

Singapore 2008 Budget Commentary

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Executive Summary

Budget 2008 is focused on creating new advantages and fresh opportunities for Singapore in a competitive world. It is centred on four key thrusts. It provides a full range of education and training opportunities to maximize potential. It spurs the growth of innovative enterprises. It adjusts tax policies so that Singapore stays competitive. And it continues to build a resilient community.

As expected, there is no change in the corporate tax rate of 18% as the Government believes that the current corporate tax rate is competitive compared to the other economics. However, it was somewhat disappointing that the top personal tax rate is not reduced from 20% to 18%, to align with the corporate tax rate. Nevertheless, to provide relief for the middle income group, the Government has proposed a one-off tax rebate of 20%, capped at \$2,000, for all resident tax payers for the Year of Assessment 2008.

With the expectation of a surplus of \$6.4 billion for the financial year 2007, the Government is sharing the surplus with the man in the street by promising a Growth dividend to all adult Singaporeans, on top of the GST credits which was announced in last year's Budget. In addition, as expected, there were proposals to help the lower-income earners and retirees to cope with rising inflation.

The business community especially felt disappointed with the Budget as more could be done to ease business cost pressures, such as increasing rental cost and inflation.

However, the Budget was especially good for the financial sector, specifically wealth management (measures such as removal of estate duty, introduction of family-owned investment holding company incentive etc). In addition, a few R&D tax measures were proposed to make innovation pervasive in our Singapore economy.

As highlighted by the Minister of Finance, this Budget is about developing the capabilities of our people and enterprises, so that Singapore stays in the top league of global cities for years to come.

Corporate Tax Changes

Corporate Income Tax Rate

As widely expected, there is no change in the corporate tax rate of 18%. This rate coupled with the partial tax exemption for normal chargeable income of \$300,000 as below is considered competitive enough by the Government.

- 75% exemption of up to the first \$10,000 of normal chargeable income; and
- 50% exemption of up to the next \$290,000 of normal chargeable income.

Please see Appendix 1 on the comparison of corporate tax rates in selected countries.

Tax Exemption for Start-up Companies

Currently, the start-up tax exemption allows the following tax exemption to an eligible start-up company during the first three Years of Assessment of its incorporation:-

- Full tax exemption on the first \$100,000 of chargeable income; and
- 50% tax exemption on the next \$200,000 of chargeable income.

An eligible start-up is a company that meets the following conditions:-

- It is incorporated in Singapore;
- It is a tax resident of Singapore; and
- It has total share capital which is beneficially held, directly or indirectly, by no more than 20 persons all of whom are individuals throughout the basis period for that Year of Assessment.

To provide greater support to start-ups and entrepreneurs, the Government will liberalise the start-up tax exemption scheme. It allows start-ups with corporate shareholders to qualify for the existing start-up tax exemption scheme, as long as there is at least one individual shareholder of minimum 10% shareholding. This change will take effect from Year of Assessment 2009.

This proposed change will make it easier for start-ups to seek funding from corporations such as venture capitalists. Hence, this move will indeed encourage more entrepreneurship.

R&D Tax Measures

Enhanced Deduction for R&D Done in Singapore from 100% to 150%

Currently, taxpayer carrying on manufacturing trade/business or a trade/business for the provision of any services will be entitled to a 100% deduction on R&D expenditure under Section 14D of the Income Tax Act, regardless whether the R&D is carried out in-house or outsourced to an R&D organization in Singapore or abroad.

To encourage companies to undertake more R&D activities in Singapore and to spur innovation, taxpayers will qualify for a deduction of 150% of the expenses incurred for R&D activities carried out in Singapore, whether the taxpayer does it himself in Singapore or outsourced to an R&D organization in Singapore. This will take effect from Year of Assessment 2009. This means that for every \$100,000 of local R&D expenditure incurred, \$150,000 may be claimed as a tax deduction. This higher deduction is available for the Years of Assessment 2009 to 2013.

The R&D activities outsourced to an organization outside of Singapore will continue to claim 100% tax deduction of the qualifying R&D expenses incurred.

Removal of “Related to Existing Trade or Business” Requirement under Sections 14D and 14E of Income Tax Act

Currently, tax deduction for R&D expenditure under Sections 14D and 14E of the Income Tax Act are granted to the taxpayer if the R&D undertaken is related to the taxpayer’s current trade activities.

To encourage companies to conduct as much of their R&D projects as possible in Singapore, rather than overseas, taxpayer is no longer required to fulfill the “related to existing trade or business” premise. This change allows a company’s locally-done R&D expenditure which is not related to the taxpayer’s current trade activities to qualify for tax deduction. This change will be effective from Years of Assessment 2009 to 2013.

The above proposal will encourage existing taxpayers to conduct R&D in prospective business and help the companies to move up the innovation ladder.

New R&D Tax Allowance

The Government introduced a new incentive to grant Singapore companies with chargeable income an R&D tax allowance for Years of Assessment 2009 to 2013. Under this incentive, the R&D tax allowance granted shall be 50% of the first \$300,000 of the company's chargeable income or such lower amount when the company's chargeable income is less than \$300,000, for each Year of Assessment. The maximum R&D tax allowance granted for each qualifying Year of Assessment is therefore \$150,000 (i.e. 50% x \$300,000).

The R&D tax allowance granted can be utilized to set off against the chargeable income for the next three Years of Assessment (following the Year of Assessment that it is granted), provided that the company incurs in the basis period of those three Years of Assessment of utilization, qualifying R&D expenditure in excess of a base amount. The base amount of qualifying R&D expenditure is set at the level of the company's qualifying R&D expenditure incurred for the base year. The fixed base year for existing companies is the basis period for Year of Assessment 2008.

Qualifying R&D expenditure refers to R&D expenditure that:-

- qualifies for deduction under Section 14D of the Income Tax Act; and
- the company incurs in respect of R&D activities undertaken directly (i.e. in-house) by the company in Singapore.

The amount of R&D tax allowance that may be utilized in each year of assessment will be the amount of R&D tax allowance brought forward, or the incremental of R&D tax allowance incurred over the base amount during the relevant basis period, whichever is lower. Any unutilized R&D tax allowance as at the end of the three Years of Assessment will be disregarded.

R&D tax allowance cannot be transferred among related companies under group relief.

The above incentive will provide a further push for innovation amongst companies in Singapore, especially the SMEs. This will help to make Singapore one of the most competitive places for companies to do R&D.

Details will be released by IRAS by September 2008.

Please refer to Appendix 2 for an example of the above scheme.

R&D Incentive for Start-Up Enterprises (RISE)

In an effort to help Singapore's high-tech start-up, the Government introduced a new incentive called R&D incentive for start-up enterprise (RISE) which allows start-ups that have yet to make taxable profits within their first three Years of Assessment to convert up to \$225,000 (150% of \$150,000 of R&D expenditure) of the company's tax losses into a cash grant of \$20,250 (\$225,000 @ 9%) for each Year of Assessment. To qualify for this incentive, the start-ups needs to spend at least \$150,000 expenses on ongoing, in-house R&D activities carried out in Singapore in the basis period for each Year of Assessment of claim, during Years of Assessment 2009 to 2013.

