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Notification No. B 3 — The Income Tax (Amendment) Bill is hereby published for general information. It was introduced in Parliament on 25th January 2016.

Income Tax (Amendment) Bill

Bill No. 3/2016.

Read the first time on 25 January 2016.

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 related amendments to the Economic Expansion Incentives (Relief from Income Tax) Act (Chapter 86 of the 2005 Revised Edition) and the Stamp Duties Act (Chapter 312 of the 2006 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 is the Income Tax (Amendment) Act 2016.

(2) Section 11(1)(*m*), (*n*) and (*q*) is deemed to have come into operation on 23 February 2010.

(3) Section 3 is deemed to have come into operation on 25 April 2013.

(4) Section 20(1)(*a*) is deemed to have come into operation on 22 February 2014.

(5) Section 10(*a*) is deemed to have come into operation on 1 April 2014.

(6) Section 15(*i*) is deemed to have come into operation on 1 September 2014.

(7) Sections 9(1)(*a*), (*c*) to (*f*) and (*h*), 11(1)(*b*), (*c*), (*h*), (*i*), (*k*), (*l*) and (*p*), 14(1)(*b*), 31(*b*) and (*c*) and 33(*a*), (*c*) to (*j*), (*l*) and (*n*) to (*q*) are deemed to have come into operation on 24 February 2015.

(8) Section 49 is deemed to have come into operation on 18 March 2015.

(9) Sections 8(1)(*c*) to (*f*), 15(*a*) to (*h*) and (*j*), (*k*) and (*l*), 16(*a*), 17(*b*), 24, 26(1)(*b*) and (*c*), 27, 34, 52(*a*), 54 and 55 are deemed to have come into operation on 1 April 2015.

(10) Sections 10(*b*) and 13 are deemed to have come into operation on 29 May 2015.

(11) Section 5(1)(*d*), (*e*) and (*f*) is deemed to have come into operation on 1 June 2015.

(12) Sections 16(*b*) and (*c*), 17(*a*) and (*c*), 18, 40(*a*) and 52(*b*) are deemed to have come into operation on 1 July 2015.

(13) Sections 25(1)(*b*) and (*d*), 35(*a*), 36(1)(*b*), 38(*c*), 39(*b*) and (*e*) and 56 are deemed to have come into operation on 1 January 2016.

(14) Sections 4(*b*) and (*p*), 35(*b*), (*c*) and (*d*), 37, 38(*a*), (*b*) and (*d*), 39(*a*), (*c*) and (*d*) and 43 come into operation on 1 July 2016.

Amendment of section 2

2. Section 2 of the Income Tax Act (called in this Act the principal Act) is amended —

(*a*) by inserting, immediately after the word "sections" in the definition of "Comptroller" in subsection (1), "37IE(7),"; and

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

"(3) In this Act, a ship (as defined in section 2(1) of the Merchant Shipping Act (Cap. 179)) is used for offshore oil or gas activity if it is used for the exploration or exploitation of offshore oil or gas, or to support any activity that is ancillary to such exploration or exploitation.".

Amendment of section 6

3. Section 6 of the principal Act is amended by inserting, immediately after subsection (11), the following subsection:

"(11A) Despite anything in this section, the Comptroller —

(*a*) may furnish to —

(i) the chief executive officer of the Inland Revenue Authority of Singapore established under section 3 of the Inland Revenue Authority of Singapore Act (Cap. 138A); or

(ii) an officer duly authorised by the chief executive officer,

any information required for the performance of the official duties of the chief executive officer or authorised officer in administering the public scheme known as the wage credit scheme; and

(*b*) may allow the chief executive officer or authorised officer such access to any records or documents as may be necessary for the performance of those official duties.".

Amendment of section 8A

4. Section 8A of the principal Act is amended —

(*a*) by inserting, immediately after the word "document" in subsection (1)(*a*), the words ", and the provision of any information to the Comptroller under section 65B(3)";

(*b*) by deleting the word "Any" in subsection (3) and substituting the words "Subject to sections 45(1B) and 45D(2A), any";

(*c*) by inserting, immediately after the word "document" in subsection (4), the words ", or provide any information to the Comptroller,";

(*d*) by inserting, immediately after the words "is filed or submitted" in subsections (5) and (6), the words ", or any information is provided,";

(*e*) by deleting the words "filed or submitted" in subsections (5)(*a*) and (6)(*a*) and substituting in each case the words "filed, submitted or provided";

(*f*) by deleting the words "statement or document" in subsection (6)(*a*) and substituting the words "statement, document or information";

(*g*) by inserting, immediately after the words "statement or document," in subsection (6)(*b*), the words "or provide the information,";

(*h*) by deleting the words "statement or document that was filed or submitted" in subsections (8)(*a*) and (9)(*a*) and substituting in each case the words "statement, document or information that was filed, submitted or provided";

(*i*) by inserting, immediately after the word "submitted" in subsection (8)(i), the word ", provided";

(*j*) by deleting the words "statement or document was filed or submitted" in subsection (9) and substituting the words "statement, document or information was filed, submitted or provided";

(*k*) by deleting the words "submit or serve the return, estimate, statement, document" in subsection (10)(*a*)(i) and substituting the words "submit, provide or serve the return, estimate, statement, document, information";

(*l*) by inserting, immediately after the word "document" in subsection (10)(*a*)(ii), the word ", information";

(*m*) by inserting, immediately after the words "statement, document" in subsection (11), the word ", information";

(*n*) by deleting the words "that document" in subsection (11) and substituting the words "that return, estimate, statement, document, information or notice";

(*o*) by deleting the words "or document that is filed or submitted" in subsection (13)(*b*) and substituting the words ", document or information that is filed, submitted or provided"; and

(*p*) by inserting, immediately after subsection (13), the following subsection:

"(14) In this section, to avoid doubt, "document" includes a notice required to be given under section 45(1)(*b*) or 45D(2).".

Amendment of section 10

5.—(1) Section 10 of the principal Act is amended —

(*a*) by deleting subsection (5) and substituting the following subsection:

"(5) In subsection (4) —

"foreign ship" has the meaning given to it in section 13F(6);

"Singapore ship" has the meaning given to it in section 13A(16).";

(*b*) by deleting the words "subsections (4) and (5)" in subsection (5A) and substituting the words "subsection (4)";

(*c*) by inserting, immediately after subsection (16), the following subsection:

"(16A) Subsection (16) does not apply to any income referred to in that subsection that is derived in the basis period for the year of assessment 2017 or any subsequent year of assessment.";

(*d*) by deleting the word "Any" in subsections (20) and (20A) and substituting in each case the words "Subject to subsection (20G), any";

(*e*) by deleting the words "and (20E)" in subsection (20B) and substituting the words ", (20E), (20G) and (20H)"; and

(*f*) by inserting, immediately after subsection (20F), the following subsections:

"(20G) Where subsection (20B) has applied in relation to a unit trust —

(*a*) the amount of the income referred to in subsection (20B)(*a*) that has yet to be distributed to the unit holders of the unit trust by the corresponding date in question is treated, for the purposes of any subsequent application of subsection (20B) in relation to that unit trust, as having been distributed by the unit trust to its unit holders immediately after that corresponding date; and

(*b*) subsections (20) and (20A) do not apply to any subsequent distribution by the unit trust to its unit holders of any income referred to in paragraph (*a*).

(20H) Where —

(*a*) by reason of the application of subsection (20B) in relation to a unit trust, a person is treated as having derived on the corresponding date in question an amount of income that is equal to the prescribed amount

of income referred to in subsection (20B)(*a*); and

(*b*) at any time after that corresponding date, the person disposes of units in the unit trust,

then the amount of any gains or profits derived from that disposal that is chargeable with tax under subsection (1)(*a*) is to be reduced by the amount of the income referred to in subsection (20E)(*b*)(i) or (ii) or (*c*)(i) or (ii) (whichever is applicable), that corresponds to the units disposed of.".

(2) Subsection (1)(*a*) applies only in relation to income derived on or after the date the Income Tax (Amendment) Act 2016 is published in the *Gazette*.

Amendment of section 10C

6. Section 10C(12) of the principal Act is amended —

(*a*) by deleting the words "or $5,000 (being the month of September 2011 or any subsequent month)" in paragraph (*a*) of the definition of "relevant amount" and substituting the words ", $5,000 (being the month of September 2011 or any subsequent month before January 2016) or $6,000 (being the month of January 2016 or any subsequent month)";

(*b*) by deleting paragraph (*b*) of the definition of "relevant amount" and substituting the following paragraph:

"(*b*) $79,333 (in relation to the year 2011), $85,000 (in relation to the years 2012, 2013, 2014 and 2015) or $102,000 (in relation to the year 2016 and every subsequent year),";

(*c*) by deleting paragraph (*a*) of the definition of "specified amount";

(*d*) by deleting the word "and" at the end of paragraph (*c*) of the definition of "specified amount";

(*e*) by deleting the words "and every subsequent year" in paragraph (*d*) of the definition of "specified amount" and substituting the words ", 2013, 2014 or 2015"; and

(*f*) by inserting the word "and" at the end of paragraph (*d*) of the definition of "specified amount", and by inserting immediately thereafter the following paragraph:

"(*e*) in relation to the year 2016 and every subsequent year, the difference between $102,000 and the total ordinary wages paid to the employee in that year; and for this purpose, any amount of ordinary wages paid to the employee for any month in the year in excess of $6,000 is to be disregarded;".

Amendment of section 10L

7.—(1) Section 10L of the principal Act is amended —

(*a*) by inserting, immediately after "(3)," in subsections (1) and (2), "(3G),";

(*b*) by deleting the word "Only" in subsection (3) and substituting the words "Subject to subsection (3G), only";

(*c*) by deleting the words "subsection (3)(*a*)" in subsection (3D) and substituting the words "subsections (3)(*a*) and (3G)";

(*d*) by deleting the words "subsections (1), (2) and (3)" in subsection (3E) and substituting the words "subsections (1), (2), (3) and (3G)";

(*e*) by inserting, immediately after subsection (3F), the following subsection:

"(3G) Where an SRS member makes a withdrawal of all of the funds standing in the SRS account of the SRS member on the ground that the SRS member is suffering from a terminal illness or disease, then an amount determined in the following manner (if more than zero) is treated as the SRS member's income chargeable to tax under section 10(1)(*g*):

$$50\% \times (A - B),$$

where A is the amount of the withdrawal; and

B is the amount determined under subsection (9A).";

(*f*) by deleting paragraph (*c*) of subsection (8) and substituting the following paragraph:

"(*c*) the closure of the SRS account of the SRS member —

(i) on or after the date the SRS member attains the prescribed minimum retirement age prevailing at the time the SRS member makes the first contribution to the SRS account; or

(ii) on or after the date the SRS member becomes physically or mentally incapacitated from ever continuing in any employment, becomes mentally disordered and incapable of managing himself or his affairs, or begins to suffer from a terminal illness or disease."; and

(*g*) by deleting subsection (9) and substituting the following subsections:

"(9) When an SRS member dies, any sum standing in the SRS account of the SRS member is treated as withdrawn on the date of death, and an amount determined in the following manner (if more than zero) is treated as the SRS member's income chargeable to tax under section 10(1)(*g*):

$$50\% \times (A - B),$$

where A is the amount treated as withdrawn; and

B is the amount determined under subsection (9A).

(9A) For the purposes of subsections (3G) and (9), the amount B referred to in those subsections is —

$$[\$40,000 \times (10 - C)] - D,$$

where C is —

(*a*) if the SRS member made a withdrawal under subsection (3)(*b*) or (*c*) (not being a withdrawal under subsection (3G)) in any year before the relevant year, the total number of years (a part of a year being treated as a full year) in the period —

(i) beginning with the year in which the SRS member made the first such withdrawal; and

(ii) ending with the year immediately before the relevant year,

or, if the first year and the last year in the period are (or are part of) the same year, one; or

(*b*) if the SRS member made his first withdrawal under subsection (3)(*b*) or (*c*) (not being a withdrawal under subsection (3G)) in the relevant year, or did not make any such withdrawal, zero; and

D is the lower of —

(*a*) $40,000; and

(*b*) the sum of the following withdrawals made in the relevant year (which is not a withdrawal under subsection (3G)):

(i) every withdrawal made under subsection (3)(*b*);

(ii) every withdrawal made under subsection (3)(*c*).

(9B) In subsection (9A), "relevant year" means —

(*a*) the year in which the SRS member makes the withdrawal under subsection (3G); or

(*b*) the year of death of the SRS member,

as the case may be.".

(2) Subsection (1) has effect for the year of assessment 2016 and subsequent years of assessment.

Amendment of section 13

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

(*a*) by inserting, immediately after the word "ship" in subsection (1)(*oa*), the words "(as defined in section 2(1) of the Merchant Shipping Act (Cap. 179))";

(*b*) by deleting the words "on or after 3rd May 2002" in subsection (1)(*r*) and substituting the words "during the period from 3 May 2002 to 31 March 2020 (both dates inclusive)";

(*c*) by inserting, immediately after paragraph (*r*) of subsection (1), the following paragraphs:

"(*ra*) the income derived during the period from 1 April 2015 to 31 March 2020 (both dates inclusive) by a qualifying mediator who is not resident in Singapore, for providing the services of a mediator for a mediation —

(i) that takes place in Singapore; or

(ii) that would have taken place in Singapore but for the settlement of the dispute or withdrawal of the claim in question;

(*rb*) the income derived during the period from 1 April 2015 to 31 March 2020 (both dates inclusive) by an individual who is not resident in Singapore, for providing the services of a mediator for a qualifying mediation —

(i) that takes place in Singapore; or

(ii) that would have taken place in Singapore but for the settlement of the dispute or withdrawal of the claim in question;";

(*d*) by deleting "2015" in subsections (12A), (12B) and (12C) and substituting in each case "2020";

(*e*) by inserting, immediately after the definition of "qualifying debt securities" in subsection (16), the following definitions:

" "qualifying mediation" means a mediation that is administered by a body or an organisation that provides services for the conduct of mediation (called in this section a mediation service provider), and that is prescribed under section 7;

"qualifying mediator" means an individual who is certified or accredited under a mediator certification or accreditation scheme prescribed under section 7;"; and

(*f*) by inserting, immediately after subsection (16), the following subsection:

"(17) For the purposes of the definitions of "qualifying mediation" and "qualifying mediator" in subsection (16), the Minister may prescribe a description of mediation service providers and a

description of mediator certification or accreditation schemes that are set out on a specified website of the Ministry of Law, as amended from time to time.".

(2) Subsection (1)(*a*) applies only in relation to payments liable to be made on or after the date the Income Tax (Amendment) Act 2016 is published in the *Gazette*.

Amendment of section 13A

9.—(1) Section 13A of the principal Act is amended —

(*a*) by deleting the words "on or after 22nd February 2010" in subsection (1C) and substituting the words "at any time in the period between 22 February 2010 and 23 February 2015 (both dates inclusive)";

(*b*) by deleting the words ", foreign dredger, foreign seismic ship or any foreign vessel used for offshore oil or gas activity" in subsection (1CA)(*c*);

(*c*) by inserting, immediately after subsection (1CC), the following subsections:

"(1CD) The income of a shipping enterprise referred to in this section includes income derived on or after 24 February 2015 by the shipping enterprise from providing prescribed ship management services to a qualifying company in respect of Singapore ships owned or operated by the qualifying company.

(1CE) The income of a shipping enterprise referred to in this section includes income derived on or after 24 February 2015 by the shipping enterprise from —

(*a*) any mobilisation or holding of any ship used or to be used for offshore oil or gas activity outside the limits of the port of Singapore; or

(*b*) the demobilisation of any ship after it has been so used,

where the mobilisation, holding or demobilisation is undertaken by the shipping enterprise itself using a Singapore ship.

(1CF) The income of a shipping enterprise referred to in this section includes income derived on or after 24 February 2015 by the shipping enterprise from —

(*a*) any mobilisation or holding of a Singapore ship owned or operated by the shipping enterprise and used or to be used for offshore oil or gas activity outside the limits of the port of Singapore; or

(*b*) the demobilisation of a Singapore ship owned or operated by the shipping enterprise after it has been so used.

(1CG) The income of a shipping enterprise referred to in this section includes income derived on or after 24 February 2015 by the shipping enterprise from the leasing of any container (other than finance leasing) carried out in connection with its operation of Singapore ships and that is incidental to such operation.";

(*d*) by deleting the words "or (1C)" in subsection (3)(*b*) and substituting the words ", (1C), (1CD), (1CE), (1CF) or (1CG)";

(*e*) by inserting, immediately before the definition of "foreign ship" in subsection (16), the following definitions:

" "container" has the same meaning as in section 43ZA(7);

"demobilisation", in relation to a ship, means the standing down and restoration of the ship to the state it was in before mobilisation;

"finance leasing", in relation to any container, means a lease of the container (including any arrangement or agreement made in connection

with the lease) which has the effect of transferring substantially the obsolescence, risks or rewards incidental to ownership of the container to the lessee;";

(*f*) by inserting, immediately after the definition of "foreign ship" in subsection (16), the following definitions:

" "holding", in relation to a ship, means keeping the ship on a standby mode for use in offshore oil or gas activity;

"mobilisation", in relation to a ship, means bringing the ship to a state of readiness for use in offshore oil or gas activity, and includes moving the ship to the deployment site, and outfitting and re-engineering the ship to bring it to a state of readiness for use in such activity;";

(*g*) by deleting the word "vessel" in paragraph (*a*)(iv) of the definition of "operation" in subsection (16) and substituting the word "ship";

(*h*) by inserting, immediately after the definition of "operation" in subsection (16), the following definition:

" "prescribed ship management services" means activities that support or are incidental to owning or operating a ship, and which are prescribed as prescribed ship management services under section 7;";

(*i*) by inserting, immediately after the definition of "qualifying company" in subsection (16), the following definition:

" "ship" has the same meaning as in section 2(1) of the Merchant Shipping Act;"; and

(*j*) by deleting the definition of "Singapore ship" in subsection (16) and substituting the following definition:

" "Singapore ship" means a ship in respect of which a certificate of registry (other than a provisional certificate of registry) has been issued under the

Merchant Shipping Act and its registry is not closed or deemed to be closed or suspended;".

