Paul Wan & Co.,Singapore

Accountants & Businesses advisors

BUDGET SYNOPSIS 2013

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SINGAPORE BUDGET SYNOPSIS 2013

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Compiled by Paul Wan & Co., Singapore Tax Team

THE BUDGET IN SUMMARY

With an overwhelming surge in immigration, steep rise in cost of living and business costs and competition for jobs and housing, Budget 2013 sees a bold step taken by the government for a better Singapore: Quality Growth, An inclusive Society.

With higher revenue earned from stamp duties and vehicle-related taxes in 2012, the government managed to post a higher surplus of S$3.9 billion or 1.1% of GDP.

On 25 February 2013, the Finance Minister unfolds the budget with many goodies and incentives and yet projected to yield a budget surplus of S$2.4 billion or 0.7% of GDP for 2013. The 2013 budget focuses on helping the retirees, lower to middle income Singaporean and the Small Medium Enterprises (SMEs) in order to build a better Singapore. With its focus on quality growth, the government expects a GDP growth in 2013 to remain modest in between 1% to 3%, comparable to 1.3% in 2012.

In this year's budget, the government introduces the "Four Pillars of Our Social Strategy":-

1. Promoting Social Mobility;
2. Better Jobs and Incomes;
3. Sustaining Fair and Progressive Fiscal System; and
4. Partnering the Community.

The key measures contained in the Four Pillars are as follow:-

i) S$5.9 billion Quality Growth Programme for businesses to upgrade, create jobs and raise wages;
ii) A new S$3.6 billion Wage Credit Scheme to help mitigate the over-dependency of foreign labour;
iii) Vehicle and property tax set on a progressive rate; and
iv) More packages for lower income, elderly and disabled Singaporeans such as:-
    - Additional One-Off GST Voucher (GSTV);
    - Service and Convervancy Charges (S&CC) Rebates;
    - One-off CPF Medisave Account Top-up;
    - Personal Income Tax rebates;
    - Expansion of Senior Mobility Fund;
    - Additional top-up to Opportunity Fund, Edusave Fund, etc.

All in all, 2013 Budget appears to be a very bold, responsive and yet caring budget that sets out to help SMEs and the poor – A Budget for a better Singapore ahead!

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CORPORATE AND BUSINESSES

1. CORPORATE INCOME TAX RATE

As expected, Singapore being one of the lowest tax regime in the Asia Pacific Region, the Finance Minister has decided that the corporate income tax rate for Year of Assessment (YA) 2013 remained status quo. However, in order to help cope with higher business cost such as manpower costs, rental costs, etc., a special rebate of 30% of the tax payable will be granted to companies but capped at S$30,000 per YA for three Years of Assessment from 2013 to 2015.

The existing corporate income tax rates for the Asia Pacific Region are shown below:-

Countries	Current corporate tax rate
China	25%
Hong Kong	16.50%
India	32.45%
Indonesia	25%
Japan	38.01%
Malaysia	25%
Singapore	**17%**
South Korea	24.20%
Taiwan	17%
Thailand	23%
The Philippines	30%
Vietnam	25%

2. EXCLUSION FOR NEW START-UP COMPANIES TAX EXEMPTION SCHEME

The Finance Minister has unveiled in his budget that investment holding companies or property development companies incorporated after 25 February 2013 will not be eligible for the 100% Start-Up tax exemption scheme as the aim for encouraging entrepreneurship is not intended to focus on such entities. However, these companies can still enjoy the partial tax exemption available generally to all companies.

Investment holding companies refers to companies that derive only passive incomes such as dividend and interest income, while firms in the real estate industry typically incorporate a company for each new property development for sale, for investment or for better investment and sale.

3. ENHANCEMENT OF PRODUCTIVITY AND INNOVATION CREDIT (PIC) SCHEME

To encourage business to boost their productivity and undertake meaningful productivity investments, the existing PIC Scheme has been enhanced by introducing a new cash bonus for participating firms.

Businesses that spend a minimum of S$5,000 in PIC activities in a year will receive a cash bonus, which is taxable, equivalent to the amount spent. The bonus will be capped at cap of S$15,000 over Years of Assessment 2013 to 2015. It will be paid over and above the existing PIC benefits.