The start-up can choose either to convert its tax losses into cash or carry forward the losses to off-set against its subsequent chargeable income in future Year of Assessment.

To qualify for RISE, the start-up company needs to meet all of the following conditions:

- (a) It satisfies the criteria for the general start-up corporate tax exemption, that is, it is a company that:
 - (i) is incorporated in Singapore;
 - (ii) is tax resident of Singapore;
 - (iii) has total share capital which is beneficially held, directly or indirectly, by no more than 20 persons –
 - (1) all of whom are individuals, or
 - (2) of which at least one is an individual shareholder holding at least 10% of total number of issued ordinary shares throughout the basis period relating to the years of assessment of claim.
- (b) Its first three years of assessment fall within the period of Years of Assessment 2009 to 2013;
- (c) It does not have taxable profits or chargeable income in all preceding years prior to the Year of Assessment of claim;
- (d) It incurs at least \$150,000 qualifying expenditure on R&D in the basis period for the Year of Assessment of claim.

Qualifying Expenditure on R&D means:

- (a) Expenditure which the company incurs on R&D that the company undertakes directly (in-house) in Singapore. Expenditure on R&D that is funded by Government grants (if any) or expenditure that the company incurs for R&D outsourced to a R&D organisation (whether

in Singapore or abroad) will not be considered as part of qualifying expenditure on R&D (i.e. will be netted off from the total R&D expenditure incurred); and

(b) The R&D concerned must still be on-going at the time of claim.

This proposal further strengthens Singapore as a global R&D hub especially for high-tech start-ups.

Details will be released by IRAS by September 2008.

Tax Incentive for Fixture and Fittings

Currently, fixtures and fittings that a company incurs in its premises are not eligible for capital allowances unless the building qualifies as an industrial building.

In an effort to help businesses, especially SMEs to keep their cost down, the Government has proposed to grant a special allowance for cost incurred on all fixtures, fittings and installations, except those relating to structural works and expansion of space to be written off over three years. This allowance is subject to a cap of \$150,000 every three years per business entity. This will be applicable to qualifying expenditure on attached fixtures incurred during the period 16 February 2008 to 15 February 2013. Since it is only valid until 2013, the maximum allowance that any business entity can claim will be \$300,000.

As the amount of the special allowance is capped at only \$150,000 every three years, this incentive will mainly benefit the SMEs when they undertake renovations. In addition, services industry such as retail and food and beverage outlets, which have to renovate frequently will benefit most from this incentive.

Unilateral Tax Credit for Foreign-sourced Income

Currently, unilateral tax credit may be granted in respect of the foreign tax paid on the following foreign-sourced income received by a Singapore tax resident from non-DTA countries:-

- Income from provision of professional, consultancy and other services performed in the other country;
- Royalty where it is not borne directly or indirectly by a Singapore resident or permanent establishment in Singapore or deductible against income accruing in or derived from Singapore;
- Dividend;

- Employment income; and
- Profits of an overseas branch of a Singapore resident company.

All other foreign-sourced income from non-DTA countries received or deemed received by non-individual persons in Singapore are subject to tax in Singapore and no unilateral tax credit is allowed in respect of foreign tax paid on such income, effectively resulting the same income being taxed twice.

To eliminate the possibility of double taxation for companies venture abroad, the Government will be extending unilateral tax credit to all types of foreign-sourced income that are remitted to Singapore by Singapore resident taxpayer from non-DTA countries. This will take effect from Year of Assessment 2009.

This proposal will enhance Singapore's growth as a business hub, by encouraging more businesses to expand overseas and to draw more companies into Singapore. In addition, it will also make it less costly for businesses to fund its overseas investment such as by way of loan since it can now claim unilateral tax credit for the foreign tax suffered on the interest income.

Further tax deduction (FTD) for overseas talent recruitment scheme

The FTD for overseas talent recruitment scheme was introduced in 1998 in recognition of increasing competition for top global talent. Under this FTD scheme, employers can claim further deduction for qualifying relocation and recruitment costs incurred in relocating or recruiting foreign talent during the qualifying period from 1 October 1998 to 30 September 2008. The qualifying expenses are as follows :

- recruitment and relocation costs incurred in respect of P1 employment pass holders and returning Singapore citizens and permanent residents approved to be of an employment status equivalent to that of P1 employment pass holders; and
- relocation costs in respect of P2 employment pass holders and returning Singapore citizens and permanent residents approved to be of an employment status equivalent to that of P2 employment pass holders.

The FTD scheme was expanded in 2003 to include the relocation costs incurred by an employer to relocate the spouse and 2 unmarried children below the age of 21 years of the employee concerned.

In view of the current high inflation costs, the FTD scheme will be further extended for five years till 2013 to defray the additional costs of recruiting and relocating foreign talent to work in Singapore.

It may be desirable for the scheme to include costs incurred to repatriate Singapore citizens/ permanent residents employees who have been posted overseas. This will encourage the return of local talents posted overseas and to encourage overseas assignments to groom local talent.

Tax Deduction of Medical Expenses

To encourage more employers to provide portable medical benefits besides the Portable Medical Benefits Scheme (PMBS) or Transferable Medical Insurance Scheme (TMIS), the Finance Minister will be extending the 2% tax deductions limit to other similar portable medical benefits and ad-hoc contributions to Medisave accounts.

With effect from Year of Assessment 2008, employers who provide their employees with inpatient medical insurance benefits in the form of portable medical shield plans can also qualify for tax deduction at 2% of the total wage bill for medical expenses they incur for their employees.

Employers can provide such portable medical shield plans, either by paying the insurance premiums on behalf of their employees to the insurance companies directly or by reimbursing the premiums into the employees' Medisave accounts.

To qualify, the employer must provide the portable medical shield plans for at least 20% of existing local employees employed as at the first day of the basis period for the Year of Assessment, and every local employee who commences his employment during the basis period for that Year of Assessment.

However, the additional 1% of tax deduction will exclude premiums for "riders" that cover deductibles and co-payments.

With effect from Year of Assessment 2008, if employers make ad-hoc contribution to employees' Medisave

account (subject to a cap of \$1,500 per employee per year), the 1% tax deduction limit will be lifted for these ad-hoc contributions (but subject to the cap of 2% of total wage bill for total medical benefits expenses).

Tax deduction for all other medical benefits will remain capped at 1% of total remuneration if employers are not on PMBS or TMIS or do not provide portable Shield plans for their employees (as above).

Details to be released by IRAS by March 2008.



Tax Deduction of Employers Contribution to Top Up Employees' Supplementary Retirement Scheme (SRS) Accounts

With effect from Year of Assessment 2009, employers will be allowed to claim full deduction for the contributions they make to their employees' SRS accounts. For details, please refer to Personal Tax Changes - Supplementary Retirement Scheme.

Tax Deduction for Employer Contributions to Top Up Employees' CPF Minimum Sum

Employers may now make voluntary top-up contributions to the Minimum Sum of an employees' CPF account. Employer can claim tax deduction for such payments. This will take effect from Year of Assessment 2009. For details, please refer to Central Provident Fund (CPF) - CPF Minimum Sum Topping-Up Scheme.

