



## Restructuring to Sustain Growth

*We need to upgrade and restructure our economy, to grow on the basis of skills, innovation and productivity. We have to reduce our dependence on foreign labour and the Government will provide more help for our industries to restructure and upgrade, so that we can continue to grow despite the constraints in labour supply. The Government will introduce several measures to help SMEs to reorganise, attract local workers, and grow.*

### Managing Foreign Worker Inflow

*Restructure • Attract older workers*

#### Reduction in Dependency Ratio Ceilings (DRCs)

The revised DRCs/Sub-DRCs will take effect from **1 Jul 2012**, for **new** foreign workers, and from **1 Jul 2014** for **existing** foreign workers:

	Current	Revised
Manufacturing	65%	<b>60%</b>
Services	50%	<b>45%</b>
S Pass Sub-DRC for all sectors	25%	<b>20%</b>

#### Reduction in Man-Year Entitlement (MYE) Quota

MYE quota for new projects in the construction sector will be further reduced by 5% in **Jul 2012**. Foreign worker levies for basic skilled workers hired outside the MYE quotas will be raised.

### Helping SMEs to Restructure & Grow

*Cost Savings for SMEs to make the Transition*

#### Enhanced Special Employment Credit (SEC)

- To encourage employers to engage older Singaporean workers aged  $\geq 50$
- For five years (2012 – 2016) **NEW!**

Monthly Wages of Eligible Older Workers	SEC Monthly Payout to Employers
$\leq \$3,000$	8% of wages
\$3,001 - \$4,000	0 – 8% of wages

The SEC provides employers with benefits that are more than twice the increase in a company's wage bill as a result of the CPF changes.

#### SME Cash Grant

- One-off cash grant** pegged at 5% of company's revenue in YA 2012
- Maximum of \$5,000
- Companies must have made CPF contributions to  $\geq 1$  employee<sup>[1]</sup>
- NO NEED TO CLAIM!** Grant will be given when companies are assessed for YA 2012

[ 1 ] Employee should not be a shareholder of the company.

# Helping SMEs to Restructure & Grow



## Enhanced Productivity and Innovation Credit (PIC) Scheme

- **400% tax deduction or allowance on \$400,000 of expenditure**
- Available from **YA 2011 to YA 2015**
- Six qualifying activities:
  - Purchase/lease of automation equipment
  - Training
  - Investment in R&D
  - Approved design
  - Acquisition of intellectual property
  - Registration of intellectual property

**NEW!**

### (a) Tax Deduction

From YA 2012, enjoy tax deduction on:

- In-house training costs up to \$10,000 per YA, without the need for external certification

### (b) Increase in Cash Payout

From YA 2013:

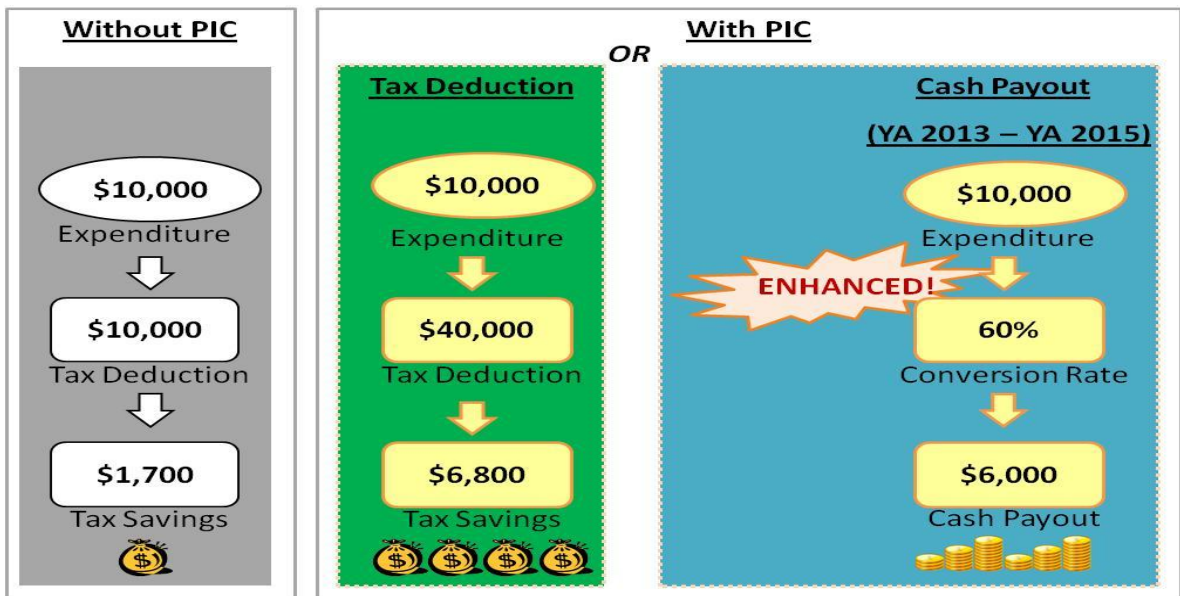
- Cash payout rate increased from 30% to **60%** for up to \$100,000 of PIC expenditure
- Cash payout option is **extended to YA 2014 and YA 2015**

### (c) Faster Cash Payout

Claim and obtain your cash-payout faster at the **end of each financial quarter**, available from Jul 2012

## How Can You Benefit from PIC?

Example: You spend \$10,000 on training your staff



\*Based on the prevailing corporate tax rate of 17%.