(2) Paragraphs (*b*), (*g*) and (*i*) of subsection (1) apply only in relation to income derived or deemed to be derived on or after the date the Income Tax (Amendment) Act 2016 is published in the *Gazette*.

Amendment of section 13CA

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

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

"(1A) Subsection (1) does not apply to any income of a prescribed person that is —

(*a*) derived in the prescribed person's capacity as a trustee of a pension or provident fund approved under section 5;

(*b*) derived in the prescribed person's capacity as a trustee of a designated unit trust referred to in section 35(14) in a basis period or part of a basis period for a year of assessment, where the person has elected under section 35(12) for that provision to apply to any of the person's income in that basis period or that part of the basis period;

(*c*) derived in the prescribed person's capacity as a trustee of a real estate investment trust within the meaning of section 43(10); or

(*d*) exempt from tax under section 13X.";

(*b*) by deleting the definition of "relevant day" in subsection (9) and substituting the following definition:

" "relevant day" means —

(*a*) the last day of the basis period of the prescribed person for the year of assessment referred to in subsection (2), (4) or (6) (as the case may be);

(*b*) if on a day within that basis period the prescribed person becomes an approved person under section 13X(1)(*a*) the day immediately before the first-mentioned day; or

(*c*) if on a day within that basis period the prescribed person becomes an approved master fund or approved feeder fund of —

(i) an approved master-feeder fund structure under section 13X(1)(*b*);

(ii) an approved master-feeder fund-SPV structure under section 13X(1)(*c*); or

(iii) an approved master fund-SPV structure under section 13X(1)(*d*),

the day immediately before the first-mentioned day;"; and

(*c*) by deleting the word "non-resident" in the section heading and substituting the words "prescribed persons".

Amendment of section 13F

11.—(1) Section 13F of the principal Act is amended —

(*a*) by deleting the word "vessel" wherever it appears in subsection (1)(*b*)(i) and (ii) and substituting in each case the word "ship";

(*b*) by deleting the words "on or after 22nd February 2010" in subsection (1)(*e*) and substituting the words "at any time in the period between 22 February 2010 and 23 February 2015 (both dates inclusive)";

(*c*) by deleting the word "and" at the end of subsection (1)(*e*);

(*d*) by deleting the words ", a foreign dredger, a foreign seismic ship or any foreign vessel used for offshore oil or gas

activity" in subsection (1)(*g*)(i) and substituting the words "used for a prescribed purpose";

(*e*) by deleting sub-paragraphs (ii) and (iii) of subsection (1)(*g*) and substituting the following sub-paragraphs:

"(ii) the assignment to another of all its rights as the buyer under a contract for the construction of a ship for a prescribed purpose that, at the time of assignment, is intended to be a foreign ship to be used for that or any other prescribed purpose; or

(iii) the sale of all of the issued ordinary shares in a special purpose company of the approved international shipping enterprise where, at the time of the sale of the shares, the special purpose company —

(A) owns any foreign ship that is used for a prescribed purpose;

(B) is the buyer under a contract for the construction of a foreign ship for a prescribed purpose that is intended to be used for that or any other prescribed purpose;

(C) owns a Singapore ship within the meaning of section 13A(16) or a ship that is provisionally registered under the Merchant Shipping Act (Cap. 179); or

(D) is the buyer under a contract for the construction of a ship that, at the time of the sale, is intended to be registered or is provisionally registered under the Merchant Shipping Act;";

(*f*) by deleting the words "ship, dredger, seismic ship or any vessel used for offshore oil or gas activity" in subsection (1AA)(*a*) and substituting the words "foreign ship used for a prescribed purpose";

(*g*) by deleting paragraph (*b*) of subsection (1AA) and substituting the following paragraph:

"(*b*) any income of an approved international shipping enterprise from carrying on a business of trading in foreign ships used for a prescribed purpose, or of constructing for sale foreign ships for a prescribed purpose.";

(*h*) by deleting the full-stop at the end of paragraph (*g*) of subsection (1) and substituting a semi-colon, and by inserting immediately thereafter the following paragraphs:

"(*h*) on or after 24 February 2015 from providing prescribed ship management services to any qualifying special purpose vehicle in respect of ships owned or operated by the qualifying special purpose vehicle, unless the conditions of its approval otherwise provides;

(*i*) on or after 24 February 2015 from —

(i) any mobilisation or holding of any ship used or to be used for offshore oil or gas activity outside the limits of the port of Singapore; or

(ii) the demobilisation of any ship after it has been so used,

where the mobilisation, holding or demobilisation is undertaken by the approved international shipping enterprise itself using a foreign ship;

(*j*) on or after 24 February 2015 from —

(i) any mobilisation or holding of a foreign ship owned or operated by the approved

international shipping enterprise and used or to be used for offshore oil or gas activity outside the limits of the port of Singapore; or

(ii) the demobilisation of a foreign ship owned or operated by the approved international shipping enterprise after it has been so used; and

(*k*) on or after 24 February 2015 from the leasing of any container (other than finance leasing) carried out in connection with its operation of foreign ships and that is incidental to such operation.";

(*i*) by inserting, immediately after subsection (1AA), the following subsection:

"(1AB) Unless the Minister or such person as he may appoint permits in a particular case, subsection (1)(*h*) does not apply to the provision by an approved international shipping enterprise of prescribed ship management services to a qualifying special purpose vehicle, if at least 50% of the total number of the issued ordinary shares of the enterprise are beneficially owned, whether directly or indirectly, by another approved international shipping enterprise.";

(*j*) by deleting "2016" in subsection (2A) and substituting "2021";

(*k*) by inserting, immediately after the words "paragraphs (*a*) to (*f*)" in subsection (4), the words "and (*h*) to (*k*)";

(*l*) by inserting, immediately after the definition of "approved" in subsection (6), the following definitions:

" "container" has the same meaning as in section 43ZA(7);

"demobilisation", "finance leasing", "holding", "mobilisation" and "prescribed ship

management services" have the same meanings as in section 13A(16);";

(*m*) by deleting the definition of "international shipping enterprise" in subsection (6) and substituting the following definition:

" "international shipping enterprise" means a company resident in Singapore —

(*a*) owning or operating ships; or

(*b*) which has a qualifying special purpose vehicle which owns or operates ships;";

(*n*) by deleting the definition of "qualifying special purpose vehicle" in subsection (6);

(*o*) by inserting, immediately after the definition of "international shipping enterprise" in subsection (6), the following definitions:

" "prescribed purpose", in relation to a ship, means use for —

(*a*) the carriage of passengers, mail, livestock or goods;

(*b*) dredging, seismic, or offshore oil or gas activity;

(*c*) a towing or salvage operation; or

(*d*) the mobilisation, holding or demobilisation of another ship;

"ship" has the same meaning as in section 2(1) of the Merchant Shipping Act;";

(*p*) by deleting the words "and (*f*)" in the definition of "special purpose company" in subsection (6) and substituting the words ", (*f*), (*i*) and (*j*)";

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

"(7) In this section, "qualifying special purpose vehicle", in relation to a company referred to in paragraph (*b*) of the definition of "international shipping enterprise" in subsection (6) or an approved international shipping enterprise (called in this subsection the entity), means —

(*a*) an approved company —

(i) which is incorporated and resident in Singapore; and

(ii) at least 50% of the total number of the issued ordinary shares of which are beneficially owned, whether directly or indirectly, by —

(A) the entity; or

(B) a company which beneficially owns (whether directly or indirectly) at least 50% of the total number of the issued ordinary shares of the entity;

(*b*) an approved company —

(i) which is incorporated outside Singapore; and

(ii) at least 25% of the total number of the issued ordinary shares of which are beneficially owned, whether directly or indirectly, by the entity;

(*c*) an approved partnership —

(i) which is registered or formed outside Singapore; and

(ii) of which the entity is entitled, whether directly or indirectly, to at least 25% of its income;

(*d*) an approved company —

(i) which is incorporated and resident in Singapore, and at least 50% of the total number of the issued ordinary shares of which are beneficially owned directly by another company which is a qualifying special purpose vehicle by virtue of paragraph (*a*)(ii)(B); or

(ii) which is incorporated outside Singapore, and at least 25% of the total number of the issued ordinary shares of which are beneficially owned directly by another company which is a qualifying special purpose vehicle by virtue of paragraph (*a*)(ii)(B); or

(*e*) an approved partnership which is registered or formed outside Singapore and one of the partners of which is a company which is a qualifying special purpose vehicle by virtue of paragraph (*a*)(ii)(B), and is entitled to at least 25% of its income.";

(*r*) by deleting the word "or" at the end of subsection (7)(*d*)(ii);

(*s*) by deleting the full-stop at the end of paragraph (*e*) of subsection (7) and substituting the word "; or", and by inserting immediately thereafter the following paragraph:

"(*f*) any other partnership or company that is approved under subsection (8) as a qualifying special purpose vehicle of the entity, so long as it satisfies the conditions imposed under that subsection."; and

(*t*) by inserting, immediately after subsection (7), the following subsection:

"(8) The Minister or such person as the Minister may appoint may, in a particular case, and subject to such conditions as the Minister or person considers fit to

impose, approve any partnership or company not specified in paragraphs (*a*) to (*e*) of subsection (7), as a qualifying special purpose vehicle of the entity mentioned in that subsection.".

(2) Subsection (1)(*a)*, (*d*) to (*g*) and (*o*) applies only in relation to income derived on or after the date the Income Tax (Amendment) Act 2016 is published in the *Gazette.*

Amendment of section 13H

12. Section 13H of the principal Act is amended by inserting, immediately after subsection (2B), the following subsection:

"(2C) No approval is to be granted under this section to a venture company on or after 1 April 2020.".

Amendment of section 13R

13. Section 13R(8) of the principal Act is amended by deleting the definition of "relevant day" and substituting the following definition:

" "relevant day" means —

(*a*) the last day of the basis period of the approved company for the year of assessment referred to in subsection (3) or (5) (as the case may be); or

(*b*) if within that basis period the approved company ceases to be so approved, the last day it was so approved;".

Amendment of section 13S

14.—(1) Section 13S of the principal Act is amended —

(*a*) by deleting "2016" in subsections (2) and (3)(*b*) and substituting in each case "2021";

(*b*) by deleting subsection (19A); and

(*c*) by deleting the definition of "sea-going ship" in subsection (20) and substituting the following definition:

" "ship" has the same meaning as in section 2(1) of the Merchant Shipping Act;".

(2) Subsection (1)(*c*) applies only in relation to income derived on or after the date the Income Tax (Amendment) Act 2016 is published in the *Gazette*.

Amendment of section 13X

15. Section 13X of the principal Act is amended —

(*a*) by deleting the words "or master-feeder fund structure" in subsection (1) and substituting the words ", master-feeder fund structure, master-feeder fund-SPV structure or master fund-SPV structure";

(*b*) by deleting the word "or" at the end of subsection (1)(*a*);

(*c*) by deleting the full-stop at the end of paragraph (*b*) of subsection (1) and substituting a semi-colon, and by inserting immediately thereafter the following paragraphs:

"(*c*) in relation to an approved master-feeder fund-SPV structure —

(i) a company, a trustee of a trust fund or a partner of a limited partnership, where the company, trust fund or limited partnership is the approved master fund or an approved feeder fund of the structure;

(ii) an approved 1st tier SPV of the structure; and

(iii) an approved 2nd tier SPV of the structure,

arising from funds of the master fund or any feeder fund of the structure that are managed in Singapore by a fund manager; or

(*d*) in relation to an approved master fund-SPV structure —

(i) a company, a trustee of a trust fund or a partner of a limited partnership, where the company, trust fund or limited

partnership is the approved master fund of the structure;

(ii) an approved 1st tier SPV of the structure; and

(iii) an approved 2nd tier SPV of the structure,

arising from funds of the master fund of the structure that are managed in Singapore by a fund manager.";

(*d*) by inserting, immediately after subsection (2A), the following subsection:

"(2B) Approval under subsection (1)(*c*) and (*d*) may be granted during the period from 1 April 2015 to 31 March 2019 (both dates inclusive).";

(*e*) by deleting the words "or partner referred to in subsection (1)(*b*)" in subsection (3) and substituting the words ", partner, 1st tier SPV or 2nd tier SPV referred to in subsection (1)(*b*), (*c*) or (*d*)";

(*f*) by deleting paragraphs (*a*) and (*b*) of subsection (4) and substituting the following paragraphs:

"(*a*) provide for the determination of the amount of income of any approved person or company, trustee, partner, 1st tier SPV or 2nd tier SPV referred to in subsection (1)(*b*), (*c*) or (*d*) to be exempt from tax;

(*b*) provide for the deduction of expenses, allowances and losses of any approved person or company, trustee, partner, 1st tier SPV or 2nd tier SPV referred to in subsection (1)(*b*), (*c*) or (*d*) otherwise than in accordance with this Act;";

(*g*) by deleting paragraphs (*ca*) and (*cb*) of subsection (4) and substituting the following paragraphs:

"(*ca*) provide for the recovery of tax from a company, trustee, 1st tier SPV or 2nd tier SPV referred to in subsection (1)(*b*), (*c*) or (*d*) in a case where the exemption ought not to have been allowed to the person due to non-compliance with any condition imposed on the approved master-feeder fund structure, approved master-feeder fund-SPV structure or approved master fund-SPV structure, as the case may be;

(*cb*) provide for the recovery of tax from a partner of a limited partnership referred to in subsection (1)(*b*), (*c*) or (*d*) in a case where the exemption ought not to have been allowed to that partner due to non-compliance with any condition imposed on the approved master-feeder fund structure, approved master-feeder fund-SPV structure or approved master fund-SPV structure (as the case may be), including the deeming of a specified amount as income of the partner for the year of assessment in which the Comptroller discovers the non-compliance with the condition; and";

(*h*) by inserting, immediately before the definition of "approved" in subsection (5), the following definitions:

" "1st tier SPV", in relation to a master-feeder fund-SPV structure or a master fund-SPV structure, means a special purpose vehicle wholly owned by the master fund of the structure;

"2nd tier SPV", in relation to a master-feeder fund-SPV structure or a master fund-SPV structure, means a special purpose vehicle wholly owned by a 1st tier SPV of the structure;";

(*i*) by deleting the definition of "designated unit trust" in subsection (5) and substituting the following definition:

" "designated unit trust" means any designated unit trust within the meaning of section 35(14) and whose income does not form part of the statutory income of its trustee by reason of section 35(12);";

(*j*) by inserting, immediately after the word "means" in the definition of "master-feeder fund structure" in subsection (5), the words "an arrangement comprising";

(*k*) by inserting, immediately after the definition of "master-feeder fund structure" in subsection (5), the following definitions:

" "master-feeder fund-SPV structure" means an arrangement comprising —

(*a*) one or more feeder funds;

(*b*) the master fund through which the funds of the feeder fund or funds are substantially and directly invested; and

(*c*) one or more SPVs;

"master fund-SPV structure" means an arrangement comprising —

(*a*) a master fund; and

(*b*) one or more SPVs;"; and

(*l*) by inserting, immediately after the definition of "real estate investment trust" in subsection (5), the following definition:

" "special purpose vehicle" or "SPV" —

(*a*) in relation to a master-feeder fund-SPV structure, means a company whose only activity is the holding of investments of the master and feeder funds of the structure; or

(*b*) in relation to a master fund-SPV structure, means a company whose only activity is the holding of investments of the master fund of the structure;".

Amendment of section 14B

16. Section 14B of the principal Act is amended —

(*a*) by deleting the words "or 43ZF" in subsection (4)(*d*)(ii) and substituting the words ", 43ZF or 43ZG";

(*b*) by inserting, immediately after the word "conditions" in subsection (4A), the words "precedent and conditions subsequent"; and

(*c*) by inserting, immediately after subsection (4A), the following subsections:

"(5) Despite subsection (4), the Minister or such person as the Minister may appoint may, in any particular case, and subject to such conditions precedent and conditions subsequent as the Minister or appointed person may impose, allow a deduction of any expenses referred to in subsection (4)(*d*).

(6) If the firm or company fails to comply with a condition subsequent imposed under subsection (4A) or (5), the deduction allowed to the firm or company under that subsection is treated as the firm's or company's income for the year of assessment in which the Comptroller discovers the non-compliance.