Town councils, clubs and associations are not eligible for PIC bonus.

Example

	YA 2013	YA 2014	YA 2015
Qualifying PIC Expenditure	S$6,000	S$3,000	S$12,000
PIC Cash Payout (1)	S$3,600 (S$6,000 x 60%)	S$1,800 (S$3,000 x 60%)	S$7,200 (S$12,000 x 60%)
PIC Bonus	S$6,000	S$0 (2)	S$9,000 (3)
Total PIC Benefits	**S$9,600**	**S$1,800**	**S$16,200**

(1) Computed based on 60% of qualifying PIC qualifying expenditure. In this example, the business applies for cash payout for YAs 2013 to 2015. Businesses that claim 400% tax deductions/allowances in any or all the three YAs will also be eligible for the PIC Bonus.
(2) PIC Bonus is not given as qualifying PIC expenditure incurred during YA 2014 is less than S$5,000.
(3) PIC Bonus cap of S$15,000 less PIC Bonus given in YA 2013 of S$6,000

Qualifying conditions

Businesses must have:-

1. incurred at least S$5,000 in PIC qualifying expenditure (i.e. net of grant or subsidy by the government or any statutory board) during the basis period for the YA in which a PIC Bonus is claimed;

2. active business operations in Singapore; and

3. at least 3 local employees (Singapore citizens or Singapore permanent residents with CPF contributions) excluding sole-proprietors, partners under contract for service and shareholders who are directors of the company on the last month of the basis period for the YA to which the PIC bonus relates.

PIC bonus can be claimed together in the PIC cash payout application or the income tax return.

4. WAGE CREDIT SCHEME (WCS)

To help businesses raise workers' wages in a tight labor market in the coming years, this scheme was introduced to encourage all employers to take full advantage of the WCS to share productivity gains with their employees. Under this scheme, the government will co-fund 40% of the wage increases given to Singaporean employees earning a gross monthly wage of up to S$4,000 over the next 3 years i.e. from 2013 to 2015. The wage credits will automatically be paid out to employers annually. The first payout will be in the second quarter of 2014, and the last payout will be in 2016.

The Wage Credit co-funds businesses giving wage increases to their employees and is taxable.

Illustration of WCS benefits

- If an employer increases the gross monthly wage of his employee by S$200 in 2013, the Government will co-fund 40% of the S$200 wage increase and for the subsequent two years if the increase is sustained.
- If further S$200 increases are given in 2014 and 2015, the Government will co-fund 40% of the further wage increases, i.e. total wage increase of S$400 and S$600 in 2014 and 2015 respectively.
- At the end of three years, the employer has paid a total of S$14,400 more in wages to the employers and the Government has co-funded S$5,760.

Calendar year	**2013**	**2014**	**2015**
Gross Monthly Wage Increase	S$200	S$200 S$200	S$200 S$200 S$200
Government Co Funds 40%	S$80	S$160	S$240

__Gross monthly wage__ is the total wages paid by the employer to the employee in the calendar year, divided by the number of months in which CPF contributions were made. Total wages paid to an employee is computed from the CPF contributions that the employer makes for the employee in the year. Total wages include basic salary and additional wages such as overtime pay and bonuses, and exclude employer's CPF contributions.

How to qualify for co-funding in calendar year 2013?

Employees must be	Singapore Citizen; Earns a gross monthly wage less than S$4,000; Was employed for at least three months in 2012; Is on employer's payroll for at least 3 months in 2013 (i.e. employer must have paid employee CPF contributions for at least three months in 2013); Owners of companies or businesses are not considered as employees even if he has paid himself CPF contribution.
Qualifying employers	Employers need not submit any application to IRAS. All employers will automatically be covered under WCS except government-related entities and entities not registered in Singapore.
Qualifying wage increases	WCS aims to support productivity gain sharing between employers and employees through meaningful wage increases, especially for lower wage workers. Once an employee's gross monthly wage exceeds S$4,000, the portion of the wage increase that brings the gross monthly wage above S$4,000 will not be eligible for co-funding under WCS.

