the year of assessment to which that basis period relates, and for every subsequent year of assessment even if those

regulations are satisfied in the basis period for the subsequent year of assessment.”.

### **Amendment of section 13R**

**14.** Section 13R of the principal Act is amended —

(a) by deleting the words “31st March 2014” in subsection (2) and substituting the words “31st March 2019”;

(b) by inserting, immediately after subsection (6), the following subsection:

“(6A) The Minister or such person as he may appoint may at any time, in the discretion of the Minister or person and subject to such conditions as the Minister or person may impose, remit or refund, wholly or in part, the penalty that is payable or paid by a person under subsection (3) or (5); and section 92(2B) to (2E) shall, with the necessary modifications, apply to any non-compliance with any such condition as they apply to the non-compliance with a condition imposed under section 92(2).”; and

(c) by deleting the definition of “value” in subsection (8) and substituting the following definition:

“ “value” —

(a) in relation to issued securities of a company other than those prescribed under paragraph (c) of the definition of “issued securities”, means —

(i) where the relevant day is before 1st April 2014, the value of those securities at the time of their issue by the company; and

(ii) where the relevant day falls on or after 1st April 2014, the net asset value of those securities as at the relevant day; or

(b) in relation to issued securities of a company prescribed under paragraph (c) of the definition of “issued securities”, means —

- (i) where the relevant day is before 1st April 2014, the value of those securities at the prescribed time; and 5
- (ii) where the relevant day falls on or after 1st April 2014, the net asset value of those securities as at the relevant day.”. 10

### **Amendment of section 13V**

**15.** Section 13V(15) of the principal Act is amended —

- (a) by deleting the definitions of “ “client”, “foreign law firm”, “Formal Law Alliance”, “Joint Law Venture”, “law corporation”, “law firm” and “limited liability law partnership” ” and substituting the following definitions: 15

“ “client”, “foreign law practice”, “Formal Law Alliance”, “Joint Law Venture”, “law corporation” and “Singapore law practice” have the same meanings as in the Legal Profession Act (Cap. 161);”; and 20

- (b) by deleting the definition of “law practice” and substituting the following definition: 25

“ “law practice” means a Singapore law practice, foreign law practice, Formal Law Alliance or Joint Law Venture;”. 30

### **Amendment of section 13X**

**16.** Section 13X of the principal Act is amended by deleting the words “31st March 2014” in subsections (2) and (2A) and substituting in each case the words “31st March 2019”. 30

### **Amendment of section 13Y**

**17.** Section 13Y of the principal Act is amended —

(a) by deleting the words “31st March 2015” in subsection (2) and substituting the words “31st March 2019”; and

5 (b) by inserting, immediately after paragraph (a) of subsection (3), the following paragraph:

“(aa) provide for renewal of an approval;”.

### **Amendment of section 14**

10 **18.** Section 14(1) of the principal Act is amended by deleting paragraph (i) of the proviso to paragraph (e) and substituting the following paragraph:

“(i) a deduction in respect of any such contribution by an employer in respect of an employee for any period —

15 (A) commencing on or after 1st September 2010 shall not exceed 15%;

(B) commencing on or after 1st March 2011 shall not exceed 15½%;

20 (C) commencing on or after 1st September 2011 shall not exceed 16%;

(D) commencing on or after 1st January 2015 shall not exceed 17%,

25 of the remuneration paid by the employer to the employee for that period, and “remuneration” in this proviso means that part of an employee’s emoluments by reference to which his employer’s contributions are calculated;”.

## Amendment of section 14A

### 19. Section 14A of the principal Act is amended —

- (a) by deleting the words “year of assessment 2015” in subsection (1)(b) and substituting the words “year of assessment 2020”;
- (b) by inserting, immediately after the words “Subject to this section” in subsection (1B), the words “and section 37IC”;
- (c) by inserting, immediately after subsection (1B), the following subsection:

“(1BA) Subject to this section and section 37IC, for the purpose of ascertaining the income of a person carrying on a trade or business during the basis period for the year of assessment 2016, 2017 or 2018, there shall be allowed in respect of all his trades and businesses, in addition to the deduction allowed under subsection (1), a deduction for qualifying intellectual property registration costs incurred for the purposes of those trades and businesses, computed in accordance with the following formula:

$$A \times 300\%,$$

where A is —

- (a) for the year of assessment 2016, the lower of the following:
  - (i) such costs incurred during the basis period for that year of assessment;
  - (ii) \$1,200,000;
- (b) for the year of assessment 2017, the lower of the following:
  - (i) such costs incurred during the basis period for that year of assessment;



(ii) the balance after deducting from \$1,200,000 the lower of the amounts specified in paragraph (a)(i) and (ii); and

(c) for the year of assessment 2018, the lower of the following:

(i) such costs incurred during the basis period for that year of assessment;

(ii) the balance after deducting from \$1,200,000 the lower of the amounts specified in paragraph (a)(i) and (ii), and the lower of the amounts specified in paragraph (b)(i) and (ii).”;

(d) by inserting, immediately after subsection (1D), the following subsection:

“(1DA) In subsection (1BA) —

(a) if the person does not carry on any trade or business during the basis period for any one year of assessment between the years of assessment 2016 and 2018 (both years inclusive), the references to “\$1,200,000” in the paragraphs of that subsection applicable to the other 2 years of assessment shall be substituted with “\$800,000”;

(b) if the person does not carry on any trade or business during the basis periods for any 2 years of assessment between the years of assessment 2016 and 2018 (both years inclusive), the reference to “\$1,200,000” in the paragraph of that subsection applicable to the remaining year of assessment shall be substituted with “\$400,000”; and

(c) to avoid doubt, no deduction shall be made from the substituted amount in subsection (1BA)(b)(ii) or (c)(ii) of the lower of the amounts specified in

subsection (1BA)(a)(i) and (ii) if the person does not carry on any trade or business during the basis period for the year of assessment 2016, and no deduction shall be made from the substituted amount in subsection (1BA)(c)(ii) of the lower of the amounts specified in subsection (1BA)(b)(i) and (ii) if the person does not carry on any trade or business during the basis period for the year of assessment 2017.”;

- (e) by deleting the words “subsections (1A) and (1B)” in subsections (1E) and (1F) and substituting in each case the words “subsections (1A), (1B) and (1BA)”;
- (f) by deleting the words “the year of assessment 2015” in subsections (1E) and (1F) and substituting in each case the words “the year of assessment 2018”;
- (g) by deleting the words “subsection (1A) or (1B)” wherever they appear in subsections (1E), (1F) and (5A) and substituting in each case the words “subsection (1A), (1B) or (1BA)”;
- (h) by deleting the words “subsection (1), (1A) or (1B)” in subsection (2) and substituting the words “subsection (1), (1A), (1B) or (1BA)”.

#### **Amendment of section 14D**

**20.** Section 14D(1) of the principal Act is amended by deleting the words “year of assessment 2015” in paragraphs (aa), (c) and (f) and substituting in each case the words “year of assessment 2025”.

#### **Amendment of section 14DA**

**21.** Section 14DA of the principal Act is amended —

- (a) by deleting the words “year of assessment 2015” where they first appear in subsections (1) and (12)(a)(ii) and substituting in each case the words “year of assessment 2025”;

(b) by deleting the words “(being the basis period for any year of assessment between the year of assessment 2012 and the year of assessment 2015 (both years inclusive))” in paragraph (b) of the definition of V in subsection (1) and substituting the words “(being the basis period for the year of assessment 2012 or a subsequent year of assessment)”;

(c) by inserting, immediately after the words “Subject to this section” in subsection (2), the words “and section 37IC”;

(d) by deleting the words “year of assessment 2015” wherever they appear in subsections (2), (7) and (8) and substituting in each case the words “year of assessment 2018”;

(e) by deleting the word “or” at the end of subsection (4)(d);

(f) by deleting the full-stop at the end of paragraph (e) of subsection (4) and substituting a semi-colon, and by inserting immediately thereafter the following paragraphs:

“(f) for the year of assessment 2016, \$1,200,000;

(g) for the year of assessment 2017, the balance after deducting from \$1,200,000 the subsection (2) amount for the year of assessment 2016; or

(h) for the year of assessment 2018, the balance after deducting from \$1,200,000 the subsection (2) amount for the year of assessment 2016 and the subsection (2) amount for the year of assessment 2017.”;

(g) by deleting the word “and” at the end of paragraph (d) of subsection (5), and by inserting immediately thereafter the following paragraphs:

“(da) if the person does not carry on any trade or business during the basis period for any one year of assessment between the years of assessment 2016 and 2018 (both years inclusive), the references to “\$1,200,000” in the paragraphs of that subsection applicable to the

other 2 years of assessment shall be substituted with “\$800,000”;

(*db*) if the person does not carry on any trade or business during the basis periods for any 2 years of assessment between the years of assessment 2016 and 2018 (both years inclusive), the reference to “\$1,200,000” in the paragraph of that subsection applicable to the remaining year of assessment shall be substituted with “\$400,000”; and

(*h*) by deleting the full-stop at the end of paragraph (*e*) of subsection (5) and substituting the word “; and”, and by inserting immediately thereafter the following paragraph:

“(f) for the avoidance of doubt, no deduction shall be made from the substituted amount in subsection (4)(g) or (*h*) of the subsection (2) amount for the year of assessment 2016 if the person does not carry on any trade or business during the basis period for that year of assessment, and no deduction shall be made from the substituted amount in subsection (4)(*h*) of the subsection (2) amount for the year of assessment 2017 if the person does not carry on any trade or business during the basis period for that year of assessment.”.

## **Amendment of section 14E**

**22.** Section 14E of the principal Act is amended —

- (*a*) by deleting the words “year of assessment 2015” in subsection (1)(*aa*) and substituting the words “year of assessment 2020”; and
- (*b*) by deleting the words “31st March 2015” in subsection (3C) and substituting the words “31st March 2020”.

## Amendment of section 14R

**23.** Section 14R of the principal Act is amended —

(a) by inserting, immediately after the words “Subject to this section” in subsection (2), the words “and section 37IC”;

5 (b) by inserting, immediately after subsection (2), the following subsection:

“(2A) Subject to this section and section 37IC, for the purpose of ascertaining the income of a person carrying on a trade or business during the basis period for the year of assessment 2016, 2017 or 2018, there shall be allowed in respect of all his trades and businesses, in addition to the deduction allowed under section 14, a deduction for qualifying training expenditure incurred for the purposes of those trades and businesses computed in accordance with the following formula:

$$A \times 300\%,$$

where A is —

(a) for the year of assessment 2016, the lower of the following:

- 20 (i) such expenditure incurred during the basis period for that year of assessment;
- (ii) \$1,200,000;

(b) for the year of assessment 2017, the lower of the following:

- 25 (i) such expenditure incurred during the basis period for that year of assessment;
- (ii) the balance after deducting from \$1,200,000 the lower of the amounts specified in paragraph (a)(i) and (ii); and

30 (c) for the year of assessment 2018, the lower of the following:

- (i) such expenditure incurred during the basis period for that year of assessment;
  - (ii) the balance after deducting from \$1,200,000 the lower of the amounts specified in paragraph (a)(i) and (ii), and the lower of the amounts specified in paragraph (b)(i) and (ii).”; 5
- (c) by inserting, immediately after subsection (5), the following subsection:
  - “(5AA) In subsection (2A) — 10
    - (a) if the person does not carry on any trade or business during the basis period for any one year of assessment between the years of assessment 2016 and 2018 (both years inclusive), the references to “\$1,200,000” in the paragraphs of that subsection applicable to the other 2 years of assessment shall be substituted with “\$800,000”; 15
    - (b) if the person does not carry on any trade or business during the basis periods for any 2 years of assessment between the years of assessment 2016 and 2018 (both years inclusive), the reference to “\$1,200,000” in the paragraphs of that subsection applicable to the remaining year of assessment shall be substituted with “\$400,000”; and 20 25
    - (c) to avoid doubt, no deduction shall be made from the substituted amount in subsection (2A)(b)(ii) or (c)(ii) of the lower of the amounts specified in subsection (2A)(a)(i) and (ii) if the person does not carry on any trade or business during the basis period for the year of assessment 2016, and no deduction shall be made from the substituted amount in subsection (2A)(c)(ii) of the lower of the amounts specified in subsection (2A)(b)(i) and (ii) if the person 30 35

does not carry on any trade or business during the basis period for the year of assessment 2017.”;

(d) by deleting the words “subsections (1) and (2)” in subsections (5A) and (5B) and substituting in each case the words “subsections (1), (2) and (2A)”;

(e) by deleting the words “the year of assessment 2015” in subsections (5A) and (5B) and substituting in each case the words “the year of assessment 2018”;

(f) by deleting the words “subsection (1) or (2)” in subsections (5A), (5B) and (7) and substituting in each case the words “subsection (1), (2) or (2A)”;

(g) by inserting, immediately before the definition of “employee” in subsection (6), the following definitions:

““central hirer”, in relation to a central hiring arrangement for a group of related parties, means the person who carries out hiring functions for those parties under the arrangement;

“central hiring arrangement” means an arrangement for a group of related parties entered into for a bona fide commercial reason, where the hiring functions of the parties in the group are carried out by a single person;”;

(h) by inserting, immediately after the definition of “employee” in subsection (6), the following definition:

““employee”, for the purposes of the year of assessment 2014 and subsequent years of assessment, and in relation to a person carrying on a trade or business (referred to in this definition as the first person), includes —

(a) an individual —

(i) who is engaged by the central hirer of a central hiring arrangement for a

group of related parties which includes the first person, and who is deployed to work solely for the first person; and

- (ii) whose salary and other remuneration (including training expenditure incurred in respect of the individual) is borne, directly or indirectly, by the first person and not claimed by the central hirer as a deduction against the central hirer's own income; and 5 10

(b) an individual —

- (i) being an employee of another person, who is seconded to the first person under a bona fide commercial arrangement to work solely for the first person; and 15
- (ii) whose salary and other remuneration (including training expenditure in respect of the individual) is borne, directly or indirectly, by the first person and not claimed by the other person as a deduction against the other person's own income;"; and 20 25

- (i) by deleting the full-stop at the end of the definition of "qualifying training expenditure" in subsection (6) and substituting a semi-colon, and by inserting immediately thereafter the following definition: 30

“ “related parties” has the same meaning as in section 13(16).”.