Maritime Services Tax Changes

Gains From Sale Of Vessels

To further grant tax certainty to the shipping industry, the administrative concession for not taxing the gain from the sale of vessels are extended for another five years up to Year of Assessment 2014. This is provided that the vessels are registered with the Singapore Registry of Ships (SRS) or owned by Approved International Shipping Enterprises (AIS). In addition, this administrative concession will also be expanded to include gains from the sale of ships which will subsequently be leased back and gains from sale of shares in a Special Purpose Company which holds ships.

This is welcoming news to the shipping industry as it provides certainty that the gain from the sale of vessels (vessels are expensive assets) are capital in nature.

Details will be released by MPA by May 2008.

Foreign exchange gains and gains from risk management activities

Currently, as an administrative concession, gains from risk management activities derived by shipping companies in respect of vessels that are registered with the SRS or vessels owned by AIS companies are exempt from tax. This concession is granted for five years, up to Year of Assessment 2010.

To address the growing importance of risk management as a value-added maritime ancillary activity, foreign exchange gains and gains from risk management activities derived by shipping companies in respect of vessels that are registered with the SRS or vessels owned by AIS will qualify for tax exemption under Sections 13A or 13F of the Income Tax Act. The tax exemption will be granted only if the activities are in connection with and incidental to the core shipping operations and the shipping companies do not engage in activities that are considered as trading in derivatives. This will take effect from Year of Assessment 2009.

The above proposed changes will encourage more shipping companies to undertake their risk management activities from Singapore.

Details will be released by MPA by May 2008.

Maritime Finance Incentive (MFI)

MFI was introduced in 2006 to promote ship financing activities. Under this scheme,

- (a) An Approved Shipping Investment Enterprise (ASIE) enjoys full tax exemption on its leasing income (by way of operating or finance leases) in respect of leasing of sea-going ships to offshore lessees or AIS; or Singapore-flag sea-going ships.
- (b) An approved shipping investment management company enjoys a 10% concessionary tax rate on qualifying income derived from the management of an ASIE.

The above scheme is effective from 1 March 2006 to 28 February 2011.

To help Singapore's drive towards establishing herself as Asia's premier International Maritime Centre, the MFI will be enhanced as follows:

- (a) Leasing of containers will now be included under the MFI with effect from 1 April 2008. Under this expansion,
 - (i) An Approved Container Investment Enterprise (ACIE) will enjoy either a concessionary tax rate of 5% or 10% on its income from leasing sea containers (by way of operating or finance leases) to onshore and offshore lessees. The applicable tax rate will depend on the level of Local Business Spending and headcount commitments;
 - (ii) An approved container investment management company will enjoy a 10% concessionary tax rate on its management fee income derived in connection with the management of an ACIE;
 - (iii) MFI status will be granted to an ACIE and approved container investment management company from 1 April 2008 to 28 February 2011. Once granted, the tenure for the ACIE is for a period not exceeding ten years. As for the approved container investment management company, management fee income derived from 1 April 2008 from managing an ACIE will be taxed at 10%.
- (b) Partnerships will be allowed to apply for and enjoy the MFI with effect from 1 April 2008.

The above enhancement will indeed boost the shipping industry and help to enhance Singapore's competitiveness as Asia's premier International Maritime Centre.

Details will be released by MPA by May 2008.

Financial sector tax changes

Tax exemption for Family-owned Investment Holding Companies (FIHC)

To strengthen Singapore as a wealth management hub, the FIHC are entitled to enjoy the same scope of tax exemptions that individuals enjoy on qualifying Singapore-sourced investment income and all its foreign-sourced income from 1 April 2008 to 31 March 2013.

The above proposal will further spur the wealth management industry in Singapore and create positive spin-offs to the financial sector. This provides another alternative in the wealth and succession planning for the wealthy individuals.

Details will be released by MAS by May 2008.

Extension and enhancement to the Financial Sector Incentive (FSI) Scheme

The FSI scheme will be renewed for a period of five years from 1 January 2009 to 31 December 2013.

In recognition of the fact that the Islamic finance market is a high value-add, high growth industry segment, a new FSI-Islamic Finance will be introduced to grant a 5% incentive rate on qualifying income derived from qualifying Shariah-compliant lending and fund management activities for the period from 1 April 2008 to 31 March 2013.

With effect from 16 February 2008, it has been proposed to include trading of Qualifying Debt Securities (QDS) and Qualifying Project Debt Securities in the FSI-Bond Market Enhanced-Tier award and trading of exchange-traded financial derivatives in the FSI-Derivatives Market Enhanced-Tier award.

Details will be released by MAS by end of May 2008.



Extension and enhancement of QDS Scheme

To promote further growth and development of the corporate debt market in Singapore, the QDS scheme will be renewed for a period of five years from 1 January 2009 to 31 December 2013.

Tax exemption will also be extended to all investors deriving qualifying income from debt securities with a tenure of at least ten years and from Islamic bonds or sukuks.

Details will be released by MAS by end of May 2008.

Extension of tax exemption on income derived by primary dealers from trading in Singapore Government Securities.

To encourage trading in Singapore Government Securities, the period of the above tax exemption will be extended from 28 February 2008 to 31 December 2013.

Extension and enhancement of Approved Special Purpose Vehicle (ASPV) Scheme

To be consistent with the Government's effort to develop Singapore's structured debt market, the ASPV scheme will be extended from 1 January 2009 to 31 December 2013.

In addition, to allow ASPV greater flexibility and innovation when issuing debt securities, all debt securities issued by the ASPV need not be qualifying debt securities. This will take effect from 16 February 2008 to 31 December 2013.

Details will be released by MAS by May 2008.

Extension and enhancement to the tax incentives to promote project financing

With the continuing growth of infrastructure assets as an independent asset class, the period of above incentive will be extended from 1 January 2009 to 31 December 2011.

With effect from 1 April 2008 to 31 December 2011, a new 10% tax concession (for a period of ten years) will be granted on income derived by a company from the provision of management services to business trusts and funds that own offshore infrastructure assets and list in Singapore.

Details will be released by MAS by May 2008.

Enhancement to the Offshore Insurance Business Incentive Scheme

To stimulate the growth of Islamic insurance in Singapore and to ensure that it does not miss out on the exponential growth of Islamic insurance in the region, the current 10% offshore rate will be further reduced to the new 5% incentive tax rate for qualifying insurers deriving income from underwriting offshore Islamic insurance (takaful) or reinsurance (retakaful) business. This enhancement will take effect from 1 April 2008 to 31 March 2013.

Details will be released by MAS by May 2008.

Tax incentive scheme for insurance and reinsurance brokers

To internationalise Singapore's insurance industry, a 10% incentive tax rate for up to ten years will be granted to qualifying insurance and reinsurance brokers on income derived from the provision of insurance broking and advisory services to non-Singapore based clients from 1 April 2008 to 31 March 2013.

Details will be released by MAS by May 2008.



GOODS & SERVICES TAX (GST)

The good news is that listed REITs and registered Business Trusts that primarily derive dividends or distribution incomes (which are not taxable supplies for GST purposes) can now recover GST input tax incurred on their business expenses.

