

SINGAPORE BUDGET COMMENTARY

February 2011



This Budget aims to increase the real income of Singaporeans and lay down the foundation for increasing productivity so that Singapore becomes a first rate developed country.

The Singapore economy, in 2010, did very well. It grew at a record 14.5 percent - surprising many. In this vein, Budget 2011 doled out many goodies for the man-in-the street and had something for everyone. There were welcome measures on welfare and other packages to support low and middle income families as well as the elderly.

On the corporate front, even with the financial crisis behind us, the general sentiment amongst businesses, especially the SMEs was that the costs of doing business in Singapore were spiraling upwards and it was becoming less easy to do business in Singapore. Prices in Singapore are expected to increase in the long term horizon.

With these rising business costs on one hand, this inclusive Budget had a slew of tax and non tax measures which did not put cash directly into the pocket but through a set of welfare measures.

What was really impressive in the Budget was the determination of the Government to introduce long term changes even if that meant a little short term pain. The increase in the Foreign Worker Levy, especially when costs are rising demonstrates that the Government is serious about increasing productivity.

BUDGET HIGHLIGHTS

- ▶ **Tax rebate for corporates and individuals.**
- ▶ **Rationalisation of Personal Tax Rates.**
- ▶ **Employer CPF contribution restored to 16 percent.**
- ▶ **Enhancement to Productivity and Innovation Credit.**
- ▶ **Foreign Tax Pooling System Introduced.**

This Budget will lay the foundation for improving and enhancing productivity so that real incomes of Singaporeans can grow by 30 percent over the next decade and help achieve the next transformation as a nation.

The Budget however, did not go far enough though on specific incentives for foreign businesses to make Singapore a location of choice. We look forward to more of these types of incentives perhaps in the next Budget announcement.

CORPORATE TAX CHANGES

One-Off Corporate Income Tax Rebate or SME Cash Grant

As widely expected, the corporate tax rate remains at 17%. However, the Government has announced a one-off corporate income tax rebate based on 20% of corporate income tax payable, capped at S\$10,000.

For SMEs, they are eligible to receive a SME cash grant based on 5% of the company's revenue, capped at S\$5,000 or the 20% tax rebate, whichever is higher.

This will be granted for the Year of Assessment (YA) 2011.

The corporate income tax rebate will be given to all companies and registered business trusts (regardless of tax residency status and eligibility of concessionary tax rates). This rebate is however not applicable to the income of a non-resident company that is subject to final withholding tax.

SMEs will automatically receive the higher of the tax rebate or the grant when the IRAS assesses their YA 2011 corporate tax returns. To enjoy the SME cash grant, SMEs need to have made Central Provident Fund (CPF) contributions in year 2010 for at least one employee. If however, the SMEs receive revised assessment for YA 2011 which results in additional tax payable and the corporate income tax rebate is higher than the SME grant, the corporate tax rebate will be allowed instead. In such a situation, the SME is required to refund the SME cash grant to the IRAS. IRAS has clarified that the cash grant is not taxable.

This one off tax rebate will definitely help small businesses in Singapore and assist in cash flow.

Details will be released by IRAS in April 2011

Productivity and Innovation Credit (PIC)

To encourage SMEs to upgrade workers' skills, invest in innovation and productivity improvements, the Government has introduced the PIC scheme in the Budget 2010 which provides enhanced tax deductions/allowances for 6 activities along the innovation chain.

PIC scheme confers 250% tax deductions/allowances for the first S\$300,000 of qualifying expenses incurred on each of the below 6 qualifying activities:

- 1) Research and Development (R&D) done in Singapore;
- 2) Registering of Intellectual Property Rights (IPR);
- 3) Acquisition of IPR;

- 4) Investments in design done in Singapore;
- 5) Acquisition or leasing of prescribed automation equipment; and
- 6) Costs of training employees.

The balance of any expenditure in excess of S\$300,000 qualifies for 100% tax deductions/allowances except for expenditure incurred on R & D done in Singapore which qualifies for 150% tax deductions.

The above scheme is effective from YA 2011 to YA 2015.

For YA 2011 and YA 2012, a combined expenditure cap of S\$600,000 is applicable for each activity of PIC. From YA 2013 onwards, the annual expenditure is capped at S\$300,000 for each activity.

Businesses with at least 3 local employees (i.e. Singaporeans or Singapore Permanent Residents with CPF contributions), may opt to convert into cash an amount up to S\$300,000 of its qualifying expenditure for all the qualifying activities taken together, but not less than S\$1,500, for each YA at 7%. Cash payouts received are not taxable and is only available from YA 2011 to YA 2013. For YA 2011 and YA 2012, a combined expenditure up to S\$600,000 is allowed to convert into cash.

Under the proposed tax Budget 2011, PIC scheme is further enhanced as follows:

- 400% tax deductions/allowances for the first S\$400,000 of qualifying expenses incurred on each qualifying activities;
- PIC scheme is expanded to include R & D done not only in Singapore but also overseas where 400% tax deduction can be claimed for the first S\$400,000 of qualifying R & D expenses incurred. IRAS has clarified that the R & D done overseas must be related to the trade of the business. After meeting the cap of S\$400,000, 150% is then claimed on the balance of qualifying expenses for R & D done in Singapore and 100% on the balance of all other R & D expenses including expenses for R & D done overseas;
- A combined expenditure cap of S\$800,000 and S\$1,200,000 are applicable for each activity of PIC for YA 2011 to YA 2012 and YA 2013 to YA 2015 respectively;
- Businesses may opt to convert 30% of up to S\$100,000 of its qualifying expenditure for all the qualifying activities taken together, for each YA into cash (i.e. S\$30,000). A combined cash payout of S\$60,000 is applicable for YA 2011 to YA 2012.

Cash payout for YA 2013 is S\$30,000.

All other existing conditions of the current concession apply.

The enhanced PIC is a great tax saving for businesses and by liberalising the combined expenditure caps, this encourages companies to invest more to reap the tax benefits. The expansion of PIC to include R & D done abroad really benefits companies which are planning to undertake innovation activities by providing flexibility in acquiring resources.

The proposed change will take effect from YA 2011.

Details will be released by IRAS in June 2011.

Enhancement of the Concession for Enterprise Development - Enhancing the Claim of Pre-Commencement Expenses

Under the tax treatment, expenses incurred prior to the date on which a business commences operation are not allowed for tax deduction as such expenses are not incurred wholly and exclusively incurred in the production of income. Therefore, the date on which the business commences its operation is a question of fact and is difficult to ascertain.

To promote entrepreneurship by providing businesses with greater certainty, a concession was introduced in YA 2004 where businesses could claim deduction on revenue expenses which are incurred in that accounting year, including those incurred prior to the day on which the business earns its first dollar of business receipt. This concession however is not applicable to companies carrying on the business of making investments.

In the 2011 Budget, the concession is further enhanced where businesses can claim pre-commencement revenue expenses incurred in the accounting year immediately preceding the accounting year in which they earn the first dollar of trade receipts. In situations where there are tax losses, these losses are available to be carried forward to set off against future taxable income or transferred to a related company under the group relief system subject to conditions.

The above enhancement is very beneficial for newly start up companies and encouraging entrepreneurship in Singapore.

This enhanced concession will take effect from YA 2012.

Further details will be released by IRAS in June 2011.

Merger of Sections 14B and 14K Tax Deduction Schemes

Currently, Sections 14B and 14K tax deduction schemes provides for a double tax deduction to be granted to an approved company on eligible expenses incurred for qualifying market development activities and qualifying investment development activities respectively.

