Singapore Budget 2022 – Charting Our New Way Forward Together

Budget 2022 was delivered by Minister for Finance, Mr. Lawrence Wong, to the Singapore Parliament on 18 February 2022.

The common theme throughout Budget 2022 is the pressing need for the Government to raise more revenue to fund its growing spending needs, particularly, in healthcare and social programmes in the face of the ongoing COVID-19 pandemic, a rapidly aging population, and its long-term climate goals of achieving net-zero emissions. As Government spending is expected to climb in the decade ahead and in view of the potentially negative fiscal impact of the OCED BEPS 2.0 project, adjustments to the Singapore tax system will be necessary to raise additional revenue in a sustainable fashion and move towards a more equitable revenue structure.

The key measures announced in Budget 2022 are as follows.

Fiscal measures

Goods and services tax

Goods and services tax ("**GST**") hike in 2023 and 2024	As announced in 2018, GST will be raised from the prevailing rate of 7% to 9% by 2025. Budget 2022 confirms that GST increase will be staggered over two years – to 8% (from 1 January 2023) and subsequently to 9% (from 1 January 2024).
Updating the GST treatment for travel arranging services (i.e., services comprising the arranging of international transport of passengers and the arranging of insurance related to such transportation, and services comprising the arranging of accommodation)	Budget 2022 provides a new basis for determining whether zero-rating applies to a supply of travel arranging services. From 1 January 2023, zero-rating will be based on the place where the contractual customer and the direct beneficiary of the service belong: » if the customer of the services belongs in Singapore, the travel arranging services will be standard-rated; or » if the customer of the services belongs outside Singapore and the direct beneficiary either belongs outside Singapore or is GST-registered in Singapore, the travel arranging services will be zero-rated.

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Corporate income tax

Studying the introduction of the Minimum Effective Tax Rate ("**METR**")	In response to Pillar Two of the OECD BEPS 2.0 project, the Government is exploring the feasibility of introducing a METR to top-up the effective tax rate of multinational groups operating in Singapore (with annual revenues of €750 million or more) to 15%. Changes in the corporate tax system will be announced at a later date.
Extending the withholding tax ("**WHT**") exemption for container lease payments made to non-tax resident lessors under operating lease ("**OL**") agreements	WHT exemption is allowed on container lease payments made to a non-Singapore tax resident lessor (excluding payments derived from any operation carried on by the non-Singapore tax resident through its permanent establishment ("**PE**") in Singapore) under OL agreements for the use of qualifying containers for the carriage of goods by sea. Budget 2022 will extend the WHT exemption till 31 December 2027.
Extending the WHT exemption for ship and container lease payments under finance lease ("**FL**") agreements for Maritime Sector Incentive ("**MSI**") recipients	WHT exemption is allowed on ship and container lease payments made to a non-Singapore tax resident lessor (excluding payments derived from any operation carried on by the non-Singapore tax resident through its PE in Singapore) under FL agreements for specified MSI recipients. Budget 2022 will extend the WHT exemption till 31 December 2028.
Extending the Aircraft Leasing Scheme ("**ALS**")	Under the ALS, approved aircraft lessors and aircraft investment managers can enjoy the following tax benefits: » approved aircraft lessors enjoy a concessionary tax rate of 8% on income derived from the leasing of aircraft or aircraft engines and qualifying ancillary activities under section 43N of the Income Tax Act 1947 ("**ITA**"); » approved aircraft managers enjoy a concessionary tax rate of 10% on income derived from managing the approved aircraft lessor and qualifying activities under section 43O of the ITA; and » automatic WHT exemption is granted on qualifying payments made by approved aircraft lessors to non-Singapore tax residents (excluding a PE in Singapore) in respect of qualifying loans and FLs entered into on or before 31 December 2022 to finance the purchase of aircraft or aircraft engines, subject to the relevant conditions. Budget 2022 will extend the ALS till 31 December 2027.