The new proposal applies only to listed REITs and registered Business Trusts in the infrastructure business, ship leasing and aircraft leasing irrespective of whether they hold the underlying assets directly or indirectly through multi-tiered structures such as Special Purpose Vehicles (SPVs) / sub-trusts.

The recovery of GST input tax is effective for business expenses incurred during the qualifying period from 17 February 2006 to 17 February 2010.

The above proposal will help further to promote Singapore as a financial hub.

Details will be released by IRAS by end February 2008.

PERSONAL TAX CHANGES

Personal Income tax rate

Considering that Singapore's personal income tax regime is one of the most competitive both regionally and internationally, the Government has decided to maintain the personal tax bands and rates despite the rallying from the business communities to slash the top tier by 2% to align with the corporate tax rate of 18%.

Instead, the Government has decided to give a 20% tax rebate to all resident taxpayers for Year of Assessment 2008, capped at \$2,000 which is aimed at sharing the expected \$6.4 billion surplus generated last year with all resident taxpayers across the board.

The Government however did mention that they will continue to watch closely on the bottom line and adjust the corporate and personal tax rates, if necessary, in order to ensure that Singapore maintains her attractiveness, especially so for the top echelon taxpayers.

We believe that with so many uncertainties unfolding for the past few months brought by the unprecedented USA credit crunch which had hit adversely on the stock markets worldwide and inevitably on the performances of other industries as forecasted, the Government appeared to be adopting a "Wait and See" posture before dispensing with further measures perhaps in the off-budget.

Please refer to the following Appendices:-

1. Appendix 1 on the Top Marginal Personal Income Tax Rates in Selected Countries
2. Appendix 3 for the Personal Income Tax Rates for Year of Assessment 2008

Not Ordinarily Resident (NOR) Scheme

The following enhancement and refinement of the administrative features have been introduced to the NOR's concessions:

The Singapore Time apportionment concession:-

1. The 10% effective tax rate condition will be replaced by another condition - the taxpayer's Singapore employment income threshold must be at least \$160,000.
2. The scope of time apportionment concession is expanded to cover perquisites and leave pay that are currently not available for this concession. However, director's fees will continue to be excluded from the scope of apportionment.

Tax exemption of employer's contribution to non-mandatory overseas pension schemes:-

1. To qualify for this concession, the additional requirement (besides not being a Singapore citizen nor a Singapore permanent resident) is that the NOR taxpayer must now derive a minimum Singapore employment income of \$160,000.
2. In addition, in order to enjoy the tax exemption, the NOR taxpayer must ensure that the employer is not claiming corporate tax deduction for the contributions.

This will be effective from Year of Assessment 2009.

The inclusion of the perquisites and leave pay to the Singapore time apportionment calculation will certainly boost the tax savings for the NOR taxpayers.

However, with regard to the tax exemption on the employer's contribution to the non-mandatory overseas pension schemes, NOR taxpayer may now have to seek approval from his employer not to claim for tax deduction for the contributions before he could enjoy the tax exemption.

Equity-Based Remuneration Incentive Scheme

The various employee equity-based incentive schemes will be repackaged as one new umbrella incentive, named as the Employee Remuneration Incentive Scheme (ERIS). The three different tiers of incentive are as follows:-

<p>Nature of employee stock options (ESOPs) or employee share awards (ESOWs)</p>	<p>Currently</p>	<p>Proposed</p>
<p>Company Employee Equity-based Remuneration (CEEBR) scheme</p>	<p>Employees of qualifying companies can enjoy full tax exemption on the first \$2,000 of their gains from stock options or share awards, and 25% tax exemption on subsequent gains, if certain criteria are met.</p> <p>The full or partial exemption will apply to \$1 million of gains arising over ten years.</p> <p>One of the qualifying conditions is that the company is required to issue stock options or share awards to at least 50% of its employees.</p>	<p>Under this new scheme, there will be three different tiers of incentive as follows:-</p> <p>(a) The CEEBR will be re-named as ERIS (All Corporations). To qualify for ERIS (All Corporations), the company will be required to issue stock options or share awards to at least 25% of its employees, instead of 50% as is currently required under CEEBR.</p> <p>Effective: to take effect for stock options and share awards granted after 15 February 2008. Details to be released by IRAS by April 2008.</p>
<p>Entrepreneurial Employee Equity Based Remuneration (EEEEBR Scheme)</p>	<p>Employees of companies with a gross asset value of \$100 million or less can enjoy tax exemption on 50% of up to \$10 million of qualifying gains, arising over a period of ten years, if certain conditions are met.</p>	<p>(b) The EEEBR will be re-named as ERIS (SMEs). The qualifying conditions remain unchanged.</p> <p>(c) A new incentive tier for start-ups, known as ERIS (Start-Ups) is introduced. To qualify for ERIS (Start-Ups), the following conditions must be met:-</p> <ol style="list-style-type: none"> 1. Must have at least one individual shareholder holding at least 10% of the company; 2. Must be a Singapore incorporated company carrying on business in Singapore; and have 3. a market value of its gross assets at the time of grant of stock options or share awards of less than \$100 million. <p>Qualifying employees of qualifying start-up companies (same conditions as current EEEBR scheme) can enjoy personal income tax exemption on 75% of qualifying gains from ESOP or ESOW plans up to \$10 million qualifying gains over ten years.</p> <p>Effective: for stock options and share awards issued during 16 February 2008 to 15 February 2013 in the first three years of incorporation by qualifying start-up companies.</p> <p>Details to be released by IRAS by March 2008.</p>

The Government acknowledged the popularity of share option schemes for attracting and keeping talent, particularly among start-ups. The Government had also commented that as the risks involved in start-ups are naturally higher, it is reasonable to grant their employees with a larger exemption from personal income tax on the gains they make from their stock options or share awards.

Course fees relief

With effect from Year of Assessment 2009, resident taxpayers can claim course fee relief regardless whether the approved vocational qualifications course is relevant to his current trade, business, profession, vocation or employment.

For courses leading to an approved academic, professional or vocational qualification, the claim can be made within two Years of Assessment from the Year of Assessment relating to the year in which he completed the courses.

This will benefit taxpayers who may not be able to benefit from the relief in the Year of Assessment for which the expense is actually incurred. The taxpayer should claim the tax relief, as soon as he has assessable income above \$22,000, within the two Years of Assessment from the Year of Assessment relating to the year in which he completes the course.

Supplementary Retirement Scheme (SRS)

With effect from Year of Assessment 2009, employers can now contribute to their employees' SRS accounts, subject to the current contribution limits of \$11,475 per year for Singapore Citizens and Permanent Residents, and \$26,775 for foreigners (amounts to be contributed for each employee).

Employers will also be able to claim full tax deduction for the contributions they make to their employees' SRS accounts.

Notwithstanding that SRS members will be taxable on the contributions that their employers make to their SRS accounts, they will be able to enjoy a tax relief up to the applicable contribution limit per Year of Assessment for the SRS contributions which they or their employers make.

The scheme is further relaxed to allow SRS members to contribute beyond the prevailing statutory retirement age,

up to the point of their first penalty-free withdrawal. They can withdraw their SRS monies over ten years from the point of their first penalty-free withdrawal.

Individuals without any earned employment income in the previous year can contribute to the SRS in the current year.

