INLAND REVENUE AUTHORITY OF SINGAPORE

ANNUAL REPORT 2016/17

INLAND REVENUE AUTHORITY OF SINGAPORE

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CORPORATE INFORMATION AND HIGHLIGHTS

About Us

Our Mission

Act as an agent of the Government and provide service in the administration of taxes

Advise the Government, and represent Singapore internationally, on matters relating to taxation

Our Vision

The leading revenue authority in the world

A partner of the community in nation-building and inclusive growth

A dynamic team of competent and committed people

Our Corporate Goals

- Foster a competitive tax environment that supports inclusive growth
- Provide excellent service
- Maximise voluntary compliance
- Enhance organisational and staff productivity
- Achieve a high level of staff competence and satisfaction

Our Core Values

Fairness
Treat everyone in the same circumstances equally

Integrity
Do what is right without fear or favour in all circumstances

Professionalism
Serve our nation responsively, with competence, pride, commitment and empathy

Teamwork
Work with one another with mutual trust and respect to achieve Whole-of-IRAS and Whole-of-Government outcomes

Innovation
Continuously seek new ways to do our work better

Chairman's Statement

Singapore's economy expanded by 2% in 2016 and unemployment rate remained low at 2.1%. These enabled tax collections to support the Government's economic and social programmes to build an innovative and connected economy, sustain a quality living environment, and promote a caring and inclusive society.

Fostering a Competitive Tax Environment

Singapore has a robust network of Avoidance of Double Taxation Agreements (DTAs) to facilitate cross-border investment and trade. During the year, IRAS updated the terms of existing DTAs with India and South Africa. As at the end of FY 2016, 82 out of Singapore's 84 comprehensive DTAs are in force. This provided businesses engaging in cross-border trade with more avenues for dispute resolution and eliminates double taxation relating to cross-border transactions between Singapore and the respective jurisdictions. Singapore would continue to update her DTAs in line with agreed international standards, including through the use of multilateral agreements.

As at March 2017, IRAS has signed 21 bilateral Competent Authority Agreements (CAAs) that allows for the Automatic Exchange of Financial Account Information under the Common Reporting Standard (CRS). During the year in review, IRAS continued to work towards signing of various multilateral agreements, in order to underline and re-affirm Singapore's commitment to the international standards on tax cooperation.

Supporting Inclusive Growth

IRAS continues to partner the community in supporting the government's efforts to promote inclusive growth through the administration of assistance schemes for businesses. To streamline and expedite processing, the e-Filing of the PIC cash payout applications was made mandatory with effect from 1 August 2016.

In March 2017, IRAS disbursed S$660 million to 85,000 employers under the fourth tranche of the Wage Credit Scheme (WCS) payouts, helping businesses cope with rising wage costs and improving their productivity. The scheme which was introduced in 2013, has been extended for another two years. The last payout will be made in 2018.

Chairman's Statement

Deepening International Engagement

IRAS continues to engage the international tax community to keep abreast of global tax issues and to raise Singapore's profile in the global tax arena. In 2016, Singapore assumed the Chair of the Global Forum's Peer Review Group and in so doing, ensured a robust monitoring and peer review mechanism in the implementation of internationally agreed standard for exchange of information.

Singapore was also appointed Chair of the Study Group of Asian Tax Administration and Research (SGATAR) Taskforce. As Chair, we guided the work of the taskforce closely, particularly in capability development. Besides developing a structured framework for capability building in transfer pricing, a joint SGATAR-OECD transfer pricing training was conducted this year at both the intermediate and advanced levels.

Acknowledgements

On behalf of the Board and staff of IRAS, I wish to thank former Board members - Dr Lee Kwok Cheong, Mr Pek Hak Bin and Mr Pok Soy Yoong - for their many contributions to IRAS. They retired from the Board in September 2016. I also welcome Mr Adam Abdur Rahman, Mr Ng Wai Choong, Professor Sum Yee Loong and Mr Tan Boon Gin, who joined the Board in the same month.

IRAS has taken bold steps in the past year to step up to challenges and transform itself. On behalf of the Board, I express my appreciation to the management and staff of IRAS for their commitment and contributions. I wish them all the best in the transformation journey ahead.

Mrs Tan Ching Yee
Chairman

Members of the Board

(As of 31 March 2017)

Mrs Tan Ching Yee

Chairman

Mrs Tan was appointed the Chairman of IRAS Board on 1 May 2016. She also holds the appointments of Permanent Secretary (Finance) and Permanent Secretary (Special Duties) in the Prime Minister's Office.

Mr Tan Tee How

Commissioner of Inland Revenue / Chief Executive Officer, IRAS

Mr Tan was appointed Commissioner of Inland Revenue and Chief Executive Officer of the Inland Revenue Authority of Singapore on 1 December 2014. Prior to that, Mr Tan held several key public sector positions including Chief Executive Officer of the National Healthcare Group (2000 - 2003), Permanent Secretary of the Ministry of National Development (2004 - 2011) and Permanent Secretary of the Ministry of Home Affairs (2011 - 2014). He is currently the President of the Singapore Scout Association and sits on the Board of Governors for St Joseph's Institution International and St Joseph's Institution International Elementary School. He also serves on the Board of the National University Health System Pte Ltd.

Members of the Board

(As of 31 March 2017)

Mr Niam Chiang Meng

Board Member

Mr Niam joined the IRAS Board in November 2012. He is Chairman of the Maritime and Port Authority of Singapore and Deputy Chairman of Gardens by the Bay. He chairs the Governing Board for the Earth Observatory of Singapore and the Management Board of the Energy Studies Institute of Singapore. He also serves on the Board of Mediacorp Pte Ltd.

Mr Bob Tan

Board Member

Mr Tan joined the IRAS Board in September 2013. He chairs the Boards of Ascott Residence Trust Management Ltd, the Institute of Technical Education, Jurong Engineering Ltd, Singapore LNG Corporation Pte Ltd and SINGEX Holdings Pte Ltd. Mr Tan serves on the Boards of Ong Teng Cheong Labour Leadership Institute, Sembcorp Marine Ltd, Singapore Post Ltd and SMRT Corporation Ltd. He is a member of the Singapore Manufacturing Federation's Board of Governors and a member of the NTUC Club Management Council.

Mrs Chng Sok Hui

Board Member

Mrs Chng joined the IRAS Board in September 2013. She is the Chief Financial Officer of DBS Group and Supervisor of DBS Bank (China) Ltd. She is a Board member of the Singapore Exchange Ltd and serves on the International Integrated Reporting Council and the Industry Advisory Board of the NUS Centre for Future-Ready Graduates.

Dr Philip Pillai

Board Member

Dr Pillai joined the IRAS Board in September 2013. He was formerly a Judge of the Supreme Court. He currently serves on the Board of CapitaLand Ltd and is a member of its Audit Committee and Risk Committee.

Members of the Board

(As of 31 March 2017)

Mr Adam Abdur Rahman

Board Member

Mr Adam joined the IRAS Board in September 2016. He is the Managing Director and Head of Corporate Affairs of Citi Singapore and ASEAN. He currently serves on the Board of the Health Sciences Authority.

Mr Ng Wai Choong

Board Member

Mr Ng joined the IRAS Board in September 2016. He is the Chief Executive of the Energy Market Authority. He currently serves on the Board of Singapore Technologies Marine Ltd and is a Council member of the Economic Society of Singapore.

Professor Sum Yee Loong

Board Member

Professor Sum joined the IRAS Board in September 2016. He is a Professor of Accounting (Practice) at the Singapore Management University. Professor Sum currently serves on the Board of the Singapore Institute of Accredited Tax Professionals and is a Council member of the National Arts Council.

Mr Tan Boon Gin

Board Member

Mr Tan joined the IRAS Board in September 2016. He is the Chief Regulatory Officer of Singapore Exchange. Mr Tan is currently a member of the Governing Council of the Singapore Institute of Directors.

Corporate Governance

IRAS Board

The IRAS Board oversees IRAS and ensures that it carries out its functions competently. The Chairman of the Board is Mrs Tan Ching Yee, Permanent Secretary of the Ministry of Finance. The nine other members are Mr Tan Tee How, the Commissioner of Inland Revenue and Chief Executive Officer of IRAS, Mr Niam Chiang Meng, Mr Bob Tan, Mrs Chng Sok Hui, Dr Philip Pillai, Mr Adam Abdur Rahman, Mr Ng Wai Choong, Professor Sum Yee Loong and Mr Tan Boon Gin.

The Board met three times last year to review major corporate policies, approve financial statements, annual budget and major expenditure projects. The Board has two committees, the Audit and Risk Committee and the Staff Committee A, to assist in carrying out its duties.

Audit and Risk Committee

Mr Niam Chiang Meng chairs the Audit and Risk Committee. Its other members are Mrs Chng Sok Hui, Dr Philip Pillai, Professor Sum Yee Loong and Mr Tan Boon Gin. The Committee reviews the adequacy and compliance of IRAS' accounting and financial policies and internal controls. The Committee works closely with the external auditor, the Auditor-General, in reviewing the financial statements of IRAS, the scope of audit plans and the audit results. The Committee also reviews the annual audit plan of the Internal Audit Branch and the enterprise risk management framework and processes.

Staff Committee A

Mr Bob Tan chairs the Staff Committee A. Its other members are Mr Tan Tee How, Commissioner of Inland Revenue and Chief Executive Officer of IRAS, Mr Adam Abdur Rahman and Mr Ng Wai Choong. The Staff Committee A is the approving authority for key remuneration policies in IRAS as well as key appointments, promotion and remuneration of senior executives in IRAS.

Corporate Governance

Internal Audit Function

The Internal Audit Branch operates independently from other divisions of IRAS to provide objective audit assurance to management to assist them in the effective discharge of their responsibilities and in the attainment of corporate objectives. It evaluates the adequacy and effectiveness of internal controls in IRAS; checks for compliance with policies, guidelines, laws and regulations; audits tax assessments to verify that tax principles have been correctly applied; and makes recommendations to improve the effectiveness of controls and processes. It also ensures that results of the audits and recommendations for improvements are promptly communicated to the management of the functional area, and that plans or actions taken to correct reported audit findings are satisfactory.

The Internal Audit Branch reports functionally to the Audit and Risk Committee and administratively to the Commissioner of Inland Revenue / Chief Executive Officer of IRAS. The staff of the Internal Audit Branch have full and direct access to the Audit and Risk Committee.

Professional and Ethical Conduct

Every IRAS staff has to maintain high standards of professional integrity and personal conduct. They are required to abide by the IRAS Act, as well as the IRAS Code of Conduct which provides guidance on matters such as the acceptance of gifts in the official course of duties, avoidance of situations with conflicts of interests, and disciplinary proceedings for staff who have failed to comply.

In addition, to safeguard official information, all IRAS staff are subject to secrecy provisions in relevant legislations such as the Official Secrets Act, the Statutory Bodies and Government Companies (Protection of Secrecy) Act, the IRAS Act, the Income Tax Act and the Goods and Services Tax Act.

Commissioner's Message

IRAS collected S$47 billion in tax revenue in FY2016/17, 5% higher than the collection in FY2015/16. Our cost of tax collection remained low at 0.84 cents for every dollar collected. We kept tax arrears low at 0.68% of net tax assessed as a result of our continued focus on maximising voluntary compliance.

In response to our rapidly changing operating environment, IRAS has embarked on a movement named **LEA:D** to transform the tax experiences of the taxpaying community and the work experiences of IRAS' staff by LEveraging, Analytics, Design and Digitalisation. I am happy that we have made good progress piloting new initiatives aimed towards better service for our taxpayers and higher productivity for our staff.

Providing Excellent Service

IRAS intensified its efforts to understand taxpayers' needs and co-create solutions with the community in the bid towards redefining taxpaying experiences. We completed service design projects for individuals and residential property owners. We held the inaugural IRAS Hackathon with over 70 participants from diverse backgrounds coming together to create taxpayer-centred experiences for SMEs, the self-employed and individual taxpayers. With some good ideas surfaced from the Hackathon and service design projects, taxpayers can look forward to a whole new experience in fulfilling their tax obligations.

With our continuous efforts in simplifying tax filing, YA2017 tax season was a breeze for 1.49 million individual taxpayers who were on the No-Filing Service (NFS) and the other taxpayers who needed to file their returns. We maintained a high 96% on-time filing rate for individual taxpayers. E-filing rate among taxpayers remained high at 97%, with an increasing proportion accessing myTax Portal using their mobile devices. With a newly piloted initiative this year, about 70,000 taxpayers received their tax bills immediately upon filing their tax returns electronically, giving them greater certainty on their tax payments. We also launched the Tax Agent e-Services which provided a suite of e-solutions to help improve tax agents' productivity and enrich the quality of service that they deliver to their clients.

For employers under the Auto-Inclusion Scheme, we implemented the Application Programming Interface (API) service where 60 employers made use of their payroll software to submit their employees' salary details directly to IRAS effortlessly, at the click of a button. We subsequently launched IRAS' first public API Marketplace in March 2017. The marketplace serves as a platform for IRAS to co-create and develop digital services with the community.

Engaging the Taxpaying Community

We kept up efforts to drive voluntary compliance. We helped taxpayers 'get it right' through continuous education and community engagement programmes, covering topics ranging from e-Filing to tax avoidance. We received positive responses from taxpayers who viewed personalised videos explaining their property tax, prior to receiving their valuation notices. This was a pilot project, where links to videos were sent via SMS to about 10,000 residential property owners.

Maximising Voluntary Compliance

To enhance our compliance capabilities, we implemented a Social Network Analysis system which enables our officers to make a more holistic risk assessment of GST-registered businesses considering risks at the entity, network and transaction levels.

We continued to take firm actions against non-compliance. We audited and investigated 10,626 taxpayers and recovered approximately S$332 million in taxes and penalties in FY2016/17.

Commissioner's Message

Facilitating Economic Growth

IRAS continues to review tax policies to ease businesses' compliance costs and promote enterprise. In FY2016/17, we reviewed 50 tax policies, covering a wide range of areas including transfer pricing, withholding tax and tax issues relating to the digital economy.

Enhancing Tax Cooperation

We implemented the Country-by-Country Reporting for Singapore Multinational Enterprises as part of the G20-OECD Base Erosion and Profit Shifting (BEPS) project. We continued to participate actively in various international tax forums to monitor ongoing technical developments and their impact on Singapore. These include the OECD, Working Parties and the UN Tax Committee forums.

Developing a Nimble IRAS

One of our LEA:D objectives is to help our people strengthen their capabilities, deepen their skills and develop their adaptability to better respond to changing work requirements and challenges ahead. Besides rotating staff to different areas of work and attaching them to different organisations to widen their work experience, we are building new capabilities such as analytics and robotic process automation to achieve greater efficiency and effectiveness in our processes, and training staff across all levels on tools and methodologies relating to design thinking, digitalisation and analytics.

Looking Ahead

I am encouraged by the early successes and the projects we have completed as part of our LEA:D journey. We will continue to sustain the momentum and together, move closer towards achieving our vision of becoming the leading revenue authority in the world.

Acknowledgements

I would like to thank the Board for its support and all IRAS staff for their dedication and contributions to IRAS.