(7) In relation to a deduction under this section, a condition is a condition subsequent if or to the extent that it can only be satisfied after the deduction is allowed, and a condition is a condition precedent if or to the extent that it is not a condition subsequent; and accordingly a condition may, depending on the circumstances, be either a condition precedent or a condition subsequent.".

Amendment of section 14K

17. Section 14K of the principal Act is amended —

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

"(2A) The sum of —

(*a*) the amount of expenditure allowed as a deduction or a further deduction to a firm or company under subsection (1); and

(*b*) any amount of expenditure allowed as a deduction or a further deduction to the firm or company under section 14KA(1),

must not exceed $1 million for each year of assessment.";

(*b*) by deleting the words "or 43ZF" in subsection (3)(*b*)(ii) and substituting the words ", 43ZF or 43ZG"; and

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

"(4) Despite subsection (3), the Minister or such person as the Minister may appoint may, in any particular case, and subject to such conditions precedent and conditions subsequent as the Minister or appointed person may impose, allow a deduction of any expenditure referred to in subsection (3)(*b*).

(5) If the firm or company fails to comply with a condition subsequent imposed under subsection (4), the deduction allowed to the firm or company under that subsection is treated as the firm's or company's income for the year of assessment in which the Comptroller discovers the non-compliance.

(5A) In relation to a deduction under this section, a condition is a condition subsequent if or to the extent that it can only be satisfied after the deduction is allowed, and a condition is a condition precedent if or to the extent that it is not a condition subsequent; and

accordingly a condition may, depending on the circumstances, be either a condition precedent or a condition subsequent.".

New section 14KA

18. The principal Act is amended by inserting, immediately after section 14K, the following section:

"**Further or double deduction for salary expenditure for employees posted overseas**

14KA.—(1) Where the Comptroller is satisfied that —

(*a*) an approved firm or company resident and carrying on business in Singapore has incurred, at any time between 1 July 2015 and 31 March 2020 (both dates inclusive), salary expenditure specified for it under subsection (7) for its employees posted to an overseas establishment of the firm or company; and

(*b*) the firm or company has satisfied the conditions precedent imposed under subsection (6) for a deduction under this section,

then there is to be allowed to the firm or company —

(i) where such expenditure is allowable as a deduction under section 14, a further deduction of the amount of such expenditure in addition to the deduction allowed under that section; or

(ii) where such expenditure is not allowable as a deduction under section 14, a deduction equal to twice the amount of such expenditure.

(2) No deduction is to be allowed under subsection (1) for salary expenditure that is incurred more than 3 years after either of the following dates:

(*a*) the date the overseas establishment is incorporated, established or formed;

(*b*) if the overseas establishment (being a company) is an overseas establishment of the approved firm or

company as a result of any shareholding of the approved firm or company in the establishment, but the firm or company did not hold any shares in the overseas establishment on the date of the establishment's incorporation, the earliest date on which the firm or company acquires any shares in the overseas establishment.

(3) Subject to subsection (4), the amount of salary expenditure allowed as a deduction for a year of assessment under subsection (1) must not exceed the amount specified for the firm or company under subsection (8).

(4) The sum of —

(*a*) the amount of expenditure allowed as a deduction or a further deduction to a firm or company under subsection (1); and

(*b*) any amount of expenditure allowed as a deduction or a further deduction to the firm or company under section 14K(1),

must not exceed $1 million for each year of assessment.

(5) The Minister or such person as the Minister may appoint may approve a firm or company for the purposes of claiming a deduction under subsection (1).

(6) When approving a firm or company under subsection (5), the Minister or appointed person may impose conditions precedent and conditions subsequent for a deduction under this section.

(7) When approving a firm or company under subsection (5), the Minister or appointed person must specify the salary expenditure for which the firm or company may be allowed the deduction by reference to —

(*a*) the employees for whom the expenditure is incurred;

(*b*) the overseas establishment in which they work;

(*c*) the work which they carry out in the overseas establishment; and

(*d*) the period in which the expenditure is incurred.

(8) When approving a firm or company under subsection (5), the Minister or appointed person may also specify the maximum amount of expenditure for which the deduction is allowed.

(9) No approval may be granted under subsection (5) after 31 March 2020.

(10) No deduction may be allowed under subsection (1) in respect of —

(*a*) any expenditure incurred during the basis period for a year of assessment by a firm or company if —

(i) any part of its income for that year of assessment is exempt or partly exempt from tax under section 13A, 13F, 13S or 13V;

(ii) any part of its income for that year of assessment is subject to tax at a concessionary rate of tax under section 43C, 43E, 43G, 43J, 43P, 43Q, 43W, 43ZA, 43ZB, 43ZC, 43ZF or 43ZG or the regulations made under any of those sections; or

(iii) it is given tax relief under Part II, III or IIIB of the Economic Expansion Incentives (Relief from Income Tax) Act (Cap. 86) for that year of assessment, or is given an investment allowance under Part X of that Act for that year of assessment; or

(*b*) any expenditure to the extent it is or is to be subsidised by a grant or subsidy from the Government or a statutory board.

(11) Despite subsection (10), the Minister or such person as the Minister may appoint may, in any particular case, subject to such conditions precedent and conditions subsequent as the Minister or appointed person may impose, allow a deduction of any expenditure referred to in subsection (10)(*a*).

(12) A firm or company is not entitled to a deduction under subsection (1) for any salary expenditure if and to the extent that

an overseas establishment of the firm or company has been allowed at any time a deduction for it under any law relating to income tax or tax of a similar character of a country outside Singapore.

(13) Despite anything in this section, where it appears to the Comptroller that in any year of assessment any deduction which has been allowed under this section ought not to have been allowed, the Comptroller may, within the year of assessment or within 4 years after the expiry of that year of assessment, make such assessment or additional assessment upon the firm or company as may be necessary to make good any loss of tax.

(14) If a condition subsequent imposed under subsection (6) is not complied with in respect of any deduction allowed to a firm or company under subsection (1) or part of such deduction, the deduction or part of the deduction is treated as the firm's or company's income for the year of assessment in which the Comptroller discovers the non-compliance.

(15) If a condition subsequent imposed under subsection (11) is not complied with, the deduction allowed to the firm or company under that subsection is treated as the firm's or company's income for the year of assessment in which the Comptroller discovers the non-compliance.

(16) Where a firm or company has been allowed a deduction under subsection (1) even though it is not entitled to it or a part of it by reason of subsection (12), the deduction or part of the deduction is treated as the firm's or company's income for the year of assessment in which the Comptroller discovers the facts by reason of which the firm or company is not entitled to the deduction or part of it.

(17) If, at any time after a firm or company has been allowed a deduction under subsection (1) for any salary expenditure, the firm or company is reimbursed for any amount of the expenditure, the amount of the deduction that corresponds to the expenditure reimbursed is treated as the firm's or company's income for the year of assessment in which the Comptroller discovers the reimbursement.

(18) In this section —

"overseas establishment", in relation to an approved firm or company, means any of the following:

(*a*) a branch, representative office, or subsidiary of the firm or company that is established, formed or incorporated in a country outside Singapore;

(*b*) a partnership of which the firm or company is a partner, that is established or formed in a country outside Singapore;

(*c*) such other entity as the Minister or appointed person approves as an overseas establishment of the firm or company at the time of the approval of the firm or company under subsection (5);

"salary expenditure", in relation to an employee of a firm or company, means expenditure comprising wages and salary for the employee, but excludes any bonus, commission, gratuity, leave pay, perquisite, allowance, or any other payment (whether in cash or kind) prescribed under section 7.

(19) In this section, a firm or company is treated as having incurred salary expenditure for its employees posted to an overseas establishment of the firm or company, if —

(*a*) it directly incurs that amount of expenditure for which it is not reimbursed; or

(*b*) the overseas establishment directly incurs that amount of expenditure and the firm or company is liable to reimburse the overseas establishment for it, and the incurring of the expenditure and of the liability both occur —

(i) when the firm or company is an approved firm or company resident and carrying on business in Singapore; and

(ii) in the period between 1 July 2015 and 31 March 2020 (both dates inclusive).

(20) In a case referred to in subsection (19)(*b*), the date on which salary expenditure is treated as incurred for the purposes of subsection (2) is the later of the date it is incurred by the overseas establishment and the date the firm or company incurs the liability to reimburse the overseas establishment.

(21) In relation to a deduction under this section, a condition is a condition subsequent if or to the extent that it can only be satisfied after the deduction is allowed, and a condition is a condition precedent if or to the extent that it is not a condition subsequent; and accordingly a condition may, depending on the circumstances, be either a condition precedent or a condition subsequent.".

New section 14Y

19. The principal Act is amended by inserting, immediately after section 14X, the following section:

"**Deduction for expenditure incurred by individual in deriving passive rental income in Singapore**

14Y.—(1) This section applies for the purpose of ascertaining an individual's income for the basis period for the year of assessment 2016 or a subsequent year of assessment from the letting of a residential property or a part of a residential property in Singapore (not being an excluded property for that basis period), that is chargeable to tax under section 10(1)(*f*) (called in this section rental income).

(2) Despite any other provisions in this Part, if there are any outgoings or expenses deductible against the rental income under any provision of this Part apart from section 14(1)(*a*), then there is to be deducted, in lieu of those outgoings or expenses, an amount of expenses computed in accordance with the following formula:

$$A \times B,$$

where A is 15% or such other percentage as may be prescribed under section 7; and

B is the gross amount of the rental income from the residential property derived in the basis period for that year of assessment.

(3) This section does not apply to —

(*a*) an individual who has made an election under subsection (4) for this section not to apply to the individual's rental income derived in the basis period for the year of assessment in question;

(*b*) any rental income derived by an individual through a partnership; and

(*c*) any rental income derived by an individual acting in the capacity of a trustee of a trust.

(4) An individual may, in such form and manner and within such time as the Comptroller may determine, make an election to the Comptroller for this section not to apply to all of the individual's rental income derived in the basis period for a particular year of assessment.

(5) If an individual derives rental income, other than income referred to in subsection (3)(*b*) or (*c*), from more than one residential property (not being excluded properties for the basis period) in a basis period, the individual may not make an election under subsection (4) in respect of only one or some of those properties.

(6) In this section —

"excluded property", in relation to a basis period, means a residential property which, at any time during the period rental income is derived from the property by the individual in question, is permitted under the Planning Act (Cap. 232) to be used whether wholly or in part for any purpose that is not a residential purpose;

"residential property" means —

(*a*) any detached house, semi-detached house or terrace house; or

(*b*) any part of a building (such as a flat or a condominium unit) constructed or adapted for human habitation,

that has a single annual value ascribed to it in the Valuation List prepared under section 10 of the Property Tax Act (Cap. 254), and is permitted under the Planning Act to be used for a residential purpose, and includes such other premises as may be prescribed as residential property, but (to avoid doubt) excludes premises that are so permitted for use as a dormitory.

(7) In this section, a property or part of a property is permitted under the Planning Act to be used for a particular purpose if —

(*a*) it is permitted by a written permission granted under section 14 of that Act to be used for that purpose;

(*b*) it is authorised by a notification under section 21(6) of that Act to be used for that purpose; or

(*c*) such use (being an existing use of the property or part and not being the subject of a written permission granted under section 14 of that Act or a notification under section 21(6) of that Act) was a use to which the building or part was put on 1 February 1960, and the building or part has not been put to any other use since that date.".

Amendment of section 18C

20.—(1) Section 18C of the principal Act is amended —

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

"(2A) Where a trade or business is prescribed under subsection (2), then, unless otherwise provided in regulations —

(*a*) the Minister or appointed person may only approve an application under subsection (2) for a renovation or construction on the ground

that it promotes the prescribed intensified use of the land for such trade or business, if —

(i) the application is made on or after a prescribed date; and

(ii) the application for planning permission or conservation permission for the construction or renovation is made on or after a prescribed date; and

(*b*) in relation to any construction or renovation that is approved on the ground mentioned in paragraph (*a*), the qualifying capital expenditure for which an allowance may be made under subsections (3) and (4) excludes any expenditure incurred before a prescribed date.

(2B) Each prescribed date mentioned in subsection (2A)(*a*)(i) and (ii) and (*b*) is, unless otherwise specified in the regulations, the date the trade or business is prescribed under subsection (2).";

(*b*) by deleting subsection (5) and substituting the following subsections:

"(5) No allowance is to be made under subsection (4) for any year of assessment unless —

(*a*) in a case where 2 or more temporary occupation permits are to be issued for the subject of the approved construction or renovation, and one or more of those temporary occupation permits have been issued but not all of them, at least 80% of the total floor area of the subject of each temporary occupation permit that has been issued; or

(*b*) in any other case, at least 80% of the total floor area of the subject of the approved construction or renovation,

is used, at the end of the basis period for that year of assessment, by any one person or partnership for the purposes of the specified trade or business, and, for the case in paragraph (*a*), that person or partnership is the same person or partnership for all the subjects of the temporary occupation permits that have been issued.

(5A) In subsection (5), the subject of an approved construction or renovation, or of a temporary occupation permit, is the building or structure, all the buildings or structures, or the part or all the parts of a building or structure, as the case may be, that forms or form the subject matter of the approved construction or renovation, or the temporary occupation permit.";

(*c*) by deleting the words ", between 23rd February 2010 (in the case of subsection (1)) or 22nd February 2014 (in the case of subsection (1A)), and the date of completion of that construction or renovation (both dates inclusive)" in the definition of "qualifying capital expenditure" in subsection (12) and substituting the words "on or after 23 February 2010 (in the case of subsection (1)) or 22 February 2014 (in the case of subsection (1A))";

(*d*) by deleting the full-stop at the end of the definition of "specified trade or business" in subsection (12) and substituting a semi-colon, and by inserting immediately thereafter the following definition:

" "temporary occupation permit" means a temporary occupation permit granted under section 12(3) of the Building Control Act (Cap. 29)."; and

(*e*) by inserting, immediately after subsection (12), the following subsections:

"(13) In this section, capital expenditure for the renovation or construction of a building or structure or of a part of a building or structure, that is incurred after the date a temporary occupation permit is issued for the building, structure or part of the building or

structure (as the case may be) is not qualifying capital expenditure.

(14) In this section —

(*a*) a reference to a temporary occupation permit issued or to be issued for one or more buildings or structures or one or more parts of a building or structure (called in this paragraph the subject) is, if no temporary occupation permit is issued or to be issued for the subject, a reference to the certificate of statutory completion issued or to be issued under section 12(1) of the Building Control Act for —

(i) the subject; or

(ii) a building or structure that includes the subject; and

(*b*) a reference to the date of issue of a temporary occupation permit is to be construed accordingly.".

(2) Subsection (1)(*b*) to (*e*) applies to any construction or renovation that is approved on or after the date of the Income Tax (Amendment) Act 2016 is published in the *Gazette*.

Amendment of section 19D

21. Section 19D of the principal Act is amended by inserting, immediately after subsection (4), the following subsection:

"(4A) No writing-down allowance is to be made under subsection (1) for any capital expenditure incurred after 31 December 2020.".

Amendment of section 37

22. Section 37 of the principal Act is amended by deleting subsection (3A) and substituting the following subsection:

"(3A) For the purpose of subsection (3), a reference to "twice the value" or "twice the amount" in subsection (3)(*b*) to (*f*) is to be read as a reference to —

(*a*) in the case of a donation made during either of the following periods:

(i) from 1 January 2009 to 31 December 2014 (both dates inclusive);

(ii) from 1 January 2016 to 31 December 2018 (both dates inclusive),

2.5 times the value or 2.5 times the amount, as the case may be; or

(*b*) in the case of a donation made during the period from 1 January 2015 to 31 December 2015 (both dates inclusive), 3 times the value or 3 times the amount, as the case may be.".

Amendment of section 37K

23. Section 37K of the principal Act is amended —

(*a*) by deleting "2015" in subsections (1) and (4)(*a*)(i) and substituting in each case "2020"; and

(*b*) by deleting the words "it is" in subsection (6)(*b*) and substituting the words "the expenditure, being expenditure incurred before 24 February 2015, is".

Amendment of section 37L

24. Section 37L of the principal Act is amended —

(*a*) by deleting "2015" in subsections (1) and (1A)(*b*) and substituting in each case "2020";

(*b*) by inserting, immediately after the words "an acquisition" in subsection (4)(*a*) and (*c*), the words "made during the period from 1 April 2010 to 31 March 2015 (both dates inclusive)";

(*c*) by inserting, immediately after the words "paragraph (*c*)" in subsection (4)(*d*), the words "and is before 1 April 2016";

(*d*) by inserting, immediately after subsection (4), the following subsections:

"(4A) In this section, and subject to the applicable condition in subsection (4B) being met, each of the following is also a qualifying acquisition of ordinary shares in a target company by an acquiring company or an acquiring subsidiary:

(*a*) an acquisition made during the period from 1 April 2015 to 31 March 2020 (both dates inclusive) that results in the acquiring company and its acquiring subsidiaries owning together in total 20% or more but 50% or less of the total number of ordinary shares in the target company, where —

(i) before the date of the acquisition, such total ownership was less than 20% of the total number of ordinary shares in the target company; and

(ii) the date of the acquisition does not fall in the same basis period of the acquiring company as the date of the acquisition referred to in paragraph (*c*);

(*b*) any other acquisition made during the period from 1 April 2015 to 31 March 2020 (both dates inclusive) the date of which falls in the same basis period of the acquiring company as that of the acquisition referred to in paragraph (*a*);

(*c*) an acquisition made during the period from 1 April 2015 to 31 March 2020 (both dates inclusive) that results in the acquiring company and its acquiring subsidiaries owning together in total more than 50% of the total number of ordinary shares in the target company where, before the date of the acquisition, such total ownership was 50% or

less of the total number of ordinary shares in the target company;

(*d*) any other acquisition the date of which falls in the same basis period of the acquiring company as that of the acquisition referred to in paragraph (*c*);

(*e*) an acquisition made on or after 1 April 2015 but before 1 April 2016 that results in the acquiring company and its acquiring subsidiaries owning together in total 75% or more of the total number of ordinary shares in the target company where —

(i) before the date of the acquisition, such total ownership was more than 50% but less than 75% of the total number of ordinary shares in the target company;

(ii) the date of the acquisition does not fall in the same basis period of the acquiring company as the date of the acquisition referred to in paragraph (*c*); and

(iii) before 1 April 2015 and not earlier than 12 months before the acquisition, the acquiring company or its acquiring subsidiary had made an acquisition of ordinary shares of any amount in the target company;

(*f*) any other acquisition the date of which falls in the same basis period of the acquiring company as that of the acquisition referred to in paragraph (*e*) and is before 1 April 2016.