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Extending and enhancing the Approved Royalties Incentive ("**ARI**")	Under the ARI, tax exemption or a concessionary WHT rate may be granted on approved royalties, technical assistance fees or contributions to R&D costs made to a non-Singapore tax resident for providing cutting-edge technology and know-how to a company for the purpose of its substantive activities in Singapore. Approval for ARI is currently granted on an agreement-based approach. Budget 2022 will extend the ARI till 31 December 2028. Additionally, the ARI will be simplified to cover classes of royalty agreements based on an activity-set-based approach.
Extending the Approved Foreign Loan ("**AFL**") scheme	The AFL scheme was introduced to encourage companies to invest in productive equipment for the purpose of conducting substantive activities in Singapore. Under the scheme, tax exemption or a concessionary WHT rate may be granted on interest payments made to a non-Singapore tax resident for loans to a company to purchase productive equipment. Budget 2022 will extend the AFL scheme till 31 December 2028.
Extending the tax framework for facilitating corporate amalgamations under section 34C of the ITA to licensed insurers	Section 34C of the ITA treats a qualifying corporate amalgamation as a continuation of the existing business of the amalgamating companies by the amalgamated company for tax purposes. The tax framework facilitates the merger and consolidation of companies by minimising the tax consequences arising from a qualifying corporate amalgamation. A qualifying corporate amalgamation under section 34C of the ITA comprises amalgamation of companies: » where the notice of amalgamation under section 215F of the Companies Act 1967 ("**CA**") or a certificate of approval under section 14A of the Banking Act 1970 is issued on or after 22 January 2009; or » that is court-directed under the CA or any other amalgamation of companies, provided the amalgamation has a similar effect as that of a statutory voluntary amalgamation under section 215B to 215G of the CA. Such amalgamation of companies is subject to the approval of the Minister for Finance (or such person as he may appoint). Budget 2022 will extend the tax framework under section 34C of the ITA to cover the amalgamation of Singapore-incorporated companies involving a scheme of transfer under section 117 of the Insurance Act 1966 ("**IA**"), where the court order for the confirmation of the scheme referred to under section 118 of the IA is made on or after 1 November 2021, subject to certain conditions, including: » the amalgamated company takes over all property, rights, privileges, liabilities, and obligations, etc. of the amalgamating company on the date of amalgamation;

	» the amalgamating company becomes dormant (i.e., ceases to conduct any business or any other activities, and does not derive any income) on the date of amalgamation and remains so until it is dissolved or wound up; and » the amalgamating company is dissolved or wound up before the filing due date of the income tax return for the year of assessment ("**YA**") related to the basis period in which the scheme of transfer was effected. The tax treatments under the tax framework will apply with modifications where appropriate.
Enhancing the tax incentive scheme for funds managed by Singapore-based fund manager ("**Qualifying Funds**")	Qualifying Funds, comprising basic tier funds (sections 13D and 13O schemes) and enhanced tier funds (section 13U scheme), are granted tax exemption on specified income derived from designated investments, subject to the relevant conditions. The designated investments currently include physical commodities that are subject to the following conditions: » the trading of the physical commodity must be incidental to the trading of the derivative commodity ("**incidental condition**"); and » the trade volume of such physical commodity is capped at 15% of the total trade volume of those physical commodities and related commodity derivatives ("**the cap**"). Budget 2022 will refine the conditions imposed on the investments in physical investment precious metals ("**IPMs**") under the designated investments list as follows: » the incidental condition will be removed (i.e., investments in physical IPMs need not be incidental to the trading of derivative IPMs); and » the cap will be revised to 5% of the total investment portfolio for the taxpayer's incentive award under sections 13D/13O/13U of the ITA. The refinements will be effective from 19 February 2022.
Extending and rationalising the WHT exemption for the financial sector	Interest payments made by a tax resident or PE in Singapore to non-Singapore tax residents are subject to WHT at a rate of 15% in general. There is a range of WHT exemptions for the financial sector which applies to different financial institutions for payments made under different types of financial transactions. Budget 2022 will extend the WHT exemption on the following payments till 31 December 2026: » payments made under cross-currency swap transactions by Singapore swap counterparties to issuers of Singapore dollar debt securities;