In order to assist businesses to internationalise and expand overseas in a more simplified manner, these two tax deduction schemes will be merged to reduce the administrative burden of the taxpayer. For instance, businesses can now submit their applications up to the day of their overseas marketing trip, instead of seven days before the trip.

The merged scheme is also subject to a sunset clause till 31 March 2016. The introduction of the sunset clause is necessary as it allows the Government to review the effectiveness of the merged scheme on a regular basis. These changes will apply to applications submitted and approved on or before 1 April 2011.

Further details will be released by IE Singapore by 31 March 2011.

Foreign Tax Credit Pooling

Singapore adopts a territorial basis of taxation which taxes income of any person accruing in or derived from Singapore or received in Singapore from outside Singapore. Accordingly, foreign income is taxed only when it is remitted to Singapore or deemed received in Singapore, unless exempted. Relief in the form of foreign tax credits are provided to persons resident in Singapore when the foreign income, which has suffered tax overseas, is again taxed in Singapore. Currently, such foreign tax credits are computed on a source by source and country by country basis and capped at lower of the foreign tax paid and the Singapore tax payable on the foreign income. Any excess foreign taxes paid will not be eligible for set-off or carry forward against other stream of income.

The Budget 2011 proposes to introduce a "pooling" mechanism to give businesses greater flexibility in their claim of foreign tax credits, reduce their Singapore taxes payable on remitted foreign income, as well as to simplify tax compliance. Resident taxpayers can elect for the pooling mechanism on fulfillment of the following conditions:

- Foreign income tax is paid in the foreign jurisdiction from which the foreign income is remitted;
- The headline tax rate of the foreign jurisdiction from which the foreign income is remitted is at least 15% at the time the foreign income is received in Singapore; and

- There is Singapore tax payable on the foreign income and the taxpayer is entitled to claim the foreign tax credit under Section 50, 50A or 50B of the Income Tax Act (ITA) on that foreign income.

The foreign tax credit pooling mechanism builds on the objective of the liberalised remittance scheme introduced in the Budget 2009 i.e. to encourage companies with global operations earning income overseas to remit them to Singapore.

Under this mechanism and subject to fulfillment of the above conditions, all foreign taxes paid on foreign income remitted to Singapore will be pooled together for computing the tax credit as opposed to source by source and country by country basis for each stream of income. If the conditions are not met or the taxpayer chooses not to apply the pooling mechanism, then the existing source by source and country by country rules will apply.

With this, taxpayers will now have an option to either adopt the pooling mechanism or the existing foreign tax credit mechanism (i.e. source by source and country by country basis) to apply such that greater amount of foreign tax credits are utilized against their Singapore tax liability.

Existing foreign tax credit mechanism				New pooling mechanism
	Royalty S\$	Interest S\$	Total S\$	Total S\$
Foreign income remitted (Gross)	10,000	20,000	30,000	30,000
Withholding tax	20%	10%		
Withholding tax paid	2,000	2,000	4,000	4,000
Singapore tax payable on foreign income remitted (17%)	1,700	3,400	5,100	5,100
Less: Foreign tax credit	(1,700)	(2,000)	(3,700)	(4,000)
Net tax payable	-	1,400	1,400	1,100

Based on the above illustration, there is a tax saving of S\$300 if the new pooling mechanism is used for all sources of foreign income.

The pooling mechanism does not provide for any carry forward or carry back of unutilized foreign tax credits and any unutilized foreign tax credit in a particular YA will be disregarded.

The proposed change will be effective from YA 2012.

Extension Of Tax Deduction For Employee Equity Based Remuneration (EEBR) Schemes

Currently, a company can enjoy tax deduction on the cost it incurred on acquiring shares for fulfilling its obligations under its EEBR scheme, if it buys back its own shares from the market or buys its parent company's shares from the parent company. The shares have to be "treasury shares" for the purpose of enjoying the tax deduction. Treasury shares are generally defined as shares issued by a company which is subsequently acquired and held by it.

However, no tax deduction is allowed on the costs recharged to a company by its parent company, in respect of its parent company's newly issued shares to fulfil the company's EEBR obligations.

In recognition that a company may set up Special Purpose Vehicles (SPVs) to act as trustees to acquire its parent company's shares for its EEBR scheme, the Government will grant a company tax deduction for the cost incurred to acquire its parent company's shares through a SPV for the fulfilment of its EEBR obligations where:

- The SPV is set up, as a company or a trust, solely to administer the EEBR scheme(s) for companies within the group; and
- The SPV acquires the parent company's shares from the parent company or the market and holds them in trust for the employees of the companies within the group for the EEBR scheme(s).

The tax deduction is based on the lower of:

- The amount paid by the company to the SPV for the parent company's shares; and
- The cost incurred by the SPV to acquire the parent company's shares, less any amount recovered from the company's employees for the parent company's shares.

This will take effect from the YA 2012, which relates to the basis period in which the company is eligible to claim a tax deduction in respect of the shares and:

- applies the parent company's shares for the benefit of its employees under its EEBR scheme through a SPV; or
- is liable to pay the SPV for the shares transferred, whichever is later.

As before, no tax deduction will be allowed in respect of the costs incurred by the company in the purchase of its parent company's newly issued shares through the SPV. We understand from the clarification sought from the Ministry of Finance that the SPV need not be owned by the group. In addition, the above proposed change is also applicable to existing SPVs, not

only restricted to new SPVs as long as the conditions are met. Moreover, if the cost incurred by the SPV in acquiring the parent company's shares is higher than the cost incurred by the parent company, the tax deduction may be restricted to the lower amount.

The above extension of the tax deduction will provide employers another avenue to have its EEBR schemes to be administered by a SPV.

Details will be released by IRAS in June 2011.

Maritime Sector Incentive (MSI)

Singapore currently has a suite of tax incentives targeted at ship operators, maritime lessors and providers of certain supporting shipping services.

The current tax incentives include Section 13A of the ITA, Approved International Shipping Enterprise (AISE) scheme, Maritime Finance Incentive (MFI), Approved Shipping and Logistics (ASL) scheme and Ship Broking and Forward Freight Agreement (FFA) Trading Incentive. These incentives have different incentive tenures and application windows (if any).

In addition, withholding tax exemption is granted on a case-by-case basis on qualifying payments made in respect of qualifying foreign loans taken to finance the construction or purchase of ships, subject to conditions.

To simplify and further enhance the tax incentives, the above existing tax incentives for the maritime sector will be streamlined and consolidated under the new MSI with effect from 1 June 2011. Existing incentive recipients will transit automatically to the MSI from 1 June 2011.

MSI will cover the following 3 broad categories:

- International Shipping Operations;
- Maritime (Ship or Container) Leasing; and
- Supporting Shipping Services.

International Shipping Operations

This category aims to attract ship operators to base their operations in Singapore and encourage the registration of ships with the Singapore Registry of Ships.

Existing entities enjoying tax benefits under Section 13A of the ITA and AISE scheme will transit to this category of the MSI.

Entities will, subject to conditions, enjoy automatic withholding tax exemption on qualifying payments made in respect of qualifying foreign loans taken to finance the purchase or construction of both Singapore ships and foreign ships, without having to apply for such exemption on a case-by-case basis. For automatic withholding tax exemption in respect of foreign ships, it will apply only to approved ship operators under the MSI.