Mr Tan Tee How
Commissioner of Inland Revenue / Chief Executive Officer

Organisation Structure

(As of 31 March 2017)

STAFF

Taxpayer Services Division
Mr Dennis Lui
Assistant Commissioner

Individual Income Tax Division
Mr Andy Seah
Assistant Commissioner

Compliance Strategy and Risk Division
Ms Quek Su Lynn
Assistant Commissioner

Tax Policy and International Tax Division
Ms Chow Wai Yee
Assistant Commissioner

Corporate Tax Division
Ms Chiam Yah Fang
Assistant Commissioner

Property Tax Division
Mr Wang Teck Leng
Assistant Commissioner

Goods and Services Tax Division
Mrs Sabina Cheong
Assistant Commissioner

Investigation and Forensics Division
Mr Lawrence Eng
Assistant Commissioner

International Tax Affairs and Relations Division
Ms Evelyn Lio
Assistant Commissioner

Infocomm Division
Ms Tang Wai Yee
Assistant Commissioner

Law Division
Mr Alvin Koh
Chief Legal Officer

Corporate Services Division
Ms Chin Li Fen
Assistant Commissioner

Corporate Development Division
Ms Jackalin Er
Assistant Commissioner

Enforcement Division
Mrs Patricia Mak
Assistant Commissioner

Accounting and Processing Division
Ms Ang Sock Tiang
Assistant Commissioner

Individual
Mr James Khor
Deputy Commissioner

Business
Mrs Eng-Tay Geok Lee
Deputy Commissioner / Chief Compliance Officer

International, Investigation and Indirect Taxes
Mrs Chia-Tern Huey Min
Deputy Commissioner

Corporate and Services
Mr James Khor
Deputy Commissioner (Covering)

Commissioner of Inland Revenue/ Chief Executive Officer
Mr Tan Tee How

Internal Audit
Mrs Chia-Tan Hai Geok, *Director* and **Mr James Khor** *(Overseeing)*

Leveraging Analytics, Design and Digitalisation (LEA:D) Office
Ms Angela Ang, *Director*, **Ms Poh Lai Khim**, *Chief LEA:D Officer* and **Mr James Khor** *(Overseeing)*

IRAS BOARD

IRAS At A Glance

OUR PERFORMANCE

We assessed 100% of YA2016 Individual Income Tax returns received by March 2017.

We assessed 97.5% of Corporate Income Tax returns received in 2015 by December 2016.

We have 84 comprehensive Avoidance of Double Taxation Agreements (DTAs).

We reviewed 50 tax policies to ensure our tax system remains competitive and progressive.

We collected S$47 billion in tax revenue

We spent 0.84cents to collect every dollar of tax

Current year tax arrears stood at 0.68%

We assessed the annual value of 99.5% of new properties listed in 2016 and reviewed the annual value of 99.3% of existing properties by 31 December 2016.

We audited and investigated 10,626 cases and recovered about S$332 million in taxes and penalties

9 out of 10 individuals

9 out of 10 GST-registered businesses

8 out of 10 companies

filed their tax returns on time

IRAS At A Glance

OUR SERVICE

IRAS served more than 4.5 million taxpayers, comprising individuals, property owners and businesses.

We received 16,355 compliments

The No-Filing Service benefited 1.49 million taxpayers during 2017 tax filing season

100% of taxpayers with appointments attended to within 15 minutes

93% of emails replied to within 5 working days

77% of telephone calls answered within 1 minute even during peak hours

We administered more than 17.5 million payment transactions

OUR PEOPLE

Each staff invested an average of more than 15 mandays in learning and development.

192 IRAS officers are Accredited Tax Specialists who have attained a high level of technical competency.

Our people completed 405 innovation projects and contributed 5,000 suggestions to enhance IRAS' systems and processes.

Our Revenue Collection

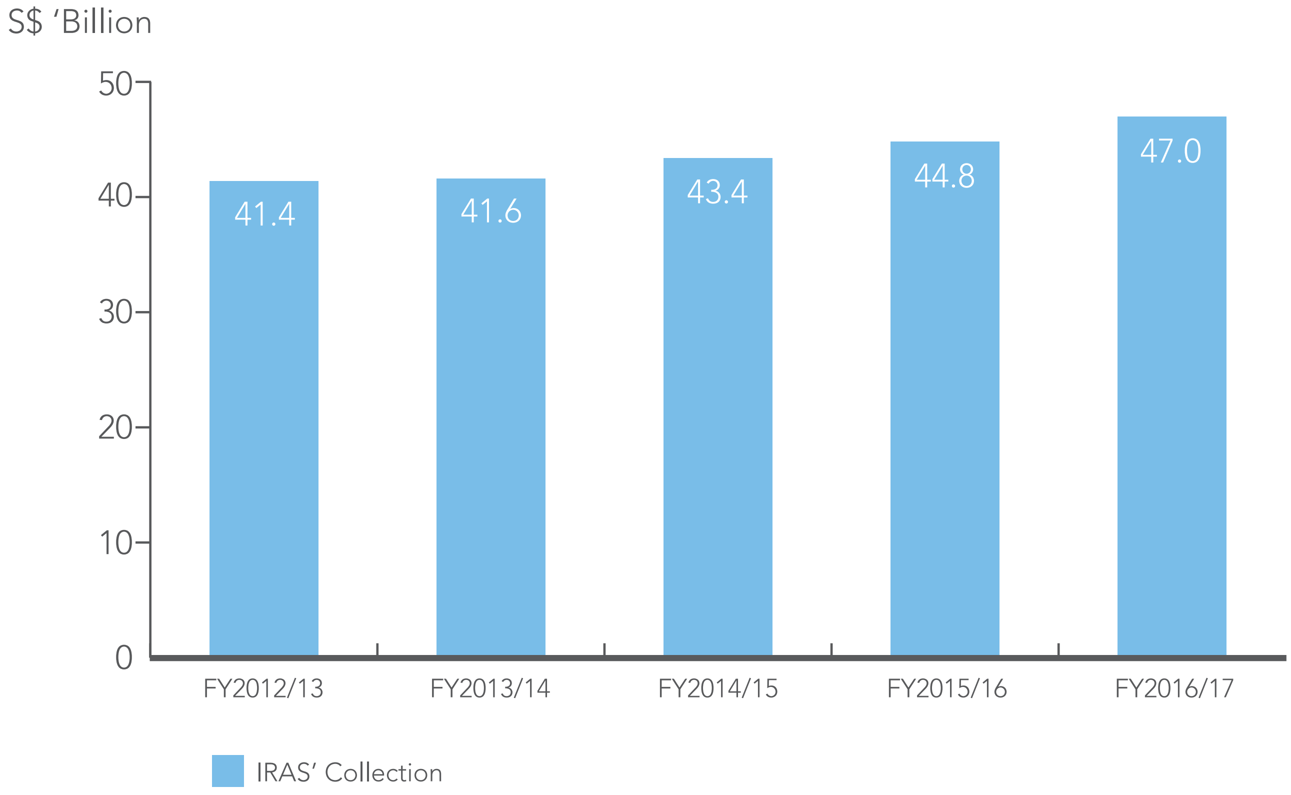
IRAS plays a key role in the collection of tax revenue, which is the main source of Singapore's Government Operating Revenue (GOR). IRAS' collection comprises a mix of direct and indirect taxes - taxes on income, Goods and Services Tax (GST), Property Tax, Stamp Duty and Betting Taxes.

Other sources of the GOR include Customs and Excise Duties, Taxes on Motor Vehicles, Vehicle Quota Premiums, other taxes, fees, charges and receipts.

Collectively, the revenue is used to fund government spending in support of social objectives, maintain strong security and external relations, and promote economic development.

In FY2016/17, a total of S$47.0 billion, or 68.2% of the GOR was collected by IRAS. This amount accounted for 11.3% of Singapore's Gross Domestic Product.

IRAS' Tax Collection



Our Revenue Collection

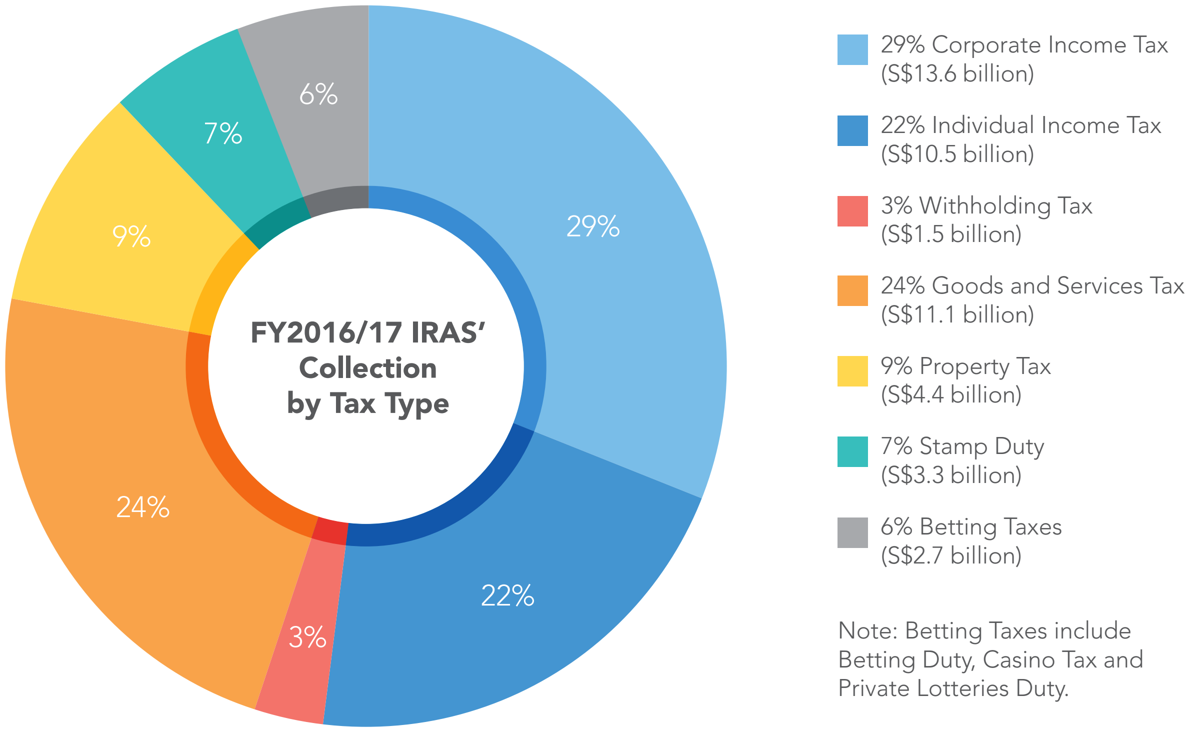
The distribution of taxes collected by IRAS in FY2016/17 is shown in the chart. Income Tax (Corporate Income Tax, Individual Income Tax and Withholding Tax) made up 54% of IRAS' collection. The amount collected was S$1.1 billion over the previous financial year due to higher collection from Individual Income Tax. Contributing to the increase were higher individual earnings and the cessation of one-off personal tax rebates given in YA2015.

GST collection increased to S$11.1 billion in FY2016/17 from S$10.3 billion in FY2015/16.

Property Tax collection decreased marginally by 2.1% to S$4.4 billion in FY2016/17.

FY2016/17 Stamp Duty collection was S$3.3 billion, 18.4% more than the previous financial year due to a higher number of property transactions.

Betting Taxes comprising Betting Duty, Casino Tax and Private Lotteries Duty amounted to S$2.7 billion in FY2016/17, slightly lower than FY2015/16 by 1.4%.



Note: Betting Taxes include Betting Duty, Casino Tax and Private Lotteries Duty.

FOSTERING A COMPETITIVE TAX ENVIRONMENT, ADVANCING INCLUSIVE GROWTH

Tax Cooperation

We continued to expand Singapore's network of tax treaties and strengthened tax cooperation through these partnerships:

- Updated the terms of our Avoidance of Double Taxation Agreements (DTAs) with India and South Africa
- Signed new DTAs with Cambodia and Ethiopia
- As of 31 Mar 2017, we have signed 84 comprehensive DTAs, of which 82 have been ratified

We are also committed to creating a pro-enterprise environment for businesses by minimising their tax risks through these engagements:

- Concluded 10 unilateral and bilateral Advance Pricing Arrangements (APAs), which set the transfer pricing rules for transactions between related entities operating in two or more jurisdictions
- Resolved three cases under the Mutual Agreement Procedure (MAP) Articles in our DTAs
- As of 31 Mar 2017, we have 51 APAs and 19 MAP cases under review
- Implementation of Automatic Exchange of Information(AEOI) based on the Common Reporting Standard
- As of 31 Mar 2017, we have signed 21 bilateral Competent Authority Agreements (CAAs), that allow for the Automatic Exchange of Financial Account Information under the Common Reporting Standard (CRS), of which 14 have been ratified
- Implementation of Country-by-Country Reporting (CbCR) regime in Singapore, as part of our commitment to implement the standards under the Base Erosion and Profit Shifting (BEPS) project

International Engagement and Partnership

Through regular dialogues, we continue to be a collaborative partner to our international counterparts and stay at the forefront of global tax developments.

In FY2016/17, we participated in these international fora, conferences and study groups:

- Meeting of the Steering Group to the Inclusive Framework on BEPS
- Organisation for Economic Cooperation and Development (OECD) Forum on Tax Administration (FTA) and Forum on Harmful Tax Practices (FHTP)
- 7th and 8th IMF – Japan High-level Tax Conference for Asian Countries
- OECD Committee of Fiscal Affairs (CFA) Meeting and Meetings of Working Parties on Exchange of Information (EOI) and Tax Compliance, Model Tax Convention, Transfer Pricing
- Global Forum on Transparency and EOI for Tax Purposes
- Global Forum – Meetings of the Peer Review Group, Steering Group and Automatic Exchange of Information (AEOI) Group
- 5th Global Forum Competent Authorities Conference
- 11th Mass Appraisal Valuation Symposium
- Asian Tax Authorities Symposium
- 46th SGATAR Annual Meeting
- Study Group on Asian Tax Administration and Research (SGATAR) Consumption Tax Conference
- Forum of Heads of Tax Crime Investigation (FHTCI)

International Engagement and Partnership

Study visit to the Finnish Tax Administration (FTA)

Exchanges with foreign counterparts pave the way for broader international relations. In FY 2016/17, we visited the Australian Taxation Office, the Danish Customs and Tax Administration (SKAT), the Finnish Tax Administration, the Estonia Tax and Customs Board and the New Zealand Inland Revenue Department for discussions ranging from digital transformation in tax administration to data analytics and design.

IRAS also hosted more than 140 foreign delegates from jurisdictions such as Cambodia, China, India, Japan, Malaysia, Pakistan, the Netherlands, Pakistan, Rwanda and Thailand. During these exchanges, we shared our experiences in tax administration, work processes and technological advances.

