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PwC's proposals for Budget 2022

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Introduction

The Organisation for Economic Co-operation and Development (OECD) proposal for a global minimum tax is expected to reduce the effectiveness of tax incentives as a tool to encourage larger multinational enterprises (or, MNEs) to invest in Singapore. Hence, it is important for Singapore to strengthen its competitiveness on a non-tax front, particularly on alleviating the cost of doing business, to remain an attractive location for foreign direct investments. At the same time, it needs to promote a conducive environment for local enterprises to expand and internationalise, while addressing the socio-economic considerations amid a maturing demographics profile and the ongoing economic transformation.

In the long term, Singapore would be best served if the expected increase in government spending is funded by economic growth. Meanwhile, there has been much debate about whether a wealth tax can help address fiscal needs and income / wealth re-distribution. Being a leading asset and wealth management centre, Singapore would need to consider any such measure carefully to avoid capital flight. A new tax could also entail high administration cost and some uncertainty with implementation. Comparatively speaking, tweaking the existing regime for greater progressivity in the tax system is simpler to execute. Tax is a fiscal tool to meet the social and economic needs of a nation. The policy goals with any change in the tax system should be clearly communicated to reduce uncertainty to businesses and individuals.

Against this backdrop, we provide below our tax and non-tax proposals to enhance Singapore's competitiveness and resilience for the Government's consideration.

01

Business competitiveness

Vibrant capital market essential to the growth of the economy

- **Concessionary corporate tax rate for companies listed on SGX**

  A vibrant equity market is an important component of the economy, e.g., it complements other measures to promote entrepreneurship by making available sources of capital. The Government could consider introducing a tax incentive for companies that are newly listed on the Singapore stock exchange (SGX) to encourage companies to tap the public equity capital market. Various countries have created and implemented tax incentives and reduced corporate tax rates for publicly listed companies. For example, public companies in Indonesia that satisfy a minimum listing requirement of 40% and certain other conditions are entitled to a tax discount of 3% off the standard rate, providing an effective tax rate of 19% for fiscal year 2020/21 and 17% for fiscal year 2022 onwards.

- **Certainty to tax treatment of founder shares**

  Although Singapore does not impose tax on capital gains, there is no bright line test of what constitutes capital gains. We suggest providing certainty on the tax treatment of founders' gains on divestment pursuant to listing of the founder's shares on the SGX by introducing a safe harbour (akin to section 13W of the Income Tax Act 1947) for the non-taxation of such gains. The safe harbour provision will serve to complement the initiatives recently introduced to boost the capital market and encourage Singapore-based founders of promising high-growth companies to list their businesses on the SGX. Introducing this safe harbour provision will also be an incentive for founders of promising high-growth companies from around the region who relocate to Singapore.

  It is common in practice for business founders to hold their interest in the business as a private individual or through an entity. As an example, the Indonesian rules define founder shareholders as "the founder is a private individual or entity whose/which name is registered in the Shareholders' Register of the Limited Liability Company prior to the submission of the Registration Statement to the Supervisory Board of the Capital Market (Bapepam) in the course of the initial public offering becoming effective." It is not uncommon for a founder's shareholding to be diluted as a result of the series of financing to help the business grow. Unlike section 13W, the non-taxation of such gains should therefore apply to resident founders including private individuals and not be limited by holding period or minimum shareholding percentage. This safe harbour provision should apply to founder shareholders that are the business owners and not financial investors.

Digital assets and digital asset derivatives for financial sector incentive scheme

With the rising trend of trading in digital assets and digital asset derivatives, income from the trading of digital assets such as stable-coins and other crypto assets should be included for the concessionary rate of tax under the financial sector incentive scheme.

Tax incentives review

Tax incentive conditions should be focused on a direct measure of productivity instead of looking at business spending. Incentive conditions that are based on local headcount helps to maintain the local employment rate and should be retained for good measure. However, we should turn our focus on productivity rather than pure expenditure or headcount increase. Conditions to qualify for incentive schemes can be tied to incremental investments in digital technology or incremental revenue and profit margin growth for the year. An incentive holder should also be given the option to choose between co-funding or enhanced allowances / deductions. This will in turn encourage companies to be more innovative in operations and spur them to look for more efficient ways to allocate resources. Ultimately, conditions should be kept flexible to cater to different business needs.