(4B) In subsection (4A), the conditions are —

(*a*) in the case of paragraphs (*a*) and (*b*) of that subsection, at the end of that basis period of the acquiring company, the total ownership of ordinary shares in the target company referred

to in paragraph (*a*) of that subsection is between 20% and 50% (both inclusive);

(*b*) in the case of paragraphs (*c*) and (*d*) of that subsection, at the end of that basis period of the acquiring company, the total ownership of ordinary shares in the target company referred to in paragraph (*c*) of that subsection is more than 50%;

(*c*) in the case of paragraphs (*e*) and (*f*) of that subsection, at the end of that basis period of the acquiring company, the total ownership of ordinary shares in the target company referred to in paragraph (*e*) of that subsection is 75% or more.";

(*e*) by deleting subsection (5) and substituting the following subsections:

"(5) An acquiring company may elect for its qualifying acquisitions to be, instead of those referred to in the provisions in the first column of the following table, acquisitions —

(*a*) the dates of which fall within a prescribed period; and

(*b*) which include an acquisition referred to in the provisions set out opposite in the second column of the table,

and the provisions of this section apply to the acquisitions so elected subject to such modifications as may be prescribed:

Original acquisitions under:	*Elected acquisitions to include an acquisition under:*
subsection (4)(*a*) and (*b*), or subsection (4)(*c*) and (*d*)	subsection (4)(*a*) or (*c*)
subsection (4A)(*c*) and (*d*), or subsection (4A)(*e*) and (*f*)	subsection (4A)(*c*) or (*e*)

(5A) The election under subsection (5) may only be made for acquisitions made during the period from 1 April 2010 to 31 March 2016 (both dates inclusive).";

(*f*) by inserting, immediately after the words "subsection (4)(*a*) or (*c*)" in subsection (6), the words "or subsection (4A)(*c*) or (*e*), as the case may be,";

(*g*) by inserting, immediately after the words "subsections (11)" in subsection (7), the words ", (11A), (11B)";

(*h*) by inserting, immediately after the words "subsection (8)" in subsection (7)(*a*), the words "for acquisitions referred to in subsection (4), and the amount specified in subsection (8A) for acquisitions referred to in subsection (4A),";

(*i*) by inserting, immediately after the words "subsection (9)" in subsection (7)(*b*)(i), the words "for acquisitions referred to in subsection (4), and the amount specified in subsection (9A) for acquisitions referred to in subsection (4A),";

(*j*) by inserting, immediately after the words "subsection (10)" in subsection (7)(*b*)(ii), the words "for acquisitions referred to in subsection (4), and the amount specified in subsection (10A) for acquisitions referred to in subsection (4A),";

(*k*) by inserting, immediately after the words "subsection (7)(*a*)" in subsection (8), the words "for an acquisition referred to in subsection (4)";

(*l*) by inserting, immediately after subsection (8), the following subsection:

"(8A) Subject to subsections (13) and (19), the amount referred to in subsection (7)(*a*) for an acquisition referred to in subsection (4A) is to be calculated in accordance with the formula

$$\frac{0.25 \times A}{5},$$

where A is the capital expenditure to the extent that it is not contingent consideration or, if it is contingent consideration, is incurred in the same basis period of the acquiring company as that in which the date of the acquisition of the shares falls.";

(*m*) by inserting, immediately after the words "subsection (7)(*b*)(i)" in subsection (9), the words "for an acquisition referred to in subsection (4)";

(*n*) by inserting, immediately after subsection (9), the following subsection:

"(9A) Subject to subsections (13) and (19), the amount referred to in subsection (7)(*b*)(i) for an acquisition referred to in subsection (4A) is to be calculated in accordance with the formula

$$\frac{0.25 \times B}{6 - C},$$

where B is the contingent consideration that is incurred in the basis period of the acquiring company for the 2nd, 3rd or 4th year of assessment, whichever is applicable; and

C is —

(*a*) 2 (where the contingent consideration is incurred in the basis period of the acquiring company for the 2nd year of assessment);

(*b*) 3 (where the contingent consideration is incurred in the basis period of the acquiring company for the 3rd year of assessment); or

(*c*) 4 (where the contingent consideration is incurred in the basis period of the acquiring company for the 4th year of assessment),

whichever is applicable.";

(*o*) by inserting, immediately after the words "subsection (7)(*b*)(ii)" in subsection (10), the words "for an acquisition referred to in subsection (4)";

(*p*) by inserting, immediately after subsection (10), the following subsection:

"(10A) Subject to subsections (13) and (19), the amount referred to in subsection (7)(*b*)(ii) for an acquisition referred to in subsection (4A) is to be calculated in accordance with the formula

$$0.25 \times D,$$

where D is the contingent consideration that is incurred in the basis period of the acquiring company for the 5th year of assessment or the subsequent year of assessment, whichever is applicable.";

(*q*) by inserting, immediately after subsection (11), the following subsections:

"(11A) The following provisions also apply for the purpose of determining the amount of deductions under subsection (7) to be allowed to the acquiring company for all qualifying acquisitions of ordinary shares in one or more target companies whose dates of acquisition fall within one basis period of the acquiring company:

(*a*) where the sum of the amounts of "A" referred to in subsection (8A) in respect of all such qualifying acquisitions exceeds $20 million, the amount by which the sum exceeds $20 million is to be disregarded for the purposes of the deduction to be allowed under this section;

(*b*) where the sum referred to in paragraph (*a*) does not exceed $20 million but the sum of the following exceeds $20 million:

(i) the sum referred to in paragraph (*a*);

(ii) the sum of all contingent consideration in respect of all such qualifying acquisitions incurred in the basis period of the acquiring company for any year of assessment subsequent to the 1st year of assessment and in any earlier year of assessment other than the 1st year of assessment,

the amount by which the sum of sub-paragraphs (i) and (ii) exceeds $20 million is to be disregarded for the purposes of the deduction to be allowed under this section.

(11B) Despite subsections (11) and (11A), the following provisions apply in determining the amount of deductions under subsection (7) to be allowed to the

acquiring company for all qualifying acquisitions of ordinary shares in target companies whose dates of acquisition fall within one basis period of the acquiring company, if the qualifying acquisitions in that basis period include at least one acquisition referred to in subsection (4)(*a*) or (*c*), and at least one acquisition referred to in subsection (4A)(*a*), (*c*) or (*e*):

(*a*) where the sum of the following exceeds $5 million:

(i) the amount determined by the formula "0.05 × A" in subsection (8) in respect of those acquisitions which are acquisitions referred to in subsection (4);

(ii) the amount determined by the formula "0.25 × A" in subsection (8A) in respect of those acquisitions which are acquisitions referred to in subsection (4A),

the excess is to be disregarded for the purposes of the deduction to be allowed under this section;

(*b*) where the sum referred to in paragraph (*a*) does not exceed $5 million but the sum of the following exceeds $5 million:

(i) the sum referred to in paragraph (*a*);

(ii) the amount determined by the formula "0.05 × B" in subsection (9) in respect of those acquisitions which are acquisitions referred to in subsection (4);

(iii) the amount determined by the formula "0.25 × B" in subsection (9A) in respect of those acquisitions which are

acquisitions referred to in subsection (4A);

(iv) the amount determined by the formula "0.05 × D" in subsection (10) in respect of those acquisitions which are acquisitions referred to in subsection (4);

(v) the amount determined by the formula "0.25 × D" in subsection (10A) in respect of those acquisitions which are acquisitions referred to in subsection (4A),

the excess is to be disregarded for the purposes of the deduction to be allowed under this section.";

(*r*) by deleting the words "subsections (8), (9), (10) and (11)" in subsection (12) and substituting the words "subsections (8), (8A), (9), (9A), (10), (10A), (11), (11A) and (11B)";

(*s*) by deleting the words "Notwithstanding subsections (8), (9) and (10), where any amount of "A", "B" or "D" referred to in subsections (8), (9) and (10), respectively," in subsection (13) and substituting the words "Despite subsections (8), (8A), (9), (9A), (10) and (10A), where any amount of "A" referred to in subsection (8) or (8A), "B" referred to in subsection (9) or (9A), or "D" referred to in subsection (10) or (10A),";

(*t*) by deleting subsection (16) and substituting the following subsections:

"***Conditions for deductions***

(16) A deduction under this section for a qualifying acquisition (called the subject acquisition) may be made to an acquiring company for any year of assessment only if —

(*a*) where the subject acquisition is one referred to in subsection (4)(*a*) or (*c*) or (4A)(*c*) or (*e*) —

(i) the acquiring company satisfies the conditions in subsection (16A);

(ii) where the subject acquisition is made by an acquiring subsidiary, the acquiring subsidiary satisfies the conditions in subsection (16B);

(iii) where the subject acquisition is made by an acquiring subsidiary and, on the date of the acquisition (being a date on or after 17 February 2012), the acquiring subsidiary is indirectly owned by the acquiring company through one or more intermediate companies, every such intermediate company satisfies the conditions in subsection (16C); and

(iv) the target company, or a subsidiary that is —

(A) if the date of the subject acquisition is before 17 February 2012, wholly owned by the target company directly; or

(B) if the date of the subject acquisition is on or after 17 February 2012, wholly owned by the target company whether directly or indirectly,

satisfies the conditions in subsection (16D);

(*b*) where the subject acquisition is one referred to in subsection (4)(*b*) or (*d*) or (4A)(*d*) or (*f*) —

(i) the acquiring company satisfies the conditions in subsection (16A);

(ii) where the subject acquisition is made by an acquiring subsidiary, the acquiring subsidiary satisfies the conditions in subsection (16B);

(iii) where the subject acquisition is made by an acquiring subsidiary and, on the date of the acquisition (being a date on or after 17 February 2012), the acquiring subsidiary is indirectly owned by the acquiring company through one or more intermediate companies, every such intermediate company satisfies the conditions in subsection (16C);

(iv) the target company, or a subsidiary that is —

(A) if the date of the acquisition is before 17 February 2012, wholly owned by the target company directly; or

(B) if the date of the acquisition is on or after 17 February 2012, wholly owned by the target company whether directly or indirectly,

satisfies the conditions in subsection (16D); and

(v) the conditions in paragraph (*a*) are also satisfied in relation to —

(A) where the subject acquisition is one referred to in subsection (4)(*b*), a qualifying acquisition referred to in subsection (4)(*a*);

(B) where the subject acquisition is one referred to in subsection (4)(*d*), a qualifying

acquisition referred to in subsection (4)(*c*);

(C) where the subject acquisition is one referred to in subsection (4A)(*d*), a qualifying acquisition referred to in subsection (4A)(*c*); or

(D) where the subject acquisition is one referred to in subsection (4A)(*f*), a qualifying acquisition referred to in subsection (4A)(*e*);

(*c*) where the subject acquisition is one referred to in subsection (4A)(*a*) —

(i) the acquiring company satisfies the conditions in subsection (16A);

(ii) where the subject acquisition is made by an acquiring subsidiary, the acquiring subsidiary satisfies the conditions in subsection (16B);

(iii) where the subject acquisition is made by an acquiring subsidiary and, on the date of the acquisition, the acquiring subsidiary is indirectly owned by the acquiring company through one or more intermediate companies, every such intermediate company satisfies the conditions in subsection (16C);

(iv) the target company, or a subsidiary that is wholly owned by the target company whether directly or indirectly, satisfies the conditions in subsection (16D); and

(v) the conditions prescribed under subsection (16E) are satisfied; and

(*d*) where the subject acquisition is one referred to in subsection (4A)(*b*) —

(i) the acquiring company satisfies the conditions in subsection (16A);

(ii) where the subject acquisition is made by an acquiring subsidiary, the acquiring subsidiary satisfies the conditions in subsection (16B);

(iii) where the subject acquisition is made by an acquiring subsidiary and, on the date of the acquisition, the acquiring subsidiary is indirectly owned by the acquiring company through one or more intermediate companies, every such intermediate company satisfies the conditions in subsection (16C);

(iv) the target company, or a subsidiary that is wholly owned by the target company whether directly or indirectly, satisfies the conditions in subsection (16D);

(v) the conditions prescribed under subsection (16E) are satisfied; and

(vi) the conditions in paragraph (*c*) are also satisfied in relation to a qualifying acquisition referred to in subsection (4A)(*a*).

(16A) The conditions in subsection (16)(*a*)(i), (*b*)(i), (*c*)(i) and (*d*)(i) are —

(*a*) the acquiring company is carrying on a trade or business in Singapore on the date of the acquisition of the shares;

(*b*) the acquiring company has in its employment at least 3 local employees at all times during

the period of 12 months immediately before that date;

(*c*) unless otherwise prescribed under subsection (24), the acquiring company is not connected to the target company for at least 2 years immediately before that date; and

(*d*) in a case where the acquiring company is a subsidiary of another company within the meaning of section 5 of the Companies Act (Cap. 50), the acquiring company has a Singapore company as its ultimate holding company on that date.

(16B) The conditions in subsection (16)(*a*)(ii), (*b*)(ii), (*c*)(ii) and (*d*)(ii) are —

(*a*) the acquiring subsidiary does not carry on a trade or business in Singapore or elsewhere on the date of the acquisition of the shares;

(*b*) the acquiring subsidiary does not claim any deduction for any capital expenditure or transaction costs under this section for that year of assessment or any stamp duty relief under section 15A of the Stamp Duties Act (Cap. 312); and

(*c*) the acquiring subsidiary is on that date wholly owned by the acquiring company —

(i) directly, in the case of subsection (16)(*a*)(ii) or (*b*)(ii) where the date of the qualifying acquisition is before 17 February 2012; and

(ii) whether directly or indirectly, in every other case.

(16C) The conditions in subsection (16)(*a*)(iii), (*b*)(iii), (*c*)(iii) and (*d*)(iii) are —

(*a*) the intermediate company is wholly owned (whether directly or indirectly) by the acquiring company on the date of the acquisition of the shares;

(*b*) the intermediate company is incorporated for the primary purpose of acquiring and holding shares in other companies;

(*c*) the intermediate company does not carry on a trade or business in Singapore or elsewhere on that date; and

(*d*) the intermediate company does not claim any deduction for any capital expenditure or transaction costs under this section for that year of assessment or any stamp duty relief under section 15A of the Stamp Duties Act.

(16D) The conditions in subsection (16)(*a*)(iv), (*b*)(iv), (*c*)(iv) and (*d*)(iv) are —

(*a*) the target company or the subsidiary carries on a trade or business in Singapore or elsewhere on the date of the acquisition of the shares; and

(*b*) the target company or the subsidiary has in its employment at least 3 employees at all times during the period of 12 months immediately before that date.

(16E) For the purposes of subsection (16)(*c*)(v) and (*d*)(v), the Minister may by regulations prescribe such conditions as the Minister considers necessary to ensure that the acquiring company or acquiring subsidiary is not merely a passive shareholder of the target company, including requiring the company or subsidiary to exert significant influence (within the meaning of FRS 28, or SFRS for Small Entities, as amended from time to time) over the target company.

(16F) In subsection (16E) —

"FRS 28" means the financial reporting standard known as Financial Reporting Standard 28 (Investments in Associates and Joint Ventures) issued by the Accounting Standards Council under Part III of the Accounting Standards Act (Cap. 2B);

"SFRS for Small Entities" means the financial reporting standard known as Singapore Financial Reporting Standard for Small Entities made by the Accounting Standards Council under Part III of the Accounting Standards Act.";

(*u*) by inserting, immediately before the word "after" in subsection (17)(*a*), the words "where the qualifying acquisition is one referred to in subsection (4) or (4A)(*c*), (*d*), (*e*) or (*f*),";

(*v*) by inserting, immediately after paragraph (*a*) of subsection (17), the following paragraph:

"(*aa*) where the qualifying acquisition is one referred to in subsection (4A)(*a*) or (*b*), after the date of the acquisition of the shares, the target company issues additional ordinary shares which reduces the total ownership of the acquiring company and its acquiring subsidiaries of the ordinary shares in the target company to less than 20%;";

(*w*) by inserting, immediately after the words "subsection (4)(*a*) or (*b*)" in subsection (17)(*c*), the words "or (4A)(*c*) or (*d*)";

(*x*) by inserting, immediately after the words "subsection (4)(*c*) or (*d*)" in subsection (17)(*d*), the words "or (4A)(*e*) or (*f*)";

(*y*) by inserting, immediately after paragraph (*d*) of subsection (17), the following paragraph:

"(*da*) where the qualifying acquisition is one referred to in subsection (4A)(*a*) or (*b*), the acquiring company or the acquiring subsidiary (as the case may be) divests its shares in the target company which reduces the total ownership of the acquiring company and its acquiring subsidiaries of the ordinary shares in the target company to any percentage below 20%, and such divestment occurs in a basis period of the acquiring company other than that for the 1st year of assessment;";

(*z*) by deleting "(10)" in subsection (19)(*b*) and substituting "(10A)";

(*za*) by deleting the words "subsections (16)(*a*)(i)(D) and (*b*)(i)(D)" in subsection (19A) and substituting the words "subsections (16A)(*d*)"; and

(*zb*) by deleting "(16)" in subsection (27) and substituting "(16A)".

