

realising aspirations with the nation

As Singapore takes big strides towards its aspiration to become the next iconic city in Asia, unifying the hearts and minds of the people as one nation with one common destiny takes on a whole new meaning, especially in the face of increasing change and uncertainty across the globe. But ours is a story of triumph in the face of great odds, and as a nation we have confidently risen to the challenge and is smoothly on our way to realising our dreams and ambitions.

Our vision is crystal clear. We intend Singapore to be the city that will take centre stage in the Asia Pacific region, a nation that will dazzle

with a renewed energy. Far beyond just being an economic powerhouse and a financial hub, we will be able to welcome the world to a city teeming with vibrant cultures, world-class arts, 24/7 leisure and entertainment, and international sporting events. To breathe life into these hopes and dreams, we need to consolidate our capabilities to support the required infrastructure development, and the mission of gathering revenue has taken on a greater urgency than ever.

IRAS' own history is one of constant change and evolution to meet the needs and demands of the nation as it progressed. Today, as we stand on the threshold of a whole new phase of our national development, we stand tall, proud and ready to play our part in the rebirth of our nation.





REPORT ON TAX REVENUE COLLECTED

Economic growth and the buoyant property market, together with the increase in GST rate from 1 July 2007, have led to a higher revenue collection in the major tax types compared to the previous financial year (FY).

For the FY ending 31 March 2008, total tax revenue collected amounted to S\$29.1 billion. This figure represented 72.1% of our government's operating revenue and 11.6% of Singapore's Gross Domestic Product.

Income Tax collection from individuals and corporations, including withholding tax, contributed 51.4% to the total tax collection. This amounted to S\$15.0 billion for FY2007/08, a 13.6% increase over the previous financial year's S\$13.2 billion.

The Goods and Services Tax (GST) is the second biggest contributor (21.2%) to IRAS' tax collection and tallied S\$6.2 billion in FY2007/08. The GST collection was S\$4.0 billion in FY2006/07. GST contribution for FY2007/2008 has grown exponentially by 55.0% as compared to the previous financial year, attributable to the GST rate increase to 7% in July 2007 and the higher consumption patterns of a booming economy.

Stamp Duty collection in FY2007/08 amounted to S\$3.7 billion. This marks a significant increase of 82.5% from the FY2006/07 collection of S\$2.0 billion. The hike in Stamp Duty collection was due to the increase in both the number and value of property transactions in this financial year, a result of the buoyant property market.

Property Tax collection of S\$2.4 billion in FY2007/08 made up 8.3% of IRAS' collection, registering a 20.6% increase over the S\$2.0 billion collected in FY2006/07.

Betting activities brought in S\$1.4 billion to the Government coffers, which is a 7.5% increase from the previous year. Gaming through fruit machines and the like continue to increase this financial year, resulting in a tax collection of S\$335 million, up 16% from last year.

S\$154 million was collected for Estate Duty in FY2006/07, a 56.8% increase over last year's S\$98 million.

ADVICE ON TAX ISSUES

As the Singapore Government's tax agency, we assess, administer, collect and enforce the various taxes. We also represent and advise our government in the international arena on taxation matters.

IRAS also works closely with other government economic agencies such as MOF, MTI, EDB and MAS, to identify issues affecting our tax competitiveness and ensure that our tax policies, rules and processes are pro-business. This is done through the Tax Competitiveness Forum that was started in 2006, a platform where the economic agencies and IRAS identify issues affecting Singapore's long-term tax competitiveness. On top of this forum, IRAS continues to conduct regular dialogues and sharing sessions with various industry and professional bodies like Singapore National Employers Federation (SNEF) and Real Estate Developers' Association of Singapore (REDAS) to better understand their business concerns, and for IRAS to explain the rationale behind tax policies and procedures.

In FY2007/08, teams within the Tax Management Divisions were set up to drive the environmental scanning efforts for various industries. Areas include the tax implications of Formula One, Integrated Resorts, withholding tax on payments to Real Estate Investment Trusts (REITs), and development of industries that have embarked on alternative energy sources. The scanning effort enables us to identify potential issues and tax treatments arising when these mega projects come into place.

IRAS also completed a number of policy reviews on topics such as onshore-offshore divide in tax incentives, capital-revenue divide with regard to profits on sale of shares and immovable properties, tax implications of changes in Financial Reporting Standards, and a framework for granting exemption on employment benefits. New and updated tax guides on tax deduction of borrowing costs, GST application for the construction, insurance and gold jewellery industries, and property tax assessments for hotels were published.



ENHANCING INTERNATIONAL AND LOCAL RELATIONS

IRAS continues to build up a strong network of Avoidance of Double Taxation Agreements (DTAs) to facilitate Singapore businesses going overseas and enhance Singapore's attractiveness for investments. In FY2007/08, we ratified four DTAs with China, Estonia, Kazakhstan, and Qatar. Singapore now has 62 comprehensive DTAs, out of which 57 have been ratified.