## **Amendment of section 14S**

**24.** Section 14S of the principal Act is amended —

(a) by inserting, immediately after the words “Subject to this section” in subsection (2), the words “and section 37IC”;

(b) by inserting, immediately after subsection (2), the following subsection:

“(2AA) Subject to this section and section 37IC, for the purpose of ascertaining the income of a person carrying on a trade or business during the basis period for the year of assessment 2016, 2017 or 2018, there shall be allowed, in respect of all his trades and businesses, the following deductions for qualifying design expenditure incurred for the purposes of those trades and businesses during the basis period:

(a) where such expenditure is allowable as a deduction under section 14, a deduction of 300% of A, in addition to the deduction allowed under that section; and

(b) where such expenditure is not allowable as a deduction under section 14, a deduction of 400% of A,

where A is —

(i) for the year of assessment 2016, the lower of the following:

(A) such expenditure incurred during the basis period for that year of assessment;

(B) \$1,200,000;

(ii) for the year of assessment 2017, the lower of the following:

(A) such expenditure incurred during the basis period for that year of assessment;

- (B) the balance after deducting from \$1,200,000 the lower of the amounts specified in paragraph (i)(A) and (B); and
  - (iii) for the year of assessment 2018, the lower of the following:
    - (A) such expenditure incurred during the basis period for that year of assessment;
    - (B) the balance after deducting from \$1,200,000 the lower of the amounts specified in paragraph (i)(A) and (B), and the lower of the amounts specified in paragraph (ii)(A) and (B).”;
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- (c) by inserting, immediately after subsection (2B), the following subsection:
  - “(2C) In subsection (2AA) —
    - (a) if the person does not carry on any trade or business during the basis period for any one year of assessment between the years of assessment 2016 and 2018 (both years inclusive), the references to “\$1,200,000” in the paragraphs of that subsection applicable to the other 2 years of assessment shall be substituted with “\$800,000”;
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    - (b) if the person does not carry on any trade or business during the basis periods for any 2 years of assessment between the years of assessment 2016 and 2018 (both years inclusive), the reference to “\$1,200,000” in the paragraphs of that subsection applicable to the remaining year of assessment shall be substituted with “\$400,000”; and
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    - (c) to avoid doubt, no deduction shall be made from the substituted amount in subsection (2AA)(ii)(B) and (iii)(B) of the lower of the amounts specified in subsection
 30

(2AA)(i)(A) and (B) if the person does not carry on any trade or business during the basis period for the year of assessment 2016, and no deduction shall be made from the substituted amount in subsection (2AA)(iii)(B) of the lower of the amounts specified in subsection (2AA)(ii)(A) and (B) if the person does not carry on any trade or business during the basis period for the year of assessment 2017.”;

(d) by deleting the words “subsections (1) and (2)” in subsections (3) and (4) and substituting in each case the words “subsections (1), (2) and (2AA)”;

(e) by deleting the words “the year of assessment 2015” in subsections (3) and (4) and substituting in each case the words “the year of assessment 2018”; and

(f) by deleting the words “subsection (1) or (2)” in subsections (3) and (4) and substituting in each case the words “subsection (1), (2) or (2AA)”.

### **Amendment of section 14T**

**25.** Section 14T of the principal Act is amended —

(a) by inserting, immediately after the words “Subject to this section” in subsection (2), the words “and section 37IC”;

(b) by inserting, immediately after subsection (2), the following subsection:

“(2A) Subject to this section and section 37IC, for the purpose of ascertaining the income of a person carrying on a trade or business during the basis period for the year of assessment 2016, 2017 or 2018, there shall be allowed in respect of all his trades and businesses, in addition to the deduction allowed under section 14, a deduction for the expenditure incurred for the purposes of those trades or businesses on the leasing of one or more PIC automation equipment under a qualifying lease or

leases, computed in accordance with the following formula:

$$A \times 300\%,$$

where A is —

- (a) for the year of assessment 2016, the lower of the following: 5
  - (i) such expenditure incurred during the basis period for that year of assessment;
  - (ii) \$1,200,000;
- (b) for the year of assessment 2017, the lower of the following: 10
  - (i) such expenditure incurred during the basis period for that year of assessment;
  - (ii) the balance after deducting from \$1,200,000 the lower of the amounts specified in paragraph (a)(i) and (ii); and 15
- (c) for the year of assessment 2018, the lower of the following:
  - (i) such expenditure incurred during the basis period for that year of assessment; 20
  - (ii) the balance after deducting from \$1,200,000 the lower of the amounts specified in paragraph (a)(i) and (ii), and the lower of the amounts specified in paragraph (b)(i) and (ii).” 25
- (c) by inserting, immediately after subsection (4), the following subsection:
  - “(4A) Where a person has incurred expenditure on both the leasing under a qualifying lease and the provision of one or more PIC automation equipment during the basis period for any year of assessment between the years of assessment 2016 and 2018 (both 30

years inclusive), the aggregate of the deduction under subsection (2A) and the allowance under section 19A(2BAA) in respect of all such expenditure shall not exceed —

5                   (a) in the case of the year of assessment 2016, 300% of the lower of the following:

                          (i) the aggregate of all such expenditure;

                          (ii) \$1,200,000;

10                  (b) in the case of the year of assessment 2017, 300% of the lower of the following:

                          (i) the aggregate of all such expenditure;

                          (ii) the balance after deducting from \$1,200,000 the lower of the amounts specified in paragraph (a)(i) and (ii); and

15                  (c) in the case of the year of assessment 2018, 300% of the lower of the following:

                          (i) the aggregate of all such expenditure;

                          (ii) the balance after deducting from \$1,200,000 the lower of the amounts specified in paragraph (a)(i) and (ii), and the lower of the amounts specified in paragraph (b)(i) and (ii).”;

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(d) by inserting, immediately after subsection (6), the following subsection:

25                   “(6AA) In subsections (2A) and (4A) —

                          (a) if the person does not carry on any trade or business during the basis period for any one year of assessment between the years of assessment 2016 and 2018 (both years inclusive), the references to “\$1,200,000” in the paragraphs of those subsections applicable to the other 2 years of assessment shall be substituted with “\$800,000”;

30

(b) if the person does not carry on any trade or business during the basis periods for any 2 years of assessment between the years of assessment 2016 and 2018 (both years inclusive), the references to “\$1,200,000” in the paragraphs of those subsections applicable to the remaining year of assessment shall be substituted with “\$400,000”; and 5

(c) to avoid doubt —

(i) if the person does not carry on any trade or business during the basis period for the year of assessment 2016, no deduction shall be made from the substituted amount in subsection (2A)(b)(ii) or (c)(ii) of the lower of the amounts specified in subsection (2A)(a)(i) and (ii), or from the substituted amount in subsection (4A)(b)(ii) or (c)(ii) of the lower of the amounts specified in subsection (4A)(a)(i) and (ii); and 10 15 20

(ii) if the person does not carry on any trade or business during the basis period for the year of assessment 2017, no deduction shall be made from the substituted amount in subsection (2A)(c)(ii) of the lower of the amounts specified in subsection (2A)(b)(i) and (ii), or from the substituted amount in subsection (4A)(c)(ii) of the lower of the amounts specified in subsection (4A)(b)(i) and (ii).”; 25 30

(e) by deleting the words “subsections (1), (2) and (4)” in subsections (6A) and (6B) and substituting in each case the words “subsections (1), (2), (2A), (4) and (4A)”;

- (f) by deleting the words “the year of assessment 2015” in subsections (6A) and (6B) and substituting in each case the words “the year of assessment 2018”;
- (g) by deleting the words “subsection (1), (2) or (4)” in subsections (6A) and (6B) and substituting in each case the words “subsection (1), (2), (2A), (4) or (4A)”; and
- (h) by deleting the words “section 19A” in the definition of “PIC automation equipment” in subsection (7) and substituting the words “section 19A(15)”.

## **Amendment of section 14W**

**26.** Section 14W of the principal Act is amended —

- (a) by inserting, immediately after the words “Subject to this section” in subsection (1), the words “and section 37IC”;
- (b) by deleting subsection (4) and substituting the following subsections:

“(4) Subject to this section and section 37IC, for the purpose of ascertaining the income of a person carrying on a trade or business during the basis period for the year of assessment 2016, 2017 or 2018, there shall be allowed in respect of all his trades and businesses, in addition to the deduction allowed under section 14 or 14D (as the case may be), a deduction for expenditure incurred during the basis period for the purposes of those trades and businesses on the licensing from another person of any qualifying intellectual property rights that is computed in accordance with the following formula:

$$A \times 300\%,$$

where A is —

- (a) for the year of assessment 2016, the lower of the following:
  - (i) such expenditure incurred during the basis period for that year of assessment;

(ii) \$1,200,000;

(b) for the year of assessment 2017, the lower of the following:

(i) such expenditure incurred during the basis period for that year of assessment; 5

(ii) the balance after deducting from \$1,200,000 the lower of the amounts specified in paragraph (a)(i) and (ii); and

(c) for the year of assessment 2018, the lower of the following: 10

(i) such expenditure incurred during the basis period for that year of assessment;

(ii) the balance after deducting from \$1,200,000 the lower of the amounts specified in paragraph (a)(i) and (ii), and the lower of the amounts specified in paragraph (b)(i) and (ii). 15

(4A) Notwithstanding anything in this section or section 19B, where a person has, during the basis period for any year of assessment between the years of assessment 2016 and 2018 (both years inclusive), incurred both expenditure on the licensing from another person of any qualifying intellectual property rights and expenditure on the acquisition of any intellectual property rights, the aggregate of the expenditure which may be given a deduction under subsection (4) and the expenditure which may be given an allowance under section 19B(1BAA) shall not exceed — 20 25

(a) in the case of the year of assessment 2016, the lower of the following: 30

(i) the aggregate of all such expenditure;

(ii) \$1,200,000;



(b) in the case of the year of assessment 2017, the lower of the following:

(i) the aggregate of all such expenditure;

(ii) the balance after deducting from \$1,200,000 the lower of the amounts specified in paragraph (a)(i) and (ii); and

(c) in the case of the year of assessment 2018, the lower of the following:

(i) the aggregate of all such expenditure;

(ii) the balance after deducting from \$1,200,000 the lower of the amounts specified in paragraph (a)(i) and (ii), and the lower of the amounts specified in paragraph (b)(i) and (ii).

(4B) In subsections (4) and (4A) —

(a) if the person does not carry on any trade or business during the basis period for any one year of assessment between the years of assessment 2016 and 2018 (both years inclusive), the references to “\$1,200,000” in the paragraphs of those subsections applicable to the other 2 years of assessment shall be substituted with “\$800,000”;

(b) if the person does not carry on any trade or business during the basis periods for any 2 years of assessment between the years of assessment 2016 and 2018 (both years inclusive), the references to “\$1,200,000” in the paragraphs of those subsections applicable to the remaining year of assessment shall be substituted with “\$400,000”; and

(c) to avoid doubt —

(i) if the person does not carry on any trade or business during the basis period for the

year of assessment 2016, no deduction shall be made from the substituted amount in subsection (4)(b)(ii) or (c)(ii) of the lower of the amounts specified in subsection (4)(a)(i) and (ii), or from the substituted amount in subsection (4A)(b)(ii) or (c)(ii) of the lower of the amounts specified in subsection (4A)(a)(i) and (ii); and

- (ii) if the person does not carry on any trade or business during the basis period for the year of assessment 2017, no deduction shall be made from the substituted amount in subsection (4)(c)(ii) of the lower of the amounts specified in subsection (4)(b)(i) and (ii), or from the substituted amount in subsection (4A)(c)(ii) of the lower of the amounts specified in subsection (4A)(b)(i) and (ii).

(4C) For the purposes of subsections (1) and (4), where an individual carrying on a trade or business through 2 or more firms (excluding partnerships) has, during the basis period for any year of assessment between the years of assessment 2013 and 2018 (both years inclusive), incurred expenditure on the licensing from another person of any qualifying intellectual property rights in respect of such firms for the purposes of his trade or business, the deductions that may be allowed to him for that expenditure in respect of all his trades and businesses shall not exceed the amount computed in accordance with subsection (1) or (4) (as the case may be) for that year of assessment.”;

- (c) by deleting the words “subsections (1) and (2)” in subsection (5) and substituting the words “subsections (1), (2), (4) and (4A)”;

(d) by deleting “2015” in subsection (5) and substituting “2018”;  
and

(e) by deleting the words “subsection (1) or (2)” in subsection (5)  
and substituting the words “subsection (1), (2), (4) or (4A)”.

## 5    **New section 14X**

**27.** The principal Act is amended by inserting, immediately after  
section 14W, the following section:

### **“Deduction for expenditure incurred to comply with statutory and regulatory requirements**

10        **14X.**—(1) For the purpose of ascertaining the income of any  
person for the basis period for the year of assessment 2014 or any  
subsequent year of assessment, the following expenditure, not  
being capital expenditure, incurred during the basis period by  
that person shall be allowed as a deduction for that year of  
15        assessment, if the Comptroller is satisfied that the expenditure is  
incurred for the purpose of the business that is carried on in the  
production of the income:

20        (a) expenditure incurred for the purpose of compliance by  
that person with any written law of Singapore or another  
country;

25        (b) expenditure incurred for the purpose of compliance by  
that person with any code, standard, rule, requirement or  
other document issued by the Government, a public  
authority established by or under any public Act, or by  
the government or a public authority of another country,  
or by a securities exchange;

30        (c) expenditure incurred —  
          (i) to study the impact of any proposed law referred  
          to in paragraph (a) or proposed document  
          referred to in paragraph (b);  
          (ii) to prevent or to detect any non-compliance with  
          any law referred to in paragraph (a) or document  
          referred to in paragraph (b);

- (iii) to voluntarily comply with a requirement of any law referred to in paragraph (a) or document referred to in paragraph (b), even though the person does not need to comply with the requirement.

5

(2) No deduction shall be allowed under this section for —

- (a) any expenditure which is deductible under any other provision of this Act; or
- (b) any fine or penalty imposed or security deposit forfeited for a breach of a requirement of any law referred to in subsection (1)(a) or document referred to in subsection (1)(b), including any sum paid to compound any offence.”.

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### **Amendment of section 15**

**28.** Section 15 of the principal Act is amended by inserting, immediately after subsection (2), the following subsection:

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“(2A) Subsection (1)(b) shall not apply to any expenditure which qualifies for deduction under section 14X.”.

### **Amendment of section 18C**

**29.** Section 18C of the principal Act is amended —

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- (a) by deleting the words “30th June 2015” in subsection (1) and substituting the words “30th June 2020”;
- (b) by inserting, immediately after subsection (1), the following subsection:

“(1A) Where any person proposes to incur or has incurred on or after 22nd February 2014 qualifying capital expenditure on the construction or renovation of a building or structure on port land or airport land, for which an application for planning permission or conservation permission is made on or after that date to the competent authority in accordance with the Planning Act (Cap. 232), the person may apply to the Minister or such person as the Minister may appoint,

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between 22nd February 2014 and 30th June 2020 (both dates inclusive) for such construction or renovation to be approved for the purposes of making an allowance under this section in respect of such expenditure incurred by that person.”;

(c) by deleting the words “subsection (1), is satisfied that the construction or renovation of the building or structure on industrial land” in subsection (2) and substituting the words “subsection (1) or (1A), is satisfied that the construction or renovation of the building or structure on industrial land, port land or airport land (as the case may be)”;

(d) by inserting, immediately before the definition of “approved construction or approved renovation” in subsection (12), the following definition:

“ “airport land” means any land zoned for use as an airport under the Master Plan;”;

(e) by inserting, immediately after the words “industrial land” in the definition of “approved construction or approved renovation” in subsection (12), the words “, port land or airport land (as the case may be)”;

(f) by inserting, immediately after the words “subsection (1)” in the definition of “Master Plan” in subsection (12), the words “or (1A), as the case may be”;

(g) by inserting, immediately after the definition of “Master Plan” in subsection (12), the following definition:

“ “port land” means any land zoned for use as a port under the Master Plan;”;

(h) by inserting, immediately after the words “23rd February 2010” in the definition of “qualifying capital expenditure” in subsection (12), the words “(in the case of subsection (1)) or 22nd February 2014 (in the case of subsection (1A)),”.

## **Amendment of section 19**

**30.** Section 19(8) of the principal Act is amended by deleting the words “year of assessment 2015” and substituting the words “year of assessment 2025”.

