



A TRIO OF TAX AMENDMENTS

A note from Indranee Rajah S.C., Senior Minister of State for Law and Finance

On 2 October 2017, Parliament passed the following Bills:

- Goods and Services Tax (Amendment) Bill
- Property Tax (Amendment) Bill
- Income Tax (Amendment) Bill.

These amendments are aimed at easing compliance, clarifying existing legislation, improving tax administration and giving effect to Budget 2017 tax measures approved earlier this year.

My second reading speeches are available [here](#), and the three Bills can be accessed [here](#).

GST AMENDMENTS

The key changes to the GST Act are as follows:

- Customer accounting will be extended to local sales of prescribed goods commonly used in GST fraud.

It will apply to GST-registered business customers (buyers) where the GST-exclusive sale value exceeds \$10,000. The prescribed goods are:

- Mobile phones (excluding those sold with mobile subscription plans)
- Memory cards
- Off-the-shelf software



Under customer accounting:

- GST-registered sellers will no longer charge GST on the sale of prescribed goods to GST-registered business customers.
 - Instead, the GST-registered business customer must self-account to IRAS for the GST chargeable, as output tax.
 - At the same time these GST-registered business customers can claim input tax on these purchases, which will exactly offset the output tax.
 - In the past, when sellers charged and received the GST payments, some sellers absconded with the GST monies instead of paying it to IRAS. The new system of customer accounting removes the sellers' ability to commit GST fraud as they will now no longer charge or receive the GST. Instead, the new system provides the financial incentive to the customer to account for the GST chargeable, as the customer needs to do so in order to get the benefit of the set-off against his input tax.
 - Sellers and business customers of these prescribed goods are advised to take note of this change in GST treatment.
- Provision for electronic record-keeping requirements, and additional requirement for invoice details for selected businesses to further substantiate GST declarations.
 - This is necessary to facilitate the identification of goods in the event of a GST audit.
 - The requirements will be imposed by the Comptroller prospectively on a case-by-case basis, on selected businesses identified through risk assessment.
 - The time for computing the monthly penalty of \$200 for late submission of GST returns will now commence immediately after due date for filing, instead of at the end of the calendar month. This will deter late filing and recognises the diligence of taxpayers who file on time.
 - Customer accounting for GST-registered Real Estate Investment Trusts (REITs) and their Special Purpose Vehicles (SPVs) will be extended to cover movable assets bought together with a non-residential property from the same seller. This will simplify business compliance as apportionment will no longer be needed.

PROPERTY TAX AMENDMENTS

The main amendments to the Property Tax Act are as follow:

- Provision for the hearings of appeal to continue notwithstanding the absence of a member of the Valuation Review Board, if parties consent.
 - If parties do not consent or if the remaining two members cannot reach a unanimous decision, the appeal shall be reheard.
 - This mirrors existing provisions for the GST Board of Review. Similar provisions were enacted for the Income Tax Board of Review.
- Amendments to clarify and enhance the Comptroller's and the Chief Assessor's information gathering powers under the Property Tax Act.

The Comptroller of Property Tax, Chief Assessor and their authorised officers are authorised to:

- Require persons to attend personally before them to provide information at a time and place specified by them
- Require persons who appear to be acquainted with the facts or circumstances concerning the person's or another person's properties to be examined orally and provide information for purposes of tax investigations
- Reduce to writing any statements provided by persons who are required to provide information
- Enhance the penalties for failure to comply with a request for information made by the Comptroller of Property Tax, Chief Assessor or an officer authorised by them

This amendment aligns the information-gathering powers under the Property Tax Act with the existing powers under the Income Tax Act, Goods and Services Tax Act and Stamp Duties Act.



- Digital Tax notices.
 - The amendments provide the legal framework for IRAS to serve digital tax notices to taxpayers, while allowing those who wish to continue receiving hardcopies to opt out.
 - This will be implemented in stages beginning with taxpayers who are already interacting with IRAS on digital platforms.
 - Taxpayers can therefore choose to receive notices in e-copy via myTax Portal or by hardcopy. Similar changes were made to the Income Tax Act and Goods and Services Tax Act.

INCOME TAX AMENDMENTS

The Income Tax Act amendments primarily give effect to the tax changes announced in Budget 2017. These include:

- Enhancement and extension of the Corporate Income Tax (“CIT”) rebate for Year of Assessment (“YA”) 2017 and YA 2018.
 - In order to help companies navigate economic uncertainty and continue restructuring, the CIT rebate cap has been raised from \$20,000 to \$25,000 for YA 2017.
 - The CIT rebate will be extended to YA 2018, but at a reduced rate of 20% of tax payable, capped at \$10,000.
- Enhanced tax treatment for R&D projects under a Cost Sharing Agreement (“CSA”)

A R&D CSA is a contract among businesses to share the cost, performance and benefits of the R&D project. Currently, a 100% tax deduction is allowed for R&D CSA payments, but in order to claim the deduction, businesses must provide a breakdown of the expenditure covered by the CSA payments, to identify and exclude non-deductible items.

For ease of compliance, with effect from YA 2018, businesses can claim tax deduction for the full amount of CSA payments incurred without the need for a breakdown of the expenditure.

- Introduction of Personal Income Tax (“PIT”) rebate for YA 2017.
 - Every individual tax resident will receive a 20% rebate capped at \$500 for YA 2017.



Other amendments to the Income Tax Act arose out of the on-going review of our income tax regime. The key ones are:

- Introduction of a legal requirement to maintain Transfer Pricing Documentation (“TPD”).
 - Transfer Pricing refers to the pricing of transactions among related parties, which determines the allocation of profits among these parties.
 - TPD are records kept by businesses to substantiate that they have priced their transactions with related parties at the equivalent of what they would have transacted with unrelated parties in similar circumstances. This arm’s length principle is an internationally-accepted tax standard.
 - Since 2006, under IRAS’ guidelines, IRAS has been encouraging businesses to maintain TPD. Businesses which currently maintain TPD do so on a voluntary basis.
 - With effect from YA2019, businesses will be required to maintain TPD as a matter of law. Jurisdictions such as Canada, China, Germany, Korea and the USA have similar legal requirements.
 - To limit the compliance burden for smaller businesses, the TPD requirement will only apply to businesses which have both (a) gross annual revenue exceeding \$10m and (b) significant related party transactions. We expect this requirement to apply to fewer than 5% of companies, many of which are already maintaining TPD.
- Amendments relating to third-party voluntary contributions to Medisave accounts of private sector employees and self-employed persons (“SEPs”):
 - With effect from 1 January 2018, the Government will raise the maximum contribution limit under the Additional Medisave Contribution Scheme from \$1,500 per employee per year to \$2,730.
 - Accordingly, we will increase the maximum amount of such voluntary contributions that are tax-free for employees, and tax deductible for employers from \$1,500 per employee per year to \$2,730.
 - We have also raised the tax deduction limit for eligible companies that provide voluntary Medisave contributions to their SEP partners from \$1,500 to \$2,730. SEPs are also exempt from paying tax on these contributions.

These changes are in line with the Government’s efforts to promote portable medical benefits. All other conditions for granting tax benefits in respect of such voluntary contributions remain unchanged.

*– Indranee Rajah S.C., Senior Minister of State for Law and Finance
2 November 2017*