5. ENHANCEMENTS TO WORKFARE INCOME SUPPLEMENT (WIS) SCHEME

Effective from 1 January 2013, the WIS scheme has been enhanced as follows:

1. Income cap extended from S$1,700 to S$1,900 per month to benefit more Singapore workers;

2. Higher WIS payout from S$2,800 to S$3,500 per year to better provide for expenditure needs and enhancement of retirement savings;

3. More WIS to be given out in cash to help recipients with their immediate expenses (40% of WIS payouts for employees and 10% of WIS payouts for self-employed persons);

4. Increase in WIS payments to CPF Medisave and Special Accounts, without reducing contributions to the Ordinary Account, to boost the healthcare and retirement savings of older low-wage workers;

5. Additional criteria to improve targeting of WIS to focus on WIS recipients with limited access to household wealth.

6. REVISED CPF CONTRIBUTION RATES FOR LOW-WAGE WORKERS

Together with the WIS enhancements from 1 January 2014, the CPF contribution rates for low-wage workers will be raised to help them save more for retirement and medical needs.

The Employer CPF contribution rates for employees aged above 35 years and earning >S$50 will follow the existing rates of employees earning ≥ S$1,500.

The Employee CPF contribution rates for employees earning ≥ S$750 will also follow the existing rates of those earning ≥ S$1,500. The rates for employees earning > S$500 to < S$750 will be phased in. There is no change for employees earning ≤ S$500 as they are not required to make employee CPF contributions.

The Medisave contribution rates for Self-Employed Persons (SEPs) earning an annual net trade income (NTI) of above S$6,000 to S$12,000 will be raised to half of the full Medisave contribution rate relevant to their age group. The contribution rate for SEPs earning a NTI of above S$12,000 to S$18,000 will gradually be phased-in until it reaches the full Medisave contribution at NTI of S$18,000. There is no change to the contribution rate for SEPs earning S$6,000 or less, or more than S$18,000

The government will tighten the WIS Criteria to ensure that the Scheme will focus on low-income households.

7. FOREIGN WORKER LEVIES (FWL)

The Minister intends to tighten the foreign worker policies, aimed at helping businesses to upgrade, create better jobs and raise wages for Singaporeans. He has decided that the FWL will go up across the board from July 2014 and July 2015 with the most significant increase in sectors where productivity is weak and growth of foreign workforce is significant. Furthermore, foreign worker quotas will be cut for the service and marine sectors such as restaurants, retails shops and marine engineering firms. The quota for the service sector will be cut from 45% to 40% from July 2013. Likewise, the quota for marine sector will be cut from 5% to 4.5% in January 2016 and gradually to 3.5% in 2018.

Foreign workers quotas in the manufacturing, construction and process sectors remained unchange.

Below table shows a comparison of the current and the changes to the FWL:-

Sector	Current	Changes
Work Permit		
Manufacturing	60%	No change.
Services	• Overall : 45% • S Pass (Sub-DRC): 20%	• Overall : Reduced to 40% • S Pass (Sub-DRC): Reduced to 15% New applicants will be subject to the new DRCs from 1 July 2013. For existing permit holders and renewals, the new DRCs will take effect from 1 July 2015.
Construction	1 local : 7 foreigners	No change.
Process	1 local : 7 foreigners	No change.
Marine	1 local : 5 foreigners	• Reduced to 1 local : 4.5 foreigners (from 1 January 2016) • Reduced to 1 local : 3.5 foreigners (from 1 January 2018)
S Pass		
Services Sector	20%	• Reduced to 15% New applicants will be subject to new DRC from 1 July 2013 For existing permit holders and renewals, the new DRCs will take effect from 1 July 2015
All other sectors	20%	No change.

Source: Ministry of Finance

In addition to the above changes, the Ministry of Manpower will revise the qualifying salary for S-Pass holders from S$2,000/- to S$2,200 per month from 1 July 2013. Also to help level the playing field for local workers in same jobs, a new tiered system will be placed to tighten eligible requirements for older and more experienced S-Pass applicants' need to qualify at higher salaries and raise the overall quality profile of S-Pass holders.

