

KEY BUDGET MEASURES

- SEIZING OPPORTUNITY IN UNCERTAINTY -

Estimated Total Cost of all the measures: \$324 million

(The financial cost of many of the measures cannot be estimated at this point and are not included.)

CPF CHANGES

- Defer restoration of CPF employer contribution rate for 2 years.
- Lower CPF salary ceiling over 2 years.

Lower CPF Salary Ceilings for Employer Contribution

CPF Salary Ceiling	Current	From 1 Jan 2004	From 1 Jan 2005
Private Sector	\$6,000	\$5,500	\$5,000
Public Sector (Non-Pensionable)	\$7,000	\$6,000	\$5,000
Public Sector (Pensionable)	\$9,333	\$8,000	\$6,667

- Lower CPF employee contribution rate for workers aged 50-55 to 18% in 1 Jan 2004, and to 16% in 1 Jan 2005.

Lower CPF Contribution Rates for Workers Aged 50-55

CPF Rates	Current	From 1 Jan 2004	From 1 Jan 2005
Employer Contribution Rate	16%	16%	16%
Employee Contribution Rate	20%	18%	16%
Total CPF Contribution	36%	34%	32%

- Increase Special Account and Medisave Account contributions for all Singaporeans from 1 Jan 2004, over 3 years.

Increased Contribution Rates to Special and Medisave Accounts

CPF Rates	Current	From 1 Jan 2004	From 1 Jan 2005	From 1 Jan 2006
For workers aged 35 years and below				
- Special Account	4%	5%	5%	5%
- Medisave Account	6%	6%	7%	7%
For workers aged above 35-45 years				
- Special Account	6%	7%	7%	7%
- Medisave Account	7%	7%	8%	8%
For workers aged above 45-50 years				
- Special Account	6%	7%	8%	9%
- Medisave Account	8%	8%	8%	9%
For workers aged above 50-55 years				
- Special Account	6%	7%	8%	9%
- Medisave Account	8%	8%	8%	9%

FOR INDIVIDUALS

(Total Cost to Government: \$92million)

- Extend Utilities Save Scheme by one year at a cost of \$71m.

Utilities Save Rebates

HDB flat type	Number of months	Total Rebate (at \$35 per month)
1-room	6	\$210
2-room	6	\$210
3-room	4	\$140
4-room	2	\$70
5-room	1	\$35

- Grant one extra month of full Service and Conservancy (S&C) Charge rebates worth \$31m to households in 1- to 5-room HDB flats.

Rebates for Service & Conservancy Charges

HDB flat type	Original Number of months of full S&CC rebate	Revised Number of months of full S&CC rebate
1-room	5	6
2-room	4	5
3-room	4	5
4-room	3	4
5-room	2	3

- Transfer \$100m to increase Medifund to \$900m.
- Exempt leases with annual rents not exceeding \$1,000 from stamp duty from 1 Apr 2003.
- Exempt from tax interest from amounts exceeding the first \$100,000 in each of an individual's standard savings, current and fixed deposit accounts from YA 2004. The full amount of interest from such deposits will be exempted from YA 2006.
- **Enhancing Workers' Employability**
 - Transfer \$500m to increase the Lifelong Learning Fund to \$1.5b.
 - Enhance course fee relief from \$2,500 to \$3,500 and expand its scope to seminars, conferences, as well as courses not directly related to one's current profession from 1 Jan 2003.
 - Establish a statutory board for Continuing Education and Training to coordinate training and employment assistance efforts for workers.
- **Supporting Pro-Family Practices**
 - Exempt from tax employer-subsidised childcare benefits paid to licensed childcare centres from YA 2004.

FOR BUSINESS

(Total Cost to Government: \$302 million)

- **Cutting Business Costs**

- Grant new property tax rebate of \$2,000 plus 15% on the balance of property tax payable for commercial and industrial properties for period between 1 Jul and 31 Dec 2003.
- Extend JTC/HDB/ENV/SLA rental rebates for commercial and industrial tenants and lessees till end of 2003.
- Fix excise duties on petrol at current reduced rates. Remove ad valorem component in duty structure.
- Extend the Foreign Worker Levy reduction for another 6 months till end 2003.
- Extend reduction in diesel tax for taxis by 6 months till end 2003.