The Government is hopeful that the proposed relaxations will attract more participation to this retirement savings outside the CPF scheme.

Estate Duty

Finally, the Estate Duty will be removed from the Singapore's tax regime with immediate effect (i.e. for deaths occurring on and after 15 February 2008). We believe that this is good news especially for the wealthy individuals.

Indeed, it is anticipated that the abolishment of the estate duty will bring many wealthy individuals especially those from Asia to park their wealth in Singapore, thus supporting and promoting the wealth management industry.

Hence, with the abolishment of estate duty, we are now in the same league with countries like Malaysia, Hong Kong, Australia, Canada, New Zealand, Italy and Sweden.

CENTRAL PROVIDENT FUND (CPF)

CPF Minimum Sum Topping-Up Scheme

With effect from Year of Assessment 2009, individuals can claim tax relief for top-ups by themselves or their employers to their own Minimum Sum and top-ups to siblings, spouses, parents and grandparents' Minimum Sums, regardless of the age of the recipients.

In addition, employers can also make Minimum Sums cash top-ups for their employees and receive a tax deduction on the entire top-up.

Notwithstanding that employees are taxable on the employer's top-ups to their Minimum Sum, the employees may claim tax relief for the employer top-ups.

The tax relief for top-ups made by the employee and his employer is capped at \$7,000 per Year of Assessment.

In addition, a separate tax relief for family top-ups, which is also capped at \$7,000 per Year of Assessment will be made available to the individual taxpayers.

The Government is hopeful that by broadening the tax reliefs, more individuals will be encouraged to participate in topping-up of CPF accounts.

Voluntary Contributions to Medisave Account

To encourage savings to meet medical needs, the Government has allowed individuals to claim tax relief for voluntary contributions that they make specifically to their own Medisave Account up to a cap (\$26,393 less mandatory contributions) as per Year of Assessment. This will take effect from Year of Assessment 2009.

Introduction of CPF Life Scheme

To recognize the Singapore's aging population issues, the Finance Minister accepted the recommendations of the National Longevity Insurance Committee and introduced the CPF life scheme in his Budget Statement.

It puts in place a major new plank to assure Singaporeans of a stream of income for as long as they live.

Singaporeans who turn 55 in or after 2013 and who have at least \$40,000 in their CPF Minimum Sum will be automatically included in the scheme. Older Singaporeans and those with less in their Minimum Sum can opt in.

To encourage Singaporeans to enroll in the LIFE scheme, the Government will provide a sign-on bonus called the LIFE Bonus (L-Bonus) to the first five cohorts of Singaporeans who join the LIFE scheme i.e. those aged 46 to 50 in 2008, with up to \$54,000 Assessable Income (AI) and live in a property of up to \$11,000 Annual Value (AV) at the time of enrolment. L-Bonus will be given to members when they enroll in the CPF Life scheme at age 55.

The CPF Life Scheme is primarily targeted at the lower and middle-income CPF members and accordingly, the amount of L-Bonus will vary such that the older and less well-to-do members will receive more. Please refer the table below for more details: -

L-Bonus for those aged 55 and older in 2013

Assessable Income (AI)	Annual Value (AV)	
	Up to \$6,000	More than \$6,000 and up to \$11,000
\$24,000 or less	\$4,000	\$3,200
More than \$24,000 and up to \$54,000	\$3,200	\$2,200

Based on AV and AI cut-offs in 2008. Actual AV and AI cut-offs for the year of enrolment may vary

OTHER TAX AND MISCELLANEOUS CHANGES

Changes in Skill Development Levy (SDL)

Employers are required to contribute a minimum sum of \$2 or 1% levy of gross monthly remuneration, whichever is lower, for employees who fall within the salary ceiling rate of \$2,000.

With effect from 1 October 2008, employers are required to contribute for all employees they employ, up to their first \$4,500 of gross remuneration at 0.25% of gross monthly remuneration or \$2, whichever is lower.

Revised Special Tax Structure for Euro-IV Private Diesel Cars

With effect from 1 July 2008, the special tax for Euro-IV cars will be revised from the current 4 times the road tax to an absolute-dollars tax based on the engine capacity of the car, at the rate of \$1.25 per cubic centimeters (cc) of engine capacity, subject to a minimum tax of \$1,250.

Rationalisation of liquor duties

To provide a rational and fairer basis of taxation of an alcoholic beverage, all alcoholic beverages will be taxed on the basis of their alcoholic content with effect from 15 February 2008.

HIGHLIGHTS OF CERTAIN TAX CHANGES AND DEVELOPMENTS

Description	Key Features																									
Tax Deduction for Borrowing Costs Other than Interest Expenses	<ul style="list-style-type: none"> • Currently, only interest incurred on borrowings for the acquisition of capital assets used to produce taxable income is tax deductible. • Recognising that the cost of funding is no longer confined to interest costs, the Government now has expanded the scope of tax deduction to include borrowing costs that are incurred: <ul style="list-style-type: none"> (a) as a substitute for interest expenses; or (b) to reduce interest costs. • The list of tax deductible borrowing costs stated in the IRAS circular dated 21 June 2007 is reproduced as follows: <table border="1" data-bbox="395 712 908 1216"> <thead> <tr> <th></th> <th>Items</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>Guarantee fees</td> </tr> <tr> <td>2</td> <td>Bank Option Fees</td> </tr> <tr> <td>3</td> <td>Discounts on notes or bonds</td> </tr> <tr> <td>4</td> <td>Premiums on redemption of notes or bonds</td> </tr> <tr> <td>5</td> <td>Prepayment fees/ early redemption fees</td> </tr> <tr> <td>6</td> <td>Extension Fees</td> </tr> <tr> <td>7</td> <td>Increased Fees</td> </tr> <tr> <td>8</td> <td>Interest rate cap premiums</td> </tr> <tr> <td>9</td> <td>Interest rate swap payments</td> </tr> <tr> <td>10</td> <td>Conversion fees</td> </tr> <tr> <td>11</td> <td>Cancellation fees</td> </tr> </tbody> </table> • In order to enjoy tax deduction on any of the above qualifying borrowing costs, taxpayers are required to claim the qualifying borrowing costs in their returns and to provide brief details of how the borrowing costs claimed have been incurred as a substitute for interest expense or to reduce cost. 		Items	1	Guarantee fees	2	Bank Option Fees	3	Discounts on notes or bonds	4	Premiums on redemption of notes or bonds	5	Prepayment fees/ early redemption fees	6	Extension Fees	7	Increased Fees	8	Interest rate cap premiums	9	Interest rate swap payments	10	Conversion fees	11	Cancellation fees	Effective from Year of Assessment 2008
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Claim for one year write-off for new diesel driven goods vehicles and buses registered on or after 15 February 2007	<ul style="list-style-type: none"> • At present, capital expenditure incurred for the purchase of new goods vehicles and buses replacing the old ones registered prior to 1 January 1991 and deregistered on or after 27 February 1999, are allowed to claim for one-year write off. • The claim for the one-year write off is now extended to owners who are replacing diesel-driven goods vehicles and buses that are registered on or after 1 January 1991 but before 1 October 2006. The new vehicle or bus is to be registered during the period 15 February 2007 to 14 February 2012. This is to encourage the owners to replace their vehicles to comply with Euro-IV emission standard. 	Vehicles registered from 15 February 2007 to 14 February 2012																								