## **Amendment of section 19A**

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**31.** Section 19A of the principal Act is amended —

- (a) by deleting the word “Where” in subsection (2B) and substituting the words “Subject to section 37IC, where”;
- (b) by inserting, immediately after subsection (2B), the following subsection:

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“(2BAA) Subject to section 37IC, where a person proves to the satisfaction of the Comptroller that he has incurred capital expenditure during the basis period for the year of assessment 2016, 2017 or 2018 on the provision of one or more PIC automation equipment for the purposes of a trade, profession or business carried on by him, there shall be allowed on due claim, in respect of all his trades, professions and businesses, and in addition to the allowance under section 19 or subsection (1), (1B) or (2) (as the case may be), an allowance computed in accordance with the following formula:

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20

$$A \times 300\%,$$

where A is —

- (a) for the year of assessment 2016, the lower of the following:

25

- (i) such capital expenditure incurred during the basis period for that year of assessment;
  - (ii) \$1,200,000;

- (b) for the year of assessment 2017, the lower of the following:

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(i) such capital expenditure incurred during the basis period for that year of assessment;

(ii) the balance after deducting from \$1,200,000 the lower of the amounts specified in paragraph (a)(i) and (ii); and

(c) for the year of assessment 2018, the lower of the following:

(i) such capital expenditure incurred during the basis period for that year of assessment;

(ii) the balance after deducting from \$1,200,000 the lower of the amounts specified in paragraph (a)(i) and (ii), and the lower of the amounts specified in paragraph (b)(i) and (ii).”;

(c) by inserting, immediately after subsection (2BB), the following subsection:

“(2BC) In subsection (2BAA) —

(a) if the person does not carry on any trade, profession or business during the basis period for any one year of assessment between the years of assessment 2016 and 2018 (both years inclusive), the references to “\$1,200,000” in the paragraphs of that subsection applicable to the other 2 years of assessment shall be substituted with “\$800,000”;

(b) if the person does not carry on any trade, profession or business during the basis periods for any 2 years of assessment between the years of assessment 2016 and 2018 (both years inclusive), the reference to “\$1,200,000” in the paragraph of that subsection applicable to the remaining year of assessment shall be substituted with “\$400,000”; and

- (c) to avoid doubt, no deduction shall be made from the substituted amount in subsection (2BAA)(b)(ii) or (c)(ii) of the lower of the amounts specified in subsection (2BAA)(a)(i) and (ii) if the person does not carry on any trade, profession or business during the basis period for the year of assessment 2016, and no deduction shall be made from the substituted amount in subsection (2BAA)(c)(ii) of the lower of the amounts specified in subsection (2BAA)(b)(i) and (ii) if the person does not carry on any trade, profession or business during the basis period for the year of assessment 2017.”;
- (d) by deleting the words “year of assessment 2015” in subsections (2C), (2D) and (2E) and substituting in each case the words “year of assessment 2018”;
- (e) by deleting the words “subsection (2A) or (2B)” wherever they appear in subsections (2C), (2D), (2E) and (2H) and substituting in each case the words “subsection (2A), (2B) or (2BAA)”;
- (f) by deleting the words “subsections (2A) and (2B)” wherever they appear in subsections (2D), (2E), (2F), (2FA), (2G), (2H)(a), (2I), (2IA), (2J), (2K) and (15) (paragraph (a) of the definition of “Productivity and Innovation Credit Scheme automation equipment”) and substituting in each case the words “subsections (2A), (2B) and (2BAA)”;
- (g) by inserting, immediately after subsection (2FA), the following subsection:
- “(2FB) To avoid doubt, subsection (2FA) does not apply to a website provided for the purposes of a trade, profession or business.”;
- (h) by deleting the comma at the end of paragraph (e) of subsection (2HB) and substituting a semi-colon, and by inserting immediately thereafter the following paragraphs:



“(f) for the year of assessment 2016,  
subsection (2BAA)(a)(ii);

(g) for the year of assessment 2017,  
subsection (2BAA)(b)(ii);

5 (h) for the year of assessment 2018,  
subsection (2BAA)(c)(ii),”;

(i) by deleting the words “subsection (2BA) or (2BB)” in  
subsection (2HB) and substituting the words  
“subsection (2BA), (2BB) or (2BC)”;

10 (j) by deleting the words “year of assessment 2015” in  
subsection (14B) and substituting the words “year of  
assessment 2025”; and

(k) by inserting, immediately after subsection (16), the following  
subsections:

15 “(16A) For the purposes of subsections (2B), (2BAA),  
(2D) and (2E), each reference to capital expenditure  
incurred in the basis period for the year of assessment  
2014 or a subsequent year of assessment, on the  
provision of one or more PIC automation equipment  
20 for the purposes of a trade, profession or business  
includes a reference to any capital expenditure incurred  
on the provision of a website for the purposes of a trade,  
profession or business.

25 (16B) For the purposes of subsections (2F), (2H),  
(2HA), (2I), (2IA) and (2J) —

(a) each reference to capital expenditure incurred  
on the provision of any PIC automation  
equipment includes a reference to capital  
expenditure incurred on the provision of a  
30 website; and

(b) each reference to a PIC automation equipment  
includes a reference to a website.”.

## Amendment of section 19B

**32.** Section 19B of the principal Act is amended —

- (a) by deleting the word “Where” in subsection (1B) and substituting the words “Subject to section 37IC, where”;
- (b) by inserting, immediately after subsection (1B), the following subsection:

“(1BAA) Subject to section 37IC, where a company carrying on a trade or business incurs during the basis period for the year of assessment 2016, 2017 or 2018 capital expenditure in acquiring one or more intellectual property rights for use in its trade or business, there shall, in addition to the writing-down allowance under subsection (1), be made in respect of all its trades and businesses, a writing-down allowance computed in accordance with the following formula:

$$A \times 300\%,$$

where A is —

- (a) for the year of assessment 2016, the lower of the following:

- (i) such capital expenditure incurred during the basis period for that year of assessment;
- (ii) \$1,200,000;

- (b) for the year of assessment 2017, the lower of the following:

- (i) such capital expenditure incurred during the basis period for that year of assessment;
- (ii) the balance after deducting from \$1,200,000 the lower of the amounts specified in paragraph (a)(i) and (ii); and

(c) for the year of assessment 2018, the lower of the following:

(i) such capital expenditure incurred during the basis period for that year of assessment;

(ii) the balance after deducting from \$1,200,000 the lower of the amounts specified in paragraph (a)(i) and (ii), and the lower of the amounts specified in paragraph (b)(i) and (ii).”;

(c) by inserting, immediately after subsection (1BB), the following subsection:

“(1BC) In subsection (1BAA) —

(a) if the company does not carry on any trade or business during the basis period for any one year of assessment between the years of assessment 2016 and 2018 (both years inclusive), the references to “\$1,200,000” in the paragraphs of that subsection applicable to the other 2 years of assessment shall be substituted with “\$800,000”;

(b) if the company does not carry on any trade or business during the basis periods for any 2 years of assessment between the years of assessment 2016 and 2018 (both years inclusive), the reference to “\$1,200,000” in the paragraph of that subsection applicable to the remaining year of assessment shall be substituted with “\$400,000”; and

(c) to avoid doubt, no deduction shall be made from the substituted amount in subsection (1BAA)(b)(ii) or (c)(ii) of the lower of the amounts specified in subsection (1BAA)(a)(i) and (ii) if the company does not carry on any trade or

business during the basis period for the year of assessment 2016, and no deduction shall be made from the substituted amount in subsection (1BAA)(c)(ii) of the lower of the amounts specified in subsection (1BAA)(b)(i) and (ii) if the company does not carry on any trade or business during the basis period for the year of assessment 2017.”;

- (d) by deleting the words “year of assessment 2015” in subsection (1C) and substituting the words “year of assessment 2018”;
- (e) by deleting the words “subsection (1A) or (1B)” wherever they appear in subsections (1C), (2) and (2E) and substituting in each case the words “subsection (1A), (1B) or (1BAA)”;
- (f) by deleting the words “subsections (1A) and (1B)” in subsections (1D), (2D), (2E), (10C), (10D) and (12) and substituting in each case the words “subsections (1A), (1B) and (1BAA)”;
- (g) by deleting subsection (10) and substituting the following subsection:
  - “(10) No writing-down allowance shall be made —
  - (a) under subsection (1) for any capital expenditure incurred in respect of intellectual property rights acquired after the last day of the basis period for the year of assessment 2020; or
  - (b) under subsection (2C) for any capital expenditure incurred in respect of intellectual property rights acquired after the last day of the basis period for the year of assessment 2018.”;
- (h) by deleting the words “subsections (1), (1A), (1B) and (2C)” wherever they appear in subsection (10A) and substituting in each case the words “subsections (1), (1A), (1B), (1BAA) and (2C)”;

(i) by inserting, immediately after subsection (11), the following subsection:

“(11A) In the definition of “intellectual property rights” in subsection (11), the expressions “trade secret” and “information that has commercial value”, and any work or subject-matter to which the expression “copyright” relates, exclude the following:

(a) information of customers of a trade or business, such as a list of those customers and requirements of those customers, gathered in the course of carrying on that trade or business;

(b) information on work processes (such as standard operating procedures), other than industrial information, or technique, that is likely to assist in the manufacture or processing of goods or materials;

(c) compilation of any information as described in paragraph (a) or (b);

(d) such other matter as the Minister may by regulations prescribe.”.

### **Amendment of section 26A**

**33.** Section 26A of the principal Act is amended by inserting, immediately after subsection (2A), the following subsections:

“(2B) For the year of assessment 2015 and every subsequent year of assessment, section 37B shall apply, with the necessary modifications, to —

(a) any Lloyd’s limited liability partnership; or

(b) any Lloyd’s Scottish limited partnership,

carrying on a business of insuring and reinsuring risks in Singapore whose income for that year of assessment is subject to tax at different rates, as that section applies to a company whose income for any year of assessment is subject to tax at different rates.

(2C) To avoid doubt, subsection (2B) applies to any amount of allowance, loss or donation of the Lloyd's limited liability partnership or the Lloyd's Scottish limited partnership carried forward to the year of assessment from an earlier year of assessment.”.

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### **Amendment of section 35**

#### **34. Section 35 of the principal Act is amended —**

- (a) by deleting subsections (12) and (12A) and substituting the following subsections:

“(12) The trustee of a designated unit trust for a year of assessment may elect to apply this subsection to his income referred to in section 10(20)(a), (b) and (c) and (20A)(a) to (i) derived in the basis period or any part of the basis period for that year of assessment, and thereupon that income shall not form part of the trustee's statutory income for that year of assessment.

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(12A) Subsection (12) only applies to income derived on or after 1st September 2014.

(12B) An election under subsection (12) shall be made by submitting such form as the Comptroller may specify, together with the trustee's return of income for the year of assessment in question, before the expiration of the time the return of income is to be delivered or within such extended time as the Comptroller may allow.

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(12C) An election under subsection (12) is irrevocable.”;

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- (b) by deleting the words “in respect of any outgoings and expenses (including any expenses arising from the management of investments) incurred by any designated unit trust or any approved CPF unit trust against any income derived by the unit trust” in subsection (13) and substituting the words “for any year of assessment in respect of any outgoings and expenses (including any expenses arising from the management of investments) incurred by the trustee of a

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designated unit trust for that year of assessment in respect of the unit trust, against any income derived by the trustee in respect of the unit trust”;

(c) by deleting the words “in respect of any outgoings and expenses (including any expenses arising from the management of investments) incurred by any designated unit trust or approved CPF unit trust against any income derived by the unit trust” in subsection (13A) and substituting the words “for any year of assessment in respect of any outgoings and expenses (including any expenses arising from the management of investments) incurred by the trustee of a designated unit trust for that year of assessment in respect of the unit trust, against any income derived by the trustee in respect of the unit trust”;

(d) by deleting the words “subsections (12), (13) and (13A)” in subsection (14) and substituting the words “subsections (12), (13), (13A), (14A), (14B), (14C) and (14D)”;

(e) by deleting the definition of “approved CPF unit trust” in subsection (14);

(f) by deleting the definition of “designated” in subsection (14) and substituting the following definitions:

““designated unit trust”, in relation to a year of assessment, means a trust that is —

(a) a unit trust scheme or an exchange traded fund interest scheme, in which any moneys standing to the credit of a member of the Central Provident Fund in the Fund have been or may be invested, and which remains prescribed by the Minister for the purposes of this definition throughout the basis period for that year of assessment; or

(b) a unit trust which satisfies all of the following conditions throughout the basis period for that year of assessment:

- (i) it is one of the following:
  - (A) a collective investment scheme which is authorised under section 286 of the Securities and Futures Act (Cap. 289) and the units of which are offered to the public for subscription; 5
  - (B) a collective investment scheme which was a former designated unit trust, is a restricted Singapore scheme within the meaning of section 13(16), and satisfies the conditions in subsection (14B); or 10 15
  - (C) a collective investment scheme which was a former designated unit trust, is a collective investment scheme the units of which are offered only to institutional investors, and satisfies the conditions set out in subsection (14B); 20 25
- (ii) it is neither a real estate investment trust within the meaning of section 43(10), nor a property trust that invests directly in immovable properties in Singapore; 30
- (iii) the trustee of the unit trust is resident in Singapore;
- (iv) the unit trust is managed in Singapore by a fund manager; 35



“exchange traded fund interest scheme” means any scheme or arrangement which is made for the purpose, or having the effect, of providing facilities for the participation by persons as beneficiaries under a trust, in profits or income arising from the acquisition, holding, management or disposal of a portfolio of predetermined proportions, which constituent assets comprise securities listed for quotation on any stock exchange;

“former designated unit trust” means a unit trust that, immediately before 21st February 2014, was a designated unit trust under this section in force immediately before that date;”;

(g) by inserting, immediately after subsection (14), the following subsections:

“(14A) For the purposes of paragraph (a) of the definition of “designated unit trust” in subsection (14), the Minister may prescribe, as designated unit trusts, descriptions of unit trust schemes and exchange traded fund interest schemes set out on a specified website of the Central Provident Fund Board, as amended from time to time.

(14B) The conditions referred to in paragraph (b)(i)(B) and (C) of the definition of “designated unit trust” in subsection (14) are as follows:

(a) no more than 50% of the units in the unit trust is beneficially held by related parties (within the meaning of section 13(16)) of the fund manager;

(b) the unit holders have no control over the management of the property of the unit trust and have no right to be consulted or to give directions in respect of such management;

(c) the unit holders have no control over any matter relating to distributions to be made out of the income of the unit trust;

(d) no property was transferred (other than by way of a sale in accordance with market terms and conditions), directly or indirectly, to the trustee of the unit trust to be held as its property, by a company which has derived income from that property that is chargeable to tax under this Act; and

(e) the investment strategy of the unit trust as of 20th February 2014 remains unchanged.

(14C) Notwithstanding the definition of “designated unit trust” in subsection (14), a collective investment scheme (being a former designated unit trust) —

(a) which is a restricted Singapore scheme within the meaning of section 13(16); or

(b) the units of which are offered only to institutional investors,

which fails to satisfy the conditions set out in subsection (14B) in any part of the basis period for a year of assessment shall not be treated as a designated unit trust for the year of assessment to which that basis period relates, or for any subsequent year of assessment even if all of the requirements in the definition of that term have been satisfied for that subsequent year of assessment.

(14D) For the purposes of paragraphs (a) and (b) of the definition of “designated unit trust” in subsection (14), a reference to a condition being satisfied throughout the basis period for a year of assessment is, where the unit trust is dissolved at any time in the basis period, a reference to the condition being satisfied from the beginning of the basis period up to the date of the dissolution.”; and

(h) by inserting, immediately after subsection (14D), the following subsections:

“(14E) Subsections (12), (13) and (13A) shall not apply to a trust that is constituted on or after 1st April 2019.