Amendment of section 39

25.—(1) Section 39 of the principal Act is amended —

(*a*) by deleting the words "(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)" wherever they appear in subsection (2)(*h*) (including the proviso) and substituting in each case the words "(for the year of assessment 2012, 2013, 2014 or 2015), $31,450 (for the year of assessment 2016) or $37,740 (for the year of assessment 2017 or a subsequent year of assessment)";

(*b*) by deleting the words "that is within the medisave contribution ceiling prevailing at the time when the contribution was made, to be paid to his medisave account maintained under the Central Provident Fund Act" in subsection (2)(*q*) and substituting the words "that, together with the balance in the individual's medisave account maintained under the Central Provident Fund Act, is

within the basic healthcare sum prevailing at the time when the contribution was made, to be paid to the individual's medisave account";

(*c*) by inserting, immediately after subsection (3A), the following subsections:

"(4) For any year of assessment, an individual may only be the subject of a claim or claims for the individual's maintenance under one dependant provision; and if claims are made under more than one dependant provision, then, subject to any priority given to any claim in the applicable dependant provision, the deduction is to be allowed to the claimant or claimants (as the case may be) under only one of those dependant provisions, being —

(*a*) the dependant provision that all the claimants have agreed on; or

(*b*) if the claimants are unable to agree on a dependant provision, the dependant provision determined by the Comptroller.

(4A) In subsection (4), "dependant provision" means paragraph (*a*), (*c*), (*d*), (*e*), (*i*) or (*j*) of subsection (2).

(4B) Despite subsection (4), for any year of assessment, an individual may be the subject of claims for the individual's maintenance under paragraphs (*a*), (*c*) and (*d*) of subsection (2), or any 2 of those paragraphs."; and

(*d*) by deleting the definition of "medisave contribution ceiling" in subsection (13) and substituting the following definition:

" "basic healthcare sum", in relation to an individual, means the maximum amount directed by the Minister under section 13(6) of the Central Provident Fund Act;".

(2) Subsection (1)(*c*) has effect for the year of assessment 2016 and subsequent years of assessment.

Amendment of section 43

26.—(1) Section 43 of the principal Act is amended —

(*a*) by deleting "20%" in subsection (1)(*b*) and substituting "22%";

(*b*) by deleting "2015" in subsection (3B) and substituting "2020"; and

(*c*) by deleting the words "sections 13(1)(*r*)" in subsection (4) and substituting the words "sections 13(1)(*r*), (*ra*) and (*rb*)".

(2) Subsection (1)(*a*) has effect for the year of assessment 2017 and subsequent years of assessment.

Amendment of section 43C

27. Section 43C(1A) of the principal Act is amended by deleting the words "1st April 2015" in paragraph (*a*) and substituting the words "such date as may be prescribed".

Amendment of section 43E

28. Section 43E of the principal Act is amended by inserting, immediately after subsection (1), the following subsection:

"(1A) This section does not apply to any income derived on or after 1 October 2015.".

Amendment of section 43I

29. Section 43I of the principal Act is amended by inserting, immediately after subsection (1), the following subsection:

"(1A) This section does not apply to any income accruing in or derived from Singapore on or after 1 January 2016.".

Amendment of section 43W

30. Section 43W(4A) of the principal Act is amended by deleting "2016" and substituting "2021".

Amendment of section 43ZA

31. Section 43ZA of the principal Act is amended —

(*a*) by deleting "2016" in subsections (3) and (4)(*b*) and substituting in each case "2021";

(*b*) by inserting, immediately after the words "or 23" in subsection (6)(*a*) and (*b*), the words "(other than allowances made to the lessee under regulations made under section 10D)"; and

(*c*) by deleting subsection (8).

Amendment of section 43ZB

32. Section 43ZB(4A) of the principal Act is amended by deleting "2016" and substituting "2021".

Amendment of section 43ZF

33. Section 43ZF of the Income Tax Act is amended —

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

"(1) Despite section 43, tax at the rate of 10% is to be levied and paid for each year of assessment upon the amount of income in subsection (1A) of an approved company derived on or after the service approval date and during the period of its approval under subsection (2) (but not any extended period of its approval under subsection (5A)), from providing in or from Singapore any shipping-related support service approved for it under subsection (2A).

(1A) In subsection (1), the amount of the income is that which exceeds the base amount calculated in accordance with subsection (4).";

(*b*) by deleting "2016" in subsection (2) and substituting "2021";

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

"(2A) The Minister or appointed person must approve for the company one or more shipping-related support services for the purposes of subsection (1) at the time of granting the approval, and may approve for the company additional shipping-related support services during the period it is approved.";

(*d*) by deleting the words "subsection (1)" in subsection (4) and substituting the words "subsection (1A)";

(*e*) by inserting, immediately after the words "audited accounts" in subsection (4)(*a*), the words "(or such other accounts as the Minister or appointed person may approve for the company)";

(*f*) by inserting, immediately after the word "approval" in subsection (5), the following words "(but not the extended period of its approval under subsection (5A))";

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

"(5A) The Minister or appointed person may extend the period of any approval under subsection (2) for further periods of 5 years at any one time, and the extension is subject to the company satisfying such conditions as the Minister or appointed person has imposed on it at the time of granting the extension.

(5B) The Minister or appointed person must approve for the company one or more shipping-related support services for the purposes of subsection (5C) at the time of granting the extension, and may approve for the company additional shipping-related support services during the extended period of its approval.

(5C) Despite section 43, tax at the rate of 10% is levied and must be paid for each year of assessment upon the amount of income in subsection (5D) of an approved company derived on or after the service approval date and during the extended period of its approval under subsection (5A), from providing in or

from Singapore any shipping-related support service approved for it under subsection (5B).

(5D) In subsection (5C), the amount of the income is that which exceeds the base amount calculated in accordance with subsection (5I).

(5E) The approved company may, in lieu of subsection (5C), elect for the amount referred to in subsection (5F) of its income derived on or after the service approval date and during the extended period of its approval under subsection (5A), from providing in or from Singapore any shipping-related support service approved for it under subsection (5B), to be taxed at a rate of 10.5%.

(5F) In subsection (5E), the amount of the income is that which exceeds the base amount referred to in subsection (4).

(5G) An election under subsection (5E) must be made in such form and manner and within such reasonable time as the Minister or appointed person may allow, and must be accompanied by such particulars as the Minister or appointed person determines.

(5H) An election under subsection (5E) is irrevocable.

(5I) The base amount referred to in subsection (5D) is determined as follows:

(*a*) where the approved company had provided one or more of the shipping-related support services approved for it under subsection (5B) at any time during the period of 3 years immediately before the date the extension is granted under subsection (5A), the base amount is ascertained by the following formula:

$$\frac{A}{B} \times 12,$$

where A is the total net profit before tax as shown in the company's audited accounts (or such other accounts as the Minister or appointed person may approve for the company) that is derived from providing all of those services during that period of 3 years; and

B is the actual number of months (a period of less than a month being reckoned as one month) during that period in which those services were provided;

(*b*) where the company had not provided any of the shipping-related support services approved for it under subsection (5B) at any time during the period referred to in paragraph (*a*), the base amount is zero;

(*c*) the Minister may in a particular case specify an amount in substitution for the amount referred to in paragraph (*a*) or (*b*).

(5J) The base amount determined in accordance with subsection (5I) applies to the approved company for the entire duration of the extended period of its approval under subsection (5A), unless the Minister otherwise decides.";

(*h*) by deleting the words "subsection (4)" in the definition of "corporate service" in subsection (8) and substituting the words "subsections (4) and (5I)";

(*i*) by inserting, immediately after the definition of "freight forwarding and logistics service" in subsection (8), the following definition:

" "prescribed ship management services" has the same meaning as in section 13A(16);";

(*j*) by deleting the words "subsection (1)" in the definition of "service approval date" in subsection (8) and substituting the words "subsection (2A) or (5B)";

(*k*) by deleting the definition of "ship" in subsection (8) and substituting the following definition:

" "ship" has the same meaning as in section 2(1) of the Merchant Shipping Act (Cap. 179);";

(*l*) by deleting the definition of "ship management services" in subsection (8);

(*m*) by deleting the words "any vessel" in paragraph (*c*) of the definition of "shipping-related business" in subsection (8) and substituting the word "ship";

(*n*) by deleting paragraph (*j*) of the definition of "shipping-related business" in subsection (8) and substituting the following paragraph:

"(*j*) prescribed ship management services;";

(*o*) by deleting paragraph (*c*) of the definition of "shipping-related support service" in subsection (8) and substituting the following paragraph:

"(*c*) prescribed ship management services;";

(*p*) by deleting the words "subsection (1)" in subsection (9)(*a*) and substituting the words "subsections (1), (2A), (5B) and (5C)"; and

(*q*) by deleting the words "subsection (4)" in subsection (9)(*b*) and substituting the words "subsections (4) and (5I)".

New sections 43ZG and 43ZH

34. The principal Act is amended by inserting, immediately after section 43ZF, the following sections:

"**Concessionary rate of tax for income derived from managing approved venture company**

43ZG.—(1) Despite section 43, tax at the rate of 5% is to be levied and paid for each year of assessment upon the

management fees and performance bonus derived by an approved fund management company on or after 1 April 2015 from managing approved investments of an approved venture company under section 13H.

(2) The Minister or such person as the Minister may appoint may approve a fund management company for the purposes of subsection (1) at any time between 1 April 2015 and 31 March 2020 (both dates inclusive).

(3) The Minister or appointed person may, when granting the approval, impose such conditions on the fund management company as the Minister or appointed person considers appropriate.

(4) The approval under subsection (2) is for a period specified by the Minister or appointed person which must not exceed 10 years, except that the Minister or appointed person may extend the period for further periods not exceeding 5 years at any one time.

(5) The total period of approval of a fund management company, including —

(*a*) every extension under subsection (4); and

(*b*) if the fund management company had been a pioneer service company in respect of the activity of managing investments for an approved venture company under section 13H, its tax relief period for that qualifying activity,

must not in total exceed 15 years.

(6) In determining the amount of income subject to the concessionary rate of tax under subsection (1) —

(*a*) the allowances under section 19, 19A, 20, 21, 22 or 23 must be taken into account even if no claim for such allowances has been made; and

(*b*) the Comptroller must determine the manner and extent to which —

(i) allowances under section 19, 19A, 20, 21, 22 or 23 and any expenses and donations allowable under this Act are to be deducted; and

(ii) any loss may be deducted under section 37.

(7) In this section —

"fund management company" means a company incorporated in Singapore that is a fund manager;

"investments" has the same meaning as in section 13H(18);

"pioneer service company" has the same meaning as in section 16 of the Economic Expansion Incentives (Relief from Income Tax) Act (Cap. 86);

"tax relief period" means the tax relief period referred to in section 18 of the Economic Expansion Incentives (Relief from Income Tax) Act.

Concessionary rate of tax for international growth company

43ZH.—(1) Despite section 43, the Minister may by regulations provide that tax at the rate of 10% is to be levied and paid upon the income derived by an approved international growth company from carrying on all of its qualifying activities within a basis period, or a part of a basis period, that falls within its approval period, which in total exceeds the base amount referred to in subsection (6).

(2) Subsection (1) does not apply to income from any of the activities mentioned in that subsection that is carried on on a date that falls outside of that activity's concessionary period.

(3) The Minister or such person as the Minister may appoint may, at any time between 1 April 2015 and 31 March 2020 (both dates inclusive), approve a company as an international growth company for a period not exceeding 5 years; and the approval may be given subject to such conditions as the Minister or appointed person may impose.

(4) When granting the approval, the Minister or appointed person must specify for the international growth company —

(*a*) the date of its approval and its approval period;

(*b*) one or more qualifying activities; and

(*c*) a concessionary period for each of those activities.

(5) The Minister or appointed person may at any time during the period the international growth company remains approved specify for it —

(*a*) one or more additional qualifying activities; and

(*b*) a concessionary period for each of those activities.

(6) The base amount referred to in subsection (1) is ascertained in accordance with the following provisions:

(*a*) where the approved international growth company had, at any time during the period of 3 years immediately before the date of its approval, carried on one or more of the qualifying activities specified for it under subsection (4), the base amount is ascertained by the formula:

$$\frac{\mathrm{A}}{\mathrm{B}} \times 12,$$

where A is the total net profit before tax as shown in its audited accounts (or such other accounts as the Minister or appointed person may approve for the company) that is derived from carrying on the qualifying activity or activities during that period; and

B is the actual number of months (a period of less than a month being reckoned as one month) during that period in which the qualifying activity or activities was or were carried out;

(*b*) where the approved international growth company had not carried on any of those qualifying activities during the period of 3 years immediately before the date of its approval, the base amount is zero;

(*c*) the Minister or appointed person may specify an amount in substitution for the amount referred to in paragraph (*a*) or (*b*).

(7) The base amount determined in accordance with subsection (6) applies for the entire duration of the company's approval period, unless the Minister or appointed person decides otherwise.

(8) In determining the income of an approved international growth company from carrying on its qualifying activities —

(*a*) the allowances under section 16, 17, 18, 18B, 18C, 19, 19A, 20, 21, 22 or 23 must be taken into account even though no claim for such allowances has been made; and

(*b*) the Comptroller must determine the manner and extent to which —

(i) allowances under section 16, 17, 18, 18B, 18C, 19, 19A, 20, 21, 22 or 23 and any expenses and donations allowable under this Act are to be deducted; and

(ii) any loss may be deducted under section 37.

(9) In this section —

"approval period", in relation to an approved international growth company, means the period of its approval as such a company under subsection (3);

"concessionary period", in relation to a qualifying activity of an approved international growth company, means the concessionary period specified for that activity under subsection (4) or (5);

"international growth company" means a company incorporated and resident in Singapore which carries

on, or which intends to carry on, a trade or business which involves —

(*a*) the export of goods to a country outside Singapore;

(*b*) the performance of services in a country outside Singapore; or

(*c*) the performance of services for a person or permanent establishment outside Singapore,

whether or not it also carries on or intends to carry on any other trade or business;

"qualifying activity", in relation to an approved international growth company, means an activity specified for the company under subsection (4) or (5), being one of the activities prescribed for the purposes of this section in regulations made under this section.".

Amendment of section 45

35. Section 45 of the principal Act is amended —

(*a*) by deleting "20%" in subsections (1)(*a*)(i) and (2)(*b*) and substituting in each case "22%";

(*b*) by deleting the words "in writing" in subsection (1)(*b*);

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

"(1B) The notice under subsection (1)(*b*) must be given using the electronic service, except that the Comptroller may in any particular case or class of cases permit the notice to be given in any other manner."; and

(*d*) by inserting, immediately after the words "the Comptroller" in subsection (5), the words "in the manner referred to in subsection (1B) and".

Amendment of section 45B

36.—(1) Section 45B(2) of the principal Act is amended —

(*a*) by deleting the words "and section 45C"; and

(*b*) by deleting "20%" and substituting "22%".

(2) Subsection (1)(*a*) applies to any payment assessable to tax for the year of assessment 2010 and subsequent years of assessment.

Amendment of section 45D

37. Section 45D of the principal Act is amended —

(*a*) by deleting the words "in writing" in subsection (2); and

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

"(2A) The notice under subsection (2) must be given using the electronic service, except that the Comptroller may in any particular case or class of cases permit the notice to be given in any other manner.".

Amendment of section 45E

38. Section 45E of the principal Act is amended —

(*a*) by deleting the words "subsection (2)" in subsection (1) and substituting the words "subsections (2) and (2A)";

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

"(2A) For the purposes of subsection (1)(*a*), where a withdrawal of all the funds standing in the SRS account of an SRS member is made on the ground in section 10L(3G), section 45 applies only in relation to an amount determined in the following manner:

$$\frac{A}{A + B} \times C,$$

where A is the amount of funds withdrawn from the SRS account on that ground;

B is the total value of the investment that is deducted from the balance in the SRS account (if any) on that ground; and

C is the amount of the SRS member's income chargeable to tax under section 10(1)(*g*) as determined under section 10L(3G).