- **Helping Companies Go Global**

- Exempt from tax foreign income in the form of dividends, branch profits and services income from 1 Jun 2003 from jurisdictions with headline tax rates of at least 15%.
- Allow companies to defer their income taxes for 2 years if their approved overseas investment, made from 1 Jan 2004, incurs operating losses during the first 3 years.

- **Enhancing Labour Market Flexibility**

- Introduce portable medical benefits
 - With effect from 1 Apr 2004, employers who implement the Portable Medical Benefits Scheme (PMBS) or the Transferable Medical Insurance Scheme (TMIS) can continue to deduct up to 2% of total payroll for medical expenses. Otherwise, they can only deduct 1% of their total payroll.
 - Raise tax exemption limit for additional Medisave contributions for private sector employees from the present 1% of an employee's monthly salary to a lump-sum of \$1,500 per year from YA 2004.

- **Fostering Entrepreneurship**

- Minister of State for Trade and Industry, Raymond Lim, will lead the Entrepreneurship 21 Ministerial Committee.
- Subject non-core government services to market-testing.
- Divest statutory board companies in non-strategic areas where the private sector can function just as efficiently, beginning with PSB Corp, Ascendas and Hdbay.
- Review and streamline government procedures and rules by end of FY 2004, and every 5 years after that.

- **Growing Manufacturing and Services**

- DPM Lee Hsien Loong will lead a Ministerial Committee on Services.
- Promote private wealth management. Measures include exempting from income tax foreign trusts administered by all trust companies from YA 2004.

- ❑ Allow approved companies to claim capital allowances on equipment used by subsidiaries outside Singapore from 1 Mar 2003.
 - ❑ Extend lease tenure restriction of the tax deduction for upfront land premium from 30 to 60 years from YA 2004.
 - ❑ Introduce a scheme to facilitate GST administration of qualifying third party logistics companies from 1 Jan 2004.
 - ❑ Enhance and expand the Global Trader Programme with immediate effect.
 - ❑ Exempt withholding tax on payments for use of capacity on submarine cables operated by non-resident persons with immediate effect.
 - ❑ Grant writing-down allowance for payments for purchase of Indefeasible Rights of Use on submarine cable system over its useful life from YA 2004.
 - ❑ Extend Approved Marine Hull and Liability Insurer Scheme to cover income derived from writing onshore marine hull and liability insurance business from YA 2004.
- **Making Singapore an Intellectual Property Hub**
 - ❑ Extend Unilateral Tax Credit Scheme to royalties remitted from non-treaty countries from YA 2004.
 - ❑ Grant automatic writing-down allowances over a 5-year period for capital expenditure incurred in the acquisition of IP from 1 Nov 2003.
 - ❑ Give tax deductions for costs of patenting incurred from 1 Jun 2003.
 - ❑ Exempt from tax foreign sourced royalties and interest used for R&D purposes from 1 Jun 2003.
 - ❑ Exempt from withholding tax payments made by end-users to non-resident persons for online information and digitised goods with immediate effect.

OTHER TAX AND FEE CHANGES
(Estimated Revenue: \$70 million)

- **Rationalising Liquor Taxes**
 - ❑ Adjust selected liquor duty rates with immediate effect.
- **Discouraging Smoking**
 - ❑ Increase excise duties on all tobacco products with immediate effect.
 - ❑ Tax cigarettes by sticks, instead of by weight, from 1 Jul 2003.
 - ❑ Reduce amount of tobacco products that can be brought in by individuals without a permit from 2 kg to 400g, from 1 Apr 2003.
- **Lowering Car Ownership Costs**
 - ❑ Change the basis for valuing motor vehicles from 1 Apr 2003.
- **Promoting Philanthropy**
 - ❑ Grant tax deductions for donations of buildings and parcels of land made to Institutions of a Public Character (IPCs) from 1 Apr 2003.
 - ❑ Exempt IPCs from stamp duty on donations received with immediate effect.
 - ❑ Enhance Public Sculpture Donation Scheme from 1 Jul 2003.