(14F) In the case of a trust that is constituted before 1st April 2019 —

(a) that is not a designated unit trust (as defined in subsection (14)) for a year of assessment in respect of any basis period beginning on or after 1st April 2019; or

(b) whose trustee did not make an election for subsection (12) to apply to his income for any basis period beginning on or after that date,

subsections (12), (13) and (13A) shall not apply to that trust for the year of assessment to which that basis period relates and for every subsequent year of assessment.

(14G) Subsection (14F) applies to the trust for a subsequent year of assessment even if all of the requirements in the definition of “designated unit trust” in subsection (14) have been satisfied for that year of assessment.

(14H) In the case of a trust that is constituted before 1st April 2019 whose trustee did not make an election for subsection (12) to apply to his income for the basis period immediately preceding the basis period in which 1st April 2019 falls, subsections (12), (13) and (13A) shall not apply to that trust for the year of assessment to which the second-mentioned basis period relates and for every subsequent year of assessment.

(14I) Subsection (14H) applies to the trust for the year of assessment to which the second-mentioned basis period in that subsection relates or a subsequent year of assessment, even if all of the requirements in the definition of “designated unit trust” in subsection (14)

have been satisfied for that year of assessment or that subsequent year of assessment.”.

### **Amendment of section 36B**

**35.** Section 36B(1) of the principal Act is amended —

- (a) by inserting the word “and” at the end of paragraph (c); 5
- (b) by deleting the word “; and” at the end of paragraph (ca) and substituting a full-stop; and
- (c) by deleting paragraph (d).

### **Amendment of section 37**

**36.** Section 37 of the principal Act is amended by inserting, 10  
immediately after subsection (18B), the following subsection:

“(18BA) The Comptroller may for any good cause remit the whole or any part of the financial penalty payable under subsection (18B).”.

### **Amendment of section 37C**

**37.** Section 37C of the principal Act is amended — 15

- (a) by deleting the words “the date of commencement of the Economic Expansion Incentives (Relief from Income Tax) (Amendment) Act 2004 (Act 11 of 2004)” in subsection (15)(b) and substituting the words “28th April 2004”; and 20
- (b) by deleting the words “the date of commencement of the Economic Expansion Incentives (Relief from Income Tax) (Amendment) Act 2004” in paragraphs (a), (b), (c) and (d) of the definition of “ “claimant company” or “transferor company” ” in subsection (19) and substituting in each case 25  
the words “28th April 2004”.

### **Amendment of section 37D**

**38.** Section 37D of the principal Act is amended by inserting, immediately after subsection (1), the following subsections:

“(1A) No transfer may be made under subsection (1) of —

- (a) any allowance made to the individual for the year of assessment 2016 or a subsequent year of assessment;
- (b) any loss incurred by the individual in the basis period for the year of assessment 2016 or a subsequent year of assessment; or
- (c) any donation made by the individual in the year immediately preceding the year of assessment 2016 or a subsequent year of assessment.

(1B) No transfer of any qualifying deduction under subsection (1) may be made for the year of assessment 2018 or any subsequent year of assessment.”.

#### **Amendment of section 37F**

**39.** Section 37F of the principal Act is amended by inserting, immediately after subsection (1), the following subsection:

“(1AA) No transfer may be made under subsection (1) of —

- (a) any allowance made to the individual for the year of assessment 2016 or a subsequent year of assessment; or
- (b) any loss incurred by the individual in the basis period for the year of assessment 2016 or a subsequent year of assessment.”.

#### **Amendment of section 37I**

**40.** Section 37I of the principal Act is amended —

- (a) by deleting the words “or the year of assessment 2015” in subsections (1)(b), (2)(b), (4A)(a), (4B)(b), (4E)(b), (19) and (22) and substituting in each case the words “, the year of assessment 2015, the year of assessment 2016, the year of assessment 2017 or the year of assessment 2018”;
- (b) by deleting the words “or the year of assessment 2015” in subsection (2A)(h)(ii) and (i)(iv) and substituting in each case the words “the year of assessment 2015, the year of

assessment 2016, the year of assessment 2017 or the year of assessment 2018”;

- (c) by deleting the words “or (2B)” in subsections (2A)(h), (7) and (10)(b) and substituting in each case the words “, (2B), (2BAA) or (10)”;
- (d) by inserting, immediately after the words “PIC automation equipment” in subsection (2A)(h), the words “(including any expenditure that is treated as expenditure incurred on the provision of PIC automation equipment under section 19A(16A))”;
- (e) by deleting the word “and” at the end of subsection (2A)(h);
- (f) by deleting the full-stop at the end of paragraph (i) of subsection (2A) and substituting the word “; and”, and by inserting immediately thereafter the following paragraph:
  - “(j) section 37IC.”;
- (g) by deleting the words “and the year of assessment 2015” in subsection (4) and substituting the words “, the year of assessment 2015, the year of assessment 2016, the year of assessment 2017 and the year of assessment 2018”;
- (h) by deleting the words “or (2B)” in subsection (4A)(b) and substituting the words “, (2B) or (2BAA)”;
- (i) by deleting the words “year of assessment 2015” in subsection (4E)(e) and substituting the words “year of assessment 2018”;
- (j) by inserting, immediately after subsection (8), the following subsections:

“(8A) Where a qualifying person incurs capital expenditure during the basis period for the year of assessment 2016 or a subsequent year of assessment on the provision of any PIC automation equipment, he shall only be allowed to make an election under subsection (1) or (4A) in respect of that expenditure if he proves to the satisfaction of the Comptroller that the PIC automation

equipment is in use for the purposes of his trade, profession or business.

(8B) The Comptroller may, subject to such conditions as he may impose, waive the application of subsection (8A) if he is satisfied that there is a reasonable cause for the PIC automation equipment not being in use for the purposes of the person's trade, profession or business.”;

(k) by deleting the words “or (2)” in subsection (14) and substituting the words “, (2) or (10)”;

(l) by deleting the words “section 14A(1A) or (1B), 14DA(2), 14R, 14S, 14T, 14W, 19A(2A) or (2B) or 19B(1A) or (1B)” in subsection (14A) and substituting the words “section 14A(1A), (1B) or (1BA), 14DA(2), 14R, 14S, 14T, 14W, 19A(2A), (2B) or (2BAA) or 19B(1A), (1B) or (1BAA)”;

(m) by inserting, immediately after the definition of “cash price” in subsection (21), the following definitions:

““central hirer” and “central hiring arrangement” have the same meanings as in section 14R(6);”;

(n) by inserting, immediately after the definition of “local employee” in subsection (21), the following definition:

““local person”, in relation to a qualifying person who elects for a cash payout under subsection (1) or (4A), means any citizen or permanent resident of Singapore, but excludes —

(a) a shareholder who is also a director of the qualifying person if the qualifying person is a company within the meaning of section 4 of the Companies Act (Cap. 50); and

(b) a partner under a contract for service of the qualifying person if the qualifying person is a partnership;”;

- (o) by deleting the word “and” at the end of paragraph (b)(i) of the definition of “qualifying person” in subsection (21);
- (p) by inserting the word “and” at the end of paragraph (b)(ii) of the definition of “qualifying person” in subsection (21);
- (q) by inserting, immediately after sub-paragraph (ii) of paragraph (b) of the definition of “qualifying person” in subsection (21), the following sub-paragraph:
  - “(iii) in the case of a quarter of the basis period, for the year of assessment 2016, the year of assessment 2017 or the year of assessment 2018, all 3 months of the quarter.”;
- (r) by deleting the full-stop at the end of the definition of “quarter” in subsection (21) and substituting a semi-colon, and by inserting immediately thereafter the following definition:
  - ““related parties” has the same meaning as in section 13(16).”;
- (s) by inserting, immediately after subsection (21), the following subsections:
  - “(21A) For the purpose of paragraph (b)(ii) and (iii) of the definition of “qualifying person” in subsection (21), the reference to a local employee of a qualifying person based on the qualifying person’s payroll for any part of the basis period for the year of assessment 2014 or a subsequent year of assessment, includes a reference to —
    - (a) a local person —
      - (i) who is engaged by the central hirer of a central hiring arrangement for a group of related parties which includes the qualifying person;



(ii) who is deployed to work solely for the qualifying person in that part of the basis period;

(iii) who is on the payroll of the central hirer or the qualifying person for that part of the basis period; and

(iv) whose salary and other remuneration (including training expenditure incurred in respect of the person) for that part of the basis period is borne, directly or indirectly, by the qualifying person; and

(b) a local person —

(i) who, being an employee of another person (referred to in this subsection and subsection (21B) as the employer), is seconded to the qualifying person under a bona fide commercial arrangement to work solely for the qualifying person in that part of the basis period;

(ii) who is on the payroll of the employer or the qualifying person for that part of the basis period; and

(iii) whose salary and other remuneration (including training expenditure incurred in respect of the person) for that part of the basis period is borne, directly or indirectly, by the qualifying person,

and the local person shall be treated as employed by the qualifying person for the purpose of paragraph (b) of the definition.

(21B) In determining whether the central hirer or employer referred to in subsection (21A) satisfies the definition of “qualifying person” in subsection (21), the person referred to in subsection (21A)(a) or (b) shall not be treated as being employed by the central hirer or the

employer based on the payroll of the central hirer or employer for the part of the basis period referred to in subsection (21A).

(21C) In subsections (7), (8), (8A), (8B) and (10), a reference to expenditure incurred on the provision of a PIC automation equipment includes a reference to expenditure incurred on the provision of a website for the purposes of a trade, profession or business, and a reference to PIC automation equipment includes a reference to such a website.”; and

(*t*) by inserting, immediately after paragraph (*a*) of subsection (22), the following paragraph:

“(aa) the reference in sub-paragraph (*b*)(iii) of the definition of “qualifying person” in subsection (21) to all 3 months of the quarter shall be read as a reference to the last 3 months of the combined consecutive quarters or such other months as the Comptroller may determine or, if the election is in respect of the entire basis period, the last 3 months of the basis period or such other months as the Comptroller may determine;”.

### **Amendment of section 37IA**

**41.** Section 37IA of the principal Act is amended —

(*a*) by inserting, immediately after subsection (5), the following subsections:

“(5A) For the purpose of subsections (1)(*c*) and (5)(ii), a reference to a local employee of an eligible person based on the eligible person’s payroll for any part of the basis period for the year of assessment 2014 or a subsequent year of assessment, includes a reference to —

## (a) a local person —

- (i) who is engaged by the central hirer of a central hiring arrangement for a group of related parties which includes the eligible person;
- (ii) who is deployed to work solely for the eligible person in that part of the basis period;
- (iii) who is on the payroll of the central hirer or the eligible person for that part of the basis period; and
- (iv) whose salary and other remuneration (including training expenditure incurred in respect of the person) for that part of the basis period is borne, directly or indirectly, by the eligible person; and

## (b) a local person —

- (i) who, being an employee of another person (referred to in this subsection and subsection (5B) as the employer), is seconded to the eligible person under a bona fide commercial arrangement to work solely for the eligible person in that part of the basis period;
- (ii) who is on the payroll of the employer or the eligible person for that part of the basis period; and
- (iii) whose salary and other remuneration (including training expenditure incurred in respect of the person) for that part of the basis period is borne, directly or indirectly, by the eligible person,

and the local person shall be treated as employed by the eligible person for the purpose of those provisions.

(5B) In determining whether the central hirer or employer referred to in subsection (5A) satisfies subsection (1)(c) or (5)(ii), the person referred to in subsection (5A)(a) or (b) shall not be treated as being employed by the central hirer or the employer based on the payroll of the central hirer or employer for the part of the basis period referred to in subsection (5A).”; 5

- (b) by inserting, immediately after subsection (8), the following subsection:

“(8A) For the purposes of subsections (7) and (8), a reference to capital expenditure on the provision of any PIC automation equipment includes a reference to capital expenditure on the provision of a website for the purposes of a trade, profession or business, and a reference to PIC automation equipment includes a reference to such a website.”; 10 15

- (c) by inserting, immediately after the definition of “local employee” in subsection (18), the following definition:

““local person”, in relation to an eligible person, means any citizen or permanent resident of Singapore, but excludes — 20

(a) a shareholder who is also a director of the eligible person if the eligible person is a company within the meaning of section 4 of the Companies Act (Cap. 50); and 25

(b) a partner under a contract for service of the eligible person if the eligible person is a partnership;”; and

- (d) by inserting, immediately after the words “PIC automation equipment” in item (g) of the table of the definition of ““Productivity and Innovation Credit Scheme expenditure” or “PIC expenditure” ” in subsection (18), the words “(including any expenditure that is treated as expenditure incurred on the provision of PIC automation equipment under section 19A(16A))”. 30 35

## New sections 37IC, 37ID and 37IE

42. The principal Act is amended by inserting, immediately after section 37IB, the following sections:

### “Enhanced deduction or allowance under Productivity and Innovation Credit Plus Scheme

37IC.—(1) A person who —

(a) during the basis period for the year of assessment 2015, 2016, 2017 or 2018, has incurred any expenditure mentioned in the first column of the following table;

(b) is a qualifying person for that year of assessment within the meaning of the regulations made under subsection (3); and

(c) has made an application in accordance with subsection (2),

shall be entitled to an enhanced deduction or allowance under the provision in the second column (in the case of the year of assessment 2015) or the third column (in the case of any of the other years of assessment) of the table that corresponds to that expenditure, computed in accordance with the regulations made under subsection (3):

<i>First column</i>	<i>Second column</i>	<i>Third column</i>
<i>Expenditure</i>	<i>Year of assessment 2015</i>	<i>Year of assessment 2016, 2017 or 2018</i>
1. Qualifying intellectual property registration costs as defined in section 14A	Section 14A(1B)	Section 14A(1BA)

<i>First column</i>	<i>Second column</i>	<i>Third column</i>	
<i>Expenditure</i>	<i>Year of assessment 2015</i>	<i>Year of assessment 2016, 2017 or 2018</i>	
2. Qualifying expenditure as defined in section 14DA	Section 14DA(2)	Section 14DA(2)	5
3. Qualifying training expenditure as defined in section 14R	Section 14R(2)	Section 14R(2A)	10
4. Qualifying design expenditure as defined in section 14S	Section 14S(2)	Section 14S(2AA)	15
5. Expenditure on the leasing of any PIC automation equipment, or procuring of cloud computing services as defined in section 14T	Section 14T(2)	Section 14T(2A)	20
6. Expenditure on the licensing from another of any qualifying intellectual property rights as defined in section 14W	Section 14W(1)	Section 14W(4)	25
			30

	<i>First column</i>	<i>Second column</i>	<i>Third column</i>
	<i>Expenditure</i>	<i>Year of assessment 2015</i>	<i>Year of assessment 2016, 2017 or 2018</i>
5	7. Capital expenditure on the provision of any PIC automation equipment	Section 19A(2B)	Section 19A(2BAA)
10	(including any capital expenditure treated as capital expenditure incurred on the provision of		
15	PIC automation equipment under section 19A(16A))		
20	8. Capital expenditure on acquiring any intellectual property rights	Section 19B(1B)	Section 19B(1BAA)
(2) The application under subsection (1)(c) —			
25	(a) shall be made to the Comptroller at the time of lodgment by the qualifying person of the return of income for that year of assessment or within such extended time as the Comptroller may allow; and		
	(b) shall be accompanied by such information and supporting document, given in such form and manner, as the Comptroller may specify.		
30	(3) The Minister may make regulations —		
	(a) to define a qualifying person for each year of assessment for the purposes of subsection (1);		

(b) to provide for the computation of the amount of the enhanced deduction or allowance under that subsection; and

(c) to make provisions generally for giving effect to or for carrying out the purposes of this section. 5

(4) All regulations made under subsection (3) shall be presented to Parliament as soon as possible after publication in the *Gazette*.