Deductions for borrowing costs

At present, deduction for financing cost of a capital nature is limited to interest and a list of prescribed borrowing costs that constitutes payments in lieu of interest. This is unnecessarily complex as it requires contemporaneous documentation to show the Inland Revenue Authority of Singapore (IRAS) that such prescribed cost resulted in a reduction of interest charged, Very often, businesses in need of financing would not be in the position to ask their bankers for documentation on rationale of the interest charged. From their perspective, all charges form part of the cost of financing regardless how they are labelled.

As such, deduction should be extended to all types of borrowing costs of a capital nature, subject to their meeting of the section 14(1)(a) test (i.e. being expenses payable on capital employed to acquire income).

Alternatively, a "fixed ratio rule" akin to that proposed in the BEPS Action 4 Report (Limiting Base Erosion Involving Interest Deductions and Other Financial Payments) may be considered.

Medical benefits

As Singapore re-opens its borders for international travel, medical expenses for employees are expected to increase with the requirements in both inbound and outbound countries of travellers. For example, the costs of health check-ups, routine swab tests upon departure / arrival, treatment or hospitalisation may be paid by the employer especially for business travel. To ease businesses' compliance cost, the computation of the deduction cap for medical benefits should be simplified, e.g., by capping deduction to certain percentage (to be determined) of total employee income/earnings as reported by the companies through Form IR8A. This will avoid the need to separately compute a different remuneration sum for corporate tax deduction purpose only.

Alternatively, the cap on employer's tax deductions for medical benefits should be removed altogether as it is complex and a disproportionately large administrative burden given the revenue it collects. Similarly, GST input tax on medical expenses should be claimable (without restrictions). This is to reflect the rising costs for healthcare globally, encourage employers to provide for their employees' healthcare needs and in particular, alleviate the cost of hiring older workers (given Singapore's aging demographics) who are more likely to have greater medical needs.

In either case, we suggest that all COVID-19 related health costs e.g., routine swab tests required should be fully deductible and not form part of the medical expenses cap calculation.

Cybersecurity and data security risks

Cybersecurity breaches and loss of data can result in the loss of productivity, loss of personal and business information and financial loss, and repercussions of cyber-attacks may extend beyond the affected company. The current economic climate is accelerating the adoption of digitalisation by businesses, and the importance of cybersecurity should not be overlooked. The cost of security tools such as firewalls and detection sensors add to the already substantial investment that businesses have to make when they digitalise. Although the SME Go Digital Programme supports Small and Medium-sized Enterprises (SMEs) with pre-approved solutions as well as funding part of the costs under the Productivity Solutions Grant (PSG), medium-sized to larger corporations do not qualify for such aid and are more likely to require advanced or customised solutions due to the size and complexity of the business. Data security at any level of business is necessary and should be encouraged to facilitate Singapore's efforts to be a trusted digital economy as a whole, and to preserve that trust in a digitally connected world.

To encourage a wider adoption beyond the initial jumpstart of digital security systems, companies that do not benefit from the SME Go Digital Programme should be allowed to claim enhanced tax deductions or enhanced capital allowances for costs incurred to safeguard against cyber security and data security risks, including consultation and professional fees in the design and implementation of the integrated digital systems.

Companies that invest in cybersecurity systems and other digitalisation tools should also be given the option to convert capital allowances on such expenditure into cash grants (as was available in the past under the PIC Cash Payout scheme). This would give companies immediate help to finance their digitalisation initiatives.

SME grants

A recent QBE Insurance survey of local SMEs[1] cited "half of the SMEs will look to the Government for support of which 70 per cent indicated financial assistance is the most necessary form of relief." Out of this, 37 per cent wished for enterprise development programmes.

In the same survey, 91 per cent shared they are currently engaged in, or intend to invest in, digital technologies but 40 per cent cited high costs of investment and the lack of digitally-skilled staff as a barrier.