	» interest payments on margin deposits made under all derivative contracts by approved exchanges, approved clearing houses, members of approved exchanges and members of approved clearing houses; » specified payments made under securities lending or repurchase agreements by specified institutions; and » payments made under interest rate or currency swap transactions by the Monetary Authority of Singapore ("**MAS**"). The WHT exemption for payments made under interest rate or currency swap transactions by financial institutions will lapse after 31 December 2022, but such payments can be covered under the existing WHT exemption for payments on over-the-counter financial derivatives.
Extending and rationalising the tax incentives for project and infrastructure finance	Budget 2022 will extend the following tax incentive schemes for project and infrastructure finance till 31 December 2025: » the exemption of qualifying income from qualifying project debt securities; » the exemption of qualifying foreign sourced income from qualifying offshore infrastructure projects / assets received by approved entities listed on the Singapore Exchange ("**SGX**"). The concessionary tax rate of 10% on qualifying income derived by an approved infrastructure trustee-manager / fund management company from managing qualifying SGX-listed business trusts / infrastructure funds in relation to qualifying infrastructure projects / assets ("**ITMFM scheme**") will lapse after 31 December 2022. Existing ITMFM scheme recipients will continue to enjoy the tax benefits for the remaining tenure of their existing awards.
Changing the basis of preparation of tax computations for insurers from financial statements to MAS Statutory Returns	Insurers generally rely on financial statements prepared in accordance with the accounting standards as the basis for preparing their tax computations. The insurance returns filed with the MAS for regulatory purposes ("**MAS Statutory Returns**") are also currently used to allow insurers to apply tax rules applicable to insurers. With the adoption of the new Financial Reporting Standard 117 for the preparation of financial statements, the MAS Statutory Returns (instead of financial statements) will be used as the basis for preparing tax computations for insurers. Related consequential adjustments to existing tax treatments will also be introduced. This change will take effect from YA 2024 (or YA 2025 for insurers whose financial year-end is not 31 December).

Allowing the Integrated Investment Allowance ("**IIA**") scheme to lapse	The IIA scheme grants a qualifying company an additional allowance on fixed capital expenditure incurred for qualifying productive equipment placed overseas for approved projects. The IIA scheme will be allowed to lapse after 31 December 2022.

Individual income tax

Enhancing the progressivity of individual income tax of Singapore tax resident individuals

Budget 2022 will increase the top marginal individual income tax rate that applies to Singapore tax resident individuals by introducing two additional tax brackets as follows:

	Chargeable income (S$)	Current tax rate (%)	YA 2024 onwards (%)
On the first	20,000	0	0
On the next	10,000	2	2
On the first	30,000	-	-
On the next	10,000	3.5	3.5
On the first	40,000	-	-
On the next	40,000	7	7
On the first	80,000	-	-
On the next	40,000	11.5	11.5
On the first	120,000	-	-
On the next	40,000	15	15
On the first	160,000	-	-
On the next	40,000	18	18
On the first	200,000	-	-
On the next	40,000	19	19
On the first	240,000	-	-
On the next	40,000	19.5	19.5
On the first	280,000	-	-
On the next	40,000	20	20

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Extending the WHT exemption for non-Singapore tax resident mediators and arbitrators	Non-Singapore tax resident professionals are subject to WHT at a rate of 15% on their gross income from the profession or may elect to be taxed at 22% on their net income. As an administrative concession, WHT exemption is allowed for the following income, subject to the relevant conditions: » income derived by non-Singapore tax resident mediators from mediation work carried out in Singapore; and » income derived by non-Singapore tax resident arbitrators from arbitration work carried out in Singapore. Budget 2022 will extend the WHT exemption till 31 March 2023. From 1 April 2023, the above income will be subject to a concessionary WHT rate of 10%, subject to the relevant conditions. This concessionary WHT tax rate will apply till 31 December 2027. Alternatively, from YA 2024 onwards, non-Singapore tax resident mediators or arbitrators may elect to be taxed at 24% on their net income.

