

Fiscal Policy for Innovation & Growth and Current Trends in Tax Policy

Presented by Singapore

*8th IMF-Japan High-Level Tax Conference for Asian Countries in Tokyo
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Agenda

- Challenges in Singapore's Economy
- Singapore's Fiscal Policy
- Measures to Support Innovation & Growth
- Public Service Initiatives to Help Businesses Reduce Costs

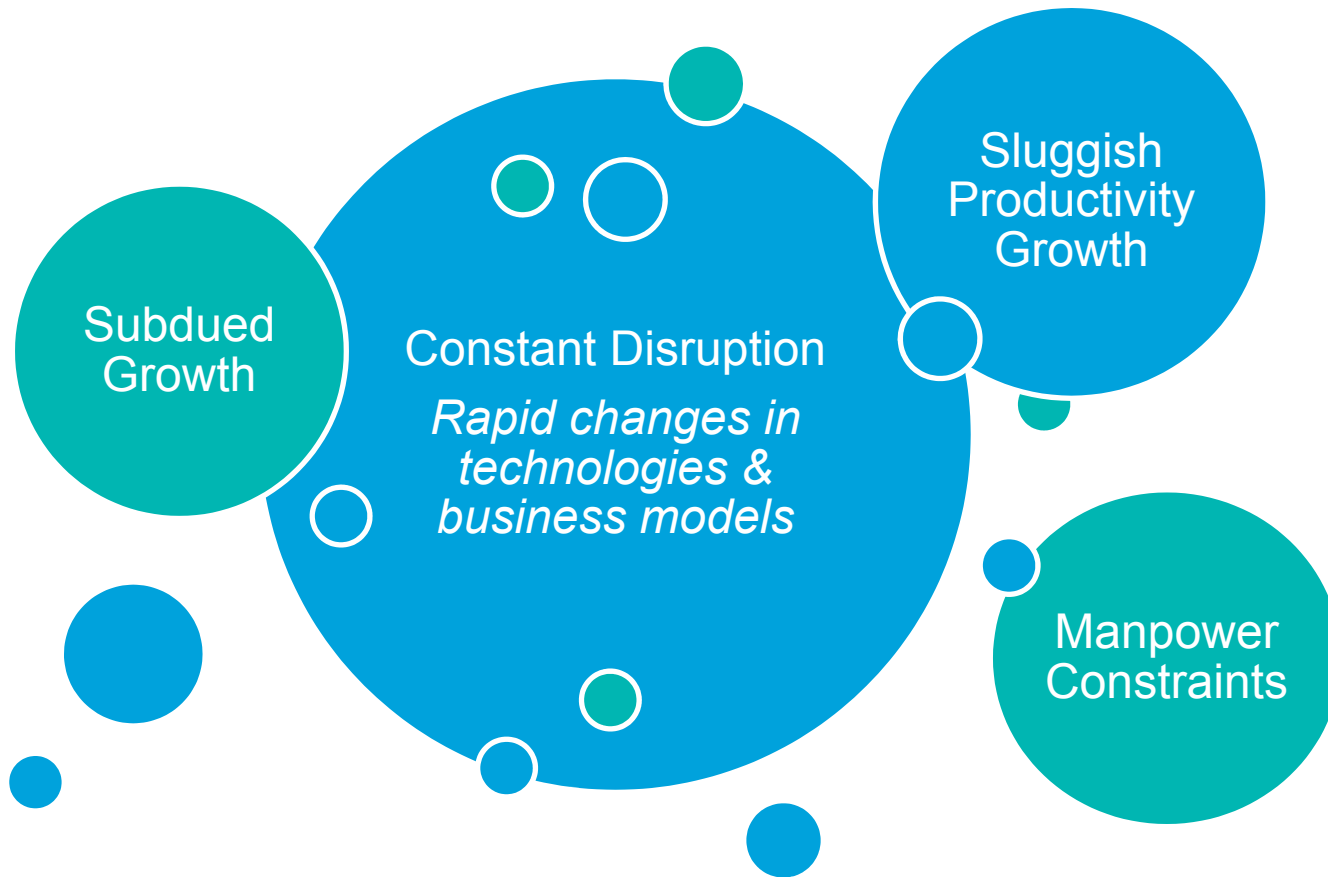


Challenges in Singapore's Economy



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Challenges in Singapore's Economy