We suggest extending the grants for local companies, which include the PSG, Market Readiness Assistance (MRA) Grant and the Enterprise Development Grant (EDG), beyond 31 March 2022 to further support SMEs. Extending the Jobs Redesign under Productivity Solutions Grant (PSG-JR) beyond 31 March 2022 will also encourage companies to work with pre-approved consultants in redesigning the work processes, tasks and responsibilities, to support and drive business and workforce transformation.

1: 2020 SME Survey Results & Pulse Report, QBE Insurance https://www.qbe.com/sg/business-insurance/sme-insurance, accessed on 25 November 2021.

02

Social resilience

Tax deduction on qualifying international donations

To support Singapore's growth as a philanthropic hub and better mirror the regional/international ambitions of family offices, we suggest allowing deductions for donations by Singapore-based donors to qualifying foreign philanthropic set-ups or approved causes of family offices anchored in Singapore. Similar to the Australian Overseas Aid Gift Deduction Scheme, qualifying activities must be to support causes overseas that are endorsed by the Government. To retain differentiation from donations to qualifying Institutions of a Public Character (IPCs), the proposed deduction should be set at a lower threshold (e.g. 100%).

In addition to complementing the global efforts on ESG investments and social impact investing, such tax liberalisation initiatives would also encourage Singapore-based charitable giving and lead to multiplier effects in the sector as well as build a more caring Singapore for the world. To build this further, the Government should also consider developing the Singapore talent pool in philanthropic advisory/ operations through certified training programmes and platforms.

Tax relief for premiums paid on medical-related or health insurance policies

The cost of healthcare is rising in Singapore. It has been reported[2] that from 2007 to 2017, private healthcare costs rose 9 per cent per annum. Tax relief for premiums paid on medical-related or health insurance policies should be introduced. Currently, there is no standalone tax relief available to individuals for premiums paid on medical-related or health insurance policies. Allowing a tax deduction that is not tied to Central Provident Fund contributions, subject to a cap of, say $5,000, for premiums paid for medical-related insurance by individuals for themselves or their family members (e.g. spouses, children, parents and parents-in-law) will encourage taxpayers to take ownership of their well-being and that of their families.

Enabling a tax write-off for health insurance premiums will not only encourage more taxpayers to take up health insurance policies for themselves and their families, but also offer them greater access to healthcare. The tax deduction could be subject to a cap which could be scaled according to age.

A tax relief for medical costs incurred by those over 50 years old for health screening every other year should also be considered, to encourage preventive healthcare. Perhaps a cap of $500 per year could be set, to be claimed every other year and on an incurred basis.

2: MOH publishes fee benchmarks for private surgeon charges to rein in rising healthcare costs, The Straits Times, 13 November 2018, https://www.straitstimes.com/singapore/health/health-ministry-publishes-fee-benchmarks-for-private-surgeon-charges-to-rein-in, accessed on 25 November 2021.

Competitive insurance through investments in HealthTech

Ensuring Singaporeans are adequately insured is also imperative to sustain the economy especially with the pandemic. Given more insurers are beginning to adopt “claims-based” pricing for certain products, controlling the costs of healthcare will be critical to maintaining a sustainable healthcare ecosystem. Addressing this will require a more holistic and collaborative approach between the Government, pharmaceutical companies, healthcare service providers and of course, insurers to ensure that appropriate steps are taken to manage this without having to let Singaporeans bear the costs, albeit indirectly through less competitive pricing of insurance products to maintain margins and profitability. Investments in HealthTech would be one of the possible solutions to help develop a longer-tail, sustainable solution.

Investments in HealthTech

Given Singapore's aging population, the rise in chronic diseases and the current COVID-19 pandemic coupled with soaring healthcare costs, ensuring affordable, accessible, and quality care must remain top of mind. In what we define as The New Health Economy, new technologies are revolutionising the way these problems can be addressed, not just by improving clinical outcomes but also providing economic value and reducing the cost of care.

With Southeast Asia having become a hotbed for HealthTech investors, we are at a tipping point and are witnessing substantial and exciting opportunities not previously seen. Singapore is thus well positioned, built on a foundation of multiple pillars making it attractive, to lead the advancements in HealthTech not just regionally but globally, too. With a robust healthcare system that is set to grow even further, public-private partnerships will be key to success. However, sufficient funding to support HealthTech start-ups, both local and in-bound navigate what is a complex ecosystem with an endless number of stakeholders will be necessary.