Property tax

Enhancing the progressivity of property tax for owner-occupied residential properties	Budget 2022 will revise the property tax rates for owner-occupied residential properties over the next two years as follows: <table><tr><th>Annual Value (S$)</th><th>Current rate (%)</th><th>Annual Value (S$)</th><th>From 1 Jan 2023 (%)</th><th>From 1 Jan 2024 (%)</th></tr><tr><td>First 8,000</td><td>0</td><td>First 8,000</td><td>0</td><td>0</td></tr><tr><td>Next 47,000</td><td>4</td><td>Next 22,000</td><td>4</td><td>4</td></tr><tr><td>Next 15,000</td><td>6</td><td>Next 10,000</td><td>5</td><td>6</td></tr><tr><td>Next 15,000</td><td>8</td><td>Next 15,000</td><td>7</td><td>10</td></tr></table>

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Next 15,000	10	Next 15,000	10	14
Next 15,000	12	Next 15,000	14	20
Next 15,000	14	Next 15,000	18	26
Above 130,000	16	Above 100,000	23	32

Enhancing the progressivity of property tax for non-owner-occupied residential properties

Budget 2022 will revise the property tax rates for non-owner-occupied residential properties over the next two years as follows:

Annual Value (S$)	Current rate (%)	Annual Value (S$)	From 1 Jan 2023 (%)	From 1 Jan 2024 (%)
First 30,000	10	First 30,000	11	12
Next 15,000	12	Next 15,000	16	20
Next 15,000	14	Next 15,000	21	28
Next 15,000	16	Above 60,000	27	36
Next 15,000	18			
Above 90,000	20			

Vehicle tax

Introducing a new Additional Registration Fee (“**ARF**”) tier for vehicles

The ARF is a tax imposed upon registration of a vehicle. It is calculated based on a percentage of the Open Market Value (“**OMV**”) of the vehicle. Budget 2022 will revise the ARF rates as follow:

OMV of vehicle (S$)	Current rate	From 23 February 2022
First 20,000	100% of OMV	100% of OMV
Next 30,000	140% of OMV	140% of OMV
Next 30,000	180% of OMV	180% of OMV
In excess of 80,000	180% of OMV	220% of OMV

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Sustainable development measures

Raising the carbon tax rate	The carbon tax rate will be progressively raised from the current rate of S$5 per tonne of greenhouse gas emission to: » S$25 per tonne by 2024; » S$45 per tonne by 2026; and » may reach between S$50 to S$80 per tonne by 2030. From 2024, affected businesses will be allowed to use high-quality, international carbon credits to offset up to 5% of their taxable emission (i.e. in lieu of paying carbon tax). There are currently no plans to introduce a carbon tax on the use of petrol, diesel and compressed natural gas as these sources of emission are covered by existing excise duties.
Issuing green bonds	The Government and the various statutory boards are looking to issue green bonds to fund certain public infrastructure projects and will aim to issue up to S$35 billion of green bonds by 2030. The first green bond is expected to be issued later in 2022.

Economic measures

Developing business sectors

Enhancing Advanced Digital Solutions (“**ADS**”)	To increase firms’ competitive advantage and drive business growth, the Government will be extending support for adoption of cutting-edge digital solutions through the Infocomm Media Development Authority (“**IMDA**”)’s ADS initiative. ADS was launched in 2020 to promote and amplify the adoption of advanced integrated solutions (such as in robotics, Internet of Things, and other technologies). From 1 April 2022, the scheme will be expanded to include solutions that leverage artificial intelligence and cloud technologies to help enterprises improve operational efficiency and business decisions. Participating enterprises will receive up to 70% funding support for these solutions.
Enhancing the Grow Digital Scheme for SMEs	The Government will also be expanding the Grow Digital scheme to help businesses better leverage digital platforms to reach international markets.

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	Launched in June 2020, the Grow Digital scheme helps Small and Medium Enterprises (“**SMEs**”) access overseas markets digitally, through Business-to-Business (“**B2B**”) and Business-to Consumer (“**B2C**”) e-commerce platforms and their ecosystem partners pre-approved by IMDA. From 1 April 2022, the Grow Digital scheme will be expanded to include more pre-approved digital platforms, so that more businesses can internationalise without requiring an in-market presence. Through these platforms, SMEs can also build capabilities to reach new markets more effectively, such as through AI-powered business matching to connect SME suppliers with potential overseas clients, cross-border e-payment facilities, and training to build competitive, globally oriented businesses. Participating enterprises will receive up to 70% funding support to onboard the B2B and B2C platforms.