8. LAND PRODUCTIVITY GRANT

This new grant was introduced to support and help companies which intensify their use of land in Singapore as well as those who choose to relocate some operations offshore, including to the immediate region, while retaining core functions in Singapore and saving land.

9. SME TALENT PROGRAMME

The government is launching a SME Talent Programme to provide awards by encouraging Polytechnic and Institutes of Technical education (ITE) student to work at SME upon graduation. In addition, the accessibility of government support scheme for SMEs will be improved.

Full details will be released by MIT, MOM and MND in due course.

10. COLLABORATIVE INDUSTRY PROJECTS INCENTIVE

The government introduces this new incentive and is prepared to support firms that participate in industry-wide collaborations to help solve productivity challenges in their sector. It will be adopted in seven priority industries, including food manufacturing, retail, textile and apparel and furniture manufacturing.

11. EXTENSION OF PARTNERSHIPS FOR CAPABILITY TRANSFORMATION (PACT) SCHEME

To help more SMEs collaborate with large multi-nationals to develop world-class capabilities, the PACT Scheme which was initiated in the manufacturing sector will now be extended to other sectors.

12. EXTENSION OF APPROVED SPECIAL PURPOSE VEHICLE (ASPV) ENGAGED IN SECURITISATION TRANSACTIONS SCHEME

To continue developing the structured debt market, the ASPV scheme will be extended for five years to 31 December 2018.

The ASPV scheme grants the following tax concessions to an ASPV engaged in asset securitisation transactions will remain unchange as below:-
(a) Tax exemption on income derived by an ASPV from approved asset securitisation transactions;
(b) GST recovery on its business expenses at a fixed rate of 76%;
(c) Remission of stamp duties on the instrument of transfer of assets to the ASPV for approved asset securitisation transactions; and
(d) Tax exemption on payments to qualifying non-residents on over-the-counter financial derivatives in connection with an asset securitisation transaction.

MAS will release further details by end May 2013.

13. EXTENSION OF MAXIMUM TENURE FOR APPROVED INTERNATIONAL SHIPPING ENTERPRISE (MSI-AIS) AWARD

To promote the growth of our maritime industry, the maximum tenure of the MSI-AIS award will be increased from 30 years to 40 years. Companies that are granted the MSI-AIS award for a 10-year period will have the possibility of renewal up to a maximum tenure of 40 years, subject to the existing conditions.

14. EXTENDING / ENHANCING OFFSHORE INSURANCE BROKERING BUSINESS TAX INCENTIVE SCHEME

To support Singapore's position as a major regional insurance and reinsurance hub, the scheme will be extended for five years to 31 March 2018. Insurance broking activities will be incentivised if the risks being insured or reinsured are offshore risks. Advisory services will continue to be incentivised for services provided to clients not based in Singapore.

With effect from 1 April 2013, a new 5%-tier award for the offshore specialty insurance broking business will be introduced to accelerate the development of the specialty insurance cluster in Singapore. Brokers granted the new award can enjoy a 5% concessionary tax rate on fees and commissions derived from the provision of qualifying specialty insurance broking and advisory services

MAS will release further details by end April 2013.

15. ENHANCEMENT OF UNDERWRITING OF OFFSHORE SPECIALISED INSURANCE RISKS INCENTIVE

To encourage the underwriting of severe and volatile catastrophe risks from Singapore, tax exemption will be granted on qualifying income derived from offshore Catastrophe Excess of Loss (CAT-XOL) reinsurance layers.

All existing qualifying income derived from qualifying offshore specialised insurance lines under this scheme remain unchanged as below:-

(a) Terrorism risks;
(b) Political risks;
(c) Energy risks;
(d) Aviation and Aerospace risks; and
(e) Agricultural risks.

This change will take effect from 25 February 2013.

MAS will release further details by end April 2013.

16. EXTENSION OF TAX EXEMPTION ON INCOME DERIVED BY PRIMARY DEALERS FROM TRADING IN SINGAPORE GOVERNMENT SECURITIES

This is an existing scheme and will expire on 31 December 2013. In order to continue encouraging trading in Singapore Government Securities, the tax exemption on income derived by primary dealers from trading in Singapore Government Securities will be extended for another five years to 31 December 2018.

