

(C) Other Credit-Related Measures

Extension of Deductibility of MAS Notice 612 Provisions for Banks

Current Treatment

Currently, banks are allowed to claim tax deduction for the impairment provisions made under MAS Notice 612, subject to caps as stipulated under Section 14I of the Income Tax Act. This concession was introduced in 2005 and is valid for five Years of Assessment. Similar tax concessions were made for collective impairment provisions made under MAS Notice 811 for finance companies, and MAS Notice 1005 for merchant banks.

New Treatment

This tax concession will be extended, with the same terms and conditions, for a further three years. The extension of the tax concession will likewise apply for finance companies and merchant banks.

This tax change is to encourage banks to continue making adequate loan impairment provisions and bolster their financial strength to underpin continued lending in the downturn.