



INLAND REVENUE  
AUTHORITY OF  
SINGAPORE

# Welcome to Budget Seminar 2005



INLAND REVENUE  
AUTHORITY OF  
SINGAPORE

# Overview of Tax Changes Announced in Budget 2005



# Overview of Presentation

## Income Tax Changes for Businesses

- Enhancement to Global Trader (GTP) Programme
- Enhancement to Approved Int'l Shipping Enterprise (AISE) Scheme
- Investment Allowance for Flagship Concept Projects
- 10% Concessionary Tax Rate for Approved Tourism Events
- Enhancements to Computer Donation Scheme
- Enhancement of Finance and Treasury Centre Incentive



# Overview of Presentation

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

- Enhancement of Tax Incentive to Promote Securities Borrowing & Lending Activities (SBL)
- Enhancements to Tax Incentive for Commodity Derivatives Trading (CDT)
- Tax Incentive to Facilitate Growth of Start-up Fund Managers
- Introduction of Loss Carry-back System



# Overview of Presentation

## Income Tax Changes for Trust & Charity

- Changes to Treatment of Real Estate Investment Trusts (REITs)
- Recognizing Other Charitable Purposes
- Foreign Charitable Purpose Trust Incentive

# Overview of Presentation

## Income Tax Changes for Individuals

- Revision of Personal Income Tax Rate Structure
- Change to Tax Relief for CPF Contributions by Self-employed Individuals
- Revision of Contribution Cap for Supplementary Retirement Scheme (SRS)



# Overview of Presentation

## Income Tax Changes for Businesses, Individuals & Bodies of Persons

- Granting Double Tax Deduction for Naming Donations
- Extension of Tax Incentive/Exemption to Payouts from Islamic Bonds



# Overview of Presentation

## Goods & Services Tax Change

- Bonded Warehouse Scheme (BWS)

## Stamp Duties Changes

- Refund of Stamp Duty on Aborted or Rescinded Sale & Purchase Agreement
- Enhancement to Stamp Duty Relief Granted – Amalgamation & Reconstruction of Companies



# Overview of Presentation

## Stamp Duties Changes

- Enhancements to Stamp Duty Relief Granted –  
Transfer of Assets between Associated Companies
- Remission of Stamp Duty on Instruments for Sales  
of Immovable Properties into REITS
- Removal of Double Imposition of Stamp Duties in  
Islamic-structured Real Estate Financing



INLAND REVENUE  
AUTHORITY OF  
SINGAPORE

# Overview of Presentation

## Estate Duty Change

- Quick Succession Relief (QSR)

## Betting Duties Change

- Revision of Basis of Computing Horse Betting Duty

# Overview of Presentation

## Part 1

- Income Tax Changes for Businesses
- Income Tax Changes for Trust and Charity

# Overview of Presentation

## Part 2

- Income Tax Changes for Individuals
- Income Tax Changes for Businesses,  
Individuals and Bodies of Persons
- Goods and Services Tax Change
- Stamp Duties Changes
- Estate Duty Change
- Betting Duties Change



INLAND REVENUE  
AUTHORITY OF  
SINGAPORE

# **Income Tax Changes for Businesses**

# Enhancement to the Global Trader Programme (GTP)

## Current Position

- Launched in June 2001
- Merger of AOT & AIT Programmes
- Concessionary tax rate of 5% or 10% on qualifying income from non-S\$ physical or derivative trades



INLAND REVENUE  
AUTHORITY OF  
SINGAPORE

# Enhancement to the Global Trader Programme (GTP)

## Tax Change (wef YA 2006)

- 5% or 10% extended to S\$ physical or derivative trades

## Objective of Tax Change

- To encourage GTP companies who want to use S\$ as the transacting currency in their trades to carry out more trading activities in S'pore

# Enhancement to the Approved International Shipping Enterprise (AISE) Scheme

## Current Position

- Tax exemption on income from certain qualifying activities
- AISEs must carry out substantial shipping operations
- Income from bareboat chartering is covered only where such activity is incidental to the shipping operations, & used for qualifying purposes

# Enhancement to the Approved International Shipping Enterprise (AISE) Scheme

## Tax Change

- Extended to ship leasing companies approved by MPA on or after 18 Feb 2005
- Bareboat chartering can be the main activity
- Charterer must use the ship for qualifying purposes
- Chartering in the form of operating leases

# Enhancement to the Approved International Shipping Enterprise (AISE) Scheme

## Objective of Tax Change

- To offer shipping companies more flexibility in managing their fleets
- To help grow Singapore's ship financing sector



# Investment Allowance (IA) for Flagship Concept Projects

## Current Position

- IA scheme not extended to tourism projects relating to retail, food & beverage, and entertainment sectors

## Objective of Tax Change

- To attract investments in flagship concept projects in retail, food & beverage, and entertainment sectors so as to refresh S'pore's appeal to tourists

# Investment Allowance (IA) for Flagship Concept Projects

## Tax Change

- IA scheme extended to such projects approved by STB from 1 Apr 2005 to 31 Mar 2010
- IA of 30% or 50% of approved new fixed capital investment
- Qualifying fixed capital investments:-
  - Specialised or high-tech equipments
  - Leasehold improvement items

# Investment Allowance (IA) for Flagship Concept Projects

## Administering Agency

- STB
- Promotion details available at “[www.stb.com.sg](http://www.stb.com.sg)”

# 10% Concessionary Tax Rate for Approved Tourism Events

## Current Position

- Income of companies which organise or stage tourism events are taxed at 20%

## Objective of Tax Change

- To incentivise companies to organise or stage more world-class events and activities so as to diversify S'pore's offerings to tourists

# 10% Concessionary Tax Rate for Approved Tourism Events

## Tax Change

- 10% concessionary tax rate for income derived by any company from organising or staging approved tourism events
- Applicable to tourism events approved by STB from 1 Apr 2005 to 31 Mar 2010

# 10% Concessionary Tax Rate for Approved Tourism Events

## Administering Agency

- STB
- Promotion details available at “[www.stb.com.sg](http://www.stb.com.sg)”

## Requirement

- Event companies to maintain separate accounts for approved events & proper apportionment of common expenses using reasonable basis

# Enhancements to the Computer Donation Scheme

## Current Position

- Single or double tax deduction on approved donation of a computer to prescribed educational, research, or other institutions in S'pore
- “State of the art” computer hardware & software
- Computer peripherals and accessories must be donated together with a computer

# Enhancements to the Computer Donation Scheme

## Tax Changes

- To include all IPCs as beneficiaries
- To allow gifts of computer hardware & software which are not “state of the art”, as long as they are new and of benefit to the recipient
- To allow gifts of computer peripherals, accessories & handheld computer without need to be donated together with a computer system

# Enhancements to the Computer Donation Scheme

## Tax Changes (cont'd)

- Double tax deduction for both naming and non-naming opportunities attached to approved computer donations
- Applies to donations made on or after 1 Jan 2005

# Enhancements to the Computer Donation Scheme

## Objective of Tax Change

- To encourage more computer donations to enable IPCs to improve their administration & manage their programmes more effectively thru' use of IT

# Enhancement of Finance and Treasury Centre (FTC) Incentive

## Current Position

- Concessionary tax rate of 10%
- Income derived from provision of qualifying services to approved related companies outside S'pore, & from qualifying activities on own account
- Specified transactions carried out by FTC must be denominated in non-S\$

# Enhancement of Finance and Treasury Centre (FTC) Incentive

## Objective of Tax Change

- To enhance our position as a premier location for regional headquarters with finance & treasury centres

# Enhancement of Finance and Treasury Centre (FTC) Incentive

## (i) Tax Change

- Extended to income derived from provision of qualifying services to related companies in S'pore

# Enhancement of Finance and Treasury Centre (FTC) Incentive

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

- Applies to related companies in S'pore approved by MAS on or after 18 Feb 2005
- Existing FTCs can apply to MAS for approval of related Singapore companies

# Enhancement of Finance and Treasury Centre (FTC) Incentive

## (ii) Tax Change

- Extend to S\$ dollar denominated transactions
- 10% tax rate applies to income derived on or after 18 Feb 2005 from qualifying services and activities denominated in S\$



