

APPENDIX IV

Key Budget FY2010 Initiatives

**Presented to Parliament by Finance Minister
Tharman Shanmugaratnam on 22 February, 2010**

Benefits for Businesses

Raising Productivity: Skills, Innovation and Economic Restructuring

The Government will commit SG\$1.1 billion a year over the next five years in the form of tax benefits, grants and training subsidies to support the national effort to raise productivity.

Details of the relevant Budget measures are given below.

(A) Boosting Skills and Enterprise Productivity through National Effort

(A1) National Productivity and Continuing Education Council (New)

The Government will establish a high-level National Productivity and Continuing Education Council. The Council will be chaired by DPM Teo Chee Hean and include

members from the Government, business community and the labour movement. It will:

- Galvanise the major national effort to boost skills and enterprise productivity;
- Develop a comprehensive system for continuing education and training (CET); and
- Oversee the work of the different government agencies and promote close collaboration among the business sector, workers and unions, and the public sector.

More details on the composition of the Council and how it will approach its work will be announced later by DPM Teo.

(B) Investing in People

(B1) Expansion of the Continuing Education and Training (CET) System (Enhanced)

The Government will spend SG\$2.5 billion over the next five years on CET.

The Government will build up an outstanding CET system for adults, to complement a first-rate education system for our young. This is our response to the next phase of gains in productivity, which will require us to develop competence in more complex tasks, mastery of skills and depth of expertise in every trade and profession.

(B2) Introduction of Workfare Training Scheme (WTS) (New)

The Government will introduce a three-year Workfare Training Scheme (WTS) to complement the Workfare Income Supplement (WIS) scheme. The WTS will:

- Subsidise 90 per cent to 95 per cent of absentee payroll and course fee outlay for employers, when they send their low-wage workers for training;
- Provide cash grants, capped at SG\$400 per year, when WIS recipients complete their training;
- Introduce a structured training programme for those with very low skills, including those who are unemployed.

(B3) Enhancement of Workfare Income Supplement (Enhanced)

The Government will enhance the Workfare Income Supplement (WIS) Scheme as follows:

- *Higher payouts.* Maximum payouts for the WIS will be increased by between SG\$150 and SG\$400, with more going to older workers to encourage them to remain in the workforce; and
- *Extension to more workers.* The Government will extend WIS to workers earning up to SG\$1,700 per month — up from the current limit of SG\$1,500 per month.

Further details of the enhancements to Workfare (WIS and WTS) will be announced during the Ministry of Manpower's Committee of Supply.

(C) Supporting Enterprise Investments in Innovation and Productivity

The Government will provide tax incentives for businesses to invest in upgrading their operations and creating new value. The Government will also extend substantial grants to specific industries, clusters and enterprises.

(C1) Productivity and Innovation Credit (New)

Currently, only research and development (R&D) qualifies for additional tax deductions, of up to 150 per cent of expenditures. The Government will introduce the Productivity and Innovation Credit as a major enhancement, to spur a much broader range of innovative activities and with more generous tax benefits.

The Credit will cover six activities along the innovation value chain (namely research and development done in Singapore; acquisition of intellectual property (IP); registration of IP; investments in design done in Singapore; spending on equipment and software to automate processes; and workers' training).

All businesses will be eligible for the Credit, based on the expenditure they incur in any of the activities. They can deduct 250 per cent of their eligible expenditures on each of these activities from their taxable income, with a cap of SG\$300,000 expenditure per activity. This will be effective from Year of Assessment 2011 to Year of Assessment 2015.

Details of the Productivity and Innovation Credit are as follows:

Enhanced Tax Deduction for Research and Development Done in Singapore

To encourage small companies to grow their R&D spending, the Government will give a 250 per cent tax deduction for the first SG\$300,000 of qualifying expenses incurred on R&D done in Singapore. The R&D need not necessarily be related to their existing trade.

With this enhancement, the Government will consolidate and phase out the existing R&D tax incentives — namely Research and Development Tax Allowance (RDA)¹ and Research and Development Incentive for Start-up Enterprises (RISE) schemes. No RDA will be granted on chargeable income from Year of Assessment 2011, and RISE will cease with effect from Year of Assessment 2011.

