



# SERVING THE NATION

## IRAS VISION

Administration in the world  
provides in nation building  
& development  
of competent and  
people

## THE YEAR IN REVIEW

At IRAS, we are fully committed to nation-building. We strengthen Singapore's standing as a vibrant global city that is a centre for knowledge, talent and business by taking a proactive role in the formulation of tax policies and creating a competitive tax environment that benefits taxpayers.

Together, we can ensure that Singapore continues to be a great place to live, work and do business.

As the Singapore Government's tax agency, we fulfil our responsibilities of collecting taxes, advising the government on tax-related matters, administering legislation and negotiating tax treaties with efficiency and cost-effectiveness in all areas.



#### ADMINISTERING TAXES AS AN AGENT OF THE GOVERNMENT

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.

#### COLLECTING TAXES FOR NATION BUILDING

For the financial year ending 31 March 2006, total tax collections amounted to S\$19.9 billion. This figure represented 70.5% of our government's operating revenue and 10.2% of the Gross Domestic Product.

Contributing 58.7% to the total tax collection was Income Tax collection on individuals and corporations. It amounted to S\$11.7 billion for financial year (FY) 2005/06, a significant 17.0% increase over the previous financial year.

The Goods and Services Tax (GST) is the second biggest contributor (19.2%) to IRAS' tax collection and tallied S\$3.8 billion in FY2005/06. The GST collection was S\$3.5 billion in FY2004/05.

Property Tax collection of S\$1.8 billion in FY2005/06 made up 9.2% of IRAS' collection, registering a slight increase over the S\$1.7 billion collected in FY2004/05.

Betting activities brought in S\$1.2 billion to the Government coffers, which is about the same as last year. Gaming through fruit machines and the like saw an increase this financial year, resulting in tax collection of S\$278 million, up 5.3% from last year.

Stamp Duty collection in FY2005/06 amounted to S\$967 million. This marks an 18.6% increase from the FY2004/05 collection of S\$815 million.

S\$80.7 million was collected for Estate Duty in FY2005/06.

#### ADVISING ON TAX ISSUES

In addition to being the tax agent of the Singapore Government, IRAS also provides advice to the Government on taxation issues.

Key changes in the tax system that we had advised on include the zero-rating of GST on supply of tools for manufacture of exports, and enhancing the Qualifying Debt Securities (QDS) incentive scheme and enhancing the tax environment for trust businesses.



ESTABLISHING INTERNATIONAL AND LOCAL RELATIONS

**Avoidance of Double Taxation Agreements**

IRAS actively seeks out opportunities to expand its network of friends in the international community, and negotiate for comprehensive tax treaties. These treaties facilitate trade and investment between contracted countries. Our taxpayers benefit from the clear specifications of taxing rights and avoidance of double taxation on their incomes, whilst boosting our economic competitiveness. To date, IRAS has secured 56 comprehensive Avoidance of Double Taxation Agreements (DTAs), of which 50 are currently in force. Treaties were signed with Brunei, Fiji, India, Israel, Malta, New Zealand and the Slovak Republic in FY2005/06. DTAs with Israel, India and Malaysia were ratified in this financial year.

**COLLECTION BY TAX TYPE**

**FY2005/06**

RANKING BY AMOUNT COLLECTED	AMOUNT COLLECTED (\$S)
1. Income Tax	11.7 bil
2. GST	3.8 bil
3. Property Tax	1.8 bil
4. Betting Duty	1.2 bil
5. Stamp Duty	967 mil
6. Private Lotteries Duty	278 mil
7. Estate Duty	80.7 mil
TOTAL TAX COLLECTED	19.9 bil

**BETTER RELATIONS**

**56**

COMPREHENSIVE AVOIDANCE OF DOUBLE TAXATION AGREEMENTS SECURED.

IRAS aims to keep tax collection as cost-efficient as possible while serving taxpayers better. In this area, we benchmark our performance against those of other tax administrations.



### Building Friendships and Exchanging Ideas

We had the privilege and pleasure of hosting the 35<sup>th</sup> Study Group of Asian Tax Administration and Research (SGATAR) Meeting in Singapore during this year.

From 21 to 24 November 2005, delegates from the 13 members of SGATAR and observers convened for the 35<sup>th</sup> SGATAR meeting at Swissotel the Stamford. The 93 delegates from Australia, China, Hong Kong SAR, Indonesia, Japan, Korea, Malaysia, New Zealand, Philippines, Singapore, Chinese Taipei, Thailand and Vietnam held discussions on tax administration issues, namely "Cost Efficiency in Tax Administration", "Relationship with Taxpayer and Tax Agents" and "Tax Treatment of Benefits-in-Kind". IRAS last hosted SGATAR in 1995.

The 3<sup>rd</sup> Meeting of SGATAR Heads of Training Institutions (MHTI) and the 3<sup>rd</sup> SGATAR Joint Training Programme were also hosted in Singapore this year. The theme for the meeting of the 33 delegates for the 3<sup>rd</sup> MHTI, "Future Directions for SGATAR Training Cooperation", underscored the need for training cooperation within the group.