Description	Key Features	
Capital Allowances	<p>Currently, capital allowance on accelerated claim (i.e. S19A) has to be claimed consecutively over three years once the initial claim has been made. With effect from Year of Assessment 2009, deferral of claim for accelerated capital allowances will be allowed even if initial claim has been made. In this connection, companies will have the flexibility to claim the capital allowances for one year and defer the rest. This will help to preserve capital allowances which may be important in situation where there is a change in the shareholdings or the business of the taxpayer.</p>	Effective from Year of Assessment 2009
Income Tax Treatment of trade associations	<p>Section 11(2) of the Singapore Income Tax Act (SITA) states that where a body of persons, whether corporate or unincorporate, carries on a trade or professional association where more than half of its receipts by way of entrance fees and subscriptions are from persons who claim or entitle to claim a deduction under Section 14 of the SITA, such a trade or professional association would be deemed to be carrying on a business.</p> <p>This means that the whole of its income from transactions both with members and non-members (including entrance fees and subscriptions) shall be deemed to be receipts from a business and subject to tax.</p> <p>IRAS had made some changes to the tax treatment under Section 11 (2) and issued a circular on 15 February 2007 providing details of the changes.</p> <p>1. Allow company limited by guarantee to be accorded the tax treatment of mutual concern to which Section 11(2) of the SITA shall apply, provided they meets the following conditions:-</p> <ul style="list-style-type: none"> • It must be set up not for purposes of profit or gain and if the company derives any surplus, it must used to carry out for its not-for-profit objectives; • It exists for the sole purpose of benefiting its members and is operated exclusively for the same purpose for which it was organized; • The contributors to the common fund should be identical to the participators in the mutual surplus; • There must be arrangements which entitle the contributors to the common fund to control it; and • The constituent documents must prohibit the company limited by guarantee from making any distribution (be it money, property or otherwise) to it's members. 	Effective from Year of Assessment 2008

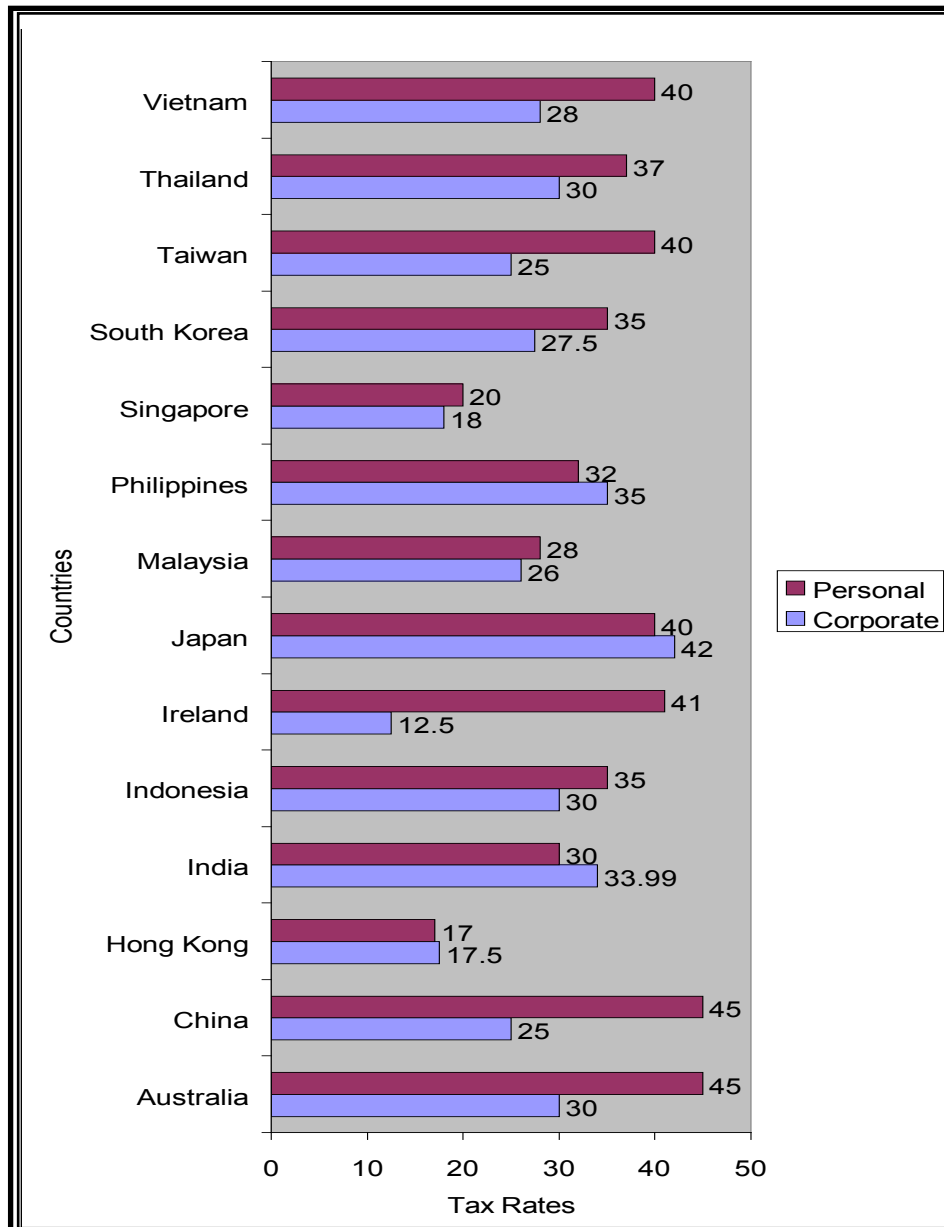
Description	Key Features											
<p>Income tax Treatment of trade associations</p>	<p>2. Amend the basis of computing the 50% cap used to determine if the trade or professional association is deemed to be carrying on a business.</p> <p>The new amendment makes a distinction between Singapore and foreign members. Receipts from Singapore members will be taxed only if the 50% cap is breached and receipts from foreign members will no longer be taxed even if the cap is breached.</p> <p>The basis of computing the 50% cap and corresponding tax treatment of the income from transactions with members and non-members, before and after the changes are summarized as follows:-</p> <table border="1" data-bbox="392 667 1294 1709"> <thead> <tr> <th data-bbox="392 667 616 701"></th> <th data-bbox="616 667 935 701">Before Tax Change</th> <th data-bbox="935 667 1294 701">After Tax Change</th> </tr> </thead> <tbody> <tr> <td data-bbox="392 712 616 1104">The 50% cap</td> <td data-bbox="616 712 935 1104">Trade or professional association is deemed to be carrying on a business where more than 50% of receipts by way of entrance fees or subscriptions are from persons (including both Singapore and foreign members) who claim or are entitled to claim a deduction under Section 14.</td> <td data-bbox="935 712 1294 1104">Trade or professional association is deemed to be carrying on a business where more than 50% of receipts by way of entrance fees or subscriptions from Singapore members are from those who claim or are entitled to claim a deduction under Section 14.</td> </tr> <tr> <td data-bbox="392 1115 616 1709"> <u>Tax Treatment of receipts where:</u> - 50% Cap breached i.e. Trade or professional association is deemed to carry on a business - 50% cap not breached </td> <td data-bbox="616 1115 935 1709"> The whole of income from transactions with Singapore members, foreign members and non-members is subject to tax. Only income from transactions with non-members is subject to tax. </td> <td data-bbox="935 1115 1294 1709"> Income from transactions with Singapore members and non-members is subject to tax whereas income from transactions with foreign members is not subject to tax. Only income from transactions with non-members is subject to tax. </td> </tr> </tbody> </table>			Before Tax Change	After Tax Change	The 50% cap	Trade or professional association is deemed to be carrying on a business where more than 50% of receipts by way of entrance fees or subscriptions are from persons (including both Singapore and foreign members) who claim or are entitled to claim a deduction under Section 14.	Trade or professional association is deemed to be carrying on a business where more than 50% of receipts by way of entrance fees or subscriptions from Singapore members are from those who claim or are entitled to claim a deduction under Section 14.	<u>Tax Treatment of receipts where:</u> - 50% Cap breached i.e. Trade or professional association is deemed to carry on a business - 50% cap not breached	The whole of income from transactions with Singapore members, foreign members and non-members is subject to tax. Only income from transactions with non-members is subject to tax.	Income from transactions with Singapore members and non-members is subject to tax whereas income from transactions with foreign members is not subject to tax. Only income from transactions with non-members is subject to tax.	<p>Effective from Year of Assessment 2008</p>
	Before Tax Change	After Tax Change										
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Description	Key Features	
Tax on Gross Income Derived from Singapore by Non- Resident Public Entertainers	<p>IRAS had introduced the following changes to the filing and payment procedures to the Singapore sourced income derived from non-resident public entertainers:-</p> <ul style="list-style-type: none"> • With effect from 1 January 2008, non-resident public entertainers will be subject to a withholding tax at 15% of their gross income. The local taxpayers will be required to withhold the tax due, notify and remit the tax withheld to the Comptroller in accordance with the provisions under Section 45 of the Income Tax Act. • Due to the above changes, no tax assessments will be issued to the non-resident public entertainers. Instead, a confirmation letter of withholding tax payment will be issued to the local taxpayer. <p>The above treatment is introduced to ease tax compliance for the non-resident public entertainers and reduce the administrative requirements for local payers.</p>	Effective from 1 January 2008
New 2-Year Administrative Concession for determining residence status	<p>Under the existing tax residence rules, all foreign employees (excluding directors of a company and public entertainers) who are physically present or working in Singapore for three consecutive years will be regarded as a tax resident for all three Years of Assessment although his physical presence or employment duration in Singapore is less than 183 days (the "183-day condition") in the first and third calendar year.</p> <p>However, with effect from 1 January 2007, all foreign employees who entered Singapore thereon and whose employment period of at least 183 days ("183-day condition") straddles over 2 calendar years will be treated as resident for tax purposes for both years. This new tax concession will be granted automatically to those who qualify (excluding directors of a company and public entertainers).</p> <p>Prior to the concession, non-resident individuals have to suffer tax at 15% flat on their employment income with no personal reliefs allowed or be taxed at graduated resident rates, whichever is higher.</p> <p>With this new administrative concession to determine tax residence status, it is welcome news for foreigners who are on short term assignment to be treated as tax residents to enjoy reliefs and to be taxed at graduated resident rates. For the employers, the company enjoys cost-savings in not having to seek tax clearance for qualifying foreign employees who earns less than S\$20,000 annually.</p> <p>However, the new concession may not be beneficial to all foreign employees who exercise employment for not more than 60 days in a calendar year as their employment income are already exempt from tax or they may be exempted from tax on their short term assignment due to treaty relief.</p>	Effective from 1 January 2007