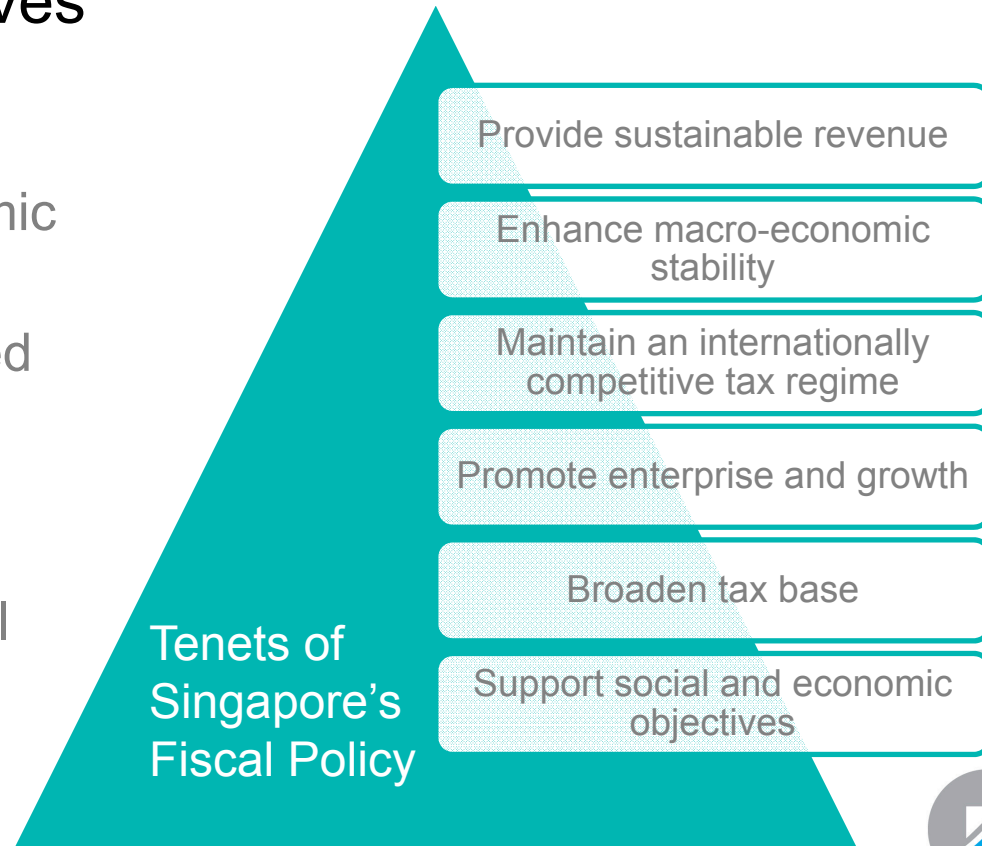
Singapore's Fiscal Policy



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Singapore's Fiscal Policy

- Long-term objectives
 - Promote & support sustained, non-inflationary economic growth
 - Maintain a balanced budget
 - Focus government expenditure on delivering essential public goods and services



Measures to Support Innovation & Growth



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Measures to Support Innovation & Growth

- **Tax Measures**
 - Productivity and Innovation Credit (PIC) Scheme
 - Intellectual Property (IP) Development Incentive
 - Start-up Tax Exemption
 - Angel Investors Tax Deduction Scheme
 - Double Tax Deduction for Internationalisation Scheme
- **Non Tax Measures**
 - Grants
 - Industry Transformation Programme
 - Industry Transformation Maps
 - SkillsFuture



Measures to Support Innovation & Growth







- **PIC Scheme**
 - Broad based tax scheme to encourage productivity & innovation activities
 - 400% enhanced deduction on qualifying expenditures across 6 qualifying activities
 - Option to convert tax deduction into cash



Measures to Support Innovation & Growth

- PIC Scheme

- ✚ Invest in any of these 6 qualifying activities

-  1. Acquisition/Leasing of PIC IT and Automation Equipment
-  2. Training of Employees
-  3. Acquisition/Licensing of Intellectual Property
-  4. Registration of Patents, Trademarks, Designs and Plant Varieties
-  5. Research & Development Activities
-  6. Designed Projects Approved by DesignSingapore Council

- ✚ Tax Benefits under PIC

400%
tax deductions/allowances
on up to \$400,000
expenditure per YA in each of
the 6 activities

Opt for cash payout
in place of tax deductions/allowances
capped at \$100,000 expenditure per YA across all
6 activities at a cash payout rate of:

- 60% (exp incurred from YAs 2013 to 31 Jul 2016)
- 40% (exp incurred from 1 Aug 2016 to YA 2018)

Measures to Support Innovation & Growth

- **IP Development Incentive**
 - Budget 2017 initiative
 - Encourage use of IPs from R&D activities
 - Based on modified nexus approach under BEPS Action 5 Report
 - Qualifying IP income taxable at concessional rate of tax
 - Details being worked out



Measures to Support Innovation & Growth

- **Start-up Tax Exemption**

- Support entrepreneurship and growth of local enterprises
- Applies to first 3 consecutive years of assessment of qualifying new companies

