

# **BUDGET 2005 KEY INITIATIVES**

## **Creating Opportunity, Building Community**

### **FOR INDIVIDUALS**

#### **Personal income tax reductions [\$150 million in YA2006 and \$310 million in YA2007]**

- Top personal income tax rate lowered from 22% to 21% with effect from YA2006, and further reduced to 20% in YA2007. Marginal tax rates of all other brackets also reduced.

#### **Edusave top-ups [\$50 million]**

- Edusave top-ups of \$100 for all primary and secondary school students.

#### **Medisave top-ups [\$320 million]**

- Medisave top-ups ranging from \$50 to \$350, depending on age.

#### **Medifund top-up [\$100 million]**

#### **CPF top-ups for older Singaporeans [\$80 million]**

- \$100 top-up to the CPF Special or Retirement Accounts of Singaporeans aged 50 and above.

#### **Baby Bonus Scheme enhancements**

- Co-saving contributions up to the co-savings limit allowed any time within the six year period.
- Expansion of range of uses of co-savings to include health insurance, and early intervention programmes for children with special needs.

#### **Foreign maid levy reduction [\$90 million]**

- Foreign maid levy reduced by \$50 per month.

#### **Lifelong Learning Fund top-up [\$500 million]**

#### **ComCare Fund top-up [\$254 million]**

#### **Encouraging savings for retirement [\$8 million]**

- CPF voluntary contribution cap increased and aligned to the mandatory contribution cap.
- Tax relief cap for the self-employed to contribute to CPF increased to the tax relief cap for CPF contributions by employees.
- Criteria for CPF members to top up the Retirement Accounts of their parents and non-working spouses liberalised.
- Common contribution cap for the Supplementary Retirement Scheme (SRS), set at 17 months of the CPF salary ceiling.

**Help households meet utilities cost [\$62 million]**

- Utilities-Save scheme for HDB households, with more for smaller house-types.

**Discourage smoking**

- Increase in excise duty on cigarettes from \$293 to \$352 per 1,000 sticks with immediate effect.

**Reduce illegal horse-betting activities**

- Horse betting duty changed from 12% of gross stakes to 25% of gross profits.

**Give relief from stamp duties**

- Remission of stamp duties paid on aborted transactions.

**Encourage Philanthropy and Community Involvement [\$23 million]**

- Recognise the advancement of sport as a charitable purpose.
- Double tax deduction granted for donations with naming opportunities.
- Computer Donation Scheme extended to include computer hardware and software donated to Institutions of a Public Character (IPCs).

## **FOR COMPANIES**

### **Develop Singapore as a premier wealth management centre**

- Start-up fund managers given a 12-month grace period to meet the requirement that 80% of the value of their funds must come from foreign investors.
- Foreign charitable trusts given tax exemption on foreign income earned, without restrictions on expenditure levels or where funds may be spent.

### **Deepen and broaden capital markets**

- 10% tax rate for income earned by approved companies in securities borrowing and lending, including intermediaries.
- Removal of double stamp duties for real estate mortgage financing structured in accordance with Islamic practices and concessionary tax treatment extended to payouts from “Islamic” bonds.
- New Commodity Derivatives Trading incentive offering concessionary tax rate on qualifying income from trading exchange-traded commodity derivatives.

### **Encourage Real Estate Investment Trusts (REITs) to list in Singapore**

- Stamp duty for transfer of Singapore properties into listed REITs or REITs to be listed, will be waived for five years.
- Withholding tax on trust distributions reduced from 20% to 10% for five years.

### **Strengthen Singapore as logistics hub**

- Bonded Warehouse Scheme expanded by lifting the 80% export requirement for qualifying operators.
- Approved International Shipping Enterprise (AIS) incentive extended to ship leasing companies.
- Global Trader Programme (GTP) widened to allow companies to use the Singapore dollar as their transacting currency.

### **Rejuvenate tourism and retail sector**

- \$40 million invested over three years by Singapore Tourism Board (STB) to enhance Orchard Road.
- Investment Allowance incentive extended to flagship concept projects in retail, F&B and entertainment.
- Concessionary tax rate of 10% extended to event companies which bring in approved tourism events.

### **Help small businesses**

- One-year loss carry-back for corporate taxes, subject to cap of \$100,000 in losses carried back.
- All Government suppliers to be given one free Government e-procurement account.

**Fine-tune foreign worker policies**

- Skilled Foreign Worker Levy to be raised from \$50 to \$80 from 1 July 2005 and to \$100 from 1 January 2006.
- Companies given flexibility to go above foreign worker dependency ceiling for temporary periods, subject to a higher foreign worker levy of \$500 for each extra foreign worker.