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# *2014 Budget Seminar*

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# *Financial Services*

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# ***Financial Services***

## **Capital instruments**



- Common Equity Tier 1
- Additional Tier 1 Capital  
(can take the form of shares or debt)

### **MAS Notice 637 on Risk Based Capital Adequacy Requirements for Banks Incorporated in Singapore**

	<b>From 1 Jan 2013</b>	<b>From 1 Jan 2014</b>	<b>From 1 Jan 2015</b>
Minimum Common Equity Tier 1 CAR	4.5%	5.5%	6.5%
Minimum Tier 1 CAR	6%	7%	8%

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## ***Financial Services***

### **Capital instruments**

#### **Basel III Additional Tier One Instruments**

- Additional Tier 1 instruments (other than shares) issued by Singapore-incorporated banks to be treated as debt
- Distributions from the instruments
  - › Deductible for issuers
  - › Taxable in the hands of investors, subject to existing rules
  - › QDS / QDS plus
- Apply to distributions accrued in basis period from YA 2015
- MAS to release further details by end May 2014

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## ***Financial Services***

### Capital instruments

## **Perpetual securities**

Key features include:

- direct, unconditional, subordinated obligations of company
- distributions may be deferred
- no fixed redemption date
- various trigger events for redemption
- Debt – equity divide

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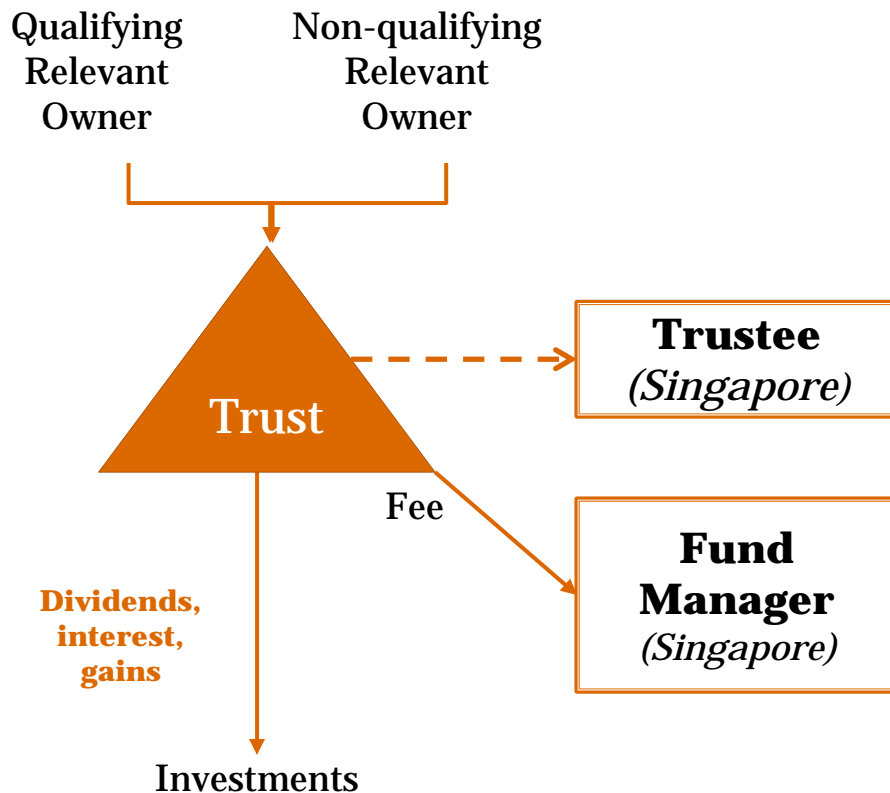
# ***Asset Management***



