

## COMMENTARY

# Budget 2019: What's in store for businesses, individuals

By **Simon Poh**

**A**FTER embarking on a tax career more than three decades ago, I have been following the annual Budget speeches intently and have witnessed a slew of popular (as well as unpopular) tax and non-tax measures announced over the years. Some of these measures were strongly hinted at in the run-up to Budget Day, while others were unprecedented and caught many by surprise.

Undoubtedly and not surprisingly, the biggest carrots dished out in this year's Budget have to be the very generous Merdeka Generation Package and the one-off Bicentennial Bonus. On the other hand, the biggest pain must have been inflicted on diesel users with the sharp doubling of the excise duty, notwithstanding some reliefs to cushion its negative impact.

Arguably, this year's Budget will go down in history as one with the shortest list of fiscal measures that will directly impact the taxes paid by businesses and individuals, whether in the form of corporate income tax (CIT), personal income tax (PIT) or goods and services tax (GST).

There were no announcements on any change in the CIT rates nor the continuation of CIT rebates. This perhaps signifies that our government is confident that our current CIT regime is competitive as well as stably sound. This is an ongoing assessment given the unpredictable world that we are in.

Given that economic restructuring efforts are still works in progress, it is disappointing that the government did not continue the CIT re-

bates this time to sustain the momentum and continue to provide relief to companies. A token 10 per cent or even 5 per cent CIT rebate, albeit capped at a low quantum, could have gone a long way to provide much needed help for mildly profitable companies.

In fact, with the removal of the CIT rebates after the year of assessment (YA) 2019, companies will be paying higher taxes for the same amount of taxable corporate income derived from this year onwards as compared to 2018. Companies can optimise their tax positions by deferring the claim of capital allowances for qualifying assets qualified in the year 2018, taking into account the absence of the CIT rebate and the reduced partial tax exemption that will kick in from YA 2020.

With the phasing out of the popular Productivity and Innovation Credit scheme, and the shift from broad to targeted measures to spur automation, innovation and productivity, it is heartening to note a couple of broad measures have been extended. Firstly, the 100 per cent investment allowance under the Automation Support Package will continue for another two years. Secondly, the writing down of allowances for acquisition of qualifying intellectual property rights will be extended for another five years.

### LESS FOR INDIVIDUALS

Like CIT, there were no changes announced for PIT rates. One can probably surmise that the government also feels that our PIT regime is competitive and continues to attract talent and

encourage enterprise.

However, Finance Minister Heng Swee Keat chose to scrap the popular Not Ordinary Resident (NOR) Scheme that was recommended by the Economic Review Committee and introduced in 2002. This generous scheme potentially reduces a qualifying employee's individual tax burden to a mere 10 per cent of his employment income. The decision to let this scheme lapse after YA2020 must have come as a surprise, especially for those who were lobbying for an enhanced scheme or for the qualifying conditions to be relaxed. However, I believe the removal of the NOR scheme will not seriously dent Singapore's appeal to foreign talent as our overall income tax regime is still very competitive. Individuals who choose to either work in or relocate to Singapore are already paying substantially lower taxes compared to most of their counterparts in Asia.

Changes were also made to the grandparent caregiver relief claimable by working mothers following feedback that the government can do more. Currently, they cannot claim grandparent caregiver relief of S\$3,000 for children above 12 years old. The proposed removal of the age requirement for handicapped unmarried children shows our compassion for the less fortunate and should be applauded for being inclusive.

Instead of a 20 per cent PIT rebate capped at S\$500 given to resident individual taxpayers in 2017, a proposed maximum rebate of S\$200 is a clever way for Singaporeans to commemorate our Bicentennial event this year. Clearly targeted at the lower-income taxpayers who can en-

joy up to 50 per cent rebate, any taxpayer who feels that this amount is insignificant can always gift this amount as a donation.

### FEW SURPRISES ON THE GST FRONT

After the announcement of an impending GST hike in the 2018 Budget, the public was not expecting any significant changes to the GST system, except perhaps for the implementation of GST on low-value imports. This has not happened yet as the study by the government is still ongoing.

What came as a surprise though was the tightening of the quantum of GST Import Relief for travellers. The respective reductions of the threshold limits from S\$150 to S\$100 for short travel and from S\$600 to S\$500 for longer travel of 48 hours and above may not bring about significant GST revenue. Though the policy intent is to build up resilience in our GST system in view of the frequency of travelling by Singaporeans, it will certainly increase the amount of administrative work for Customs officers and travellers. With this announcement, one can expect enforcement actions to be stepped up to raise public awareness, so travellers be aware!

■ The writer is an Associate Professor (Practice) of Accounting at NUS Business School and a taxation expert. The opinions expressed are the writer's and do not represent the views and opinions of NUS.

---

Not surprisingly, the biggest carrots dished out in this year's Budget have to be the Merdeka Generation Package and the Bicentennial Bonus. On the other hand, the biggest pain must have been inflicted on diesel users with the sharp doubling of the excise duty, notwithstanding some reliefs to cushion its impact.

---