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Budget Issue
February 2020

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→ Singapore's Budget 2020

On 18 February 2020, Finance Minister Heng Swee Keat, presented the Singapore Budget 2020. Below are highlights on some of the major Budget announcements.

FIGHTING THE CORONAVIRUS

In order to ease the impact of the coronavirus on the economy, the government announced that an additional SGD 800 million will be set aside to support the frontline agencies fighting to tackle the outbreak – the bulk of which will go to the Ministry of Health.

JOB SUPPORT SCHEME

A Job Support Scheme (JSS) will be introduced to assist enterprises in retaining local employees (i.e. Singapore Citizens and Singapore Permanent Residents). It is a temporary scheme for 2020. For a period of three months (Oct 2019 – Dec 2019), the government will offset 8 per cent of the wages of every local employee, up to a monthly wage of SGD 3,600. Employers do not need to apply for the JSS. Payment from the government to the employers will be received by the end of July 2020.

WAGE CREDIT SCHEME

The Wage Credit Scheme (WCS) is a government grant that co-funds wage increases for Singaporean employees who earn a monthly wage of up to SGD 4,000. The WCS was introduced in 2013 and extended in 2015 and 2018. The government announced that it will increase the monthly wage ceiling from SGD 4,000 to SGD 5,000 for qualifying wage increases given in 2019 and 2020. The government will also raise the co-funding levels for 2019 and 2020 qualifying wage increases by 5 per cent, to 20 per cent and 15 per cent respectively.

CORPORATE INCOME TAX AND ENHANCED TAX TREATMENTS

- The government will grant a Corporate Income Tax Rebate for Year of Assessment (YA) 2020, at a rate of 25 per cent of tax payable, capped at SGD 15,000 per company. The Corporate Income Tax Rebate for YA 2019 was set to 20 per cent, capped at SGD 10,000.

- The working capital loan component of the Enterprise Financing Scheme – a scheme introduced in 2016 to help SMEs access the financing of their working capital needs – will be enhanced for one year. Under the scheme, enterprises will be able to access up to SGD 600,000 of working capital to grow their business – as opposed to currently SGD 300,000.

- Enterprises will be able to carry back the unabsorbed capital allowances and trade losses up to the three immediately preceding YAs (instead of 1 YA) – capped at SGD 100,000.

- Enterprises incurring costs upon the acquisition of plants and machinery during the financial year of 2020 will have the option to accelerate the write-off over two years (instead of three years).

- Enterprises incurring costs upon renovation and refurbishment during the financial year 2020 will have the option to claim one year of deduction (instead of three years of deduction).

RELIEF FOR SPECIFIC SECTORS

Sectors directly affected by the coronavirus (i.e. tourism, aviation, retail, food services, and point to point transport services) will receive additional support from the government including property tax rebates and rental waivers.

DEEP-TECH STARTUPS

In order to propel investment into deep-tech startups (e.g. those in emerging technologis such as pharmbio and medtech, advanced manufacturing, and agri-food tech), the government will dedicate an additional SGD 300 million under the Startup SG Equity co-investment scheme.

GST

As a result of the current state of the economy, the 2 per cent GST hike which had been announced in 2018 will be pushed back. The increase (from 7 per cent to 9 per cent) which was meant to be realized between 2021 and 2025, will not take effect in 2021. As such, GST will remain at 7 per cent in 2021.

Nevertheless, an increase in GST still remains an objective to be achieved by 2025.

FOREIGN WORKER POLICY

The government will reduce the S Pass sub-Dependency Ratio Ceilings (DRC) of the Construction, Marine Shipyard, and Process sectors from 20 per cent to 15 per cent in two steps. The first being from 20 per cent to 18 per cent on 1 January 2021, and to 15 per cent on 1 January 2023.

The government will not reduce the S Pass sub-DRC for the manufacturing sector at this point in time. Further, the government will maintain the foreign worker levy rates for all sectors for 2020.

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