Support for local enterprises

Small Business Recovery Grant	The Small Business Recovery Grant provides a one-off cash support to small businesses in sectors that were most affected by COVID-19 Safe Management Measures last year. Eligible firms will receive S$1,000 for each local employee with mandatory Central Provident Fund (“**CPF**”) contributions in the period from 1 November 2021 to 31 December 2021, up to a cap of S$10,000 per firm. Sole proprietorships and partnerships that are run by at least one local business owner but do not hire any local employees will receive a flat payout of S$1,000, if the local business owner is earning a net trade income of no more than S$100,000 by 31 December 2021.
Enhancing the Enterprise Financing Scheme – Trade Loan (“**EFS-TL**”)	To support Singapore-based enterprises’ trade financing needs, which include the financing of short-term import, export and guarantee needs, the EFS-TL will provide enterprises with better access to trade financing amidst slower business activities and longer payment cycles due to COVID-19. The enhancement to EFS-TL will be extended to 30 September 2022, with revised parameters given continued uncertainties in the global trade ecosystem.
Enhancing the Enterprise Financing Scheme – M&A Loan	The Government will support Singapore-based enterprises’ acquisition of overseas or local enterprises, with the intent of internationalisation. The loan will be enhanced for four years, from 1 April 2022 to 31 March 2026, to include domestic M&A activities. This

	is to support enterprises to scale and expand through M&A, including venturing into complementary businesses and emerging sectors.
Extending the Temporary Bridging Loan Programme	The Temporary Bridging Loan Programme was introduced in March 2020 to provide enterprises with access to working capital during the COVID-19 crisis. The programme will be extended to 30 September 2022, with revised parameters, in view of the continued impact of COVID-19 and recent increase in business costs. This will be complemented by the concurrent extension of the MAS SGD Facility for Enterprise Singapore Loans.
Enterprise Financing Scheme – Project Loan for the domestic construction sector	The programme supports Singapore-based enterprises' overseas project financing needs, which includes the financing of working capital, guarantee and fixed assets. It will be extended to 31 March 2023 to support construction enterprises in fulfilling domestic projects amidst rising costs and tightened cashflow.

Human capital and talent

Raising the minimum qualifying salary for applications to obtain or renew an employment pass ("**EP**")	An EP allows a foreign professional, manager or executive to work in Singapore. From 1 September 2022, the minimum monthly qualifying salary for new EP applicants will be raised from S$4,500 to S$5,000, and from S$5,000 to S$5,500 for the financial sector. For current EP holders applying for renewal, the minimum monthly qualifying salary will similarly be raised. This will take effect from 1 September 2023.
Extending the Jobs Growth Incentive ("**JGI**")	The JGI provides salary support for employers to expand their hiring of local workers between September 2020 to March 2022 (inclusive). The incentive has been extended to September 2022 to cover: (a) workers aged 40 and above who have not been employed for six months or more; (b) persons with disabilities; and (c) ex-offenders.
Extension of the SGUnited Mid-Career Pathways – Company Attachment programme	The SGUnited Mid-Career Pathways – Company Attachment programme is a full-time attachment programme with approved host organisations for mid-career individuals to gain industry-relevant experience, develop new skills and boost employability. It offers full-time attachment opportunities of between four and six months to support mid-career jobseekers in widening their professional networks and gaining meaningful industry-relevant experience. The SGUnited Mid-Career Pathways Programme will be made a permanent programme.

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	Trainees will receive a training allowance of up to S$3,800 per month for the duration of the attachment. The Government co-funds the training allowance with the host organisation.
Introducing the SkillsFuture Career Transition Programme ("**SCTP**")	The SCTP is a Train-and-Place scheme. It will commence from 1 April 2022 and will replace the SGUnited Skills and SGUnited Mid-Career Pathways – Company Training programmes. Key features of the SCTP include: » Industry-oriented courses (3 to 12 months in duration) delivered by continuing education and training centres and programme partners, to help individuals secure employment in sectors with good hiring opportunities. » Enhanced pre- and post-training support services, such as skills and training advisory to help individuals select suitable courses, employment facilitation and career coaching activities. » Additional course fee support of up to 95% of total course fees for certain categories of Singapore citizens.
Expanding the SkillsFuture Enterprise Credit ("**SFEC**")	The SFEC encourages employers to undertake enterprise and workforce transformation initiatives. Eligible employers receive a one-off credit of up to S$10,000 to cover up to 90% of out-of-pocket expenses for supportable enterprise transformation programmes (e.g. Enterprise Development Grant, Productivity Solutions Grant) and workforce transformation programmes (e.g. training courses aligned to the various industry Skills Frameworks by SkillsFuture Singapore, Job Redesign Initiatives and Career Conversion Programmes). Of the S$10,000 credit for an eligible employer, S$3,000 is ringfenced for workforce transformation initiatives. The SFEC eligibility criteria has been adjusted in Budget 2022 to expand the coverage of SFEC for the qualifying period from 1 January 2021 to 31 December 2021: » No minimum Skills Development Levy ("**SDL**") contribution requirement over the qualifying period. However, employers with inactive ACRA status during the qualification process and employers who have defaulted on their SDL payment during the qualifying period will be excluded. » Employment of at least three Singapore citizens or Permanent Residents every month over the qualifying period. » Did not qualify in any of the earlier periods. Newly eligible employers will be notified in April 2022. The deadline to claim the credit for all employers (including those that previously qualified) will be extended to 30 June 2024 to give employers more time to plan for and embark on transformation initiatives.