INLAND REVENUE  
AUTHORITY OF  
SINGAPORE

# Enhancement of Finance and Treasury Centre (FTC) Incentive

Further details to be released by MAS

➤ by end Mar 2005



# Enhancement of Tax Incentive to Promote SBL Activities

## At a glance

	Current Position	Enhancement
Qualifying company (10%)	<ul style="list-style-type: none"><li>➤ FSI company</li></ul>	<ul style="list-style-type: none"><li>➤ FSI company</li><li>➤ Company registered with MAS</li></ul>
Qualifying securities (10%)	<ul style="list-style-type: none"><li>➤ Foreign equity or debt securities</li></ul>	<ul style="list-style-type: none"><li>➤ All securities except unlisted S'pore shares</li></ul>
Qualifying income (10%)	<ul style="list-style-type: none"><li>➤ Income from loan of foreign equity or debt securities</li><li>➤ Income from arranging any loan on behalf of foreign investor in relation to desig. foreign debt/equity securities to another FSI co</li></ul>	<ul style="list-style-type: none"><li>➤ Income from loan of all securities except unlisted S'pore shares</li><li>➤ Income from arranging any loan of any securities except unlisted S'pore shares for the lender &amp; borrower, s.t. certain conditions</li></ul>

# Enhancement of Tax Incentive to Promote SBL Activities

## Qualifying Period

Type of company	Qualifying period during which the income derived from the enhancement will qualify for 10%
FSI company	From 18 Feb 2005 to 31 Dec 2008
Company registered with MAS before 1 Jan 2006	From 18 Feb 2005 to 31 Dec 2008
Company registered with MAS after 1 Jan 2006	From date of registration with MAS to 31 Dec 2008

# Enhancement of Tax Incentive to Promote SBL Activities

## Objective of Tax Change

- To encourage more institutions to participate in SBL

## Further details to be released by MAS

- by end Mar 2005

# Enhancement to Tax Incentive for Commodity Derivatives Trading (CDT)

## Current Position

- Co-administered by MAS and IES
- Concessionary rate of tax of 5% on income from qualifying transactions in commodity derivatives & physical trades which are < 15% of total trades
- Qualifying commodity derivatives = over-the-counter (OTC) derivatives

# Enhancement to Tax Incentive for Commodity Derivatives Trading (CDT)

## Objective of Tax Change

- To encourage exchange-traded commodity derivatives trading

# Enhancement to Tax Incentive for Commodity Derivatives Trading (CDT)

## (i) Tax Change

- To include income derived from qualifying transactions in exchange-traded commodity derivatives, subject to qualifying condition

# Enhancement to Tax Incentive for Commodity Derivatives Trading (CDT)

## Tax Change (cont'd)

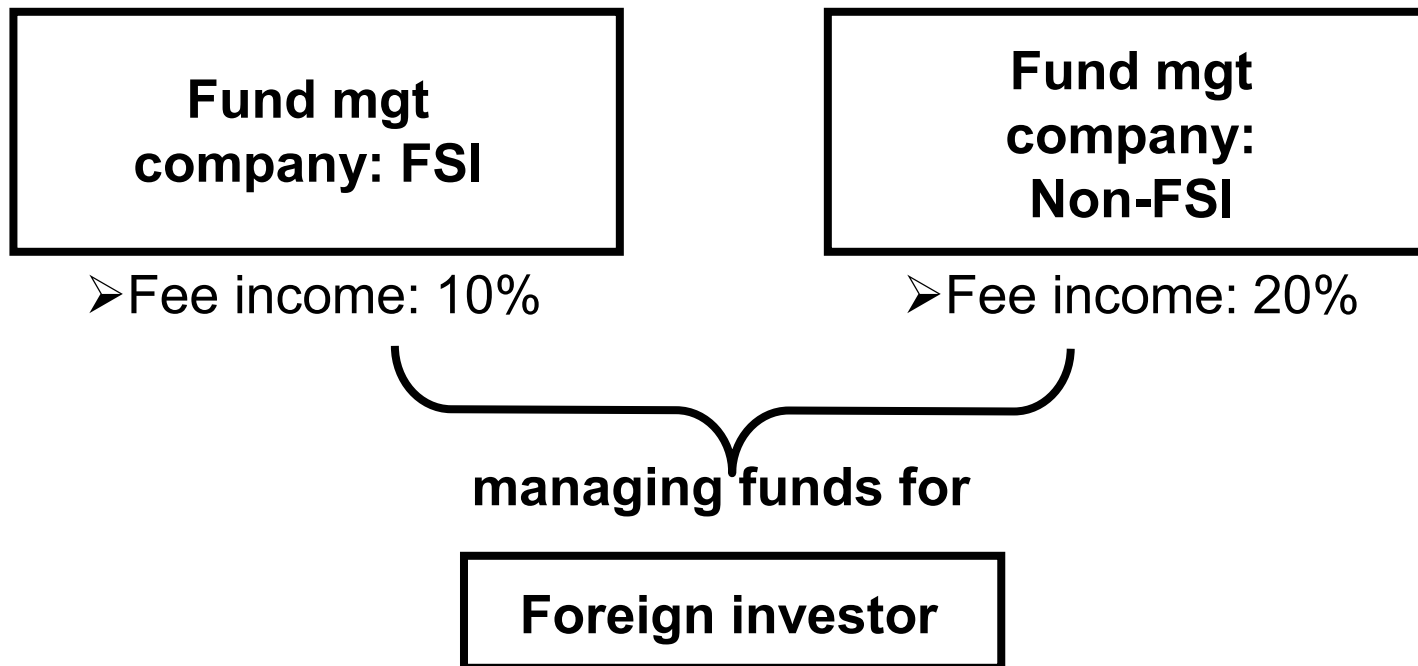
- Applies to approvals on or after 18 Feb 2005

## Further details to be released by MAS

- by end March 2005

# Tax Incentive to Facilitate Growth of Start-up Fund Managers

## Current Position



- Specified income from designated investments: tax exempt (s13C of ITA)

# Tax Incentive to Facilitate Growth of Start-up Fund Managers

## Definition of a foreign investor

### Individual

- Non-S'pore citizen
- Non resident

### Company

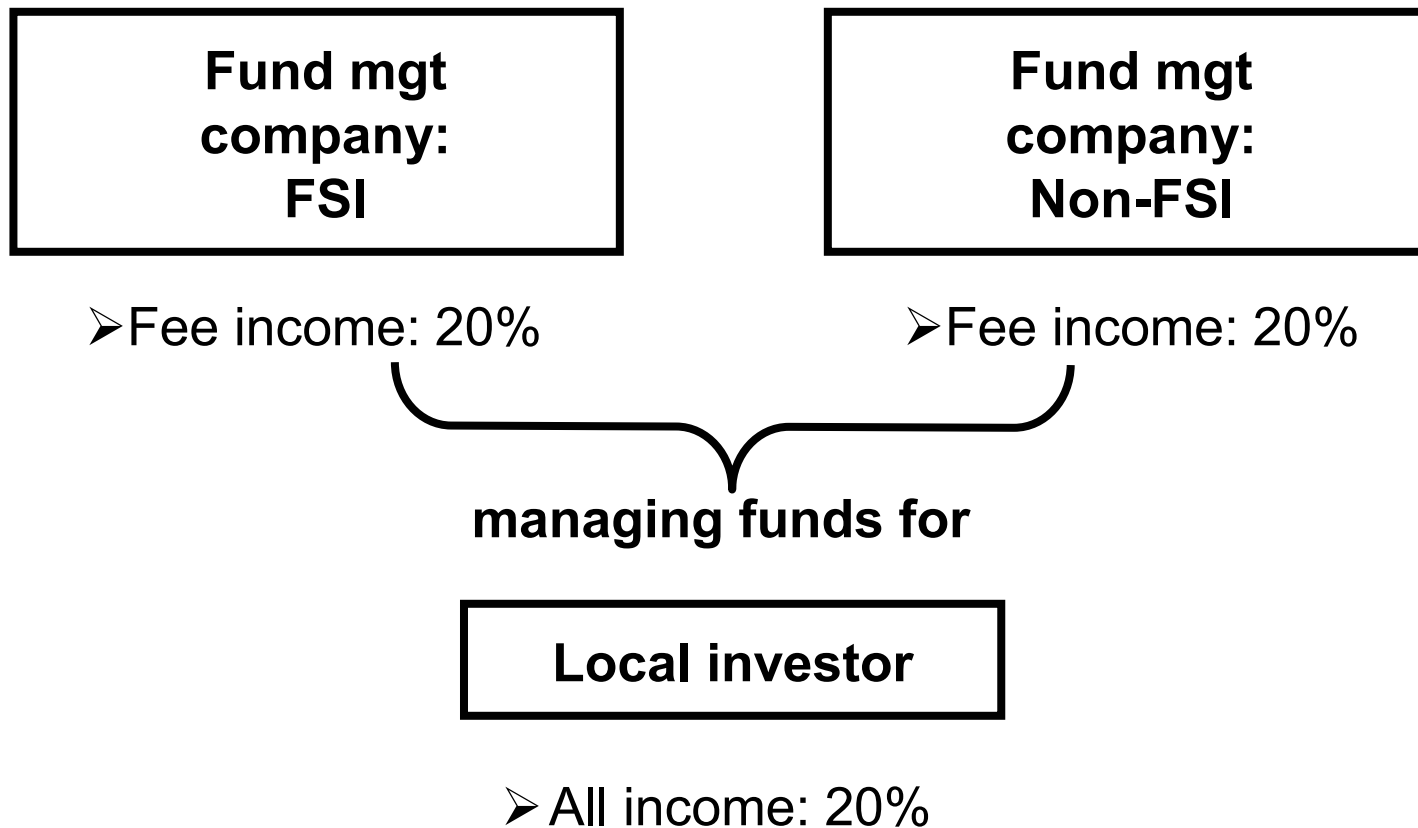
- Non resident; &
- Not more than 20% of issued share capital is owned by S'pore citizens or S'pore residents