Exchange of Information on Request (EOIR) Training Seminar

In April 2016, IRAS and the Tax Academy of Singapore hosted the first Exchange of Information on Request (EOIR) Training Seminar in Asia. The seminar saw participation of 44 representatives from the Asia Pacific region such as Australia, Brunei, Canada, Cambodia, Japan, Korea, New Zealand, India, Indonesia, Malaysia, Papua New Guinea, Philippines, Thailand and Vietnam, as well as government agencies such as MAS, MOF, ACRA and IRAS. The seminar was conducted jointly by the Global Forum Secretariat and IRAS, and provided both the assessed jurisdictions and aspiring assessors a better understanding of the peer review process based on the revised 2016 Terms of Reference and the 2016 Methodology for the next round of EOIR peer reviews.

Facilitating Economic Growth

We proactively review tax policies to ease business' compliance costs and to promote enterprise. In FY 2016/17, we reviewed 50 tax policies, covering a wide range of areas including transfer pricing, withholding tax and tax issues relating to the digital economy.

Highlights of Budget Changes

The following tax changes were announced by the Minister for Finance, Mr. Heng Swee Keat, in his Budget Statement for the Financial Year 2017, which was delivered in Parliament on 20 Feb 2017.

For Individuals

Granting a Personal Income Tax Rebate for Resident Individual Taxpayers

To provide relief to individuals who pay income tax, a Personal Income Tax Rebate of 20% of tax payable will be granted to all individual tax residents for YA 2017 (i.e. for income earned in 2016). The rebate will be capped at S$500 per taxpayer.

Withdrawing the GST Tourist Refund Scheme ("TRS") for tourists departing by international cruise

Due to the very low transaction volume at the cruise terminals for tourist refunds, the GST TRS will be withdrawn for tourists who are departing by international cruise from the cruise terminals and whose purchases are made on or after 1 Jul 2017. Tourists who are departing by international cruise from the cruise terminals will have until 31 Aug 2017 to claim refunds on purchases made before 1 Jul 2017.

The eTRS facilities at the cruise terminals will be removed after 31 Aug 2017.

Highlights of Budget Changes

For All Businesses

Enhancing and Extending the Corporate Income Tax ("CIT") Rebate

To help companies cope with the economic uncertainty and continue restructuring, the CIT Rebate will be enhanced and extended:

a. The CIT Rebate cap will be raised from S$20,000 to S$25,000 for YA 2017 (with the rebate rate unchanged at 50% of corporate tax payable); and

b. The CIT Rebate will be extended for another year to YA 2018, at a reduced rate of 20% of tax payable and capped at S$10,000.

Introducing an Intellectual Property ("IP") Regime that Encourages the Exploitation of IP Arising from Research & Development ("R&D") Activities of the Taxpayer

To encourage the use of IPs arising from taxpayer's R&D activities, IP income will be incentivised under a new IP Regime named the IP Development Incentive (IDI). The IDI incorporates the BEPS-compliant modified nexus approach.

Such income will be removed from the scope of Pioneer-Services/ Headquarters Incentive and the Development and Expansion Incentive-Services/Headquarters for new incentive awards approved on or after 1 Jul 2017. Existing incentive recipients will continue to have such income covered under their existing incentives awards till 30 Jun 2021.

The IDI will take effect on or after 1 Jul 2017, and will be administered by EDB.

Withdrawing the Tax Deduction for Computer Donation Scheme

As the objective of the scheme has been achieved, the scheme will be withdrawn after 20 Feb 2017.

Withdrawing the Accelerated Depreciation Allowance for Energy Efficient Equipment and Technology ("ADA-EEET") Scheme

To streamline incentives promoting energy efficiency that have been introduced over the years, the ADA-EEET scheme introduced in 1996 will be withdrawn after 31 Dec 2017. No ADA-EEET will be granted for equipment installed on or after 1 Jan 2018.

Allowing the Approved Building Project ("ABP") Scheme to Lapse

The ABP scheme will be allowed to lapse after 31 Mar 2017.

Introducing a Safe Harbour Rule for Payments Under Cost Sharing Agreements ("CSAs") for R&D Projects

To ease compliance, taxpayers may opt to claim tax deduction under Section 14D for payments made under a CSA incurred for qualifying R&D projects without subjecting the CSA payments to specific restriction rules which disallow certain categories of expenditure.

The change will apply to CSA payments made on or after 21 Feb 2017.

Highlights of Budget Changes

Extending the Withholding Tax ("WHT") Exemption on Payments for International Telecommunications Submarine Cable Capacity Under an Indefeasible Rights of Use ("IRUs") Agreement

In line with the Government's thrust to grow the digital economy and continue to be a key hub for data flow, the WHT exemption on payments for international telecommunications submarine cable capacity under an IRU agreement will be extended till 31 Dec 2023.

For Financial Sector

Extending the Withholding Tax exemption on Payments Made to Non-resident Non-individuals for Structured Products Offered by Financial Institutions

The qualifying period for exemption from Withholding Tax on payments made to non-resident non-individuals for structured products will be extended till 31 Mar 2021.

All other conditions of the scheme will remain the same.

Refining the Finance and Treasury Centre ("FTC") Scheme

To help ease the compliance burden of approved FTCs, the qualifying counterparties for certain transactions of approved FTCs will be streamlined.

The change will apply to new or renewal incentive awards approved on or after 21 Feb 2017.

Extending the Tax Incentive Schemes for Project and Infrastructure Finance

The remission of stamp duty payable on the instrument of transfer relating to qualifying infrastructure projects/assets to qualifying entities listed, or to be listed, on the SGX, will be allowed to lapse after 31 Mar 2017.

Apart from the remission of stamp duty above, the existing package of tax incentive schemes for Project and Infrastructure Finance will be extended till 31 Dec 2022.

All other conditions of the schemes remain the same.

Highlights of Budget Changes

Other Tax Changes for Businesses

Enhancing the Global Trader Programme ("GTP")

To facilitate and encourage more trading activities in Singapore and to simplify the GTP, the GTP will be enhanced as follows:

a. The requirement for qualifying transactions to be carried out with qualifying counterparties will be removed. Consequently, concessionary tax rate will be granted to approved global trading companies on income derived from qualifying transactions with any counterparty;

b. Concessionary tax rate will be granted to approved global trading companies on physical trading income derived from transactions in which the commodity is purchased for the purposes of consumption in Singapore or for the supply of fuel to aircraft or vessels within Singapore;

c. Concessionary tax rate will be granted to approved global trading companies on physical trading income attributable to storage in Singapore or any activity carried out in Singapore which adds value to commodity by any physical alteration, addition or improvement (including refining, blending, processing or bulk-breaking); and

d. The substantive requirement to qualify for the GTP will be increased.

The enhancements in (a) to (c) will apply to qualifying income derived on or after 21 Feb 2017 by approved global trading companies from qualifying transactions.

The enhancement in (d) will apply to new or renewal incentive awards approved on or after 21 Feb 2017.

Extending and Refining the Aircraft Leasing Scheme ("ALS")

To continue encouraging the growth of the aircraft leasing sector in Singapore, the ALS will be extended and refined as follows:

a. The ALS will be extended till 31 Dec 2022;

b. The scope of qualifying ancillary activities for approved aircraft lessors will be updated to cover incidental income derived from the provision of finance in the acquisition of aircraft or aircraft engines by any lessee; and

c. The concessionary tax rate on income derived from leasing of aircraft or aircraft engines and qualifying ancillary activities will be streamlined from 5% and 10% to a single rate of 8%.

The enhancement for (b) will apply to income derived on or after 21 Feb 2017 for all incentive recipients.

The refinement in (c) will apply to new or renewal incentive awards approved on or after 1 Apr 2017.

The automatic withholding tax exemption regime will be extended to qualifying payments made on qualifying loans entered into on or before 31 Dec 2022.

Extending and Refining the Integrated Investment Allowance ("IIA") Scheme

The IIA scheme will be extended till 31 Dec 2022.

In addition, one of the requirements is liberalised in that the qualifying productive equipment may be used by the overseas company primarily (instead of solely) to manufacture products for the qualifying company under an approved project.

Highlights of Budget Changes

The above liberalisation in the qualifying requirement will apply to expenditure incurred on a qualifying productive equipment for a project approved on or after 21 Feb 2017.

Allowing the International Arbitration Tax Incentive ("IArb") to Lapse

As part of the Government's regular review of tax incentives, the IArb will be allowed to lapse after 30 Jun 2017.

Allowing the accelerated Writing-Down Allowances ("WDA") for Acquisition of Intellectual Property Rights ("IPRs") for Media and Digital Entertainment ("MDE") Content Scheme to Lapse

As the scheme is assessed to be no longer relevant and to simplify our tax regime, the accelerated WDA for the MDE content scheme will be allowed to lapse, in respect of IPRs acquired for MDE content after the last day of the basis period for YA 2018.

MDE companies or partnerships may elect to claim WDA over a writing-down period of 5, 10 or 15 years on the capital expenditure incurred to acquire the qualifying IPRs under Section 19B of the Income Tax Act.

BUILDING A SOCIALLY RESPONSIBLE TAXPAYING COMMUNITY

Achieving High Levels of Voluntary Compliance

IRAS is committed to maintaining a fair and sustainable tax system. We continue to ensure tax rules are clear and easy to comply with, and enhance tax filing processes to promote voluntary compliance.

In FY2016/ 17, we continued to achieve high on-time filing and payment rates.

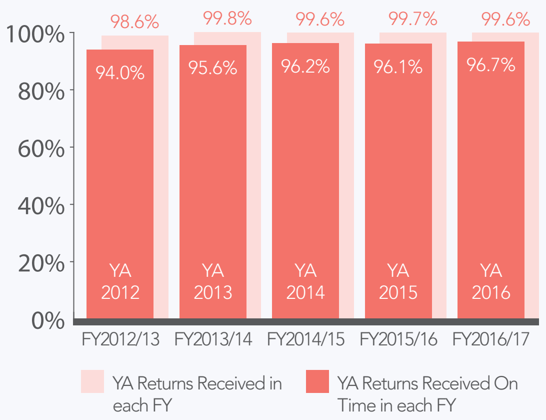
Filing compliance results for FY2016/17

For Individual Income Tax, **96.7% of the 2,282,969** returns issued in FY2016/17 were filed on time.

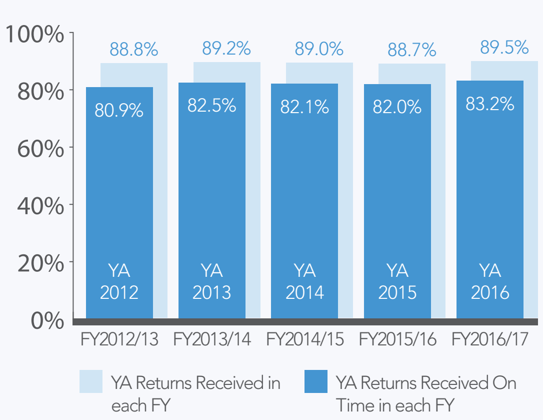
For Corporate Income Tax, **83.2% of the 201,144** returns issued were filed on time.

For Goods and Services Tax, **93.9% of the 376,533** returns issued were filed on time.

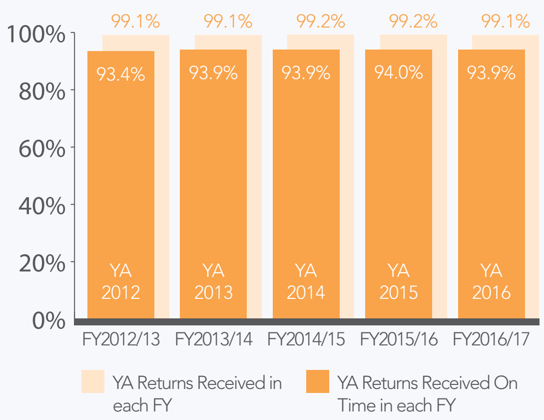
Filing Compliance Results for Individual Income Tax



Filing Compliance Results for Corporate Income



Filing Compliance Results for Goods and Services Tax



Achieving High Levels of Voluntary Compliance

On-time payment rates for tax types

90.8%
Individual Taxpayers

86%
Corporate Taxpayers

89.6%
GST-registered Businesses

Our current year tax arrears amounted to **S$267 million**.
The proportion of tax arrears to total net tax assessed or collected at the end of FY2016/17 stood at 0.68%.

Building a Socially Responsible Taxpaying Community

In FY 2016/17, we introduced more initiatives and enhanced our systems and processes to make it easier for taxpayers to file and pay their taxes on time.

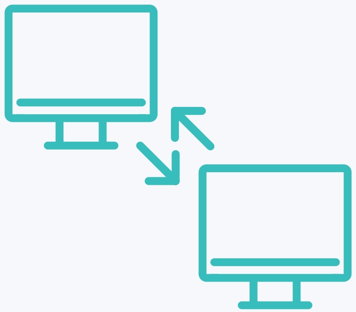
New e-Services for Tax Agents

A one-stop platform to:

- Have an overview of clients' tax matters
- Perform transactions on behalf of their clients
- Track latest notices and correspondences

New look for myTax Portal for more intuitive navigation

- Quick overview of filing status
- Summary of tax accounts
- Shortcuts to popular e-Services



IRAS' Application Programming Interface (API) Marketplace

Easy sharing of data through co-creation with solution providers for better digital services.

List of available APIs in IRAS' API Marketplace: https://apiservices.iras.gov.sg

With the implementation of API service for AIS submission, 60 AIS employers could submit employees' salary employees' salary details for their YA 2017 submissions directly to IRAS with the click of a button.

Early Filing for Partnerships

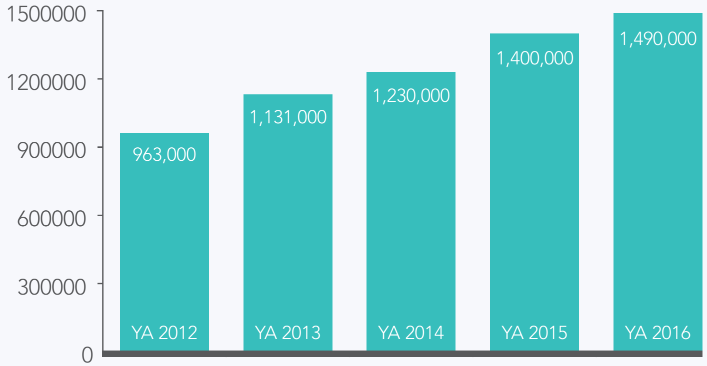
More than 10,000 partners enjoyed the convenience of having their share of partnership income pre-filled in their individual income tax returns by IRAS.

Enhanced Letters

Redesigned with simpler and clearer messages to help taxpayers better understand their tax filing obligations.

Building a Socially Responsible Taxpaying Community

For Individual Income Tax Season 2017,
more taxpayers benefited from the No-Filing Service.



1.49 million
taxpayers on the
No-Filing Service

1.75 million
taxpayers on the
Auto-Inclusion Scheme enjoyed the convenience of pre-filled tax returns

17%
of taxpayers accessed myTax Portal via smartphones

97%
of tax filers e-Filed

Upholding Our Service Standards

We continued to uphold a high level of service standard in FY 2016/17, providing timely assistance to taxpayers who needed help to fulfil their tax obligations.