In addition to the Research, Innovation and Enterprise Plan (RIE2025) launched to strengthen the medical devices industry in Singapore, we believe that the bedrock of success can be formed with the distribution of funds through an independent entity that is familiar with the entire life cycle of conceptualisation to (successful and sustainable) commercialisation that has a successful track record in working with all relevant parties across the public and private sectors but also across geographies.

03

Environmental, social and governance (ESG)

Net Zero efforts

To address the climate challenge, radical transformation is needed in every sector of the global economy. As stakeholder expectations rise, organisations increasingly need to report on their environmental and social impact and demonstrate progress. We have seen an increase in the number of global companies committing to Net Zero (i.e. decarbonisation); now companies need to translate pledges into action.

A company aiming for Net Zero can reduce the greenhouse gas (GHG) emissions emanating from its own operations. For what it can't reduce, it needs to find another option — such as a forest in neighbouring countries or beyond that will absorb and store the carbon or purchase carbon credits — to help offset those corporate emissions.

A holistic approach to sustainability would entail looking beyond GHG to other sources of pollution, such as plastic waste. Addressing these challenges would require innovation by the private sector. Businesses should be encouraged to tap on tax concessions and grants to embark on research and development and invest in solutions for environmental sustainability, such as in recycling and waste management.

We set out below some of the areas that companies can explore to achieve their Net Zero target and where the Government can help:

- **Carbon services**

  Many companies, especially SMEs, may be keen to start on a 'Net Zero' programme but may not know how to start the process. Grants or double tax deductions may be given to these companies to encourage them to engage qualified consultants in carbon services so that they can better understand their current carbon emissions, and take steps to reduce it. Some examples of such services include carbon accounting, sustainability advisory and assurance, and greenhouse gas verification.

  Singapore can strive to become a leading and trusted professional services hub for Net Zero initiatives. The Government can consider partnering the professional services industry and tertiary institutions to establish training programmes, scholarships and fellowship grants to groom local talent in this new service industry and create jobs in the sustainability and environmental sector.

- **Purchase of carbon credits / plastic credits / renewable energy certificates**

  - **Double tax deductions for offset purchases**

    As transforming their operations may take time, businesses may in the meantime choose to purchase carbon credits, plastic credits, or renewable energy certificates (RECs) (collectively called 'offset purchases') from the voluntary markets. We propose that businesses should be allowed double tax deductions, subject to a cap to be determined, for expenses incurred on purchases of offsets from the voluntary market, or when they contribute to projects that result in offsets being awarded (carbon credits, plastic credits or RECs).

  - **A trusted marketplace for plastic credits**

    Singapore should invest further in the development and management of plastic credits, and to facilitate the exchange of verified plastic credit certificates.

    Similar to carbon offsets, plastic offsets can help to remove plastic from the environment and encourage the recycling of plastic into new products. The Government can consider initiating programmes to incentivise companies to recover used packaging (e.g., delivery packaging) for recycling and allow plastic credits to be generated.

    Companies may choose to acquire such credits to offset their plastic footprint. The money spent on the plastic credits will then go towards environmental projects that will eliminate an equal amount of plastics as is produced. Further, a global exchange marketplace for verified plastic credits could be established in Singapore, similar to the ClimateImpactX (CIX) for carbon credits. For example, the Philippines and India have introduced digital marketplaces, called Plastic Credits Exchange (PCX)[3] and EcoEx[4] respectively, to facilitate the exchange of plastic credit certificates.

    Establishing this new area of growth will also create more jobs in the sustainability and environmental sector for young Singaporeans.

  - **Scope of the Global Trader Programme incentive**

    The list of qualifying commodities for the Global Trader Programme (GTP) incentive already includes carbon credits. To encourage GTP companies to trade in other commodities that can help to promote sustainable growth, the Government can consider expanding the scope of qualifying trades under the GTP to include the income from physical trades in plastic credits, RECs and their equivalents.

