

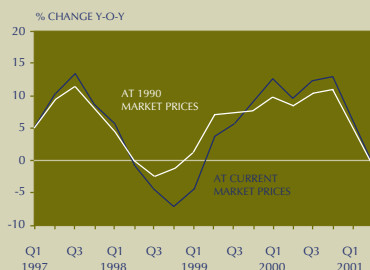
Tax Bulletin

Update on current tax developments in Singapore

Highlights Of Key Economic Indicators

Source: Ministry Of Trade And Industry

Overall GDP Growth



Q3 GDP Advance Estimate

(% Change On Previous Year)

INDUSTRY	Q4 2000	Q1 2001	Q2 2001	Q3 2001
GOODS	13.7	2.5	-6.5	-15.2
SERVICES	8.7	5.5	2.3	-0.4
OVERALL	11.0	4.8	-0.7	-5.6

Economic Estimates For Third Quarter 2001

- Global economy is experiencing its most severe synchronised deceleration since the 1974 oil shock.
- Global semiconductor sales fall by 30% this year.
- GDP in the third quarter continued to fall in real terms on a year-on-year basis in 3Q01 by 5.6%.
- In annualised quarter-on-quarter terms, the economy fell by 9.9%, after declining 10.4% in both 1Q01 and 2Q01.
- Singapore's manufacturing output tumbled 21 per cent in August - the sharpest fall since the 1985 recession.
- Electronics output declined sharply by a record 37% in August, compared with -33% in July.
- The seasonally adjusted overall unemployment rate edged up from 2.4% in March to 2.6% in June 2001 and 3.8% in September 2001.
- Ministry of Trade and Industry downgraded the 2001 growth forecast from 0.5-1.5% to around -3%.

Halting The Economic Meltdown - Second Off-Budget Measures Of The Singapore Government

Tackling the Economic Downturn

“The Singapore economy is in a severe slowdown.... Our economy contracted by 5.6% compared to a year earlier. In annualised quarter to quarter terms, the contraction was 9.9%. The sustained contraction over the last 3 quarters is the steepest that Singapore has experienced.”

“Over the next 12 to 18 months, we can expect low growth, more retrenchments and higher unemployment.... We must therefore psychologically prepare ourselves for a protracted period of difficulties.”

Lee Hsien Loong, Deputy Prime Minister, 12 October 2001

To address the severe economic downturn, the Singapore Government has introduced a \$11.3 billion off-budget economic stimulus package to stimulate the local economy and to help businesses keep costs down. The off-budget measures were announced in Parliament by the Deputy Prime Minister, Lee Hsien Loong on 12 October 2001.

The economic package offered wide ranging stimulus and cost cutting measures: personal and corporate tax rebates, withdrawal of the tax imposed on short-term real property gains (an anti-speculative measure), property tax rebate, stamp duty reduction, acceleration of infrastructure projects, wage costs control measures, and assistance for low income groups and the unemployed. An analysis of the tax related measures is set out in this newsletter. Full details of the other fiscal measures can be assessed at the Ministry of Finance website at <http://www.mof.gov.sg/>.

Personal Taxation

No change in tax rates

There is no change in personal tax rates for years of assessment 2001 and 2002.

Personal tax rebate

In addition to the one-off tax rebate of 10 per cent for year of assessment 2001, the Second Off-Budget Measures provide a further rebate of 5 per cent, bringing the total rebate to 15 per cent. This rebate is in addition to the existing \$500 GST rebate for year of assessment 2001.

A tax rebate of 10 per cent will also be given for year of assessment 2002 and this is in addition to the existing \$250 GST rebate.

These changes apply to residents only and taxpayers who have submitted their year of assessment 2001 and/or year of assessment 2002 tax returns would receive amended assessments from the IRAS to account for all the rebates. A comparison of resident individual tax rates (including the new tax rebates) for the years of assessment 2001 and 2002 is shown below.