# Financial Services

## Qualifying Funds - Section 13C

### Trust fund with resident trustee



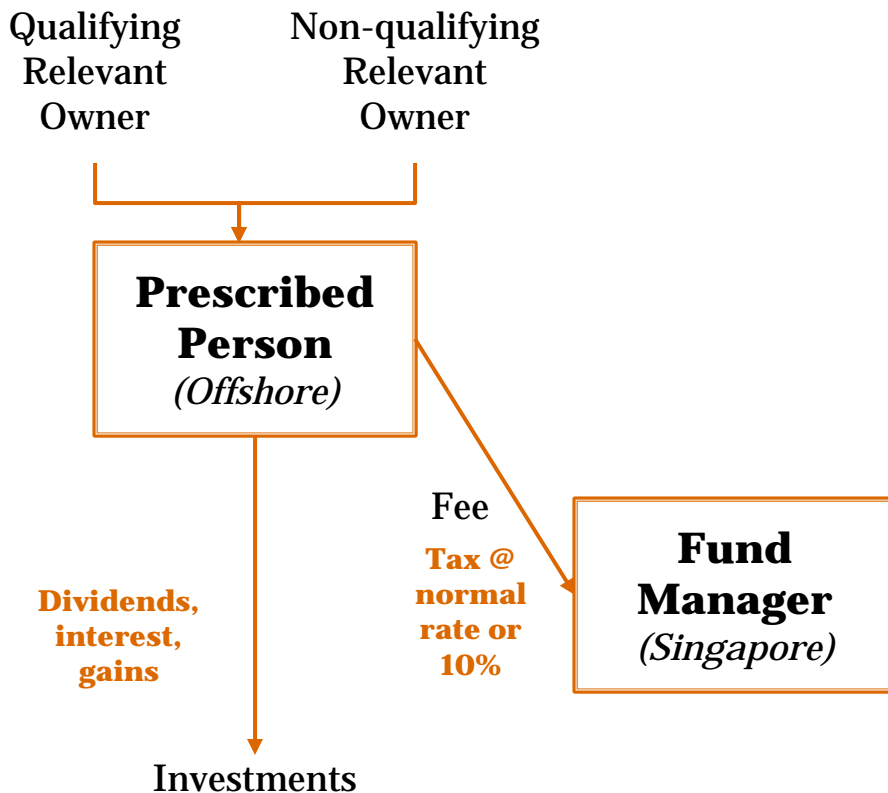
### Budget proposal

- 31 March 2014:  
Scheme is allowed to lapse
- 1 April 2014:  
Section 13CA scheme (Offshore Fund) will be extended to include trust fund with resident trustee

# ***Financial Services***

## **Qualifying Funds - Section 13CA**

### **Offshore Fund Tax Exemption**



### **Budget proposal**

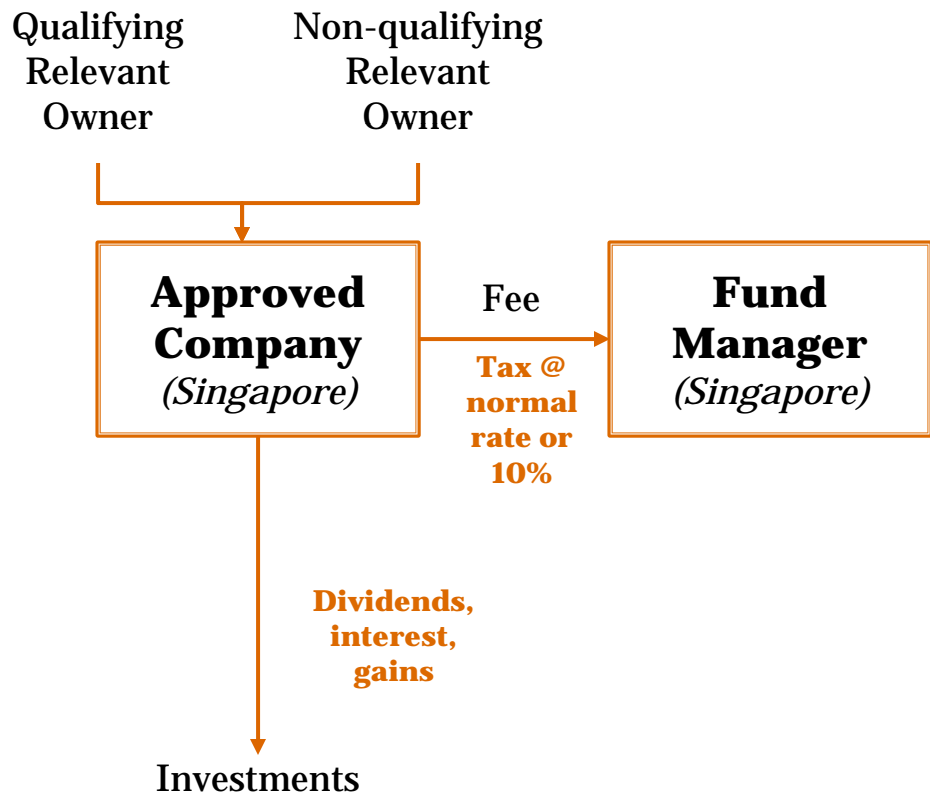
- 1 April 2014:  
Section 13CA scheme (Offshore Fund) will be extended to include trust fund with resident trustee
- Scheme extended for 5 years until 31 March 2019
- Change method of calculating investor ownership level
- Expansion of list of designated investments