(2B) In subsection (2A) —

(*a*) the reference to a deduction of an investment from the balance in an SRS account is to be construed in accordance with section 10L(3F); and

(*b*) the value of such investment is determined in accordance with the regulations made under section 10L(11).";

(*c*) by deleting the words "specified in section 43(1)(*b*)" wherever they appear in subsections (3)(*a*) and (5), and substituting in each case, the words "of 22%"; and

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

"(6) To avoid doubt, a reference to a withdrawal from an SRS account in this section is a reference to an actual withdrawal of funds, and excludes a deemed withdrawal of funds under section 10L(3E).".

Amendment of section 45EA

39. Section 45EA of the principal Act is amended —

(*a*) by deleting the words "The SRS operator" in subsection (3) and substituting the words "Subject to subsection (3A), the SRS operator";

(*b*) by deleting the words "at the rate specified in section 43(1)(*b*)" in subsection (3) and substituting the words "at the rate of 22%";

(*c*) by inserting, immediately after subsection (3), the following subsection:

"(3A) If the deduction of the investment from the balance in the SRS account is to be made on the ground in section 10L(3G), the amount on which tax is to be collected under subsection (3) is determined in the following manner:

$$\frac{B}{A + B} \times C,$$

where A is the amount of funds to be actually withdrawn from the SRS account on that ground (if any);

B is the total value of the investment that is to be deducted from the balance in the SRS account; and

C is the amount of the SRS member's income chargeable to tax under section 10(1)(*g*) as determined under section 10L(3G).";

(*d*) by deleting the words "subsection (3)" in subsection (4) and substituting the words "subsections (3) and (3A)"; and

(*e*) by deleting subsection (5) and substituting the following subsection:

"(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 22%, then the reference to the rate of 22% in subsection (3) is a reference to the higher or lower rate.".

Amendment of section 46

40. Section 46 of the principal Act is amended —

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

"(2) Any tax which has been collected under section 45EA must, when the income in respect of which the tax has been collected is included in the chargeable income of the SRS member in question, be set off for the purpose of collection against the tax charged on that chargeable income.

(3) The reference in subsection (2) to income in respect of which tax has been collected is a reference to —

(*a*) the amount deemed as income of the SRS member under section 10L(3) wholly or partly because of the deduction of any investment from the balance in the SRS account for which the tax has been collected; or

(*b*) the amount deemed as income of the SRS member under section 10L(6), (7) or (9) (as the case may be), if the deduction of any investment from the balance in the SRS account for which the tax has been collected is made after —

(i) the balance (excluding any life annuity) remaining in the SRS account is deemed withdrawn under section 10L(6) or (7); or

(ii) the sum standing in the SRS account is deemed withdrawn under section 10L(9),

as the case may be."; and

(*b*) by inserting, immediately after the words "section 10L(3)" in subsection (3)(*a*), the words "or (3G) (as the case may be)".

Amendment of section 65B

41. Section 65B(3) of the principal Act is amended by deleting the words "or in writing" and substituting the words ", in writing, or through the electronic service".

New section 92E

42. The principal Act is amended by inserting, immediately after section 92D, the following section:

"**Remission of tax of companies for years of assessment 2016 and 2017**

92E. Where the Comptroller is satisfied that the remission of tax would be beneficial to a company, then there is to be remitted the tax payable for each of the years of assessment 2016 and 2017 by the company of an amount equal to the lower of the following:

(*a*) 30% of the tax payable for that year of assessment (excluding any tax levied and paid or payable pursuant to section 43(3), (3A) and (3B));

(*b*) $20,000.".

Amendment of section 93

43. Section 93 of the principal Act is amended —

(*a*) by deleting the words "at the rate of 5% per annum" in subsection (8) and substituting the words "at the rate referred to in subsection (9)"; and

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

"(9) In subsection (8), the rate of interest is —

(*a*) for any period up to and including 30 June 2016, 5% per annum; or

(*b*) for any period commencing on or after 1 July 2016, the average of the prime lending rates for such months in the previous year as are prescribed under section 7.".

Amendment of section 101

44. Section 101 of the principal Act is amended —

(*a*) by inserting, immediately after the word "section" in subsection (1), "37IE,"; and

(*b*) by inserting, immediately after the word "sections" in subsection (2), "37IE,".

Amendment of section 104

45. Section 104(2) of the principal Act is amended by inserting, immediately after the word "section" in paragraph (*a*), "37IE,".

Amendment of section 105BA

46. Section 105BA of the principal Act is amended —

(*a*) by inserting, immediately after the word "persons" in subsection (1), the words "(whether upon request by an authority of a country to the arrangement or otherwise)"; and

(*b*) by inserting, immediately after the word "persons" in subsection (1A), the words "(whether upon request by an authority of a Party to the treaty or otherwise)".

Amendment of section 105L

47. Section 105L of the principal Act is amended —

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

"(1) Subject to subsection (5), a person falling within any description of persons prescribed by regulations made under section 105P (called in this section a prescribed person) must —

(*a*) at such times and frequency as may be prescribed by those regulations or as the Comptroller may in any particular case allow; and

(*b*) in such form and manner as may be prescribed by those regulations or as the Comptroller may in any particular case allow,

provide the Comptroller, or such other person as may be authorised by the Comptroller, information of a description prescribed by those regulations.";

(*b*) by deleting the words "duty of secrecy" in subsection (2) and substituting the words "duty not to collect, use or disclose that information";

(*c*) by deleting subsection (3) and substituting the following subsection:

"(3) A prescribed person who in good faith and with reasonable care does any act for the purpose of complying with subsection (1) is not to be treated as being in breach of any duty mentioned in subsection (2).";

(*d*) by inserting, immediately after the words "in good faith" in subsection (4)(*a*) and (*b*), the words "and with reasonable care"; and

(*e*) by inserting, immediately after the word "and" in subsection (4)(*b*), the words "for the purpose of, or".

Amendment of section 105N

48. Section 105N(2) of the principal Act is amended by deleting paragraph (*d*) and substituting the following paragraph:

"(*d*) the Comptroller may authorise any person (including an officer of the Monetary Authority of Singapore) under section 4(1) to perform or assist in the performance of a duty of the Comptroller under section 65, 65A or 65B.".

New section 105PA

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

"**Duty to provide information under regulations prevails over duty of secrecy, etc.**

105PA.—(1) This section applies where a regulation made under section 105P imposes a duty on a person (*A*) to provide any information to another person.

(2) In relation to a duty to provide information that arises on or after the date the Income Tax (Amendment) Act 2016 is published in the *Gazette*, *A* is not excused from providing the information by reason only that *A* is under a duty not to collect, use or disclose that information, whether imposed by written law, rule of law, any contract or any rule of professional conduct, in respect of that information.

(3) *A* who in good faith and with reasonable care does any act for the purpose of complying with the regulation mentioned in subsection (1) is not to be treated as being in breach of any duty mentioned in subsection (2).

(4) No civil or criminal action for a breach of any such duty, other than criminal action for an offence under section 105M (if applicable), lies against *A* —

(*a*) for producing any document or providing any information if *A* does so in good faith and with reasonable care in compliance with the regulation mentioned in subsection (1); or

(*b*) for doing or omitting to do any act if *A* does or omits to do the act in good faith and with reasonable care and for the purpose of or as a result of complying with the regulation mentioned in subsection (1).

(5) Despite subsection (2), subsection (1) does not apply to any information subject to legal privilege.".

Amendment of Second Schedule

50.—(1) Part A of the Second Schedule to the principal Act is amended —

(*a*) by numbering the existing first and second Tables as TABLE 1 and TABLE 2, respectively;

(*b*) by deleting the words "AND SUBSEQUENT YEARS OF ASSESSMENT" in the heading of TABLE 2 and substituting the words ", 2014, 2015 AND 2016"; and

(*c*) by inserting, immediately after TABLE 2, the following Table:

"TABLE 3

RATES OF TAX ON CHARGEABLE INCOME OF AN INDIVIDUAL FOR YEAR OF ASSESSMENT 2017 AND SUBSEQUENT YEARS OF ASSESSMENT

Chargeable Income		*Rate of tax*
For every dollar of the first	$20,000	Nil
For every dollar of the next	$10,000	2%
For every dollar of the next	$10,000	3.5%
For every dollar of the next	$40,000	7%
For every dollar of the next	$40,000	11.5%
For every dollar of the next	$40,000	15%
For every dollar of the next	$40,000	18%
For every dollar of the next	$40,000	19%
For every dollar of the next	$40,000	19.5%
For every dollar of the next	$40,000	20%
For every dollar exceeding	$320,000	22%.".

(2) Subsection (1)(*c*) has effect for the year of assessment 2017 and subsequent years of assessment.

Miscellaneous amendments to define "ship"

51.—(1) Section 12 of the principal Act is amended by inserting, immediately after subsection (2A), the following subsection:

"(2B) In subsections (2) and (2A), "ship" has the same meaning as in section 2(1) of the Merchant Shipping Act (Cap. 179).".

(2) Section 27(6) of the principal Act is amended by inserting, immediately after the words "a ship", the words "(within the meaning of section 2(1) of the Merchant Shipping Act)".

(3) Section 45A(3) of the principal Act is amended by deleting the full-stop at the end of the definition of "Islamic debt securities" and substituting a semi-colon, and by inserting immediately thereafter the following definition:

" "ship" has the same meaning as in section 2(1) of the Merchant Shipping Act.".

(4) Section 53(7) of the principal Act is amended by inserting, immediately after the word "ship", the words "(within the meaning of section 2(1) of the Merchant Shipping Act)".

(5) Section 89 of the principal Act is amended by inserting, immediately after subsection (7), the following subsection:

"(8) In subsections (6) and (7), "ship" has the same meaning as in section 2(1) of the Merchant Shipping Act.".

(6) Subsections (1) and (3) apply only in relation to income that accrues or is derived on or after the date the Income Tax (Amendment) Act 2016 is published in the *Gazette*.

Other miscellaneous amendments

52. The principal Act is amended —

(*a*) by deleting the words "or 43ZF" in the following provisions and substituting in each case the words ", 43ZF, 43ZG or 43ZH":

Sections 14C(6) (paragraph (*b*) of the definition of "concessionary rate of tax"), 37B(7) (paragraph (*b*) of the definition of " "higher rate of tax" or "lower rate of tax" ") and 37E(17) (paragraph (*b*) of the definition of "concessionary rate of tax"); and

(*b*) by inserting, immediately after "14K," in section 15(2), "14KA,".

Remission of tax for year of assessment 2015

53. There is remitted the tax payable for the year of assessment 2015 by an individual resident in Singapore an amount equal to —

(*a*) 50% of the tax payable by that individual for that year of assessment; or

(*b*) $1,000,

whichever is the lower; and the amount of such remission is to be determined by the Comptroller.

Related amendment to Economic Expansion Incentives (Relief from Income Tax) Act

54. Section 66(1) of the Economic Expansion Incentives (Relief from Income Tax) Act (Cap. 86) is amended by deleting the words "or 43ZF" in the definition of "concessionary income" and substituting the words ", 43ZF, 43ZG or 43ZH".

Related amendments to Stamp Duties Act

55. Section 15A of the Stamp Duties Act (Cap. 312) is amended —

(*a*) by deleting "2015" in subsections (1) and (2)(*b*)(ii) and substituting in each case "2020";

(*b*) by inserting, immediately after the words "an acquisition" in subsection (3)(*a*) and (*c*), the words "made during the period from 1 April 2010 to 31 March 2015 (both dates inclusive)";

(*c*) by deleting the words "or (*c*), as the case may be, occurs." in subsection (3)(*d*) and substituting a semi-colon;

(*d*) by inserting, immediately after paragraph (*d*) of subsection (3), the following paragraph:

"(*e*) any other acquisition the date of which falls within the qualifying period in which the acquisition referred to in paragraph (*c*) occurs and is before 1 April 2016.";

(*e*) by inserting, immediately after subsection (4), the following subsections:

"(5) In this section, each of the following is also a qualifying acquisition of ordinary shares in a target company by an acquiring company or an acquiring subsidiary:

(*a*) an acquisition made during the period from 1 April 2015 to 31 March 2020 (both dates inclusive) that results in the acquiring company and its acquiring subsidiaries owning together in total 20% or more but 50% or less of the total number of ordinary shares in the target company where —

(i) before the date of the acquisition, such total ownership was less than 20% of the total number of ordinary shares in the target company; and

(ii) in the financial year of the acquiring company in which the date of the acquisition falls, there is no acquisition referred to in paragraph (*b*);

(*b*) an acquisition made during the period from 1 April 2015 to 31 March 2020 (both dates inclusive) that results in the acquiring company and its acquiring subsidiaries owning together in total more than 50% of the total number of ordinary shares in the target company where, before the date of the acquisition, such total ownership was 50% or less of the total number of ordinary shares in the target company;

(*c*) any other acquisition the date of which falls within the qualifying period in which the acquisition referred to in paragraph (*a*) or (*b*), as the case may be, occurs;

(*d*) an acquisition made on or after 1 April 2015 but before 1 April 2016 that results in the acquiring company and its acquiring

subsidiaries owning together in total 75% or more of the total number of ordinary shares in the target company where —

(i) before the date of the acquisition, such total ownership was more than 50% but less than 75% of the total number of ordinary shares in the target company;

(ii) in the financial year of the acquiring company in which the date of the acquisition falls, there is no acquisition referred to in paragraph (*a*) or (*b*); and

(iii) before 1 April 2015 and not earlier than 12 months before the acquisition, the acquiring company or its acquiring subsidiary had made an acquisition of ordinary shares of any amount in the target company;

(*e*) any other acquisition the date of which falls within the qualifying period in which the acquisition referred to in paragraph (*d*) occurs, and is before 1 April 2016.

(6) For the purposes of subsection (5)(*c*) and (*e*), the qualifying period is determined as follows:

(*a*) in the first instance, the qualifying period is the financial year of the acquiring company in which the acquisition referred to in subsection (5)(*a*), (*b*) or (*d*) (as the case may be) occurs;

(*b*) where the other acquisition referred to in subsection (5)(*c*) or (*e*) relates to an acquisition in subsection (5)(*b*) or (*d*) and the acquisition referred to in subsection (5)(*b*) (if applicable) occurs before 1 April 2016, the acquiring company may elect, in such form and manner and within such time as the

Commissioner may specify (which must be after the financial year referred to in paragraph (*a*)), to replace the qualifying period referred to in paragraph (*a*) with a prescribed period (which must be a period within which the acquisition referred to in subsection (5)(*b*) or (*d*) (as the case may be) occurs);

(*c*) where the acquiring company claims a deduction under section 37L of the Income Tax Act (Cap. 134) in connection with the acquisition referred to in subsection (5)(*a*), (*b*) or (*d*) (as the case may be), then the qualifying period is, instead of the period referred to in paragraph (*a*) or (*b*) (as the case may be), the same period as that for which acquisitions are qualifying acquisitions for the purposes of its claim under section 37L of that Act.";

(*f*) by deleting subsections (7) and (8) and substituting the following subsections:

"(7) The maximum amount of relief from duty to be allowed under subsection (1) with respect to all qualifying acquisitions of ordinary shares in all target companies by an acquiring company and all its acquiring subsidiaries in a financial year of the acquiring company is determined in accordance with subsections (8) to (8F).

(8) Subject to subsection (8A), where the qualifying acquisitions in the financial year —

(*a*) include an acquisition mentioned in subsection (3)(*a*) or (*c*); and

(*b*) does not include an acquisition mentioned in subsection (5)(*a*), (*b*) or (*d*),

the maximum amount of relief from duty allowed is $200,000.

(8A) Where the qualifying period is the financial year of the acquiring company and the financial year exceeds 12 months, the maximum amount of relief from duty to be allowed to the acquiring company with respect to all the acquisitions to which subsection (8) applies for each of the following periods must not exceed $200,000:

(*a*) the first 12 months of that financial year;

(*b*) the remaining period of that financial year.

(8B) Subject to subsection (8C), where the qualifying acquisitions in the financial year —

(*a*) include an acquisition mentioned in subsection (5)(*a*), (*b*) or (*d*); and

(*b*) does not include an acquisition mentioned in subsection (3)(*a*) or (*c*),

the maximum amount of relief from duty allowed is $40,000.

(8C) Where the qualifying period is the financial year of the acquiring company and the financial year exceeds 12 months, the maximum amount of relief from duty to be allowed to the acquiring company with respect to all the acquisitions to which subsection (8B) applies for each of the following periods must not exceed $40,000:

(*a*) the first 12 months of that financial year;

(*b*) the remaining period of that financial year.

(8D) For the purposes of subsection (8), where subsection (4)(*b*) or (*c*) applies, the qualifying acquisitions to which subsection (8) applies are treated as occurring in the financial year of the acquiring company in which the acquisitions referred to in subsection (8)(*a*) occur.

(8E) For the purposes of subsection (8B), where subsection (6)(*b*) or (*c*) applies, the qualifying acquisitions to which subsection (8B) applies are treated as occurring in the financial year of the

acquiring company in which the acquisitions referred to in subsection (8B)(*a*) occur.

(8F) Where the qualifying acquisitions in the financial year —

(*a*) include an acquisition mentioned in subsection (3)(*a*) or (*c*); and

(*b*) include an acquisition mentioned in subsection (5)(*a*), (*b*) or (*d*),

the maximum amount of relief from duty allowed is

$$A + B,$$

where A is the lesser of —

(i) the total amount of ad valorem stamp duty chargeable on all of those qualifying acquisitions that are acquisitions mentioned in subsection (3); and

(ii) $200,000, and

B is the lesser of —

(i) the total amount of ad valorem stamp duty chargeable on all of those qualifying acquisitions that are acquisitions mentioned in subsection (5); and

(ii) the balance after deducting A from $40,000 or, if the balance is negative, zero.

