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# Welcome to Budget Seminar 2006



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# Overview of Tax Changes Announced in Budget 2006



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# Overview of Presentation

## Part 1

- Goods & Services Tax Changes
- Tax Treatment for Islamic Finance
- Income Tax Changes for Businesses,  
Individuals and Bodies of Persons
- Income Tax Changes for Businesses



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# Overview of Presentation

## Part 2

- Income Tax Changes for Businesses (cont'd)
- Income Tax Changes for Individuals
- Other Changes



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# Goods & Services Tax Changes



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# **GST Recovery for S-REITs & their SPCs**

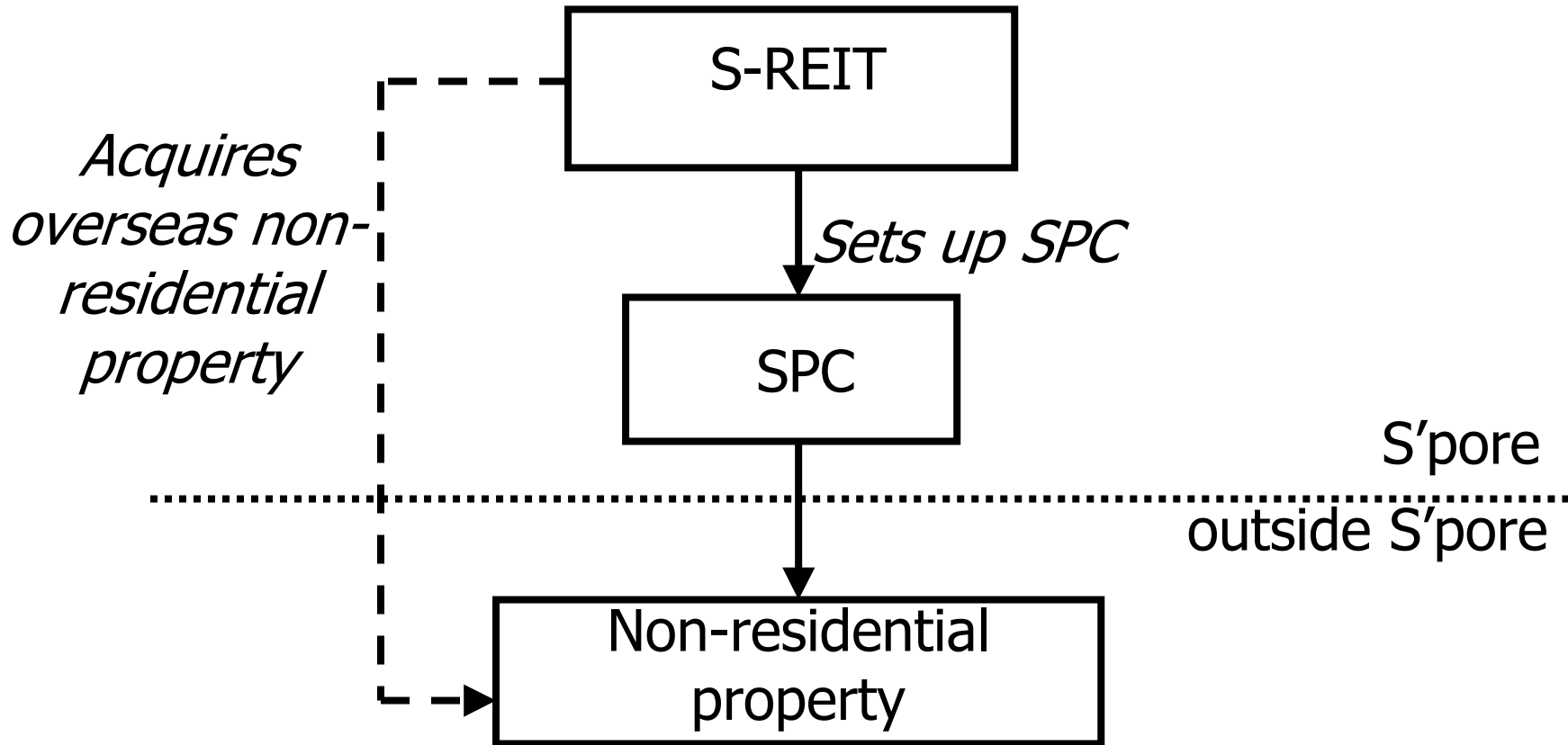
## **Current Position**

- REIT listed on S'pore Exchange (S-REIT)  
investing in overseas non-residential properties  
via special purpose companies (SPCs) cannot  
claim GST on certain expenses



# GST Recovery for S-REITs & their SPCs

## Structure of S-REIT and SPC





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# **GST Recovery for S-REITs & their SPCs**

## **Current Position (cont'd)**

- Expenses on which GST cannot be claimed:
  - to structure and set up various tiers of SPCs to hold overseas non-residential properties
  - to acquire overseas non-residential properties held by SPCs
  - incurred by the SPCs for day-to-day operations



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# **GST Recovery for S-REITs & their SPCs**

## **Objective of Tax Change**

- To further develop S'pore as preferred listing destination for Asian REITs

## **Tax Change**

- To allow S-REITs to recover GST incurred :
  - on setting up SPCs that hold overseas non-residential properties
  - by SPCs on acquiring and holding overseas non-residential properties



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# **GST Recovery for S-REITs & their SPCs**

## **Tax Change (cont'd)**

- Apply to IRAS for tax remission on GST incurred from 17.2.2006 to 17.2.2010

E-Tax Guide issued by IRAS on 22.2.2006



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# **GST Treatment of Cash Indemnity Payment & Motor Car Repair Services**

## **Current Position**

- Insurance premium of insurance contract (unless life insurance) subject to GST, except for cash indemnity payments
- In motor car insurance, GST on car repair services cannot be claimed by insurer (GST Reg 27)



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# **GST Treatment of Cash Indemnity Payment & Motor Car Repair Services**

## **Objective of Tax Change**

- To recognise the true value-added of insurance services
- To recognise that insurers are not end consumers of car repair services in motor car insurance

# **GST Treatment of Cash Indemnity Payment & Motor Car Repair Services**

## **Tax Change**

- To allow insurers to claim GST on:
  - cash indemnity payment to non-GST registered persons where premiums are subject to GST
  - motor car repair services incurred by them
- Applicable to insurance policies entered into on or after 1.1.2007
- Details to be released by IRAS by end Dec 2006



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# Zero-rating of Tools Used in Manufacturing of Goods for Export

## Current Position

- 5% GST imposed on supply of tool to overseas customer if tool used to manufacture goods in S'pore - such GST is not recoverable

## Tax Change (wef 1.4.2006)

- To zero-rate supply of tool by GST-registered person to overseas customer under certain conditions

E-Tax Guide issued by IRAS on 22.2.2006



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# **Waiver of GST on Goods Removed from Zero GST Warehouses by Persons under MES & Approved 3PL Scheme**

## **Current Position**

- Comptroller of GST may, on case-by-case basis, waive GST on goods removed from ZG warehouse by MES traders

## **Tax Change (wef 1.7.2006)**

- MES & Approved 3PL persons can remove goods from ZG warehouse free of GST, without seeking permission from Comptroller of GST



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# Tax Treatment For Islamic Finance



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# Tax Treatment For Islamic Finance

## Government's Overall Policy

- To align tax treatment of Islamic contracts with treatment of conventional financing contracts that they are economically equivalent to
- To prescribe tax rules for each specific Islamic finance arrangements



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# Tax Treatment For Islamic Finance

## Tax Treatment of Qualifying Financial Products

➤ Based on 3 Islamic concepts:

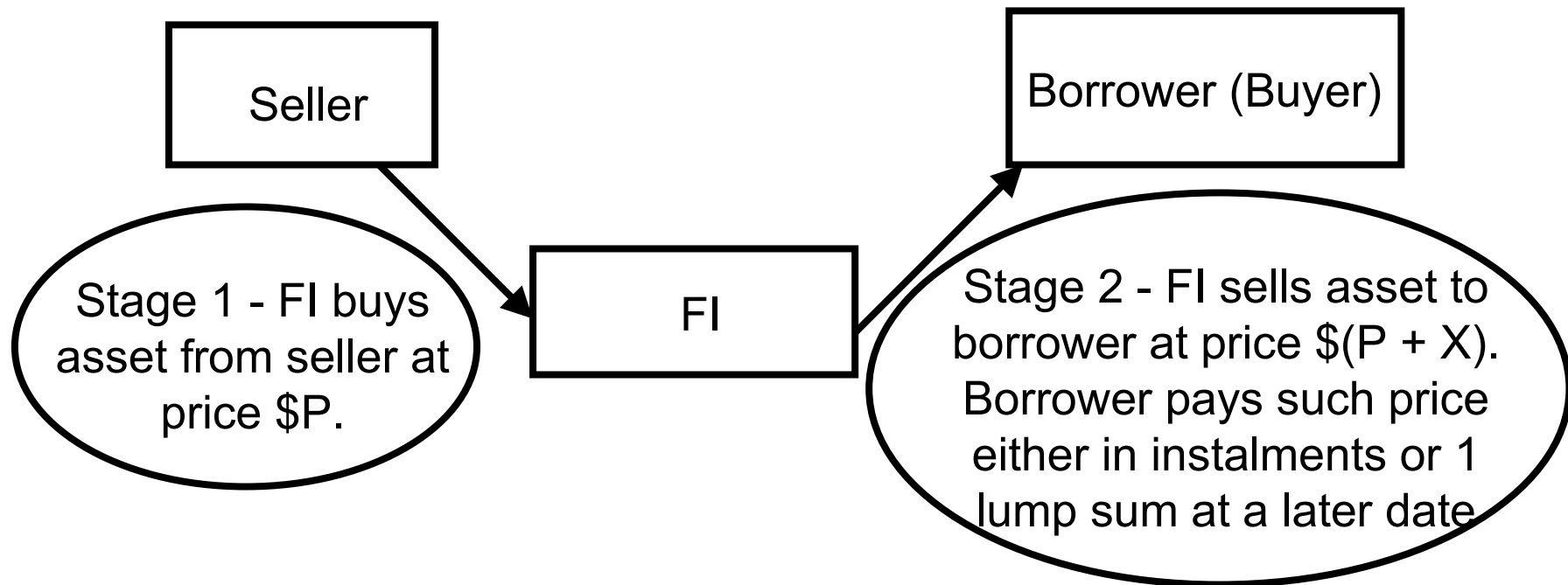
- Murabaha
- Mudarabah
- Ijara Wa Igtina