### Trust fund

- Not more than 20% of value of fund is held by individuals & companies that are not foreign investors as defined above

# Tax Incentive to Facilitate Growth of Start-up Fund Managers

## Current Position (cont'd)



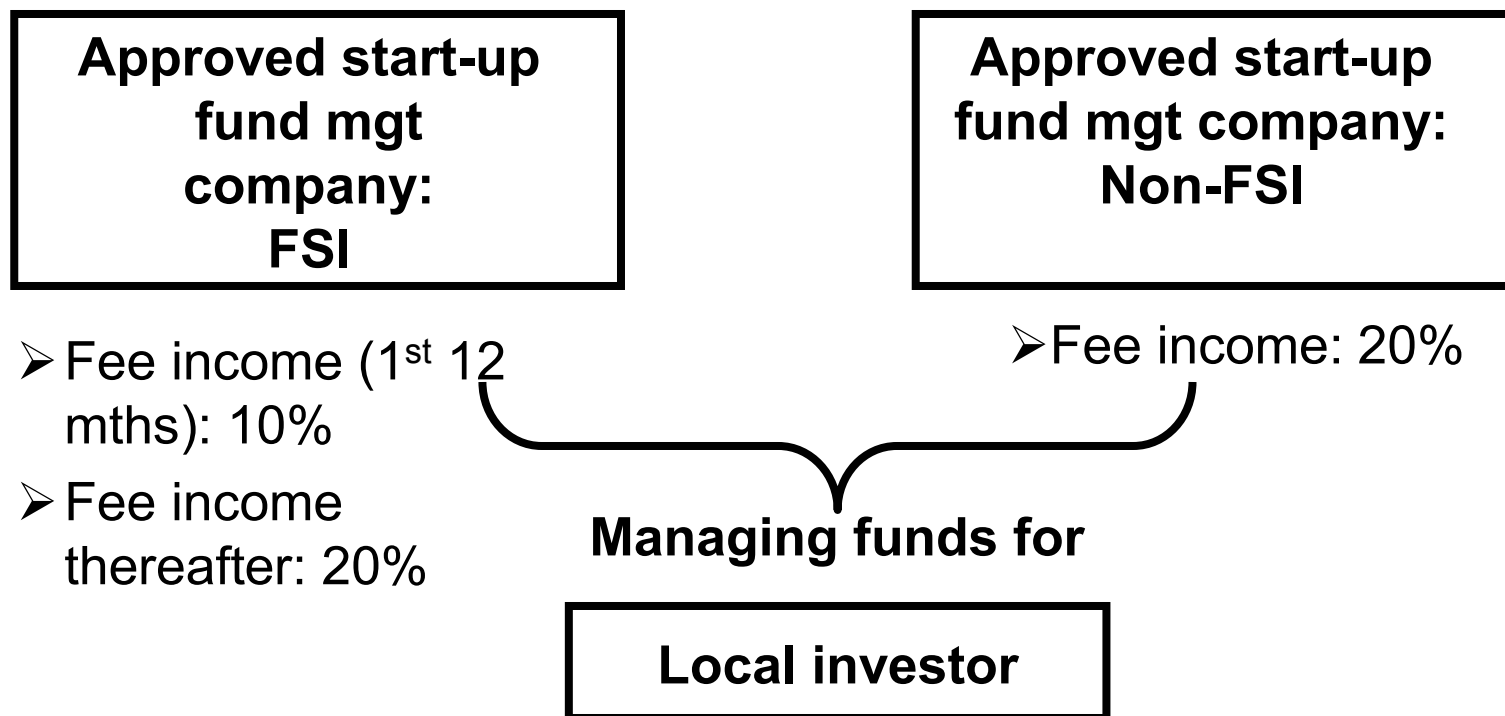
# Tax Incentive to Facilitate Growth of Start-up Fund Managers

## Objective of Tax Change

- To encourage more start-up fund managers to locate in S'pore, so as to broaden and deepen the fund mgt industry's coverage of products, services & assets

# Tax Incentive to Facilitate Growth of Start-up Fund Managers

## Tax Change



- Specified income from desig. invt. (1<sup>st</sup> 12mths): tax exempt
- Specified income from desig. invt. thereafter: 20%

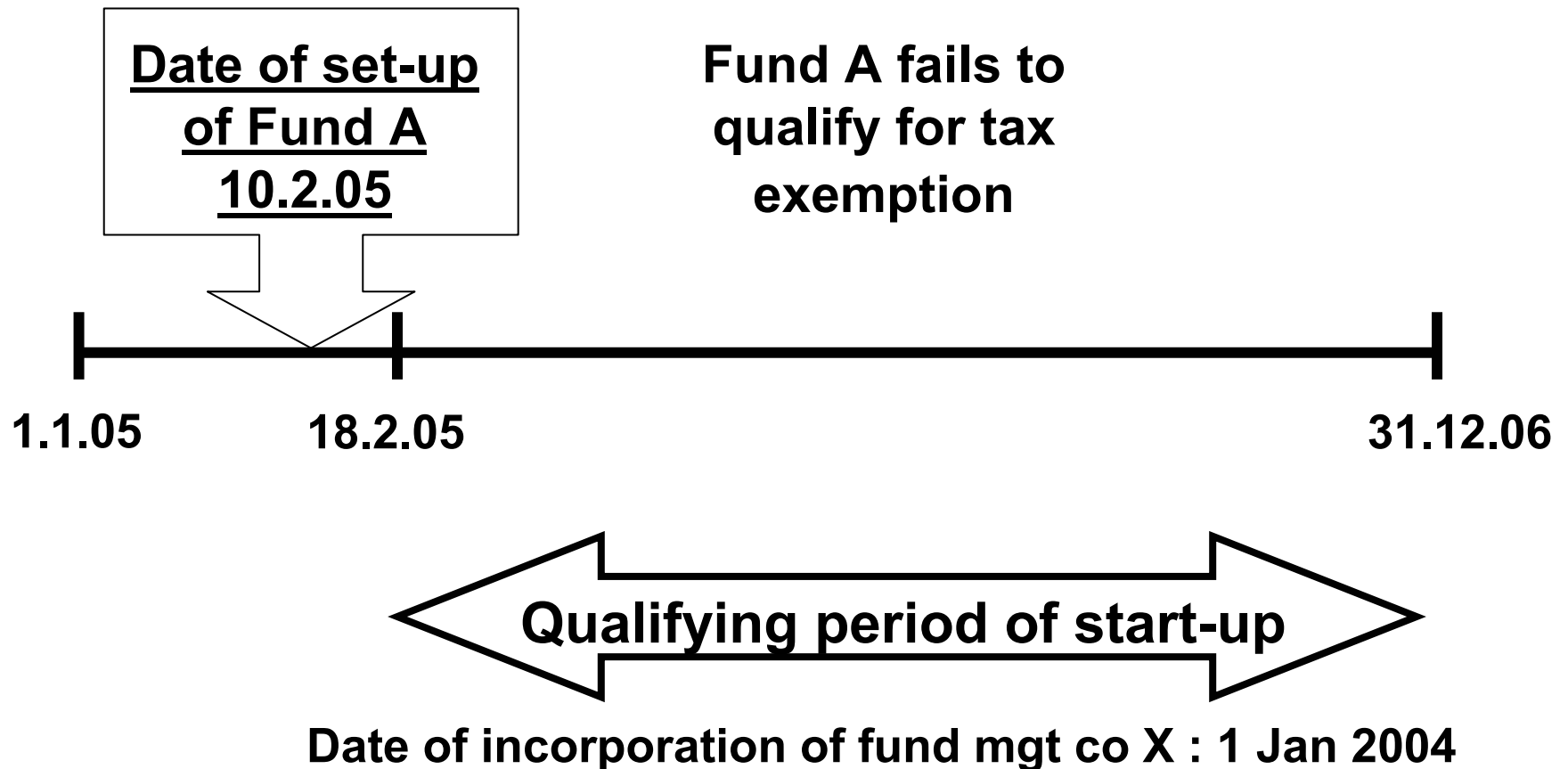
# Tax Incentive to Facilitate Growth of Start-up Fund Managers