A new award for a non-renewable period of 5 years will be granted to qualifying entry players on approval basis. The sunset clause for this new award will be 31 May 2016.

Maritime (Ship or Container) Leasing

This category of the MSI aims to promote the growth and development of ship and container financing in Singapore.

Existing entities enjoying benefits under the current MFI scheme will transit to this category of the MSI and enjoy the same tax benefits. The sunset clause for this category is 31 May 2016.

Approved ship lessors will, subject to conditions, enjoy automatic withholding tax exemption on qualifying payments made in respect of qualifying foreign loans taken to finance the purchase or construction of both Singapore ships and foreign ships, without having to apply for such approval on a case-by-case basis.

Supporting Shipping Services

This category of the MSI aims to encourage supporting shipping service providers to base their operations in Singapore and to encourage more shipping conglomerates to conduct their ancillary activities in Singapore.

Under this category, a new 5-year award will offer the 10% concessionary tax rate on the incremental qualifying income derived from the provision of qualifying supporting shipping services including:

- Ship management, ship agency and shipping freight/ logistic services (currently covered under the ASL scheme);
- Ship broking and FFA trading (currently covered under the ship broking and FFA trading incentive); and
- Qualifying corporate services.

The sunset clause for this category of MSI award will be 31 May 2016.

Further details will be released by the Maritime and Port Authority of Singapore in May 2011.

The automatic withholding tax exemption on qualifying payments

made on qualifying loans taken to finance the construction of both Singapore and foreign ships is indeed good news for the maritime sector. This may boost Singapore further as an international maritime hub.

Enhancement of the Global Trader Programme (GTP)

Currently, an approved GTP company is granted a concessionary rate of 5% or 10% on its income from qualifying trades in the following qualifying derivative instruments:

- exchange-traded and over-the-counter (OTC) commodity derivatives in a commodity which is in the approved GTP company's list of approved commodities; and
- exchange-traded and OTC freight derivatives.

Derivative instruments such as interest-rate swaps and forex derivatives are not covered under the GTP.

Currently, the GTP scheme does not have a sunset clause at the scheme level and the various enhancements to the GTP scheme have sunset clauses ending at different times.

The GTP companies can enjoy the following:

- GTP concessionary rate of 5% or 10% on qualifying income derived between 27 February 2009 and 31 December 2013 from commodity futures trading on any exchange;
- GTP concessionary rate of 5% or 10% on qualifying income derived between 27 February 2009 and 31 December 2013 from trading in exchange-traded freight derivatives on any exchange;
- Concessionary rate of 5% on qualifying income derived by GTP companies between 24 May 2007 and 23 May 2017 from qualifying transactions in liquefied natural gas; and
- Concessionary rate of 5% or 10% on qualifying income derived by a GTP (Structured Commodity Finance) companies approved during 21 May 2010 and 20 May 2015 for carrying out structured financing activities.

In the Budget 2011, to encourage risk management activities, the existing list of qualifying derivative instruments under the GTP is expanded to include all derivative instruments.

To align the existing sunset clauses for the GTP enhancements, a common sunset date of 31 March 2021 is introduced.

Companies can be approved as a GTP company or GTP (Structured Commodity Finance) company on or before 31 March 2021. The GTP company can enjoy the benefits under the various enhancements during their award tenure of up to 5 years.

By expanding the existing list to include all derivative instruments under the GTP, it will encourage companies to engage in other derivative transactions. However with the introduction of a sunset clause, there is a possibility that the Government may withdraw this incentive after 2021 and may deter companies to continue/locate their trading activities in Singapore for the long term.

The enhancement will be effective from YA 2012.

Further details will be released by IE Singapore in April 2011.

Enhancement of the Finance and Treasury Centre Incentive

The Finance and Treasury Centre Incentive (FTC) confers a concessionary tax rate of 10% on income derived from undertaking qualifying activities and providing qualifying services to approved network companies.

For companies located in Singapore to include as approved network companies of FTC (such companies hereinafter known as local network companies (LNCs)), the total annual revenue of these LNCs must not exceed 10% of the global group's annual total revenue globally (hereinafter known as "revenue ratio"). Currently, for the purpose of calculating the revenue ratio, annual total revenue includes related and unrelated party's revenue.

In the Budget 2011, the Minister announced that the revenue ratio used to determine the inclusion of LNCs will exclude related party transactions. This is consistent with the global revenue presented in the consolidated financial statements of the ultimate parent company where intercompany transactions are excluded. The alignment will result in a more accurate and meaningful indicator of the LNCs' contribution towards the group revenue.

A sunset clause of 31 March 2016 will be introduced for the FTC Incentive.

This proposal of excluding related party transactions from the revenue ratio will allow more local network company to qualify as approved network company and with this enhancement, the FTC incentive will appear more attractive to Singapore based and multinational companies.

Enhancement to the Tax Incentive Scheme for Trustee Company

The Tax Incentive Scheme for Trustee Company currently enjoys a concessionary tax rate of 10% on income derived from the provision of qualifying trustee and custodian services, trust

management and administration services. There was no expiry date on the scheme.

To improve the management and effectiveness of the incentive, the sunset clause of 31 March 2016 has been introduced. Applicants of the scheme approved on or after 1 April 2011 will be awarded the incentive for a period of 10 years, whereas existing recipients of the scheme will transit into the new framework on 1 April 2011. After the transition, the recipient will enjoy the benefits of the incentive for a period of 10 years up to 31 March 2021.

In addition, there will be an expansion to the list of qualifying activities to include the provision of trustee and custodian services in respect of the issue of unit to Foreign Collective Investment Schemes and foreign Business Trusts with effect from 1 April 2011.

Details will be released by MAS in April 2011.

Liberalisation of Withholding Tax Exemption Regime for Banks

The Government has rolled out many tax concessions and exemptions in the recent years to boost Singapore as an International Financial Centre.

For Singapore approved banks, they are currently exempted from withholding tax on interest and other qualifying payments made to overseas banks and branches.

Banks can also enjoy various withholding tax class exemptions on payments made to non-bank non-resident relating to specific transactions, subject to conditions (e.g payments made relating to over the counter financial derivatives, structured products, securities lending etc.)

As announced in the Budget 2011, the Finance Minister has proposed to enhance the above exemption to include payments made to all non-resident persons (other than permanent establishment in Singapore) with effect from 1 April 2011. The payments are to be made for trade or business purposes and will be available for the following types of financial institutions/entities:-

- Banks licensed under the Banking Act or approved under the Monetary Authority of Singapore (MAS) Act;
- Finance companies licensed under the Financial Companies Act;
- Approved financial institutions licensed under the Securities and Futures Act that engage in lending as part of their regulated activity of dealing in securities in Singapore.

The enhanced scope of withholding tax exemption will be ap-

plicable for:-

- Payments liable to be made between 1 April 2011 and 31 March 2021 on contracts which take effect before 1 April 2011; and
- Payments liable to be made on contracts which take effect on or after 1 April 2011 to 31 March 2021.

A sunset clause of 31 March 2021 will be introduced for the enhanced scope of withholding tax exemption.

This enhancement will reduce the compliance and administrative burden of banks and financial institutions and will further boost Singapore as an International Financial Centre.

Details will be released by MAS in March 2011.

Extension of Captive Insurance Tax Incentive Scheme

The Captive Insurance Tax Incentive Scheme currently provides tax exemption on qualifying income derived from the carrying on of offshore insurance business for a period of 10 years. This incentive was due to expire on 16 February 2011.