# Tax Treatment For Islamic Finance

## Tax Treatment of Qualifying Financial Products

### (1) Murabaha (cost-plus financing)





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# Tax Treatment For Islamic Finance

## Tax Treatment of Qualifying Financial Products

### (1) Murabaha (cost-plus financing)

#### Income Tax Treatment

- Any gains or profits accrued and any expenses incurred, in lieu of interest, to be regarded as interest (subject to conditions)



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# Tax Treatment For Islamic Finance

## Tax Treatment of Qualifying Financial Products

### (1) Murabaha (cost-plus financing)

#### **GST Treatment - Current**

- FI cannot fully claim GST on non-residential property purchase (capped at fixed recovery rate of 76% for full banks)
- Buyer pays additional GST on FI's markup on selling price of such property



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# Tax Treatment For Islamic Finance

## Tax Treatment of Qualifying Financial Products

### (1) Murabaha (cost-plus financing)

#### **GST Treatment - New**

- FI can claim GST on non-residential property purchase in FULL
- Buyer exempt from paying GST on FI's markup on selling price of such property

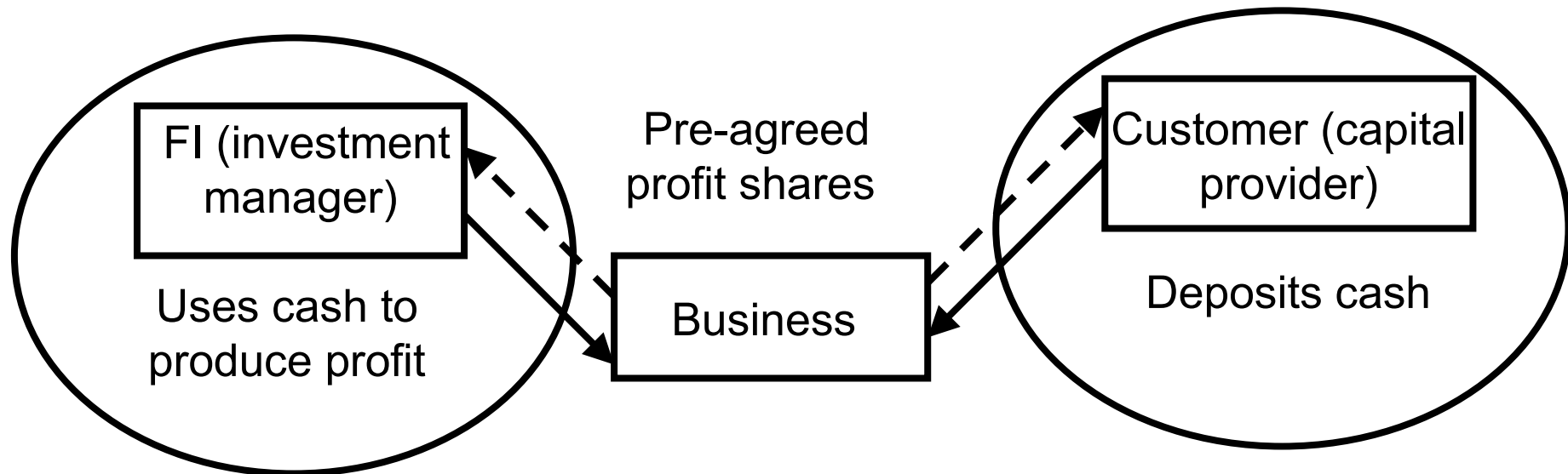


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# Tax Treatment For Islamic Finance

## Tax Treatment of Qualifying Financial Products

### (2) Mudarabah (trust financing)





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# Tax Treatment For Islamic Finance

## Tax Treatment of Qualifying Financial Products

### (2) Mudarabah (trust financing)

#### Income Tax Treatment

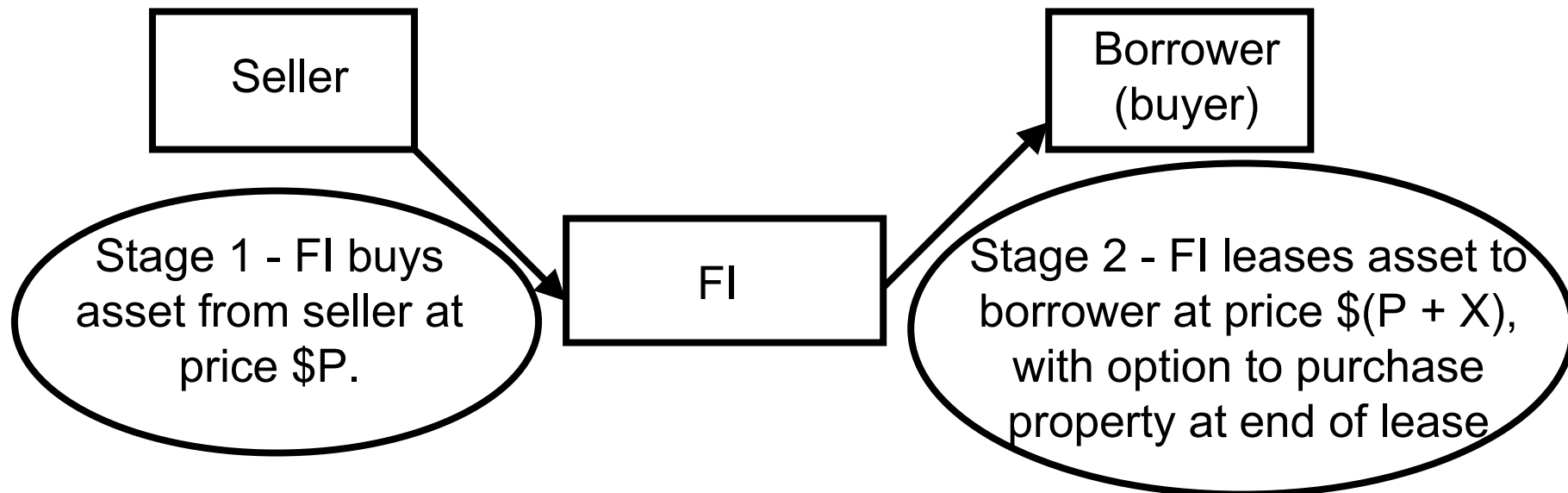
- Any profit payable to a customer, in lieu of interest, by a qualifying financial institution, to be regarded as interest (subject to conditions)



# Tax Treatment For Islamic Finance

## Tax Treatment of Qualifying Financial Products

### (3) *Ijara Wa Iqtina* (mimics conventional mortgage)





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# Tax Treatment For Islamic Finance

## Tax Treatment of Qualifying Financial Products

### (3) *Ijara Wa Iqtina* (mimics conventional mortgage)

#### Income Tax Treatment

- Any gains or profits accrued and any expenses incurred, in lieu of interest, to be regarded as interest (subject to conditions)



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# Tax Treatment For Islamic Finance

## Tax Treatment of Qualifying Financial Products

### (3) *Ijara Wa Iqtina* (mimics conventional mortgage)

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# Tax Treatment For Islamic Finance

## Tax Treatment of Qualifying Financial Products

### (3) *Ijara Wa Iqtina* (mimics conventional mortgage)

#### **GST Treatment - New**

- FI can claim GST on non-residential property purchase in FULL
- Buyer exempt from paying GST on FI's markup on selling price of such property



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# Tax Treatment For Islamic Finance

## Stamp Duty Remission for Qualifying Sukuk

### What is Sukuk?

- Islamic bonds
- Financial instrument (paper) evidencing holder's beneficial ownership to underlying asset (e.g. securities, physical asset)
- One commonly used concept - Ijara Wa Igtina

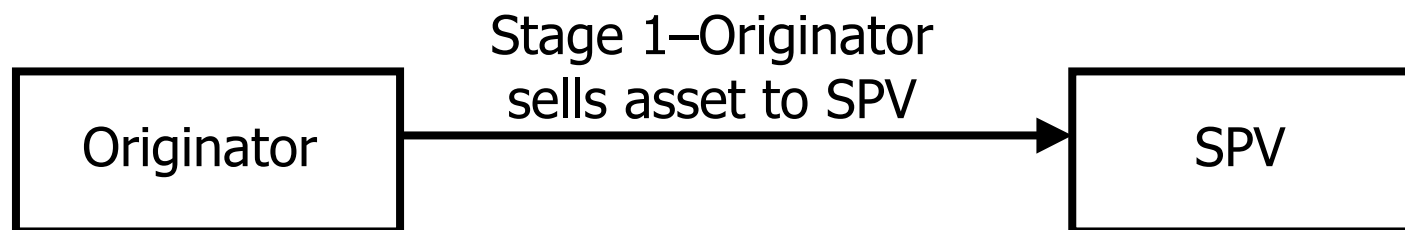


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# Tax Treatment For Islamic Finance