Description	Key Features	
GST Advance Ruling	<p>With effect from 1 July 2007, the GST Act will be amended to provide for an advance ruling system to provide greater clarity and certainty to tax payers.</p> <p>IRAS releases a circular explaining the features of the GST Advance Ruling System.</p> <p>An advance ruling is a written interpretation of how specific provisions of the GST Act will apply for a particular business arrangement or a specific transaction.</p> <p>An applicant for the advanced ruling may be a person in his own right or on behalf of a person who is yet to come into legal existence. Similar to Advance Ruling under Income Tax Act, fees are payable for the application.</p>	Effective from 1 July 2007
Zero-rating of Container services and the Sale and Lease of Containers	<p>Zero-rating relief is extended to the following:</p> <ul style="list-style-type: none"> • Repair , maintenance and management services performed on sea or air containers used for the international transportation of goods; • Sale and lease of sea and air containers used for international transportation of goods. <p>The above GST treatment is introduced to relieve the compliance costs of tracking the movement of the containers.</p>	Effective from 1 April 2007
Partial Exemption and Input Tax Recovery	<p>A GST registered trader is a partially exempt trader if he makes both taxable and exempt supplies. The general input tax recovery rule is that input tax claims can only be made if it is incurred for the making of taxable supplies. In this connection, a partially exempt trader would not be able to claim all his input tax.</p> <p>To recognize the fact the most traders would inevitably make some exempt supplies in the ordinary course of its business, the IRAS issued a Circular on 19 December 2007 to provide details on the following changes to allow traders to claim more input tax incurred on exempt supplies:</p> <ol style="list-style-type: none"> (a) The threshold in the De Minimis Rule has been increased from \$20,000 to \$40,000; (b) The list of input tax being attributed to taxable supplies in Regulation 33 has been expanded to include the assignment of trade receivables, the issue of units under any unit trust, prescribed hedging activities and purchase of bonds; (c) The list of businesses in Regulation 34 which are precluded from applying Regulation 34 has been reduced i.e. more businesses can enjoy the benefits of Regulation 33; and (d) The test for non-Regulation 33 exempt supplies in Regulation 35 has been simplified by removing the \$20,000 threshold. 	Effective from 1 April 2008

APPENDIX 1

Comparison of Corporate Tax Rates and Top Marginal Personal Tax Rates in Selected Countries



Additional information on Singapore Corporate Tax Rates for YA 2008 & 2009

YA	Tax Rate	Tax Exemption
2008	18%	<p>Partial tax exempt income :-</p> <p>- First \$ 10,000 @ 75% = \$ 7,500</p> <p>- Next <u>\$290,000</u> @ 50% = <u>\$145,000</u></p> <p style="padding-left: 40px;"><u>\$300,000</u> <u>\$152,500</u></p> <p>For new companies :</p> <p>Full tax exemption can be granted on normal chargeable income (excluding Singapore franked dividends) of a qualifying company up to 100% for the full \$100,000 and 50% for the next \$200,000 for its first three consecutive YAs. The first YA refers to the YA relating to the basis period during which the company is incorporated.</p> <p>To qualify for the tax exemption for a relevant YA under the new scheme, a company must</p> <ol style="list-style-type: none"> be a company incorporated in Singapore be a tax resident in Singapore for that YA have no more than 20 shareholders throughout the basis period relating to that YA; and have all shareholders who are individuals throughout the basis period relating to that YA. <p>Any company that does not meet the qualifying conditions for any of its first three consecutive YAs would still be eligible for partial tax exemption.</p>
2009	18%	<p>Partial tax exempt income :-</p> <p>- First \$ 10,000 @ 75% = \$ 7,500</p> <p>- Next <u>\$290,000</u> @ 50% = <u>\$145,000</u></p> <p style="padding-left: 40px;"><u>\$300,000</u> <u>\$152,500</u></p> <p>For new companies :</p> <p>Qualifying companies now only need to have 1 individual shareholder holding at least 10% of the total number of issued ordinary shares throughout the basis period relating to the YA of claim. The requirement of having all shareholders who are individuals throughout the basis period relating to that YA is lifted.</p>