Chargeable income	Percentage exempted from tax	Amount exempted from tax
Start-up tax exemption		
First S\$100,000	100%	S\$100,000
Next S\$200,000	50%	S\$100,000
		<hr/> S\$200,000 <hr/>
Partial tax exemption (available to all companies)		
First S\$10,000	75%	S\$7,500
Next S\$290,000	50%	S\$145,000
		<hr/> S\$152,500 <hr/>



Measures to Support Innovation & Growth

- **Angel Investors Tax Deduction Scheme**
 - Encourage individuals to invest in start-up companies and help them grow
 - 50% deduction on investment in qualifying start-ups at end of a 2-year holding period
 - Applies to approved angel investors with minimum investment of S\$100,000 (capped at S\$500,000)



Measures to Support Innovation & Growth

- **Double Tax Deduction for Internationalisation Scheme**
 - Encourage internationalisation
 - Double deduction on qualifying expenses incurred in qualifying activities such as participation in overseas business development trips and overseas trade fairs
 - Applies to firms and companies, subject to conditions



Measures to Support Innovation & Growth

- Grants
 - Various grants to fund capability upgrading initiatives

Increase SME Productivity with Infocomm Adoption & Transformation (iSPRINT)

- Encourage SMEs to use technology to improve & innovate their business
- Up to 80% grant on costs incurred for adopting infocomm technology

Innovation & Capability Voucher (ICV)

- Encourage businesses to upgrade & strengthen 4 capability areas - financial management, human resources, innovation & productivity
- Up to 8 vouchers valued at max. of S\$5,000 each



Measures to Support Innovation & Growth

- **Industry Transformation Programme**
 - Integrates different restructuring efforts
 - More targeted & sector-focused approach
 - Deepens Government-Industry partnerships
 - Stronger emphasis on technology & innovation



Measures to Support Innovation & Growth

- **Industry Transformation Maps (ITMs)**
 - Promote growth and competitiveness across 23 industries; including precision engineering, logistics and retail
 - Each ITM supported by 4 pillars

Productivity

- Strategies to support companies to move to higher value-add activities and raise operational efficiency

Jobs & Skills

- Investing in our people to equip them with deep skills to support shift to greater value creation

Innovation

- Strategies to leverage R&D to develop new products & services

Internationalisation

- Support companies in expanding to overseas market



Measures to Support Innovation & Growth

- **SkillsFuture**

- National movement to provide individuals with opportunities to develop their fullest potential throughout life
- Various initiatives targeted at students, employees, employers & training providers

SkillsFuture Credit

- Initial S\$500 credit for all Singaporeans aged 25 & above
- Pay for wide range of approved skills-related courses

P-Max

- Match job-seeking professionals, manager & executives with hiring SMEs



Public Service Initiatives to Help Businesses Reduce Costs



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Public Service Initiatives to Help Businesses Reduce Costs



Leveraging on new technologies to deliver digital services

Enhancing public administration through sharing of information among government agencies

Reviewing policies and regulations regularly to keep up with changes in business environment



Public Service Initiatives to Help Businesses Reduce Costs

- **Leveraging on new technologies to deliver digital services**
 - Nationwide effort to connect individuals and businesses digitally
 - SingPass and CorpPass:
 - Access hundred of e-services provided by participating government agencies using single password secured with 2FA
 - E-services such as:
 - Filing of tax returns/documents and submission of employment income (by employers)
 - Application of licenses/permits (e.g. customs permits, employment passes, CPF contributions, passports, etc.)
 - Business Grant Portal (BGP) – one-stop platform for businesses to apply for grants/subsidies offered by government agencies



Public Service Initiatives to Help Businesses Reduce Costs

- Enhancing public administration through sharing of information among government agencies
 - MyInfo for Individuals:
 - One-stop platform that pulls personal data across government agencies to pre-fill e-forms
 - Eliminates repetitive filing of personal information for multiple online transactions with e-Services
 - Building a central depository to store data collected from businesses i.e. collect once only
 - Using data analytics to understand insights and improve public services



Public Service Initiatives to Help Businesses Reduce Costs

- **Reviewing policies and regulations regularly to keep up with changes in business environment**
 - Proactive engagements with business community to gain insights on development and emerging issues affecting enterprises in different industries
 - Timely review of policies and regulations to help businesses cope with changes



Thank You

The information presented in the slides aims to provide a better general understanding of taxpayers' tax obligations and is not intended to comprehensively address all possible tax issues that may arise. This information is correct as at **20 Mar 2017**. While every effort has been made to ensure that this information is consistent with existing law and practice, should there be any changes, IRAS reserves the right to vary its position accordingly.

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