As announced in the Budget 2011, the incentive will be extended to 31 March 2018. The extension of the incentive will help Singapore to remain attractive to multinational companies using Singapore as a captive location. In addition, an award renewal framework will be introduced with effect from 19 February 2011.

Details will be released by MAS in April 2011.

Extension of Marine Hull and Liability Insurance Incentive Scheme

The Marine Hull and Liability Insurer Scheme currently provides tax exemption on qualifying income derived from the carrying on of hull and liability insurance business for a period of 10 years with no sunset clause.

To better manage the effectiveness of the incentive, a sunset clause of 31 March 2016 was introduced in the Budget 2011. Furthermore, an award renewal framework will be introduced with effect from 19 February 2011.

Details will be released by MAS in April 2011.

Extension and Enhancement of Specialised Insurance Incentive Scheme

The Specialised Insurance Incentive Scheme currently provides tax exemption on qualifying income, such as, the underwriting of terrorism, political, aviation, aerospace and energy risks,

derived from offshore insurance business for a period of 5 years. This incentive was due to expire on 31 August 2011.

As announced in the Budget 2011, the incentive scheme will be extended till 31 August 2016.

In acknowledgement of the growing risks involved in the agricultural economy, the incentive scheme has also been enhanced to include agriculture insurance.

Consistent with the other extensions announced, an award renewal framework will also be introduced with effect from 19 February 2011.

Details will be released by MAS in April 2011.

Renewal of Tax Exemption Scheme for Income Derived from Structured Product

Currently, income derived by non-resident non-individuals from any structured product offered by a financial institution in Singapore is exempt from tax, subject to conditions. The said exemption is only available for payments made on structured products where the contracts take effect, are renewed or extended during the period 1 January 2007 to 31 December 2011.

In the Budget 2011, the above scheme has been extended to 31 March 2017.

Withdrawal of Withholding Tax Exemption Scheme for Financial Guaranty Insurers

Currently, financial guaranty insurers can enjoy withholding tax exemption on claim payments made under financial guaranty insurance policies to qualifying non-residents.

As announced in the the Budget 2011, the above incentive will be discontinued from 19 February 2011.

Extension of Tax Incentive Schemes for Project Finance

The package of tax incentive schemes was introduced by the Government during year 2006 to strengthen project financing in Singapore. This scheme was further extended and enhanced in the 2008 Budget. Currently the schemes include:

- a) Tax exemption of qualifying income from qualifying project debt securities (QPDS);
- b) Tax exemption of foreign-sourced interest income from offshore qualifying infrastructure projects/assets received by approved entities listed on the Singapore Exchange (SGX);
- c) Remission of stamp duty payable on the instrument of transfer relating to qualifying infrastructure projects/assets

- d) Concessionary tax rate of 5% on qualifying income derived by a Financial Sector Incentive-Project Finance (FSI-PF) company from:
 - (i) arranging, underwriting or distributing any QPDS;
 - (ii) arranging or underwriting any qualifying project loan; and
 - (iii) providing project finance advisory services relating to a qualifying infrastructure project; and
- e) Concessionary tax rate of 10% on qualifying income derived by an approved Trustee Manager / Fund Manager from managing qualifying SGX-listed Business Trusts / Infrastructure funds in relation to qualifying offshore infrastructure projects/assets.

The sunset clause for these incentive schemes is 31 December 2011.

In the effort to position and make Singapore continue to be an attractive financial hub, the Government has decided to extend the scheme till 31 March 2017 with the exception of the FSI-PF.

The FSI-PF scheme will lapse on its expiry date of 31 December 2011. Financial institutions can enjoy similar tax benefits of the FSI-PF under the FSI- Credit Facilities Syndication and FSI-Bond Market tax incentive schemes.

Further details of the changes will be released by MAS in April 2011.

PERSONAL TAX

Progressive Reduction of Personal Income Tax Rates

Though Singapore's personal income tax rates are low by international standards, the Government is prepared nevertheless to reduce the tax for the middle and upper middle-income taxpayers by introducing a more progressive personal income tax schedule. See Table 1 below for the comparison of the tax rates applicable for YA 2011 and YA 2012 respectively. This new structure tax rates will take effect from YA 2012.

Table 1 - Tax Savings for Various Chargeable Income

Current Tax Structure				Tax Structure with effect from YA 2012			
	Chargeable Income* (S\$)	Tax Rate (%)	Gross Tax Payable (S\$)		Chargeable Income* (S\$)	Tax Rate (%)	Gross Tax Payable (S\$)
On the first	20,000	0	0	On the first	20,000	0	0
On the next	10,000	3.5	350	On the next	10,000	2	200
On the first	30,000	-	350	On the first	30,000	-	200
On the next	10,000	5.5	550	On the next	10,000	3.5	350
On the first	40,000	-	900	On the first	40,000	-	550
On the next	40,000	8.5	3,400	On the next	40,000	7	2,800
On the first	80,000	-	4,300	On the first	80,000	-	3,350
On the next	80,000	14	11,200	On the next	40,000	11.5	4,600
				On the next	40,000	15	6,000
On the first	160,000	-	15,500	On the first	160,000	-	13,950
On the next	160,000	17	27,200	On the next	40,000	17	6,800
				On the next	120,000	18	21,600
On the first	320,000	-	42,700	On the first	320,000	-	42,350
In excess of	320,000	20		In excess of	320,000	20	

Effectively, all resident taxpayers will be paying less tax on the same income under the new structure especially for taxpayers falling under the middle income group who will enjoy the highest percentage of tax savings by as much as 39%.

Given that the last revision to the tax rates was in YA 2007, the proposed revision in the tax rates to take effect from YA 2012 (after a lapse of 5 years) is certainly a welcome surprise to all resident taxpayers especially from the middle income earners who form the bulk of the personal taxpayers.

Personal Income Tax Rebate

A one-off income tax rebate of 20%, capped at S\$2,000 will be granted to all resident individual taxpayers for YA 2011. In view of the stronger than expected revenue performance in the year 2010, the Government is rewarding the taxpayers at large in the form of tax rebate.

It is noted the tax rebate is similar to the one accorded for YA 2008 and YA 2009. Another surprise for resident taxpayers, though it is expected given the strong recovery of the economy in the year 2010.

Revision to the Central Provident Fund (CPF) contribution and Supplementary Retirement Scheme (SRS)

The employer's mandatory CPF contribution will be revised from 15.5% to 16% with effect from 1 September 2011. In addition, the income capping limit will also increase from S\$4,500 per month to S\$5,000 with effect from 1 September 2011.

Due to the above change, the Supplementary Retirement Scheme (SRS) contribution cap will be increased accordingly. Thus the revised income base will increase from S\$76,500 to S\$85,000 (S\$5,000 x 17). In this regard, the revised SRS contribution limits per year for a Singaporean / Singapore Permanent Resident and foreign employee will be S\$12,750 (S\$85,000 x 15%) and S\$29,750 (S\$85,000 x 35%) in 2011.

It is quite obvious that the upward revision of the CPF contribution is in line with the Government's long term objective to restore the CPF contribution to 36% (20% from employee and 16% from employer) with the onset of an upbeat economy.