Enhanced Tax Allowance for Intellectual Property Acquisition

The Government will enhance the current 100 per cent tax allowance for IP acquisition by giving an additional 150 per cent tax allowance (i.e. total of 250 per cent) for the first SG\$300,000 expenditure on IP acquisition.

Enhanced Tax Deduction for Intellectual Property Registration

To encourage more businesses to register and protect their IP, the Government will extend the existing tax allowance for costs of registering patents to cover the costs of

registering other IPs as well, namely trademarks, designs and plant varieties.

It will also increase the quantum of deduction from 100 per cent to 250 per cent for the first SG\$300,000 of expenses incurred for registering IP.

Enhanced Tax Deduction for Design Done in Singapore

To encourage more businesses to create new product and industrial designs for the local and international markets, the Government will give businesses a 250 per cent tax deduction for the first SG\$300,000 of the qualifying cost incurred for design activities done in Singapore.

This incentive will be administered by DesignSingapore Council.

Enhanced Allowance for Investment in Automation

To encourage businesses to invest in equipment and software that will automate their processes, the Government will grant 250 per cent capital allowance for the first SG\$300,000 of expenditure on such investment. It will also update and expand the list of qualifying automation equipment and software to benefit a wider range of sectors.

Enhanced Tax Deduction for Training Costs

To encourage employers to train employees to upgrade their skills, the Government will grant a 250 per cent tax deduction for the first SG\$300,000 of expenditure on

qualifying workers' training. This enhanced tax deduction can be enjoyed on top of the training support under the WTS and other WDA programmes.

Cash Conversion

To further signal its support for businesses that innovate and improve productivity, the Government will allow businesses the option to convert up to SG\$300,000 of their Productivity and Innovation Credit into a non-taxable cash grant of up to SG\$21,000.² This will support small but growing companies that are investing in technology or upgrading their operations now, but have low taxable income initially. This cash conversion component of the Credit will be available from Year of Assessment 2011 to Year of Assessment 2013, and will be reviewed after three years.

The Productivity and Innovation Credit scheme, inclusive of the cash conversion component, will cost the Government SG\$480 million a year.

(C2) National Productivity Fund (New)

The Government will create a National Productivity Fund (NPF) to provide funding for initiatives which are customised to specific industries, clusters and enterprises. The Fund will provide grants to help enterprises in all sectors, with special emphasis initially on sectors where there is potential for larger gains in productivity. The Fund can also serve to develop centres of expertise for a range of industries, which will provide a knowledge base for enterprises to tap on to develop productivity solutions.

The National Productivity and Continuing Education Council will establish the priorities and programmes of the Fund, and tie together the efforts of Singapore's government agencies, industry associations, unions and enterprises.

The Government targets to put SG\$2 billion into this new Fund. To begin with, the Government will put SG\$1 billion into the Fund in FY2010, which it expects to be able to support initiatives over the next five years.

Construction Sector Initiatives

The Government will dedicate around SG\$250 million out of the first SG\$1 billion of National Productivity Fund to raising productivity in the construction sector. This will include initiatives to help Singapore's local contractors develop capabilities in areas such as complex civil engineering and building projects, new technologies, and to upgrade to a higher quality workforce.

More details on these construction sector initiatives will be announced during the Ministry of National Development's Committee of Supply.

(D) Raising Foreign Worker Levies

The Government will complement its support for enterprise innovation and upgrading by gradually raising the foreign worker levies, and tightening the levy tiers that are based on the proportion of foreign workers in a company's workforce. The increase in levies will be calibrated and carefully phased in, so as to give companies a clear incentive to

upgrade while providing time for them to develop plans to re-gear and grow through productivity improvements. The changes will start with a modest increase in levies in 2010, and will involve further increases over the next two years. The overall dependency ratio for all categories of foreign workers (Work Permit and S Pass holders) will remain unchanged.

As a first step, the Government will raise levy rates for most Work Permit [holders] by between SG\$10 and SG\$30 on 1 Jul 2010, phasing in further adjustments in levy rates and tiers in 2011 and 2012. Taking the three years together, there will be a total increase of about SG\$100 in average levies per worker in manufacturing and services. The construction sector, where there is much scope for productivity improvements, will see a larger increase.