(5) To avoid doubt, an enhanced deduction or allowance referred to in subsection (1) is a deduction or allowance under the applicable provision under the second or third column of the table in that subsection, and the provisions of section 14A, 14DA, 14R, 14S, 14T, 14W, 19A or 19B (whichever is applicable) shall apply to the deduction or allowance. 10

(6) In this section, “person” means a company or firm (including a partnership). 15

### **Abusive PIC arrangements**

**37ID.**—(1) Notwithstanding the provisions of this Act, the Comptroller may disallow an amount referred to in subsection (2) of a claim for — 20

(a) a PIC enhanced deduction; or

(b) a PIC cash payout,

and disallow the payment of an amount referred to in subsection (2) of a PIC bonus based on that claim, if the Comptroller has reasonable grounds to suspect that the claim arises from an abusive PIC arrangement. 25

(2) The amount of the PIC enhanced deduction, PIC cash payout or PIC bonus that may be disallowed under subsection (1) is the amount resulting from the PIC arrangement being abusive as defined under subsection (10). 30

(3) Notwithstanding the provisions of this Act, the amount referred to in subsection (4) of a PIC cash payout or PIC bonus paid to a person that was based on a claim that arose from an



abusive PIC arrangement shall be recoverable by the Comptroller from the person as a debt due to the Government.

(4) The amount of the PIC cash payout or PIC bonus that is recoverable under subsection (3) is the amount resulting from the PIC arrangement being abusive as defined under subsection (10).

(5) The amount that is recoverable under subsection (3) shall be payable at the place stated in the notice served by the Comptroller on the person within 30 days after the service of the notice.

(6) The Comptroller may, in his discretion, and subject to such terms and conditions as he may impose, extend the time within which payment under subsection (3) is to be made.

(7) Sections 86(1) to (6), 87(1) and (2), 89, 90 and 91 shall apply to the collection and recovery by the Comptroller of the amount recoverable under subsection (3) as they apply to the collection and recovery of tax.

(8) In this section, an arrangement is a PIC arrangement if the obtaining of a PIC cash payout, PIC bonus or PIC enhanced deduction, or a higher amount of a PIC cash payout, PIC bonus or PIC enhanced deduction, was the purpose or one of the purposes of the arrangement (referred to in this section as the relevant purpose).

(9) In this section, a PIC arrangement is abusive if —

- (a) it consists or makes use of one or more artificial, contrived or fraudulent steps that is intended to achieve the relevant purpose;
- (b) the arrangement results in the consideration paid or payable for the property or services in question being of a greater value than the open market value of the property or services, and there is no bona fide commercial reason for the difference in the values apart from the relevant purpose; or
- (c) in any other case, there is no bona fide commercial reason for entering into the arrangement or a transaction

forming part of the arrangement apart from the relevant purpose.

(10) In this section, the amount of PIC enhanced deduction, PIC cash payout or PIC bonus resulting from a PIC arrangement being abusive is —

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(a) if the arrangement is abusive by reason of subsection (9)(a), the amount that results or has resulted from the use of the artificial, contrived or fraudulent step or steps, excluding any amount the person concerned is entitled to if the step or steps had not been used;

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(b) if the arrangement is abusive by reason of subsection (9)(b), the amount that corresponds to the difference in the values mentioned in that provision; or

(c) if the arrangement is abusive by reason of subsection (9)(c), the full amount.

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#### *Examples*

(i) A enters into a contract for training for his employees. The right to training may be exchanged for goods. Expenditure for the goods is not eligible for a PIC cash payout. A exchanged the right to training for those goods and made a claim for a PIC cash payout in respect of the expenditure. The contract and the exchange together form an abusive PIC arrangement. The amount of the PIC cash payout that results from the arrangement being abusive for the purposes of subsections (1) and (3) is the full amount of the payout.

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(ii) A, in order to obtain a higher amount of PIC cash payout, purchases more equipment than he needs for his business. The purchase of the excess equipment is an abusive PIC arrangement. The amount of the PIC cash payout that results from the arrangement being abusive for the purposes of subsections (1) and (3) is the amount corresponding to the price paid for the excess equipment.

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(iii) A and B, in order to help each other obtain a PIC cash payout, sell to each other equipment that performs the same function. The sales are abusive PIC arrangements. The amount of the PIC cash payout that results from the arrangement being abusive for the purposes of subsections (1) and (3) is the full amount of the payout.

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(iv) A enters into a contract for training for his employees. The contract price for the training includes both the value of the training and the value of other goods to be given to the trainees. Expenditure for those goods is not eligible for a PIC cash payout. The purpose for setting the price for the training in this way is to enable a higher PIC cash payout to be paid to A. The contract is an abusive PIC arrangement. The amount of the PIC cash payout that results from the arrangement being abusive for the purposes of subsections (1) and (3) is the amount corresponding to the price for those other goods.

(11) This section applies only to arrangements made or entered into on or after the date of commencement of section 42 of the Income Tax (Amendment) Act 2014.

(12) In this section —

“arrangement” includes any agreement, understanding, scheme, transaction or series of transactions (whether or not legally enforceable);

“PIC bonus” means a payment under section 37IA;

“PIC cash payout” means a payment under section 37I;

“PIC enhanced deduction” means a deduction or an allowance under section 14A(1B) or (1BA), 14DA(2), 14R(2) or (2A), 14S(2) or (2AA), 14T(2) or (2A), 14W(1) or (4), 19A(2B) or (2BAA), 19B(1B) or (1BAA), or 37IC.

### **Promoters of abusive PIC arrangements**

**37IE.**—(1) A person who promotes any PIC arrangement knowing or having reasonable grounds to believe that the arrangement is abusive shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$10,000 or to imprisonment for a term not exceeding 3 years or to both.

(2) In subsection (1), a person promotes a PIC arrangement if the person —

(a) designs, facilitates, organises or manages that arrangement or any part of that arrangement; or

- (b) publishes, disseminates or communicates any information, by any means or in any form, for the purpose of inducing or encouraging (whether directly or indirectly) any other person to enter into the arrangement or any transaction forming part of the arrangement. 5

(3) In subsection (1), a PIC arrangement is abusive if —

- (a) it consists or makes use of one or more artificial, contrived or fraudulent steps that is intended to assist any person who enters into the arrangement or a transaction forming part of the arrangement to achieve the relevant purpose; 10
- (b) the arrangement will result in the consideration payable for any property or services being of a greater value than the open market value of the property or services, and there is no bona fide commercial reason for the difference in the values apart from the relevant purpose; or 15
- (c) in any other case, there is no bona fide commercial reason for a person to enter into the arrangement or a transaction forming part of the arrangement apart from the relevant purpose. 20

(4) The examples of abusive PIC arrangements in section 37ID(10) apply for the purposes of subsection (3).

(5) Where, in any proceedings for an offence under subsection (1), it is proved that the arrangement in question consists or makes use of an artificial, contrived or fraudulent step which is capable of assisting any person who enters into the arrangement or a transaction forming part of the arrangement to achieve the relevant purpose, then it is presumed that the step is intended for the relevant purpose, unless the contrary is proved. 25 30

(6) Where, in any proceedings for an offence under subsection (1), it is proved that —

- (a) the arrangement in question will result or has resulted in the consideration paid or payable for any property or

services being of a greater value than the open market value of the property or services; and

- (b) the difference in the values cannot be justified on the basis of any prevailing practice of the trade, profession or business concerned (not being a practice adopted for the purpose of achieving the relevant purpose),

then it is presumed that there is no bona fide commercial reason for the difference in the values apart from the relevant purpose, unless the contrary is proved.

(7) The Comptroller may compound any offence under subsection (1).

(8) In this section —

“PIC arrangements”, “PIC cash payout”, “PIC bonus” and “PIC enhanced deduction” have the respective meanings given to them in section 37ID;

“relevant purpose” means the purpose of obtaining a PIC cash payout, PIC bonus or PIC enhanced deduction, or a higher amount of PIC cash payout, PIC bonus or PIC enhanced deduction.”.

### **Amendment of section 37J**

**43.** Section 37J of the principal Act is amended by inserting, immediately after subsection (5), the following subsection:

“(5A) In this section, a reference to the amount of cash payout or PIC bonus that has been made to a person as a result of an offence, or which would have been made to the person if the offence had not been detected, excludes an amount of the cash payout or PIC bonus that the person is entitled to.”.

### **Amendment of section 37K**

**44.** Section 37K(12) of the principal Act is amended by deleting the words “an employee” in paragraph (a) of the definition of “qualifying investment” and substituting the word “a”.

### Amendment of section 39

**45.—**(1) Section 39(2) of the principal Act is amended —

(a) by deleting “\$3,500” in paragraph (d)(A) and (B) and substituting in each case “\$5,500”;

(b) by deleting “\$3,500” in the proviso to paragraph (d) and substituting “\$5,500”;

(c) by deleting the proviso to paragraph (e) and substituting the following proviso:

“Provided that in the case of any unmarried child incapacitated by reason of physical or mental infirmity and in respect of whom —

(A) a deduction is allowable under paragraph 1 of the Fifth Schedule, the deduction shall be increased to \$5,500 (for the year of assessment 2009, 2010, 2011, 2012, 2013 or 2014) or \$7,500 (for the year of assessment 2015 or a subsequent year of assessment); or

(B) no deduction is allowable under the Fifth Schedule, there shall be allowed a deduction of \$5,500 (for the year of assessment 2009, 2010, 2011, 2012, 2013 or 2014) or \$7,500 (for the year of assessment 2015 or a subsequent year of assessment);”;

(d) by deleting the words “or 36% (for the year of assessment 2012 or a subsequent year of assessment)” in paragraph (h) and substituting the words “, 36% (for the year of assessment 2012, 2013, 2014 or 2015) or 37% (for the year of assessment 2016 or a subsequent year of assessment);

(e) by deleting the words “or \$30,600 (for the year of assessment 2012 or a subsequent year of assessment)” wherever they appear in paragraph (h) and substituting in each case the words “, \$30,600 (for the year of assessment 2012, 2013, 2014 or 2015) or \$31,450 (for the year of assessment 2016 or a subsequent year of assessment);

(f) by deleting “\$7,000” in paragraph (i)(A)(AA) and substituting “\$9,000”;

(g) by deleting “\$4,500” in paragraph (i)(A)(AB) and substituting “\$5,500”;

5 (h) by deleting “\$11,000” in paragraph (i)(B)(BA) and substituting “\$14,000”;

(i) by deleting “\$8,000” in paragraph (i)(B)(BB) and substituting “\$10,000”;

10 (j) by deleting the proviso to paragraph (i) and substituting the following proviso:

“Provided that —

(I) no individual may obtain a deduction under this paragraph for more than 2 dependants; and

15 (II) where more than one individual claims a deduction under this paragraph in respect of the same dependant —

20 (IIA) the deduction shall be apportioned between the claimants in such proportions as they may agree or, failing such agreement, the deduction shall be apportioned equally between all the claimants; and

25 (IIB) where at least one of the claimants was living with the dependant in the same household in the year immediately preceding the year of assessment, the amount of deduction to be apportioned between the claimants shall be the amount set out in  
30 sub-paragraph (A)(AA) or (B)(BA), as the case may be;”;

(k) by deleting “\$3,500” in paragraph (j) and substituting “\$5,500”.

(2) Subsection (1)(a), (b), (f), (g), (h), (i), (j) and (k) shall have effect for the year of assessment 2015 and subsequent years of assessment.

#### **Amendment of section 40**

**46.** Section 40 of the principal Act is amended by inserting, immediately after subsection (6), the following subsection:

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“(7) No relief shall be allowed under this section for the year of assessment 2016 or any subsequent year of assessment.”.

#### **Amendment of section 40A**

**47.** Section 40A(2A) of the principal Act is amended by deleting the words “31st March 2015” and substituting the words “31st March 2020”.

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#### **Amendment of section 43N**

**48.—**(1) Section 43N of the principal Act is amended —

(a) by deleting the words “the issue of those securities is beneficially held or funded, directly or indirectly, at any time during the life of the issue” in subsection (2) and substituting the words “those securities which are outstanding at any time during the life of the issue is beneficially held or funded, directly or indirectly,”;

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(b) by inserting, immediately after subsection (3), the following subsections:

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“(3A) A primary dealer referred to in subsection (3)(b) may elect in accordance with subsection (3B) not to be subject to the regulations made under subsection (1); and if the primary dealer so elects, the regulations shall cease to apply to the income of that primary dealer for the year of assessment for which the election is made and for subsequent years of assessment.

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(3B) The election referred to in subsection (3A) shall be made by the primary dealer by notice in writing to the Comptroller —

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(a) at the time of lodgment of the return of income for a year of assessment; or

(b) at such further time as the Comptroller may allow.

5 (3C) The election made by a primary dealer under subsection (3A) shall be irrevocable.”; and

(c) by deleting the words “and certificates of deposits” in the definition of “debt securities” in subsection (4) and substituting the words “, certificates of deposits, and AT1  
10 instruments within the meaning of section 10O(2);”.

(2) Subsection (1)(c) shall have effect for the year of assessment 2015 and subsequent years of assessment.

#### **Amendment of section 45**

15 **49.** Section 45(9) of the principal Act is amended by deleting the full-stop at the end of paragraph (b) and substituting a semi-colon, and by inserting immediately thereafter the following paragraph:

“(c) any interest liable to be paid on or after 21st February 2014 by a person to a branch in Singapore of a company incorporated outside Singapore and not known to him to  
20 be resident in Singapore.”.

#### **Amendment of section 45A**

**50.** Section 45A of the principal Act is amended by inserting, immediately after subsection (2D), the following subsection:

“(2E) Subsection (1) shall not apply to any payment liable to be  
25 made on or after 21st February 2014 by a person to a branch in Singapore of a company incorporated outside Singapore and not known to him to be resident in Singapore.”.

#### **Amendment of section 45C**

30 **51.** Section 45C of the principal Act is amended by inserting, immediately after subsection (2), the following subsection:

“(3) Subsection (1) shall not apply to any distribution made on or after 1st January 2015 by a unit trust to a branch in Singapore

of a company incorporated outside Singapore and not known to the trustee of the unit trust to be resident in Singapore.”.

### **Amendment of section 45D**

**52.** Section 45D of the principal Act is amended by inserting, immediately after subsection (5), the following subsection:

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“(5A) This section shall not apply to any payment made on or after 1st January 2015 by a designated person to a branch in Singapore of a company incorporated outside Singapore and is a non-resident person.”.

### **New section 45EA**

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**53.** The principal Act is amended by inserting, immediately after section 45E, the following section:

#### **“Approval of deduction of investment from SRS account of non-citizen**

**45EA.**—(1) This section applies to an investment made using funds from an SRS account of an SRS member who is not a citizen of Singapore.

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(2) Before approving the deduction of the investment from the balance in the SRS account, an SRS operator shall comply with subsection (3), unless the Comptroller has waived such compliance by notice in writing to the SRS operator.

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(3) The SRS operator shall collect from the SRS member or (if he is deceased) his legal personal representative tax at the rate specified in section 43(1)(b) on an amount that is equal to 50% of the total value of the investment to be deducted from the balance in the SRS account.