Replied to 93% of 390,811 emails received **within 5 working days**

99.5% of 808,136 refund cases processed **within 14 days**

100% of 808,136 refund cases processed **within 30 days**

Answered to 100% of taxpayers with appointments **within 15 mins**

Answered 77% of calls within **1 min** during peak period

Responded to 84% of the 191,732 mail correspondences **within 15 working days**

2016 PS21 Star Service Award Winners

The PS21 Star Service Awards are given out annually to recognise public officers for their dedication to service excellence. By identifying role models who deliver exemplary service, this award encourages quality customer service and aims to improve the standards of service delivery in the Singapore Public Service.

This year, Ms Lim Yi Shan (Accounting and Processing Division) and Mr William New Poh Kiat (Enforcement Division) both received the PS21 Star Service Award.

Ms Lim Yi Shan

"I mainly seek help from Yi Shan who has been exceptionally responsive and efficient! Thank you most sincerely!"

Compliment for
Ms Lim Yi Shan

Mr William New Poh Kiat

"Thank you for the great service! You have been proactive, clear and polite. Not forgetting a big 'Thank You' for always supporting us on Enforcement matters."

Compliment for
Mr William
New Poh Kiat

2016 IRAShines! Award Recipients

Everyone in IRAS plays a role in providing excellent service. The IRAShines! Award is an annual pinnacle award to reward and recognise both frontline and backroom staff for the outstanding service extended to taxpayers and internal customers.

There are 12 winners and among them, four were honoured as the Special Award recipients for their exceptional service.

"Many thanks for your help for my case, really appreciate it."

Compliment for Ms Poh Li Xin

From left to right: Wendy Teng, Joanne Phan, Helen Yeo, Mike Soon, Guek Xiaoting, Poh Li Xin, Kellyn Tan
Not in picture: Daphne Tok, Elicia Tan, Kuek Kah Hoon, Loh Wang Qi and Yap Li Jun

"Xiaoting is patient, and listens to understand me. She is kind, considerate and polite in attending to my needs. She is competent in explaining and in navigating the IRAS computer system to research the history of my case. You must be proud of her."

Compliment for Ms Guek Xiaoting

"Elicia takes the time and trouble to listen to my problem and advise me accordingly. Very happy and nice experience when I visited IRAS, giving me a lot of leeway in my repayment and I, for sure, will try to settle the outstanding amount early. She doesn't make me feel like I'm walking into court and this time I'm not so stressed out."

Compliment for Ms Elicia Tan

"It's great having Wendy around to help out for the project testing phase. She is competent and able to advise users/project team on the root causes of issues and the follow up actions."

Compliment for Ms Wendy Teng

2016 IRAShines! Service Champions

The IRAShines! Service Champion is a new award to recognise individuals who have led and implemented significant improvements in the organisation to raise customer satisfaction which has positively impacted business results.

"Norhana has been actively involved in activities relating to service improvements over the years, including the MyTax Mail system, and overseeing the team which developed the personal reliefs eligibility tool."

Compliment for Ms Norhana Bte Rahman

From left to right: Patricia Low, Norhana Bte Rahman, Loh Zhiqi

"Zhiqi developed and refined a Certificate of Residence generator which helped to improve work efficiency for her team and reduce the risk of human errors ."

Compliment for Ms Loh Zhiqi

"Patricia actively leads her team in making improvements to provide better service to taxpayers and staff alike. She oversaw 10 branch projects leading to significant improvements in service delivery, including a review of clearance process, which has brought about a shorter turnaround time for taxpayers seeking tax clearance and significantly reduced the number of contacts on this."

Compliment for Ms Patricia Low

2016 Star Service Teams

The Star Service Team Awards are given to staff who have demonstrated teamwork in service delivery that exceeded customer expectations and went beyond the call of duty

Form C e-Filing Team

The project team was formed to review the Form C filing requirement and explore e-Filing solutions for corporate taxpayers. They went the extra mile to understand business needs and practices in corporate tax filing in order to develop a product that could meet the needs of corporate taxpayers. 29% of companies e-Filed following the launch of Form C e-Filing, far exceeding the initial target of 15%.

"It takes less than 20 minutes to complete the e-filing of Form C, which is considered to be the simplest among other countries thus far. And also, help is always around to provide valuable assistance for anyone who e-files the tax. I give the highest rating for this e-filing and the help line that are provided by our tax regulatory body."

Taxpayer

From left to right: Christina Low, Belinda Leong, Lim Chiew Tuck, Alan Chua, Chan Kok Yong, Richard Goh, Chong-Gan Kim Choo, Lim Mei Hui
(Not in picture: Jess See, Ng Simin, Tan Ee Ling, Tay Ang Sim)

2016 Star Service Teams

DEMO-nstrators

This cross-divisional team developed a comprehensive and interactive e-Filing demo to give IRAS officers hands-on experience in navigating the filing system so that they would be better able to serve taxpayers. The increased familiarity with the system allowed officers to provide quick and good service to the near 200,000 taxpayers who required assistance during the YA2015 income tax filing season.

"The demo is useful because it allows us to see the exact same screen taxpayers are looking at, instead of screenshots which are non-interactive and we may not be able to assist taxpayers if they were to deviate from our screenshots."

IRAS Officer

From left to right: Cheryl Jo Tan, Soh Jack Shen, Julieana Elias, Chong Min Fong, Neo Ee Ling, Fiona Ho, Kate Lim

2016 Star Service Teams

"Object to Assessment" e-Service

The team aimed to offer a seamless experience for taxpayers to file objections. Through this e-service, most taxpayers would receive a revised assessment within 3 working days or a response within 10 working days rather than 14 working days for a complete resolution of their tax issue.

More than 2,000 taxpayers submitted their objections successfully for YA2015 via the e-Service from Jul to Dec 2015.

From left to right: Ivy Lim, Jameela Abdul Rasheed, Nur Hafiza Ab Hamid, Goh Swee Leong, Munirah Begum Abdullah, Koh Han Liat, Au Hui Yan, Tan Poh Geok, Teo-Tay Siew Lan, Cheryl Jo Tan, Sundarason Soocelaraj

Deterring Non-Compliance

The vast majority of our taxpayers declare their taxes accurately. For the minority who are non-compliant, IRAS take steps to ensure that they pay their fair share of taxes.

We continued to strengthen our compliance capabilities to detect and prevent non-compliance by applying advanced analytics techniques in our compliance work, including audit selection and fraud detection, and carried out rigorous audits and investigations on taxpayers suspected of wrongdoing in their tax affairs.

In FY2016/17, our tax audit and investigation teams uncovered a total of 10,626 non-compliant cases and recovered about S$332 million in taxes and penalties. We recovered more than S$20 million from the 120 cases investigated.

Focus audit areas and industries included Productivity and Innovation Credit (PIC) claims, travel agencies and ticketing agents, medical practitioners, large businesses and checks on businesses' display of GST-inclusive prices to the public.

"We recovered more than S$20 million from the 120 cases investigated."

Engaging the Community

We strive to better understand the evolving needs of taxpayers by engaging them and acting on their feedback. We also partner and engage key stakeholders in the community, such as tax intermediaries and trade associations, to encourage tax compliance.

Sharing Economy Association (Singapore) (SEAS)

We reached out to the SEAS and other trade associations to better help their members comply with tax obligations.

Service Design Projects for Individual and Residential Property Taxpayers

We completed service design projects for individual and residential property taxpayers. Personalised videos were sent to about 10,000 taxpayers explaining their property tax before they received their valuation notice.

Taxpayer Feedback Panel

The Taxpayer Feedback Panel (TFP) comprises representatives from a wide spectrum of local businesses, industries and trade associations. Through TFP, we keep our industry partners updated on new initiatives and major tax developments, while garnering their feedback.

The following topics were discussed at the TFP dialogue sessions held in FY2016/17:

- Helping businesses switch to e-Filing Corporate Income Tax
- GST treatment of prompt payment discounts
- Engaging property taxpayers: 2017 & beyond
- Object to Assessment e-service for individual taxpayers

Engaging the Community

IRAS Hackathon 2016

We kicked off the inaugural IRAS Hackathon with a pre-Hackathon workshop on 30 Aug 2016, during which close to 130 members of the public gathered to gain tax knowledge from IRAS speakers.

The actual Hackathon event took place from 2-4 Sep 2016, with over 70 participants co-creating with IRAS to brainstorm and build prototypes to create a taxpayer-centred experience for SMEs, self-employed and individual taxpayers. At the end of the Hackathon, 19 teams presented their prototypes to a panel of judges.

EMPOWERING OUR PEOPLE

Staff Strength

Our staff strength as of 31 March 2017 was 1,940.

Turnover rate fell to 2.77% from 3.27% last year.

Advancing Our People

Our people are our greatest asset. We continued to invest in our people to unlock new capabilities while keeping the bar high in professional standards.

In FY2016/17, we invested more than S$5 million or about 2.1% of the total payroll in staff training, achieving an average of 15 learning mandays per staff.

Our people attended both local and overseas training programmes, and also participated actively in international conferences.

During the Annual Tax Conference organised by our Accredited Tax Specialist (ATS) community, our ATS discussed the following topics:

Income Tax

- Income Tax issues faced by MNCs in the dynamic international landscape.

Goods and Services Tax (GST)

- The scope of GST exemption for residential properties
- The deeming provision and valuation methods on the deemed value of supply

Property Tax (PT)

- PT treatment of fixed plants and machineries (P&Ms) in industries for manufacturing-related services

Innovating and Growing as an Organisation

We develop and deepen our capabilities to drive innovation, as we work towards becoming a more nimble, digital IRAS. We encourage our people to proactively contribute ideas to optimise and enhance our organisation's systems, processes and capabilities.

In FY2016/17, our people contributed 5,000 suggestions and completed more than 400 innovation projects. IRAS was also conferred the following awards/recognition:

- Renewal Certification for ISO 9001:2008
- The Public Sector Pro-Enterprise Initiative Award, for simplifying pre-registration GST claim rules and easing compliance for GST-registered businesses.
- Internet Crystal Mark (ICM) for IRAS Website approved by UK's Plain English Campaign
- NS Gold Mark, to recognise organisations that are pro-active in their support for NS with pro-NS and total defence policies and practices
- Ministry of Finance Awards 2016:
  - Most Innovative Project/Policy Award for the CPF Data Link-up Service for AIS
  - Best Suggestion Award for Application Lifecycle Management and Personal Reliefs Eligibility Tool
  - Innovation Champion Award, which recognises officer who exemplify innovation and creativity in their work: Ms Angela Ang
- Angela was also awarded the PS21 Innovation Champion Award.

Recognising Achievements

Our people were recognised for their outstanding performances and devotion to duty. We are proud of all 2016 National Day Award Recipients.

Public Administration Medal (Silver) Recipient

Mr Andy Seah Yong Luck
Assistant Commissioner (Individual Income Tax Division)

Public Administration Medal (Bronze) Recipient

Mr Colin Chew Koo Chung
Director, Taxpayer Services Division

Commendation Medal Recipients

Mr Kwa Kah Boon
Manager, International Tax Affairs and Relations Division

Mr Lim Kok Leong
Manager, Individual Income Tax Division

Ms Tan Hwee Kian
Manager, Corporate Services Division

Mdm Tan Lay Suan
Manager, Enforcement Division

Efficiency Medal Recipients

Mrs Kang-Nah Eng Hua
Senior Assistant Processing Officer, Accounting and Processing Division

Mrs Khoo-Ng Siew Guat
Tax Officer, Taxpayer Services Division

Ms Lek Sok Kiang
Senior Tax Officer, Individual Income Tax Division

Mrs Lim Soon Kiat
Senior Tax Officer, Goods and Services Tax Division

Enriching Our People's Lives

Our Inland Revenue Recreation Club (IRRC) offers a range of sporting, social, wellness and community activities to encourage staff to lead enriching, active lives.

Highlights of activities in FY2016/17 include:

- The IRAS Dinner and Dance (D&D) 2017 was held on 14 January 2017 at the Marina Bay Sands Convention Centre. The theme was "Back to the Future", to commemorate IRAS' 25 years of history as a statutory board, while looking forward to IRAS' transformation for the future.
- IRAS Active Day 2016 which offered 24 activities across two days, including Archery Tag and Pound Fitness Session. The event drew 1,350 participants.
- Collaboration with the Health Promotion Board (HPB) on The National Steps Challenge, a nation-wide physical activity programme encouraging Singaporeans to sit less and move more. Over 300 staff took part in the challenge.
- Annual health screening exercise in collaboration with our partners, which meant 828 staff enjoyed the convenience of health screening at the workplace.

Reaching Out to the Community

IRAS aims to promote a spirit of volunteerism and instil a sense of social and environmental responsibility in our people.

In FY2016/17, our people took part in the following activities:

- Singapore Cancer Society's Sweet Home Project, where staff volunteers re-painted the home of a beneficiary
- Willing Hearts Soup Kitchen quarterly visits by staff volunteers who prepared, cooked and distributed meals to various locations island-wide, to reach out to the elderly, disabled, low-income families, children from single parent families, migrant workers, etc.
- Interactive and educational activities with the beneficiaries of the Singapore Children's Society (SCS) including a brownie-baking session and a visit to Marina Barrage to learn about water conservation.
- Kwong Wai Shiu Hospital visit during the Chinese New Year (CNY) period where staff volunteers mingled with the elderly residents over a lantern-making activity and also performed CNY songs.
- International Coastal Cleanup Singapore where staff volunteers took part in the Changi Beach clean-up and contributed to the removal of more than 13kg of trash.

Cultivating Talent and Nurturing Potential

We believe that our people are at the heart of IRAS' transformation journey, and that they play a crucial role in achieving our vision. We nurture and develop our people to support this belief. Two colleagues share their developmental paths in IRAS thus far.

Mr Yap Mia Kai, Director of the Infocomm Technology Planning Branch, is involved in the planning, designing and delivering of Infocomm Technology (IT) capabilities in IRAS. "As the world gets transformed by technology, effectively leveraging IT capabilities has become increasingly critical in helping IRAS become the leading tax administrator in the world. Therefore, I am cognizant of how my role plays a part in helping IRAS achieve its vision," says Mia Kai.

Mia Kai has witnessed how IT has been a powerful enabler in IRAS during his 13 years with IRAS. "Having easy access to data and information has become so natural that people may forget how it has made all of us more effective workers". Mia Kai added. "The fact that the majority of tax forms get processed today without human intervention shows how much IT has increased organisational productivity. We achieved what we have today through forward planning and years of effort and must sustain our momentum by doing things "smarter" (e.g. with analytics), and more effectively (e.g. streamlined processes)."

Mia Kai's next task includes guiding a team to architect IRAS' next generation IT system. On a daily basis, he and his team work hard to bring together inputs from the rest of the organisation, as well as explore how they can leverage new technologies and concepts to achieve the organisation's vision. One example is the recently launched IRAS Application Programming Interface (API) Marketplace, a digital collaboration platform that facilitates co-creation of solutions with the wider community.

Having been posted to various work teams in the Infocomm Division, Mia Kai adapts quickly to new situations, and draws from learning opportunities offered in his past experiences.

Mia Kai is excited about what IRAS' next generation IT system would have to offer, and looks forward to working with his team of passionate and technically strong officers to create something that will lift IRAS to greater heights.

Cultivating Talent and Nurturing Potential

Ms Fung Ai Wei was part of a project team that gathered useful insights from taxpayers and staff, revealing taxpayers' latent desire for convenience, control and certainty – these led to a proposed redesigned filing process for individuals.