In July 2010, the Government will also sub-divide the current single rate (SG\$50) for S Pass workers for all sectors, to two tiers (SG\$100 and SG\$120). Further adjustments will then be phased in until the rates reach SG\$150 and SG\$250 by July 2012.

The Ministry of Manpower and Ministry of National Development will release more details of the changes to the Foreign Worker Levy this week.

(E) Supporting Business Restructuring

(E1) Tax Allowance to Defray Acquisition Costs

(New)

The Government will introduce, for five years, a one-off tax allowance to help defray a portion of acquisition costs

for qualifying Mergers and Acquisitions (M&As).³ The allowance will have the following features:

- 5 per cent of the value of the qualifying M&A deal;
- The allowance will be capped at SG\$5 million;
- The allowance will be written down over five years.

The M&A allowance will be granted to qualifying M&As executed from 1 Apr 2010 to 31 Mar 2015 (both dates inclusive).

(E2) Stamp Duty Relief for Acquisition of Unlisted Shares (New)

The Government will also grant stamp duty relief on the transfer of unlisted shares for qualifying M&A deals. (Currently, listed shares are exempt from stamp duty.) The amount of stamp duty relief will be capped at SG\$200,000 per year. This stamp duty relief will be granted to qualifying M&As executed from 1 Apr 2010 to 31 Mar 2015 (both dates inclusive).⁴

The M&A allowance and the stamp duty relief will cost about SG\$100 million per year.

(F) Enhancing Land Productivity

(F1) Introduction of Land Intensification Allowance (New)

The Industrial Building Allowance (IBA) was introduced in [the] 1940s to encourage industrialisation. While the

IBA has met its objective, it is no longer adequate or relevant to meet Singapore's current priorities — to promote the intensification of industrial land use towards more land-efficient and higher value-added activities. The Government will phase out IBA, with immediate effect. Existing claimants can continue to claim their remaining IBA until the qualifying expenditures are written down.⁵

The Government will however introduce the Land Intensification Allowance (LIA) for nine sectors identified to have large land-take.⁶ The LIA will give businesses in the targeted sectors allowances on the qualifying costs incurred to build qualifying industrial buildings or structures, if they intensify the usage of industrial land to meet or exceed the Gross Plot Ratio (GPR) benchmarks set for each sector. To encourage intensification of industrial lands, the benchmarks will be set around the 75th percentile of the actual GPRs for each sector.

Businesses will be able to claim an initial allowance of 25 per cent and an annual allowance of 5 per cent and can thus fully write down the qualifying costs in 15 years under the LIA — this is more generous than the annual allowance of 3 per cent and full write-down over 25 years under IBA.

The LIA incentive will be in place for five years (with effect from 1 Jul 2010) and will be administered by EDB.

Growing Globally Competitive Companies

(A) Building Capabilities through Partnerships

(A1) Partnerships for Capability Transformation (PACT) (New)

The Local Industry Upgrading Programme (LIUP) has strengthened procurement linkages between MNCs and local companies by building on pre-existing capabilities amongst Singapore suppliers. We will build upon this collaborative approach by focusing on the development of a broader range of new capabilities for our local enterprises, such as helping local enterprises meet stringent manufacturing quality and certification requirements by facilitating their development of requisite competencies. Under the new Partnerships for Capability Transformation (PACT) programme, which will subsume LIUP, the Government will set aside SG\$250 million over five years to defray part of the qualifying expenses for such partnerships.

More details will be announced by May 2010.

(A2) Business Associations as Growth Champions (New and Enhanced)

The Government will commit SG\$100 million over five years to scale up its support for business associations, including both trade associations and chambers of commerce, to (i) drive productivity at the industry level; (ii) help companies, especially SMEs, build capabilities for growth; and (iii) to facilitate international market access for their members.

More details will be announced by June 2010.

(A3) Nurturing Future Business Leaders (Enhanced)

To support the flow of talent to SMEs, the Government will commit SG\$45 million over five years to enhance SPRING's Business Leaders Initiative, which is an umbrella programme to attract young talent into SMEs, and groom a future generation of SME managers and entrepreneurs. This includes (i) internship programmes to encourage more polytechnic and university students to choose SMEs as a career of choice; and (ii) support for SMEs to develop talent attraction and retention programmes.

