

ECONOMIC RESTRUCTURING SHARES (ERS)

Questions & Answers

A. Purpose

Why is the government giving ERS?

The government is changing the tax system to create more jobs and better jobs for Singaporeans. This includes increasing the Goods and Services Tax (GST) from 3% to 5% from 1 January 2003. The ERS is part of the offset package to help Singaporeans adjust to the tax changes. The shares will earn very good dividends every year until the end of 2007.

B. Eligibility

Will I get the ERS?

The ERS will be given out in three lots, with one lot each year starting from 1 January 2003. To qualify for each lot, you must meet the following conditions:

- Be a Singapore citizen as at 1 December of the year before;
- Be at least 21 years old on 1 December of the year before, and
- Put at least \$50 into your CPF Account the year before.

Please refer to the following table:

	Time when you put at least \$50 into your CPF account	Date you will get your ERS
1 st Lot of ERS	1 January - 30 November 2002	1 January 2003
	1 December - 31 December 2002	1 February 2003
2 nd Lot of ERS	1 January - 30 November 2003	1 January 2004
	1 December - 31 December 2003	1 February 2004
3 rd Lot of ERS	1 January - 30 November 2004	1 January 2005
	1 December - 31 December 2004	1 February 2005

For example, if you put at least \$50 into your CPF account between 1 January 2002 and 30 November 2002, you can get your first lot of ERS on 1 January 2003.

What happens if I turn 21 in 2003?

You will not get the first lot of ERS, but can get the second and third lots if you put at least \$50 into your CPF account in 2003 and in 2004.

What happens if I turn 21 only in 2004?

You will not get the first two lots of ERS, but can get the third lot if you put at least \$50 into your CPF account in 2004.

C. Allotment of Shares

How much ERS will I get?

The amount of ERS you get each time will depend on the Annual Value of your home based on IRAS's records on 1 December 2002, 1 December 2003 and 1 December 2004. Anyone who lives in a home with Annual Value up to \$10,000 will get \$1200 worth of ERS given out in three equal lots from 2003 to 2005. Those living in homes with Annual Value more than \$10,000 will get \$600 worth of ERS. About 90% of Singaporeans will be given the higher amount.

Active NSmen will get 200 extra ERS and Inactive NSmen will get 100 extra. The extra shares for NSmen will be given in full in the year they qualify.

ERS per person over a 3-year Period

Category	Annual Value of Your Home	
	Up to \$10,000 (This includes all HDB flats)	Above \$10,000
Non-NSmen	\$1,200	\$600
Inactive NSmen	\$1,300	\$700
Active NSmen	\$1,400	\$800

For example, an active NSman staying in a flat of Annual Value up to \$10,000 will receive \$1,400 worth of ERS, \$600 in 2003 and \$400 each in 2004 and 2005.

MINISTRY OF FINANCE

When will I know about the ERS I will get?

You will be sent an ERS information package in December 2002 showing the number of shares that will be given to you.

Why do I have to pay \$50 three times to qualify for the ERS?

As the shares will be given out over three years, the \$50 contribution each time will make sure that the shares are not given to inactive accounts.

How much will I get if I stay in a rented property?

The amount of ERS will depend on the Annual Value of the rented property.

D. Annual Value

What is Annual Value (AV)?

AV is the property value used to calculate the property tax of your home. The Inland Revenue Authority of Singapore (IRAS) informs the property owner of the AV every year.

Why is AV used to determine the number of ERS, instead of income?

Using AV means that Singaporeans who do not live in HDB flats but in cheaper private property will also get the higher amount of ERS. Income is not used to decide on ERS because the economic restructuring exercise we are going through, affects Singaporeans at every income level. It is therefore fair to only look at the kind of property they are living in.

MINISTRY OF FINANCE

Why is the AV cut-off set at \$10,000?

The AV cut-off of \$10,000 covers about 90% of households, and includes all HDB flats, as well as smaller private residences such as walk-up flats and shop-houses. The Singaporeans staying in larger properties with AVs above \$10,000 are likely to be earning higher incomes, and paying higher personal tax rates; they will benefit more from cuts in personal income tax.

If I own several properties, which AV will be used?

The AV will be based on the property reflected in your NRIC. The NRIC address must show where you are staying. If it does not, you should update the address immediately at Singapore Immigration and Registration or any police station.

What happens when the AV of my house changes?

The AV can change either because you move to a new house, or the AV of your present house is changed. If your AV crosses the \$10,000 level because you move house, the number of ERS you are given after that will be adjusted according to the AV of your new house. If you continue to stay in the same house but the AV is changed, there will be no change to the number of ERS you are given after that.

What is the AV if I stay in an old age or nursing home?

You will be given the same ERS as those living in homes with AV up to \$10,000.

E. Exchanging ERS for cash

How can I change my ERS for cash?

You will receive an ERS information package in December 2002. It will give instructions on how you can exchange your ERS for cash.

Can I exchange all my ERS for cash immediately after I get the shares?

You can ask to change all your ERS for cash as soon as you get the shares. But it will be a good idea for you to keep your ERS for 5 years because this is how you will get the most from the shares.

F. Dividends

How are the dividends calculated?

Dividends will be paid every year on all the ERS you own. They will be paid in the form of bonus shares every 1 March, from Year 2004 to 2008. The dividends will be calculated at a rate of 3% plus the real GDP growth rate of the preceding calendar year, with a guarantee of at least 3%. You will earn the most dividends if you keep the ERS for 5 years.

G. NSmen Status

How do you define NSmen status?

NSmen status is based on the records from the Ministry of Defence, the Singapore Police Force and the Singapore Civil Defence Force as at 1 December 2002, 1 December 2003 and 1 December 2004.

Why do NSmen get extra ERS?

It is to recognise NSmen's vital contribution to the security and well-being of Singapore.

What if my NSmen status changes after the first year?

Inactive NSmen who turn Active in subsequent years will be given a top-up of 100 ERS. But Active NSmen who turn Inactive in subsequent years will not be required to return any shares.