17. EXTENDING / REFINING QUALIFYING DEBT SECURITIES (QDS) INCENTIVE SCHEME

To further promote Singapore's debt market, the QDS scheme will be extended for five years to 31 December 2018.

For debt securities issued during the period of 1 January 2014 to 31 December 2018, the requirement that the QDS has to be substantially arranged in Singapore will be rationalised to ease compliance for issuers.

The QDS+ scheme will also be extended for five years to 31 December 2018. The QDS+ scheme will be refined to allow debt securities with standard early termination clauses to qualify for the QDS+ scheme, subject to conditions.

The other existing conditions of the schemes remain unchanged.

MAS will release further details by end June 2013.

18. EXTENDING / ENHANCING THE FINANCIAL SECTOR INCENTIVE (FSI) SCHEME

To continue the growth of financial sector activities in Singapore, the FSI scheme (excluding the FSI-IF award) will be extended for five years to 31 December 2018.

The FSI scheme will be refined as follows:

(a) The five separate FSI-DM (Derivatives Market) sub-awards will be merged to form a single FSI-DM award;
(b) The FSI-BM (Bond Market) and FSI-EM (Equity Market) awards will be merged to form a single FSI-Capital Markets (FSI-CM) award;
(c) Withholding tax exemption will be granted automatically to FSI-HQ (Head-Quarter Services) award recipients on interest payments made during the period of their FSI-HQ award for qualifying loans. This will take effect from 25 February 2013;
(d) The range of incentivised activities and financial instruments will be broadened for the FSI-ST (Standard Tier), FSI-CM and FSI-CFS (Credit Facilities Syndication) awards; and
(e) The FSI-IF (Islamic Finance) award will be allowed to expire on 31 March 2013. The existing qualifying Islamic Finance activities will be incentivised under the FSI-ST award.

Unless otherwise specified, the changes will take effect from 1 January 2014. Existing award recipients can continue with their awards till the end of their award tenures.

MAS will release further details by end June 2013.

19. WITHDRAWING THE FURTHER TAX DEDUCTION SCHEME FOR OVERSEAS TALENT

Currently, employers can claim further tax deduction in respect of prescribed expenses incurred in the recruiting and relocating of overseas talents and their families to Singapore.

The further tax deduction is allowed if the prescribed expenses are incurred during the period from 1 October 1998 to 30 September 2013.

As the objective of the scheme no longer merits a tax incentive, the scheme will expire on 30 September 2013.

20. WITHDRAWING UPFRONT LAND PREMIUM DEDUCTION SCHEME

This scheme was introduced in 1998 to allow businesses to claim a tax deduction for upfront land premium paid to JTC or HDB in respect of a designated lease for the construction or use of a building for carrying on qualifying activities, subject to conditions. The lease must be granted from 1 January 1998 to 27 February 2013.

As this scheme is no longer relevant, it will expire on 28 February 2013.

21. WITHDRAWING THE APPROVED CYBER TRADER (ACT) SCHEME

This scheme was introduced to position Singapore as an electronic commerce hub, and concessionary tax rates and exemptions were granted on qualifying transactions and payments.

As the objective of the scheme no longer merits a tax incentive, the ACT scheme will be withdrawn from 25 February 2013.

22. WITHDRAWING THE OVERSEAS ENTERPRISE INCENTIVE (OEI) SCHEME

Tax exemption was granted on qualifying income from approved overseas investments and projects up to 10 years period.

With broad-based changes to our tax regime for foreign-sourced income in past years, the scheme is assessed to be no longer relevant. The OEI scheme will be withdrawn from 25 February 2013.

23. FAMILY-OWNED INVESTMENT HOLDING COMPANIES INCENTIVE SCHEME

This scheme was granted to allow family-owned investment holding companies to enjoy tax exemption on qualifying locally-sourced and foreign-sourced investment income.

As the objective of this scheme will no longer merits a tax incentive, it will expire on 31 March 2013.