More details will be announced by June 2010.

(B) Reaping Commercial Advantage from R&D**(B1) National Research Fund Top-up**

The Government will top up the National Research Fund (NRF) with another SG\$1.5 billion to support the intensification of our research and development (R&D) efforts.

(B2) Boost Private Sector R&D

Private sector R&D spending will be grown from 2 per cent of GDP currently to 2.5 per cent over the next five years. The new Productivity and Innovation Credit scheme, together with the innovation vouchers that SPRING provides to SMEs, and potential partnerships that companies can form with public sector research institutes, will make Singapore one of the most compelling locations for private sector R&D in Asia.

(B3) Catalyse Private Sector R&D through Public-Private Co-Innovation Partnership (New)

The Government will commit SG\$450 million over five years to start a Public-Private Co-Innovation Partnership for government agencies to work with private sector companies in co-developing innovative solutions for medium- to long-term needs, in areas such as urban mobility, environmental sustainability and energy security. To give companies greater visibility of the co-innovation opportunities, key government agencies will share their technology roadmaps and future needs publicly. As part of the co-innovation process, grants will be provided to help companies build R&D capabilities and test-bed innovative solutions.

More details will be announced by July 2010.

(C) Improving Access to Growth Finance

(C1) Tax Deduction for Angel Investors Scheme (New)

An eligible angel investor who commits a minimum of SG\$100,000 of equity investment in a qualifying start-up in a Year of Assessment (YA) can claim a tax deduction at 50 per cent of his investment quantum, at the end of a two-year holding period. The deduction is capped at SG\$500,000 of investments into qualifying start-ups per YA.

SPRING will announce the details by June 2010. However, the incentive will apply to qualifying investments made from 1 Mar 2010 to 31 Mar 2015.

(C2) Catalyse Growth Capital through Co-Investment (New)

The Government will catalyse financing for companies that have achieved initial success and are looking to scale up. To provide a significant boost, the Government will mobilise up to SG\$1.5 billion of growth capital by seeding a range of funds over 10 years, for which the Government will contribute up to half the capital. The programme will be implemented in phases, and will grow in tandem with the appetite of the investing community and with the number of companies they find attractive. The first phase will be launched this year, with the Government providing up to SG\$250 million to match private sector investments. This will allow for a few funds to be established, with a total of SG\$500 million of growth capital for Singapore-based enterprises.

More details would be announced by May 2010.

(C3) Government's Role in Cross-Border Financing (Under study)

The Government is studying various models and evaluating how best we can realise the development of a market-based institution to support and catalyse the growth of cross-border financing for Singapore-based companies. Such an institution must be commercially-managed, with the discipline to generate a fair return commensurate with the risks. Its business model must also involve collaboration with other financial institutions.

(D) Growing Our Role as a Global Business Hub

(D1) Development and Expansion Incentive Scheme (Extended)

The Development and Expansion Incentive (DEI) scheme will be extended to law practices registered in Singapore as a company or as a branch of a foreign company providing international legal services so as to enhance our position as an arbitration hub. Under this incentive, approved law practices will enjoy a 10 per cent concessionary tax rate on incremental income derived from performing international legal services. This incentive is valid from 1 Apr 2010 to 31 Mar 2015.

More details will be announced by [the] Ministry of Law and EDB by March 2010.

(D2) Promote Financial Services (Enhanced)

The Government will continue to update tax incentives to ensure that they remain relevant and encourage institutions to build up high-value activities and expand the number of professional jobs in Singapore. Salient changes will be:

- a. Simplification of the taxation rules and updating of the list of incentivised activities for the Financial Sector Incentive;
- b. Streamlining of the tax incentives for futures members of Singapore Exchange (SGX) and members of Singapore Commodity Exchange Ltd (SICOM); and

- c. Renewal of the income tax, stamp duty and GST concessions for listed real estate investment trusts and renewal of GST concessions for qualifying listed registered business trusts for the period from 18 Feb 2010 to 31 Mar 2015.