## Stamp Duty Remission for Qualifying Sukuk

### *Sukuk Based on Ijara Wa Igtina Concept*



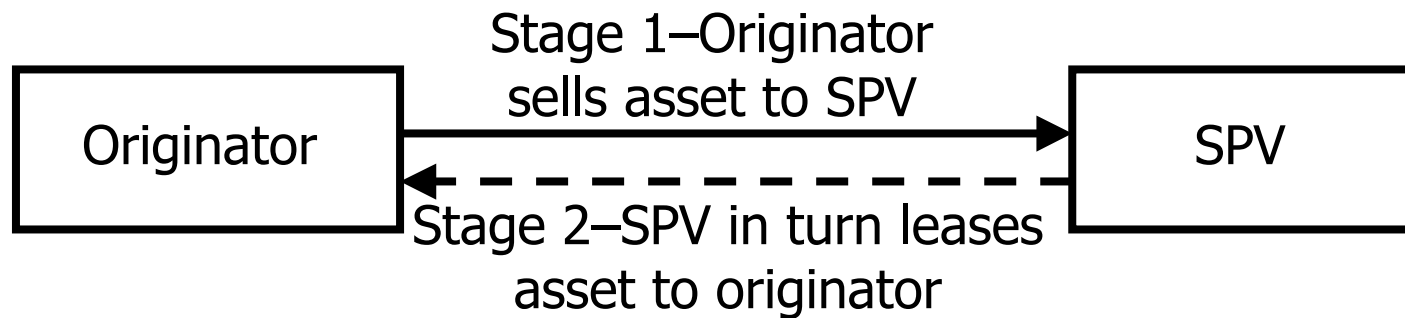


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# Tax Treatment For Islamic Finance

## Stamp Duty Remission for Qualifying Sukuk

### *Sukuk Based on Ijara Wa Igtina Concept*

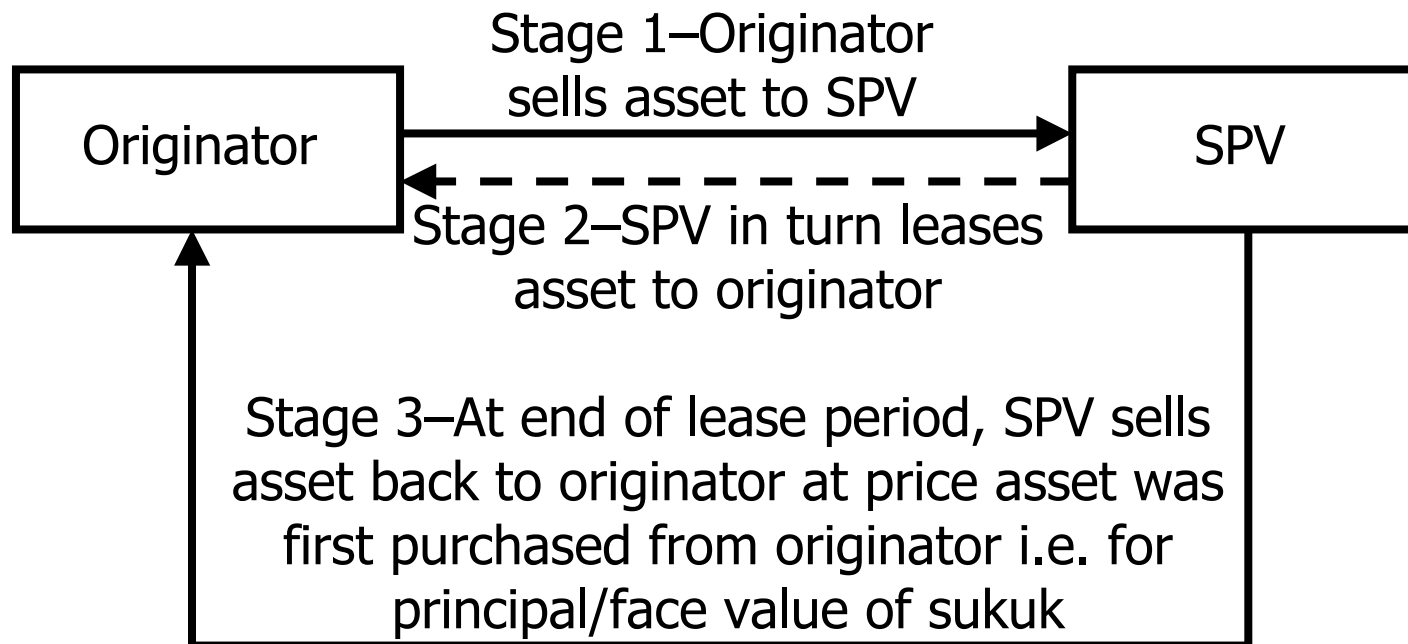




# Tax Treatment For Islamic Finance

## Stamp Duty Remission for Qualifying Sukuk

### *Sukuk Based on Ijara Wa Igtina Concept*





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# Tax Treatment For Islamic Finance

## Stamp Duty Remission for Qualifying Sukuk

### Issue

- Need to transfer assets (typically immovable properties) into SPV for sukuk issuance – additional stamp duty (SD) involved for sukuk issuance compared to conventional debt securities secured with immovable properties



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# Tax Treatment For Islamic Finance

## Stamp Duty Remission for Qualifying Sukuk

### Objective of Tax Change

- To facilitate arrangement & issuance of sukuk out of S'pore

### Tax Change

- To grant SD remission (on instrument for transfer of immovable properties) on SD in excess of that chargeable for equivalent conventional bond issue, subject to conditions



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# Tax Treatment For Islamic Finance

Further Details to be Released by MAS

➤ By end May 2006



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# **Income Tax Changes for Businesses, Individuals and Bodies of Persons**



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# Designated Unit Trust Scheme

## Current Position

- Specified income of DUT not part of its statutory income
- Such specified income not taxed at DUT level
- Distribution out of such specified income taxed except where unit-holders are foreign investors or individuals



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# Designated Unit Trust Scheme

## Current Position (cont'd)

### ➤ Current qualifying criteria :

- Unit trust is CIS under s286 of SFA and open to public for subscription
- Trustee is S'pore tax resident
- Unit trust is not REIT/property trust that invests directly in S'pore real estate
- Investment/fund manager incorporated in S'pore and holds a valid licence to carry out fund management activity



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# Designated Unit Trust Scheme

## Objective of Tax Change

- To further develop fund management industry in S'pore



# Designated Unit Trust Scheme

## Tax Change

- **CHANGES** to qualifying criteria (wef 17.2.2006):
  - *Other than CIS under s286 of SFA, unit trust can be CIS under SFA that is:-*
    - (i) authorized as Restricted Authorized Scheme (RAS); or*
    - (ii) exempt from authorisation*
  - *Investment/fund manager can be one who is exempted to hold a valid licence under SFA*
- All other existing criteria remain unchanged



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# Designated Unit Trust Scheme

## Tax Change (cont'd)

- To also grant tax exemption on distributions made to individuals (under s13(1)(ze) of ITA) from RAS out of specified income derived by it on or after 17.2.2006



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# Enhancement of Designated Unit Trust Scheme

## Tax Change (cont'd)

- Additional conditions to be imposed to prevent persons from converting privately-held investment companies into unit trusts to enjoy DUT scheme

Further details to be released by MAS

- By end May 2006



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# Enhancement of Tax Environment for Trust Business

## Foreign Trust

### Current Position

- Tax exemption scheme for foreign trusts - settlors & beneficiaries must be only foreign individuals or foreign companies
- Trustee company licensed as a trust company under Trust Companies Act can qualify for Approved Trustee Company (ATC) scheme – specified income of ATC taxed at 10%



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# Enhancement of Tax Environment for Trust Business

## Foreign Trust

### Objective of Tax Change

- To further promote wealth management industry in S'pore

### Tax Change

- To extend, wef 17.2.2006, scope of settlors & beneficiaries to include foreign trusts and any person neither resident in S'pore nor constituted/registered in S'pore



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# Enhancement of Tax Environment for Trust Business

## Foreign Trust

### Tax Change (cont'd)

- To extend tax exemption scheme for foreign trusts to qualifying foreign trusts administered by companies exempted to hold trust business licence:
  - specified income derived on or after 17.2.2006 by such qualifying foreign trusts are tax exempt



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# Enhancement of Tax Environment for Trust Business

## Foreign Trust

### Tax Change (cont'd)

- To extend ATC incentive to companies exempted to hold trust business licence:
  - specified income derived on or after 17.2.2006 by such companies approved as ATCs taxed at 10%



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# Enhancement of Tax Environment for Trust Business

## Domestic Trust

### Current Position

- Specified locally-sourced investment income (LSI) and foreign-sourced income (FSI) derived/received directly by individuals are tax exempt
- Where individuals derive distributions out of such income through a domestic trust, they would be subject to tax



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# Enhancement of Tax Environment for Trust Business

## Domestic Trust

### Objective of Tax Change

- To encourage individuals to set up domestic trusts and engage services of trustee companies in Singapore



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# Enhancement of Tax Environment for Trust Business

## Domestic Trust

### Tax Change

- To grant tax exemption on LSI derived on or after 17.2.2006 & FSI received on or after 17.2.2006 by qualifying domestic trusts & their underlying holding companies (HC), to the extent such exemption mirrors LSI and FSI tax exemption for individuals, subject to conditions



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# Enhancement of Tax Environment for Trust Business

## Domestic Trust

### Tax Change (cont'd)

- One qualifying condition for qualifying domestic trust -
  - all settlors are individuals &
  - all beneficiaries are either individuals or charities



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# Enhancement of Tax Environment for Trust Business

## Domestic Trust

### Tax Change (cont'd)

- To exempt from tax, distribution made by qualifying domestic trusts to beneficiaries out of tax exempt LSI/FSI derived or received on or after 17.2.2006 by such trusts