Now a Senior Tax Officer at the Valuation and Stamp Duty Branch, Ai Wei is involved in implementing key property tax initiatives that were born out of service design including going paperless for annual residential property bills. Driven by design and data, these initiatives are user-centric and would form part of the redefined experience for taxpayers.

When Ai Wei first joined IRAS in 2013, she was posted to the Corporate Tax Division where the technical work is vastly different from the Property Tax work she does today. Says Ai Wei of embracing these transitions and challenges, "When the opportunity arose to join Property Tax Division, I welcomed the exposure as my Corporate Tax experience could bring synergies and value-add to the Property Tax Division." Indeed, Ai Wei's thoughts were affirmed when she was involved in the stamp duty review of share transfers in property-holding entities. With customised stamp duty training by a legal practitioner and on-the-job exposure, Ai Wei was able to get herself up to speed with the technical knowledge. "I enjoy policy rationalisation and formulating guiding principles that would ensure consistency in our tax treatment – this aspect of work stretches my critical thinking and ability to simplify complex ideas."

Ai Wei feels challenged in her daily work and apart from technical work, she derives a great sense of satisfaction from involvement in corporate activities such as organising the Dinner and Dance for IRAS Staff and performing with IRAS' Dance Team at various corporate events.

Having been given the opportunity to try out different areas of work, Ai Wei is a role model to many IRAS staff to cross-train in multi-disciplines across tax types, policy work, process review, etc.

CHARTING AHEAD

CHARTING AHEAD

Facilitating Enterprise and Inclusive Growth

Amid a rapidly changing global environment, IRAS will continue to proactively review and formulate tax policies to promote enterprise and enhance the competitiveness and progressivity of our tax regime. We will support the Government's drive for inclusive growth through the administration of national productivity and assistance schemes. We will also step up our international engagement efforts to raise Singapore's international standing and to broaden and deepen our international connections.

Collaborating with Taxpayers and Stakeholders

Riding on our strong partnership, we will collaborate and co-create services with our taxpayers and stakeholders. We will customise information and ensure the delivery of a consistent taxpayer-centred experience at all times. We strive to make taxpaying so convenient by integrating tax seamlessly into taxpayers' life events or natural systems and in so doing, minimise compliance costs.

Maximising Voluntary Compliance

We will work with the community to shape social norms that embrace the value of taxpaying to ensure a high level of voluntary compliance in the long run. At the same time, we will put in efforts to provide targeted compliance treatments and take firm actions against non-compliance for maximum deterrence effect.

Enhancing Productivity

In line with our transformation efforts, we will leverage smart and agile IT systems to facilitate the delivery of excellent service and optimise the effectiveness of our compliance efforts. We will make better use of data and embed analytics into our processes and systems to increase efficiency and effectiveness. Beyond IRAS, we will continue to work closely with other government agencies to support Whole-of-Government outcomes.

Developing a Highly Competent, Empowered and Future Ready Team

Recognising that people are the single most important factor in any organisation's success, we will continue to ensure that our staff remain engaged and proud to be in IRAS. We will equip them with the capabilities necessary to excel in a digital workplace and inculcate a strong culture of innovation and experimentation so that they feel empowered and ready to face the future ahead.

INLAND REVENUE
AUTHORITY
OF SINGAPORE

FINANCIAL REPORT 2016/17

INLAND REVENUE AUTHORITY OF SINGAPORE

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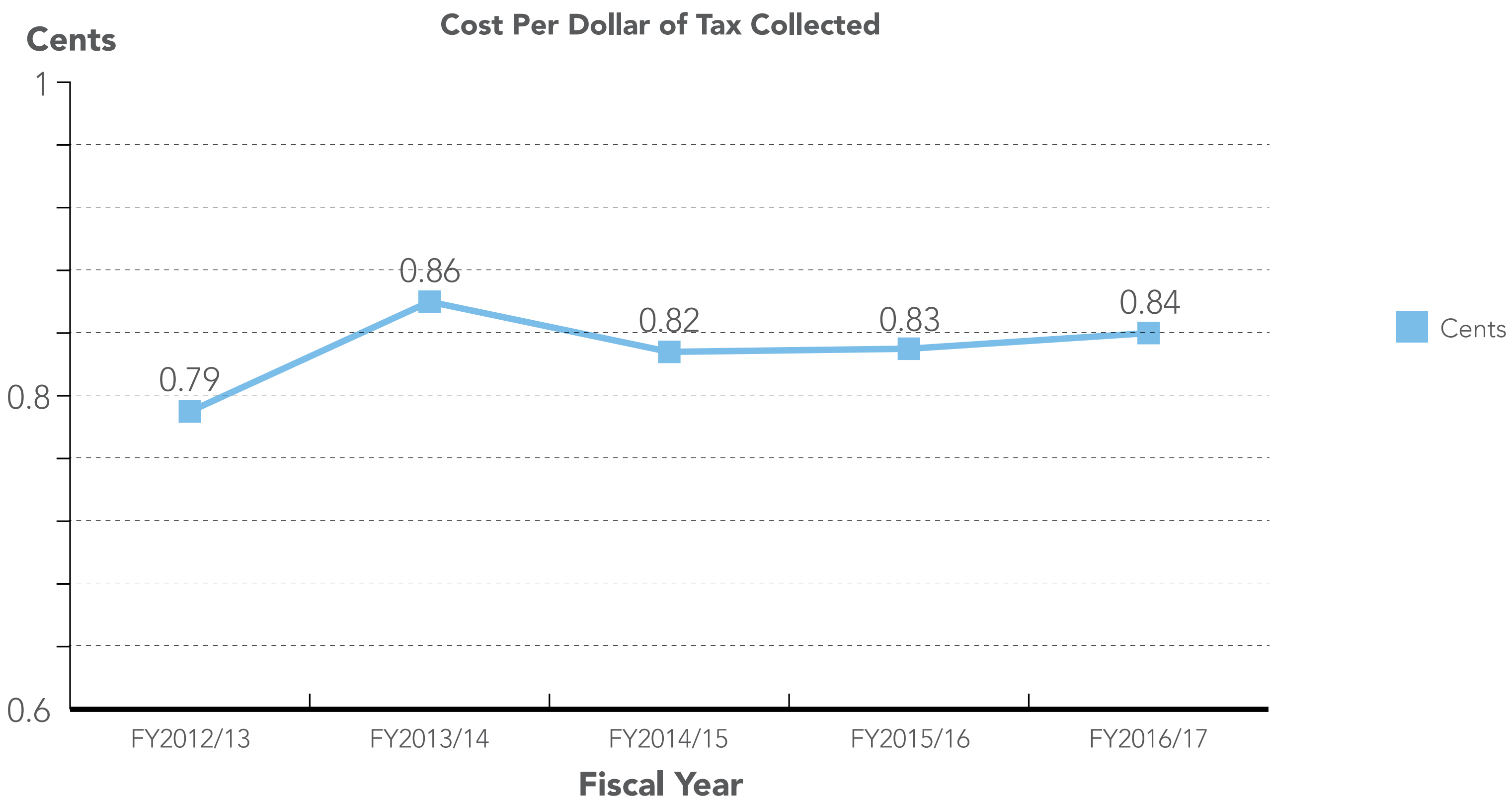
Five-Year Financial Summary

Statement of Comprehensive Income (S$' million)	FY2012/13	FY2013/14	FY2014/15	FY2015/16	FY2016/17
Operating Income	401.3	412.6	425.9	429.8	459.8
Operating Expenditure (includes depreciation and amortisation)	327.6	360.5	360.8	374.3	397.0
Manpower Costs	176.5	205.2	218.1	231.2	249.5
Depreciation and Amortisation	36.9	31.0	21.2	22.1	21.6
Other Operating Expenditure	114.2	124.3	121.5	121.0	125.9
Operating Surplus	73.7	52.1	65.1	55.5	62.8
Net Investment Income/(Loss)	28.5	(1.3)	19.8	1.6	14.6
Other Comprehensive Income - Actuarial Gain/(Loss)	(0.1)	0.7	(1.2)	(1.6)	0.0
Surplus before Contribution to Government Consolidated Fund	102.1	51.5	83.7	55.5	77.4
Capital Expenditure (S$' million)	36.8	17.4	21.9	8.0	13.5
Tax Revenue (S$' million)	41,361	41,568	43,388	44,771	47,028
Cost per Dollar of Tax Collected (cent)*	0.79	0.86	0.82	0.83	0.84
Number of taxpayers per employee	2,037	2,085	2,122	2,203	2,315

* Cost figures do not include the cost of adminstering Jobs Credit Scheme and Wage Credit Scheme on behalf of MOF and are before Contribution to Government Consolidated Fund.

Cost Per Dollar of Tax Collected

IRAS aims to keep the cost of tax collection low. The average cost per dollar of tax collected in the last 5 financial years has been kept at below 1 cent. For FY2016/17, the cost per dollar of tax collected is 0.84 cents. This is 1% higher than last fiscal year. The increase is mainly due to a 8% increase in manpower costs.



Financial Review

Financial Results

Income

Our operating surplus for FY2016/17 is S$62.8 million or S$7.3 million higher than that for FY2015/16. This is due to an increase in agency fees.

The net investment gain of S$14.6 million (FY2015/16: S$1.6 million) is due to higher valuation of our unit trust holdings.

Operating Expenditure

Operating expenditure for FY2016/17 is S$397.0 million. This is S$22.7 million more than FY2015/16.

Operating expenditure is made up of 3 main components: (i) Staff Cost, (ii) Infocomm Technology (ICT) and (iii) Maintenance and Facilities. Staff Cost accounts for 65% of total operating expenditure (FY2015/16: 64%), followed by ICT at 25% (FY2015/16: 25%) and Maintenance and Facilities at 6% (FY2015/16: 7%).

Staff Cost consists of manpower costs, staff welfare and training costs. It has increased by 8% to S$257.8 million. The increase is mainly due to salary increment and a $7.4 million one-off goodwill payment to former officers on the CPF-Annual Allowance Scheme.

ICT, comprising IT resources, depreciation of computer hardware and amortisation of computer software, is the second highest cost component of IRAS' operating costs. Compared to the previous year, there is an increase of 4% in the expenditure on ICT to S$97.4 million. The increase is mainly due to increase in yearly contracted recurrent data centre charges.

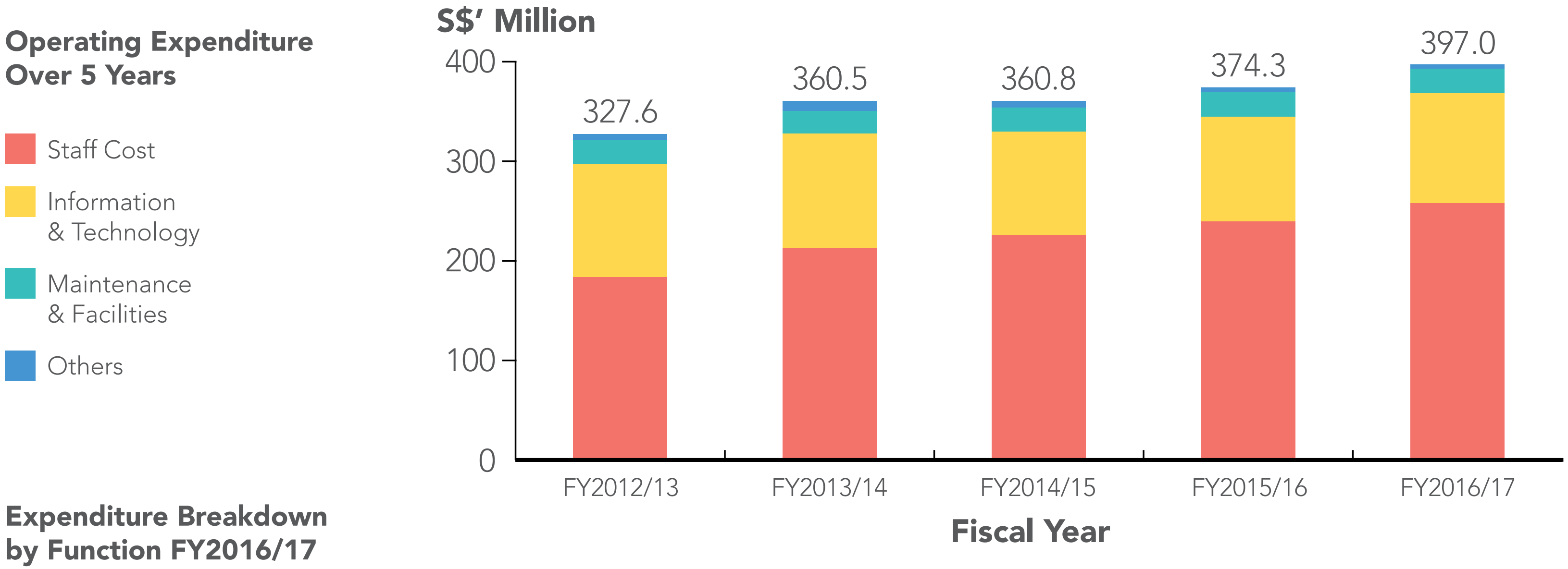
The third main cost component is Maintenance and Facilities. It has increased by 2% to S$24.8 million. The increase is due mainly to higher contractual rate for the maintenance of building.

Capital Expenditure

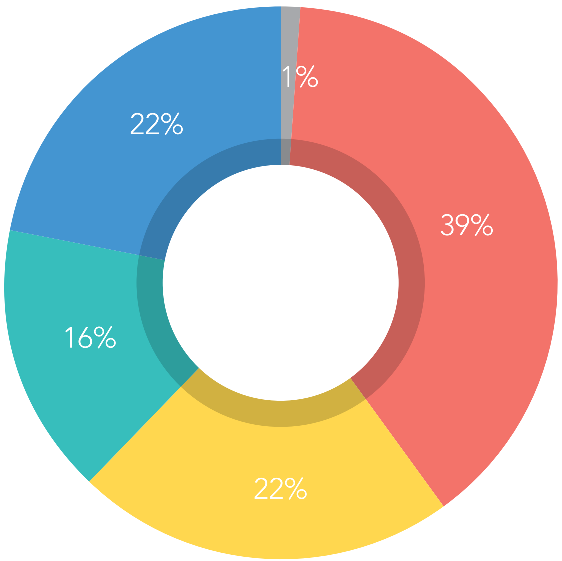
Capital expenditure incurred for the year was S$13.5 million (FY2015/16: S$8.0 million). S$2.6 million was spent on purchasing computer hardware and software and upgrading building systems, while the balance S$10.9 million was spent on development projects.