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(4) In subsection (3), the value of an investment shall be reckoned in accordance with the regulations made under section 10L(11).

(5) If the Comptroller has given a written notice to the SRS operator requiring the SRS operator to collect tax at a higher or lower rate than that specified in section 43(1)(b), then the reference to the rate specified in section 43(1)(b) in

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subsection (3) shall be read as a reference to the higher or lower rate.

(6) The amount of tax collected under subsection (3) shall be a debt due from the SRS operator to the Government and shall be recoverable in the manner provided in section 89.

(7) Where an SRS operator fails to collect the tax under subsection (3), the amount not collected shall be a debt due from the SRS operator to the Government and shall be recoverable in the manner provided in section 89.

(8) If the amount of tax which is required to be collected under subsection (3) is not paid to the Comptroller —

(a) by the 15th day of the second month following the month in which the date the SRS operator approves the deduction falls or by such later date as the Comptroller may allow, a sum equal to 5% of such amount of tax shall be payable; and

(b) within 30 days after the time specified in paragraph (a), an additional penalty of 1% of such amount of tax shall be payable for each completed month that the tax remains unpaid, but the total additional penalty under this paragraph shall not exceed 15% of the amount of tax outstanding.

(9) An SRS operator shall, after collecting the tax under subsection (3), give notice in writing of such collection to the Comptroller by the time specified in subsection (8)(a), and if the SRS operator fails to do so, the SRS operator shall be guilty of an offence and shall on conviction pay a penalty equal to 3 times the amount of tax so collected and shall also be liable to a fine not exceeding \$10,000.

(10) The Comptroller may —

(a) compound an offence under subsection (9); and

(b) for any good cause remit the whole or any part of the penalty payable under subsection (8).

(11) In this section —

- (a) a reference to an SRS operator approving the deduction of an investment from the balance in an SRS account is a reference to the SRS operator approving the deduction of the sums representing the investment from the balance in the SRS account in accordance with the regulations made under section 10L(11); and 5
- (b) a reference to the date of approval by an SRS operator of a deduction of an investment from the balance in an SRS account is a reference to the date the SRS operator approves a deduction of the sums representing the investment from the balance in the SRS account in accordance with those regulations.”. 10

#### **Amendment of section 45G**

**54.** Section 45G of the principal Act is amended by inserting, immediately after subsection (4), the following subsection: 15

“(4A) Subsection (1) shall not apply to any distribution made on or after 1st January 2015 by a trustee of a real estate investment trust to a branch in Singapore of a company incorporated outside Singapore and not known to the trustee to be resident in Singapore.”. 20

#### **Amendment of section 45GA**

**55.** Section 45GA(2A) of the principal Act is amended by deleting the words “31st March 2015” and substituting the words “31st March 2020”. 25

#### **Amendment of section 45H**

**56.** Section 45H of the principal Act is amended by inserting, immediately after subsection (2), the following subsection:

“(2A) Subsection (1) shall not apply to any payment liable to be made on or after 1st January 2015 by any person to a branch in Singapore of a licensed international market agent, being a company incorporated outside Singapore and not known to the person to be resident in Singapore.”. 30

### **Amendment of section 89**

**57.** Section 89(1) of the principal Act is amended by inserting, immediately after the words “section 45”, the words “or 45EA”.

### **Amendment of section 95**

5 **58.** Section 95 of the principal Act is amended by inserting, immediately after subsection (3), the following subsection:

10 “(3A) In this section, a reference to the amount of PIC bonus that has been obtained by a person as a result of an incorrect return or information, or that would have been so obtained if the return or information had been accepted as correct, excludes an amount of PIC bonus that the person is entitled to.”.

### **Amendment of section 96**

**59.** Section 96 of the principal Act is amended by inserting, immediately after subsection (4), the following subsection:

15 “(4A) In this section, a reference to the amount of PIC bonus that has been obtained by a person as a result of an offence, or that would have been so obtained if the offence had not been detected, excludes an amount of PIC bonus that the person is entitled to.”.

### **20 Amendment of section 96A**

**60.** Section 96A of the principal Act is amended by inserting, immediately after subsection (4), the following subsection:

25 “(4A) In this section, a reference to the amount of PIC bonus that has been obtained by a person as a result of an offence, or that would have been so obtained if the offence had not been detected, excludes an amount of PIC bonus that the person is entitled to.”.

### **Amendment of section 105A**

30 **61.** Section 105A of the principal Act is amended by inserting, immediately after subsection (4), the following subsection:

“(5) In relation to an EOI arrangement which is a multilateral treaty referred to in section 105BA(1A) —

- (a) the reference in the definition of “competent authority” to a person or an authority authorised under the provisions of the EOI arrangement to make a request to the Comptroller for information is a reference to a person or an authority of a country that is a Party to the treaty authorised to make such a request; and 5
- (b) the reference in the definition of “tax position” to any tax of the country with whose government the EOI arrangement was made and that is covered by the arrangement, is a reference to any tax of a country that is a Party to the treaty and covered by the treaty.”. 10

#### **Amendment of section 105BA**

**62.** Section 105BA of the principal Act is amended — 15

- (a) by deleting the words “the government of any country” in subsection (1) and substituting the words “the government of any country, or the governments of 2 or more countries,”; and
- (b) by inserting, immediately after subsection (1), the following subsection: 20

“(1A) An arrangement under subsection (1) includes a multilateral treaty to which Singapore is a Party, the purpose or one of the purposes of which is the exchange of information concerning the tax positions of persons.”.

#### **Amendment of section 105E**

**63.** Section 105E of the principal Act is amended — 25

- (a) by inserting, immediately after subsection (1), the following subsection:

“(1A) Where the request referred to in subsection (1), in the opinion of the Comptroller, does not contain sufficient information for the Comptroller to serve notice under subsection (1), the Comptroller shall, after he discovers such information from information already in 30

the Comptroller's possession or obtained under section 105F or 105G, serve notice of the request on that person.”;

(b) by inserting, immediately after the words “subsection (1)” in subsections (2), (4) and (5), the words “or (1A)”; and

(c) by deleting the words “of the country with whose government the prescribed arrangement in question was made” in subsection (4)(a)(iii) and substituting the words “of the country of the competent authority making the request”.

## **New section 105HA**

**64.** The principal Act is amended by inserting, immediately after section 105H, the following section:

### **“Confidentiality requirements for judicial review proceedings**

**105HA.**—(1) This section applies to a judicial review instituted by any person in respect of —

(a) any action taken by the Comptroller to obtain information to comply with a request made under section 105D;

(b) any disclosure or intended disclosure by the Comptroller of information pursuant to an arrangement that has effect under section 49 or 105BA; or

(c) any action taken by the Comptroller under this Part or a failure to take such action,

as well as any proceedings in court (however instituted) for a liquidated sum, damages, equitable relief or restitution if a Mandatory Order, Prohibiting Order, Quashing Order or declaration is made pursuant to the judicial review.

(2) In any proceedings to which this section applies, no person may inspect or take a copy of any of the following documents without the leave of court:

(a) a request made under section 105D;

(b) any document relating to the request which is given by or to the Comptroller, to or by the competent authority or a person acting on behalf of the competent authority.

(3) Leave shall not be given under subsection (2) in relation to any document if the court is satisfied that the competent authority has requested the Comptroller not to disclose that document to any person. 5

(4) A court may, in any proceedings to which this section applies, on the application of the Comptroller, make such order as it may consider necessary to ensure the confidentiality of anything relating to those proceedings. 10

(5) Every application, affidavit or other document filed with the court for the purpose of any proceedings to which this section applies shall be sealed upon the request of the applicant or the Comptroller. 15

(6) All proceedings to which this section applies shall be heard in camera.

(7) No information relating to any proceedings to which this section applies may be published without the leave of court; and leave shall not be given unless the court is satisfied that the information, if published in accordance with such directions as it may give, would not reveal any matter that — 20

(a) the Comptroller;

(b) the person from whom the Comptroller obtains the information; or 25

(c) the person in relation to whom information is sought, reasonably wishes to remain confidential.

(8) In this section, “judicial review” includes proceedings instituted by way of —

(a) an application for a Mandatory Order, a Prohibiting Order or a Quashing Order; or 30



- (b) an application for a declaration or an injunction, or any other suit or action, relating to or arising out of any matter referred to in subsection (1)(a) to (c).”.

### **Amendment of section 105L**

- 5     **65.** Section 105L(1) of the principal Act is amended by inserting, immediately after the words “provide the Comptroller”, the words “, or any other person who may be authorised by the Comptroller,”.

### **Amendment of section 105M**

**66.** Section 105M of the principal Act is amended —

- 10     (a) by inserting, immediately after the words “section 105L(1)” in subsection (1), the words “, or any regulation made under section 105P the contravention of which is an offence,”; and
- (b) by inserting, immediately after subsection (3), the following subsection:

15                     “(4) In subsection (3), references to the Comptroller include any other person authorised by the Comptroller.”.

### **New section 105MA**

- 20     **67.** The principal Act is amended by inserting, immediately after section 105M, the following section:

#### **“Anti-avoidance**

**105MA.—(1)** If —

- (a) a person enters into any arrangements or takes any action; and
- 25     (b) in the Comptroller’s view, the main purpose, or one of the main purposes of the person in entering into the arrangements or in taking the action is to avoid any obligation under, or to circumvent the application of section 105L or any regulation made under section 105P,
- 30     then the Comptroller may in writing direct a relevant person that section 105L or the regulation has effect in relation to the

relevant person as if the arrangements had not been entered into or the action had not been taken, and section 105L or the regulation shall then apply accordingly.

(2) In subsection (1), “relevant person” means a person who is subject to section 105L or the regulation, and whom the Comptroller considers should receive the direction.”.

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### **Amendment of section 105P**

**68.** Section 105P(2) of the principal Act is amended —

- (a) by deleting the word “and” at the end of paragraph (c); and
- (b) by inserting, immediately after paragraph (c), the following paragraph:

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“(ca) provide that a contravention of any specified provision is an offence; and”.

### **New section 105Q**

**69.** The principal Act is amended by inserting, immediately after section 105P, the following section:

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#### **“Confidentiality requirements for judicial review proceedings**

**105Q.**—(1) This section applies to a judicial review instituted by any person in respect of —

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- (a) any action taken by the Comptroller to obtain information for the purpose of complying with any provision of an international tax compliance agreement or to enable Singapore to carry out its obligations under any provision of such agreement;
- (b) any disclosure or intended disclosure of information pursuant to an international tax compliance agreement; or
- (c) any action taken by the Comptroller under this Part or a failure to take such action,

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as well as any proceedings in court (however instituted) for a liquidated sum, damages, equitable relief or restitution if a

Mandatory Order, Prohibiting Order, Quashing Order or declaration is made pursuant to the judicial review.

(2) In any proceedings to which this section applies, no person may inspect or take a copy of any of the following documents without the leave of court:

(a) a request for information made under any provision of the international tax compliance agreement;

(b) any document relating to the request which is given by or to the Comptroller, to or by the authority making the request or a person acting on behalf of the authority.

(3) Leave shall not be given under subsection (2) in relation to any document if the court is satisfied that the authority referred to in that subsection has requested the Comptroller not to disclose that document to any person.

(4) A court may, in any proceedings to which this section applies, on the application of the Comptroller, make such order as it may consider necessary to ensure the confidentiality of anything relating to those proceedings.

(5) Every application, affidavit or other document filed with the court for the purpose of any proceedings to which this section applies shall be sealed upon the request of the applicant or the Comptroller.

(6) All proceedings to which this section applies shall be heard in camera.

(7) No information relating to any proceedings to which this section applies may be published without the leave of court; and leave shall not be given unless the court is satisfied that the information, if published in accordance with such directions as it may give, would not reveal any matter that —

(a) the Comptroller;

(b) the person from whom the Comptroller obtains the information; or

(c) the person in relation to whom information is sought,

reasonably wishes to remain confidential.

(8) In this section, “judicial review” includes proceedings instituted by way of —

- (a) an application for a Mandatory Order, a Prohibiting Order or a Quashing Order; or 5
- (b) an application for a declaration or an injunction, or any other suit or action, relating to or arising out of any matter referred to in subsection (1)(a) to (c).”.

### **Amendment of Fifth Schedule**

**70.** The Fifth Schedule to the principal Act is amended — 10

- (a) by deleting sub-paragraph (a) of paragraph 1;
- (b) by deleting paragraph 2;
- (c) by deleting sub-paragraph (i) of paragraph 3(a);
- (d) by deleting “2008,” in paragraph 5(1);
- (e) by deleting sub-paragraph (a) of paragraph 5(1); 15
- (f) by deleting sub-paragraph (1) of paragraph 6;
- (g) by deleting the words “sub-paragraphs (1) and (2)” in paragraph 6(3) and substituting the words “sub-paragraph (2)”; and
- (h) by deleting the words “sub-paragraph (1) or (2)” in paragraph 6(3) and substituting the words “sub-paragraph (2)”. 20

### **Miscellaneous amendments**

**71.** The principal Act is amended —

- (a) by inserting, immediately after the words set out in the second column in each provision set out in the first column that corresponds to those words, the words “(both dates inclusive)”: 25

	<i>First column</i>	<i>Second column</i>
5	1. Sections 10(20A)(f)(i), 13(1)(aa)(i), 43N(1)(aa)(i) and (2)(b)(i) and 45A(2)(a)	16th February 2006
10	2. Sections 10(20A)(f)(ii), (20A)(h), 13(1)(a)(i) and (ii), (aa)(ii), (ab), (ba), (bc), (bd)(i), (2) and (16) (paragraphs (a), (b)(ii)(A), (iii) and (iv) and (c)(ii) and (iii) of the definition of “qualifying debt securities”), 43N(1)(aa)(ii), (ab), (ac), (2)(a), (b)(ii) and (d) and (3)(b), 45(9)(a), 45A(2)(b), (2A) and (2B)(a)	31st December 2018
20	3. Sections 13(1)(b)(i) and (ii), (2C)(a) and (b), (2D)(a) and (b), and (16) (paragraph (a)(ii) and (iii) of the definition of “qualifying project debt securities”), 43Y(4), 43Z(4), 43ZD(4), 45(9)(b), 45A(2B)(b)	31st March 2017
25	4. Section 13(1)(ja)	the date of his retirement
30	5. Section 13(1)(o)(i)	2nd May 2002
	6. Section 13(1)(u), (ua), (zc)	31st December 2004

<i>First column</i>	<i>Second column</i>	
7. Sections 13(8)(ii) and (16) (paragraph (b)(ii)(B) of the definition of “qualifying debt securities”), 43N(1)(b) and (c)	31st December 2003	5
8. Section 13(16) (paragraphs (b)(i) and (c)(i) of the definition of “qualifying debt securities”, and paragraph (a)(i) of the definition of “qualifying project debt securities”)	31st December 2013	10
9. Sections 13S(2) and (3)(b), 43W(4A), 43ZA(3) and (4)(b), 43ZB(4A), 43ZF(2)	31st May 2016	15
10. Sections 13S(3)(a), 43W(4), 43ZA(4)(a), 43ZB(4)	28th February 2011	20
11. Section 13U(2)	14th February 2017	
12. Section 14A(1)(a)	last day of the basis period for the year of assessment 2010	
13. Section 14N(9) (paragraph (a) of the definition of “designated lease”)	lessee	25
14. Section 19A(9A)	14th February 2012	
15. Section 37K(4)(d) and (12) (paragraph (b) of the definition of “date of first investment”)	30th June 2010	30

	<i>First column</i>	<i>Second column</i>
	16. Section 39(2)(f)	31st July 2004
	17. Section 39(13) (definition of “year”)	31st December
5	18. Section 43(3B)	31st March 2015
	19. Section 43D(1)(c)	31st December 2006
	20. Section 43ZC(4)	31st March 2018
	21. Section 43ZE(2)	31st May 2011
	22. Section 45G(2)	31st March 2015;
10	(b) by deleting the words “unit trust designated under section 35(14)” in sections 13T(2)(b), 13X(5) (definition of “designated unit trust”), 14F(3), 15(1)(l), 43X(2)(b) and 50B(3)(b) and substituting in each case the words “designated unit trust within the meaning of section 35(14)”;	
15	(c) by deleting paragraph (c) of section 13T(2);	
	(d) by deleting the definition of “approved CPF unit trust” in section 13X(5);	
	(e) by deleting the words “approved CPF unit trust,” in the definition of “trust fund” in section 13X(5);	
20	(f) by deleting paragraph (n) of section 15(1);	
	(g) by deleting paragraph (c) of section 43X(2);	
	(h) by deleting the words “or an approved CPF unit trust” in section 45C(2); and	
	(i) by deleting paragraph (c) of section 50B(3).	