In FY2007/08, one Mutual Agreement Procedure (MAP), two bilateral Advanced Pricing Agreements (APAs) and one unilateral APA were completed and documented. MAPs help businesses resolve instances of double taxation arising from transfer pricing adjustments while APAs set transfer-pricing rules for interested party transactions between entities operating in two countries. We also documented Singapore's position on key treaty provisions.

IRAS' standing in the global arena continued to rise in prominence. In FY2007/08, we hosted 29 delegations from all parts of the world, including Africa, Australia, Brunei, Fiji, India, Indonesia, Korea, Malaysia, New Zealand, Oman, Pakistan, the Philippines, Qatar, Taiwan, Thailand, Vietnam and Zambia. Through the



foreign visits hosted, IRAS exchanged valuable information and shared our experiences in tax administration, technological advances and work processes with our visitors.

In addition to the many foreign visits, IRAS also participated in conferences like the 37th Study Group on Asian Tax Administration & Research (SGATAR) Meeting and the 4th Organisation for Economic Co-operation and Development (OECD) Forum on Tax Administration.

To build up IRAS' capabilities in the administration of Casino Tax, our staff visited casino regulators in Macau and the Genting Highlands, and joined the Casino Regulation Division of the Ministry of Home Affairs for an attachment to the Nevada Gaming Control Board. Such international exchanges enabled us to learn from the experience of other tax administrations.

While building our international relations, we also participated actively in knowledge sharing with other government agencies. In FY2007/08, eight local visits were hosted by IRAS and the topics shared included IRAS' pro-enterprise efforts, service strategies, customer relationship framework, staff empowerment, staff training programme, call centre application system and our move towards

e-Services. We benefited greatly from the exchange of best practices and processes with other government agencies.

In January 2008, we hosted 35 participants of the inaugural "Leaders in Governance Programme" (LGP) by Civil Service College. The Leaders in Governance Programme is a new programme at the Civil Service College, which aims to profile and share Singapore's governance approaches and policy thinking and elucidate the philosophy and success factors behind Singapore's development, to a senior international audience. Besides sharing with them our core business of tax administration, we shared how IRAS learns, adapts and innovates to meet the changing needs of taxpayers.





IMPROVING COST-EFFECTIVENESS

IRAS aims to keep the cost of tax collection low.

For FY2007/08, our cost per dollar of tax collected is 0.77 cents. We are pleased to report that we have reduced this cost, by some 7.2%, from FY2006/07's cost of 0.83 cents per tax dollar collected.

Economy Drive

The three-fold objectives of the Economy Drive are to reinforce the value of prudence in organisations, to reduce discretionary expenditures and to instil public confidence in the fiduciary responsibility of the public sector.

Overall, our FY2007/08 Economy Drive efforts generated savings of S\$810,000. About S\$260,000 were savings from purchases of computer hardware/software that were made through demand aggregation, reverse auction as well as making outright commitment to a longer period of subscription of services. The balance of S\$500,000 savings was derived from extending the use of the existing Finance and HR system till the next upgrade in 2009.

Makeover@RH

Another initiative undertaken to improve our cost-effectiveness is the makeover project to

refresh our system and facilities. We replaced the air-conditioning AHU and fan coil units to improve equipment efficiency. More daylight was also introduced into our office through the relocation of rooms to the center core of the building, thus reducing the use of electrical lighting. Motion sensors and water-efficient tap fittings were also installed in our toilets. As part of the makeover project, we were also able to optimise the use of space and free up additional space for leasing. For this financial year, a part of the sixth level of the building which previously housed training facilities was released, bringing about savings of S\$820,000 in terms of imputed rent. This contributed towards improving the Net Economic Value of the organisation.

ENHANCING OPERATIONAL EFFICIENCY

To ensure that taxpayers receive their tax assessments on a timely basis, the tax divisions in IRAS have set performance targets for completion of assessment. As at end December 2007, 96.6% of corporate income tax returns received in 2006 were assessed, surpassing the target of 95%. This is slightly higher than the 96.2% achieved at the same time in the previous year.

For individual income tax, as at end December 2007, 99.6% of the Year of Assessment (YA) 2007's

returns received in 2007 was assessed. This is 3.1% point higher than the 96.5% assessment rate at the same time last year, with regards to YA2006's returns, and well above our target completion rate of 95%.

96.5% of the new properties listed in 2007 were assessed for property tax purposes by end December 2007, above the 90% target completion rate set. This fell slightly from the 97.2% achieved as at end December 2006, due to the fact that there was a 10% increase in the number of new properties to be assessed in 2007. But we managed to review 95.9% of existing properties as at end of 2007, exceeding the target of 90%. This is 2.5% point higher than the 93.4% achieved at the same time the year before.

