

## Budget 2014

### ANNEX A-5: TAX CHANGES

#### TAX CHANGES FOR BUSINESSES

Name of Tax Change	Current Treatment	New Treatment
<b>Strengthening the Competitiveness of the Financial Sector</b>		
Extending and Refining Tax Incentive Schemes for Qualifying Funds	<p>Funds managed by Singapore-based fund managers (“Qualifying funds”) currently enjoy the following tax concessions, subject to conditions:</p> <ul style="list-style-type: none"><li>a) Tax exemption on specified income derived from designated investments; and</li><li>b) Withholding tax exemption on interest and other qualifying payments made to all non-resident persons (excluding Permanent Establishments in Singapore).</li></ul> <p>Qualifying funds comprise the</p>	<p>To provide tax certainty and maintain a level-playing field for Singapore-incorporated banks which issue Basel III Additional Tier 1 instruments, such instruments other than shares, will be treated as debt for tax purposes. Hence, distributions on such instruments will be deductible for issuers and taxable in the hands of investors, subject to existing rules.</p> <p>The tax treatment will apply to distributions accrued in the basis period for YA2015 and thereafter, in respect of such instruments issued by Singapore-incorporated banks (excluding their foreign branches) that are subject to MAS Notice 637.</p> <p>To anchor and continue to grow Singapore’s asset</p>

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	<p>following:</p> <ul style="list-style-type: none"> <li>a) Trust funds with resident trustee (section 13C scheme);</li> <li>b) Trust funds with non-resident trustee and non-resident corporate funds (section 13CA scheme);</li> <li>c) Resident corporate funds (section 13R scheme); and</li> <li>d) Enhanced-tier funds (section 13X scheme)</li> </ul> <p>The sections 13CA and 13R schemes impose conditions on investor ownership levels on the last day of the qualifying fund's basis period for the relevant YA. The investor ownership levels are computed based on the historical value of the qualifying funds' issued securities. The section 13X scheme does not impose conditions on investor</p>	<p>management industry, the sections 13CA, 13R and 13X schemes will be extended for five years till 31 March 2019. The section 13C scheme will be allowed to lapse after 31 March 2014.</p> <p>The sections 13CA, 13R and 13X schemes will be refined as follows:</p> <ul style="list-style-type: none"> <li>a) The section 13CA scheme will be expanded to include trust funds with resident trustees, which are presently covered under the section 13C scheme, with effect from 1 April 2014;</li> <li>b) The investor ownership levels for the sections 13CA and 13R schemes will be computed based on the prevailing market value of the issued securities on that day instead of the historical value. This will take effect from 1 April 2014; and</li> <li>c) The list of designated investments will be expanded to include loans to qualifying offshore trusts, interest in certain limited liability companies and bankers acceptance. This will apply to income derived on or after</li> </ul>

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	<p>ownership levels.</p> <p>The schemes for qualifying funds will lapse after 31 March 2014.</p>	<p>21 February 2014 from such investments.</p> <p>Other existing conditions of the schemes remain unchanged.</p> <p>MAS will release further details of the changes by end May 2014.</p>