Voluntary CPF Medisave Contributions by Eligible Companies to Self-Employed Persons (SEP)

Currently, voluntary CPF medisave contributions made by companies to SEPs' CPF medisave accounts are not tax deductible for companies and are also taxable in the hands of the SEPs. With effect from 1 January 2011, eligible companies will enjoy tax deduction of up to S\$1,500 per self-employed person per year for making voluntary contribution to the self-employed person's CPF medisave accounts. In order to qualify for the tax deduction, there must be a valid contract between the eligible company and the SEP which is in force when the contributions are made, and which provides for :

- a) the rental or loan of assets by that company to the SEP, for the SEP to carry on his trade, profession, business or vocation; or
- b) the provision of services by the SEP to the company, where the SEP and the company are in the same trade, profession, business or vocation.

Such contributions will be tax exempt in the hands of SEPs. For SEP who is concurrently an employee, he can enjoy tax exemption on voluntary Medisave contributions up to a maximum of S\$1,500 per calendar year made by his employer through the Additional Medisave Contribution Scheme, as well as by the eligible companies.

It is hoped that the scheme will help SEPs to increase their savings in the CPF to meet their medical and retirement needs.

Changes in Tax treatment for Alimony and Maintenance Payments

Currently, taxpayers are liable to tax on the receipt of alimony and maintenance payments from their former spouses or spouses, if these payments are payable under a Court Order or Deed of Separation.

With effect from YA 2012, individuals will be exempted from tax on alimony and maintenance payments received under a Court Order or Deed of Separation. With this exemption, taxpayers will not be taxed on their alimony and maintenance payments, whether paid voluntarily or under a Court Order or Deed of Separation by their former spouses or spouses.

Simultaneously, spouse and handicapped spouse reliefs will no longer be granted to individuals for maintaining their former spouses.

GOODS & SERVICES TAX (GST)

Marine Industry

To promote the growth of the Marine Industry, two key changes

will be introduced from 1 October 2011. They are:

New GST Scheme

This new scheme will allow qualifying customers to buy and rent goods from local suppliers at 0% GST. Currently, suppliers are required to maintain specific documents before a supply can be zero-rated, e.g. delivery order endorsed by the Master of the Ship. This Scheme will relieve suppliers from maintaining detailed documents similar to that accorded to the Aerospace Industry.

Expansion of zero-rating for repair and maintenance services

Currently, repairs and maintenance of ship parts/components can only be zero-rated if the delivery is made on board a ship. The scope for zero-rating is now being expanded to include deliveries made to a shipyard or to approved customers. The expansion of zero-rating will benefit SME's involvement in sub-contract work.

Details will be released by IRAS on 1 September 2011.

Biomedical Industry

Import relief for clinical trial materials

From 1 October 2011, businesses importing goods on behalf of overseas persons for clinical trials will be granted GST relief. Unlike the current GST (Import) Relief, there will be no requirement that these goods must be exported. This relief will support local clinical research and also ease the documentary requirements for businesses under the current GST rules.

Expansion of Approved Contract Manufacturer and Trader (ACMT) Scheme

The current ACMT Scheme will be expanded to include qualifying biomedical contract manufacturers. Overseas pharmaceutical companies who are not GST registered will be granted relief from paying GST on goods and services consumed in Singapore.

The granting of import relief and the expansion of the ACMT Scheme will be a boost for the Biomedical Industry.

The proposed change will be effective from 1 October 2011.

Details will be released by IRAS by 1 September 2011

New Scheme to Promote the Storage of High Value Goods in Singapore

Currently, services performed on goods stored in a warehouse in Singapore are standard-rated unless they are supplied to overseas persons and the goods are exported. Where goods are

stored for an extended period of time, businesses face difficulty in establishing that the goods will be exported when they bill their overseas customer.

The provision of space for the warehouse operator's business of storing goods is also standard-rated.

From 1 October 2011, zero-rating will apply to certain prescribed services although the goods will be in Singapore for an extended period of time. Services such as storage, valuation, conservation and restoration will qualify if provided to an overseas person.

To facilitate the zero-rating, a new Approved Specialised Warehouse Scheme will be introduced. This scheme will promote the storage of high-value collectible items in Singapore for an extended period of time.

Details will be released by IRAS by September 2011

STAMP DUTY

Stamp Duty Relief for a Company Converting into a Limited Liability Partnership

The limited liability partnership (LLP) was introduced in 2005.

Currently, stamp duty relief is given for the transfer of assets of an existing firm (ordinary partnership) to an LLP if the following conditions are met:

- the partners of the LLP are those of the original firm as at the date of the conversion;
- the assets of the LLP are those of the original firm as at the date of the conversion; and
- the capital contributed by each of the partners of the LLP are the same as in the original firm as at the date of the conversion.

The above relief is currently not extended or available for the transfer of assets of an existing company to an LLP. To provide business with additional flexibility in organisational restructuring, stamp duty relief will be extended to cover the transfer of assets upon conversion of an existing company to a LLP on or after 19 February 2011 subject to the following conditions:

- i. the shareholders of the existing company remain as the partners (original partners) of the new LLP as at the date of the conversion;
- ii. the assets of the new LLP are those of the existing company as at the date of the conversion;
- iii. the percentage of the partnership interests of each of the

partners in the new LLP remains the same as the shareholding percentages of each of the shareholders in the existing company as at the date of the conversion; and

- iv. at least 75% of the composition of the partnership interest in the LLP held by the original partners immediately after the conversion remain the same for 2 years from the date of conversion.

The stamp duty relief will be disallowed in the event that either of the following events occurs:

- the partners of the LLP dispose of more than 25% of their partnership interests (whether individually or collectively) within 2 years from the date of the conversion except where the partners disposed of their interest to a wholly associated entity; or
- the LLP disposes to its partners any of its chargeable assets it has acquired from the existing company as at the date of conversion to its partners.

To align to the conditions imposed for the new stamp duty relief mentioned above, an additional condition (the fourth condition mentioned above) will be imposed for stamp duty relief upon conversion of an existing firm (ordinary partnership) to an LLP on or after 19 February 2011.

Removal of Fixed and Nominal Stamp Duties

Fixed and nominal duties which are currently chargeable at S\$2 - S\$10 will be removed on the following instruments executed on or after 19 February 2011:

Fixed duty instruments

- lease not otherwise specially charged with ad valorem duty;
- transfer of existing property to/from trustees where beneficial owner remains the same;
- transfer of property or any interest thereof not otherwise specially charged with ad valorem duty;
- partition of immovable property where each owner does not receive any excess benefit; and
- surrender of lease where no consideration is paid.

Nominal duty instruments

- duplicates and counterparts of any instrument chargeable with duty in respect of which the proper duty had been paid;
- lease executed in pursuance of an agreement duly stamped for ad valorem duty;
- a conveyance or transfer of property following an assignment, contract or agreement which has been duly stamped for ad valorem duty;

- any subsequent contract or agreement for sale executed for the same transaction and where ad valorem duty has been paid on one such earlier contract or agreement for sale;
- transfer of property following a foreclosure order which is duly stamped for ad valorem duty;
- mortgage executed in pursuance of an agreement duly stamped for ad valorem duty;
- subsequent instrument executed in conjunction with a security which is duly stamped with ad valorem duty;
- settlement executed in pursuance of an agreement duly stamped with ad valorem duty; and
- transfer of registered stock or marketable security intended as a security following an instrument executed under hand.

The S\$10 duty payable pursuant to remission given under Stamp Duties (Transfer of HDB Flat Within Family) (Remission) Rules 2007 will also be removed.

Currently, stamp duties paid in excess of S\$50 are remitted for aborted sale and purchase agreements which do not qualify for refund under Section 22(6) of the Stamp Duties Act. This remission has been extended to aborted lease contracts which are rescinded on or after 19 February 2011 subject to certain conditions on application to the Commissioner of Stamp Duties.