## Tax Change (cont'd)

- Applicable to funds set-up during 18 Feb 2005 to 17 Feb 2010 by an approved start-up fund mgt company
- After the 1<sup>st</sup> 12 months, the fund must be a foreign investor in order to continue to enjoy tax exemption

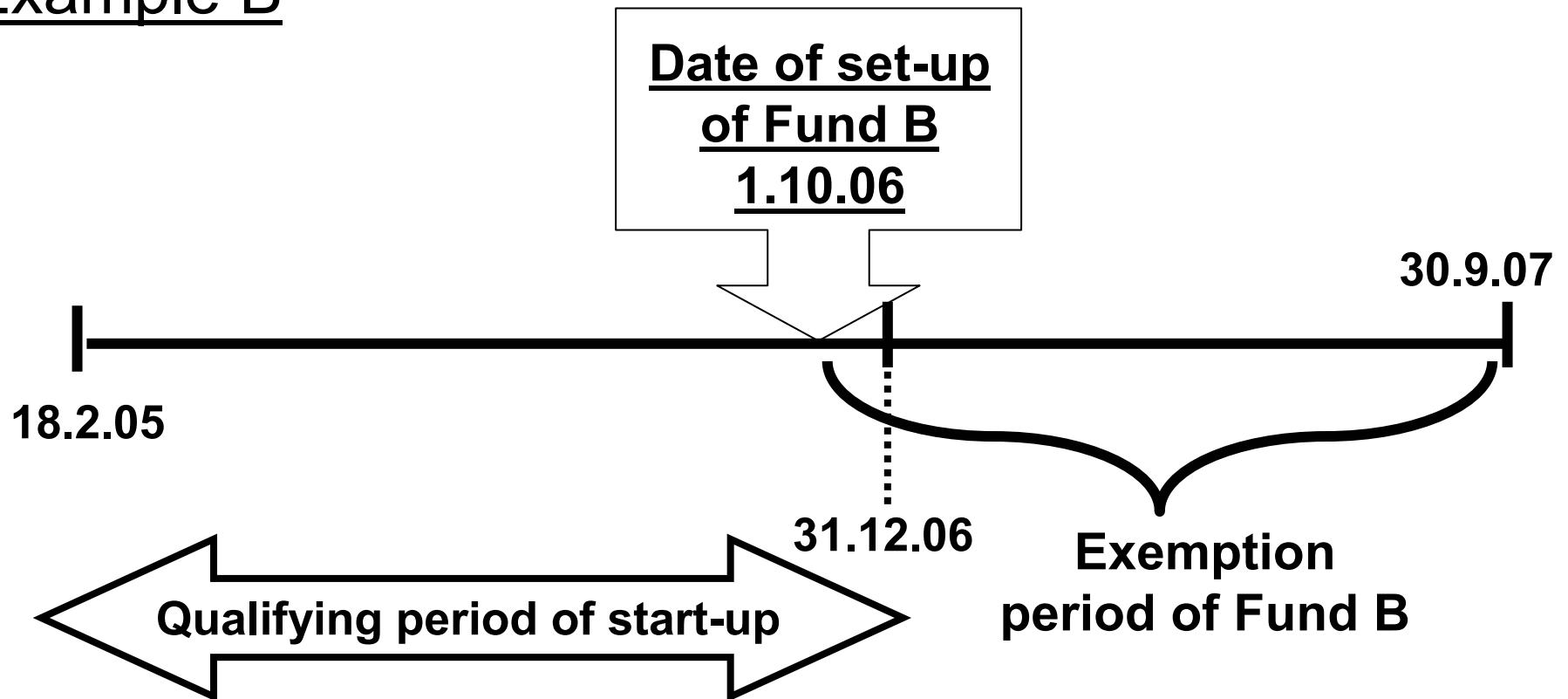
# Tax Incentive to Facilitate Growth of Start-up Fund Managers

## Example A



# Tax Incentive to Facilitate Growth of Start-up Fund Managers

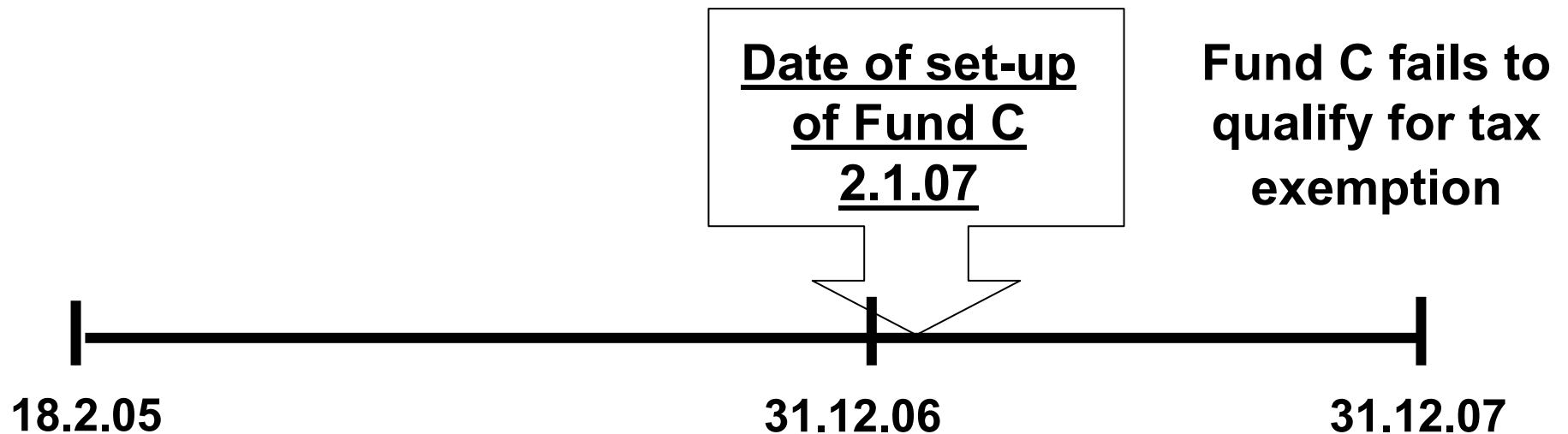
## Example B



**Date of incorporation of fund mgt co X : 1 Jan 2004**

# Tax Incentive to Facilitate Growth of Start-up Fund Managers

## Example C



Date of incorporation of fund mgt co X : 1 Jan 2004

# Tax Incentive to Facilitate Growth of Start-up Fund Managers

## Application Details

- Application to be an approved start-up fund mgt company can be made directly to MAS
- Further details to be released by MAS by end Mar 2005



# Introduction of Loss Carry-Back System

## Current Position

- Currently, trade losses arising in any basis period and CA granted in any YA are allowed to be set off against income from other sources during same basis period or YA
- Any unutilised trade losses or CA can be carried forward to set off against income for subsequent YAs



# Introduction of Loss Carry-Back System

## Current Position (cont'd)

- Shareholding test apply to the carry-forward of unutilised trade losses & CA for companies
- “Same business” test apply to the carry-forward of unutilised CA for all persons



INLAND REVENUE  
AUTHORITY OF  
SINGAPORE

# Introduction of Loss Carry-Back System

## Objective of Tax Change

- To provide timely relief for small businesses to help them cope with cash-flow problems, especially in a cyclical downturn



INLAND REVENUE  
AUTHORITY OF  
SINGAPORE

# Introduction of Loss Carry-Back System

## Tax Change

- Loss carry-back wef YA2006
- Current year unutilised trade losses and CA
- Carry-back for one YA immediately preceding the YA in which trade loss and CA arose