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# Enhancement of Tax Environment for Trust Business

## Domestic Trust

### Tax Change (cont'd)

- To exempt from tax, qualifying dividends paid out of tax exempt LSI/FSI derived or received by underlying HC on or after 17.2.2006 to qualifying domestic trust
- To exempt from tax, distribution out of such qualifying dividends to beneficiaries of qualifying domestic trust



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# Enhancement of Tax Environment for Trust Business

## Domestic Trust

Further Details to be released by MAS

➤ By end May 2006



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# Enhancement of QDS Scheme & Tax Exemption for Individuals

## Current Position

Under QDS scheme-

- Companies/bodies of persons in S'pore taxed at 10% concessionary rate on discount from QDS with tenure of 1 yr or less
- Qualifying non-resident non-individuals exempt from tax on such discount



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# Enhancement of QDS Scheme & Tax Exemption for Individuals

## Current Position (cont'd)

- Individuals exempt from tax on discount derived from debt securities with tenure of 1 yr or less [s13(1)(ze) of ITA]

## Objective of Tax Change

- To further encourage development of local debt market



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# Enhancement of QDS Scheme & Tax Exemption for Individuals

## Tax Change

- To extend QDS scheme to cover discount from QDS with tenure of more than 1 yr and which are issued from 17.2.2006 to 31.12.2008, provided all other qualifying conditions for QDS scheme are met



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# Enhancement of QDS Scheme & Tax Exemption for Individuals

## Tax Change (cont'd)

- To extend s13(1)(ze) tax exemption to cover discount from debt securities with tenure of more than 1 yr
- To extend scope of DUT income to cover discount from QDS with tenure of more than 1 yr and issued from 17.2.2006 to 31.12.2008



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# Enhancement of QDS Scheme & Tax Exemption for Individuals

## Tax Change (cont'd)

- To extend scope of income under tax exemption schemes for foreign investors and foreign trusts to cover discount from QDS with tenure of more than 1 yr and issued from 17.2.2006 to 31.12.2008



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# Transfer Pricing (TP) Guidelines

## Tax Change

- Guidance on transfer pricing issues

## Objective

- To raise awareness on transfer pricing risks and the avenues available to resolve transfer pricing issues

E-Tax Guide issued by IRAS on 23.2.2006



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# Income Tax Changes for Businesses



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# Tax Exemption Scheme for Resident Funds

## Current Position

- Tax exemption scheme for foreign investors – fund set up as company qualifies as foreign investor if not resident in S'pore & substantially owned by foreign investors

## Objective of Tax Change

- To develop an asset servicing industry in S'pore



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# Tax Exemption Scheme for Resident Funds

## Tax Change

- To introduce a new tax incentive scheme – tax exemption on specified income from designated investments derived by funds set up as companies **resident** in Singapore and substantially owned by foreign investors, subject to certain conditions



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# Tax Exemption Scheme for Resident Funds

## Tax Change (cont'd)

- “substantially owned by foreign investors” :  
not more than 20% (excluding total % owned directly by designated persons) of total number of the fund company’s issued shares beneficially owned, directly or indirectly, by persons who are citizens of S’pore or resident in S’pore



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# Tax Exemption Scheme for Resident Funds

## Tax Change (cont'd)

- Qualifying window approval period of 5 yrs
- Effective from 17.2.2006 to 16.2.2011
- Fund company qualifying for the scheme during this period exempt from tax on specified income from designated investments for its entire life

Further Details to be Released by MAS

- By end May 2006



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# General Clearing Member of OTC Derivatives

## Current Position

- No tax incentive scheme for clearing OTC derivatives with clearing house
- Only tax incentive schemes for approved commodity derivatives trading companies and SGX approved derivative products aimed at encouraging trading of derivatives



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# General Clearing Member of OTC Derivatives

## Objective of Tax Change

- To recognise strategic value of OTC derivatives clearing market and anchor such activity in S'pore



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# General Clearing Member of OTC Derivatives

## Tax Change

- To grant 5% concessionary tax rate on income derived from provision of clearing services in S'pore by approved clearing member of S'pore OTC derivatives clearing facility



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# General Clearing Member of OTC Derivatives

## Tax Change (cont'd)

- Qualifying window approval period from 17.2.2006 to 16.2.2011
- Qualifying clearing member can enjoy incentive for 5 yrs

Further Details to be Released by MAS

- By end May 2006



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# Tax Exemption Scheme for Approved Captive Insurance Companies

## Current Position

- No special tax rules for captive insurance business
- Specified income derived by approved insurance companies from carrying on offshore insurance business taxed at 10%



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# **Tax Exemption Scheme for Approved Captive Insurance Companies**

## **Objective of Tax Change**

- To support growth of captive insurance industry in S'pore

## **Tax Change**

- To grant tax exemption on specified income derived by approved captive insurance companies in S'pore from carrying on offshore insurance business



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# Tax Exemption Scheme for Approved Captive Insurance Companies

## Tax Change (cont'd)

- Specified income:
  - Income derived from accepting insurance covering offshore risks (including underwriting offshore 3<sup>rd</sup> party risks incidental to principal business of insuring risks of related companies)



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# Tax Exemption Scheme for Approved Captive Insurance Companies

## Tax Change (cont'd)

- Dividends & interest from outside S'pore, gains from sale of offshore investments & interest from ACU deposits – only if derived from investing offshore captive insurance business income or shareholders' funds used to support offshore captive insurance business



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# Tax Exemption Scheme for Approved Captive Insurance Companies

## Tax Change (cont'd)

- No qualifying conditions imposed
- Any insurance company that is captive insurer (under s1A of Insurance Act) can apply to MAS
- Window approval period from 17.2.2006 to 16.2.2011 - once qualify, incentive period is 10 yrs

MAS to release details by end May 06



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# **Income Tax Changes for Businesses (cont'd)**



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# Enhancement to claim for IBA

## Summary

Type of Building	Before Tax Change	After Tax Change
Purchased building – “New” (leasehold interest < 25 years)	No IA & AA granted	IA & AA granted on purchase price
Purchased building – “New” or “Used”	IA and/ or AA granted on lower of construction cost/ ROE and purchase price	IA and/ or AA granted on purchase price
Purchased building – “Used”	No AA granted if previously not used as industrial building	AA granted on purchase price if currently used as industrial building
Building > 50 years old since it was first used	No AA granted	AA granted on purchase price



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# Enhancement to claim for IBA

## Summary

Type of Building	Before Tax Change	After Tax Change
Purchased building – “New” (leasehold interest < 25 years)	No IA & AA granted	IA & AA granted on purchase price
Purchased building – “New” or “Used”	IA and/ or AA granted on lower of construction cost/ ROE and purchase price	IA and/ or AA granted on purchase price
Purchased building – “Used”	No AA granted if previously not used as industrial building	AA granted on purchase price if currently used as industrial building
Building > 50 years old since it was first used	No AA granted	AA granted on purchase price



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Building > 50 years old since it was first used	No AA granted	AA granted on purchase price



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# Enhancement to claim for IBA

## Effective from

- 1 January 2006
- Date of purchase = date of the Sale and Purchase Agreement



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# Allowing Tax Deduction for Employee Share-based Remuneration

## Current Position

- Companies allowed to hold “treasury shares”
- No tax deduction for share-based remuneration

## Tax Change (wef YA 2007)

- Tax deduction allowed for employee stock options or share awards through treasury shares
- IRAS will issue circular by May 2006



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# Tax Exemption on Foreign-Sourced Income

## Current Position

- Foreign-sourced dividend, foreign branch profits and foreign-sourced service income exempted from tax under S13(8) if “subject to tax” and “headline tax rate” conditions met

## Rationale of tax change

- Feedback these qualifying conditions restrictive
- Genuine businesses fail to qualify for tax exemption due to technicality



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# Tax Exemption on Foreign-Sourced Income