OTHER MISCELLANEOUS CHANGES

Enhancement to deductions on donations

Under the current treatment, all donations to Institutions of Public Character (IPCs), Government and other approved recipients, namely, approved museums and prescribed educational/ research institutions, qualify for double tax deduction.

For donations made during the period from 1 January 2009 to 31 December 2010, the tax deduction was enhanced to 250%.

To continue to encourage the spirit of philanthropy in individuals and corporations, the Government will be extending the 250% tax deduction for another 5 years for donations made during 1 January 2011 to 31 December 2015.

Extension of Green Vehicle Rebate Scheme

To encourage ownership of green vehicles which are more environmental friendly than their conventional equivalents, the green vehicle rebate scheme will be extended for one year till 31 December 2012.

Abolition of Radio and Television Licence Fees

The annual radio licence fee of S\$27 and television licence fee in the range of S\$55 to S\$110 will be removed from 1 January 2011.

Increase in Foreign Levies

To improve operational efficiency of companies and to rely less on lower skilled foreign workers, foreign worker levies will be gradually increased for all sectors from 1 July 2012 to 1 July 2013:

- For the manufacturing sector, the average levy would go up by S\$60
- For services sector, the average levy would go up by S\$180
- For construction sector, the average levy would go up by S\$200
- For S Pass holders, the levy would be increased to S\$300 / S\$450

Details of the changes will be released by the Ministry of Manpower (MOM) and Ministry of National Development (MND) on 21 February 2011.

2010 IN RETROSPECT

<p>Productivity and Innovation Credit (PIC)</p>	<p>PIC provides enhanced deductions/allowances on the qualified expenditure incurred on the following 6 activities:</p> <ol style="list-style-type: none"> 1) Research and development (R&D) done in Singapore; 2) Registering of Intellectual Property Rights (IPR); 3) Acquisition of IPR; 4) Investments in design done in Singapore; 5) Acquisition or leasing of prescribed automation equipment; and 6) Costs of training employees. <p>Under PIC (except for R & D expenditure) additional 150% on top of the existing 100% current deductions is given on the first S\$300,000 of qualifying expenditure incurred per qualifying YA. As for R & D expenditure, additional 100% on top of the existing 150% current deductions is given.</p> <p>For YA 2011 and YA 2012, a combined expenditure cap of S\$600,000 is applicable for each activity of PIC. From YA 2013 onwards, the annual expenditure is capped at S\$300,000 for each activity.</p> <p>Businesses with at least 3 local employees (i.e. Singaporeans or Singapore Permanent Residents with CPF contributions), may opt to convert into cash an amount up to S\$300,000 of its qualifying deductions for all the qualifying activities taken together, but not less than S\$1,500, for each YA at 7%. Cash payouts received are not taxable and is only available from YA 2011 to YA 2013. For YA 2011 and YA 2012, a combined expenditure up to S\$600,000 is allowed to convert into cash.</p> <p>A PIC Cash Payout Application Form and relevant annexes need to be submitted to IRAS latest at the tax filing due date. A minimum one-year ownership is required except for R & D, design and training activities. If the condition is not met, the cash payout will be recovered and notification to IRAS is required within 30 days from the date of disposal by submitting a Disposal of Qualifying Assets Form. Penalties may apply if the notification requirement is not complied with or sum is not received by IRAS within the stipulated timeframe.</p>	<p>Effective from YA 2011 to YA 2015</p>
<p>Merger and Acquisition (M&A) Allowance and Stamp Duty Remission</p>	<p>Under the M&A scheme which is limited to qualifying share acquisitions only, an M&A allowance will be granted to qualifying M&As based on 5% of the value of the acquisition, subject to a cap of S\$5 million of allowance granted for all qualifying deals executed per YA. The allowance will be written down equally over 5 years and cannot be deferred.</p> <p>In addition, stamp duty (payable at a rate of 0.2% on the purchase price or net asset value, whichever is higher) on the transfer of listed and/or unlisted shares for qualifying M&A deals will also be remitted. This remission is capped at S\$200,000 of stamp duty per financial year.</p> <p>The M&A allowance and the stamp duty remission are available for qualifying M&As executed from 1 April 2010 to 31 March 2015 (both dates inclusive).</p> <p>To qualify for M&A allowance and stamp duty relief under the scheme, an acquiring company must meet all the following conditions:-</p> <ol style="list-style-type: none"> (a) It must be incorporated in and be a tax resident of Singapore. Where an acquiring company 	<p>Effective from 1 April 2010 to 31 March 2015 (both dates inclusive).</p>