(D3) Boost Transportation Hub (New and Enhanced)

To further develop Singapore as an International Maritime Centre, the Government will:

- a. Introduce a five-year tax incentive from 1 Apr 2010 to 31 Mar 2015 which grants a concessionary tax rate of 10 per cent for ship brokers and forward freight agreement traders;
- b. Renew the Maritime Finance Incentive upon its expiry on 28 Feb 2011 for another five years to 31 Mar 2016; and
- c. Expand the scope of GST zero-rating for the marine industry, by expanding the definition of qualifying ships and extending GST zero-rating to goods and services provided to qualifying ships, with effect from 1 Jul 2010.

To further enhance our competitiveness in the Maintenance, Repair and Overhaul industry, the Government will renew the Investment Allowance scheme which grants an additional 50 per cent allowance (on top of normal capital allowance) for aircraft rotables for another five years from 1 Apr 2010 to 31 Mar 2015. The rules for claiming the allowance will also be liberalised.

(D4) Reduce GST Compliance Costs (New and Enhanced)

The Government will introduce several GST-related changes to ease compliance costs for businesses:

- a. To ease import GST cash flow for importers, a new scheme will be introduced to allow approved businesses to import goods without upfront payment of GST when the goods enter Singapore. Under the scheme, approved businesses will be allowed to defer their import GST payments for at least a month. The scheme will take effect from 1 Oct 2010; and
- b. Simplify the rules for the accounting of GST to the earlier of the date of payment or the date of invoice. This will reduce administrative costs for most businesses, particularly smaller traders, as they no longer need to track the date of delivery of goods or performance of services. The changes will take effect from 1 Jan 2011.

(E) Other Tax Measures

(E1) Enhanced Transport Technology Innovation Development Scheme (TIDES+) (Enhanced)

To support the development and test-bedding of transport technologies, green vehicles brought to Singapore for the purpose of test-bedding can enjoy waiver of Additional Registration Fees, Certificate of Entitlement, and custom duties for an initial period of six years, up from the existing two years. In addition, the quota of vehicles under this

scheme will be expanded from 300 vehicles up to 1,300. The total amount of tax waived is estimated to be about SG\$75 million.

(E2) Green Vehicle Rebate (Extended)

Currently, only owners of brand new green vehicles are entitled to the Green Vehicle Rebate. To encourage the greater use of low-carbon transportation, the scope of the Green Vehicle Rebate scheme will be extended to include imported used green vehicles with effect from 1 Jul 2010.

(E3) Withholding Tax for Public Entertainers (Enhanced)

The Government will reduce the withholding tax rate for non-resident public entertainers from 15 per cent to 10 per cent on their gross income derived in respect of services performed in Singapore. This reduction will help local organisers to attract more internationally-rated acts and performances to Singapore. The 10 per cent tax rate will take effect from Budget Day (i.e. 22 Feb 2010) and will end on 31 Mar 2015.

(E4) Duty-Free Liquor Allowance (Enhanced)

The Government will allow travellers to purchase an additional litre of duty-free wine or beer in lieu of one litre of duty-free spirits. Travellers who prefer wine or beer to spirits can therefore enjoy duty-free allowance on two litres of wine and one litre of beer, or one litre of wine and two litres of beer. This change will take effect from 1 Apr 2010.

Benefits for Households

Including All Singaporeans in Growth

The Government will be spending SG\$1.4 billion in direct transfers for households in FY2010. Inclusive of the Workfare Income Supplement, the total sum transferred to households is SG\$1.8 billion.

(A) Shift to a Progressive Property Tax Regime

(A1) Shifting to a Progressive Property Tax Regime (New)

Currently, owner-occupied residential properties are taxed at a concessionary 4 per cent rate (instead of 10 per cent for all other properties). In addition, owner-occupied residential properties with Annual Values (AVs) below SG\$10,000 can enjoy the on-going 1994 property tax rebates ranging from SG\$25 to SG\$150, depending on the AVs of their properties.

For property tax payable from January 2011, the existing 1994 property tax rebates will be replaced by a progressive property tax schedule for owner-occupied residential properties. Three tiers of property tax rates for such properties will be introduced — 0 per cent, 4 per cent and 6 per cent:

- 0 per cent for the first SG\$6,000 of AV;
- 4 per cent for the next SG\$59,000 of AV;
- 6 per cent for the balance of AV in excess of SG\$65,000.