24. OFFSHORE INSURANCE BUSINESS SCHEME

Currently, approved insurers and reinsurers can enjoy a 5% concessionary tax rate on qualifying income derived from offshore Islamic insurance (takaful) and reinsurance (retakaful) businesses.

As the objective of the scheme will no longer merits a tax incentive, the scheme will be allowed to expire on 31 March 2013. Insurers which conduct offshore Islamic insurance and reinsurance activities may apply to MAS for the existing 10% Offshore Insurance Business Scheme.

GOODS AND SERVICES TAX (GST)

1. GST RATE

The current GST rate of 7% has remained unchanged since the last increase in rate on 1 July 2007. As businesses costs and cost of living are rising, the Minister has not made any changes to the GST rate in this year's budget.

The following is the comparative rate between the countries in South East Asia:-

Countries	**Current GST rate**
China	17 %
Hong Kong	NA
India	12.50 %
Indonesia	10 %
Japan	5 %
Malaysia	10 %
Singapore	**7 %**
South Korea	10 %
Taiwan	5 %
Thailand	7 %
The Philippines	12 %
Vietnam	10 %

INDIVIDUALS AND HOUSEHOLDS

1. INDIVIDUAL INCOME TAX RATE

The Minister has re-structured the individual income tax rates in his past Budget Speech to take effect from YA 2012 and these rates will remain status quo for YA 2013. However, in the 2013 Budget unveiled on 25 February 2013, the Minister is very generous to grant all resident taxpayers personal income tax rebate for YA 2013 based on age groups as below:-

Age Groups at 31 December 2012	Tax Rebate	Rebate Capped at (S$)
Below 60 years old	30%	1,500
60 years old and above	50%	1,500

The tax rebate is calculated based on the tax payable after double taxation relief (DTR) and other credits but before the set-off of the Parenthood Tax Rebate.

The individual income tax rates for YA 2013 are re-produced below:-

Individual Tax Rates with effect from Year of Assessment 2012			
	Chargeable Income* (S$)	Tax Rate (%)	Gross Tax Payable (S$)
On the first	20,000	0	0
On the next	10,000	2	200
On the first	30,000	-	200
On the next	10,000	3.5	350
On the first	40,000	-	550
On the next	40,000	7	2,800
On the first	80,000	-	3,350
On the next	40,000	11.5	4,600
On the first	120,000	-	7,950
On the next	40,000	15	6,000
On the first	160,000	-	13,950
On the next	40,000	17	6,800
On the first	200,000	-	20,750
On the next	120,000	18	21,600
On the first	320,000	-	42,350
In excess of	320,000	20	

*Chargeable Income after tax relief

2. TAXATION OF EMPLOYMENT PERQUISITES – HOUSING AND HOTEL BENEFITS

Currently, housing accommodation provided to employee is assessed to tax based on:-

a) 10% of total employment income, or

b) the annual value of the property;

whichever is the lower.

In addition, hotel accommodation provided to employee is assessed to tax based on:-

	Rate per person per month (S$)
Self	250
Spouse	250
Child > 20 years old	250
Children:	
< 3 years old	25
3 – 7 years old	50
8 to 20 years old	100

The Minister has unveiled in his budget speech that the existing manner in which the benefits-in-kind such as housing or hotel accommodation are assessed to tax needs to be changed in order to make it more equitable.

Effective from YA 2015, the Minister has decided that:-

(a) Housing accommodation provided to employees (including company directors) will be assessed to tax based on the annual value of the property less rent paid by the employee;
(b) Hotel accommodation provided to employees (including company directors) will be assessed to tax based on the actual cost of the hotel accommodation incurred by employers; and
(c) Furniture and fittings provided will be assessed to tax based on the percentage of annual value of the housing accommodation.

Details will be released by IRAS by October 2013.

3. PHASING OUT THE EQUITY REMUNERATION INCENTIVE SCHEMES (ERIS)

The ERIS (Start-ups) has expired on 15 February 2013 and will not be renewed. The ERIS (All Corporations) and ERIS (SMEs) will expire with effect from 1 January 2014.

However, employees who are granted stock options or shares before the expiry of the above schemes will continue to enjoy partial tax exemption on the gains from these stock options/shares, if these gains are derived on or before 31 December 2023.