Financial Review

Operating Expenditure Over 5 Years



Expenditure Breakdown by Function FY2016/17



Corporate & Services Group
- S$156.8 million (39%)
- Infocomm Division (11%)
- Acounting & Processing Division (9%)
- Enforcement Division (8%)
- Corporate Services Division (8%)
- Corporate Development Division (2%)
- Law Division (1%)

Business Group
- S$63.0 million (16%)
- Corporate Tax Division (13%)
- Tax Policy and International Tax Division (2%)
- Compliance Strategy & Risk Division (1%)

International, Investigation & Indirect Taxes
- S$85.0 million (22%)
- Goods and Services Tax Division (11%)
- Property Tax Division (7%)
- Investigation & Forensics Division (3%)
- International Tax Affairs & Relations (1%)

Individual Group
- S$89.4 million (22%)
- Individual Income Tax Division (15%)
- Taxpayer Services Division (7%)

Wage Credit Scheme
- S$2.8 million (1%)

Financial Review

Financial Position

As at 31 March 2017, our total assets increased by S$56.0 million or 7% to S$855.5 million. Property, plant and equipment, intangible assets, development projects-in-progress, cash and investments accounted for 95% of the total assets (FY2015/16: 90%)

Our total liabilities increased by S$9.1 million or 8% to S$118.9 million. As at 31 March 2017, our equity were made up of accumulated surplus amounting to S$728.8 million (FY2015/16: S$681.8 million) and share capital of S$7.8 million (FY2015/16: S$7.8 million). During the financial year, we paid dividends of S$17.3 million to the Government.

Of the S$728.8 million in accumulated surplus, S$322.4 million (44%) had already been utilised and committed for capital expenditure. S$252.3 million had been utilised for the purchase of property, plant and equipment, intangible assets, development projects-in-progress and other non-current assests while S$70.1 million was committed for capital expenditure. The balance surplus fund of S$406.4 million is retained to meet future capital replacement as well as contingency funds for operational needs.

The investment position as at 31 March 2017 was S$560.0 million. S$174.2 million is managed by Accountant-General's Department (AGD) via the Centralised Liquidity Management initiative and it is held on a short-term basis to meet our operating needs. S$385.8 million is held in unit trusts under AGD's Demand Aggregation Scheme for Fund Management Services (2011).

Our long-term liability comprises pension provision that is set aside for future payments to pensionable staff upon their retirement and pensioners who opted for monthly pensions. As at 31 March 2017, the pension provision stood at S$21.3 million, compared with S$23.0 million as at 31 March 2016.

Our cash position remain healthy with S$174.2 million in cash and cash equivalents as at 31 March 2017 with a net cash inflow of S$88.3 million during the financial year. The net cash inflow is mainly due to receiving more agency fee this year. Net cash generated from our operating activities amounted to S$123.7 million.

Statement by the Members of the Board

for the Financial Year Ended 31 March 2017

In our opinion, the financial statements of the Inland Revenue Authority of Singapore (the Authority) as set out on pages 62 to 90 are drawn up in accordance with the provisions of the Inland Revenue Authority of Singapore Act (Cap. 138A, 2012 Revised Edition) and Statutory Board Financial Reporting Standards so as to present fairly, in all material respects, the state of affairs of the Authority as at 31 March 2017, and the results, changes in equity and cash flows of the Authority for the financial year ended on that date.

On behalf of the Board

Tan Ching Yee
Chairman
Singapore

Tan Tee How
Commissioner of Inland Revenue/
Chief Executive Officer
Singapore

27 June 2017

Independent Auditor's Report on the Audit of the Financial Statements of the Inland Revenue Authority of Singapore

for the Financial Year Ended 31 March 2017

Report on the Audit of the Financial Statements

Opinion

The financial statements of the Inland Revenue Authority of Singapore (the Authority), set out on pages 62 to 90, have been audited under my direction. These financial statements comprise the statement of financial position as at 31 March 2017, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In my opinion, the accompanying financial statements are properly drawn up in accordance with the provisions of the Inland Revenue Authority of Singapore Act (Cap. 138A, 2012 Revised Edition) (the Act) and Statutory Board Financial Reporting Standards so as to present fairly, in all material respects, the state of affairs of the Authority as at 31 March 2017 and the results, changes in equity and cash flows of the Authority for the financial year ended on that date.

Basis for Opinion

The audit was conducted in accordance with Singapore Standards on Auditing (SSAs). The responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of this report. As the Auditor-General, I am independent of the Authority and I exercise my duties and powers in accordance with the Constitution of the Republic of Singapore (1999 Revised Edition) and the Audit Act (Cap. 17, 1999 Revised Edition). Ethical requirements that are relevant to the audit and in line with the Accounting and Corporate Regulatory Authority Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities (ACRA Code) have been fulfilled. I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my opinion.

Other Information

The management is responsible for the other information. The other information obtained at the date of this auditor's report is the Statement by the Members of the Board but does not include the financial statements and my auditor's report thereon.

My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with the audit of the financial statements, the auditor's responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or the knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work performed on the other information obtained prior to the date of this auditor's report, there is a material misstatement of this other information, that fact will be reported. I have nothing to report in this regard.

Responsibilities of Management and Those Charged with Governance for the Financial Statements

The management is responsible for the preparation and fair presentation of the financial statements in accordance with the provisions of the Act and Statutory Board Financial Reporting Standards, and for such internal controls as management determines are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Authority is constituted based on the Act and its dissolution requires Parliament's approval. In preparing the financial statements, management is responsible for assessing the Authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless there is intention to wind up the Authority or for the Authority to cease operations.

Those charged with governance are responsible for overseeing the Authority's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements
My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with SSAs, professional judgement is exercised and professional scepticism is maintained throughout the audit. An audit also includes:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls.

- Obtaining an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal controls.

- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Concluding on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Authority's ability to continue as a going concern. If I conclude that a material uncertainty exists, I will draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, modify my opinion. My conclusion is based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the Authority to cease to continue as a going concern.

- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal controls identified during the audit are communicated to those charged with governance.

Report on Other Legal and Regulatory Requirements

Opinion

In my opinion:

a. the receipts, expenditure, investment of moneys and the acquisition and disposal of assets by the Authority during the financial year are, in all material respects, in accordance with the provisions of the Act; and

b. proper accounting and other records have been kept, including records of all assets of the Authority whether purchased, donated or otherwise.

Basis for Opinion

The audit was conducted in accordance with SSAs. The responsibilities under those standards are further described in the Auditor's Responsibilities for the Compliance Audit section of this report. As the Auditor-General, I am independent of the Authority and I exercise my duties and powers in accordance with the Constitution of the Republic of Singapore and the Audit Act. Ethical requirements that are relevant to the audit and in line with the ACRA Code have been fulfilled. I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my opinion on management's compliance.

Responsibilities of Management for Compliance with Legal and Regulatory Requirements

The management is responsible for ensuring that the receipts, expenditure, investment of moneys and the acquisition and disposal of assets, are in accordance with the provisions of the Act. This responsibility includes implementing accounting and internal controls as management determines are necessary to enable compliance with the provisions of the Act.

Auditor's Responsibilities for the Compliance Audit

My responsibility is to express an opinion on management's compliance based on the audit of the financial statements. The compliance audit was planned and performed to obtain reasonable assurance about whether the receipts, expenditure, investment of moneys and the acquisition and disposal of assets, are in accordance with the provisions of the Act.

A compliance audit includes obtaining an understanding of the internal controls relevant to the receipts, expenditure, investment of moneys and the acquisition and disposal of assets; and assessing the risks of material misstatement of the financial statements from non-compliance, if any, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. Because of the inherent limitations in any accounting and internal control system, non-compliances may nevertheless occur and not be detected.

Tan Yoke Meng Willie
Auditor-General
Singapore

27 June 2017

Statement of Financial Position

as at 31 March 2017

	Note	FY2016/17 S$'000	FY2015/16 S$'000
Share capital	3	7,823	7,823
Accumulated surplus		728,803	681,837
		736,626	**689,660**

Represented by:

	Note	FY2016/17 S$'000	FY2015/16 S$'000
Non-current assets			
Property, plant and equipment	4	222,022	227,599
Intangible assets	5	19,888	27,017
Development projects-in-progress	6	10,391	5,794
Other non-current asset	7	17	22
		252,318	260,432
Current assets			
Funds with fund managers	8	385,851	373,099
Trade and other receivables	9	35,372	72,109
Prepayments		7,846	8,020
Cash and cash equivalents	10	174,170	85,848
		603,239	539,076

Statement of Financial Position

as at 31 March 2017

	Note	FY2016/17 S$'000	FY2015/16 S$'000
Less:			
Current liabilities			
Trade and other payables	11	69,115	62,625
Advances and deposits		2,355	2,445
Contribution payable to Government Consolidated Fund	12	13,159	9,704
Provision for unutilised leave	13	11,199	10,169
Provision for pension and gratuities	14	1,816	1,951
		97,644	86,894
Net current assets		505,595	452,182
Less:			
Non-current liabilities			
Provision for pension and gratuities	14	21,287	22,954
		736,626	689,660

The accompanying notes form an integral part of the financial statements.

Statement of Comprehensive Income

for the Financial Year Ended 31 March 2017

	Note	FY2016/17 S$'000	FY2015/16 S$'000
Operating income			
Agency fee		419,892	389,900
Other income		39,878	39,873
		459,770	429,773
Less:			
Operating expenditure			
Manpower	15	249,562	231,143
Service and lease expenses	16	86,730	80,853
Depreciation and amortisation	4, 5	21,566	22,132
Maintenance of building and equipment		15,423	14,789
Staff welfare and training		8,203	8,509
Utilities and communication		6,329	6,100
Property tax		4,619	4,619
Office and other supplies		2,669	2,955
Grants and subsidies		742	1,985
Public relations and events		510	454
General expenses		639	741
		396,992	374,280
Operating surplus		**62,778**	**55,493**

Statement of Comprehensive Income

for the Financial Year Ended 31 March 2017

	Note	FY2016/17 S$'000	FY2015/16 S$'000
Net investment income	17	**14,627**	**1,588**
Other comprehensive income/(loss)			
Item that will not be reclassified to Operating surplus			
Actuarial gain/(loss)	14	22	(1,612)
Surplus for the financial year before contribution to Government Consolidated Fund		**77,427**	**55,469**
Less:			
Contribution to Government Consolidated Fund	12	13,159	9,704
Net surplus for the financial year, representing total comprehensive income for the financial year		**64,268**	**45,765**

The accompanying notes form an integral part of the financial statements.

Statement of Changes in Equity

for the Financial Year Ended 31 March 2017

	Note	Share Capital S$'000	Accumulated Surplus S$'000	Total S$'000
Balance as at 1 April 2015		7,823	654,810	662,633
Total comprehensive income for the financial year		-	45,765	45,765
Dividends	18	-	(18,738)	(18,738)
Balance as at 31 March 2016		7,823	681,837	689,660
Total comprehensive income for the financial year		-	64,268	64,268
Dividends	18	-	(17,302)	(17,302)
Balance as at 31 March 2017		**7,823**	**728,803**	**736,626**

The accompanying notes form an integral part of the financial statements.

Statement of Cash Flows

for the Financial Year Ended 31 March 2017

	Note	FY2016/17 S$'000	FY2015/16 S$'000
Cash flows from operating activities			
Agency fee and other income received		496,673	389,833
Cash paid to employees and suppliers		(363,300)	(353,848)
Contribution to Government Consolidated Fund		(9,704)	(14,312)
Net cash from operating activities		123,669	21,673
Cash flows from investing activities			
Proceeds from disposal of property, plant and equipment		17	9
Interest income received		1,665	1,282
Payment for purchase of property, plant and equipment and intangible assets		(3,561)	(9,184)
Expenditure on development projects		(16,166)	(12,432)
Net cash used in investing activities		(18,045)	(20,325)

Statement of Cash Flows

for the Financial Year Ended 31 March 2017

	Note	FY2016/17 S$'000	FY2015/16 S$'000
Cash flows from financing activities			
Dividends paid	18	(17,302)	(18,738)
Net cash used in financing activities		(17,302)	(18,738)
Net increase/(decrease) in cash and cash equivalents		88,322	(17,390)
Cash and cash equivalents as at beginning of the financial year		85,848	103,238
Cash and cash equivalents as at end of the financial year	10	174,170	85,848

The accompanying notes form an integral part of the financial statements.

Notes to the Financial Statements

for the Financial Year Ended 31 March 2017

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1 General Activities

The Inland Revenue Authority of Singapore (the Authority) was established under the Inland Revenue Authority of Singapore Act (Cap. 138A, 2012 Revised Edition) and is under the purview of the Ministry of Finance.

The Authority acts as the agent of the Government of the Republic of Singapore (the Government) in administering, assessing, collecting and enforcing payment of income tax, property tax, goods and services tax, estate duty, stamp duty, betting and sweepstake duties, private lotteries duty, casino tax and such other taxes as may be agreed between the Government and the Authority.

Pursuant to these principal activities, the Authority will advise the Government on the formulation of tax policies and represent Singapore internationally in respect of matters relating to taxation.

As a statutory board, the Authority is subject to the directions of the Ministry of Finance and is required to comply with policies and instructions issued from time to time by the Ministry of Finance and other government agencies.

The registered office and principal place of operation of the Authority is located at 55 Newton Road, Revenue House, Singapore 307987.

2 Significant Accounting Policies

2.1 Basis of Preparation

The financial statements of the Authority have been prepared in accordance with the provisions of the Inland Revenue Authority of Singapore Act (Cap. 138A, 2012 Revised Edition) and the Statutory Board Financial Reporting Standards (SB-FRS).

(a) Functional currency and presentation
The financial statements are presented in Singapore dollars (S$), which is also the Authority's functional currency. All financial information presented in Singapore dollars has been rounded to the nearest thousand, unless otherwise stated.

(b) Basis of measurement
The financial statements are prepared on the historical cost basis except for certain financial assets and liabilities as disclosed in the accounting policies below.

(c) Use of estimates and judgements
The preparation of the financial statements in conformity with SB-FRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenditure. These are based on management's best knowledge of current events and relevant factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Notes to the Financial Statements

for the Financial Year Ended 31 March 2017

Critical Accounting Estimate

The management's use of estimates and assumptions are integral to the valuation of property, plant and equipment and intangible assets, and the provision for pensions and gratuities. The useful life and impairment of property, plant and equipment and intangible assets are reviewed on an annual basis as described in Notes 2.2, 2.3 and 2.6 to the financial statements. Details of the underlying assumptions that are made by management for the provision for pensions and gratuities are as set out in Note 14 to the financial statements.

(d) Changes in accounting policies

The adoption of the following new or revised SB-FRS and Interpretations of SB-FRS mandatory for application from 1 April 2016 did not result in changes to the Authority's accounting policies and has no material effect on the Authority's financial statements:

- SB-FRS 114: Regulatory Deferral Accounts
- SB-FRS 27: Amendments to SB-FRS 27: Equity Method in Separate Financial Statements
- SB-FRS 16, SB-FRS 38: Amendments to SB-FRS 16 and SB-FRS 38: Clarification of Acceptable Methods of Depreciation and Amortisation
- SB-FRS 16, SB-FRS 41: Amendments to SB-FRS 16 and SB-FRS 41: Agriculture: Bearer Plants
- SB-FRS 111: Amendments to SB-FRS 111: Accounting for Acquisitions of Interests in Joint Operations
- SB-FRS 110, SB-FRS 28: Amendments to SB-FRS 110 and SB-FRS 28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture
- Improvements to SB-FRSs (November 2014)
- SB-FRS 1: Amendments to SB-FRS 1: Disclosure Initiative
- SB-FRS 110, SB-FRS 112, SB-FRS 28: Amendments to SB-FRS 110, SB-FRS 112 and SB-FRS 28: Investment Entities: Applying the Consolidation Exception

2.2 Property, Plant and Equipment

(a) Measurement

Property, plant and equipment acquired by the Authority are stated at cost less accumulated depreciation and impairment losses. Cost includes expenditure that is directly attributable to the acquisition of the items.