3: Plastic Credit Exchange (PCX), https://www.plasticcreditexchange.com/

4: EcoEx, https://www.ecoex.market/about-us/

- **Investment /contributions to ESG projects**

  Some companies may prefer to contribute to a fund or project that focuses on the reduction of emissions or wastage (to purchasing offset credits). Companies managing these funds or projects may not have an Institution of Public Character status. In these cases, we propose that companies should be allowed double tax deductions, subject to a cap, for contributions to such funds or projects managed by Singapore companies. Where the contributions are made to projects overseas, such deductions may be limited to 100%, subject to a cap to be determined. Allowing such deductions will encourage companies to fund and support ESG projects specifically focused on the reduction of emissions or wastage.

- **Tax incentive conditions**

  Incentive criteria for new applications or renewal of existing incentives could be enhanced to include a 'Net Zero' component to encourage companies to commit to transform their operations to reduce pollution, reconfigure supply chains and cut transport emissions. This feature should be kept flexible, such that it could be replaced with other commitments as appropriate if it cannot be met through no fault of the applicant. It will also send a positive signal that such companies are supported by the Government and are recognised for their commitment to the Net Zero targets.

  For example, this feature could be a component in the annual total business spending in adopting the new practices or in meeting an annual target. The spending should also not be restricted to local expenditure. Overseas business spending may not have an immediately quantifiable impact on Singapore's economy, but it would be an indicator of the scale of the applicant's operations (over which its personnel in Singapore should be expected to have oversight) and commitment to this region.

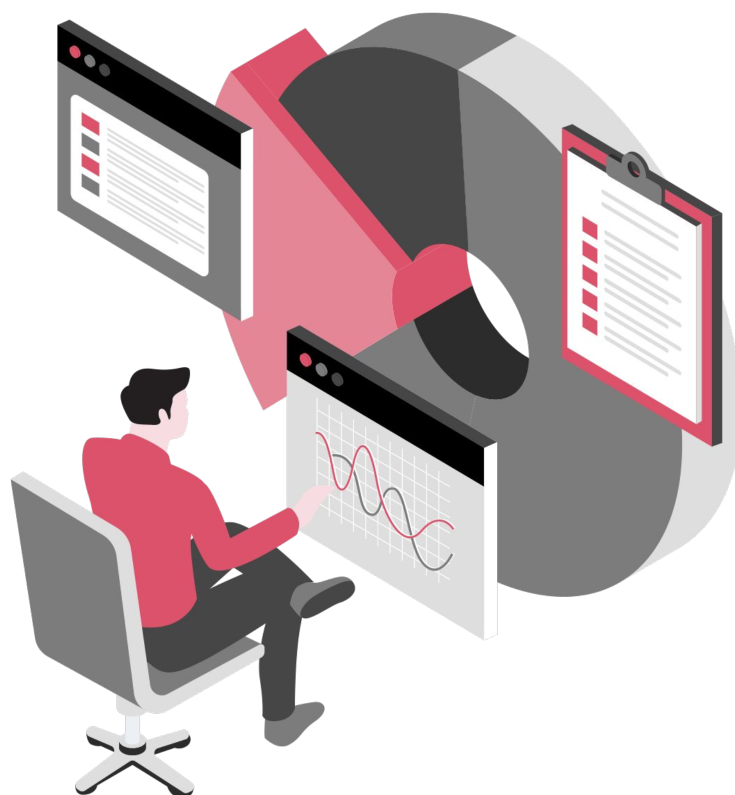
  Examples of measurable targets that could be used include the percentage of carbon emission reduced, water usage intensity, percentage of electricity consumption from renewable energy sources or the amount of training investments within the year.

- **Incentive schemes for exchanges**

  In line with Singapore's vision to become a leading green finance hub, the Government should consider introducing a tax incentive for exchanges that trade in carbon credits/plastic credits/RECs. The tax incentive could be similar to that granted to SIMEX (now SGX-Derivatives Trading), whose income is exempt from tax during its formative years. Alternatively, the Government may consider giving grants to these exchanges to ease their cash flow burden from set up costs, as they may not be profitable in the initial years to enjoy the benefit of tax exemption.

