

# GROWING WITH THE NATION

For a young nation with a short history, Singapore's rapid and steady progress from third world to first has been spectacular and unprecedented. We have turned an island that was in the backwaters of Southeast Asia into a gleaming, vibrant global city that is teeming with opportunities. Able leadership and a resilient, hardworking people have overcome all odds to write a success story that is admired the world over.

While the people have contributed to the nation in many ways, tax revenue has been one of the key resources the nation has drawn on to drive progress and development over the years. The remarkable achievements we witness in infrastructure, housing, education, healthcare and transport have required long term investments on a scale that can only be supported by a whole people working as one.



**IRAS is proud to be able to partner the people of Singapore, by providing a tax collection system that is fair, effective and efficient, making it easier for our taxpayers to fulfil their obligations. Together, we can take the nation forward into a future that will outshine even all that we are achieving today.**



## Report on Tax Revenue Collected

For the financial year ending 31 March 2007, total tax revenue collection amounted to S\$22.9 billion. This figure represented 73.1% of our government's operating revenue and 10.7% of Singapore's Gross Domestic Product.

Contributing 57.7% to the total tax collection was Income Tax collection from individuals and corporations. It amounted to S\$13.2 billion for financial year (FY) 2006/07, a significant 13.0% increase over the previous financial year's S\$11.7 billion.

The Goods and Services Tax (GST) is the second biggest contributor (17.4%) to IRAS' tax collection and tallied S\$4.0 billion in FY2006/07. The GST collection was S\$3.8 billion in FY2005/06.

Property Tax collection of S\$2.0 billion in FY2006/07 made up 8.8% of IRAS' collection, registering a slight increase over the S\$1.8 billion collected in FY2005/06.

Betting activities brought in S\$1.3 billion to the Government coffers, which is a slight increase from last year. Gaming through fruit machines and the like saw an increase this financial year, resulting in tax collection of S\$289 million, up 3.9% from last year.

Stamp Duty collection in FY2006/07 amounted to S\$2.0 billion. This marks a 108.4% increase from the FY2005/06 collection of S\$967 million. The hike in Stamp Duty collection was due to the increase in both the number and value of property transactions in this financial year as the property market recovers. In terms of value, the overall increase in property transactions is 135% over the last financial year. Furthermore, the abolition of the Stamp Duty deferment rule, with effect from 15 December 2006, requires buyers of immovable properties to stamp sale agreements within 14 days from the date of the agreement. During the first 3 months of 2007, following the abolition of the deferment rule,

there is a 143% increase in the number of sale transactions for private properties over the same period in the last financial year. In terms of value, there is a 329% increase over the first 3 months of 2006.

S\$98.0 million was collected in Estate Duty in FY2006/07, a 21.5% increase over last year's S\$80.7 million.

## Advice on Tax Issues

Key changes in the tax system we had advised on during the year include tax deduction for certain borrowing costs (other than interest expense), zero-rating of the supply of tools by any GST-registered person to an overseas customer and the reduction of the record-keeping requirement of the various taxes.

In order to attain our corporate goal of fostering a competitive tax environment that encourages enterprise and supports economic growth, there is now stronger impetus for IRAS to develop an external focus on global tax changes that impact Singapore, and business trends that demand our review of tax policies. To better perform this new role, we have put in place a structure and system to our environmental scanning process which can be broadly categorised into three areas: global developments in tax policy; industry developments and comparative benchmarking with other tax administrations. Our Tax Policy and International Tax Division centrally drives and coordinates scanning efforts, together with a team of accredited tax specialists from Individual Income Tax, Corporate Tax, Goods & Services Tax and Property Tax divisions. These scanning exercises can give rise to ideas for tax policy changes or may result in the simplification, clarification or rationalisation of tax rules or even internal process changes.

## Enhancing International and Local Relations

In FY2006/07, we signed 6 Avoidance of Double Taxation Agreements (DTAs), with Estonia, Kazakhstan, Belgium, Qatar, Morocco and Ukraine, and ratified DTAs, with Oman, Slovak Republic, Fiji, Brunei and Germany. Singapore now has 61 comprehensive DTAs, out of which 54 have been ratified.