# Helping SMEs to Restructure & Grow



## Enhanced Training Support for SMEs and Self-Employed Persons (SEPs)

Support for training for SMEs and sole proprietorships will be enhanced for three years, starting from Jul 2012:

- **Course subsidy:** 90% for WDA- or ITE-certified courses and Academic Continuing Education and Training (CET) programmes at polytechnics
- **Absentee payroll cap:** Increased from \$4.50 to \$7.50 an hour

The Government will work with industry associations and agencies so that self-employed persons can also benefit from the enhanced training support.



## Mergers and Acquisitions (M&A) Allowance

**NEW!**



Current	In Addition
M&A allowance of 5% of the M&A deal, up to \$5 million per YA	<b>200% tax allowance on up to \$100,000 of the transaction costs</b> (e.g. legal fees and tax advisory fees) incurred on the M&A per YA
Allowance is written down over 5 years	Tax allowance is to be written down in <b>1 year</b>

For M&As completed on or after **17 Feb 2012** till **31 Mar 2015**

# Helping SMEs to Restructure & Grow



## Grants to Support SME Upgrading and Productivity

Subsidy rates for SME capability development will be **raised** from 50% to **70%** over the **next three years** under schemes managed by SPRING and IE Singapore.



## Extending the GST Temporary Import Period

Import goods<sup>[2]</sup> free of GST if the goods are re-exported **within 6 months from the date of importation**.

[2] Except for liquor and tobacco. The goods must be imported for approved purposes, such as exhibitions, fairs, auctions, repairs, stage performance, testing, experiments and demonstration.

## Renovation and Refurbishment (R&R) Deduction Scheme

	Current	Enhanced
Maximum claimable amount of costs incurred for every 3 years	\$150,000	<b>\$300,000</b>  (With effect from YA 2013)





# Creating Opportunities for Growth

To seize opportunities to grow in markets abroad and move up the value chain

## Developing New Competitive Strengths

### Providing Greater Tax Certainty

**Guidelines on when a company will not be taxed on their gains from disposal of equity investments** <sup>[3]</sup>

• Gains derived from the disposal of equity investments by companies **not taxed** if:

1. They hold a **minimum shareholding of 20%** in the company whose shares are being disposed
2. over a **minimum period of 24 months** prior to disposal of shares

• Available for gains derived by companies from the disposal of equity investments from **1 Jun 2012**

[3] Singapore does not have capital gains tax. Gains determined to be revenue in nature are taxable. The taxability of the share disposal gains is currently determined based on an examination of the facts and circumstances of each case.

### Gold Trading Hub

Supply of investment-grade gold and other precious metals will be exempted from GST from 1 Oct 2012.

## Helping Companies Internationalise

- Double Tax Deduction given **automatically** for qualifying expenses without need for approval
- Up to \$100,000 of qualifying expenditure
- Qualifying activities - overseas business development trips, overseas investment study trips, overseas trade fairs and approved local trade fairs

Enhancing Double Tax Deduction

Expand current suite of trade financing schemes under IE Singapore to :

- Support Singapore companies in **cross-border trade**
- Help with the **cost of political risk insurance**

Trade Financing & Political Risk Insurance

Helping companies Internationalise

- A consortium of financial institutions led by Temasek to establish a specialised project finance company (PFC)
- To plug gaps in financing for larger, long-tenure cross-border projects
- Expected to provide \$400m of financing every year at steady state
- Catalyse \$2-3b of projects annually

Project Financing

# Revisions to Vehicle Tax Regime

## Private Transport Measures



### Green Vehicle Rebate Scheme (GVR)

The GVR for **commercial vehicles and motorcycles** will be extended by another two years till end 2014.

### Removal of Additional Transfer Fee (ATF)

ATF, levied on used-vehicle transactions, is removed from 18 Feb 2012. More details : Press release by LTA ([www.lta.gov.sg](http://www.lta.gov.sg))

### Carbon Emissions-based Vehicle Scheme (CEVS)

- Replaces the current Green Vehicle Rebate (GVR) scheme
- Applicable to all **new passenger cars** from **Jan 2013**:

Passenger Car Model with	Rebate / Surcharge
Low carbon emission	Enjoy <b>rebates</b> on Additional Registration Fee (ARF) of up to \$20,000
High carbon emission	Pay a registration <b>surcharge</b> of up to \$20,000

For details on all Budget 2012 initiatives, please visit our website at:

[www.singaporebudget.gov.sg](http://www.singaporebudget.gov.sg)

