Budget 2015

ANNEX A-6: TAX CHANGES

TAX CHANGES FOR BUSINESSES

Name of Tax Change	Current Treatment	New Treatment
Supporting Internationalising Businesses		
Extending and enhancing the Mergers & Acquisitions ("M&A") scheme	The M&A scheme was introduced in 2010 to encourage companies to consider M&A as a strategy for growth and internationalisation. It is available for qualifying M&As executed from 1 April 2010 to 31 March 2015. a) Tax benefits under the M&A scheme: i) An M&A allowance based on 5% of the value of the qualifying acquisition, subject to a cap of $100 million on the value of qualifying acquisitions per YA. The allowance is written down over five years;	To further support companies, especially small and medium enterprises, to grow via strategic acquisitions, the scheme will be extended till 31 March 2020 with the changes below. a) Revised tax benefits under the M&A scheme: i) The M&A allowance rate will be increased to 25%; ii) The cap on the value of qualifying acquisitions for the M&A allowance per YA will be revised to $20 million;

Name of Tax Change	Current Treatment	New Treatment
	ii) Stamp duty relief on the transfer of unlisted shares, capped at $100 million of qualifying M&A deals. This works out to a cap of $200,000 of stamp duty per financial year ("FY"); and iii) 200% tax allowance on transaction costs[1] incurred on qualifying M&A, subject to an expenditure cap of $100,000 per YA. The allowance on transaction costs is written down in one year. <u>b) Shareholding eligibility tiers under the M&A scheme</u> Currently, the acquiring company must acquire ordinary shares in a target company, whether directly or indirectly[2],	iii) Stamp duty relief on the transfer of unlisted shares will correspondingly be capped at $20 million on the value of qualifying M&A deals, which works out to a cap of $40,000 of stamp duty per FY; and iv) No change to the tax allowance on transaction costs [3] incurred on qualifying M&A, which will remain at 200% subject to an expenditure cap of $100,000 per YA and written down in one year. <u>b) Revised shareholding eligibility tiers</u> The acquiring company must acquire ordinary shares in a target company, whether directly or indirectly[4], that results

[1] Common transaction costs include professional fees on due diligence (accounting and tax), legal fees, and valuation fees.

[2] An acquiring subsidiary must be set up for the purposes of holding shares and does not carry on a trade or business.

[3] Common transaction costs include professional fees on due diligence (accounting and tax), legal fees, and valuation fees.

Name of Tax Change	Current Treatment	New Treatment
	that results in the acquiring company holding: i) More than 50% ordinary shareholding in the target company (if the acquiring company's original shareholding in the target company was 50% or less); or ii) At least 75% ordinary shareholding (if the acquiring company's original shareholding was more than 50% but less than 75%). <u>c) "12-month look-back period" for step acquisitions that straddle across FYs</u> Acquiring companies can also elect for its ordinary share acquisitions in a target company made during a 12-month period to be consolidated to qualify for the M&A tax benefits. The 12-month period must	in the acquiring company holding: i) At least 20% ordinary shareholding in the target company (if the acquiring company's original shareholding in the target company was less than 20%), subject to conditions; or ii) More than 50% ordinary shareholding in the target company (if the acquiring company's original shareholding in the target company was 50% or less) (status quo). The existing 75% shareholding eligibility tier will be removed. Acquisitions of ordinary shares that result in the acquiring company owning at least 75% ordinary shareholding (if the acquiring company's original shareholding was more than 50%

[4] An acquiring subsidiary must be set up for the purposes of holding shares and does not carry on a trade or business.

Name of Tax Change	Current Treatment	New Treatment
	end on the share acquisition date on which the 50% or 75% shareholding threshold is met, or the date of a subsequent acquisition that is conducted within the same basis period. This is commonly known as the "12-month look-back period".	but less than 75% at the beginning of the basis period for a YA or FY) will no longer qualify under the M&A scheme. <u>c) "12-month look-back period" for step acquisitions that straddle across FYs</u> The 12-month look-back period will be removed to simplify the scheme. The above changes will take effect for qualifying acquisitions made from 1 April 2015. IRAS will release more details by May 2015 including details of relevant transitional arrangements arising from the above changes.