(b) Depreciation

Depreciation is calculated on a straight-line basis from the date the property, plant and equipment are ready for use to write off the cost of the property, plant and equipment, less residual value, over their estimated useful lives as follows:

	Estimated Useful Lives
Leasehold Land	97 years
Building	50 years
Building Systems & Improvements	5 to 20 years
Computer Hardware	2 to 5 years
Office Equipment	5 years
Furniture & Fittings	5 years
Motor Vehicles	7 years

Property, plant and equipment costing less than S$2,000 are charged to the Statement of Comprehensive Income in the year of purchase.

The residual value, useful life and depreciation method are reviewed at each financial year-end to ensure that the amount, method and period of depreciation are consistent with previous estimates and that the expected pattern of consumption of the future economic benefits are embodied in the items of property, plant and equipment.

Notes to the Financial Statements

for the Financial Year Ended 31 March 2017

(c) Subsequent expenditure
Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset when it is probable that future economic benefits, in excess of the standard of performance of the asset before the expenditure was made, will flow to the Authority and the cost can be reliably measured. Other subsequent expenditure is recognised as an expense when incurred.

(d) Disposal
On disposal of an item of property, plant and equipment, the difference between the net disposal proceeds and its carrying amount is taken to the Statement of Comprehensive Income.

2.3 Intangible Assets

Intangible assets consist of computer software and software development costs for various computer applications. They are capitalised on the basis of the costs incurred to acquire or develop and bring to use the software. Direct expenditure, which enhances or extends the performance of computer software beyond its specifications and which can be reliably measured, is recognised as a capital improvement and added to the original cost of the software. Cost associated with maintaining computer software is recognised as an expense when incurred. On disposal of an item of intangible assets, the difference between the net disposal proceeds and its carrying amount is taken to the Statement of Comprehensive Income.

Intangible assets are stated at cost less accumulated amortisation and impairment losses. These costs are amortised using the straight-line method from the date the intangible assets are ready for use over their estimated useful lives of 2 to 8 years. Computer software and development costs costing less than S$2,000 are charged to the Statement of Comprehensive Income in the year of purchase.

The amortisation period and the amortisation method are reviewed at each financial year-end.

2.4 Development Projects-in-progress

Development projects-in-progress relate mainly to Infocomm Technology projects, carried out by the Authority during the financial year. The cost of development projects-in-progress includes the cost of materials, direct labour and any other costs directly attributable to bringing the assets to a working condition for their intended use. No depreciation or amortisation is calculated for development projects-in-progress until they are ready for use and transferred to property, plant and equipment or intangible assets.

2.5 Other Non-current Asset

Other non-current asset relates to club membership, which is held on a long-term basis, is stated at cost less accumulated impairment losses.

2.6 Impairment of Non-financial Assets

Property, plant and equipment, intangible assets, development projects-in-progress and other non-current asset are reviewed for impairment at each financial year-end date or whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable.

An asset's recoverable amount is the higher of the asset's or cash-generating unit's (CGU) fair value less costs to sell and its value in use.

Notes to the Financial Statements

for the Financial Year Ended 31 March 2017

The recoverable amount is determined on an individual asset basis unless the asset does not generate cash flows on its own. If this is the case, the recoverable amount is determined for the CGU to which the asset belongs. A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value. Where the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount. The difference between the carrying amount and the recoverable amount is recognised as an impairment loss in the Statement of Comprehensive Income.

Reversal of impairment losses recognised in prior years is recorded when there is an indication that the impairment losses recognised for the asset no longer exist or have decreased. A previously recognised impairment loss is reversed only if there has been a change in estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated depreciation or amortisation) had no impairment loss been recognised for the asset in prior years. The reversal is recognised in the Statement of Comprehensive Income.

2.7 Financial Assets

(a) Classification

The Authority classifies its financial assets in the following categories: financial assets at fair value through profit or loss, and loans and receivables. The classification depends on the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this classification at every financial year-end, with the exception that the designation of financial assets at fair value through profit or loss is not revocable.

(i) Financial assets at fair value through profit or loss

This category comprises financial assets held for trading, and those designated at fair value through profit or loss at inception. A financial asset is classified in this category if acquired principally for the purpose of selling in the short-term or if so designated by management. Financial assets are designated at fair value through profit or loss if the Authority manages such investments on a fair value basis in accordance with the Authority's documented risk management or investment strategy. Assets in this category are presented as current assets if they are either held for trading or are expected to be realised within 12 months after the financial year-end date.

The Authority's investments in funds with fund managers are classified as financial assets at fair value through profit or loss.

(ii) Loans and receivables

Loans and receivables comprise trade and other receivables and cash and cash equivalents. They are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the Authority provides money, goods or services directly to a debtor with no intention of trading the receivable. Loans and receivables that are due within 12 months after the financial year-end date are classified as current assets in the Statement of Financial Position. For those that are due more than 12 months after the financial year-end date, they are classified as non-current assets.

Notes to the Financial Statements

for the Financial Year Ended 31 March 2017

(b) Recognition and derecognition
Purchases and sales of financial assets are recognised on trade-date – the date on which the Authority commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Authority has transferred substantially all risks and rewards of ownership. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

(c) Initial measurement
Financial assets are initially recognised at fair value plus transaction costs except for financial assets at fair value through profit or loss, which are recognised at fair value.

(d) Subsequent measurement
Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are carried at amortised cost using the effective interest method.

Any resultant gains or losses arising from changes in the fair value of the "financial assets at fair value through profit or loss" are included in net investment income/(loss) in the Statement of Comprehensive Income in the period in which they arise. Interest earned on "financial assets at fair value through profit or loss" is also included in net investment income/(loss).

(e) Impairment
The Authority assesses at each financial year-end date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset.

An impairment loss in respect of loans and receivables is established when there is objective evidence that the Authority will not be able to collect all amounts due according to the original terms of the receivables. The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount, and the present value of the estimated future cash flows, discounted at the original effective interest rate. The amount of the allowance is recognised in the Statement of Comprehensive Income.

2.8 Cash and Cash Equivalents

Cash and cash equivalents comprise deposits with the Accountant-General's Department and cash and bank balances that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

2.9 Trade and Other Payables

Trade and other payables including accruals are initially measured at fair value and subsequently measured at amortised cost using the effective interest method. A payable is derecognised when the obligation is discharged or cancelled or expired. The difference between the carrying amount of a payable (or part of a payable) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Notes to the Financial Statements
for the Financial Year Ended 31 March 2017

2.10 Provisions

Provisions are recognised when the Authority has a present obligation (legal or constructive) as a result of a past event where it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are reviewed at each financial year-end date and adjusted to reflect the current best estimate, taking into consideration the time value of money. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed.

2.11 Income Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Authority and the revenue can be measured reliably. Revenue is measured at the fair value of consideration received or receivable.

Agency fee and income from other services provided are recognised over the period in which the services are rendered.

Interest income is recognised using the effective interest method.

2.12 Employee Benefits

(a) Defined benefit plan

Pensionable employees transferred from the Civil Service to the Authority when it was established on 1 September 1992 are entitled to pension benefits in accordance with the provisions of the Pensions Act (Cap. 225, 2004 Revised Edition). Pension liability attributable to the services rendered by these employees prior to the establishment of the Authority will be borne by the Government and is excluded from the Authority's provision of pension.

A pensionable employee may, at retirement, opt for pension to be paid monthly for his remaining lifetime, as a lump sum upon retirement or in a combination of both at a reduced rate.

Provision for pension and gratuities recognised in the Statement of Financial Position represents the present value of the pension obligations as at the financial year-end and is computed by the Authority annually based on the principal assumptions described in Note 14. Discount rates used are the yields as at financial year-end on government bonds that have maturity dates approximating the tenure of the related pension obligations.

Current service costs of the pensionable employees and interest costs on the provision for pension obligations that arise from the passage of time are recognised in expenditure on manpower in the Statement of Comprehensive Income. Actuarial gains and losses arising from changes in principal assumptions are recognised in other comprehensive income.

(b) Defined contribution plan

Contributions are made to the Central Provident Fund (CPF) scheme as required by law. The CPF contributions are recognised as expenditure on manpower in the same period as the employment that gives rise to the contribution.

(c) Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the financial year-end date.

Notes to the Financial Statements

for the Financial Year Ended 31 March 2017

2.13 Operating Leases

(a) Where the Authority is the lessor
Leases where the Authority effectively retains substantially all the risks and rewards of ownership of the leased asset are classified as operating leases. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

(b) Where the Authority is the lessee
Leases where the lessor effectively retains substantially all the risks and rewards of ownership of the lease term are classified as operating leases. Operating lease payments are recognised as an expense in the Statement of Comprehensive Income on a straight-line basis over the lease term.

2.14 New Accounting Standards Not Yet Effective

At the date of authorisation of these financial statements, the Authority has not adopted the following new SB-FRS (including its consequential amendments), interpretation and amendments to SB-FRS which have been issued as of the financial year-end date but not yet effective:

- SB-FRS 109: Financial Instruments (effective for annual periods beginning on or after 1 January 2018) replaces the existing guidance in FRS 39 Financial Instruments: Recognition and Measurement. It includes revised guidance on the classification and measurement of financial instruments; requires a more timely recognition of expected credit losses arising from the impairment of financial assets; and introduces revised requirements for general hedge accounting.

- SB-FRS 116: Leases (effective for annual periods beginning on or after 1 January 2019) replaces the existing lease accounting guidance and requires almost all leases to be recognised on the balance sheet. It also changes the way in which lease expenses are presented in the income statement.

- Amendments to SB-FRS 115: Clarifications to SB-FRS 115 Revenue from Contracts with Customers (effective for annual periods beginning on or after 1 January 2018) provide clarifications to the revenue recognition guidance and framework.

- Amendments to SB-FRS 7: Disclosure Initiative (effective for annual periods beginning on or after 1 January 2017) enable users of financial statement to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

- Guidance Note 7: Accounting for Sponsorships Received (effective for annual periods beginning on or after 1 January 2018) provides guidance on how the principles of SB-FRS 115 are to be applied to account for sponsorships received by statutory boards.

The management expects that the adoption of SB-FRS 109 will have no material impact on the financial statements in the period of initial application. The management is evaluating the initial application of the other standards and guidance note for the impact on the financial statements.

Notes to the Financial Statements

for the Financial Year Ended 31 March 2017

3 Share Capital

	FY2016/17 Number of shares (in '000)	FY2016/17 S$'000	FY2015/16 Number of shares (in '000)	FY2015/16 S$'000
As at 31 March	7,823	7,823	7,823	7,823

The shares are fully paid and are held by the Minister for Finance, a body incorporated by the Minister for Finance (Incorporation) Act (Cap. 183, 2014 Revised Edition). The shares have no par value.

Notes to the Financial Statements

for the Financial Year Ended 31 March 2017

4 Property, Plant and Equipment

4.1 Property, Plant and Equipment for FY2016/17

	Leasehold Land S$'000	Building S$'000	Building Systems & Improvements S$'000	Computer Hardware S$'000	Office Equipment S$'000	Furniture & Fittings S$'000	Motor Vehicles S$'000	Total S$'000
Cost								
As at 1 April 2016	155,344	136,795	57,700	41,065	3,790	1,356	216	396,266
Additions	-	-	432	1,862	13	-	-	2,307
Transfer from Development projects-in-progress (Note 6)	-	378	24	5,514	113	-	-	6,029
Disposals	-	-	(295)	(3,748)	(78)	-	-	(4,121)
As at 31 March 2017	155,344	137,173	57,861	44,693	3,838	1,356	216	400,481
Accumulated Depreciation								
As at 1 April 2016	35,084	55,055	46,369	27,123	3,540	1,317	179	168,667
Depreciation for the financial year	1,594	2,738	2,936	6,480	114	21	30	13,913
Disposals	-	-	(295)	(3,748)	(78)	-	-	(4,121)
As at 31 March 2017	36,678	57,793	49,010	29,855	3,576	1,338	209	178,459
Net Book Value								
As at 31 March 2017	118,666	79,380	8,851	14,838	262	18	7	222,022

Notes to the Financial Statements

for the Financial Year Ended 31 March 2017

4 Property, Plant and Equipment

4.2 Property, Plant and Equipment for FY2015/16

	Leasehold Land S$'000	Building S$'000	Building Systems & Improvements S$'000	Computer Hardware S$'000	Office Equipment S$'000	Furniture & Fittings S$'000	Motor Vehicles S$'000	Total S$'000
Cost								
As at 1 April 2015	155,344	136,795	57,480	43,033	4,043	1,362	216	398,273
Additions	-	-	220	1,903	150	10	-	2,283
Transfer from Development projects-in-progress (Note 6)	-	-	-	199	-	-	-	199
Disposals	-	-	-	(4,070)	(403)	(16)	-	(4,489)
As at 31 March 2016	155,344	136,795	57,700	41,065	3,790	1,356	216	396,266
Accumulated Depreciation								
As at 1 April 2015	33,490	52,319	43,431	25,423	3,828	1,312	148	159,951
Depreciation for the financial year	1,594	2,736	2,938	5,745	114	21	31	13,179
Disposals	-	-	-	(4,045)	(402)	(16)	-	(4,463)
As at 31 March 2016	35,084	55,055	46,369	27,123	3,540	1,317	179	168,667
Net Book Value								
As at 31 March 2016	120,260	81,740	11,331	13,942	250	39	37	227,599

Notes to the Financial Statements

for the Financial Year Ended 31 March 2017

5 Intangible Assets

	FY2016/17 S$'000	FY2015/16 S$'000
Cost		
As at 1 April	253,579	252,990
Additions	256	264
Transfer from Development projects-in-progress (Note 6)	293	961
Disposals	(3,002)	(636)
As at 31 March	251,126	253,579
Accumulated Amortisation		
As at 1 April	226,562	218,244
Amortisation for the financial year	7,653	8,953
Disposals	(2,977)	(635)
As at 31 March	231,238	226,562
Net Book Value		
As at 31 March	19,888	27,017

Intangible assets include the Inland Revenue Interactive Network, the Authority's core tax administration system, with a Net Book Value of S$17.4 million and a remaining amortisation period of up to 5 years.

During the financial year, there were no internally-developed computer applications relating to the operations of the Authority included in the Additions and Transfer from Development projects-in-progress to the Intangible assets (FY2015/16: S$814,000).

6 Development Projects-In-Progress

	FY2016/17 S$'000	FY2015/16 S$'000
Cost		
As at 1 April	5,794	1,503
Additions	10,919	5,451
Transfer to Property, plant and equipment (Note 4)	(6,029)	(199)
Transfer to Intangible assets (Note 5)	(293)	(961)
As at 31 March	10,391	5,794

Notes to the Financial Statements

for the Financial Year Ended 31 March 2017

7 Other Non-Current Asset

	FY2016/17 S$'000	FY2015/16 S$'000
Cost	114	114
Less: Accumulated impairment losses	(97)	(92)
Net carrying amount	17	22

During the financial year, an impairment loss of S$4,500 was recognised in the Statement of Comprehensive Income to write down the carrying amount of the non-current asset to its recoverable amount (FY2015/16: Reversal of impairment loss of S$10,500).

