

19 February 2018

SINGAPORE BUDGET 2018: HIGHLIGHTS

The Singapore Budget 2018 ("Budget") was delivered by the Minister for Finance Heng Swee Keat on 19 February 2018.

The key tax issues raised in the Budget were as follows:

- Introduction of Goods and Services Tax ("GST") on imported services
- Future increase in GST rate to 9%
- Enhancement of the Enhanced-Tier Fund scheme under Section 13X of the ITA
- Increase in the top marginal buyer's stamp duty rate to 4%

Introduction of GST on imported services

Currently, GST is not applicable on imported services provided by an overseas supplier who does not have an establishment in Singapore. While Section 14 of the GST Act does provide for a reverse charge on prescribed services received from abroad, the reverse charge mechanism has not been invoked as the Minister for Finance has yet to prescribe any imported services for which the mechanism will apply.

Following the Budget, GST will apply on imported services with effect from 1 January 2020. The proposed changes will impact Business-to-Business ("B2B") and Business-to-Consumer ("B2C") imported services.

B2B imported services will be taxed via a reverse charge mechanism. Local businesses that (i) make exempt supplies; or (ii) do not make any taxable supplies will need to apply the reverse charge and account for GST to the Inland Revenue Authority of Singapore ("IRAS") on the services they import. The local business customer can claim the GST accounted for as its input tax, subject to the input tax credit conditions being met.

For B2C imported services, an Overseas Vendor Registration ("OVR") regime will be introduced. This requires overseas suppliers and electronic marketplace operators which make significant supplies of digital services to local consumers to register with the IRAS for GST.

Future increase in GST rate to 9%

GST will be raised by two percentage points from 7% to 9% between 2021 and 2025. The timing of implementation will depend on the state of the economy, the buoyancy of existing taxes, and growth figures on expenditure.

Enhancement of the Enhanced-Tier Fund scheme under Section 13X of the ITA

The scheme, which is currently only available for limited partnerships, companies and trusts, will be extended to all fund vehicles irrespective of their form. All fund vehicles will be able to qualify for the Enhanced-Tier Fund scheme if all qualifying conditions are met. The change will take effect for new awards approved on or after 20 February 2018. The MAS will release further details of the change by May 2018.

Increase in the top marginal buyer's stamp duty rate to 4%

Purchases of properties are currently subject to BSD rates of between 1% to 3%. The top marginal BSD rate for residential property is now raised from 3% to 4% for the portion of the value of residential property over S\$1 million.