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Introducing the Progressive Wage Credit Scheme ("**PWCS**")	PWCS provides transitional support to employers by co-funding wage increases of lower-wage workers between 2022 and 2026. Employers do not need to apply. The Inland Revenue Authority of Singapore will credit payouts for employers that have implemented eligible wage increases into their accounts by the first quarter of the year following the wage increases. The PWCS has the following features: » Targeted at resident lower-wage employees with gross monthly wages of up to S$2,500. » Additional tier of support for employees with gross monthly wages above S$2,500 and up to S$3,000. » Average gross monthly wage increase must be at least S$100 to be eligible for the PWCS payout in each qualifying year. » Co-fund wage increases in each qualifying year for two years.
Enhancing the Workfare Income Supplement ("**WIS**") scheme	The Government will enhance the WIS scheme to supplement the incomes and CPF savings of lower-wage Singaporean workers and encourage them to work regularly. WIS is paid directly to eligible workers. These changes will apply to work done from 1 January 2023. Changes to WIS scheme include: » Qualifying monthly income cap raised from S$2,300 to S$2,500. » Extension of WIS to those aged 30 to 34. The payouts will help them to better cope with their expenses and start saving early for their retirement. » Higher annual WIS payouts of up to S$4,200. Payouts depend on age and income and have been enhanced across all age bands. » All persons with disabilities will qualify for the highest WIS payout tier (up to S$4,200), regardless of age. » Minimum qualifying monthly income criterion of S$500.

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Social measures

The Household Support Package	To provide support to Singaporeans in lower- and middle-income households, all eligible HDB households will receive additional GST Voucher ("**GSTV**") – U-Save rebates in April, July and October 2022. The assessable income threshold for GSTV – Cash will be increased from S$28,000 to S$34,000. All GSTV – Cash recipients will receive an additional S$100 or S$200. Eligible Singaporean households living in HDB flats will receive rebates to offset between 1.5 and 3.5 months of Service and Conservancy Charges over 2022. Budget 2022 will provide families with additional support for their children's education-related expenses by granting a one-off top-up of S$200 per child through the Child Development Account, Edusave Account or Post-Secondary Education Account (as the case may be). To support heartland businesses and hawkers, Budget 2022 will give each Singaporean household S$100 worth of Community Development Council ("**CDC**") vouchers to be used at participating heartland shops and hawker centres.
Enhanced Assurance Package ("**AP**") for GST	To cushion the impact of the GST hike, a S$6 billion AP was announced in Budget 2020. In Budget 2022, the Government will set aside an additional top-up of S$640 million to enhance the AP and to offset the additional GST expenses for the majority of Singaporean households by between 5 years to 10 years. The payouts under the enhanced AP include: » Every Singaporean aged 21 years and above will receive cash payouts of S$700 to S$1,600 over five years from 2022 to 2026. » Less well-off Singaporean seniors will receive a special GST Voucher (GSTV) – – Cash (Seniors' Bonus) of S$600 to S$900 over three years from 2023 to 2025. » All eligible HDB households will receive additional GSTV – U-Save rebates of S$330 to S$570 on top of the regular GSTV – U-Save rebates under the GSTV scheme. » Every Singaporean aged 20 years and below or 55 years and above will receive a MediSave top-up of S$450 over three years from 2023 to 2025. » All Singaporean households will receive two rounds of CDC vouchers, each worth S$200 (i.e., S$400 in total), in 2023 and 2024. » The Government will provide S$5 million to the Citizens' Consultative Committee over five years.