- **Tax deductions for individuals**

  Individuals may be keen to do their part for the environment and may purchase carbon credits/plastic credits/RECs to offset their personal emissions or contribute to an ESG fund or project. To create greater awareness of the need to safeguard our environment, the Government could consider giving double tax deductions to the individuals for such offset purchases or contributions, subject to a cap to be determined.



Preparing for Carbon Border Adjustment Mechanisms

The recently published Green Deal sets out the EU plans for the implementation of a Carbon Border Adjustment Mechanism (CBAM). In essence this an import tax on importers into the EU of products that were produced while being subject to a lower level of carbon taxes than they would have been if they were produced in the EU, intended to off-set the difference. The EU is not the first nor will it be the last to consider implementing a CBAM. The EU CBAM will only start taking effect gradually from 2026 onwards, with the period from 2023 to 2026 earmarked for reporting and monitoring.

Singapore exporters will be subject to CBAMs, be they in the EU or elsewhere. In order for such exporters to prepare for this, they need clarity on Singapore's carbon tax related strategy and plans. The Government should start providing early indicators of such plans, making them increasingly detailed and specific. The upcoming 2022 budget should therefore address this topic, outlining the principles of Singapore's carbon tax regime plans over the next few years. This can then be followed by consultation exercises aimed at designing a regime that keeps Singapore exporters competitive while at the same time addressing climate concerns.

Corporate social responsibility

Companies in India with a certain net worth (INR 5 billion or more)/annual turnover (INR 10 billion or more)/net profit (INR 50 million or more) are required to spend two percent of their average net profits of three years on corporate social responsibility (CSR)[5].

Singapore companies could be encouraged to spend a certain percentage (e.g., 1 to 2%) of their net profit on CSR activities. To this end, we suggest that tax deduction be allowed for companies that engage in CSR activities held locally, subject to a cap to be determined. Qualifying CSR activities should be endorsed by the company's board of directors as part of the company's CSR strategies/policies in the following areas:

- Relief of poverty;
- Advancement of education;
- Promotion of health;
- Advancement of citizenship or community development;
- Advancement of arts, heritage or science;
- Relief of those in need by reason of youth, age, ill-health, disability, financial hardship or other disadvantages;
- Advancement of animal welfare; and
- Advancement of sport, where the sport promotes health through physical skill and exertion.

A recent example of CSR commitment is the contributions made during the COVID-19 pandemic, where some companies had contributed food and medical supplies such as face masks and sanitisers (that are not the company's inventory) to healthcare workers, foreign workers or other vulnerable groups such as elderly care homes. 250% tax deductions should be allowed for the value of these donations in kind in recognition of these companies' philanthropy and ongoing contributions to society.

5: Corporate Social Responsibility in India, 23 March 2020 https://www.india-briefing.com/news/corporate-social-responsibility-india-5511.html/, accessed on 25 November 2021

Section 13R - exemption of not-for-profit organisation

The Minister may, during the period from 15 February 2007 to 31 December 2027 (both dates inclusive), approve any not-for-profit organisation for the purposes of income tax exemption. We suggest making this a permanent feature in Singapore's tax legislation to give certainty to not-for-profit organisations (NPOs). Additionally, we suggest that tax exemption be given for the life of the NPOs as long as they can meet the qualifying conditions annually. This would align the treatment of NPOs with incentive funds and provide certainty of tax treatment.

Alternatively, we suggest removing the requirement to obtain Ministerial approval to be qualified as an NPO. If certain conditions as specified by the Minister are met, the organisation should be able to self-assess its NPO status and income received may be exempt from tax under section 13R of the Income Tax Act 1947. The organisation's qualification status will be verified as part of regular tax compliance review.

Goods and services tax

- **GST treatment for carbon credits, plastic credits and RECs**

  Currently, a sale of carbon credits, plastic credits or RECs (collectively referred to as "offsets") in Singapore (apart from the crediting of carbon credits by the National Environment Agency) is a taxable supply subject to either 7% or 0% GST. If a non-GST registered buyer buys offsets from a GST registered seller, it will not be able to recover the GST incurred. If it buys offsets from an overseas seller, the buyer may be liable for GST registration arising from the reverse charge rules if certain conditions apply.