## Tax Change

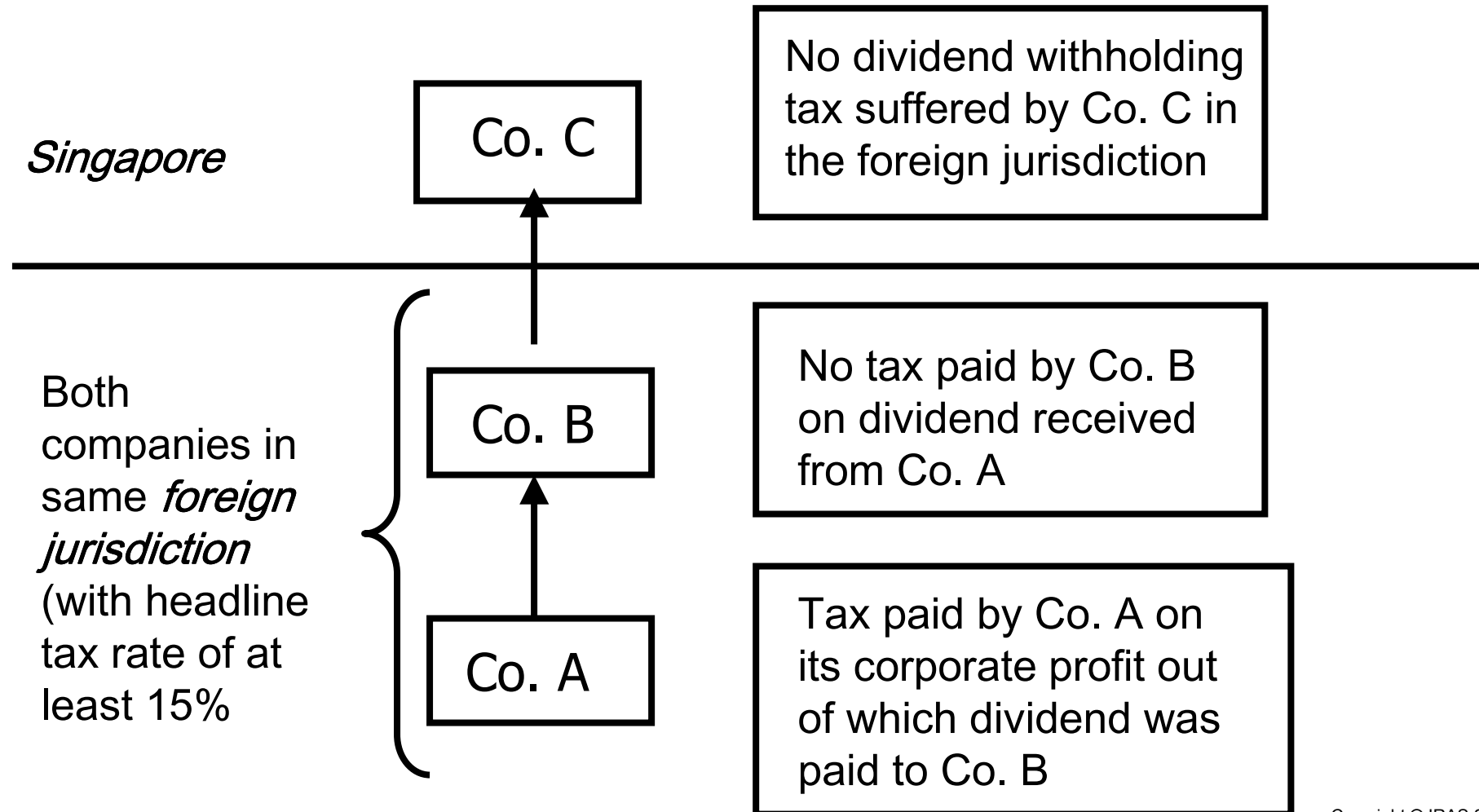
- Tax exemption granted on case-by-case basis under S13(12) if underlying income derived from substantive economic activities carried out in foreign jurisdiction with headline tax rate of at least 15%
- Tax exemption granted to REITS on case-by-case basis under S13(12) on its foreign-sourced income



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# Tax Exemption on Foreign-Sourced Income

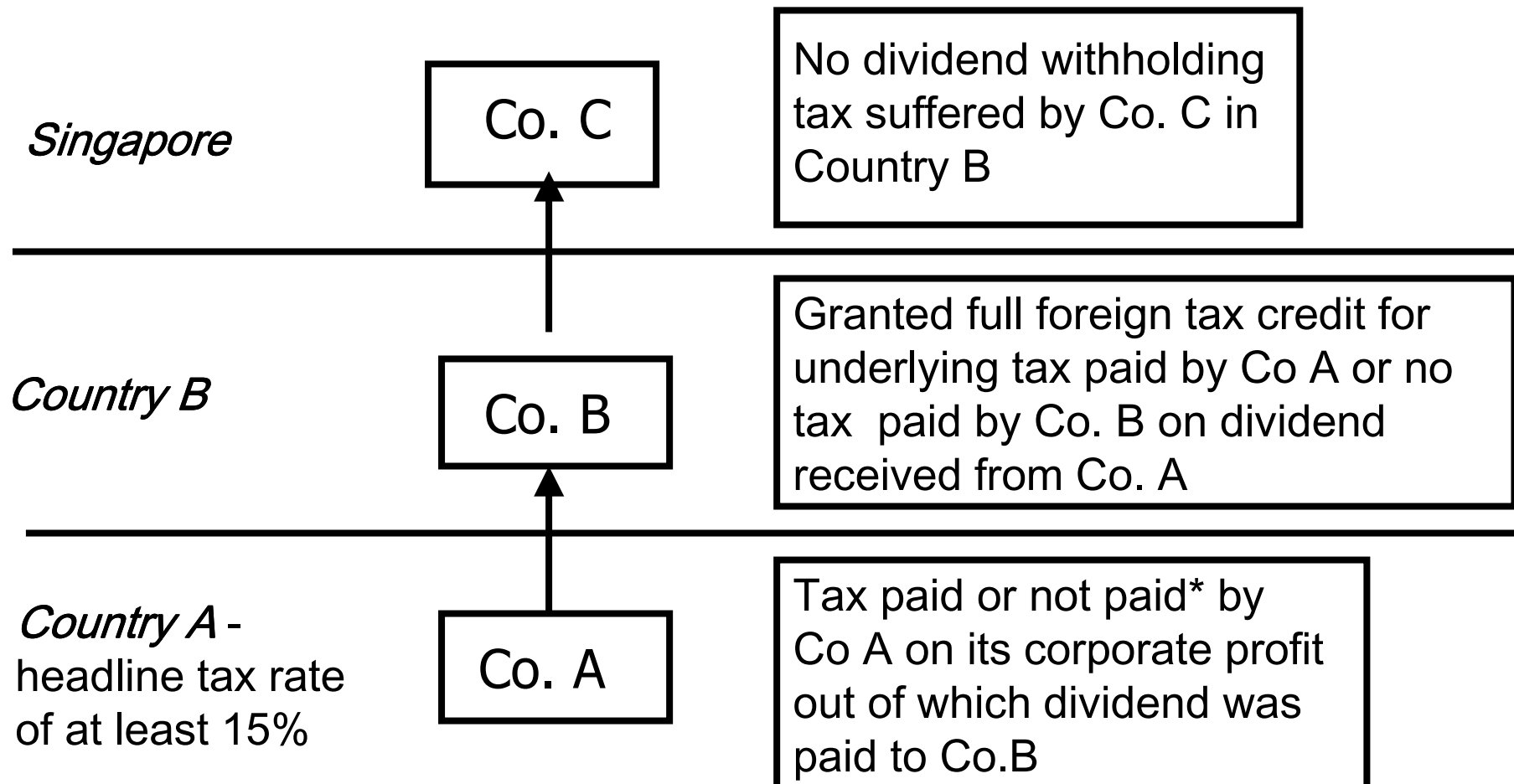
**Scenario 1 - Where foreign jurisdiction with headline tax rate of at least 15% grants participation exemption**





# Tax Exemption on Foreign-Sourced Income

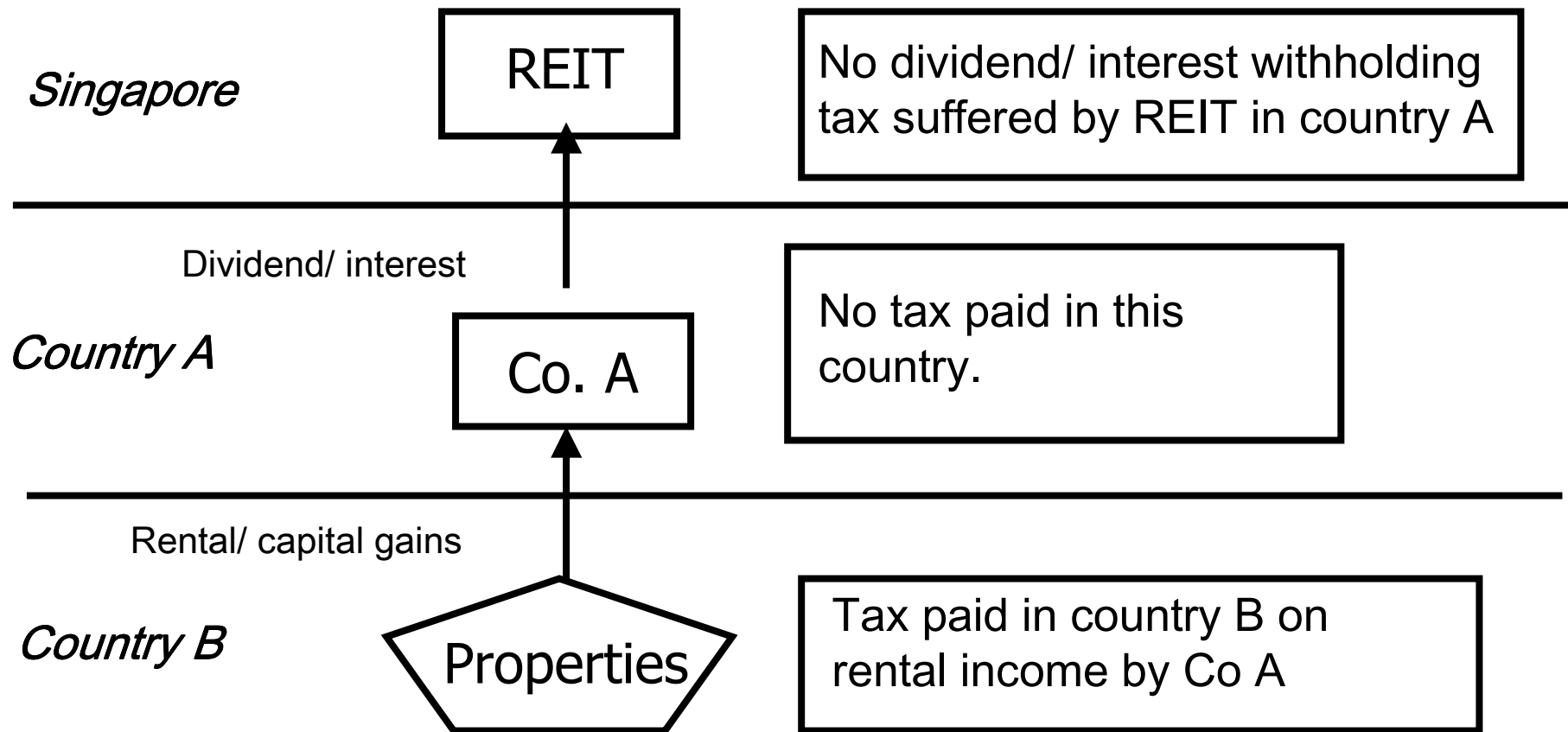
**Scenario 2 – Where dividends originally paid out of income derived beyond immediate tier of foreign jurisdiction, in another foreign jurisdiction with headline tax rate of at least 15%**



