

Clarification

Question:

Mr Gerald Giam: Does the Government think it is important to plug the gap in information regarding the total wealth or incomes of Singaporeans, so that it can better plan its re-distributive policies?

Answer:

Mrs Josephine Teo: There has to be a policy purpose to collecting information, or the Government would be inundated with all kinds of information. It has to be driven by the policy purpose. But the key point I think, is that your interest in wanting to know more is really to get a sense of whether taxes are contributed fairly by different segments of society. The way we look at it is to focus on whether the higher-income groups are contributing enough – whether they are contributing a good share of taxes.

We should not overestimate how much this additional information collection can yield. It is quite instructive to look at the experience in other countries.

First, for a small country, we have to be practical and consider how easy it is for money to flow elsewhere. While we can have a very elaborate system to try and collect the information, we cannot prevent money from flowing to other tax jurisdictions. For example, Hong Kong, another small and open economy, does not have a capital gains tax.

Second, even for large countries: to mitigate the effect on individuals and businesses they often end up with very complicated tax codes with all kinds of exemptions. In the U.K., people hold on to their assets without selling and realising their gains. To avoid paying inheritance tax, they often gift their assets to their spouses. So after a tremendous amount of information collection and reporting, very little is in fact added to the coffers of the Government. Capital gains tax contributes less than 1% of total revenues for the U.K Government, while inheritance tax contributes 0.6%.