# Financial Services

## Qualifying Funds - Section 13R

### Singapore Resident Fund



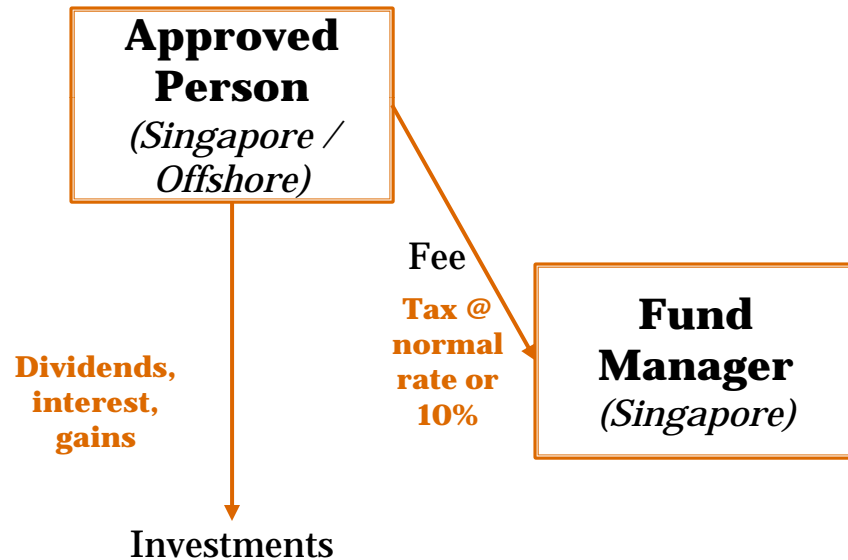
### Budget proposal

- Scheme extended for 5 years until 31 March 2019
- GST concession extended for 5 years until 31 March 2019
- Change method of calculating investor ownership level
- Expansion of list of designated investments

# ***Financial Services***

## **Qualifying Funds - Section 13X**

### **Enhanced-Tier Fund**



### **Budget proposal**

- Scheme extended for 5 years until 31 March 2019
- GST concession extended for 5 years until 31 March 2019
- Expansion of list of designated investments

# ***Financial Services***

## **Qualifying Funds**

### ***Refine tax incentive schemes***

	<b>Offshore Fund Tax Exemption (Offshore Fund)</b>	<b>Singapore Resident Fund Scheme (SRF)</b>	<b>Enhanced-Tier Fund Tax Incentive Scheme (ETF)</b>
	Section 13CA	Section 13R	Section 13X
Investor ownership level	Computed based on prevailing market value of issued securities instead of the historical value		None
Designated investments	<p><u>List to be expanded to include:</u></p> <ul style="list-style-type: none"><li>• Loans to qualifying offshore trusts</li><li>• Interest in certain limited liability companies<ul style="list-style-type: none"><li>• Bankers' acceptance</li></ul></li></ul> <p>Apply to income derived on or after 21 February 2014</p>		

