

Name of Tax Change	Current Treatment	New Treatment
Enhancements to Financial Sector Incentive (FSI)	<p>Financial Institutions (“FIs”) which are granted FSI Standard Tier awards are currently required to compute and deduct the Qualifying Base (“QB”) from their income derived from FSI qualifying activities, in order to determine the net income to be taxed at the concessionary tax rate of 10%. The QB is to be taxed at the prevailing corporate tax rate. The QB is a proxy for the income from certain activities that were previously subject to tax at the prevailing corporate tax rate before the removal of the counterparty and/or currency restrictions under FSI. While the QB has relieved FIs of the need to track counterparty and currency restrictions for qualifying activities, there has been feedback from FIs that the administration and computation of QB is complex and results in significant compliance cost.</p>	<p>With effect from 1 January 2011, the QB will be removed and instead the concessionary tax rate under the FSI-ST award will be changed in tandem from 10% to 12% as a revenue neutral change. The list of qualifying activities will also be updated. These changes will help to simplify the rules for the FSI scheme and to lower compliance costs for FIs. MAS will be releasing details of the changes by April 2010.</p>