INLAND REVENUE  
AUTHORITY OF  
SINGAPORE

# Introduction of Loss Carry-Back System

## Tax Change (cont'd)

- Subject to a max amount of \$100,000
- Given on due claim
- Available to all businesses, including SP and partners having partnership losses
- Shareholding test & “same business” test where applicable



INLAND REVENUE  
AUTHORITY OF  
SINGAPORE

# Introduction of Loss Carry-Back System

## Tax Change (cont'd)

- Not applicable to Section 10E companies

## Implementation details to be released by IRAS

- by Jun 2005



INLAND REVENUE  
AUTHORITY OF  
SINGAPORE

# **Income Tax Changes for Trust and Charity**

# Changes to the Treatment of Real Estate Investment Trusts (REITs)

## Current Position

- Generally, the income of REITs is taxed at the trustee level
- Income of REITs which are granted tax transparency treatment under s43(2) of the ITA by CIT, is taxed at the beneficiary level

# Changes to the Treatment of Real Estate Investment Trusts (REITs)

## Current Position (cont'd)

- Main conditions for granting tax transparency:
  - Trustee to furnish letter of indemnity to CIT
  - 100% of income of REIT come from property-related sources
  - At least 90% of taxable income must be distributed to unitholders within the same year

# Changes to the Treatment of Real Estate Investment Trusts (REITs)

## Current Position (cont'd)

- Trustee to withhold tax at 20% (from 1 Jan 2004) on the distribution made to foreign non-individual unitholders at the time of distribution

# Changes to the Treatment of Real Estate Investment Trusts (REITs)

## Tax Change (wef 18 Feb 2005)

- Main conditions removed:
  - Trustee to furnish letter of indemnity to CIT
  - 100% of income of REIT come from property-related sources
- REIT can continue to apply to CIT for tax transparency treatment:
  - Distribute at least 90% of taxable income
  - Certain administrative procedures

# Changes to the Treatment of Real Estate Investment Trusts (REITs)

## Tax Change (cont'd)

- Trustee to withhold tax at 10% on the distribution made to foreign non-individual unitholders during 18 Feb 2005 to 17 Feb 2010

# Changes to the Treatment of Real Estate Investment Trusts (REITs)

## Objective of Tax Change

- To attract more REITs listing in S'pore, & foreign non-individual investors to participate in our REITs market

## Further details in MAS' circular dated 28 Feb 05

- [http://www.mas.gov.sg/masmcm/bin/pt1Circulars\\_and\\_Announcements.htm](http://www.mas.gov.sg/masmcm/bin/pt1Circulars_and_Announcements.htm)

# Recognizing Other Charitable Purposes

## Current Position

- Tax exemption on income of charities if spend at least 80% of annual receipts on charitable objects in S'pore (s13M of ITA)
- Exclusively charitable purposes
- Benefit a sufficient portion of community



# Recognizing Other Charitable Purposes

## Current Position (cont'd)

- Current list of explicitly recognized charitable purposes:
  - the prevention & relief of poverty;
  - the advancement of education;
  - the advancement of religion; &
  - “other purposes” beneficial to the community
- Several purposes recognized under “other purposes beneficial to the community”

# Recognizing Other Charitable Purposes

## Objective of Tax Change

- To encourage the good work of non-profit organizations that engage in such purposes and to encourage Singaporeans to donate to these organisations

# Recognizing Other Charitable Purposes

## (i) Tax Change

➤ The following purposes are now explicitly recognized as charitable:

- The advancement of:-
  - health;
  - citizenship or community development;
  - arts, heritage or science;
  - environmental protection or improvement;
  - animal welfare
- The relief of those in need by reason of youth, age, ill-health, disability, financial hardship or other disadvantage



INLAND REVENUE  
AUTHORITY OF  
SINGAPORE

# Recognizing Other Charitable Purposes

## (ii) Tax Change (wef YA2006)

- To include the advancement of sport as a charitable purpose insofar as it advances health
- The sport must require physical skill and exertion



# Foreign Charitable Purpose Trust Incentive

## Current Position

- A trust set up for charitable purpose or otherwise may be exempt from tax if it qualifies as a foreign trust under s13G of ITA
  
- To qualify as a foreign trust,
  - All settlors and beneficiaries must be foreign companies or individuals who are neither S'pore residents nor S'pore citizens



INLAND REVENUE  
AUTHORITY OF  
SINGAPORE

# Foreign Charitable Purpose Trust Incentive

## Objective of Tax Change

- To develop Singapore as a premier wealth management centre
- To create a more conducive tax environment for charities by allowing greater flexibility in geographic sourcing of funds for charitable purposes



INLAND REVENUE  
AUTHORITY OF  
SINGAPORE

# Foreign Charitable Purpose Trust Incentive

## Tax Change

- Tax exemption on specified income of foreign charitable purpose trust, even though the beneficiaries are neither foreign companies nor individuals who are neither S'pore residents nor S'pore citizens
- Wef 18 Feb 2005



# Foreign Charitable Purpose Trust Incentive

## Tax Change (cont'd)

- The trust must be set up for one or more of the following charitable purpose:

Advancement of:-

- ✓ Education
- ✓ Health
- ✓ Religion
- ✓ Citizenship or community development
- ✓ Arts, heritage or science
- ✓ Environmental protection or improvement
- ✓ Animal welfare
- ✓ Sport (wef YA 2006)
- ✓ Prevention & relief of poverty
- ✓ Relief of those in need by reason of youth, age, ill-health, disability, financial hardship or other disadvantage
- ✓ Other purposes beneficial to the community



# Foreign Charitable Purpose Trust Incentive

## At a glance

	Foreign Trust	Foreign Charitable Purpose Trust
Settlor	<ul style="list-style-type: none"><li>• foreign company</li><li>• individuals who are neither S'pore citizens nor residents</li></ul>	<ul style="list-style-type: none"><li>• foreign company</li><li>• individuals who are neither S'pore citizens nor residents</li><li>• foreign trust</li><li>• another foreign charitable purpose trust</li><li>• any other person neither resident in Singapore nor constituted or registered under any written laws in S'pore</li></ul>
Beneficiary	<ul style="list-style-type: none"><li>• foreign company</li><li>• individuals who are neither S'pore citizens nor residents</li></ul>	<ul style="list-style-type: none"><li>• specified charitable purposes</li></ul>



# Foreign Charitable Purpose Trust Incentive

## Approved Trustee Company

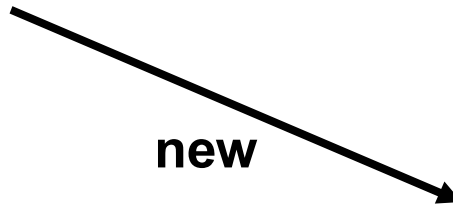
**Approved  
Trustee  
Company**

current



**Foreign Trust**

new



**Foreign  
Charitable  
Purpose Trust**

10% on income from:

- Providing trustee or custodian services in its capacity as a trustee
- Providing trust management or administration services to a trustee



INLAND REVENUE  
AUTHORITY OF  
SINGAPORE

# Foreign Charitable Purpose Trust Incentive

Further details in MAS' circular dated 28 Feb 05

➤ [http://www.mas.gov.sg/masmcm/bin/pt1Circulars\\_and\\_Announcements.htm](http://www.mas.gov.sg/masmcm/bin/pt1Circulars_and_Announcements.htm)



INLAND REVENUE  
AUTHORITY OF  
SINGAPORE

# **Income Tax Changes for Individuals**



INLAND REVENUE  
AUTHORITY OF  
SINGAPORE

# Revision of Personal Income Tax Rate Structure

## Current Position

- Personal income tax rates : 0% to 22%
- First \$20,000 of Chargeable Income is exempt from tax

# Revision of Personal Income Tax Rate Structure

## Tax Change

- Top marginal individual income tax rate will be reduced with effect from:
  - YA2006, from 22% to 21%
  - YA2007, from 21% to 20%
  
- Marginal tax rates for other income bands are reduced correspondingly



# Revision of Personal Income Tax Rate Structure

## At a Glance – Table of Income Tax Rates for Individuals

Chargeable Income (\$)	Current Rates (%)	YA2006 Rates (%)	YA2007 Rates (%)
0 – 20,000	0.00	0.00	0.00
20,001 – 30,000	4.00	3.75	3.50
30,001 – 40,000	6.00	5.75	5.50
40,001 – 80,000	9.00	8.75	8.50
80,001 – 160,000	15.00	14.50	14.00
160,001 – 320,000	19.00	18.00	17.00
> 320,000	22.00	21.00	20.00