  If a GST-registered buyer buys these offsets to offset its own carbon/plastic/energy footprint, it is not entirely clear if the IRAS is prepared to treat the expenses as being incurred for business purposes and to allow the buyer to claim the input tax incurred. This is because we understand that the IRAS currently takes the view that GST on expenses incurred to promote CSR are generally not claimable. To the extent that the input taxes are not claimable, these would form part of the offset costs.

  To promote the adoption of green initiatives and to support Singapore Green Plan 2030 without increasing business costs, we recommend the GST legislation be amended to allow zero-rating of a supply of these offsets. This will relieve buyers from incurring irrecoverable GST or reverse charge when they purchase offsets while allowing the registered sellers to recover the GST incurred on their expenses.

  Australia and New Zealand have similarly adopted a zero-rating GST treatment for the sale of carbon credits. In addition, based on the experience in overseas jurisdictions, the sale of these offsets are susceptible to missing trader fraud which resulted in tax revenue leakage to overseas tax authorities. A zero-rating GST treatment will mitigate the risk of missing trader fraud.

  If a zero-rating GST treatment cannot be considered, GST registered businesses should be allowed to claim input tax on the purchase of these offsets. Otherwise, the input tax not claimable would form part of the deductible business costs while increasing the compliance burden of tracking such input taxes. The role of businesses has evolved and society now expects businesses to take steps to promote green initiatives. GST incurred on the purchase of these offsets should therefore be considered as incurred for the purpose of business. A written clarification from the IRAS will address the current uncertainty over the recoverability of input tax on these offsets.

- **Corporate social responsibility**

  Organisations should also be allowed to claim input tax in full (without the need to account for deemed output tax) on donations of COVID-19 medical supplies and on initiatives to promote CSR (e.g., distributing food and essential supplies to the needy). As mentioned earlier, the role of businesses has evolved and incurring expenses to promote corporate social responsibilities should therefore be considered as incurred for the purpose of business.

Agriculture and food security

To safeguard against food supply disruptions, Singapore has set the target to produce locally 30% of its nutritional needs by 2030. This is one of the three key planks to ensure food security. To achieve this, the agriculture and food industry will need to adopt new solutions to raise productivity and utilise innovative farming systems.

One of the key challenges to any viable and sustainable farming activity in Singapore is the high cost of production compared to neighbouring countries, where much of our food comes from. The Government could consider granting a concession for farming income.

Currently, the tax rules do not allow deduction for capital costs on the construction of buildings used for food farming purposes (this form of farming is likely to become more prevalent with vertical farming being promoted on land farms) as well as land lease premiums paid in a lump sum upfront for such buildings on land approved for food farming. The deduction for the cost of approved buildings used exclusively/almost exclusively for food farming could take the form of the Industrial Building Allowance (IBA) before it no longer applied to expenditure incurred on or after 23 February 2010 (IBA has been replaced by the Land Intensification Allowance which has quite a different policy objective). Deduction for upfront land premium could be on the same footing as the current section 14J of the Income Tax Act 1947. These tax deductions could be administered by the Singapore Food Agency, with the necessary qualifying conditions legislated in the Income Tax Act to provide certainty.

To further support this initiative and encourage land productivity, the Government could consider extending the Land Intensification Allowance (LIA) to such sectors where certain buildings or structures need to be converted for this use. An example could be to include the industries under the Group 011 (Growing of crops, market gardening and horticulture) and Group 032 Operation of fish hatcheries and fish farms Sub-class 03201 (Food fish farms) of the Singapore Standard Industrial Classification 2020 as qualifying industries with the condition to adopt sustainable and vertical farming practices. Companies that manufacture urban farming equipment to facilitate these practices could also be considered.

The overall cost for this sector may be lowered further with subsidised land leases and GST suspension on the importation of specialised equipment and raw materials (e.g., fertilisers).

Should the Government decide to grant the proposed tax measures in support of the “30 by 30” initiative, it is necessary to highlight that those enterprises/persons who heeded the recent call of the Government to submit tenders for food farming land and were awarded such land since 2018 with the necessary land use conditions to greatly enhance food production should be included for the purposes of the deductions, if the expenditures are qualifying expenditures.

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