The new property tax system will benefit most Singaporeans. All owner-occupied homes will enjoy tax savings of SG\$240 as a result of the exemption of the first SG\$6,000 of AV. This will mean that all HDB flat owners and the large majority of private property owners will pay lower taxes.

Owners of high-end properties with AVs of more than SG\$77,000, will see a small increase in tax payable, as their effective tax rates will be higher than the current 4 per cent. They comprise the top 3 per cent of private owner-occupied residential properties, or the top 0.4 per cent of all owner-occupied homes in Singapore.

Non-owner-occupied residential properties and other properties will continue to be subject to 10 per cent property tax.

(B) Increasing Tax Reliefs for Families

(B1) Enhancing Parent Relief (Enhanced)

A taxpayer may claim this relief if he supported his or his spouse's parents, grandparents and great-[grand]parents in the previous year.

To provide greater recognition for those who are looking after parents, grandparents and great-[grand] parents, the parent relief will be increased to:

- a. SG\$7,000 (from SG\$5,000 currently) for taxpayers who are staying with their dependants;
- b. SG\$4,500 (from SG\$3,500 currently) for taxpayers who are not staying with their dependants;

- c. SG\$11,000 (from SG\$8,000 currently) for taxpayers who are staying with their handicapped dependants; and
- d. SG\$8,000 (from SG\$6,500 currently) for taxpayers who are not staying with their handicapped dependants.

These changes will be implemented from Year of Assessment 2010.

**(B2) Enhancing Wife Relief to Spouse Relief
(Enhanced)**

With effect from Year of Assessment 2010, the Government will allow wives who are taxpayers to claim a spouse relief of SG\$2,000, similar to the current scheme for husbands. This will help families where the wife is the breadwinner, for instance where the husband has retired. Accordingly, wife relief will be renamed as “spouse relief.”

**(B3) Raising of Income Threshold of Dependants for Taxpayers to Claim Dependant-Related Reliefs
(Enhanced)**

Currently, the income of the dependant cannot exceed SG\$2,000 in the preceding year if a taxpayer wishes to claim the following dependant-related reliefs:

- Handicapped Sibling Relief;
- Wife Relief;
- Handicapped Spouse Relief;
- Parent Relief;
- Handicapped Parent Relief;
- Qualifying Child Relief;
- Handicapped Child Relief;
- Working Mother’s Child Relief;

- CPF Cash Top-up Relief for top-ups into the CPF accounts of spouses or siblings.

The Government will increase the income threshold for dependant-related reliefs from SG\$2,000 to SG\$4,000.

In recognition of the extra resources and attention needed in providing care for the disabled, the Government will also remove the income threshold for handicapped dependant-related relief.

The changes for the dependant-related reliefs will be implemented from Year of Assessment 2010, except for the CPF Cash Top-up Relief for top-ups to the CPF accounts of spouse and siblings (for which the changes to the income threshold will be effective from Year of Assessment 2011).

(C) Increase Course Fee Relief

(C1) Increasing Course Fee Relief (Enhanced)

To support for lifelong learning, the Government will increase the course fees relief from SG\$3,500 to SG\$5,500 with effect from Year of Assessment 2011.

(D) Support for Charitable Giving

(D1) Extending Tax Deduction for Donations (Extended)

In Budget 2009, the Government had increased the tax deduction for donations made in 2009 to Institutions of Public Character (IPCs) and other approved institutions from 200 per cent to 250 per cent.

The Government will extend this measure for an additional year, to give additional support to charitable giving as the economy recovers.

(E) Measures to Support Households

(E1) Top-up to Central Provident Fund-Medisave Accounts (CPF-MA) (Enhanced)

The Government will provide a one-off top-up to the CPF-Medisave Accounts of older Singaporeans. Details are given in the table below.