25 **Consequential amendment to Economic Expansion Incentives (Relief from Income Tax) Act**

72. The Economic Expansion Incentives (Relief from Income Tax) Act (Cap. 86) is amended by deleting the words “section 19A(2A) or (2B) or 19B(1A) or (1B)” in section 74A and substituting the words  
30 “section 19A(2A), (2B) or (2BAA) or 19B(1A), (1B) or (1BAA)”.

## **Savings and transitional provision**

**73.** For a period of 2 years after the date of commencement of any provision of this Act, the Minister may, by regulations, prescribe such additional provisions of a savings or transitional nature consequent on the enactment of that provision as the Minister may consider necessary or expedient.

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## **EXPLANATORY STATEMENT**

This Bill seeks to implement the tax changes in the Government's 2014 Budget Statement and to make certain other amendments to the Income Tax Act (Cap. 134), and to make a related amendment to the Economic Expansion Incentives (Relief from Income Tax) Act (Cap. 86).

Clause 1 relates to the short title and commencement.

Clause 2 amends section 6 (Official secrecy) to ensure that a spontaneous exchange of information permitted under an arrangement with another country can occur without breaching the official secrecy obligations of section 6, even though the exchange is not mandated by the arrangement. Such an exchange of information is permitted where the Comptroller of Income Tax (the Comptroller) is of the view that the information he holds is foreseeably relevant to the administration and enforcement of the tax law of that country.

Clause 3 amends section 10 (Charge of income tax) to provide that where no annual value has been ascribed to any property under the Valuation List, its annual value may be ascertained by reference to the definition of that term in the Property Tax Act (Cap. 254), i.e. its market rent. The Minister is further given the power to make regulations to prescribe the value of certain perquisites (viz. furniture and fittings in a place of residence provided by the employer) which form part of the gains or profits from employment that are chargeable to tax.

Section 10 is also amended —

- (a) to modify the definition of “foreign investor” to provide that, in the case of a unit holder which is a company, the requirement that at least 80% of the number of its issued shares must be beneficially owned directly or indirectly by foreigners who are not resident in Singapore, applies regardless of the number of shareholders of the company. The definition is further amended to exclude a company carrying on business in Singapore through a permanent establishment, and a trust fund whose trustee carries out his duties through a permanent establishment in Singapore. The term “foreign investor” is used in section 10(20) and (20A) (under which



distributions of income of a designated unit trust which does not form part of the trustee's statutory income is treated as the income of certain unitholders) and the new section 10(20D) to describe unit holders to whom the provisions do not apply;

- (b) to insert new subsections (20B) to (20F) to provide that when certain events occur in relation to a unit trust income from which did not form part of its trustee's statutory income in an earlier year of assessment by reason of section 35(12), such income that has yet to be distributed will be treated as income of certain unit holders, and the trustee of the unit trust must inform the Comptroller and the affected unit holders of this within the time and in the form and manner specified by the Comptroller. The events include the dissolution of the trust, the failure of the unit trust to qualify for the tax treatment under section 35(12), the failure of the trustee to elect for the tax treatment, and the election by the trustee for the tax treatment to apply to only part of his income for a year of assessment; and
- (c) to make certain amendments that are consequential on the change of the definition of "designated unit trust" in section 35.

Clause 4 repeals sections 10I (Reduction of share capital), 10J (Shares buyback), 10K (Shares redemption) and 10M (Buyback of preferential shares) as the provisions are no longer relevant under a one-tier corporate tax system.

Clause 5 amends section 10L (Withdrawals from Supplementary Retirement Scheme) to treat as sums withdrawn from an SRS account, the prescribed value of any investment made using SRS funds where such investment has been deducted from the balance in the SRS account following an approval by the SRS operator concerned. The regulations made under that section will be amended to set out the circumstances in which an SRS operator may approve the deduction of an investment from the balance of an SRS account. The value of the investment which has been so deducted will then be treated as having been withdrawn from the account and chargeable to tax in accordance with section 10L.

Subsection (3D) of section 10L is also amended to modify the operation of subsection (3)(a). Subsection (3)(a) provides that only 50% of a complete withdrawal from an SRS account is chargeable to tax if the account is maintained for a period of at least 10 years from the date of first contribution, and belongs to a person who is not a citizen or permanent resident of Singapore on the date of the withdrawal and for a continuous period of at least 10 years before that date. The amended subsection (3D) provides that for subsection (3)(a) to operate in a case where SRS funds have been used for investment, each investment must either have been liquidated, returned to the SRS account and withdrawn together with the rest of the funds in the account, or have been approved by the SRS operator to be deducted from the balance in the SRS account on the same date as the date of the withdrawal of the rest of the funds in the account.

Clause 6 inserts a new section 100 to treat distributions from Additional Tier 1 capital instruments that satisfy MAS Notice 637, as interest derived from debt securities. Such distribution will (subject to conditions) then be deductible as interest under section 14(1) against the income of the issuer of the instruments, and taxable as interest income in the hands of the holders of the instruments, unless exempt from tax. Because it is treated as interest derived from debt securities, it may be taxed at the concessionary tax rate that applies to income derived from qualifying debt securities, where applicable.

Clause 7 amends section 12 (Sources of income) to provide that a payment borne by a person resident in Singapore or a Singapore permanent establishment for a right to use software, information or digitised goods is not to be treated as having been derived from Singapore and therefore chargeable to tax, unless it is a payment for the right to commercially exploit the copyright in it. Examples of such payments include payment for shrink-wrap software, downloadable software, and software bundled with computer hardware where the end user does not have a right to exploit the copyright in the software.

Clause 8 amends section 13 (Exempt income) to provide that income from certain debt securities is not exempt from tax if 50% or more of the securities which are outstanding at any time during the life of the issue of the securities are owned or funded by a related party of the issuer, and not (as currently worded) if 50% or more of the issue of the securities are so owned or funded, whether or not they remain outstanding.

Section 13 is further amended by deleting and substituting subsection (12A) and inserting new subsections (12B) and (12C). The current subsection (12A) revokes with effect from 1st April 2015 all orders made which exempt from tax income received by the trustee of a real estate investment trust (REIT) or a wholly-owned subsidiary of a REIT. The new subsections (12A) and (12B) provide that the exemptions under such orders shall continue to have effect on or after 1st April 2015 but only in relation to income derived from immovable property situated outside Singapore, acquired by the trustee or subsidiary before 1st April 2015, and remained beneficially owned by the trustee or subsidiary on the date of receipt of the income. The new subsection (12C) provides that the exemption on or after 1st April 2015 is subject to the conditions and restrictions of exemption prescribed in the order.

Lastly, section 13 is amended to expand the definition of “qualifying debt securities” to include Additional Tier 1 capital instruments, in order to apply the various tax exemptions applicable to qualifying debt securities to such instruments if the conditions of exemption are met. As a result, references in other laws to this definition in section 13 (e.g. in sections 10(23) and 10N(12)) will similarly include Additional Tier 1 capital instruments.

Clause 9 amends section 13C (Exemption of income of trustee of trust fund arising from funds managed by fund manager in Singapore) to provide that the tax

exemption under that section does not apply to income derived by a trustee of a prescribed trust fund on or after 1st April 2014 from funds managed in Singapore. The treatment of such income will be governed by section 13CA. However, the section will continue to apply to such income derived between 1st April 2014 and the end of the basis period in which that date falls, if the trustee has a basis period straddling 1st April 2014 and he makes an election for such application.

Clause 10 amends section 13CA (Exemption of income of non-resident arising from funds managed by fund manager in Singapore) —

- (a) to extend the tax exemption under that section to the income of a prescribed person that is incorporated or constituted before 1st April 2019, and of a person who is prescribed as a prescribed person before that date;
- (b) to provide that the Minister may not prescribe as a prescribed person certain descriptions of trustees and companies (as these persons already enjoy tax incentives under other parts of the Act);
- (c) to enable the Minister or a person appointed by him to remit or refund any penalty paid or payable under the section subject to conditions, and to recover the amount remitted or refunded for a breach of any condition; and
- (d) to provide that, in determining whether the investment limits of an investor in a prescribed person that is a company have been breached, the investor's holdings will be computed based on the net asset value of the issued securities (instead of the value of the securities at the time of their issuance or the prescribed time, as applicable). This change will apply to any prescribed person whose basis period ends on or after 1st April 2014.

Clause 11 amends section 13G (Exemption of income of foreign trust) to introduce sunset provisions for the tax incentive.

Clause 12 amends section 13O (Exemption of income of foreign account of philanthropic purpose trust) for a similar purpose to clause 11.

Clause 13 amends section 13Q (Exemption of relevant income of prescribed locally administered trust) for a similar purpose to clause 11.

Clause 14 amends section 13R (Exemption of income of company incorporated and resident in Singapore arising from funds managed by fund manager in Singapore) —

- (a) to extend the period for approving a company for the purpose of a tax exemption under that section for 5 years till 31st March 2019;
- (b) to enable the Minister or a person appointed by him to remit or refund any penalty paid or payable under the section subject to conditions, and to

recover the amount remitted or refunded for a breach of any condition;  
and

- (c) to provide that, in determining whether the investment limits of an investor in an approved company have been breached, the investor's holdings will be computed based on the net asset value of the issued securities (instead of the value of the securities at the time of their issuance or the prescribed time, as applicable). This change will apply to any approved company whose basis period ends on or after 1st April 2014.

Clause 15 amends various terms in section 13V (Exemption of income derived by law practice from international arbitration held in Singapore) arising from amendments made to the Legal Profession Act (Cap. 161) by the Legal Profession (Amendment) Act 2008 (Act 19 of 2008).

Clause 16 amends section 13X (Exemption of income arising from funds managed by fund manager in Singapore) to extend the approval period for the purpose of the tax exemption under that section for 5 years till 31st March 2019.

Clause 17 amends section 13Y (Exemption of certain income of prescribed sovereign fund entity and approved foreign government-owned entity) —

- (a) to extend to 31st March 2019 the period by which a foreign government owned entity may be approved for the purpose of granting tax exemption on the qualifying income of such entity, or of a sovereign fund entity whose funds are managed by such entity; and
- (b) to allow regulations to be made for renewing approvals.

Clause 18 amends section 14 (Deductions allowed) to remove provisions that are no longer required, and to provide that the deduction allowable to an employer for contributions made for an employee for a period commencing on or after 1st January 2015 to the Central Provident Fund or any approved pension or provident fund designated by the Minister, must not exceed 17% of the remuneration paid by the employer to the employee for that period.

Clause 19 amends section 14A (Deduction for costs for protecting intellectual property) —

- (a) to extend till the year of assessment 2020, the period in which a deduction for qualifying intellectual property registration costs incurred for the purposes of a trade or business may be allowed; and
- (b) to extend till the year of assessment 2018, the period in which an enhanced deduction for such costs may be allowed.

Clause 20 amends section 14D (Expenditure on research and development) to extend till the year of assessment 2025, the period in which a deduction for expenditure incurred on research and development in Singapore not related to a person's trade or business may be allowed.

Clause 21 amends section 14DA (Enhanced deduction for qualifying expenditure on research and development) —

- (a) to extend till the year of assessment 2025, the period in which an enhanced deduction of 50% of qualifying expenditure on research and development may be allowed; and
- (b) to extend till the year of assessment 2018, the period in which an enhanced deduction of 250% and 300% of qualifying expenditure on research and development may be allowed.

Clause 22 amends section 14E (Further deduction for expenditure on research and development project) —

- (a) to extend till the year of assessment 2020, the period in which a further deduction under that section for expenditure incurred in undertaking an approved research and development project not related to a trade or business may be allowed; and
- (b) to extend the period during which a research and development project may be approved by another 5 years, i.e. till 31st March 2020.

Clause 23 amends section 14R (Deduction for qualifying training expenditure) —

- (a) to extend till the year of assessment 2018, the period in which an enhanced deduction for qualifying training expenditure may be allowed; and
- (b) to enable training expenditure to be claimed in respect of individuals deployed to a person under a centralised hiring arrangement, or who are seconded to a person.

Clause 24 amends section 14S (Deduction for qualifying design expenditure) to extend till the year of assessment 2018, the period in which an enhanced deduction for qualifying design expenditure may be allowed.

Clause 25 amends section 14T (Deduction for expenditure on leasing of PIC automation equipment under qualifying lease) to extend till the year of assessment 2018, the period in which an enhanced deduction for leasing PIC automation equipment may be allowed. The definition of “PIC automation equipment” is also amended to refer specifically to the definition of that term in section 19A(15). This is because the term “PIC automation equipment” in some parts of section 19A have been extended to apply to websites for the purposes of a trade, profession or business, whereas section 14T is not intended to apply to expenditure incurred in leasing such websites.

Clause 26 amends section 14W (Deduction for expenditure on licensing intellectual property rights) to extend till the year of assessment 2018, the period in which an enhanced deduction for expenditure on licensing intellectual property rights may be allowed.

Clause 27 inserts a new section 14X to provide for the deduction of expenditure incurred by a person for the purpose of complying with any local or foreign legal or regulatory requirements, if the expenditure is not capital in nature and is incurred for the purpose of any business carried on in the production of his income.

Clause 28 amends section 15 (Deductions not allowed) to disapply subsection (1)(b) (no deduction for expenses which are not wholly and exclusively made for acquiring the income) to any expenditure qualifying for deduction under the new section 14X.

Clause 29 amends section 18C (Initial and annual allowances for certain buildings and structures) to extend the period within which a person may apply for a land intensification allowance, till 30th June 2020. The section is also amended to enable the allowance to be given for constructions and renovations carried out on land that is zoned for airport or port use.

Clause 30 amends section 19 (Initial and annual allowances for machinery or plant) to extend till the year of assessment 2025, the period in which an allowance may be made for capital expenditure incurred by a person on the provision of any machinery or plant for research and development activity undertaken in Singapore (being machinery or plant that is not for purpose of the person's trade or business).