MAS to release further details by end May 2014

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## ***Financial Services*** Designated Unit Trust

### **Streamline and Refine DUT Scheme**

- Limited to unit trust offered to retail investors from 21 February 2014
- Non-retail unit trusts may consider other fund schemes
- From 1 September 2014, unit trusts that meet the conditions do not have to apply for the DUT scheme
- Review date of 31 March 2019
- MAS to release further details by end May 2014.

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## ***Financial Services***

### **Designated Unit Trust**

#### **Impact for existing DUT**

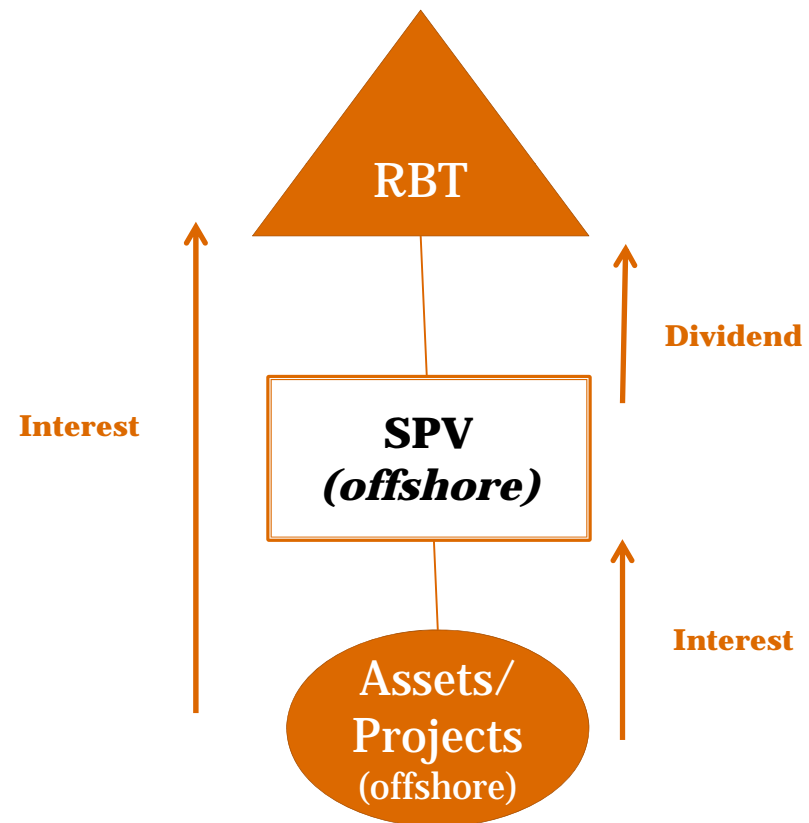
- Existing non-retail unit trusts approved under the DUT scheme may retain status
- Existing DUT to withdraw incentive and consider other fund schemes?  
e.g. offshore fund scheme (Section 13CA)
- Considerations include:
  - Scope of income qualifying for tax exemption is wider
  - Less reporting
  - Unit holders composition
- Action:
  - Existing DUT to re-consider status

## ***Financial Services***

### Listed infrastructure registered business trusts (RBT)

Section 13(12) exemption to cover:

- Interest income derived from offshore infrastructure project/asset
- Dividend income originating from foreign-sourced interest income relating to qualifying offshore infrastructure project/asset
- IRAS will verify the qualifying conditions
- IRAS to release further details by end May 2014



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# ***Financial Services***

## Asset Management

### **A tale of two cities**

- Hong Kong Budget announcement
  - Open ended investment company (OEIC) structure



# *Personal Tax and CPF*

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## ***Personal Tax***

### **Personal income tax rate and rebate**

- No changes to current personal income tax rates
- No income tax rebates for YA 2014