4. WIDENING OF PROPERTY TAX RATE BAND FOR RESIDENTIAL PROPERTIES

Effective from 1 January 2014, the property tax rate band for owner-occupied residential properties will be widened to create the tax system more progressive for Singaporean home owners. The current and revised rates are set out below:-

Current Rates	
AV of residential property	Tax Rates
Below S$6,000 Next S$59,000 Amount exceeding S$65,000	0% 4% 6%

Revised Rates		
Annual Value of residential property	**Tax Rates from 1 January 2014**	**Tax Rates from 1 January 2015**
First S$8,000	0%	0%
Next S$47,000	4%	4%
Next S$5,000	5%	6%
Next S$10,000	6%	6%
Next S$15,000	7%	8%
Next S$15,000	9%	10%
Next S$15,000	11%	12%
Next S$15,000	13%	14%
AV in excess of S$130,000	15%	16%

The Minister has indicated that property tax is a wealth tax and is applied irrespective of whether lived in, vacant or rented out. Hence, those who can afford to live in the most expensive homes should pay more property taxes than others.

5. INCREASE IN PROPERTY TAX RATES ON RESIDENTIAL PROPERTIES FOR INVESTMENT PURPOSE

Despite property cooling measures have been implemented in the recent years, the property market still appears to remain high in prices and demand. The Finance Minister has now decided to raise the existing 10% property tax rate for non-owner-occupied residential properties to between 12% and 20% over a two-year period from 1 January 2014. This increase is expected to see significant in tax burden for the high-end residential properties' owners.

Property rates for Non-owner-occupied (Investment) residential properties:-

Annual Value	Current Tax Rates	Tax Rates from 1 January 2014	Tax Rates from 1 January 2015
First S$30,000	10%	10%	10%
Next S$15,000	10%	11%	12%
Next S$15,000	10%	13%	14%
Next S$15,000	10%	15%	16%
Next S$15,000	10%	17%	18%
AV in excess of S$90,000	10%	19%	20%

Property tax rates for non-residential properties remain unchanged at a 10% flat rate.

6. REMOVAL OF PROPERTY TAX VACANCY REFUNDS

Currently, property tax refund is available on concession for residential and non-residential properties that were vacant.

For consistency and equality in tax treatment, property tax vacancy refund will be removed with effect from 1 January 2014. This is because property tax is a tax on property ownership and should be levied irrespective of whether the property is vacant or occupied.

7. ADDITIONAL ONE-OFF GST VOUCHER

A permanent GST voucher scheme (Cash, Medisave Top-Ups and U-Save Vouchers) was established in last year's 2012 Budget. The scheme was to help retirees and lower-income Singaporean households cope with the rising cost of living.

The Minister has decided in this year's Budget to provide an additional One-off GST voucher to underscore their commitment to help offset what our retirees, lower-income and middle-income families pay in GST.

8. REBATES ON SERVICE AND CONSERVANCY CHARGES (S&CC)

The government will provide 1 to 3 months of Service & Conservancy Charges (S&CC) rebates to all HDB households for 2013.

The rebates are as shown below:-

HDB Flat Type	S&CC rebate for 2013 (No. of months)
1-room	3.0 months
2-room	3.0 months
3-room	2.0 months
4-room	2.0 months
5-room	1.5 months
Executive	1.0 month

9. REDUCED CONCESSIONARY FOREIGN DOMESTIC WORKER (FDW) LEVY

Effective from 1 March 2013, the concessionary FDW levy will be reduced from the existing S$170 to S$120 per month. Concessionary FDW levy are granted for families with Singaporean dependants such as young children, elderly dependants and persons with disabilities.

Normal FDW levy is S$265 per month.

10. ONE-OFF CPF MEDISAVE TOP-UP

To help Singaporeans with their healthcare expenses, the government will top-up S$200 to the CPF Medisave accounts of all Singaporeans aged 45 and above.

11. IMPROVING QUALITY OF PRE-SCHOOL SECTOR

The government intends to inject funds to expand the number of pre-schools and improving the quality of pre-school education. Hence, there will be more pre-school centres closer to their homes and workplaces and better quality school teachers.