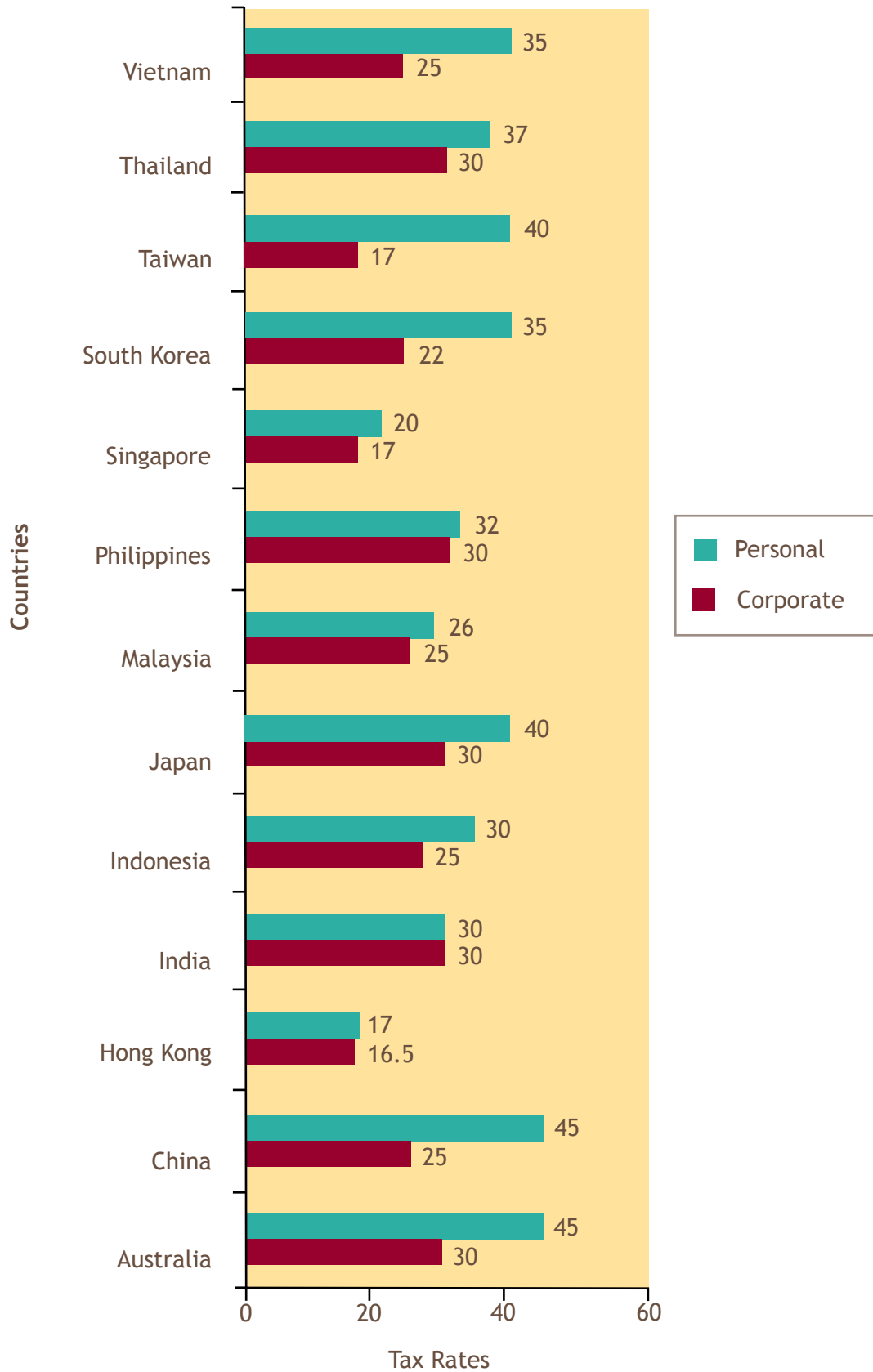
	<p>belongs to a corporate group, its ultimate holding company must also be incorporated in and be a tax resident of Singapore;</p> <p>(b) it must carry on a trade or business as at the date of M&A;</p> <p>(c) it must have at least 3 Singapore-based employees excluding company directors (i.e. Singapore citizens or Singapore Permanent Residents where the employer and employee make CPF contributions) working for the company for at least 12 months preceding the date of M&A;</p> <p>(d) it must not be directly or indirectly connected to the target company for two years prior to the date of M&A;</p> <p>(e) it must acquire a target company that -</p> <p>(i) carries on a trade or business in Singapore or elsewhere as at the date of M&A; and</p> <p>(ii) has at least 3 employees working for the company for at least 12 months preceding the date of M&A.</p> <p>In addition, the acquisition must result in -</p> <p>(i) the acquiring company owning more than 50% of the ordinary shares in a target company if the acquiring company owns 50% or less of the ordinary shares in the target company before the date of M&A; or</p> <p>(ii) the acquiring company owning at least 75% of the ordinary shares in a target company if the acquiring company already owns more than 50% (but less than 75%) of the ordinary shares in the target company before the date of M&A.</p> <p>The M&A allowance given to an acquiring company is determined based on 5% of the cash consideration paid for acquiring the ordinary shares in a target company.</p> <p>However, the Government is prepared to extend the scheme to M&A deals where an acquiring company issues its own shares as consideration for the ordinary shares acquired in a target company. In such cases, the amount of M&A allowance to be granted to the acquiring company shall be determined as follows:</p> <p>(a) 5% of the net asset value (NAV)(or if available, the market value) of the shares of the acquiring company on the date of M&A, where the purchase consideration is satisfied wholly by way of such shares; or</p> <p>(b) 5% of the sum of the cash paid and the NAV (or if available, the market value) of the shares issued by the acquiring company as at the date of M&A, where the purchase consideration is satisfied by way of cash and such shares.</p>	
Phase out of Industrial Building Allowance (IBA)	<p>The Industrial Building Allowance (IBA) was first introduced in the 1940s to encourage industrialisation during the formative years of Singapore's development. Under the IBA scheme, businesses are granted an initial allowance of 25% and an annual allowance of 5% on capital expenditure incurred on the construction of an industrial building or structure.</p> <p>As Singapore gears itself towards a more knowledge-intensive manufacturing base, Land Intensification Allowance (LIA) was rolled out in Budget 2010 and represents a targeted scheme to support enhanced land productivity among industrial users (refer to LIA below).</p>	Effective from 22 February 2010
Land Intensification Allowance Incentive (LIA)	<p>Under the LIA, businesses will be able to claim an initial allowance of 25% and an annual allowance of 5% on qualifying expenditure incurred for the construction of a qualifying building or structure. The enhancement in the annual allowance rate (5% vs. 3%) translates into businesses fully claiming their qualifying costs in 15 years, instead of 25 years under the IBA scheme.</p>	Effective from 23 February 2010

	<p>The qualifying criteria are:-</p> <ul style="list-style-type: none"> • A qualifying building or structure must be built on land that is zoned as Business 1 or Business 2 under the URA master plan as at the date of application with the Economic Development Board. • The user of the building or structure belongs to one of the following industry sectors:- <ul style="list-style-type: none"> i) Pharmaceuticals, ii) Petrochemicals, iii) Petroleum, iv) Specialties, v) Other Chemicals, vi) Semiconductor-Wafer fabrication, vii) Aerospace, viii) Marine and Offshore Engineering; and ix) Solar Cell Manufacturing • The user of the building or structure must meet the Gross Plot Ratio (GPR) benchmark relevant to the qualifying activities <p>The qualifying expenditures are:-</p> <ul style="list-style-type: none"> • Cost of feasibility study on the layout of the building or structure • Design fees • Cost of preparing plans for obtaining approval for the building or structure • Piling, construction and renovation costs • Demolition costs • Legal and professional fees in relation to the approved construction • Stamp duties payable in respect of title of the building or structure <p>A taxpayer must apply to the EDB for approval. Thereafter, it has to submit the following to the IRAS to claim the LIA:-</p> <ul style="list-style-type: none"> • Copy of the letter of offer from EDB • Details of qualifying capital expenditure • Certificate from a qualified quantity surveyor • A copy of the verification form submitted to EDB previously 	
Transfer Pricing	<p>From 1 January 2011, all related party cross border loans need to reflect arm's length pricing. In order to comply with arm's length pricing, the taxpayer will now need to charge interest at market rates on their related party cross border loans. The IRAS has urged taxpayers to adopt a 3-step approach which must be adequately documented:</p> <ul style="list-style-type: none"> • Undertake a comparability analysis • Determine the most appropriate method • Determine the arm's length results by applying a suitable reference rate such as Singapore Interbank offer rate (SIBOR), London Interbank offer rate (LIBOR) or other specific rates quoted by banks. 	Effective from 1 January 2011

	<p>However, IRAS will continue to allow loans between domestic related entities that are interest free or at interest rates not supported with transfer pricing analysis subject to interest adjustments on the lenders.</p> <p>Additionally, all related party services also need to adhere to arm's length pricing. A safe harbour rule of cost plus 5% mark-up is applicable only for routine services. All other services need to be charged at market prices supported with transfer pricing analysis. Further, the concept of cost pooling has been introduced to help taxpayers recharge their services at zero mark-up subject to conditions. Expenses incurred on behalf can also be recharged at zero mark-up provided they are pure pass through costs.</p> <p>A new Section 34D formalizes the concept of transfer pricing within the Singapore Income Tax Act. It gives the Comptroller the power to adjust the pricing of a transaction if the transaction between two related parties is not at arm's length.</p>	Effective from 23 February 2009
Time of Supply Rule	<p>The IRAS has made a significant change to the GST rule for accounting the tax from 1 January 2011. In its e-Tax Guide published on 16 December 2010, it has recognised that businesses "incur additional costs in order to fully comply with the time of supply rules". The time of supply is revised to the earliest of these 2 conditions:</p> <ol style="list-style-type: none"> a) when an invoice is issued; or b) payment is received from customer. <p>The date when goods are delivered no longer need to be tracked especially for sales under a hire-purchase or financing arrangement. Importantly, the word "tax" has been omitted from condition (a) above. This means that issuing a debit note will trigger the time of supply.</p> <p>Written approval can be sought to retain the old time of supply rule.</p>	Effective from 1 January 2011
Import GST Deferment Scheme (IGDS)	<p>Under the IGDS Scheme, GST is waived when goods are imported. The GST payable to Singapore Customs is instead reported as output tax payable to the Comptroller of GST in the GST Return.</p> <p>Since the first e-Tax Guide was published on 1 April 2010, further amendments have been made on 10 June 2010 and 28 January 2011. Businesses applying for the Scheme should consider these conditions imposed under the Scheme:</p> <ol style="list-style-type: none"> a) Monthly GST F5 Filing - Businesses will incur additional administrative work in filing 12 returns a year. b) Security deposit - The Comptroller may impose a security deposit which may tie up the cash flow of the business. c) The Guide highlighted "penalties and criminal prosecution" for non-compliance with the guidelines for the Scheme. However, no details are given as to the amount of penalties that can be imposed nor circumstances under which businesses will face criminal prosecution. <p>Where goods are not sold within the same month as they are imported, GST is still payable to IRAS instead of Singapore Customs. Businesses are thus advised to do a cost-benefit analysis before applying for the IGDS Scheme.</p>	Effective from 1 October 2010

