



## Singapore Shipping Association

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4 March 2010

To : All SSA Members

### **BUDGET 2010: MEASURES FOR BUSINESSES**

On 22 February 2010, the Minister for Finance, Mr Tharman Shanmugaratnam, delivered the Budget Statement for the Financial Year (FY) 2010.

The Budget 2010 focuses on building up the capabilities needed to transform Singapore's economy over the next decade. The Government is charting a new course of growth for Singapore that will be based on skills, innovation and productivity and it will commit \$5.5 billion over the next five years to help enterprises and workers raise productivity. The Government will also introduce initiatives to help companies develop growth capabilities, commercialise their research and development (R&D) and to expand abroad.

The list of Budget measures for businesses with additional information is enclosed in the attachment.

Further details on the Budget can also be obtained at the website:

[www.singaporebudget.gov.sg](http://www.singaporebudget.gov.sg)

Also enclosed with this email is an extract from a commentary by PriceWaterhouse Coopers on the Budget 2010 making reference to some of the incentives for the Maritime & Transport Sector. Kindly note that the details of some of the Schemes are still not available.

In any case, we would like to welcome your feedback on the budget from the perspective of the shipping business. Please send them to SSA Secretariat latest by 10 March 2010.

Regards

DANIEL TAN  
Executive Director

# SINGAPORE BUDGET 2010

*TOWARDS AN ADVANCED ECONOMY:*

*SUPERIOR SKILLS, QUALITY JOBS, HIGHER INCOMES*

*The Government will commit \$5.5 billion over the next 5 years in tax benefits, grants and training subsidies towards the national effort to raise productivity by upgrading skills and supporting enterprise investments in innovation.*



# Supporting Innovation and Productivity Growth

## Productivity and Innovation Credit (PIC)

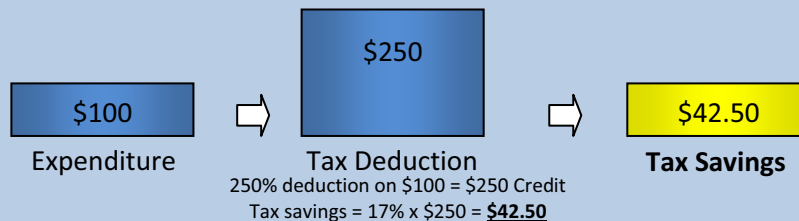
- All businesses are eligible.
- 250% tax deduction for the first \$300,000 of expenditure in each of 6 qualifying activities:
  - **Research & Development (R&D)** (e.g. Salaries for R&D personnel);
  - **Registration of Intellectual Property** (e.g. Fees to Intellectual Property Office of Singapore and patent lawyer to register patent);
  - **Acquisition of Intellectual Property** (e.g. Payments to buy a patented technology for use in a manufacturing process);
  - **Design activities** (e.g. Fees to an outsourced designer);
  - **Automation through technology or software** (e.g. Payments to buy a point of sales system to be installed in a restaurant); and
  - **Training of employees** (e.g. Course fees for front-line staff).
- Lower taxable income by \$750,000 for the first \$300,000 spent on each activity. So, if \$300,000 each is spent on 2 of the 6 qualifying activities, taxable income can be reduced by \$1.5 million (\$750,000 x 2).
- Reduce tax bill by \$42.50 for every \$100 spent on each of the 6 activities.
- For businesses without adequate taxable income, they can use their excess tax deductions for future years. Or they can convert up to \$300,000 of Productivity and Innovation Credit into a cash grant of up to \$21,000 (7% conversion rate).



From more details on PIC, please visit IRAS' website at <http://www.iras.gov.sg/irashome/PIcredit.aspx>

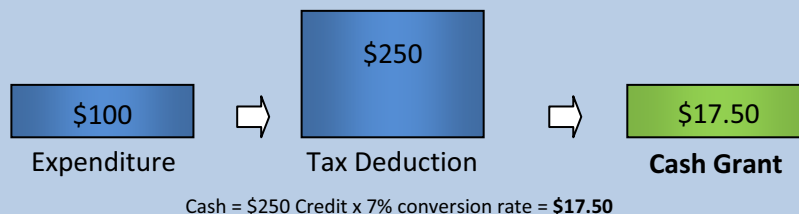
### Example of businesses benefiting from Productivity and Innovation Credit

Businesses spending \$100 on word-processing software can enjoy \$42.50 in tax savings under the scheme.



If they do not have adequate taxable income in the current year to use up the \$250 tax deduction, they can use the excess Credit to deduct taxable income for future years.