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## ***Poll question***

**Would you make an election to transfer unused reliefs and deductions to your spouse?**

Answers:

1. Yes – It reduces the household's tax liability
2. No – It's all mine!
3. No – I don't have unused reliefs / deductions for transfer
4. No – I'm not married

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## ***Personal Tax***

### **Removal of transfer of reliefs and deductions between spouses**

- Removal of ability to transfer unused reliefs and rental losses between spouses w.e.f YA 2016
- Transitional concessions will allow deductions/deficits incurred prior to YA2015 to be transferred between spouses until YA2017\*.
- Unabsorbed losses, capital allowances and unused charitable donations may still be carried forward\*.
- \* More details to be provided by the end of the May 2014.

# ***Personal tax***

## **Dependant relief**

### **Refinements**

- The dependant reliefs will be revised as follows with effect from January 2015:

<b>Type of relief</b>	<b>Current (\$)</b>	<b>Revised (\$)</b>
Parent relief		
- Staying with dependant	7,000	9,000
- Not staying with dependant	4,500	5,500
Handicapped parent relief		
- Staying with dependant	11,000	14,000
- Not staying with dependant	8,000	10,000
Handicapped sibling relief (staying with dependant)	3,500	5,500
Handicapped spouse relief	3,500	5,500
Handicapped child relief	5,500	7,500

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## ***Personal tax***

### Dependant relief

#### **Parent Relief / Handicapped Parent Relief**

- Can now be shared between children/grand-children/great-grandchildren/in-laws (previously, claimable by only one person).
- The “live-in status” of the dependant sets out the level of claimable relief.
- E.g. if the handicapped parent lives with one child but not the other, total relief of S\$14,000 will be available. This can be shared between the children in any ratio they mutually agree.

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## ***Personal tax***

### Dependent relief

#### **Handicapped Brother/Sister Relief**

- Still only claimable by only one claimant: cannot be shared between siblings

#### **Spouse/Handicapped Spouse Relief**

- An individual can only be a dependent on one person.
- If a husband claims Spouse Relief, the children cannot also claim Parent Relief on the same person.

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## ***Personal Tax***

### **CPF Contributions**

#### **Medisave for self-employed**

- Medisave contribution rates for self-employed persons earning net trade income of S\$18,000 or more will be raised by 1% with effect from January 2015.

#### **Increase in CPF contribution rates**

- Employer CPF will increase from January 2015 for all employee
  - Additional 1% directed to Medisave account
- Employee CPF will increase for employees in the 50-55 year age group

# Personal Tax

## CPF Contributions rates

### New CPF rates

	Current Contribution Rate*		Proposed Contribution Rate* w.e.f. Jan 2015	
	Contribution by Employer (% of wage)	Contribution by Employee (% of wage)	Contribution by Employer (% of wage)	Contribution by Employee (% of wage)
<b>50 &amp; below</b>	16%	20%	<b><u>17%</u></b>	20%
<b>Above 50 to 55</b>	14%	18.5%	<b><u>16%</u></b>	<b><u>19%</u></b>
<b>Above 55 to 60</b>	10.5%	13%	<b><u>12%</u></b>	13%
<b>Above 60 to 65</b>	7%	7.5%	<b><u>8.5%</u></b>	7.5%
<b>Above 65</b>	6.5%	5%	<b><u>7.5%</u></b>	5%

\* Full contribution rates vary according to age and income, with gradual increases for new SPRs.



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## ***Personal Tax***

### **What more could have been done**

- Greater healthcare affordability
  - personal tax relief for private medical insurance costs?
  - removing limits on corporate tax deduction for employees' related medical expenses?
- Additional retirement planning
  - increase cap of tax deductible contributions?
  - weighted tax relief for individual contributions?
- Encouraging personal life insurance cover
  - remove CPF contribution cap?

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***Thank you.***

***Please feel free to contact us for further discussion or information.***

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