(8G) Subsections (8) to (8F) are subject to the rules made under subsection (18).";

(*g*) by inserting, immediately after the words "subsection (4)(*a*)" in subsection (11)(*a*), the words "or (6)(*a*)";

(*h*) by inserting, immediately after the words "subsection (3)(*a*) or (*c*)" in subsection (11)(*a*)(ii), the words "or (5)(*a*), (*b*) or (*d*)";

(*i*) by inserting, immediately after the words "subsection (4)(*b*)" wherever they appear in subsection (11)(*b*), the words "or (6)(*b*)";

(*j*) by inserting, immediately after the words "subsection (4)(*c*)" in subsection (11)(*c*), the words "or (6)(*c*)";

(*k*) by inserting, immediately after the words "subsection (4)(*b*) or (*c*)" in subsections (11A) and (18)(*a*), the words "or (6)(*b*) or (*c*)";

(*l*) by inserting, immediately after subsection (18), the following subsection:

"(18A) Without affecting the generality of subsection (18)(*b*), the Minister may, in the case of a qualifying acquisition referred to in subsection (5), prescribe such conditions as the Minister considers necessary to ensure that the acquiring company or acquiring subsidiary is not merely a passive shareholder of the target company, including requiring the company or subsidiary to exert significant influence (within the meaning of FRS 28, or SFRS for Small Entities, as amended from time to time) over the target company.";

(*m*) by inserting, immediately after the definition of "financial year" in subsection (19), the following definition:

" "FRS 28" means the financial reporting standard known as Financial Reporting Standard 28 (Investments in Associates and Joint Ventures) made by the Accounting Standards Council under Part III of the Accounting Standards Act (Cap. 2B);"; and

(*n*) by inserting, immediately after the definitions of "holding company" and "subsidiary" in subsection (19), the following definition:

" "SFRS for Small Entities" means the financial reporting standard known as Singapore Financial Reporting Standard for Small Entities made by the Accounting Standards Council under Part III of the Accounting Standards Act;".

Savings provision for amendments to sections 45, 45B, 45E and 45EA of Income Tax Act

56.—(1) This section applies to an act or omission committed before the date the Income Tax (Amendment) Act 2016 is published in the *Gazette* that, but for section 35(*a*), 36(1)(*b*), 38(*c*) or 39(*b*), would not have been a contravention of section 45(1), 45(5), or 45EA(3) or (9) of the principal Act.

(2) An act or omission mentioned in subsection (1) is considered not a contravention of section 45(1), 45(5), or 45EA(3) or (9) of the principal Act.

Additional savings and transitional provisions

57. 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.

EXPLANATORY STATEMENT

This Bill seeks to implement the tax changes in the Government's 2015 Budget Statement, to make certain other amendments to the Income Tax Act (Cap. 134) (the Act), and to make related amendments to the Economic Expansion Incentives (Relief from Income Tax) Act (Cap. 86) and the Stamp Duties Act (Cap. 312).

Clause 1 relates to the short title and commencement.

Clause 2 makes a technical amendment to the definition of "Comptroller" in section 2 (Interpretation), so that a Deputy Comptroller or an Assistant Comptroller does not have the power of the Comptroller of Income Tax (the Comptroller) to offer composition under section 37IE (Promoters of abusive PIC arrangements).

The clause also introduces a definition of a ship used for offshore oil or gas activity. That expression is used in a number of provisions, e.g. sections 13A and 13F.

Clause 3 amends section 6 (Official secrecy) to enable the Comptroller to share tax information with officers of the Inland Revenue Authority of Singapore, and to afford them access to tax information, to enable them to carry out their official duties in administering the wage credit scheme.

Clause 4 makes amendments to section 8A (Electronic service) that are consequential on the amendments to sections 45, 45D and 65B.

Clause 5 amends section 10 (Charge of income tax) by deleting subsection (5) which is obsolete, given that the term "foreign ship" in section 13F now covers dredgers, seismic ships and other vessels used for offshore oil or gas activity. The new subsection (5) clarifies that the terms "Singapore ship" and "foreign ship" have the meanings given to these expressions in sections 13A and 13F, respectively.

Section 10 is also amended to remove the tax concession under subsection (16) (certain royalty income from intellectual property rights or assignment of those rights to be taxed on the lower of the net amount and 10% of the gross amount) for income derived in the basis period for the year of assessment 2017 and subsequent years of assessment.

Section 10 is further amended by inserting new subsections (20G) and (20H) to eliminate instances of double taxation arising from the operation of subsection (20B). Subsection (20B) provides that when certain specified events occur in relation to a unit trust, the income of 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. Double taxation may occur if —

(*a*) another specified event occurs in relation to the same unit trust;

(*b*) the unit trust makes an actual distribution of income previously treated as income of a unit holder under subsection (20B); or

(*c*) the unit holder disposes of his or her units and the income from the disposal is chargeable with tax.

The new subsection (20G) provides that if subsection (20B) has applied to a unit trust, then the undistributed income that did not form part of the trustee's statutory income is treated as distributed, so that it will no longer form part of the undistributed income for future applications of subsection (20B). Further, any actual distribution of such income will not be treated as income in the hands of unit holders for the purposes of subsections (20) and (20A).

The new subsection (20H) provides that any disposal gains or profits of a unit holder that are chargeable with tax are to be reduced by the amount already treated

as income of the unit holder under subsection (20B), that corresponds to the units disposed of.

Clause 6 amends section 10C (Excess provident fund contributions, etc., deemed to be income) to change the various amounts of Central Provident Fund (CPF) contributions by an employer for an employee that are to be exempt from tax. These are necessitated by the increase to the monthly salary ceiling for compulsory CPF contribution announced in the 2015 Budget Statement.

Clause 7 amends section 10L (Withdrawals from Supplementary Retirement Scheme) to provide that a specified amount of —

(*a*) a withdrawal of all the funds standing in an SRS account on the ground that the SRS member is suffering from a terminal illness or disease; or

(*b*) a deemed withdrawal of the sum standing in the SRS account of a deceased SRS member,

(relevant withdrawal) is not income of the SRS member that is chargeable to tax.

The specified amount is —

(*a*) $400,000 — if the SRS member did not make any prior withdrawal under subsection (3)(*b*) or (*c*) (i.e. withdrawal upon or after attaining the prescribed minimum retirement age, or because he or she is physically or mentally incapacitated and cannot continue working, he or she is mentally disordered and cannot manage himself or herself, or he or she is suffering from a terminal illness or disease);

(*b*) if the SRS member had made such prior withdrawal — $400,000 less —

(i) $40,000 for every year between the year in which the first such withdrawal took place, and the year immediately before the year in which the relevant withdrawal took place (both years inclusive) up to 10 years; and

(ii) the lower of $40,000 and the sum of all withdrawals made under subsection (3)(*b*) and (*c*) (if any) in the year in which the relevant withdrawal took place.

In addition, subsection (8) of section 10L is amended to provide that the rule in that provision that only 50% of annuity payment made under a life annuity purchased under the SRS is treated as the SRS member's chargeable income, also applies upon the closure of an SRS account on or after the SRS member becomes eligible to make a withdrawal under subsection (3)(*c*).

Clause 8 makes an amendment to subsection (1)(*oa*) of section 13 (Exempt income) which exempts payments liable to be made to a person not resident in Singapore for the charter of a ship. The scope of the term "ship" is amended to align

it with that in the Merchant Shipping Act (Cap. 179), consistent with a similar alignment of the term in sections 13A, 13F and 13S.

The clause also amends section 13 to extend until 31 March 2020 the period during which income derived by a non-resident arbitrator is exempt from tax.

Next, the clause amends section 13 to exempt from tax the income of a non-resident mediator for mediation services for a mediation which takes place in Singapore or which would have taken place in Singapore if the claim had not been settled or withdrawn. The exemption only applies if, at the time the income is derived, the mediator is accredited or certified under a prescribed scheme or the mediation is administered by a prescribed mediation service provider.

Lastly, the clause amends section 13(12A), (12B) and (12C). The current subsections (12A) and (12B) provide that orders made to exempt from tax income received by the trustee of a real estate investment trust (REIT) or a wholly-owned subsidiary of a REIT, will have limited effect from 1 April 2015. The amendment defers this to 1 April 2020, such that the exemption orders continue to have effect according to the terms of the orders until 1 April 2020.

Clause 9 amends section 13A (Exemption of shipping profits) to provide that income of a shipping enterprise from several new activities is exempt from tax. These activities are —

(*a*) additional ship management services, to be prescribed by rules;

(*b*) the mobilisation, demobilisation or holding of a ship which is or is intended to be used for offshore oil or gas activities; and

(*c*) container leasing which is incidental to and connected with the operation of a ship.

The current list of ship management services which are the subject of subsection (1C) of section 13A, will be added to the rules mentioned in paragraph (*a*) above, so that income from all ship management services derived on or after 24 February 2015 will be exempt from tax under a single provision (new subsection (1CD)).

Lastly, clause 9 amends section 13A by making the meaning of "ship" the same as that in the Merchant Shipping Act, and making other amendments that are consequential on this.

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

(*a*) to provide that any income of a prescribed person derived in the person's capacity as a trustee of a trust fund that already enjoys another tax incentive under the Act, or that is exempt from tax under section 13X, is not exempt from tax under section 13CA. The current subsection (1A), which provides that the Minister cannot prescribe the trustee of such a

fund for the purposes of the exemption under section 13CA, is deleted; and

(*b*) to redefine "relevant day". Under section 13CA, where the income of a prescribed person is exempt from tax under section 13CA(1), a financial penalty is imposed on another person who, on the relevant day, beneficially owns (either alone or together with associates) interest above a prescribed value in the prescribed person or in the trust fund of which the prescribed person is a trustee. As a result of the amendment to the definition of "relevant day", the day for determining a person's beneficial ownership for the purposes of determining the person's liability to the financial penalty is, in a case where the prescribed person becomes an approved entity for the purposes of section 13X, the day before the person is so approved.

Clause 11 amends section 13F (Exemption of international shipping profits) —

(*a*) to make the meaning of "ship" the same as that in the Merchant Shipping Act, and make other amendments that are consequential on this;

(*b*) to provide that the exemption under subsection (1)(*g*) applies to income from —

(i) the sale of a foreign ship used for a prescribed purpose;

(ii) the assignment of rights under a contract for the construction of a ship for a prescribed purpose that, at the time of assignment, is intended to be a foreign ship to be used for any prescribed purpose; and

(iii) the sale of shares in a special purpose company that owns a foreign ship used for a prescribed purpose, or a Singapore ship (including one that is provisionally registered), or that is the buyer under a contract for the construction of a foreign ship for a prescribed purpose and intended to be used for any prescribed purpose, or of a ship that is intended to be a Singapore ship (including one that is provisionally registered);

(*c*) to extend by another 5 years (i.e. till 31 May 2021) the period during which an international shipping enterprise which does not meet qualifying conditions for the purposes of subsection (2)(*a*), may be approved for the purposes of the section;

(*d*) to provide that the term "international shipping enterprise" includes a company resident in Singapore which has a qualifying special purpose vehicle which owns or operates any ships, and to replace the existing definition of "qualifying special purpose vehicle" (which currently applies only to approved international shipping enterprises) with one

that applies to international shipping enterprises both before and after they are approved. The amendment is backdated to reflect the current practice;

(*e*) to include, as a "qualifying special purpose vehicle", a partnership or company that is approved by the Minister or a person appointed by the Minister; and

(*f*) to make other amendments to section 13F similar to the amendments made to section 13A, including exempting income of an approved international shipping enterprise from the same new activities.

Clause 12 amends section 13H (Exemption of income of venture company) to provide that no venture company may be approved under that section on or after 1 April 2020.

Clause 13 amends section 13R (Exemption of income of company incorporated and resident in Singapore arising from funds managed by fund manager in Singapore) by redefining "relevant day". Where the income of an approved company is exempt from tax, a financial penalty is imposed on a person who, on the relevant day, beneficially owns (either alone or together with associates) issued securities above a prescribed value in the approved company. As a result of the amendment to the definition of "relevant day", the day for determining a person's beneficial ownership for the purpose of determining the person's liability to the financial penalty is, in a case where the approved company ceases to be so approved during the basis period, the last day it was so approved.

Clause 14 amends section 13S (Exemption of income of shipping investment enterprise) —

(*a*) to extend the period during which the approval of a shipping investment enterprise may be granted by another 5 years, i.e. till 31 May 2021;

(*b*) to allow income derived on or after 24 February 2015 from a finance lease that is treated as a sale under regulations made under section 10D to be exempt from tax under the section; and

(*c*) to make the meaning of "ship" the same as that in the Merchant Shipping Act, and other amendments that are consequential on this.

Clause 15 amends section 13X (Exemption of income arising from funds managed by fund manager in Singapore) to extend the tax exemption under that section to certain income from locally managed funds that are derived by —

(*a*) the approved master fund, the approved feeder fund or funds, and the approved 1st and 2nd tier special purpose vehicles of an approved master-feeder fund-SPV structure; and

(*b*) the approved master fund and the approved 1st and 2nd tier special purpose vehicles of an approved master fund-SPV structure.

The clause also amends section 13X by redefining "designated unit trust" as one whose income does not form part of the statutory income of its trustee by reason of section 35(12). This occurs if the trustee makes an election for the tax treatment under section 35(12). The effect of this is that if the trustee of such a trust does not make the election, the trustee may enjoy the exemption under section 13X.

Clause 16 amends section 14B (Further deduction for expenses relating to approved trade fairs, exhibitions or trade missions or to maintenance of overseas trade office) —

(*a*) to provide that no deduction under the section will be given to a firm or company which enjoys a tax concession under the new section 43ZG; and

(*b*) to enable the Minister or a person appointed by the Minister to allow expenses incurred by a firm or company to be deducted under the section, even though it already enjoys a tax relief under other parts of the Act or the Economic Expansion Incentives (Relief from Income Tax) Act. If a condition subsequent imposed on such deduction is not complied with, then the deduction is treated as income of the firm or company in the year the non-compliance is discovered.

Clause 17 amends section 14K (Further or double deduction for overseas investment development expenditure) —

(*a*) to provide that no deduction under the section will be given to a firm or company which enjoys a tax concession under the new section 43ZG;

(*b*) to provide that the combined expenditure allowed a deduction under the section and the new section 14KA must not exceed $1 million per year of assessment; and

(*c*) to enable the Minister or a person appointed by the Minister to allow expenses incurred by a firm or company to be deducted under the section, even though it already enjoys a tax relief under other parts of the Act or the Economic Expansion Incentives (Relief from Income Tax) Act. If a condition subsequent imposed on such deduction is not complied with, then the deduction is treated as income of the firm or company in the year the non-compliance is discovered.

Clause 18 inserts a new section 14KA to allow an approved firm or company to claim a deduction or further deduction for its salary expenditure for employees posted to an overseas establishment specified for it at the time of its approval.

Clause 19 inserts a new section 14Y to simplify an individual's claim for expenses to be deducted against the individual's passive rental income from the letting of a residential property in Singapore, and that is derived in the basis period for the year of assessment 2016 or a subsequent year of assessment. An individual may, in lieu of claiming the actual amount of deductible expenses incurred (excluding interest expense) in the production of rental income, claim a deduction

of 15% of the gross amount of the rental income from the residential property as a proxy for those expenses. In addition, the individual may continue to claim a deduction for any interest expense under section 14(1)(*a*).

The new section 14Y does not apply to —

(*a*) an individual who has elected not to apply the section to all of the individual's rental income relating to a particular year of assessment;

(*b*) any rental income derived by an individual through a partnership;

(*c*) any rental income derived by an individual acting in the capacity of trustee of a trust; or

(*d*) rental income from an "excluded property" for the basis period, i.e. residential property which, at any time during the period rental income is derived from that property by that individual, is permitted under the Planning Act (Cap. 232) to be used for any purpose that is not a residential purpose.

An election in relation to a particular year of assessment is effective for all rental income derived in the basis period for that year of assessment, and the individual cannot make an election for only one or some of the residential properties from which the income is derived.

Clause 20 amends section 18C (Initial and annual allowances for certain buildings and structures) to provide for a new subsection (2A). Section 18C(2) provides that in determining an application for approval of a construction or renovation for the allowance, the Minister or appointed person must be satisfied that it "promotes such intensified use of the land for the purposes of such trade or business as may be prescribed by regulations". The new subsection (2A) states certain effects of the prescription of any such trade or business. Essentially, an application for approval will not be approved if it or the application for planning permission is made before the date of such prescription (or another date specified in regulations), and any expentiture incurred before the date of such prescription (or another date specified in regulations) will be disregarded for the purposes of making the allowance.

Section 18C is further amended to clarify the application of the provision where the subject matter of an approved construction or renovation (which could be a building or structure or multiple buildings or structures or parts of a building or structure) is to be given multiple temporary occupation permits (TOP). In such a case, the requirement that at least 80% of the total floor area must be used by a single entity for a specified trade or business is to be applied to each subject matter for which a TOP has been issued (new subsection (5)(*a*)), and that entity is the same entity for all the subjects of the temporary occupation permits that have been issued.

