

BUDGET 2004 KEY INITIATIVES

Building a Future of Opportunity

FOR INDIVIDUALS

- **Top Up Medisave Accounts of Older Singaporeans [\$104 million]**
 - Medisave top-ups ranging from \$50 to \$200 for all Singapore citizens aged 50 and above, according to age and Medisave balances as at 1 January 2004. Higher top-ups for those aged 60 and above or with lower Medisave balances.

- **Inject More Money into Medifund [\$100 million]**
 - An additional \$100 million for Medifund to help needy patients meet their medical expenses. This will bring Medifund to its targeted fund size of \$1 billion.

- **Exempt Individuals' Foreign-sourced Income and Singapore-sourced Investment Income from tax [\$42 million]**
 - All foreign-sourced income received in Singapore by individuals exempt from tax, with effect from Year of Assessment (YA) 2005.
 - Specified Singapore-sourced investment income from financial instruments received by individuals exempt from tax from YA 2005.

- **Help Singaporeans Contribute to the Financial Security of their Non-Working Dependents**
 - Annual tax relief cap for cash top-ups to own CPF Retirement Accounts and the Retirement Accounts of parents and grandparents increased from \$6,000 to \$7,000, with effect from YA 2005.
 - Tax relief extended to individuals making cash top-ups to the CPF Retirement Accounts of their non-working spouses, starting from YA 2005.

- **Reduce Additional Registration Fee (ARF)**
 - ARF reduced from 130% of Open Market Value (OMV) to 110% of OMV for all cars and taxis, with effect from the first COE bidding exercise in March 2004.

- Excise Duty for taxis raised from 10% of OMV to 20% of OMV, with immediate effect.
- **Streamline Estate Duty Processes**
 - For deaths occurring on or after 1 January 2005, the first six months from the date of death will now be an interest-free period. Executors/administrators will now have 6 months from the date of death to file a complete return to IRAS before interest starts accruing on the duty.
 - After the Notice of Assessment has been issued by IRAS, the executor/administrator will have a 30-day grace period to make payment.
- **Rationalise Liquor Duties**
 - Excise duties on certain types of liquor raised, while duties on beer/ale and sparkling wine reduced with immediate effect.
- **Discourage Smoking**
 - Excise duties on all tobacco products raised with immediate effect to discourage smoking.
 - Excise duty on cigarettes increased from \$0.255 to \$0.293 for every gram, or part thereof, of each stick of cigarette.

FOR BUSINESSES

- **Reduce Corporate Tax Rate [\$800 million]**
 - Corporate tax rate lowered from 22% to 20%, with effect from YA 2005.
- **Exempt New Companies from Tax [\$11 million]**
 - Start-up companies allowed full tax exemption on their first \$100,000 of normal chargeable income (excluding Singapore dividends) for up to 3 YAs.
 - Qualifying start-up companies will enjoy the tax exemption for each of their first 3 consecutive YAs falling within the period YA 2005 to YA 2009.

- **Promote Singapore as a Business Hub**
 - Regional HQ incentive extended from maximum of 3 years to 5 years with immediate effect.
 - Pioneer incentive extended from maximum of 10 years to 15 years with immediate effect.

- **Reduce Withholding Tax on Royalties [\$44 million]**
 - Headline withholding tax rate on royalties reduced from 15% to 10%, with effect from 1 January 2005.

- **Encourage Entrepreneurship**
 - Scope of current Technopreneur Investment Incentive expanded to include all forms of start-ups, and renamed Enterprise Investment Incentive (EII).
 - EII allows eligible investors to claim tax deductions, equal to the capital losses they incurred from the sale of qualifying shares or liquidation of approved start-ups.

- **Enhance Tax Incentives for Wealth Management**
 - The list of investments and income that enjoy concessions under the existing wealth management tax incentives expanded to include rental, discount income and distributions from unit trusts derived from outside Singapore and received in Singapore.

- **Promote Financial Services**
 - Qualifying Debt Securities (QDS) scheme extended to cover discount income arising from QDS, the tenure of which is one year or less, with immediate effect.
 - Concessionary tax rate of 5% for income derived by approved companies for the provision of high value-added processing services to financial institutions, with immediate effect.
 - Concessionary tax treatment for Special Purpose Vehicles involved in asset securitisation transactions with immediate effect.
 - Secondary Loans Trading included as a Qualifying Activity under the Financial Sector Incentive Scheme with immediate effect.
 - Commodity Derivatives Incentive offering a concessionary tax rate of 5% on the income from trading of commodity derivatives introduced with immediate effect.

- Payments made by financial institutions on over-the-counter derivative contracts exempt from withholding tax with immediate effect.
 - Enhanced tax incentives for Members of Singapore Exchange (SGX) from YA 2005.
- **Approved International Shipping Enterprise (AIS) Scheme**
 - With effect from YA 2005, all onshore charter income received by an AIS company will be tax exempt.