

FINANCIAL YEAR 2002/2003 BUDGET:
RESTRUCTURING TAXES, CREATING JOBS

FOR BUSINESSES

- ◆ All businesses pay less tax from Year of Assessment (YA) 2003
 - Corporate Income Tax rate reduced to 20% in three years
 - Corporate Income Tax rate reduced to 22% in YA 2003 (down from 24.5% in YA 2002); businesses save \$700m a year
- ◆ Loss-transfer system of group relief from YA 2003
- ◆ One-tier corporate taxation system (where the tax collected from corporate profits is final and dividends are exempt) from 1 Jan 2003

- ◆ Incentives for the Financial Sector:
 - Enhanced tax incentives for the wealth- and asset-management industries
 - Enhanced tax incentives to promote the growth of the derivatives market
 - Enhanced tax incentives to strengthen the equity capital market
 - Tax concessions for special reserves of general insurance companies set up to underwrite certain offshore risks
 - Existing financial sector incentives to be merged into an umbrella Financial Sector Incentive scheme to simplify the tax system

- ◆ Reduced minimum tax rate of 5% under the Development and Expansion Incentive with immediate effect
- ◆ Double tax deduction for approved R&D expenses of all services companies, and single tax deduction for all other expenses incurred on R&D outsourced to any R&D organisations, local or overseas, from YA 2003
- ◆ Unilateral tax credit scheme extended to all services income remitted from non-treaty countries from YA 2003
- ◆ Approved International Shipping Enterprise Scheme to be expanded and eligibility criteria streamlined from YA 2003

FOR INDIVIDUALS

- ◆ Cut in Personal Income Tax rates from YA 2003:
 - Top marginal tax rate reduced to 20% in three years
 - Top marginal tax rate reduced to 22% in YA 2003 (down from 26% in YA2002)
 - Tax rates for all income tax bands reduced; taxpayers save \$620m a year
 - Income bands reduced from ten to seven

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Personal Income Tax Structure and Rates

Chargeable Income (\$)		Marginal Tax Rate (%)
From	To	
0	20,000	0%
20,001	30,000	4%
30,001	40,000	6%
40,001	80,000	9%
80,001	160,000	15%
160,001	320,000	19%
> 320,000		22%

- ◆ New class of “Not Ordinarily Resident” (NOR) taxpayers
 - To attract global talent to relocate to Singapore, and senior management of companies to use Singapore as their base for regional activities
 - NORs will enjoy tax-exemption for their employers’ contributions to overseas pension funds, and will be exempt from tax on the income earned before relocation to Singapore
 - NORs who spend at last 90 days outside Singapore will be taxed only on the income earned for the days they are in Singapore.
 - NOR scheme to take effect from YA 2003

- ◆ Employee Stock Option incentive schemes:
 - Stock options granted for non-Singapore employment will not be taxed, even if they are exercised here
 - Gains from stock options granted for Singapore employment taxable regardless of where they are exercised
 - Stock options and similarly restricted share awards to be taxed at the end of their moratorium periods
 - Existing stock option incentive schemes extended to other forms of employee share ownership plans
 - Singapore companies required to collect the taxes on gains from employees who exercise their stock options after leaving Singapore
 - Changes will take effect from YA 2003

- ◆ National Service Reliefs increased by 50% from \$2,000 to \$3,000 for Active NSmen, from \$1,000 to \$1,500 for Inactive NSmen, and from \$500 to \$750 for the wives and parents of NSmen from YA 2003
- ◆ Divorcees can continue to draw their procreation tax rebates from YA 2003
- ◆ Handicapped Parent Relief of \$3,000 from YA 2003
- ◆ Withdrawal of Double Child Relief for children studying overseas from YA 2003
- ◆ Payments to international arbitrators exempt from withholding tax with immediate effect
- ◆ Final income tax of 15% on the gross income of non-resident professionals with immediate effect
- ◆ Movable assets of non-domiciles situated in Singapore exempt from estate duty for deaths occurring on or after 1 Jan 2002
- ◆ Withdrawal of tax remission for the allowance for Members of Parliament from YA 2003

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- ◆ GST increased from 3% to 5% from 1 Jan 2003
- ◆ Economic Restructuring Shares (ERS):
 - ERS for all adult Singaporeans
 - Shares to be given out in three annual tranches starting from 1 Jan 2003
 - Basic allocation of 1,200 shares for most citizens, 600 shares for those living in properties with annual values greater than \$10,000
 - Active NSmen get an extra 200 ERS, while Inactive NSmen get an extra 100 ERS, to be given out in full in the year they qualify

ERS per person over a three-year period

Category	Annual Value of Home	
	Up to \$10,000	Above \$10,000
Non-NSmen	1,200	600
Inactive NSmen	1,300	700
Active NSmen	1,400	800

- Citizens must deposit at least \$50 in their own CPF Accounts each year in 2002, 2003, and 2004 to qualify for each tranche of ERS
 - Each ERS is worth \$1 and will earn dividends on 1 Mar for five years from 2004 to 2008
 - Minimum guaranteed dividend rate of 3% each year, with bonus dividend rate equal to real GDP growth rate of preceding calendar year
 - Total cost of ERS is \$3.6 billion
- ◆ Town Council Service & Conservancy Charges (S&CC) rebates and rental rebates of \$340 million over 5 years from 1 Apr 2003 to 31 Mar 2008

Service and Conservancy Charges Rebates for 1 Apr 2003 - 31 Mar 2004		
HDB flat household type	Number of months in which S&CC is waived	In the months that S&CC is payable, the Government will reduce charges by
1-room	5 months	\$8 per month
2-room	4 months	\$7 per month
3-room	4 months	\$4 per month
4-room	3 months	--
5-room	2 months	--

Rental Rebates for 1 Apr 2003 – 31 Mar 2004		
HDB flat household type	Numbers of months in which rent is waived	In the months that rent is payable, the Government will reduce the rent by
1-room	4 months	\$12 per month
2-room	2 months	\$8 per month

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- ◆ GST offsets on subsidised healthcare, public education and Town Council S&CC
- ◆ Public Assistance rates and Singapore Allowance for pensioners to be raised
- ◆ Households with monthly income less than \$3,600 and which are not fully offset for the additional GST over the next five years can turn to their Citizens' Consultative Committees for help

OTHER TAX CHANGES

Motor Vehicle Taxes

- ◆ Reduction of motor vehicle taxes
 - Additional Registration Fee (ARF) reduced from 140% to 130% of Open Market Value (OMV) from May 2002 Certificate Of Entitlement (COE) tender
 - Preferential Additional Registration Fee (PARF) to be pegged to ARF
 - Excise Duty lowered from 31% to 20% of OMV from 4 May 2002
 - Road tax reduced by about 20% (depending on engine capacity) from Sep 2002
 - 5,000 additional COEs in Quota Year 2002/2003

Liquor and Tobacco Taxes

- ◆ Excise duty on cigarettes raised from \$180 per kilogram to \$210 per kilogram with immediate effect
- ◆ Excise duty on different types of liquor raised with immediate effect

Promoting Philanthropy

- ◆ Double tax deductions for donations made to Institutions of a Public Character (IPCs) on or after 1 Jan 2002
- ◆ Carry forward of tax deductions for a maximum period of 5 years for donations made to IPCs on or after 1 Jan 2002
- ◆ Tax deductions for donations with naming opportunities for donations made on or after 1 Jan 2002
- ◆ Exemptions from estate duty for donations made from estates on or after 1 Jan 2002
- ◆ IPC status for qualifying charitable private foundations with immediate effect