A new autonomous agency called the Early Childhood Development Agency will also be set up to drive improvements across the sector, while the Education Ministry will set up a few kindergarten development centres.

The Minister also announced more support for disadvantaged students. The learning support programme, which is for younger primary school pupils, will be extended to other levels.

The number of student-based care centres will also be significantly expanded to provide more support for children outside school hours. In addition, MOE will develop more online materials as an additional support for students.

Two funds will also be topped up and extended to more schools. The Opportunity Fund, which can be used to fund overseas learning trips and the Edusave Endowment Fund.

12. ENHANCEMENT OF PUBLIC ASSISTANCE SCHEME

To provide a basic level of financial assistance to those who are permanently unable to work, the existing monthly cash assistance for households will be raised. A couple will now receive S$790 in cash assistance instead of S$700 previously. For recipient in a single-person household, the cash assistance will be S$450.

13. INCREASE IN PENSION ALLOWANCE

Government pensioner's allowance will be increased from S$260 to S$280 per month. In addition, the monthly pension ceiling will be raised to S$1,210.

14. ELDERCARE AND HEALTHCARE FOR LOW-INCOME HOUSEHOLDS

The government will further support and top-up funds for the needs of Singaporeans' healthcare particularly the low-income households. Further, he will expand the existing Senior's Mobility Fund into a Senior's Mobility and Enabling Fund covering a wide range of assistive devices such as hearing aids, shower chairs and motorised wheelchairs.

As many frail elderly living at home are concerned with the costly burden of consumables such as milk feeds and diapers, the government is prepared to provide subsidies of up to 80% to lower-income elderly to help defray the cost of these consumables.

OTHER TAX CHANGES

1. EXCISE DUTY RAISED ON NON-CIGARETTE TOBACCO PRODUCTS

In line with the government's steps taken to harmonise the tax rates between cigarette and non-cigarette tobacco products which started two years ago, the following has been revised with effect from 25 February 2013:-

a) Excise duties for beedies, ang hoon and smokeless tobacco from S$239 per kilogram to S$299 per kilogram i.e. a 25% increase.

b) Excise duty for unmanufactured tobacco from S$347 per kilogram to S$352 per kilogram i.e. a 1.5% increase.

2. ROAD TAX REBATE FOR COMMERCIAL VEHICLES AND EXTENSION OF CERTIFICATE OF ENTITLEMENT (COE)

To help ease the cash flow of companies and provide flexibility of ownership for commercial vehicles, the government has decided:-

1. To give a One-year road tax rebate of 30% for goods vehicles, including goods-cum passenger vehicles, buses and taxis with effect from 1 July 2013; and

2. To allow all owners of commercial vehicles to renew their COE when the initial 10-year COE life expires, to another 10 years instead of allowing only 5-year extension.

3. NEW TIERED ADDITIONAL REGISTRATION FEE (ARF) STRUCTURE

A new tiered ARF will be introduced and applied to passenger cars and taxis registered with Certificate of Entitlement obtained from the first bidding exercise in March 2013 as below:-

Open Market Value (OMV) of Car / Taxi	Existing ARF	ARF Rate w.e.f. March 2013
First S$20,000 of the OMV	100%	100% of OMV
Next S$30,000 of the OMV	100%	140% of Incremental OMV
Remaining OMV Above S$50,000	100%	180% of Incremental OMV

4. CURBS ON CAR LOANS

Effective from 26 February 2013, MAS has imposed tough new curbs on loans for new and used cars with Open Market Value (OMV) – OMV, or its approximate cost price – of up to S$20,000 will now be capped at 60% of their purchase price. Those with higher OMVs will qualify for loans that are no more than 50% of the purchase price. In addition, the maximum tenure for a car loan will be limited to five years. This move to curb car loans is to cool the seemingly overheated market for Certificates of Entitlement (COE).

PAUL WAN & Co.
(An independent member of Morison International)

10 Anson Road #35-07/08 International Plaza Singapore 079903
Tel : 65-6220 3280 Fax : 65-6224 5473
Email : taxdept@pwco.com.sg Website : www.pwco.com.sg