INLAND REVENUE  
AUTHORITY OF  
SINGAPORE

# Revision of Personal Income Tax Rate Structure

## Tax on CI of Resident Individuals for YAs 2006 and 2007

Chargeable Income (\$)	YA2006		YA2007	
	Rates (%)	Tax (\$)	Rates (%)	Tax (\$)
On the first 20,000	0	0	0	0
On the next <u>10,000</u>	3.75	<u>375</u>	3.50	<u>350</u>
On the first 30,000		375		350
On the next <u>10,000</u>	5.75	<u>575</u>	5.50	<u>550</u>
On the first 40,000		950		900
On the next <u>40,000</u>	8.75	<u>3,500</u>	8.50	<u>3,400</u>
On the first 80,000		4,450		4,300
On the next <u>80,000</u>	14.50	<u>11,600</u>	14.00	<u>11,200</u>
On the first 160,000		16,050		15,500
On the next <u>160,000</u>	18.00	<u>28,800</u>	17.00	<u>27,200</u>
On the first 320,000		44,850		42,700
Excess over 320,000	21.00		20.00	



INLAND REVENUE  
AUTHORITY OF  
SINGAPORE

# Revision of Personal Income Tax Rate Structure

- To make Singapore's personal income tax regime more competitive
- To increase Singapore's attractiveness to internationally mobile talent

# Change to Tax Relief for CPF Contributions by Self-Employed Individuals

## Current Position

- A self-employed individual may claim a tax deduction for voluntary and compulsory CPF contributions made
- Amount of relief allowable to a self-employed individual for YA2005 is limited to 33% of assessable trade income or \$21,780 whichever is the lower



# Change to Tax Relief for CPF Contributions by Self-Employed Individuals

## Current Position [cont'd]

- \$21,780 is based on 33% of maximum income of \$66,000 (i.e. \$5,500 x 12 months)
- However, the amount of relief in respect of mandatory CPF contributions for an employee for YA2005 is capped at a higher amount of \$30,855 (i.e. 33% x \$5,500 x 17 months)

# Change to Tax Relief for CPF Contributions by Self-Employed Individuals

## Tax Change

- CPF tax relief cap allowable to a self-employed individual will be increased
- Such relief cap allowable to a self-employed individual will be based on 17 months (instead of 12 months) of CPF monthly salary ceiling prevailing for the year

# Change to Tax Relief for CPF Contributions by Self-Employed Individuals

## Tax Change [cont'd]

- Change takes effect from YA2006
- This means that self-employed individual's CPF tax relief is 33% of assessable trade income or revised CPF tax relief cap of \$28,050 (i.e. based on 33% x \$5,000 x 17 months), whichever is the lower

# Change to Tax Relief for CPF Contributions by Self-Employed Individuals

## Tax Change [cont'd]

- Existing qualifying conditions and limitations of CPF tax relief will continue to apply

## Objective of Tax Change

- To encourage self-employed individuals to save more for their retirement

# Revision of Contribution Cap for Supplementary Retirement Scheme (SRS)

## Current Position

- SRS contribution cap is computed using relevant SRS contribution rate multiplied by relevant income base of SRS member

# Revision of Contribution Cap for Supplementary Retirement Scheme (SRS)

## Current Position [cont'd]

- Relevant SRS contribution rates are :
  - 15% for Singapore citizen/PR
  - 35% for non-Singapore citizen/non-PR
  
- Relevant income base depends on whether income is ordinary or additional wage, or income from trade, business, profession or vocation

# Revision of Contribution Cap for Supplementary Retirement Scheme (SRS)

## Tax Change

- The relevant income base will be fixed and revised for all employees and self-employed individuals
- New income base is 17 months of the prevailing CPF monthly salary ceiling (\$5,000 from 1 Jan 2005) i.e. \$85,000

# Revision of Contribution Cap for Supplementary Retirement Scheme (SRS)

## Tax Change [cont'd]

- Employees and self-employed individuals may make contributions up to 15% or 35% of \$85,000, regardless of their actual level of income from employment, trade, business, profession or vocation
- Change takes effect from 1 Jan 2005

# Revision of Contribution Cap for Supplementary Retirement Scheme (SRS)

## Tax Change [cont'd]

- No need for employers to issue SRS employers' declaration forms in respect of their employees' annual wages
- Employees and self-employed individuals to furnish documentary evidence to SRS operators to prove eligibility

## Objective of Tax Change

- To simplify rules on SRS contribution caps



INLAND REVENUE  
AUTHORITY OF  
SINGAPORE

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

# Granting Double Tax Deduction for Naming Donations

## Current Position

- Single tax deduction granted for naming donations to IPCs and other approved recipients

# Granting Double Tax Deduction for Naming Donations

## Tax Change

- Double tax deduction granted for naming donations to IPCs and other approved recipients
- Include naming donations where an IPC event or programme acknowledges or is named after the donor

# Granting Double Tax Deduction for Naming Donations

## Tax Change [cont'd]

- Applicable to naming donations to IPCs and other approved recipients made on or after 1 Jan 2005

## Objective of Tax Change

- To further encourage charitable giving

# Extension of Tax Incentive/ Exemption to Payouts from Islamic Bonds

## Current Position

- Tax exemption on interest and discount from qualifying debt securities (QDS) derived by non-residents, subject to qualifying conditions
- Concessionary tax rate of 10% on interest and discount from QDS derived by companies and bodies of persons, subject to qualifying conditions

# Extension of Tax Incentive/ Exemption to Payouts from Islamic Bonds

## Current Position [cont'd]

- With effect from 1 Jan 2004, tax exemption on interest and discount from debt securities derived by any individual, provided not derived through a partnership in Singapore or from carrying on of a trade, business or profession

# Extension of Tax Incentive/ Exemption to Payouts from Islamic Bonds

## Tax Change

- Tax incentives granted to QDS and tax exemption for individuals on locally sourced investment income will be extended to payouts from Islamic bonds

# Extension of Tax Incentive/ Exemption to Payouts from Islamic Bonds

## Tax Change [cont'd]

### ➤ Qualifying conditions

- Islamic bonds must be QDS issued during the period 1 Jan 2005 to 31 Dec 2008 (condition will not apply if the recipient of the payout is an individual)

# Extension of Tax Incentive/ Exemption to Payouts from Islamic Bonds

## Tax Change [cont'd]

### ➤ Qualifying conditions *[continued]*

- Payouts from Islamic bonds must be backed by a regular stream of income/cashflows from the underlying assets
- Islamic bonds must be endorsed by at least 1 Shariah council

# Extension of Tax Incentive/ Exemption to Payouts from Islamic Bonds

## Tax Change [cont'd]

- Change applies to payouts derived from Islamic bonds on or after 1 Jan 2005
- All existing conditions applicable to QDS or tax exemption on locally sourced investment income for individuals (as the case may be) will apply to Islamic bonds

# Extension of Tax Incentive/ Exemption to Payouts from Islamic Bonds

## Objective of Tax Change

- To make the Singapore tax system more conducive for transacting in Islamic financial products

## Details to be released by MAS

- By end Mar 2005



INLAND REVENUE  
AUTHORITY OF  
SINGAPORE

# **Goods & Services Tax (GST) Change**

# Bonded Warehouse Scheme (BWS)

## Current Position

- Only approved warehouse operators who store imported goods substantially destined for re-export (80% or more) or traders engaged in approved commodities (which would ultimately be largely exported) can operate a bonded warehouse

# Bonded Warehouse Scheme (BWS)

## Tax Change

- Expand the current BWS by lifting the 80% export percentage requirement for qualifying operators
- Revised BWS takes effect from 1 Jan 2006

# Bonded Warehouse Scheme (BWS)

## Objective of Tax Change

- To provide traders with greater flexibility in storing and moving goods between pre-approved warehouses

## Details to be released by Singapore Customs

- In 3<sup>rd</sup> Quarter 2005



INLAND REVENUE  
AUTHORITY OF  
SINGAPORE

# Stamp Duties Changes

# Refund of Stamp Duty on Aborted or Rescinded Sale & Purchase Agreement

## Current Position

- Refund of stamp duty is allowed on rescinded Sale & Purchase (S&P) Agreements related to immovable property, under certain circumstances

