

Singapore – Overview on Fiscal Budget for FY2018

Singapore Government has introduced a new round of changes for tax rebates and incentives with the Budget Statement for the year of assessment 2018 (YA2018), forecasting in the meanwhile a gradually reduction for the next future.

It seems like that YA2018 will be the last one which can see an increase of tax deductions, when starting from YA2019 there will be many factors able to increase the taxable amounts for corporate tax and sales tax (GST).

Year of Assessment (YA) 2018

Looking at the Year of Assessment 2018 we can find:

- an increase of the corporate tax rebate from 20% to 40%
- an increase of the corporate tax rebate cap from 10,000 S\$ to 15,000 S\$.

Nominal and standard corporate tax is always at 17%.

YA2019 and onwards

Then in the next future, from a general point of view the key actions aim to:

- decrease the corporate tax rebate in the next future (from 40% to 20%)
- decrease the Start-up exemption scheme incentive (no more total exemption)
- decrease the withholding tax exemptions within some financial transactions
- increase the Goods and Service Tax (GST) percentage (progressively from 7% to 9%)
- introduce the GST taxation on imported services on B2C transactions.

These progressive changes are planned to support Government expenditures in public healthcare, security and social assistance.

International relationships

On the international scope, Singapore has increased her list of Double Taxation Agreements and has signed new treaties to prevent internal tax base erosion and international profit shifting, just like the implementation of the Multilateral Instrument (or MLI) and the adoption of the automatic exchange of financial information agreement (AEOI) under the Common Reporting System (CRS), on a Country-by-Country report basis.

Other focuses have been set on:

- transfer pricing assessment, with the introduction of penalties for mandatory TP Documentation non-compliance;
- re-domiciliation from off-shore to on-shore companies (Inward Re-domiciliation Regime).

Accounting Standards

Finally, from the accounting side, we must remember the IFRS Convergence 2018 roadmap, with the adoption of the IFRS framework from March 2018 (Q1) with comparative results of Q1 2017, given within the transitional provisions of SG-IFRS 1.

From January 1, 2018 is applicable the new Financial Reporting Standard 115, applicable from annual periods starting on or after that date.

Final words

These changes will lead Singapore to a more demanding tax system, in term of taxable amounts and related compliance, within a deeper integration and harmonisation in the International environment, financial and operational.