*\*subject to certain conditions*

# Tax Exemption on Foreign-Sourced Income

**Scenario 3:** Where REIT received dividends/ interest from foreign subsidiary companies that paid such income out of rental/ capital gains derived from renting out/ sale of properties situated in tax jurisdiction with headline tax rate at least 15%





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# Tax Exemption on Foreign-Sourced Income

## Effective from

- IRAS to announce application procedure and approving criteria by May 2006.
- Applications for tax exemption under S13(12) to IRAS



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# Enhancement of Finance and Treasury Centre Incentive

## Current Position

- Approved FTC taxed at 10% on qualifying activities
- Qualifying activities do not include trading and arranging of derivatives

## Tax Change

- Inclusion of trading and arranging of derivatives with specified counterparties
- Transactions entered into on or after 17.2.2006

# Enhancement of Finance and Treasury Centre Incentive

## Tax Change (con't)

### ➤ Specified Counterparties are:

- banks outside Singapore
- persons who are neither residents nor permanent establishments in Singapore
- banks licensed under Banking Act or merchant banks approved under MAS Act
- approved network companies

# Certainty of Tax Treatment for Gains from Sale of Shares in Subsidiary Companies

## Current Position

- Gains from the sale of shares are taxable if revenue in nature
  
- Depends on the facts of each case



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# Certainty of Tax Treatment for Gains from Sale of Shares in Subsidiary Companies

## Tax Change

- Tax certainty to approved holding companies (AHC) that gains from sale of shares in approved subsidiary companies will be treated as capital gains and not subject to tax
- May grant AHC status from 17.2.2006 to 16.2.2011
- Tax certainty for 5 years from date of AHC status



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# Certainty of Tax Treatment for Gains from Sale of Shares in Subsidiary Companies

## Qualifying Condition

- Approved holding company must own at least 50% of the ordinary shares in approved subsidiary companies for minimum period of 18 months continuously –
  - (i) immediately prior to date of disposal of shares;  
and
  - (ii) from date company is granted approved holding company status to date of disposal of shares.



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# Certainty of Tax Treatment for Gains from Sale of Shares in Subsidiary Companies

## Tax Change (cont'd)

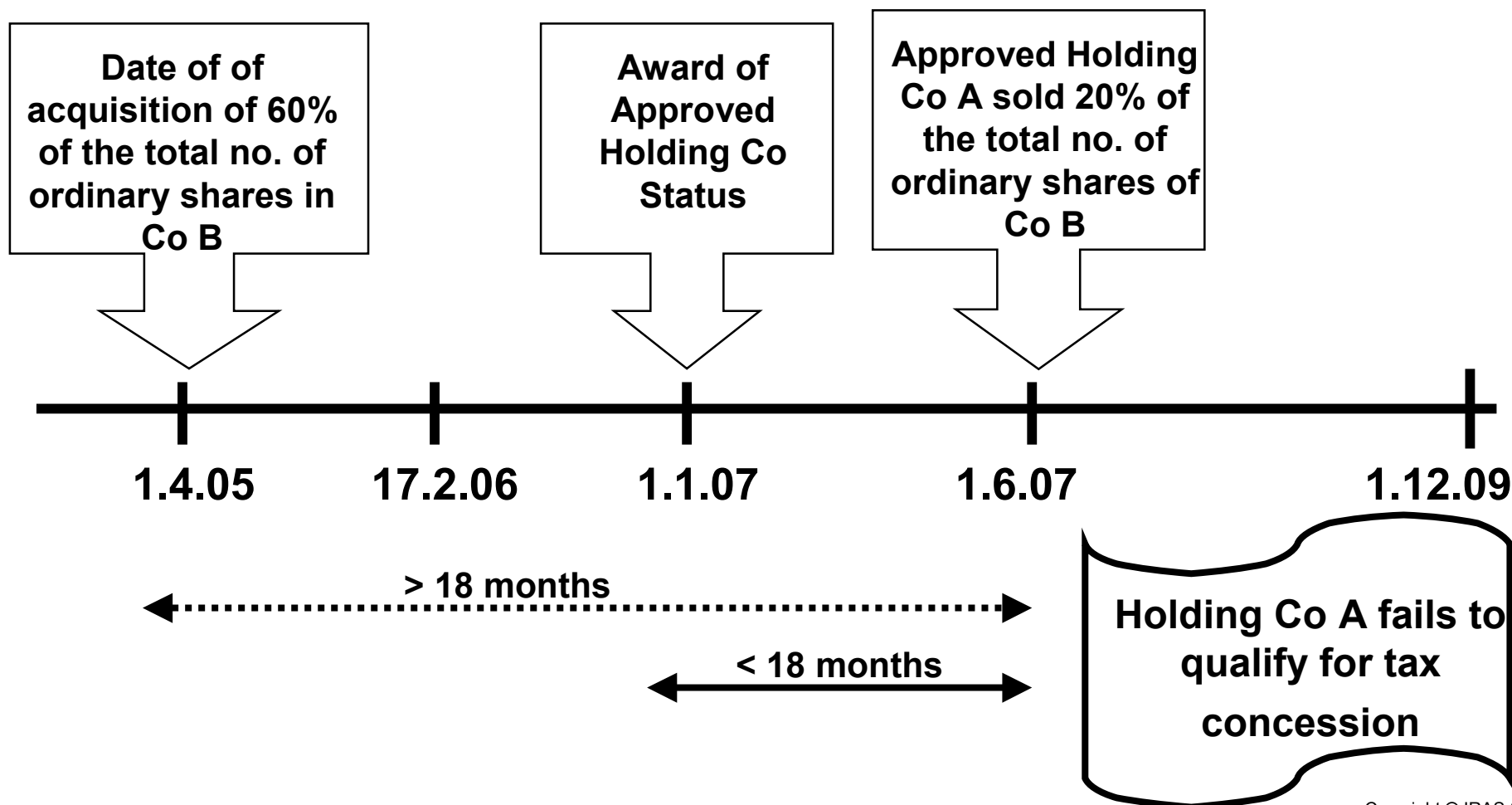
- Loss from sale of shares cannot set off against other income
- Change effected as concession
- EDB will administer concession



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# Certainty of Tax Treatment for Gains from Sale of Shares in Subsidiary Companies

E.g. 1

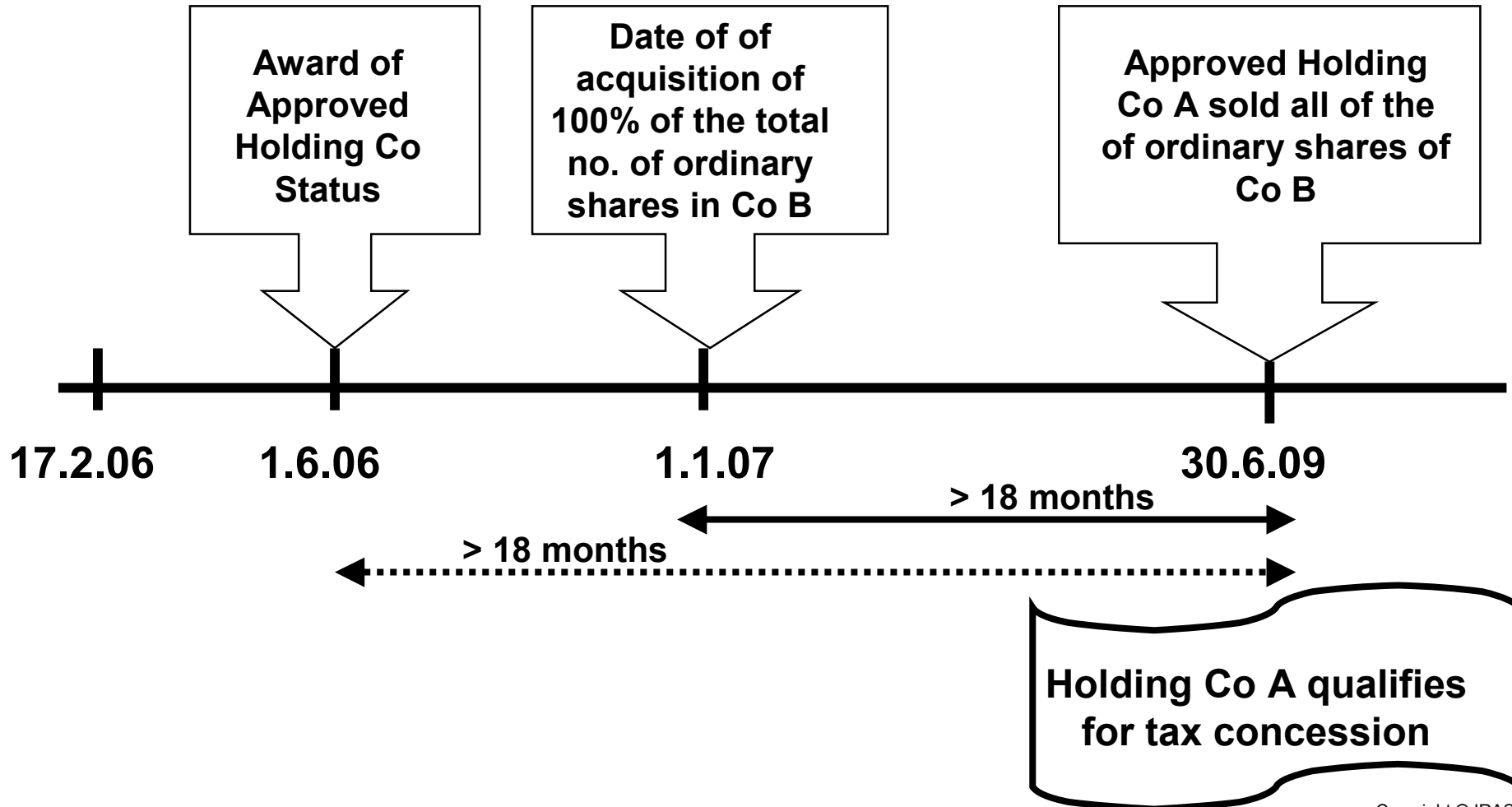




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# Certainty of Tax Treatment for Gains from Sale of Shares in Subsidiary Companies