# Refund of Stamp Duty on Aborted or Rescinded Sale & Purchase Agreement

## Tax Change

- Stamp duty paid in excess of \$50 will be refunded for all rescinded S&P Agreements relating to immovable property, except where the S&P Agreement is rescinded :
  - by reason of a sub-sale; or
  - with a view to facilitate disposition of property by purchaser to another person

# Refund of Stamp Duty on Aborted or Rescinded Sale & Purchase Agreement

## Tax Change [cont'd]

- Change applies to S&P Agreements rescinded on or after 18 Feb 2005

## Objective of Tax Change

- To provide relief to bona fide aborted transactions



INLAND REVENUE  
AUTHORITY OF  
SINGAPORE

# Enhancement to Stamp Duty Relief Granted – Amalgamation & Reconstruction of Companies

## Current Position

- Stamp duty relief is granted on documents relating to the transfer of immovable properties and shares in amalgamation and reconstruction of companies



INLAND REVENUE  
AUTHORITY OF  
SINGAPORE

# Enhancement to Stamp Duty Relief Granted – Amalgamation & Reconstruction of Companies

## Tax Change

- Stamp duty relief is extended to include a transfer of financial institutions' mortgages with their customers
- Change applies to documents (relating to the transfer of financial institutions' mortgages with their customers) executed on or after 18 Feb 2005



INLAND REVENUE  
AUTHORITY OF  
SINGAPORE

# Enhancement to Stamp Duty Relief Granted – Amalgamation & Reconstruction of Companies

## Objective of Tax Change

- To facilitate mergers between financial institutions

# Enhancements to Stamp Duty Relief Granted – Transfer of Assets between Associated Companies

## Current Position

- Stamp duty relief is granted on documents relating to the transfer of immovable property and shares in transfer of assets between associated companies
- Relief is subject to qualifying conditions



INLAND REVENUE  
AUTHORITY OF  
SINGAPORE

# Enhancements to Stamp Duty Relief Granted – Transfer of Assets between Associated Companies

## Tax Change

### *First Tax Change*

- Stamp duty relief is extended to include a transfer of financial institutions' mortgages with their customers

# Enhancements to Stamp Duty Relief Granted – Transfer of Assets between Associated Companies

## Tax Change [cont'd]

### *Second Tax Change*

- Two existing qualifying conditions for relief are amended as follows:
  - The transferee company can now be a foreign company (i.e. incorporated outside Singapore or non tax resident in Singapore)

# Enhancements to Stamp Duty Relief Granted – Transfer of Assets between Associated Companies

## Tax Change [cont'd]

- If the sale is between wholly owned companies, the transferee company can now
  - acquire the assets based on net book value (instead of open market value)
  - provide consideration in the form of debt (in addition to cash or shares in the transferee company)

# Enhancements to Stamp Duty Relief Granted – Transfer of Assets between Associated Companies

## Tax Change [cont'd]

- The tax changes apply to documents relating to the transfer of immovable property, shares and financial institutions' mortgages with their customers, which are executed on or after 18 Feb 2005

# Remission of Stamp Duty on Instruments for Sales of Immovable Properties into REITS

## Current Position

- Stamp duty is levied on the instrument for sale of property in Singapore at:
  - the rate of 1% for the first \$180,000
  - the rate of 2% for the next \$180,000
  - the rate of 3% thereafter on consideration paid for/value of property

# Remission of Stamp Duty on Instruments for Sales of Immovable Properties into REITS

## Tax Change

- Stamp duty remission on instruments relating to the sale of immovable properties by individuals and companies into REITs that are:
  - already listed on Singapore Exchange (SGX); or
  - to-be-listed REITs where such REITs are listed within 1 month from date of completion of sale agreement. Such date of completion is on or before 17 Feb 2010

# Remission of Stamp Duty on Instruments for Sales of Immovable Properties into REITS

## Tax Change [cont'd]

- Stamp duty remission will apply to instruments executed from 18 Feb 2005 to 17 Feb 2010

## Objective of Tax Change

- To attract more REITs listings in Singapore



INLAND REVENUE  
AUTHORITY OF  
SINGAPORE

# Removal of Double Imposition of Stamp Duties in Islamic-structured Real Estate Financing

## Current Position

- Stamp duty is levied on the instrument for sale of property in Singapore
- Where buyer of the property obtains finance from a financial institution, stamp duty is payable on the mortgage document, up to a maximum of \$500

# Removal of Double Imposition of Stamp Duties in Islamic-structured Real Estate Financing

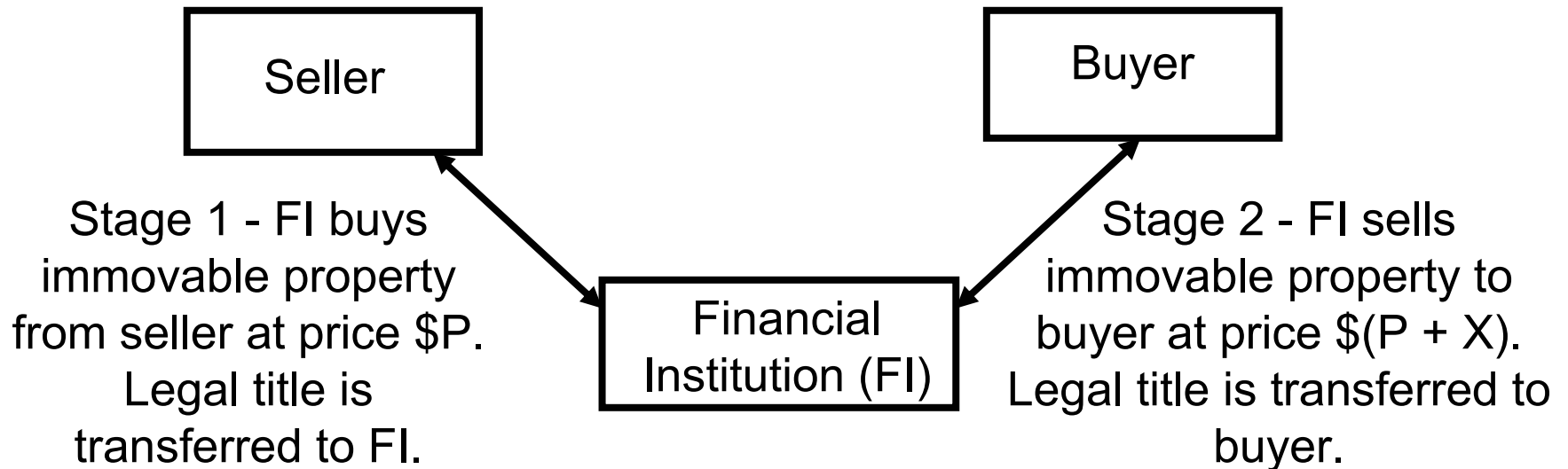
## Current Position [cont'd]

- For contracts relating to Islamic-structured real estate mortgage financing (i.e. the Murabaha and Ijara contracts), ad valorem stamp duty can be levied more than once at different stages of the contract.