IRAS' standing in the global arena continued to increase in prominence as evidenced by the many foreign visits to IRAS. At IRAS, we are proud to share our experiences in tax administration, be it in e-services, our operations model or taxpayer services, just to name a few. In FY2006/07, we hosted 413 delegates from 25 countries, including Australia, Belgium, Canada, Chile, China, Dubai, El Salvador, Indonesia, Ireland, Japan, Kazakhstan, Malaysia, New Zealand, Philippines, Russia, Spain, Sri Lanka and USA.

On top of the many foreign visits, we hosted the 8th Study Group of Asian Tax Administration & Research (SGATAR) Working Level Meeting in July 2006. Formed in 1971, SGATAR is an informal gathering of tax administrators to share experiences on tax administration and policy issues. Members include Australia, China, Hong Kong SAR, Indonesia, Japan, Korea, Malaysia, New Zealand, Philippines, Singapore, Chinese Taipei, Thailand and Vietnam.

IRAS also hosted the 4th Oslo Group Informal Meeting from 8th to 9th March 2007. This is a meeting that was first inaugurated in Oslo by the Norwegian Directorate of Taxes for tax administrations of similar-sized economies to exchange ideas and experiences on matters relating to corporate management and strategic issues. A total of 7 representatives from Chile, Norway, Sweden, Ireland and New Zealand attended this meeting.

We also participated in conferences like the 3rd Meeting of the OECD's Forum on Tax Administration, 36th SGATAR Meeting and the 27th Commonwealth Association of Tax Administrators Conference. Such international study groups and

conferences enable us to learn from the experience of other tax administrations, and to share our own insights.

At IRAS, we actively participate in knowledge sharing with other government agencies. In FY2006/07, 10 local visits were hosted by IRAS and the topics shared include 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 certainly benefited from this exchange of best practices and processes.

In January 2007, we hosted 30 teachers from the Ministry of Education (MOE). Besides sharing with them our core business of tax administration, we took the opportunity to gather feedback on improving our National Education Visit programme to make it more meaningful for the students. During the dialogue, we further explored ways to manage customer feedback, and it was certainly a fruitful exchange.





### **Improving Cost-Effectiveness**

IRAS aims to keep the cost of tax collection low.

For FY2006/07, our cost per dollar of tax collected is 0.83 cent. We are pleased to report that we have reduced this cost, by some 10.8%, from FY2005/06's cost of 0.93 cent per tax dollar collected. This is mainly due to higher tax collections.

IRAS also aims to reduce its cost of operations through various Economy Drive initiatives. 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.

The main contributor to our Economy Drive savings this year was from the reduction in manpower, through which almost S\$1.48 million was saved.

Through Demand Aggregation, another initiative of the Economy Drive, IRAS saved S\$20,000 on the cost of printing letterheads. With Demand Aggregation, a central government agency collates and combines the requirements of multiple agencies, and then contracts with suppliers to achieve economies of scale.

IRAS was also able to save S\$58,000 with a reduction in the issuance of Form B /Form B1 to taxpayers. This is possible as more taxpayers were being issued PIN mailers to encourage them to e-File, while some others were given a letter to inform them that they need not even file a tax return.

Overall, our Economy Drive efforts for FY2006/07 generated an aggregate savings of S\$1.58 million.

Like all public sector agencies, IRAS' financial performance, since FY2003/04, has been measured by changes in Net Economic Value (NEV) annually. Over the past 3 financial years, IRAS' NEV has improved because of favourable operating performance. We have freed up workspace for leasing, reviewed maintenance contracts and IT resources to cut cost, and injected debt at a lower cost of capital rate into our funding structure. In recognition of staff's contribution to the improvement in the NEV performance of the organisation, a total of S\$0.7 million was given out as Productivity Savings Award to staff.

### **Enhancing Operational Efficiency**

As at the end of FY2006/07, IRAS had assessed 99.3% of the individual income tax returns received for Year of Assessment (YA) 2006. The number of individuals who were assessed during this period totalled 1.46 million, as compared to 1.53 million for YA2005. The decrease in the taxpayer base could be attributed in part, to the increase in the number of taxpayers who met our non-taxable income threshold of S\$22,000 per annum.

For corporate income tax, 70.0% and 89.5% of the assessments, received for YA2006 and YA2005 respectively, were completed. In total, 106,537 and 109,748 corporations were assessed for YA2006 and YA2005 respectively.

Property tax assessments, reviewed on an annual basis, totalled 1,153,257 for FY2006/07, which is 0.8% more than the previous year. For the calendar year 2006, 93.4% of existing properties were reviewed, whilst 97.2% of new properties were assessed.

