



Singapore Budget 2022 Highlights

On 18th February 2022, the Minister of Finance, Lawrence Wong delivered the Budget Statement for Budget 2022. We set out below some of the key tax highlights of the Budget.

Key Tax Changes

Affecting Individuals

1. Enhance the progressivity of Personal Income Tax (“PIT”) of tax-resident individual taxpayers

With effective from Year of Assessment (YA) 2024, individual with chargeable income in excess of \$500,000 up to \$1 million will be taxed at 23% while that in excess of \$1 million will be taxed at 24%.

2. Extension the withholding tax (WHT) exemption for non-tax resident mediators

The existing WHT exemption will be extended until 31 March 2023.

From 1 April 2023 to 31 Dec 2027, gross income derived by non-tax-resident mediators from mediation work carried out in Singapore will be subject to a concessionary WHT tax rate of 10%, subject to conditions or alternatively, non resident mediators may elect to be taxed at 24% on the net income, instead of 10% on gross income.

3. Extension the WHT tax exemption for non-tax resident arbitrators

The existing WHT exemption will be extended until 31 March 2023.

Key Takeaway



- ❖ Increase in the top marginal personal income tax rate for resident individual tax payers;
- ❖ GST increase will be delayed to 2023;
- ❖ Increase in property tax rate for residential properties starting from 2023;
- ❖ Possibility of introduction of Minimum Effective Tax Rate (METR) in future years;

From 1 April 2023 to 31 Dec 2027, gross income derived by non-tax-resident arbitrators from arbitration work carried out in Singapore will be subject to a concessionary WHT tax rate of 10%, subject to conditions or alternatively, non-tax resident arbitrators may elect to be taxed at 24% on the net income, instead of 10% on gross income.

Goods and Service Tax (“GST”)

1. Increase the GST rate

The GST rate will be increased in two steps:

- a) from 7% to 8% with effect from 1 January 2023; and
- b) from 8% to 9% with effect from 1 January 2024.

2. GST treatment for travel arranging services

With effective from 1 January 2023, the basis for determining whether zero-rating applies to a supply of travel arranging services will be updated, to be based on the place where the customer (i.e. the contractual customer) and direct beneficiary of the service belong:

- a) If the customer of the service belongs in Singapore, the travel arranging service will be standard-rated; or
- b) If the customer of the service belongs outside Singapore and the direct beneficiary either belongs outside Singapore or is GST-registered in Singapore, the travel arranging service will be zero-rated.

Property Tax

1. Enhance the progressivity of property tax for owner-occupied residential properties

The progressive property tax rates for owner-occupied residential properties are being revised upward as shown below:-

Annual Value	Property Tax Rate for Owner-occupied Residential Properties	
	Effective 1 Jan 2023	Effective 1 Jan 2024
First \$8,000	0%	0%
Next \$22,000	4%	4%
Next \$10,000	5%	6%
Next \$15,000	7%	10%
Next \$15,000	10%	14%
Next \$15,000	14%	20%
Next \$15,000	18%	26%
Above \$100,000	23%	32%

This change will take effect from 1 January 2024.



2. Enhance the progressivity of property tax for non-owner occupied residential properties

The progressive property tax rate schedule for non-owner-occupied residential properties are being revised upward as shown below:-

Annual Value	Property Tax Rate for Non-owner-occupied Residential Properties	
	Effective 1 Jan 2023	Effective 1 Jan 2024
First \$30,000	11%	12%
Next \$15,000	16%	20%
Next \$15,000	21%	28%
Above \$60,000	27%	36%

This change will take effect from 1 January 2024.

Business

1. Introduction of the Minimum Effective Tax Rate (“METR”) Regime

The Inland Revenue Authority of Singapore is exploring a top-up tax called the **Minimum Effective Tax Rate (“METR”)** which will top up the MNE group’s effective tax rate in Singapore to 15%. The METR will apply to MNE groups operating in Singapore that have annual revenues of at least 750 million euros as reflected in the consolidated financial statements of the ultimate parent entity.

2. Extension and enhance the Approved Royalties Incentive (“ARI”)

The existing ARI will be extended until 31 December 2028 and will be simplified to cover classes of royalty agreements based on an activity-set-based approach.

3. Extend the Approved Foreign Loan (“AFL”) scheme

The existing AFL scheme will be extended until 31 December 2028.

4. Extend the Tax Framework for Facilitating Corporate Amalgamations under Section 34C of the ITA to Licensed Insurer

Extension of the tax framework to cover amalgamation of Singapore-incorporated licensed insurers where the court order for confirmation of a scheme for the transfer of an insurance business is made on or after 1 November 2021.

The extension of the framework is subject to conditions, which include the following:

- a) The amalgamated company takes over all property, rights, privileges, liabilities, and obligations, etc. of the amalgamating company on the date of amalgamation; and
- b) 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.

5. The Integrated Investment Allowance (“IIA”) scheme will be allowed to lapse after 31 December 2022.

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