# Removal of Double Imposition of Stamp Duties in Islamic-structured Real Estate Financing

## Current Position [cont'd]

### *Murabaha contract*



# Removal of Double Imposition of Stamp Duties in Islamic-structured Real Estate Financing

## Current Position [cont'd]

### *Murabaha contract*

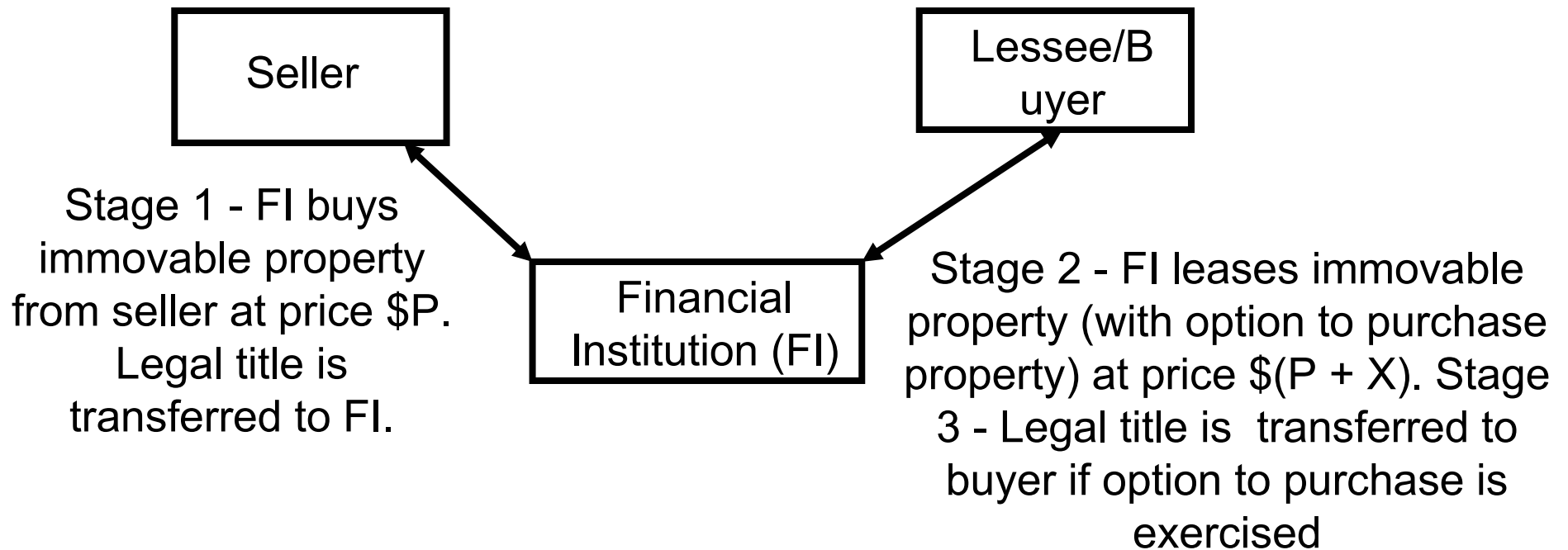
#### ➤ Stamp duty implications

- Stage 1 – At the sale of immovable property from seller to financial institution (FI), stamp duty (amounting 1% to 3% of the sale price) will be levied
- Stage 2 – At the sale of the immovable property from FI to buyer, stamp duty will be levied again

# Removal of Double Imposition of Stamp Duties in Islamic-structured Real Estate Financing

## Current Position [cont'd]

### *Ijara contract*



# Removal of Double Imposition of Stamp Duties in Islamic-structured Real Estate Financing

## Current Position [cont'd]

### *Ijara contract*

#### ➤ Stamp duty implications

- Stage 1 – At the sale of immovable property from seller to FI, stamp duty (amounting 1% to 3% of the sale price) will be levied
- Stage 2 – The lease of the immovable property from FI to the lessee/buyer will attract stamp duty.
- Stage 3 – If the option to purchase is exercised, stamp duty will be levied on option



INLAND REVENUE  
AUTHORITY OF  
SINGAPORE

# Removal of Double Imposition of Stamp Duties in Islamic-structured Real Estate Financing

## Tax Change

- Double imposition of stamp duty in Islamic-structured real estate mortgage financing (i.e. the Murabaha and Ijara contracts) will be removed

# Removal of Double Imposition of Stamp Duties in Islamic-structured Real Estate Financing

## Tax Change [cont'd]

- This would mean the following:
  - for stage 1 of the Murabaha and Ijara contracts, stamp duty will still be levied on the Sale & Purchase (S&P) Agreement between FI and seller
  - for stage 2 of the Murabaha and Ijara contracts, stamp duty on the S&P Agreement between FI and buyer (under Murabaha contract) or lessee (under Ijara contract) will be replaced by a fixed duty of \$500
  - for stage 3 of Ijara contracts, stamp duty will be remitted



INLAND REVENUE  
AUTHORITY OF  
SINGAPORE

# Removal of Double Imposition of Stamp Duties in Islamic-structured Real Estate Financing

## Tax Change [cont'd]

- Overall effect is similar to that under conventional financing method
- Change takes effect on any S&P Agreement executed on or after 1 Jan 2005 between the seller and the financial institution under stage 1 of the Murabaha and Ijara contracts

# Removal of Double Imposition of Stamp Duties in Islamic-structured Real Estate Financing

## Tax Change [cont'd]

- For removal of double imposition of stamp duty, applicants have to apply to the Commissioner of Stamp Duties and submit the following:
  - declaration that the transaction qualifies for removal of double imposition of stamp duty
  - relevant supporting documents

# Removal of Double Imposition of Stamp Duties in Islamic-structured Real Estate Financing

## Objective of Tax Change

- To make Singapore's tax system more conducive for transacting in Islamic financial products

## Details to be released by MAS

- By end Mar 2005



INLAND REVENUE  
AUTHORITY OF  
SINGAPORE

# Estate Duty Change

# Quick Succession Relief (QSR)

## Current Position

- Estate duty is levied on assets at:
  - the rate of 5% for every dollar of the first \$12 million
  - the rate of 10% for every dollar exceeding \$12 million

# Quick Succession Relief (QSR)

## Current Position [cont'd]

- Exemption thresholds are as follows:

Assets	Exemption
Dwelling houses	\$9 million
All other assets (including CPF balance)	\$600,000
CPF balance exceeding \$600,000	the excess of \$600,000



# Quick Succession Relief (QSR)

## Tax Change

- QSR will be granted for quick succession deaths where the time period between the first death and the second death is 2 years or less
- Amount of relief granted varies, depending on the time period between the two deaths

# Quick Succession Relief (QSR)

## Tax Change [cont'd]

### Relief for deaths in quick succession

<b>Period between first and second death</b>	<b>Percentage of Relief</b>
6 months or less	100%
7 – 12 months	75%
13 – 18 months	50%
19 – 24 months	25%
25 months and beyond	0%



# Quick Succession Relief (QSR)

## Tax Change [cont'd]

*Formula for computing the relief granted on second death*

➤  $A/B \times C \times P$  where:

- A is the net value of the transferred assets on first death at the time of the first death or the net value of the transferred assets on first death at the time of the second death (whichever is lower)
- B is the value of the transferred assets on first death
- C is the tax on the transferred assets on first death
- P is the percentage of relief

➤ See example in Annex of Handout

# Quick Succession Relief (QSR)

## Tax Change [cont'd]

- Assets passed on from the first death to the second death must remain in the same form (as they are on the first death) on the second death
- QSR applies to assets transferred on first deaths occurring on or after 1 Jan 2006



INLAND REVENUE  
AUTHORITY OF  
SINGAPORE

# Betting Duties Change

# Revision of Basis of Computing Horse Betting Duty

## Current Position

- Horse betting attracts duty at 12% on gross takings (“stakes”)

## Tax Change

- Basis for imposing horse betting duty will be changed to 25% on gross betting profits (i.e. gross takings less winnings paid out)
- Change takes effect from 1 Apr 2005

# Revision of Basis of Computing Horse Betting Duty

## Objective of Tax Change

- To enable the Singapore Turf Club to offer better odds and lower prices to customers so as to compete more effectively with illegal gambling operators



INLAND REVENUE  
AUTHORITY OF  
SINGAPORE

# End



# Annex

## Example showing method of computation of quick succession relief (QSR)

Husband (H) and Wife (W) died in quick succession:

- H died on 1 January 2006
- W died on 1 March 2006

Assuming market value of H's assets is \$1,200,000 as at 1 January 2006

Market value of H's assets		\$ 1,200,000.00
Deduct: exemption granted		<u>600,000.00</u>
		\$ 600,000.00
Less: funeral expenses		<u>6,000.00</u>
		<u>\$ 594,000.00</u>
Estate duty payable on \$594,000.00 @ 5%	=	\$ 29,700.00



# Annex

*cont'd*

Assuming market value of W's own assets is \$900,000 as at 1 March 2006 and W has ½ share in H's estate.

Proportionate estate duty payable on 1/2 share of H's estate  
=  $\$600,000 / \$1,200,000 \times \$29,700.00 = \$14,850^{**}$

*\*\*Assuming that the value of assets passed down did not depreciate or appreciate in value on the subsequent deaths*

1/2 share in H's estate (\$600,000 - \$14,850)	\$	585,150.00	
Market value of W's own assets		<u>900,000.00</u>	
	\$	1,485,150.00	
Deduct: exemption granted		<u>600,000.00</u>	
	\$	885,150.00	
Less: funeral expenses		<u>6,000.00</u>	
	\$	<u>879,150.00</u>	
Estate duty payable on \$ 879,150.00@ 5%	=	\$	43,957.50 (1)
QSR = $\$585,150 / \$1,200,000 \times \$29,700 \times 100\%$	=	\$	14,482.46 (2)
Estate duty payable with QSR= (1) - (2)	\$	29,475.04	