	CHARGEABLE INCOME \$	YEAR OF ASSESSMENT 2001		YEAR OF ASSESSMENT 2002		TAX SAVINGS \$
		RATE %	TAX ¹ \$	RATE %	TAX ² \$	
On the first	7,500	2	0.00	0	0.00	0.00
On the next	12,500	5	158.75	3	87.50	71.25
On the first	20,000		158.75		87.50	71.25
On the next	15,000	8	1,020.00	6	810.00	210.00
On the first	35,000		1,178.75		897.50	281.25
On the next	15,000	12	1,530.00	9	1,215.00	315.00
On the first	50,000		2,708.75		2,112.50	596.25
On the next	25,000	16	3,400.00	12	2,700.00	700.00
On the first	75,000		6,108.75		4,812.50	1,296.25
On the next	25,000	20	4,250.00	15	3,375.00	875.00
On the first	100,000		10,358.75		8,187.50	2,171.25
On the next	50,000	22	9,350.00	18	8,100.00	1,250.00
On the first	150,000		19,708.75		16,287.50	3,421.25
On the next	50,000	23	9,775.00	21	9,450.00	325.00
On the first	200,000		29,483.75		25,737.50	3,746.25
On the next	200,000	26	44,200.00	24	43,200.00	1,000.00
On the first	400,000		73,683.75		68,937.50	4,746.25
On income above	400,000	28		26		0.4% of the excess over \$400,000.

¹The figures in this column are net of the 5% rebate on top of the existing 10% rebate and GST rebate of \$500.

²The figures in this column are net of the 10% rebate and the existing GST rebate of \$250.

Property Speculation Measures

Removal of measures to curb property speculation

In May 1996, anti-speculation measures were introduced by the Government to curb property speculation. Under the rules, income tax was imposed on short-term gains from sale of property effected within 3 years of purchase. In his speech, the Minister announced that income tax will no longer be imposed on gains from such property sales contracted on or after 13 October 2001. However, gains from disposal made by property traders and property developers continue to be subject to income tax as ordinary income.

Property Tax Changes

Tax rebate for commercial and industrial properties

In a further attempt to reduce business costs, the Government has decided to enhance the property tax rebate introduced in the July 2001 assistance package. Under the July package, the property tax rebate of 25 per cent for commercial and industrial properties was extended to 30 June 2002. The combined effect of the property tax rebate and the reduction in the property tax rate to 10 per cent from 1 July 2001 means that the effective rate for commercial and industrial properties was reduced to 7.5 per cent.

Under the enhanced scheme, the previously announced property tax rebate of 25 per cent would be replaced by a new scheme comprising:

- a fixed rebate of up to \$8,000 per year; and
- a further rebate of 30 per cent for the remaining tax payable.

This rebate will be granted to all commercial and industrial properties for the period 1 July 2001 to 31 December 2002. The enhanced property tax rebate scheme means that the effective property tax rate for commercial and industrial properties is now less than 7 per cent. With the lower property tax costs, JTC and HDB will be passing on the tax savings to their tenants and the Government encourages other landlords to do likewise.

Tax exemption for land under development

The property tax exemption for land under development was reinstated. The exemption will be for a period of 2 years and will apply to projects that commence foundation works on or after 12 October 2001 until the earlier of the date of Temporary Occupation Permit or 11 October 2003. In the case of projects that have commenced foundation works before 12 October 2001, the period of exemption will start from 12 October 2001.

The exemption is not automatic. The owner is required to make an application to the Comptroller of Property Tax for exemption.

Stamp Duties

Ad valorem stamp duty is currently levied on instruments relating to stock and shares, and immovable properties. Instruments subject to stamp duty include instruments executed in Singapore and instruments executed outside Singapore which are received in Singapore. Stamp duty relief applies for corporate reorganisations involving transfer of shares or the undertaking of a particular company provided certain prescribed conditions are fulfilled.

As part of the assistance package, stamp duty rates will be reduced by 30 per cent on all instruments executed between 13 October 2001 and 31 December 2002. After taking into account the rate reduction, the applicable stamp duty rates will be:

Instruments relating to stock and shares:

- for every \$1,000 or any part thereof \$1.40

Instruments relating to sale of immovable property:

- for every \$100 of the first \$180,000 or any part thereof \$0.70
- for every \$100 of the next \$180,000 or any part thereof \$1.40
- for every \$100 exceeding \$360,000 or any part thereof \$2.10

Conclusion

These latest measures clearly show that the Government is well aware of the significant challenges lying ahead and are fully prepared to draw upon the necessary resources when required. Notwithstanding the serious challenge ahead, there is confidence among the population that the Singapore economy will emerge from the current crisis stronger and better positioned based on a strong Government leadership, a proactive economic strategy, and the full support of Singaporeans.

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