However, if all TOPs have been issued, then the 80% rule will be applied to the entire subject matter (new subsection (5)(*b*)). In the above example, the 80% rule will be determined by reference to the floor area of the entire building.

The reference to a TOP is to be substituted with a certificate of statutory completion (CSC) if no TOP is to be issued for any part of the subject matter.

In a case where TOPs have been issued for parts of a building, and a CSC is then issued for the entire building, the 80% rule will be applied to the entire building by virtue of the new subsection (5)(*b*).

Clause 20 also amends section 18C to provide that once a TOP (or CSC, as appropriate) is issued for any building or structure or a part of it, any capital expenditure incurred after the date of such issue on the construction or renovation of the building, structure or part of such building or structure no longer qualifies for the allowance.

Clause 21 amends section 19D (Writing-down allowance for IRU) to provide that no writing-down allowance is to be made under the section for any capital expenditure incurred after 31 December 2020 for acquiring an indefeasible right of use (IRU) of any international telecommunications submarine cable system.

Clause 22 amends section 37 (Assessable income) —

(*a*) to increase the amount of deduction given to a person for donations of the types in subsection (3)(*b*) to (*f*) made during the period from 1 January 2015 to 31 December 2015 (both dates inclusive) from 2.5 times the amount of money or the value of the item donated to 3 times such amount or value; and

(*b*) to extend by another 3 years the period within which a qualifying donation made is entitled to a deduction of 2.5 times the amount or value of the donation.

Clause 23 amends section 37K (Deduction for qualifying investments in qualifying start-up companies) to extend the deadline for making applications for the incentive, and making qualifying investments, to 31 March 2020. Further, the rule that investment expenditure that is matched by SPRING SEEDS Capital Pte Ltd does not qualify for the deduction will be lifted for expenditure incurred on or after 24 February 2015.

Clause 24 amends section 37L (Deduction for acquisition of shares of companies) for the following main purposes:

(*a*) to extend the last date on which capital expenditure incurred for qualifying share acquisitions will qualify for the deduction, to 31 March 2020 (amendments to subsections (1) and (1A));

(*b*) to revise the criteria for a share acquisition that qualifies for the deduction. A share acquisition (along with other acquisitions in the same basis period) will qualify for the deduction if —

(i) the acquiring company or its wholly owned subsidiaries (or both) acquire at least 20% but no more than 50% ordinary shares in the target company, if their original total shareholding in the target company was less than 20%; or

(ii) the acquiring company or its wholly owned subsidiaries (or both) acquire more than 50% ordinary shares in the target company, if their total original shareholding in the target company was 50% or less.

The existing alternative criterion of acquiring at least 75% shareholding in the target company will be removed, subject to transitional provisions for the benefit of acquisitions already commenced (amendments to subsection (4) and new subsections (4A) and (4B));

(*c*) to provide that an acquiring company may elect different share acquisitions (taking place within a prescribed period) to take the place of its qualifying acquisitions if the qualifying acquisitions took place between 1 April 2010 and 31 March 2016 (the re-enacted subsection (5));

(*d*) to revise the amount of the deduction to 25% of the value of the qualifying acquisition, the value being capped at $20 million (new subsections (8A) and (11A));

(*e*) to provide that, where an acquiring company has in a basis period both share acquisitions that satisfy the old criteria for the deduction under subsection (4), and share acquisitions that satisfy the new criteria mentioned in paragraph (*b*) above, the maximum deduction allowable to it for all of those qualifying acquisitions is capped at $5 million (new subsection (11B));

(*f*) to subject the right to a deduction in relation to an acquisition referred to in paragraph (*b*)(i) to additional conditions to be set out in regulations. The conditions are intended to ensure that no deduction will be given for purely passive investments in companies (new subsection (16E));

(*g*) to improve the readability of subsection (16) (new subsections (16) to (16D)).

Clause 25 amends section 39 (Relief and deduction for resident individual) to increase to 37% of assessable income or $37,740 (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. The amendment is effective from the year of assessment 2017 onwards.

Section 39 is further amended to replace the term "medisave contribution ceiling" in subsection (2)(*q*) with the term "basic healthcare sum", consistent with a similar replacement of the term in regulations made under the Central Provident Fund Act (Cap. 36), and to clarify that, in order to be eligible for relief under that provision, the amount of the voluntary contribution to be paid to an individual's medisave account must not, when added to the balance in that account, exceed the basic healthcare sum.

Lastly, section 39 is amended to establish the general principle that (save as already provided for in the section) only one type of claim for the maintenance of a dependant may be allowed per year of assessment. For example, where the dependant is a parent to one individual and a sibling to another, only one type of claim for the dependant's maintenance (either under subsection (2)(*i*) or (*j*)) is allowed for each year of assessment. In the event claims are received under more than one type of claim, the deduction will be given to the claimant under the type of claim which all the claimants have agreed on. If there is no agreement, the relief will be given to the claimant under the type of claim determined by the Comptroller.

The general principle of one type of claim per dependant mentioned above does not apply to claims under subsection (2)(*a*), (*c*) and (*d*) (which relate to maintenance of a spouse).

Clause 26 amends section 43 (Rate of tax upon companies and others) to increase the tax rate for non-resident individuals to 22%. The section is also amended to extend to 31 March 2020 the period during which certain distributions may be made from a REIT to qualifying non-resident persons so that they may be subject to a final rate of tax of 10%. It also makes amendments to the section that are consequential on the insertion of new paragraphs (*ra*) and (*rb*) in section 13(1).

Clause 27 amends section 43C (Exemption and concessionary rate of tax for insurance and reinsurance business) to extend the period during which an insurer carrying on offshore insurance business may be approved for the tax incentive, to a date to be prescribed by regulations.

Clause 28 amends section 43E (Concessionary rate of tax for headquarters company) to provide that the tax incentive under that section does not apply to income derived on or after 1 October 2015.

Clause 29 amends section 43I (Concessionary rate of tax for offshore leasing of machinery and plant) to provide that income of a leasing company accruing in or derived from Singapore on or after 1 January 2016 from offshore leasing of any machinery or plant or any other prescribed activity will no longer enjoy the concessionary rate of tax under that section.

Clause 30 amends section 43W (Concessionary rate of tax for shipping investment manager) to extend the period during which the approval of a shipping investment manager may be granted by another 5 years, i.e. till 31 May 2021.

Clause 31 amends section 43ZA (Concessionary rate of tax for container investment enterprise) —

(*a*) to extend the period during which the approval of a container investment enterprise for the purpose of the section may be granted by another 5 years, i.e. till 31 May 2021;

(*b*) to provide that capital allowances allowed under regulations made under section 10D for finance leases treated as a sale of the leased assets, are not to be taken into account in ascertaining the income subject to the concessionary tax rate under that section; and

(*c*) to allow income derived on or after 24 February 2015 from a finance lease that is treated as a sale under section 10D to qualify for the concessionary tax rate under that section.

Clause 32 amends section 43ZB (Concessionary rate of tax for container investment manager) to extend the period during which the approval of a container investment manager may be granted by another 5 years, i.e. till 31 May 2021.

Clause 33 amends section 43ZF (Concessionary rate of tax for shipping-related support services) —

(*a*) to extend the period during which approval may be granted under this section to a company by another 5 years, i.e. till 31 May 2021;

(*b*) to provide for the initial period of approval to be extended. The Minister or the person appointed by him or her must, at the time of granting the extension, approve shipping-related support services for the period of extension, and may add new support services for the duration of the extension. The base income for determining the amount of income subject to the concessionary tax rate is determined by reference to the period of 3 years before the date the extension is granted;

(*c*) to allow an approved company to elect to be taxed at a rate of 10.5% on the income in excess of the original base income for the period of extension, in lieu of the tax rate of 10% on the income in excess of the recomputed base income;

(*d*) to include "prescribed ship management services" (as defined in the amended section 13A) as a "shipping-related support service". The income of an approved company from providing shipping-related support services that are approved for it is subject to the concessionary tax rate under that section;

(*e*) to make a technical amendment to subsection (4) (which deals with the method of computing the base income for the initial period of approval) to make it consistent with new subsection (5I) (which deals with the method of computing the base income for the period of extension); and

(*f*) to make the meaning of "ship" the same as that in the Merchant Shipping Act.

Clause 34 inserts new sections 43ZG and 43ZH.

The new section 43ZG provides for a concessionary tax rate of 5% on management fees and performance bonuses derived by an approved fund management company from managing approved investments of a venture company that is approved under section 13H. The total period of approval of a fund management company (with extension) must not exceed 15 years. This includes any tax relief period given to the company under Part III of the Economic Expansion Incentives (Relief from Income Tax) Act as a pioneer service company for carrying out the same incentivised activity.

The new section 43ZH empowers the Minister to make regulations to provide for a concessionary tax rate of 10% to be levied on an amount of income of an approved international growth company (defined as one whose business or intended business involved the export of goods to a foreign country, or the performance of services in a foreign country or for a person or permanent establishment in a foreign country) from "qualifying activities". "Qualifying activities" are activities from a list of prescribed activities, that are approved for the company at the time of its approval or at any time during the period it remains approved. The amount of income subject to the concessionary tax rate is that which exceeds a "base amount". The base amount is derived from the company's average annual net profit (before tax) from carrying on those qualifying activities approved for it at the time of its approval, in the 3 year period before the date of its approval.

Clause 35 makes amendments to section 45 (Withholding of tax in respect of interest paid to non-resident persons) that are consequential on the amendment of the non-resident individual tax rate in section 43. It also amends the section to require the notice of deduction of tax to be given by the electronic service provided under section 8A.

Clause 36 makes amendments to section 45B (Application of section 45 to non-resident director's remuneration) that are consequential on the amendment of the non-resident individual tax rate in section 43. It also removes the reference to section 45C (which relates to application of withholding tax to distributions by unit trust) in subsection (2). Subsection (2) prescribes a withholding tax rate of 20% on every dollar of income. The effect of the amendment is that the withholding tax rate will be in accordance with the differentiated rates in section 45. The amendment has effect for payments made which are assessable to tax for the year of assessment 2010 onwards.

Clause 37 amends section 45D (Application of section 45 to gains from real property transaction) to require the notice of deduction of tax to be given by the electronic service provided under section 8A.

Clauses 38 and 39 make amendments to section 45E (Application of section 45 to withdrawals by non-citizen SRS members, etc.) and section 45EA (Approval of deduction of investment from SRS account of non-citizen), respectively, that are consequential on the insertion of the new subsection (3G) in section 10L. This new subsection provides that a specified amount of a withdrawal of all funds standing in an SRS account on the ground that the SRS member is suffering from a terminal illness or disease is not income that is chargeable to tax. The amendments provide for an amount corresponding to such specified amount to be excluded from the amount on which tax is to be withheld or collected before the funds are withdrawn, or before the value of any investment is allowed to be deducted from the SRS account, on the same ground as in the new subsection (3G) of section 10L.

In addition, subsections (3)(*a*) and (5) of section 45E and subsections (3) and (5) of section 45EA are amended to specify a tax rate of 22% with effect from 1 January 2016. These amendments are consequential on the amendment of the non-resident individual tax rate in section 43.

Clause 40 makes amendments to section 46 (Tax deducted from interests, etc.) that are consequential on the insertion of section 45EA in the Income Tax (Amendment) Act 2014 (Act 37 of 2014). It provides that any tax collected under section 45EA is to be set off against the tax on any chargeable income in respect of which the collection of tax was made.

Clause 41 amends section 65B (Power of Comptroller to obtain information) to enable the Comptroller to require a person to provide information through the electronic service provided by the Comptroller under section 8A.

Clause 42 inserts a new section 92E to provide for a remission on tax payable by companies for the years of assessment 2016 and 2017. The rebate is 30% of the tax payable (excluding final withholding tax levied on income under section 43(3), (3A) and (3B)), subject to a cap of $20,000 per year of assessment.

Clause 43 amends section 93 (Repayment of tax) to provide that where the Comptroller withholds a refund of tax pending the determination of an appeal by him or her against a decision by the Income Tax Board of Review or by a court, the interest payable for any period commencing on 1 July 2016 or later, on any refund amount ultimately determined to be due as a result of the appeal, is at the average prime lending rate prescribed by rules.

Clause 44 amends section 101 (Consent for prosecution) to provide that a prosecution for an offence under section 37IE (Promoters of abusive PIC arrangements) cannot be started except at the instance or with the consent of the Comptroller or the Public Prosecutor. It also allows the Comptroller to authorise an officer to compound an offence under section 37IE.

Clause 45 amends section 104 (Admissibility of certain statements and documents as evidence) to apply the provision to proceedings for an offence under section 37IE (Promoters of abusive PIC arrangements).

Clause 46 amends section 105BA (Exchange of information arrangement) to allow the Minister for Finance to declare arrangements that allow for exchange of information (EOI) other than on request, as "exchange of information arrangements" (or "EOI arrangements"). This will enable arrangements that allow for other forms of EOI, such as automatic and spontaneous EOIs, to be declared as EOI arrangements.

Clause 47 amends section 105L (Provision of information to Comptroller) —

(*a*) to allow the Comptroller to extend the time by which or vary the frequency in which information has to be provided by prescribed persons to the Comptroller under that section, as well as to determine the form and manner in which the information is to be provided;

(*b*) to provide that the duty to provide the information prevails over any duty not to collect or use the information under any law (such as the Personal Data Protection Act 2012 (Act 26 of 2012)), contract, or rules of professional conduct, and not just any duty of secrecy;

(*c*) to confer immunities against an action for a breach of any such duty; and

(*d*) to provide that the immunities conferred by that section only apply to acts done with reasonable care.

Clause 48 amends section 105N (Power of Comptroller to obtain information) to enable the Comptroller to authorise any person (besides an officer of the Monetary Authority of Singapore) to exercise information gathering powers for the purposes of obtaining information to comply with an international tax compliance agreement to which Singapore is a Party.

Clause 49 inserts a new section 105PA which deals with a case where a regulation made under section 105P imposes a duty on a person to provide information to another person. It provides that this duty prevails over any duty not to collect, use or disclose the information under any law, contract, or rules of professional conduct, and confers immunities against an action for a breach of any such duty. The provision conferring immunities are backdated to protect persons who have provided information in compliance with the Income Tax (International Tax Compliance Agreements) (United States of America) Regulations 2015 (G.N. No. S 134/2015).

Clause 50 amends the Second Schedule to specify new tax rates for resident individuals with chargeable income above $160,000 for the year of assessment 2017 and subsequent years of assessment.

Clause 51 amends various provisions in the Act to align the meaning of the term "ship" with that in the Merchant Shipping Act, to achieve consistency with amendments to the same effect to several sections of the Act such as sections 13A, 13F and 13S.

Clause 52 makes amendments to various provisions in the Act that are consequential on the insertion of new sections 14KA, 43ZG and 43ZH.

Clause 53 provides for a remission of the tax payable by a resident individual for the year of assessment 2015. The amount of remission is 50% of the tax payable or $1,000, whichever is lower.

Clause 54 makes an amendment to section 66(1) of the Economic Expansion Incentives (Relief from Income Tax) Act consequential on the insertion of the new sections 43ZG and 43ZH.

Clause 55 makes amendments to section 15A of the Stamp Duties Act (Relief from ad valorem stamp duty for acquisition of shares of companies) that are related to the amendments made to section 37L of the Income Tax Act. The amendments are for the following main purposes:

(*a*) to extend the last date for share acquisitions to qualify for the relief, to 31 March 2020 (amendments to subsections (1) and (2));

(*b*) to revise the criteria for a share acquisition that qualifies for the relief. The new criteria are the same as those for the amended section 37L (amendments to subsection (3) and new subsections (5) and (6));

(*c*) to provide that an acquiring company may elect different share acquisitions (taking place within a prescribed period) to take the place of a prescribed qualifying acquisition for the purposes of the relief if the share acquisitions took place before 1 April 2016 (new subsection (6)(*b*));

(*d*) to revise the total relief allowed per financial year to the acquiring company to $40,000 (new subsections (8B) and (8C));

(*e*) to provide that, where an acquiring company has in a financial year both share acquisitions that satisfy the old criteria for the relief under subsection (3), and share acquisitions that satisfy the new criteria mentioned in paragraph (*b*) above, the maximum relief allowed to the company is the sum of —

(i) the total amount of duty chargeable for all acquisitions that satisfy the old criteria subject to a cap of $200,000; and

(ii) the lower of the total amount of duty chargeable for all acquisitions that satisfy the new criteria, and difference between $40,000 and the amount referred to in sub-paragraph (i);

(*f*) to empower the Minister to make rules subjecting the right to relief for an acquisition referred to in paragraph (*b*), to conditions designed to ensure that the acquiring company or acquiring subsidiary is not merely a passive investor (new subsection (18A)).

Clause 56 is a savings provision for the amendments to sections 45, 45B, 45E and 45EA to increase the withholding tax rate and the tax rate for the purpose of collection of tax under section 45EA to 22%. These amendments are backdated to 1 January 2016. The clause provides that persons who have done any act between that date and the date of publication of the Income Tax (Amendment) Act 2016 in the *Gazette* which, but for these amendments, would not have been a contravention of those sections, will be treated as not having contravened those provisions.

Clause 57 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.