APPENDIX 2

R&D Tax Allowance Example

	YA 2009	YA 2010	YA 2011	YA 2012
	\$	\$	\$	\$
R&D expenditure incurred	200,000	100,000	300,000	220,000
Base year R&D expenditure - YA 2008	200,000	200,000	200,000	200,000
Incremental R&D expenditure	NIL	NIL	100,000	20,000
Chargeable income	500,000	100,000	300,000	200,000
Less: R&D tax allowance utilised (i.e. lower of R&D tax allowance b/f or incremental R&D expenditure)	-	-	(100,000)	(20,000)
Adjusted chargeable income	500,000	100,000	200,000	180,000
Partial tax exemption (PTE)				
75% on the first \$10,000	(7,500)	(7,500)	(7,500)	(7,500)
50% on the next \$290,000	(145,000)	(45,000)	(95,000)	(85,000)
Adjusted chargeable income after PTE	347,500	47,500	97,500	87,500

R&D Tax Allowance Account

R&D tax allowance b/f:-

YA 2009	-	150,000	50,000	NIL*
YA 2010	-	-	23,750	23,750
YA 2011	-	-	-	48,750
Total R&D tax allowance b/f	-	150,000	73,750	72,500

Current year R&D tax allowance:-

- 50% X adjusted chargeable income after PTE, capped at \$300,000

	150,000	23,750	48,750	43,750
R&D tax allowance c/f	150,000	173,750	122,500	116,250

* The remaining R&D tax allowance of \$30,000 granted in the Year of Assessment 2009 (i.e. \$150,000 - \$100,000 - \$20,000) will be disregarded as it is not fully utilised for the next three Years of Assessment following the Year of Assessment 2009 that it is granted (i.e. by Year of Assessment 2012).

Personal Income Tax Rates for Tax Residents**For Year of Assessment 2008 - based on income earned in the year 2007**

	Chargeable Income (\$)	Rates	Gross Tax Payable (\$)
On the first	20 000	0	0
On the next	10 000	3.5%	350
On the first	30 000		350
On the next	10 000	5.5%	550
On the first	40 000		900
On the next	40 000	8.5%	3 400
On the first	80 000		4 300
On the next	80 000	14%	11 200
On the first	160 000		15 500
On the next	160 000	17%	27 200
On the first	320 000		42 700
Above	320,000	20%	varies

APPENDIX 4

PERSONAL RELIEFS / REBATES FOR TAX RESIDENTS FOR YA 2008

1. Earned Income Relief	Normal	Handicapped
Below 55 years old	\$1,000	\$2,000
55 – 59 years old	\$3,000	\$5,000
60 years and above	\$4,000	\$6,000
2. Wife and Handicapped Spouse Relief		
Wife Relief	\$2,000	
Handicapped Spouse Relief		\$3,500
3. Child Relief		
Qualifying Child Relief (QCR)		
1st, 2nd, 3rd child	\$2,000 each	
4th child born after 1987	\$2,000 each	
Handicapped Child Relief (HCR)		\$3,500
Working Mother Child Relief (WMCR) – replaces Enhanced Child Relief/Further Tax Rebates		
Birth Order	Amount of Relief	
1st child	5% of earned income	
2nd child	15% of earned income	
3rd child	20% of earned income	
4th child	25% of earned income	
Maximum per child (WMCR + QCR/HCR)	\$25,000	
4. Parenthood Tax Rebates (PTR) – replaces Special Tax Rebate		
	Rebate	
2nd child	\$10,000	
3rd child	\$20,000	
4th child	\$20,000	
5. Dependent Relief		
Normal Parent Relief	\$3,500 (not staying with taxpayer)	
	\$5,000 (staying with taxpayer)	
Handicapped Parent Relief	\$6,500 (not staying with taxpayer)	
	\$8,000 (staying with taxpayer)	
Grandparent Caregiver Relief (GCR)	\$3,000	
Handicapped Brothers or Sisters Relief	\$3,500 each	
6. Provident Fund and Life Insurance Relief		
Compulsory CPF	Full statutory amount	
<i>(subject to monthly cap of \$4,500 and annual cap of \$76,500 for the year 2007- YA 2008)</i>		
Voluntary CPF		
<i>(subject to annual cap of \$25,987.50 for the year 2007 - YA 2008 and annual cap of \$26,393 for the year 2008 - YA 2009)</i>		
Life Insurance Premiums		
Where compulsory CPF contribution is less than \$5,000, taxpayer may claim qualifying life insurance premiums on his or his wife's life as deduction; however, the total deduction (i.e. CPF contributions and life insurance premium together) is subject to a maximum of \$5,000.		
CPF cash top-ups for self/parents/grandparents/non-working spouse/siblings	Maximum \$7,000	
Note: wef YA 2009, employers are allowed to make top-ups to employees	Maximum \$7,000 (Self + Employees' share)	

7. Course Fees Relief	
	Maximum \$3,500
8. Foreign Maid Levy Relief	
Twice levy paid for 1 maid only	Maximum \$7,080 - YA 2007; \$6,720 - YA 2008
9. NS Men Relief	
Active NS man	\$3,000
Inactive NS man	\$1,500
Wife of NS man	\$ 750
Each parent of NS man	\$ 750
NS key command and staff appointment holders	\$ 2,000 *
* This relief will be given in addition to the basic NSmen relief and applies from YA 2007	
10. Supplementary Retirement Scheme (SRS)	
Singapore citizens and permanent residents	15% of contributions
Foreigners	35% of contributions
Similar to CPF, SRS contributions are subject to capping rules, i.e. annual cap of \$76,500 (max. relief: \$11,475/\$26,775)	
Note: wef YA 2009, employers are allowed to contribute to the SRS on behalf of employees.	

Growth Dividends

The Finance Minister announced a Growth Dividend to all adult Singaporeans, to be paid out in two instalments in April and October 2008 as follows: -

		Annual Value of Home 2007		
		\$5,000 or less (1-3R HDB flats)	More than \$5,000 and up to \$10,000 (4R, 5R HDB flats, exec flats and some less expensive private properties)	More than \$10,000 (more expensive private properties)
Annual Assessable Income	\$24,000 or less	\$400 For those 60 years old and above: +\$200	\$300 For those 60 years old and above: +\$150	\$150 For those 60 years old and above: +\$75
	More than \$24,000 and up to \$100,000			
	More than \$100,000		\$100	
NSmen, ex-NS men and NSFs			+\$100	

Annual Value (AV) criteria for growth dividends are based on the 2007 AVs.



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