E.g. 2



# Writing Down Allowances (WDA) for Intellectual Property (IP) rights - S19B

## Current Position

- WDA granted to company if it acquires both legal and economic ownership of IP rights

## Tax Change

- Removal of legal ownership requirement for approved cases
- Apply to IP rights acquired on or after 17.2.2006
- EDB will administer application process and will release details by June 2006

# Writing Down Allowances (WDA) for Intellectual Property (IP) rights - S19B

## Current Position

- WDA granted only for expenditure incurred on or before 31.10.2008

## Tax Change

- WDA granted if acquire IP rights on or before 31.10.2008 but payments made after 31.10.2008



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# WDA on Approved Cost-Sharing Agreement for R& D Activities –S19C

## Current Position

- WDA granted over 5 years for approved R&D cost-sharing agreement

## Tax Change

- One year write-off for all expenditure incurred on approved cost-sharing arrangements.
- Apply to cost-sharing agreements entered into and approved on or after 17.2.2006.



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# WDA on Approved Cost-Sharing Agreement for R& D Activities –S19C

## Current Position

- Full amount from disposal of IP rights is taxable

## Tax Change

- Taxable amount capped to amount of WDA granted previously
- Applicable to cost-sharing agreements entered into and approved on or after 17.2.2006
- EDB will release details by March 2006



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# Enhancement to Global Trader Programme

## Current Position

- GTP company enjoying 5% rate
  - income from OTC derivative trades qualify for concession even if trades are not in connection with and incidental to physical trading
  
- GTP company enjoying 10% rate
  - income from OTC derivative trades qualify for concession only if trades are in connection with and incidental to physical trading



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# Enhancement to Global Trader Programme

## Objective of Tax Change

- To lower the compliance cost for traders enjoying 10% tax rate under GTP

## Tax Change (wef YA 2007)

- Remove need for companies to show OTC derivatives trades are in connection with and incidental to physical trades



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# Tax Incentives for Partnerships

## Current Position

- Most tax incentives available to companies only

## Tax Change

- To extend tax incentives to partnerships
  
- IRAS & MOF working with various agencies on which tax incentive be extended to partnerships



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# Maritime Finance Incentive (MFI)

## Current Position

- Investors invest in shipping funds (ship investment vehicles – “SIV”) which purchase vessels and lease vessels to ship operators.
- No tax concession for SIV and ship investment managers that control or manage SIV



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# Maritime Finance Incentive

## Objective of Tax Change

- To promote growth of ship financing activities

## Tax Change (wef YA 2007)

A new MFI scheme comprising -

- Approved Ship Investment Vehicle (ASIV)
- Approved Ship Investment manager (ASIM)



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# Maritime Finance Incentive

## Tax Change (wef YA 2007)

### ASIM

- tax at 10% on qualifying income

### ASIV

- tax exemption on qualifying income from ship leasing activities



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# Maritime Finance Incentive

## Qualifying Leases

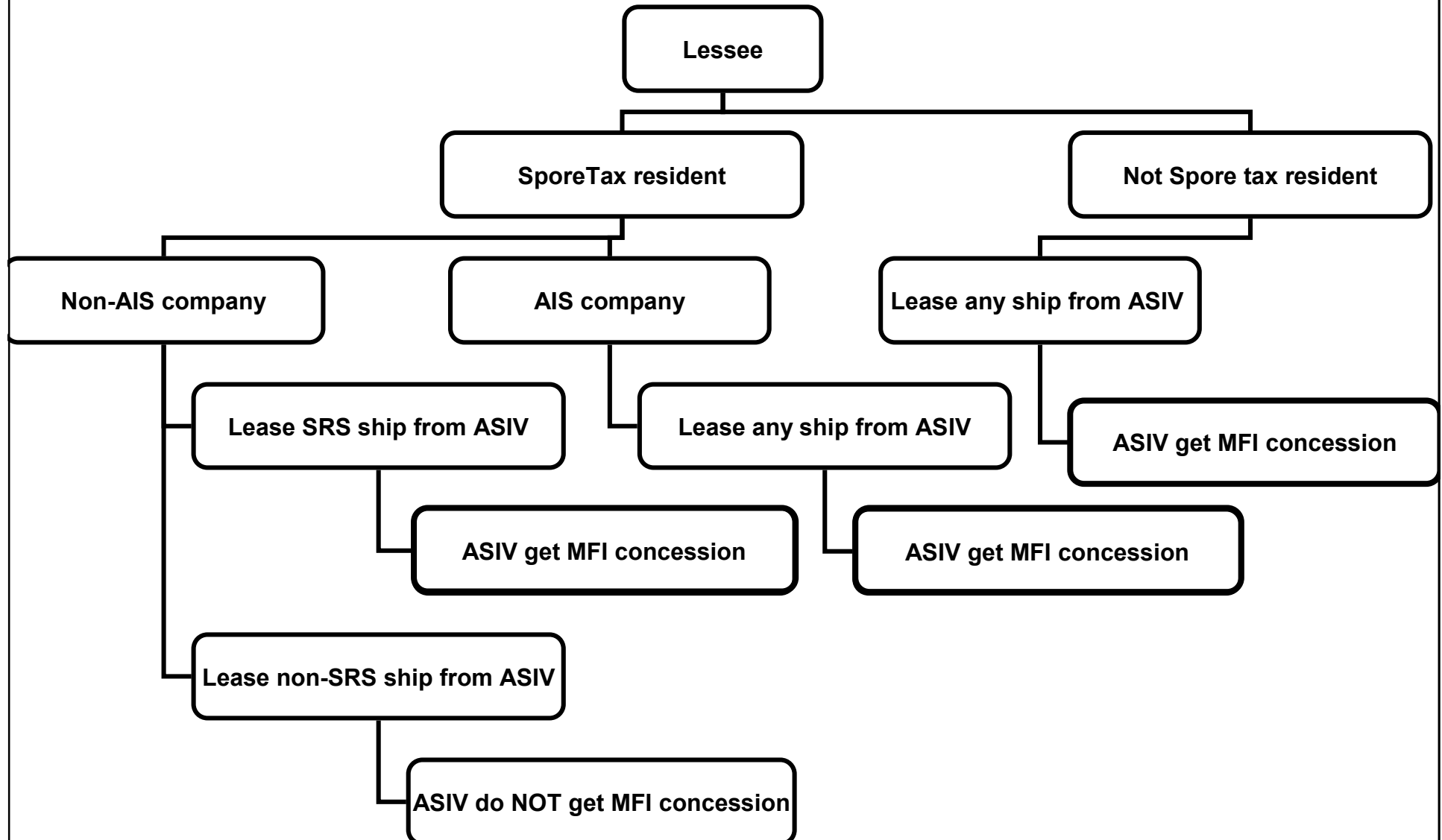
Operating or finance leases in respect of:-

- (a) ships leased or operated by entities not tax resident in Singapore (no business nor PE in Singapore); and
- (b) ships registered with Singapore Registry of Ships (SRS) or ships operated by Approved International Shipping (AIS) companies