In addition, IRAS participated in conferences held by overseas tax authorities, like the 26<sup>th</sup> Commonwealth Association of Tax Administrators Conference and the Australian State and Territory Revenue Commissioners' Conference to discuss the latest tax administration changes.

In the same spirit of learning and sharing, IRAS hosted 29 delegations from 22 countries in FY2005/06, including officials from Australia, China, Hong Kong, Israel, Japan, Macedonia, Malaysia, Mongolia, New Zealand, The Philippines, Thailand, Tanzania and the United Kingdom. We also hosted fellow public officers from government agencies such as the Agri-Food and Veterinary Authority of Singapore, Media Development Authority, Ministry of Finance, Ministry of Manpower, National Environment Agency and Singapore Land Authority. Under the Teacher Work Attachment (TWA) Programme with the Ministry of Education, IRAS hosted four teachers in FY2005/06.

These study groups and visits had the two-fold advantages of enabling hosts and visitors alike to learn from each other's experiences in tax administration and advancements in systems and operations management.



**BEING COST-EFFECTIVE**

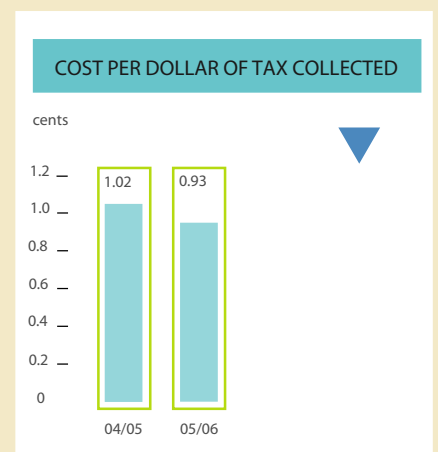
**Cost of Tax Collection Per Taxpayer**

IRAS aims to keep the cost of tax collection low.

For FY2005/06, our cost per dollar of tax collected is 0.93 cents. We are pleased to report that we have reduced this cost, by some 9%, from FY2004/05's cost of 1.02 cents per tax dollar collected.

The increase in cost per taxpayer from S\$60.67 in FY2004/05 to S\$64.72 in FY2005/06 is mainly due to the ongoing project to upgrade our information systems.

**GREATER COST-EFFICIENCY**



**\$3.7** MILLION

AGGREGATE SAVINGS  
 ACHIEVED THROUGH  
 ECONOMY DRIVE INITIATIVES

To create a competitive tax environment that is relevant to the nation's needs, IRAS sets itself high standards of operational efficiency. We work diligently to complete tax assessments as efficiently as possible, benefiting the nation and taxpayers.



### Economy Drive

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

IRAS' Economy Drive initiatives include Demand Aggregation and Reverse Auctioning. Demand Aggregation seeks to collate and combine the requirements of multiple buyers, and then contracting with suppliers to achieve economies of scale. Reverse Auctioning is the creative procurement method for the aggregated demand, where suppliers bid online in real time, enabling further price savings. For FY2005/06, the combined savings from employing these two initiatives totalled S\$279,500. IRAS has also farmed out the collection of tax payments at Revenue House to SingPost, which garnered S\$84,000 in annual savings. By utilising this more efficient means of collection, we are also able to redeploy our resources to other tax administration functions.

The main contributor to our Economy Drive savings this year was from the reduction in manpower, through which almost S\$2.76 million was saved.

Overall, our efforts for FY2005/06 generated an aggregate savings of S\$3.7 million.

#### BEING OPERATIONALLY EFFICIENT

As at the end of FY2005/06, IRAS had assessed 99.5% of the individual income tax returns received for Year of Assessment (YA) 2005. The number of individuals who were assessed during this period totalled 1.53 million, as compared to 1.73 million for YA2004. The drop can be attributed, in part, to the raising of the non-taxable income threshold from S\$20,000 to S\$22,000 per annum for YA2005.

With the upping of the income threshold, more salaried employees would not be issued a tax return. This is a win-win situation for both taxpayers and IRAS as taxpayers would be spared the hassle of return-filing, while IRAS would have fewer assessments to process.

For corporate income tax, 71.9% and 91.8% of the assessments, received for YA2005 and YA2004 respectively, were completed. In total, 103,627 and 106,844 corporations were assessed for YA2005 and YA2004 respectively.

Property Tax assessments, reviewed on an annual basis, totalled 1,143,663. This figure represents a 1.6% increase from the previous year. For the calendar year 2005, 99.7% of existing properties were reviewed, whilst 99.3% of new properties were assessed.

#### ENHANCED OPERATIONAL EFFICIENCY

**99.5%**

OF INDIVIDUAL INCOME TAX RETURNS  
 RECEIVED FOR YA2005, ASSESSED

**91.8%**

OF CORPORATE INCOME TAX ASSESSMENTS  
 FOR YA2004, COMPLETED

**99.7%**

OF EXISTING PROPERTIES' ANNUAL VALUE  
 FOR CALENDAR YEAR 2005, REVIEWED