Or they can choose to convert their \$250 tax deduction into a cash grant of \$17.50.



# National Productivity Fund

- \$2 billion Fund for initiatives customised to specific industries, clusters and enterprises with focus on sectors with potential for large gains in productivity. To start, \$1 billion will be injected in 2010.
- The Fund can also serve to develop centres of expertise for a range of industries, which will grow a knowledge base to tap on to develop productivity solutions.

## Investing in Continuing Education

- The Government will spend \$2.5 billion over the next 5 years on Continuing Education and Training (CET) to develop expertise in every trade and profession, including the development of centres of excellence focused on specific industries and clusters of enterprises.

## Enhancing Workfare

- Introduce a 3-year Workfare Training Scheme (WTS):
  - Subsidise 90% to 95% of absentee payroll and course fee outlay for employers, when they send their low-wage workers for training;
  - Introduce a structured training programme for those with very low skills, including those who are unemployed.
- Increase Workfare Income Supplement (WIS) by between \$150 and \$400.

## Supporting Restructuring through Mergers and Acquisitions (M&A)

### Tax Allowance to Defray M&A Costs

- A new one-off tax incentive to defray part of acquisition costs for qualifying M&As.
- Allowance will be based on 5% of the value of the M&A deal, capped at \$5 million per Year of Assessment (YA), and written down over 5 years.

### Stamp Duty Relief for Acquisition of Unlisted Shares

- A new one-off concession to waive stamp duty, capped at \$200,000 per year, for the transfer of unlisted shares.

## Improving Access to Growth Finance

### Tax Deductions for Angel Investors

- Eligible angel investors committing a minimum of \$100,000 equity investment in a qualifying start-up in a YA can claim a 50% tax deduction of the investment at the end of a 2-year holding period.
- This deduction is subject to a cap of \$500,000 investment per YA.

### Catalysing Growth Investments through Co-Investment

- The Government will mobilise up to \$1.5 billion of growth capital for companies by seeding a range of funds over 10 years, with contributions up to half the capital.



# Building Capabilities through Partnerships



## Developing Partnerships for Capability Transformation (PACT)

- To build stronger partnerships between local enterprises and MNCs, \$250 million will be set aside over 5 years to help local enterprises develop competencies to meet MNCs' stringent manufacturing quality and certification requirements.

## Scaling Up Support for Business Associations

- The Government will commit \$100 million over 5 years to scale up its support for business associations to drive productivity at the industry level, and help companies build capabilities and access international markets.

## Nurturing Next Generation of Business Leaders

- Enhance SPRING's Business Leaders Initiative to groom a future generation of SME managers and entrepreneurs.

## Developing Public-Private Co-Innovation Partnership

- The Government will commit \$450 million over 5 years to start a programme for government agencies to work with companies to co-develop innovative solutions for medium to long term needs.

# Enhancing Industrial Land Productivity

## Land Intensification Allowance

- Encourages land intensification for 9 sectors that have large land take:
  - All businesses in 9 sectors\* will be eligible if they meet or exceed the benchmark Gross Plot Ratios (GPRs) for their sector;  
\*The 9 sectors are: pharmaceuticals, petroleum, other chemicals, aerospace, solar cell manufacturing, petrochemicals, specialties, semiconductor-wafer fabrication as well as marine and offshore engineering
  - Benchmark GPRs set at around the 75th percentile of the actual GPRs of each of these sectors;
  - Costs of building can be deducted over 15 years:
    - 25% in the first year; and
    - 5% per annum thereafter.
- Industrial Building Allowance (IBA) to be phased out with effect from 22 February 2010. Existing IBA claimants can continue to claim their remaining IBA on qualifying capital expenditures until they are written down.

For details on all Budget 2010 initiatives, please visit our website at

[www.singaporebudget.gov.sg](http://www.singaporebudget.gov.sg)

# Maritime and transport sectors

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## Ship brokers and forward freight agreement traders

Currently, ship brokers and forward freight agreement (FFA) traders are taxed at the prevailing corporate rate of 17 percent. The SGX introduced SGX AsiaClear, an over-the-counter clearing facility for FFAs in May 2006.

With the aim of encouraging the growth of ship-broking activities and FFA trading in Singapore, a new incentive will be introduced for companies which engage solely in these activities.

Under this new incentive, a qualifying ship broker company can apply to the Maritime Port Authority of Singapore (MPA) to be taxed at a concessionary tax rate of 10 percent on its brokerage income for a period of five years, subject to meeting certain conditions. The application period for this incentive is from 1 April 2010 to 31 March 2015. More details will be released by the end of March 2010.