# Maritime Finance Incentive (MFI)

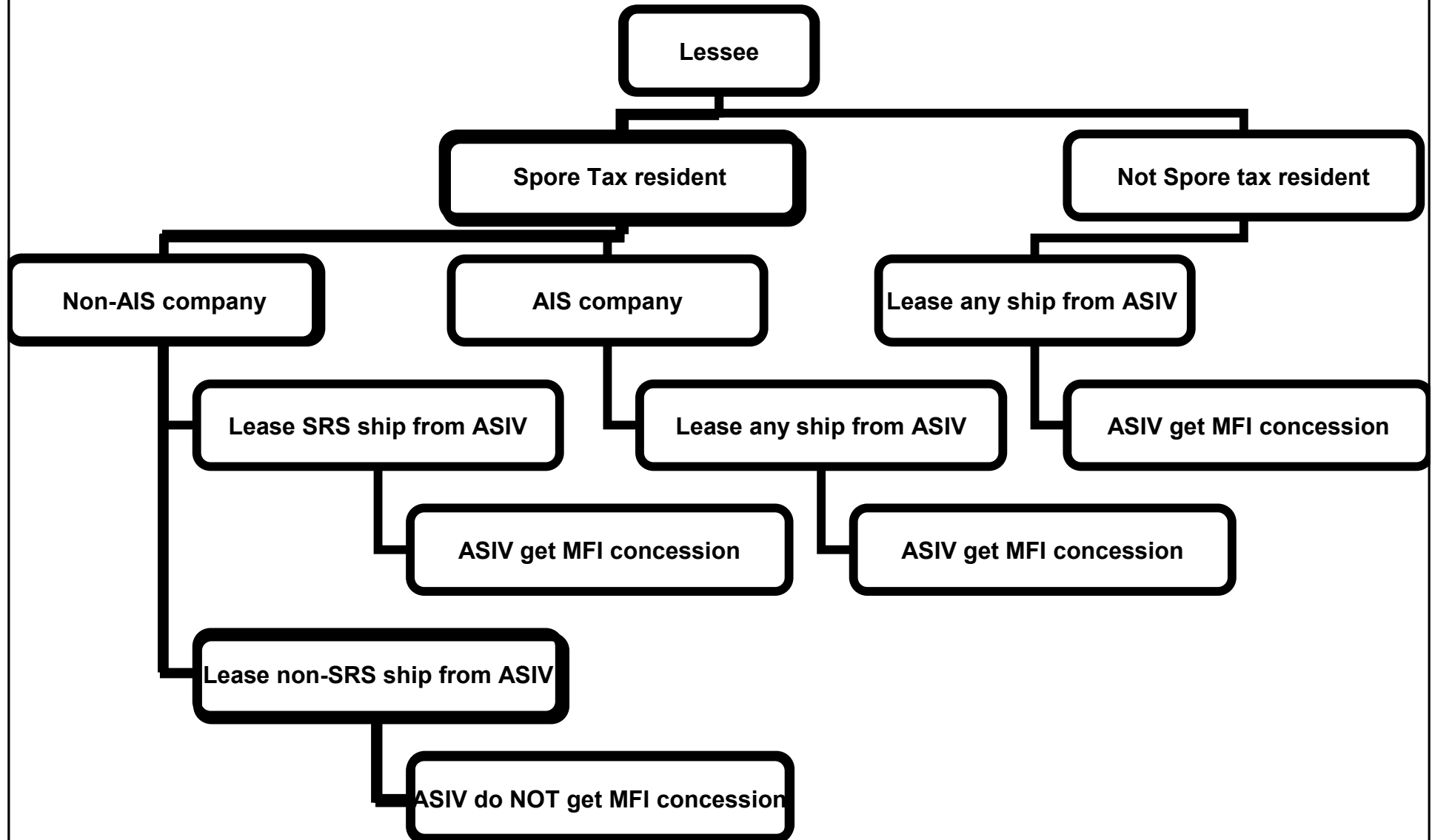
## Scope of MFI tax Concession





# Maritime Finance Incentive (MFI)

## Scope of MFI tax Concession

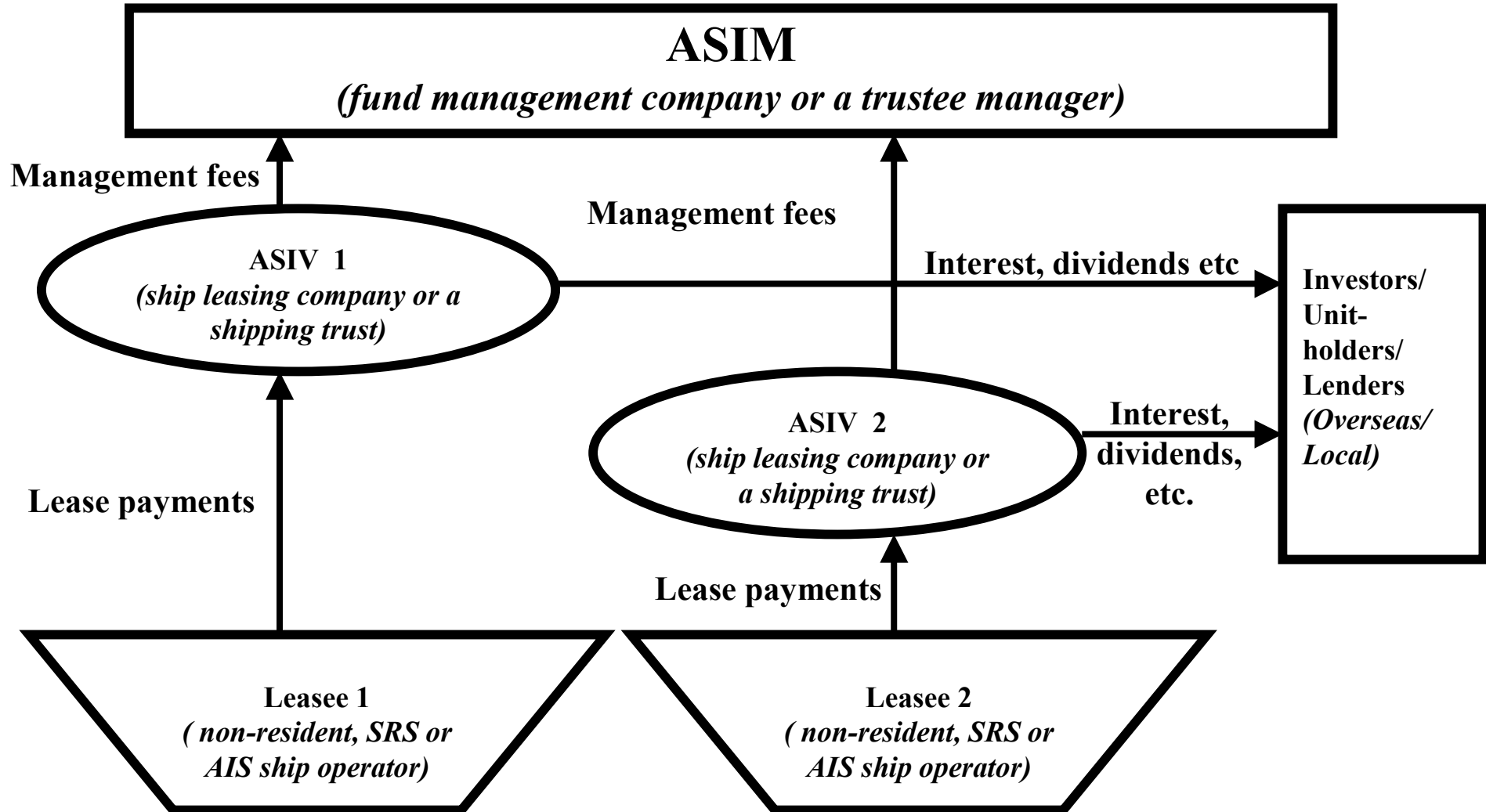




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# Maritime Finance Incentive (MFI)

## A typical Ship Financing Business Model





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# Maritime Finance Incentive

## Tax Change (Con't)

- MFI status granted from 1.3.2006 to 28.2.2011 for a period not exceeding 10 years.
- MPA will announce further details by June 2006.



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# Enhancement to Approved International Shipping (AIS) Enterprise Scheme - S13F

## Current Position

- AIS status granted initially for 10 years
- Renewal of AIS status granted once for another 10 years
- Maximum 20-year period of incentive



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# Enhancement to Approved International Shipping (AIS) Enterprise Scheme - S13F

## Objective of Tax Change

- To entrench shipping companies in Singapore

## Tax Change (wef YA 2007)

- AIS status can be extended for another 10 years after second 10-year period
- Maximum 30-year period for incentive



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# Income Tax Changes for Individuals

# Review of Tax Relief for National Servicemen (NSmen)

## Current Position

- Relief granted on preceding calendar year basis

Active NSman - \$3,000

Inactive NSman - \$1,500

## Tax Change (wef YA2007)

- Relief granted on preceding work year basis (i.e. from 1 April to 31 March)



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# Review of Tax Relief for National Servicemen (NSmen)

## Tax Change (Con't)

Category of NSman	Tax relief (\$)
Active NSman who is a KAH	\$5,000
Active NSman who is not a KAH	\$3,000
Inactive NSman who is a KAH	\$3,500
Inactive NSman who is not a KAH	\$1,500



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# Tax Incentive to Grow the Creative Industries – S10(16)

## Current Position

- Income of inventor, author or author of approved invention/ innovation lower of:
  - (i) qualifying income after expenses; or
  - (ii) 10% of gross qualifying income
  
- Applicable to electronics, chemicals & life sciences, engineering, logistics, info-communications and media, education, healthcare and IT sectors



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# Tax Incentive to Grow the Creative Industries - S10(16)

## Tax Change

- To include a company in which inventor/author beneficially owns all issued shares
- Extended to interactive digital media and industrial design sectors
- Only approved inventions or innovations by MICA or EDB will qualify under S10(16)



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# Other Changes



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# Abolition of Property Tax Surcharge

## Current Position

- Property tax surcharge to control ownership of restricted residential properties by foreigners
- Levied in addition to property tax

## Tax Change

- Abolishment of property tax surcharge
- Property Tax (Surcharge) Act repealed wef 1.7.2006.



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# Revision of Basis of Computing Slot Machine Duties

## Current Position

- Computed based on 30% of deemed turnover
- Maximum payout of 200 coins

## Tax Change

- Computed based on 12% of actual turnover
- Removal 200-coin payout limit



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# Reduction of Record Keeping Requirements

## Current

Act	Record Keeping Requirement
Income Tax Act	7 years from relevant YA
GST Act	7 years from end of acct period
Companies Act	7 years from point of transaction
LLP Act	7 years from point of transaction
Charities Act	7 years from end of FY of charity
Customs Act	7 years (from date of import/ export of goods or from date of release of goods from Customs control)



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# Reduction of Record Keeping Requirements

## New

Act	Record Keeping Requirement
Income Tax Act	5 years from relevant YA
GST Act	5 years from end of acct period
Companies Act	5 years from end of FY
LLP Act	5 years from end of FY
Charities Act	5 years from end of FY of charity
Customs Act	5 years (from date of import/export of goods or from date of release of goods from Customs control)



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# Reduction of Statutory Record Keeping Requirements

## ITA

### Current

- Review of assessment within 6 years after end of year of assessment

### New

- Review of assessment only within 4 years after end of year of assessment



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# Reduction of Record Keeping Requirements

## **GST**

### Current

- Review of assessment within 7 years after end of prescribed accounting period

### New

- Review of assessment only within 5 years after end of prescribed accounting period



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# Reduction of Record Keeping Requirements

## Fraud

- No change
- Assessments can be made beyond statutory review period



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# Thank You