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	» The Government will provide a total of S$12 million over four years to self-help groups (i.e., the Chinese Development Assistance Council, Eurasian Association, Yayasan MENDAKI, and the Singapore Indian Development Association).
Measures to support charities and encourage philanthropy	Under Budget 2022, the Government will provide dollar-for-dollar matching for FYs 2022 to 2024, subject to a cap of S$250,000 per annum per charity for eligible charitable causes. After a charity utilises its S$250,000 matching cap, the Singapore Tote Board will continue to provide 40% matching for eligible fund-raising projects, subject to a cap of S$100,000 per project.

Analysis

As Singapore moves decisively towards a policy of living with COVID-19 and its pandemic-hit economy begins to turn a corner, Singapore is re-orientating its focus towards the two-pronged challenges of an ageing demographic and climate change.

Climate change and carbon tax

The climate change agenda featured very prominently in Budget 2022 with a significant 5-fold increase in carbon tax to S$25 per tonne of greenhouse gas emissions by 2024 and further increases to S$45 per tonne by 2026 and to potentially S$50 to S$80 per tonne in 2030. This is reflective of Singapore's ambitious and laudable net-zero climate commitments.

This will compel businesses in Singapore to take active steps in reducing their carbon footprint and energy requirements. It will also require manufacturing businesses in Singapore to reassess their markets and focus on markets which have regulations that are favourable to green products.

The Government will need to consider whether measures such as carbon border adjustment measures will be required in the longer term to protect domestic industries from imports that are produced without being subject to similar carbon taxes or green policies.

Fiscal measures

Budget 2022 also took necessary steps to expand Singapore's fiscal space by making the unprecedented move of announcing rate hikes in five tax types in Budget 2022: GST, individual income tax, residential property tax, carbon tax and ARF for luxury vehicles.

The revenue generated from the above measures should go some way towards addressing the long-term, existential challenges facing Singapore. While no ostensible wealth tax (such as an inheritance tax or a capital gains tax) was announced, some of the Budget 2022 measures reflect a growing commitment by the Government to shift the fiscal burden towards members of society with greater means to shoulder it. It remains to be seen if these efforts will help to further reduce the Gini coefficient in Singapore.

International tax

Eagerly anticipated but conspicuously absent from Budget 2022 are details of how Singapore intends to respond to the impending changes to international tax rules prompted by the OECD Pillars One and Two recommendations. As Singapore mulls its next steps and explores the feasibility of introducing a METR to top-up the effective tax rate of the largest MNE groups operating in Singapore to 15%, it is likely that further reform to the Singapore corporate tax system (including its incentive schemes) will be necessary for Singapore to remain BEPS-compliant.

As Singapore seeks a middle path between being a responsible member of the international community and retaining its shine as a gateway to Asia, businesses will do well to stay abreast of developments and consider how they could potentially be impacted by the anticipated structural shifts in the international tax system.

Singapore Global Enterprises

The Minister in Budget 2022 announced the creation of a new initiative called Singapore Global Enterprises to provide more customised assistance to support larger local enterprises to scale up and invest in overseas markets. Singapore companies should keep a close eye on this initiative and consider using the numerous existing support measures and corporate tax incentives when planning their expansion and internationalisation initiatives.

Final analysis

Budget 2022 achieves the delicate balance between providing for the future needs of Singapore and the global climate, and funding the increase costs of healthcare and other government programmes.

It sets the tone for businesses in terms of Singapore's ambitious climate commitments and the need to reduce their energy requirements and carbon footprint. However, it also signals continued commitment to investing in Singapore's population, upgrading skills and provide training while continuing to be attractive to foreign talent to support the needs of global businesses operating here.

The phasing in of the GST increase shows that the Government is cognisant that the nation has not fully recovered from the COVID-19 pandemic. It is noteworthy that the Minister has announced that for fiscal year 2022, the budget will remain expansionary to support the economy and is expected to be a deficit.

Overall, this is an ambitious but well calibrated budget.

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