APPENDIX 1

COMPARISON OF CORPORATE TAX RATES AND TOP MARGINAL PERSONAL TAX RATES IN SELECTED COUNTRIES AS AT DECEMBER 2010



APPENDIX 2

PERSONAL INCOME TAX RATES FOR TAX RESIDENTS

For Year of Assessment 2011

	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	5.5%	350
On the next	10,000		550
On the first	40,000	8.5%	900
On the next	40,000		3,400
On the first	80,000	14%	4,300
On the next	80,000		11,200
On the first	160,000	17%	15,500
On the next	160,000		27,200
On the first	320,000	20%	42,700
Above	320,000		varies

A 20% income tax rebate for all resident taxpayers, capped at \$2,000

APPENDIX 3

PERSONAL RELIEFS / REBATES FOR TAX RESIDENTS FOR YA 2011

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, 4th child and beyond		\$4,000 each	
Handicapped Child Relief (HCR)			\$5,500
Working Mother Child Relief (WMCR)			
Birth Order	Amount of Relief		
1st child	15% of earned income		
2nd child	20% of earned income		
3rd child	25% of earned income		
4th child	25% of earned income		
5th child and beyond	25% of earned income		
Maximum per child (WMCR + QCR/HCR)		\$50,000	
Maximum total WMCR (capped)		100% of mother's earned income	
4. Parenthood Tax Rebate (PTR)		Rebate	
1st child		\$5,000	
2nd child		\$10,000	
3rd child		\$20,000	
4th child		\$20,000	
5th child		\$20,000	
5. Dependent Relief			
Normal Parent Relief		\$4,500 (not staying with taxpayer)	
		\$7,000 (staying with taxpayer)	
Handicapped Parent Relief		\$8,000 (not staying with taxpayer)	
		\$11,000 (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	
subject to monthly cap of \$4,500 and annual cap of \$76,500			
Voluntary CPF		35% of trade income	
subject to annual cap of \$26,775			

APPENDIX 3

PERSONAL RELIEFS / REBATES FOR TAX RESIDENTS FOR YA 2011 (continue)

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/by employer	Maximum \$7,000
Voluntary cash contribution specifically directed to Medisave Account (MA)	Capped at \$26,775 less
7. Course Fees Relief	Maximum \$5,500
8. Foreign Maid Levy Relief	Relief
	Twice levy paid for 1 maid only (Maximum of \$6,360 or \$4,080)
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 basis NS man relief and applies from YA 2007	
10. Supplementary Retirement Scheme (SRS)	
The relief allowed is the actual SRS contribution made by you and your employer in 2009	
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; YA 2010; maximum relief of \$11,475 / \$26,775	

WHAT MATTERS TO YOU MATTERS TO US

The BDO network provides services in the following countries*
*this list is current as of 1 January 2011

ALGERIA - ANGOLA - ARGENTINA - AUSTRALIA - AUSTRIA - AZERBAIJAN - BAHAMAS - BAHRAIN
BELARUS - BELGIUM - BOLIVIA - BOTSWANA - BRAZIL - BRITISH VIRGIN ISLANDS - BULGARIA
CAMBODIA - CANADA - CAPE VERDE - CAYMAN ISLANDS - CHILE - CHINA (PRC) - COLOMBIA
COMOROS - COSTA RICA - CROATIA - CYPRUS - CZECH REPUBLIC - DENMARK & FAROE ISLANDS
DOMINICAN REPUBLIC - DUTCH CARIBBEAN (ARUBA - CURACAO - ST MAARTEN) - EAST AFRICA
(BURUNDI - KENYA - RWANDA - TANZANIA - UGANDA) - EASTERN CARIBBEAN (ST LUCIA
ST VINCENT & THE GRENADINES) - ECUADOR - EGYPT - EL SALVADOR - ESTONIA - FINLAND
FRANCE - GEORGIA - GERMANY - GIBRALTAR - GREECE - GREENLAND GUATEMALA - GUERNSEY
HONG KONG - HUNGARY - INDIA - INDONESIA - IRELAND - ISLE OF MAN - ISRAEL - ITALY
JAMAICA - JAPAN - JERSEY - JORDAN - KAZAKHSTAN - KOREA - KOSOVO - LATVIA - LEBANON
LIECHTENSTEIN - LITHUANIA - LUXEMBOURG - MACAO - MADAGASCAR - MALAYSIA - MALTA
MAURITIUS - MEXICO - MOROCCO - MOZAMBIQUE - NAMIBIA - NETHERLANDS - NEW ZEALAND
NIGERIA - NORWAY - OMAN - PAKISTAN - PANAMA - PARAGUAY - PERU - PHILIPPINES - POLAND
PORTUGAL - QATAR - ROMANIA - RUSSIA - SAN MARINO - SAUDI ARABIA - SENEGAL - SERBIA
SEYCHELLES - SINGAPORE - SLOVAK REPUBLIC - SLOVENIA - SOUTH AFRICA - SPAIN - SRI LANKA
SURINAME - SWEDEN - SWITZERLAND - TAIWAN - THAILAND - TRINIDAD & TOBAGO - TUNISIA
TURKEY - TURKMENISTAN - UKRAINE - UAE - UNITED KINGDOM - UNITED STATES OF AMERICA
URUGUAY - VENEZUELA - VIETNAM - ZAMBIA - ZIMBABWE

ROHAN SOLAPURKAR

rohan@bdo.com.sg
T +65 6828 9171

MICHELLE SEAT

michelleseat@bdo.com.sg
T +65 6828 9182

JUANITA JUAN

juanitajuan@bdo.com.sg
T +65 6828 9143

LEE AIK PENG

aikpeng@bdo.com.sg
T +65 6828 9146

RAINBOW CHEN

rainbowchen@bdo.com.sg
T +65 6828 9110

HARSH PRADIP SHAH

harsh@bdo.com.sg
T +65 6828 9180

BDO Tax Advisory Pte Ltd

19 Keppel Road #02-01
Jit Poh Building Singapore 089058
Tel: +65 6 8289 118
Fax: +65 6 8289 111
info@bdo.com.sg | www.bdo.com.sg

Copyright © 2011 BDO Tax Advisory

BDO Tax Advisory Pte Ltd (UEN: 200818719H), a Singapore registered company, is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.