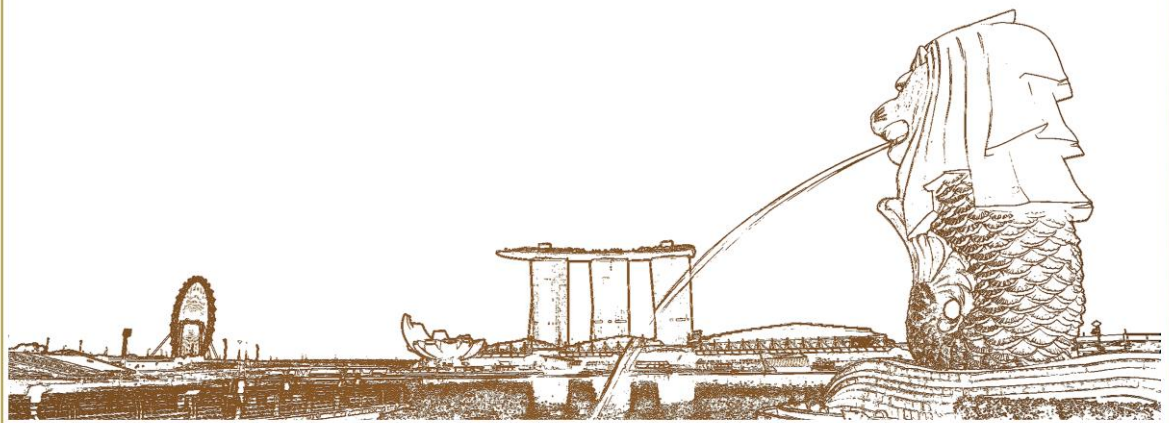


# CPA CONCIERGE

Certified Public Accountant Concierge Service

## SINGAPORE BUDGET 2020 WISHLIST

*Entering the World of Virtual Currency*



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## Tax exemption scheme for new start-up companies

Thankful for the tax exemption scheme, we guess most of the companies had benefited from this exemption during the first three Years of Assessment (“YAs”) since their incorporation.

Notwithstanding so, there are still a group of businesses who are not profitable in the first three YAs, and hence, unable to enjoy the above privilege as a start-up company.

We would suggest that, the tax exemption for new start-up companies could be enhanced by claiming it on the first three YAs, starting from the YA when a company starts deriving chargeable income. To further motivate new start-ups in generating their business profit, deadline could be set for claiming the tax exemption, say, by the fifth YA.

## Companies dealing with trade while holding investment

Currently, for company’s principal activity is that of investment holding, only investment income such as interest, dividend or rental income will be taxed. Deductible expenses are statutory, direct and indirect expenses. Capital allowance is not eligible for such company and excess expenses over income is not allowed for carried forward to future YAs.

At the same time, for companies dealing with trade while holding investment, it is a common practice that expenses incurred are not required to be allocated to the respective type of business activity. Further, unutilised losses are allowed for carried forward for such mixed business structure. However, such common practices are not publicly known nor stated in the Income Tax Act.

In this case, we would suggest the tax authority would provide more details on the tax treatment of such mixed businesses entity, so as to give a clear understanding and guideline, particularly for foreign investors who wish to set up such business in Singapore.

## Encouraging continuous learning

To encourage continuous learning and in ensuring employees keep abreast of the latest changes in the respective industries, financial supports / tax relief or incentives should be given to employers who are willing to send their employees for external trainings / seminars.

For example, we understand that there is course fee and absentee payroll funding in place, the criteria for such funding should not be limited to employees who are above 35 years old and earning monthly income not more than S\$2,000. Additionally, it should not be limited to courses pre-approved by certain organisations but could be extended to those relevant to one’s employment or profession.

## Financial support for acquisition of intellectual properties

We understand that the Singapore government has issued “Intellectual Property Hub Master Plan” in year 2013. To continue encourage growing businesses with intellectual properties, we hope the government could consider granting tax incentives or financial assistance for the acquisition or development of intellectual properties, in order to turn the country in to a global hub for intellectual properties’ development, registration, as well as protection.

## Funding support for digitalisation

In line with the Government’s policy in supporting businesses to pursue digitalisation, we wish that the funding support for digital transformation, for example, Productivity Solution Grant, should be expenses to all SMEs.

Local shareholding requirement shall be lifted out so that all SMEs in order to encourage all businesses in bringing IT solutions into the business, so as to enhance the business productivity and eventually, boost the Singapore’ economy through digitalisation.

## Entering the world of virtual currency

Notwithstanding the rise of crypto and blockchain start-ups in Singapore, the accounting and tax treatment, particularly on the determination of the nature of related business transactions remain ambiguous at this juncture. Hence, instead of leaving the issuers, investors and even third-party advisors with uncertainty, we would appreciate it if the authorities could look into the matter and advise the public on the proper treatment of transactions that industry may have, for better tax planning.

Example of the issues that the industry is facing:

- Criteria in determining the nature of virtual currency (i.e. revenue or capital)
- The character of the virtual currency during an initial coin offering (“ICO”) (i.e. equity, debt security or working capital)
- Taxability of the gain from redemption of the virtual currency
- The nature of ICO platform (i.e. website, intangible asset or R&D project)
- Supporting documentation that needs to be maintained.

## Bank account opening for companies dealing with virtual currencies

As discussed in the earlier point, there are increasing number of businesses involving cryptocurrencies, initial coin offerings and digital tokens in Singapore. In view of this, perhaps the Singapore government should look into the criteria in opening bank account with local financial institution. We understand that the local banks are trying to adhere to the anti-money laundering and know-your-customer practices. Notwithstanding so, the day to day operation of these affected companies will be disrupted without having a bank account in Singapore.

We would suggest local financial institutions to loosen its criteria in bank account opening for such companies, while imposing restriction in other areas, such as setting higher initial deposit, increasing the minimum balance, limiting the remittance or withdrawal of uncommon transactions, in order to minimize the risks in financing, rather than stopping such companies in opening local bank accounts in Singapore.

## Support for families

To continue encourage childbirth while remaining working mothers in the workforce, the Government could consider giving remuneration relief to employers who continue hiring working mothers who work from home. This would be a win-win solution for young families to be able to look after the new-borns while being able to support the family's financial needs at the same time.

Additionally, from the employer's perspective, we would appreciate it if the reimbursement for Government-Paid Maternity Leave could be extended from two to three months for first and second child.