Clause 31 amends section 19A (Allowances of 3 years or 2 years write off for machinery and plant, and 100% write off for computer, prescribed automation equipment and robot, etc.) —

- (a) to extend till the year of assessment 2025, the period in which an allowance may be made for capital expenditure incurred by a person on the provision of any machinery or plant for research and development activity undertaken in Singapore (being machinery or plant that is not for the purpose of that person's trade or business);
- (b) to extend till the year of assessment 2018, the period in which an enhanced allowance may be made for capital expenditure incurred in the provision of PIC automation equipment; and
- (c) to treat capital expenditure incurred on the provision of a website for the purpose of a trade, business or profession, as capital expenditure incurred on the provision of PIC automation equipment, for the purposes of claiming the enhanced allowance for the year of assessment 2014 onwards.

Clause 32 amends section 19B (Writing-down allowances for intellectual property rights) —

- (a) to extend till the last day of the basis period for the year of assessment 2020, the period in which intellectual property rights must be acquired for its capital expenditure to be given a writing-down allowance under subsection (1);

- (b) to extend till the last day of the basis period for the year of assessment 2018, the period in which intellectual property rights pertaining to media and digital entertainment contents, must be acquired for its capital expenditure to be given a writing-down allowance under subsection (2C); and
- (c) to extend till the year of assessment 2018, the period in which an enhanced writing down allowance may be made for capital expenditure incurred in acquiring intellectual property rights.

Section 19B is further amended to exclude, from the definition of “intellectual property rights” insofar as it relates to trade secrets, information with commercial value, and works and subject-matters subject to copyright, customer information, information on work processes (not being industrial know-how), compilations of either of such information and other matters prescribed by the Minister. This amended definition applies for the purposes of section 14W (Deduction for expenditure on licensing intellectual property rights) too.

Clause 33 amends section 26A (Ascertainment of income of member of Lloyd’s Syndicate) to apply with modifications section 37B to a Lloyd’s limited liability partnership and a Lloyd’s Scottish limited partnership carrying on a business of insuring and reinsuring risks in Singapore. Section 37B allows a company with unabsorbed capital allowances, losses and donations of a trade or business the income of which is taxed at one rate, to be set off against income taxed at a different rate, after applying an adjustment factor. This treatment will take effect from the year of assessment 2015.

Clause 34 amends section 35 (Basis for computing statutory income) —

- (a) to set out, for the purposes of section 35(12), a new definition for “designated unit trust” and to remove the existing requirement for a designated unit trust to be “designated” by the Minister or a person appointed by him. Section 35(12) provides that certain income from a designated unit trust does not form part of the trustee’s statutory income;
- (b) to subsume, under the new definition of “designated unit trust”, unit trust schemes and exchange traded fund interest schemes in which CPF funds have been or may be invested, and to allow the Minister to prescribe such schemes by reference to schemes listed from time to time on a specified CPF website;
- (c) to require the trustee of a designated unit trust to make an election before section 35(12) can apply to his income for any year of assessment;
- (d) to provide that section 35(12) does not apply to a unit trust constituted on or after 1st April 2019; and
- (e) to provide that the trustee of a unit trust who did not enjoy the tax treatment under section 35(12) for income during a basis period beginning

on or after 1st April 2019, or who did not enjoy the tax treatment for income during the basis period preceding one in which the date 1st April 2019 falls because he failed to elect for it, will no longer be eligible for that tax treatment even if he subsequently fulfils the requirements for the treatment.

Clause 35 makes consequential amendments to section 36B (Registered business trusts) as a result of the repeal of sections 10I, 10J, 10K and 10M.

Clause 36 amends section 37 (Assessable income) to enable the Comptroller to remit any financial penalty payable by a registered grant-making philanthropic organisation for contravening any regulation made under that section.

Clause 37 amends section 37C (Group relief for Singapore companies) by replacing the reference to “the date of commencement of the Economic Expansion Incentives (Relief from Income Tax) (Amendment) Act 2004” with “28th April 2004”, being the date on which the old Parts XI to XIII A of the Economic Expansion Incentives (Relief from Income Tax) Act were repealed.

Clause 38 amends section 37D (Transfer of qualifying deduction between spouses) to provide that qualifying deductions arising in the year of assessment 2016 onwards are not eligible for transfer between spouses. Further, no transfer of qualifying deductions between spouses may be made from the year of assessment 2018 onwards. Thus unabsorbed deductions from the year of assessment 2015 or a previous year of assessment may still be transferred in any year of assessment before the year of assessment 2018.

Clause 39 amends section 37F (Carry-back of capital allowances and losses between spouses) to provide that qualifying deductions arising to an individual in the year of assessment 2016 onwards may not be carried back to off-set a spouse’s assessable income for the preceding year of assessment.

Clause 40 amends section 37I (Cash payout under Productivity and Innovation Credit Scheme) —

- (a) to extend till the year of assessment 2018, the period in which certain qualifying expenditure may be “converted” into a cash payout;
- (b) to treat capital expenditure incurred on the provision of a website for the purpose of a trade, business or profession, as capital expenditure incurred on the provision of PIC automation equipment, so that such expenditure under section 19A becomes eligible for “conversion” to a cash payout;
- (c) to include, as deductions and allowances which may be “converted” into a cash payout, enhanced deductions and allowances referred to in the new section 37IC;
- (d) to require a PIC automation equipment to be in use before expenditure on the provision of the equipment may be “converted” to a cash payout;



- (e) to treat individuals deployed to a person under a centralised hiring arrangement, or seconded to him, as being employed by him, for the purpose of determining if he satisfies the requirement of having employed and made CPF contributions for 3 local employees for a specified period. This is a requirement that he has to satisfy to be eligible for the cash payout; and
- (f) to extend the period for satisfying the requirement of employment of 3 local employees and making CPF contributions for them from 1 month to 3 months for the year of assessment 2016 onwards.

Clause 41 amends section 37IA (Productivity and Innovation Credit bonus) —

- (a) to treat capital expenditure incurred on the provision of a website for the purpose of a trade, business or profession, as capital expenditure incurred on the provision of PIC automation equipment, for the purposes of determining if a person becomes entitled to a PIC bonus; and
- (b) to treat individuals deployed to a person under a centralised hiring arrangement, or seconded to him, as being employed by him, for the purpose of determining if he satisfies the requirement of having employed and made CPF contributions for 3 local employees for a specified time. This is a requirement that the person has to satisfy to be eligible for the PIC bonus.

Clause 42 introduces new section 37IC (Enhanced deduction or allowance under Productivity and Innovation Credit Plus Scheme) to implement the Productivity and Innovation Credit Plus Scheme. Under the Scheme, qualifying persons are eligible for enhanced deductions and allowances under sections 14A, 14DA, 14R, 14S, 14T, 14W, 19A and 19B for any year of assessment between the years of assessment 2015 and 2018. The qualifications and manner of computing the enhanced amounts will be set out in regulations.

Clause 42 also inserts new sections 37ID and 37IE to deal with abusive arrangements entered into for the purpose of obtaining benefits under the Productivity and Innovation Credits (PIC) Scheme. The Comptroller is empowered under the new section 37ID to disallow a claim for enhanced deductions and PIC cash payout, and any PIC bonus based on such a claim, if he has reasonable grounds to suspect that the claim arises from an abusive arrangement. A payment made on the basis of an abusive arrangement may also be recovered as a debt due to the Government.

An abusive arrangement is one which involves an artificial, contrived or fraudulent step intended to obtain such benefit, which results in the payment for goods or service for an amount that exceeds their open market value for no bona fide commercial reason apart from getting a higher deduction, payout or bonus, or which otherwise has no bona fide commercial reason apart from getting a PIC

benefit. A promoter of such abusive schemes will be guilty of an offence under the new section 37IE.

Clause 43 amends section 37J (Penalties for false information, etc., resulting in payment under section 37I or 37IA) to provide that where a person, in contravention of that section, obtains a higher amount of cash payout or PIC bonus than what he was entitled to, the penalty to be imposed is based on the excess cash payout or bonus obtained.

Clause 44 amends the definition of “qualifying investment” in section 37K (Deduction for qualifying investments in qualifying start-up companies) to exclude shares issued pursuant to any stock option or share award schemes, and not just shares issued pursuant to an employee stock option or share award scheme.

Clause 45 amends section 39 (Relief and deduction for resident individual) —

- (a) to increase to 37% of assessable income or \$31,450 (whichever is the lower), the maximum amount of relief which may be given to a self-employed individual for his contribution to the Central Provident Fund;
- (b) to increase the amount of relief which may be claimed for maintaining a disabled spouse, child or sibling, or an aged parent;
- (c) to provide that where there is more than one claimant for relief for maintenance of an aged parent and they fail to agree on how the relief should be apportioned between them, the relief will be apportioned equally between them; and
- (d) to provide that where there is more than one claimant for relief for maintenance of an aged parent and at least one of whom was living with the parent in the same household in the year immediately preceding the year of assessment, the amount of relief to be apportioned between the claimants is the higher amount applicable to the claimant living with the parent (i.e. \$9,000 or \$14,000, depending on the case).

Clause 46 amends section 40 (Relief for non-resident citizens and certain other non-residents) to provide that no relief shall be allowed under this section for the year of assessment 2016 or any subsequent year of assessment.

Clause 47 makes a consequential amendment to section 40A (Relief for non-resident public entertainers) arising from the amendment of section 45GA.

Clause 48 amends section 43N (Concessionary rate of tax for income derived from debt securities) to provide that income from certain debt securities is not eligible for the concessionary tax rate if 50% or more of the securities which are outstanding at any time during the life of the issue of the securities are owned or funded by a related party of the issuer, and not (as currently worded) if 50% or more of the issued securities are so owned or funded, whether or not they remain outstanding.

Section 43N is further amended to provide that a primary dealer who derives income from trading in Singapore Government securities may make an irrevocable election not to be subject to the regulations made under that section which exempts the income from tax.

Finally, section 43N is amended to expand the definition of “debt securities” to include Additional Tier 1 capital instruments, so that the concessionary tax rate applicable to qualifying debt securities can apply to these instruments if the conditions for the application of the concessionary tax rate are met. As a result, references in other laws to this definition in section 43N (e.g. in section 10(8B)) will similarly include Additional Tier 1 capital instruments.

Clause 49 amends section 45 (Withholding of tax in respect of interest paid to non-resident persons) to remove the requirement to withhold tax on any payment of interest, etc., that is made to Singapore branches of non-resident foreign companies.

Clauses 50, 51 and 52 amend section 45A (Application of section 45 to royalties, management fees, etc.), section 45C (Application of section 45 to distribution by unit trust) and section 45D (Application of section 45 to gains from real property transaction), respectively, for a purpose similar to the purpose for the amendment to section 45 as regards payments made to Singapore branches of non-resident foreign companies.

Clause 53 inserts a new section 45EA to allow an SRS operator to approve the deduction of an investment from the balance in an SRS account belonging to a non-citizen SRS member, if and only if the SRS operator has collected tax from the SRS account holder or his legal personal representative on 50% of the prescribed value of the investment. The SRS operator must account to the Comptroller for the tax he is liable to collect.

Clauses 54 and 56 amend section 45G (Application of section 45 to distribution from any real estate investment trust) and section 45H (Application of section 45 to commission or other payment of licensed international market agent), respectively, for a purpose similar to the purpose for the amendment to section 45 as regards payments made to Singapore branches of non-resident foreign companies.

Clause 55 amends section 45GA(2A) (Application of section 45 to income derived as public entertainer) to extend the period during which a non-resident public entertainer may derive income subject to the reduced withholding tax rate of 10%.

Clause 57 makes an amendment to section 89 (Suit for tax by Comptroller) consequential on the insertion of the new section 45EA.

Clause 58 amends section 95 (Penalty for incorrect return, etc.) to provide that where a person, in contravention of that section obtains a higher amount of bonus

than what he was entitled to, the penalty to be imposed is based on the excess bonus obtained.

Clause 59 amends section 96 (Tax evasion and wilful action to obtain PIC bonus) to provide that where a person, in contravention of that section, obtained or assisted another person to obtain a higher amount of bonus than what he or that other person was entitled to, the penalty to be imposed is based on the excess bonus obtained.

Clause 60 amends section 96A (Serious fraudulent tax evasion and action to obtain PIC bonus) to provide that where a person, in contravention of that section, obtained or assisted another person to obtain a higher amount of bonus than what he or that other person was entitled to, the penalty to be imposed is based on the excess bonus obtained.

Clause 61 amends section 105A (Interpretation of Part XXA) to modify certain definitions there in order to cover exchange of information arrangements which are multilateral treaties. The changes here are consequential on the amendments made to section 105BA. An example of such a multilateral treaty is the Convention on Mutual Administrative Assistance in Tax Matters done at Strasbourg on 25th January 1988.

Clause 62 amends section 105BA (Exchange of information arrangement) to enable a multilateral treaty which provides for exchange of tax information between countries to be prescribed as an exchange of information arrangement for the purposes of Part XXA.

Clause 63 amends section 105E (Comptroller to serve notice of request on certain persons) so that the duty to give notice to taxpayers concerning an EOI request for bank or trust information will apply not only when the taxpayer is identified in the request, but also when the taxpayer's identity becomes subsequently known to the Comptroller (e.g. upon exercise of his information-gathering powers).

Clause 64 inserts a new section 105HA which concerns proceedings initiated to review actions of the Comptroller taken to enable Singapore to carry out exchanges of information (EOI) under an avoidance of double taxation arrangement or an EOI arrangement, and other actions taken under Part XXA. The purpose of the new provision is to control the confidentiality of the proceedings and documents used in the proceedings.

Clause 65 amends section 105L (Provision of information to Comptroller) to ensure that as well as the Comptroller being authorised to receive information to enable Singapore to discharge her obligations under an international tax compliance agreement, any other person authorised by the Comptroller may also receive that information for that purpose.

Clause 66 amends section 105M (Offences) to extend the range of offences that may be committed by including a reference to offences resulting from the contravention of certain regulations made under section 105P, as amended by clause 68.

Clause 66 also makes amendments to section 105M that are consequential on the amendment to section 105L.

Clause 67 inserts new section 105MA which is an anti-avoidance provision that gives the Comptroller the power to give directions to ensure that any arrangements or actions designed to circumvent the obligation of disclosure under section 105L or other obligations imposed by regulations under section 105P may be disregarded.

Clause 68 amends section 105P (Regulations to implement international tax compliance agreements) which currently allows the Minister to make regulations to give effect to an international tax compliance agreement. The amendment will allow those regulations to provide that a contravention of any specified provision in the regulations is an offence.

Clause 69 inserts a new section 105Q which concerns proceedings initiated to review actions of the Comptroller taken for the purposes of an international tax compliance agreement, and other actions taken under Part XXB. The purpose of the new provision is to control the confidentiality of the proceedings and documents used in such proceedings.

Clause 70 amends the Fifth Schedule (Child relief) to remove provisions and words relating to the year of assessment 2008. This is done to make the Schedule easier to read by removing outdated contents.

Clause 71 —

- (a) amends various provisions of the Act to clarify that a reference in each of the provisions to a period between 2 dates is inclusive of both the dates; and
- (b) makes consequential amendments to various provisions arising from the deletion of the term “approved CPF unit trust” under clauses 3 and 34 and the new definition of “designated unit trust” in section 35.

Clause 72 makes a consequential amendment to section 74A of the Economic Expansion Incentives (Relief from Income Tax) Act (Cap. 86) arising from the amendments made to sections 19A and 19B of the Income Tax Act.

Clause 73 enables the Minister to make regulations to prescribe further savings and transitional provisions.

## EXPENDITURE OF PUBLIC MONEY

This Bill will involve the Government in extra financial expenditure, the exact amount of which cannot at present be ascertained.

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