8 Funds with Fund Managers

	FY2016/17 S$'000	FY2015/16 S$'000
Unquoted unit trusts at fair value	385,851	373,099

The unquoted unit trusts are managed by two fund managers appointed under the Accountant-General's Department's Demand Aggregate Scheme for Fund Management Services 2011.

The unquoted unit trusts are denominated in Singapore dollar.

9 Trade and Other Receivables

	FY2016/17 S$'000	FY2015/16 S$'000
Trade receivables	34,013	70,881
Other receivables	1,359	1,228
	35,372	72,109

Credit risk with respect to Trade and other receivables is limited as the receivables are mostly due from governmental entities and government-linked companies. These balances are unsecured, non-interest bearing and usually settled within 6 months from the invoice date and within credit terms granted to them. Due to these factors, the Authority believes that no impairment allowance is necessary as at 31 March.

10 Cash and Cash Equivalents

	FY2016/17 S$'000	FY2015/16 S$'000
Deposits with Accountant-General's Department	174,170	85,848

Deposits are placed with Accountant-General's Department under the "Whole-of-Government Centralised Liquidity Management" for more cost efficient and better credit risk management. The effective interest rate of Cash and cash equivalents is 1.37% (FY2015/16: 1.40%) per annum.

Notes to the Financial Statements

for the Financial Year Ended 31 March 2017

11 Trade and Other Payables

	FY2016/17 S$'000	FY2015/16 S$'000
Payables for employee benefits	43,385	39,991
Trade payables	15,364	12,931
Other accrual for operating and capital expenditure	10,366	9,703
	69,115	62,625

Trade and other payables are unsecured, non-interest bearing and usually paid within 6 months from the invoice date.

12 Contribution to Government Consolidated Fund

The contribution to the Government Consolidated Fund is in accordance with section 3(a) of the Statutory Corporations (Contributions to Consolidated Fund) Act (Cap. 319A, 2004 Revised Edition). Under this Act, the Minister for Finance has the authority to prescribe the contributions to be made by the Statutory Boards in respect of their annual accounting surplus as well as their past accumulated surplus in lieu of income tax. The contribution rate and the framework governing such contributions are determined by the Ministry of Finance.

The contribution is based on 17% (FY2015/16: 17%) of the surplus, excluding Other comprehensive income, for the financial year.

13 Provision for Unutilised Leave

	FY2016/17 S$'000	FY2015/16 S$'000
As at 1 April	10,169	9,578
Net provision made during the financial year	1,030	591
As at 31 March	11,199	10,169

14 Provision for Pension And Gratuities

	FY2016/17 S$'000	FY2015/16 S$'000
As at 1 April	24,905	26,456
Charged to expenditure on Manpower:		
Current service costs	400	385
Interest costs	480	218
Actuarial loss/(gain) charged to Other comprehensive income:		
From changes in demographic assumptions	141	459
From changes in financial assumptions	(163)	1,153
	25,763	28,671
Amount paid during the financial year	(2,660)	(3,766)
As at 31 March	23,103	24,905
Amount payable within 1 year	1,816	1,951
Amount payable after 1 year	21,287	22,954

Notes to the Financial Statements

for the Financial Year Ended 31 March 2017

The principal assumptions used in determining the Authority's pension obligations are:

(a) pensionable employees will retire at the age of 62 and opt for pension to be paid as a lump sum upon retirement;

(b) the discount rates for determining present value of lump sum due to pensionable employees range from 1.32% to 2.25% (FY2015/16: 0.81% to 1.84%) per annum, depending on the tenure of the related pension obligations, and 2.43% (FY2015/16: 2.33%) per annum for pensions due to pensioners who opted for monthly pensions;

(c) the estimated future salary increases range from 0% to 17.90% (FY2015/16: 0% to 17.90%); and

(d) the life expectancy for male and female pensioners range from 80.4 to 83.9 years (FY2015/16: 80.5 to 84.0 years) and 84.9 to 87.1 years (FY2015/16: 84.9 to 87.2 years) respectively.

If the discount rates change by 50 basis points with all other assumptions remaining constant, the impact on the Authority's pension liability as at 31 March will be as follows:

	FY2016/17 S$'000	FY2015/16 S$'000
+50 basis points	(865)	(948)
–50 basis points	919	1,009

If the life expectancy for male and female change by 0.3 year with all other assumptions remaining constant, the impact on the Authority's pension liability as at 31 March will be as follows:

	FY2016/17 S$'000	FY2015/16 S$'000
+0.3 year	230	229
–0.3 year	(232)	(231)

Included in the balance as at 31 March is provision set aside for key management personnel as follows:

	FY2016/17 S$'000	FY2015/16 S$'000
Key management personnel	1,263	1,222

15 Manpower

Included in the expenditure on Manpower is the following:

	FY2016/17 S$'000	FY2015/16 S$'000
CPF contributions for staff	33,925	23,893

During the financial year, there was a one-time ex-gratia payment amounting to S$6.8 million made by the Authority for its officers who joined the Civil Service on the CPF-Annual Allowance Scheme between 1 July 1955 and 6 December 1984 to help them defray the cost of their Medishield Life premiums, purchase additional medical insurance or prepare for other post-retirement need (FY2015/16: Nil).

Notes to the Financial Statements

for the Financial Year Ended 31 March 2017

16 Service and Lease Expenses

Included in the expenditure on services and leases are the following:

	FY2016/17 S$'000	FY2015/16 S$'000
Data centre operation charges	31,901	30,773
Infocomm technology outsourcing charges	27,561	26,711
Data centre leasing charges	8,187	6,888
Computer equipment leasing charges	1,403	844
Audit fees:		
Audit of agency accounts	693	673
Audit of corporate accounts	365	354
Board members' allowances	201	191

17 Net Investment Income

	FY2016/17 S$'000	FY2015/16 S$'000
Income from Funds with fund managers:		
Fair value gain	12,752	385
Investment expenses	(39)	-
	12,713	385
Interest income:		
Deposits with Accountant-General's Department	1,914	1,203
Net investment income	14,627	1,588

Included in the fair value gain are gains arising from price movements of financial instruments classified as "financial assets at fair value through profit or loss".

Notes to the Financial Statements

for the Financial Year Ended 31 March 2017

18 Dividends

	FY2016/17 S$'000	FY2015/16 S$'000
Dividends paid in respect of the previous financial year	17,302	18,738

The payment of S$17,302,000 (FY2015/16: S$18,738,000) is made in accordance with the Capital Management Framework for Statutory Boards outlined in Finance Circular Minute No. M26/2008.

19 Commitments

19.1 Capital Commitments

Capital expenditure approved by the Authority as at the financial year-end date but not recognised in the financial statements are as follows:

	FY2016/17 S$'000	FY2015/16 S$'000
Development Projects		
- Approved and contracted for	2,399	4,373
- Approved but not contracted for	57,067	54,741
Property, Plant and Equipment		
- Approved and contracted for	-	363
- Approved but not contracted for	10,054	11,676
Intangible Assets		
- Approved but not contracted for	551	459
	70,071	71,612

Notes to the Financial Statements

for the Financial Year Ended 31 March 2017

19.2 Operating Lease Commitments – where the Authority is the lessor

The future minimum lease receivables under non-cancellable operating leases contracted for at the financial year-end date but not recognised as receivables, are as follows:

	FY2016/17 S$'000	FY2015/16 S$'000
Related parties		
- Not later than 1 year	1,670	9,483
- Later than 1 year but not later than 5 years	744	74
Non-related parties		
- Not later than 1 year	896	572
- Later than 1 year but not later than 5 years	231	296
	3,541	10,425

The Authority leased part of its office building to tenants under operating leases. The leases typically run for a period of 1 to 3 years, with an option to renew the lease on expiry. None of the leases include contingent rental.

19.3 Operating Lease Commitments – where the Authority is the lessee

The future minimum lease payables under non-cancellable operating leases contracted for at the financial year-end date but not recognised as liabilities, are as follows:

	FY2016/17 S$'000	FY2015/16 S$'000
Not later than 1 year	13,114	9,768
Later than 1 year but not later than 5 years	116,735	10,250
Later than 5 years	30,874	-
	160,723	20,018

The operating lease commitments above relate to leasing of data centre facilities and computers. These leases have tenures ranging from two to five years. The Authority has an option to extend the lease for data centre facilities for up to 10 years.

Notes to the Financial Statements

for the Financial Year Ended 31 March 2017

20 Tax Academy of Singapore

The Authority incorporated the Tax Academy of Singapore (the Academy) on 2 August 2006 as a company limited by guarantee to an amount not exceeding S$1.00. The principal activity of the Academy is to provide education and related training in taxation.

The financial transactions of the Academy are not consolidated as they are immaterial. The summarised financial information of the Academy, audited by RSM Chio Lim LLP, are as follows:

	FY2016/17 S$'000	FY2015/16 S$'000
Assets	2,872	2,388
Liabilities	492	467
Revenue	2,466	2,310
Total comprehensive income	458	384

21 Related Party Transactions

21.1 Significant Related Party Transactions

In addition to the information disclosed elsewhere in the financial statements, the significant transactions that took place between the Authority and related parties on terms agreed between the parties during the financial year are as follows:

	FY2016/17 S$'000	FY2015/16 S$'000
Ministry of Finance		
- Agency fee income	419,892	389,900
- Rental income	7,285	7,285
- Reimbursement of service costs incurred	2,648	3,181
- Procurement of services	(6,589)	(6,440)
Other Ministries and Statutory Boards		
- Rental income	11,944	13,036
- Other income	7,751	6,052
- Procurement of infocomm technology related services	(4,710)	(3,358)

Notes to the Financial Statements

for the Financial Year Ended 31 March 2017

21.2 Significant Related Party Account Balances

In addition to the information disclosed elsewhere in the financial statements, the significant account balances as at 31 March that the Authority has in relation to related parties are as follows:

	FY2016/17 S$'000	FY2015/16 S$'000
Ministry of Finance		
- Trade receivables	31,570	69,167
Other Ministries and Statutory Boards		
- Advances and deposits	(1,098)	(1,821)

21.3 Key Management Personnel Compensation

Key management personnel compensation during the financial year is as follows:

	FY2016/17 S$'000	FY2015/16 S$'000
Salaries and other short-term employee benefits	10,241	10,197
CPF contribution	714	644
Post-employment benefits	75	64
Other long-term benefits	2	6
	11,032	10,911

The Commissioner of Inland Revenue/Chief Executive Officer, Deputy Commissioners, Assistant Commissioners, and Chief Legal Officer are considered as key management personnel for this purpose.

Notes to the Financial Statements

for the Financial Year Ended 31 March 2017

22 Financial Risk Management

The Authority's activities expose it to interest rate risk, currency risk, price risk, credit risk, liquidity risk and capital risk. The Authority's overall risk management strategy seeks to minimise adverse effects from the unpredictability of financial markets on the Authority's financial performance. The Authority invests its surplus funds to meet future capital replacements. To meet this objective, the Authority seeks to achieve capital preservation and optimise investment returns at acceptable risk levels through adequate risk diversification.

The funds are placed in unit trusts that are managed by the fund managers appointed under Mandate A of the Accountant-General's Department's Demand Aggregate Scheme for Fund Management Services 2011. The appointed fund managers are given discretion in managing the funds, subject to the investment guidelines set out in the tender specifications of the scheme. The Authority's investment policies are approved by the Board.

22.1 Interest Rate Risk

The exposure to risk of changes in interest rates relates primarily to interest-bearing assets and deposits with Accountant-General's Department (AGD). The interest rates are based on deposit rates determined by the financial institutions with which the cash are deposited and are expected to move in tandem with market interest rate movements.

The Authority does not have any significant exposure to interest rate risk as at the end of the financial year.

22.2 Currency Risk

The Authority is not exposed to significant foreign currency risk as the monetary assets and liabilities of the Authority are denominated primarily in Singapore dollars.

22.3 Price Risk

The Authority is exposed to price risk arising from the investments in unit trusts. The price risk is the potential loss in fair value resulting from the decrease in the net asset value of the unit trusts.

If prices of the unit trusts change by 5% with all other variables remaining constant, the impact on the Authority's surplus for the financial year will be as follows:

	FY2016/17 S$'000	FY2015/16 S$'000
+5%	19,293	18,655
–5%	(19,293)	(18,655)

22.4 Credit Risk

The Authority's exposure to credit risk arises from cash, deposits with AGD, trade and other receivables and funds with fund managers. The maximum exposure at the end of the financial year is the carrying amount of these assets as indicated.

Credit risks on trade and other receivables are disclosed in Note 9. Cash and deposits with AGD are placed with high credit quality financial institutions. Funds for investments are placed in unit trusts that are managed by licensed and reputable fund managers.

Notes to the Financial Statements

for the Financial Year Ended 31 March 2017

22.5 Liquidity Risk

The Authority monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Authority's operations. The funds placed in unit trusts can be liquidated readily when required. The Authority does not have a significant exposure to liquidity risk as at the financial year-end date.

22.6 Capital Risk

The Authority manages its capital to ensure it will be able to continue as a going concern while fulfilling its objective as a statutory board. The capital structure of the Authority consists of share capital and accumulated surplus. There were no changes in the capital management approach during the financial year. The Authority is not subject to externally imposed capital requirements, except for the Capital Management Framework for Statutory Boards outlined in Finance Circular Minute No. M26/2008.

22.7 Fair Value Measurements

The carrying amounts of current financial assets and liabilities carried at amortised cost approximate their respective fair value due to the relative short term maturity.

The Authority measures fair value of its financial assets using the following fair value hierarchy that reflects the significance of the inputs used in the measurements:

(a) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

(b) Level 2: valuation techniques based on observable inputs, either directly (that is, as prices) or indirectly (that is, derived from prices); and

(c) Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

In infrequent circumstances where a valuation technique for financial instruments is based on significant unobservable inputs, such instruments will be included in Level 3.

The following table presents the financial assets measured at fair value and classified by level of fair value measurement hierarchy:

	Level 1 S$'000	Level 2 S$'000	Level 3 S$'000	Total S$'000
Unquoted unit trusts at fair value				
As at 31 March 2017	-	385,851	-	385,851
As at 31 March 2016	-	373,099	-	373,099

Notes to the Financial Statements

for the Financial Year Ended 31 March 2017

23 Comparative Figures

Certain comparative figures in the financial statements have been adjusted to conform with the changes in the presentation in the current financial year. The presentation changes included disclosing separately interest costs on provision for pension obligations which were previously classified under current service costs, and actuarial gain/loss from changes in demographic assumptions and financial assumptions in Note 14. In addition, infocomm technology facilities management expenses, a service and lease expense, are included under infocomm technology outsourcing charges in Note 16. In the previous financial year, rental income from a department under the Ministry of Finance was reported under Other Ministries and Statutory Boards. Accordingly, the rental income was reclassified under the Ministry of Finance in Note 21.

24 Authorisation of Financial Statements

The financial statements were authorised for issue by the Board of the Authority on 27 June 2017.