<i>Annual Assessable Income (AI) in 2009</i>	<i>Annual Value of Home in 2009</i>	
	<i>Up to SG\$6,000</i>	<i>More than SG\$6,000</i>
Up to SG\$29,000⁷	Aged ⁸ 50–59: SG\$300	Aged 50–59: SG\$200
	Aged 60–69: SG\$400	Aged 60–69: SG\$300
	Aged 70 and above: SG\$500	Aged 70 and above: SG\$400
SG\$29,001–SG\$100,000		
More than SG\$100,000	SG\$0	

(E2) Top-ups to Medifund and ElderCare Endowment Fund (Enhanced)

As part of its ongoing efforts to set aside funds to meet Singaporeans' long term healthcare needs, the Government will set aside in Budget 2010 SG\$200 million each for the following Funds:

- a. **Medifund**, which supports needy Singaporeans;
- b. **ElderCare Fund**, which supports the needs of elderly Singaporeans with their long-term healthcare needs.

(E3) Top-up to Post-Secondary Education Account (Enhanced)

The Government will provide a top-up of SG\$230 million to the Post-Secondary Education Account (PSEA) accounts of young Singaporeans.

Details of the top-up are given in the table below.

<i>Annual Value of Home in 2009</i>		
Age in 2010	Up to SG\$11,000	More than SG\$ 11,000
7 to 12	SG\$200	SG\$100
13 to 20	SG\$500	SG\$250

(F) Raising Productivity

(F1) Introduction of Workfare Training Scheme (WTS) (New)

The Government will introduce a three-year Workfare Training Scheme (WTS) to complement the Workfare Income Supplement (WIS) scheme. The WTS will:

- Subsidise 90 per cent to 95 per cent of absentee payroll and course fee outlay for employers, when they send their older low-wage workers for training;
- Provide cash grants, capped at SG\$400 per year, when WIS recipients complete their training;

- Introduce a structured training programme for those with very low skills, including those who are unemployed.

(F2) Enhancement of Workfare Income Supplement (Enhanced)

The Government will enhance the Workfare Income Supplement (WIS) as follows:

- *Higher payouts.* Maximum payouts for the WIS will be increased by between SG\$150 and SG\$400, with more going to older workers to encourage them to remain in the workforce;
- *Extension to more workers.* Those earning up to SG\$1,700 per month will now be eligible for WIS, up from the current limit of SG\$1,500 per month.

Further details of the enhancements to Workfare (WIS and WTS) will be announced during the Ministry of Manpower's Committee of Supply.

Notes

1. For taxpayers with unutilised RDA granted for Year of Assessment 2009 and Year of Assessment 2010, they may opt to utilise the RDA as further deductions against their incremental R&D expenses from Year of Assessment 2011 until Year of Assessment 2016, as under the RDA scheme currently. Alternatively, they can elect instead to claim the 250 per cent tax deduction for the first SG\$300,000 of their qualifying R&D expenses incurred for Year of Assessment 2011 to Year of Assessment 2015.
2. Up to SG\$300,000 of tax deductions and allowances arising from expenditure on the six activities covered under the Productivity

and Innovation Credit can be converted into [a] cash grant at a conversion rate of 7 per cent. 7 per cent is higher than the median effective tax rate of taxpaying companies including SMEs, for which the enhanced tax benefits under the Credit aim to especially benefit.

3. Previously, interest expenses incurred in acquisitions could be deducted against taxable dividend income under the imputation system. This is no longer possible under our 1-tier system as dividends are not taxed. The new M&A allowance is designed for simplicity. It also does not distinguish between interest costs and other costs. In particular, it is neutral between debt and equity in financing qualifying M&A transactions.
4. IRAS will release more details of the M&A allowance and stamp duty relief scheme by June 2010. The full stamp duty on such transfers of unlisted shares will continue to be payable on all transfers of unlisted shares until details of the scheme including the definition of qualifying M&A deals are finalised. IRAS will subsequently refund the stamp duty paid if a deal, which is executed on and after 1 Apr 2010 but before the finalisation of the rules, can satisfy the finalised rules.
5. Qualifying capital expenditures incurred by businesses on or before 22 Feb 2010 on the construction or purchase of qualifying industrial buildings will continue to qualify for IBA, subject to existing IBA rules.
6. The nine sectors are: pharmaceuticals, petroleum, other chemicals, aerospace, solar cell manufacturing, petrochemicals, specialties, semiconductor-wafer fabrication as well as marine and offshore engineering.
7. Based on the median gross annual income of employed residents (i.e. full-time and part-time) in 2008. The income threshold will also be adjusted for 2010 GST Credits and Senior Citizens' Bonus.
8. Age in 2010