## Ship management fees

Until now, management fee income derived by a ship management company from managing ships owned by special purpose companies which enjoy tax exemptions under sections 13A or 13F of the Income Tax Act, have been taxed at the full corporate rate of 17 percent.

The Finance Minister announced that, with effect from 22 February 2010, this income would be exempt from tax, provided certain conditions are met. Details are expected to be released by the MPA by March 2010.

The inclusion of ship management income as exempt income is a welcome move for the shipping community as it will give them commercial flexibility in handling ship management services under a separate company as opposed to housing them under a ship-owning/operating company.

## Maritime Finance Incentive

To give further support to Singapore as a ship financing centre, the Maritime Finance Incentive (MFI) application period has been extended from 28 February 2011 to 31 March 2016. Qualifying taxpayers will enjoy tax benefits for a period of not more than five years, as opposed to 10 years granted to those with approved applications made before 28 February 2011.

The MFI was introduced in 2006 as an alternative ship financing structure which taps on funds from the capital markets in addition to ship owners' equity and traditional bank financing. The MFI provides for concessionary tax rates for the relevant approved parties' qualifying income in the following manner:

- 10 percent for the ship/fund manager on its management fee income
- zero, five or 10 percent for the fund on its ship leasing or container leasing income.

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## LIA for marine and offshore engineering

With effect from 1 July 2010, companies involved in the marine and offshore engineering industry can substitute claims for IBA with the newly introduced LIA on qualifying capital expenditure incurred for the construction of a building or structure. This will particularly assist the shipping and oil rig construction industry in Singapore by helping to subsidise their business costs, given the competition being felt from China and Korea.

## GST zero-rating for the marine industry

In last year's Budget, the Finance Minister announced several measures to enable zero-rating of supplies made in the aerospace industry to recognise the international nature of those supplies. Budget 2010 continues in the same vein as the Government has now introduced similar zero-rating measures for supplies made to ships.

From 1 July 2010, the definition of a qualifying ship will be expanded to include pleasure and recreational ships (including private yachts) that are used wholly for international travel, regardless of whether they call in at a port outside Singapore. This will effectively enable the zero-rating of GST to be extended to:

- the supply of all goods (including stores and merchandise) for use on board, or installation in, a qualifying ship; and
- the transport of goods or passengers by ship to or from international waters.

More details are expected to be released by the IRAS by June 2010.

## Investment allowance scheme for aircraft rotables

The aerospace cluster in Singapore has been identified by the ESC as a fast-growing sector with good sustainable prospects, in particular, through services such as maintenance, repair and overhaul (MRO). One key characteristic of MRO operations involves the matching of the demand for aircraft rotables with the supply of used aircraft rotables.

The investment allowance (IA) scheme for aircraft rotables, which allows an additional 50 percent of the qualifying costs of aircraft rotables on top of normal capital allowances, expired on 9 September 2009. The limitation of the expired IA scheme is its "non-swapping condition" that required the approved MRO companies to recover the swapped rotatable part from their clients (i.e. with the same part number and serial number) by the end of the service contract with the clients. This goes against the grain of MRO operations as it is administratively difficult to track and recover specific aircraft rotables.

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In order to develop the MRO industry, and for tax laws to keep pace with industry practice, the IA scheme for aircraft rotables will be expanded to remove the “non-swapping condition”, and renewed for another five years from 1 April 2010 to 31 March 2015. The liberalised scheme should allow classification of aircraft rotables by broad asset groupings, instead of requiring specific part and serial numbers assigned to the assets. The EDB will release details by March 2010.

## “Green” changes for motor vehicles

The current Enhanced Transport Technology Innovation Development Scheme (TIDES) formulated by the EDB and Land Transport Authority (LTA) to waive the Certificate of Entitlement (COE), taxes and duties for vehicles brought into Singapore for the purposes of R&D and test-bedding, has a tenure of two years with an option to extend for another two years.

To support the development of transport technologies, the Finance Minister increased the two-year period for a waiver of Additional Registration Fees, COE and customs duties, to six years for “green” vehicles brought into Singapore for the purpose of test-bedding. In addition, the vehicle quota under TIDES will be expanded from 300 electric vehicles to 1,300.

Further, the Green Vehicle Rebate that is currently only available for brand new green vehicles will be extended to include imported used green vehicles with effect from 1 July 2010. The extension will however not apply to imported used compressed natural gas (CNG) vehicles, and vehicles which are required to be brand new at the point of registration e.g. taxis.