2011 BUDGET SYNOPSIS

Growing incomes for all Singaporeans and strengthening our society. These are the two main objectives Budget 2011 wants to achieve in the long term.

Rewinding a year back, Budget 2010 already had these objectives in mind. At that time, raising skills and creative potential of every worker were sought so that all Singaporeans income can be grown by 30% over this decade. Restructuring the economy towards more high-value activities and upgrading individual enterprise were also encouraged so that Singapore will move up the value-chain.

With these objectives set in stone for this decade, Budget 2011 continues the momentum by enhancing the Productivity and Innovation Credit scheme. An enhanced deduction of 4 times the qualifying expenditure up from 2.5 times previously was announced. The quantum of claim for each promoted activity is also upped from $300,000 to $400,000. Moreover, this scheme will be applied retrospectively, from Year of Assessment 2011.

Our economy did well last year. As such, the booty was partly used to repay the $4 billion borrowed from Past Reserves and the balance of the surpluses, generously shared with Singaporeans. These are made in the form of Growth Dividends ranging from $100 to $800 for every Singaporean and also household utility rebates. “Corporate ang-pows” i.e. corporate tax rebates or SME cash payouts will also be handed out to companies.

To strengthen our society, more funds are channeled to the young and the older folks’ bank accounts. This is done by topping up the CPF Medisave Accounts, CPF Medifund and ElderCare Fund and also introducing a Child Development Account. Companies are also “encouraged” to increase their employer’s CPF contribution so that the long term contribution rate of 16% is met sooner.

Will businesses that have high labour costs be encouraged to utilise the PIC scheme and spend now to grow future income when their CPF and foreign workers’ levy costs have increased? How about combating the fiery inflation which is not easily doused? Therefore, unavoidably, a comparison will have to be made by businesses to see if their investments which use the PIC scheme will help recover these labour costs increase in the long run. Businesses would also have to balance their risks taking and the ever rising cost of doing business.

BUSINESS TAX

CORPORATE INCOME TAX RATE

There is **no change** in the corporate tax rate of 17% and the partial tax exemption on the first $300,000 normal chargeable income is computed as follows:

Chargeable Income	$	Percentage exempted	Amount exempted	Amount assessable
For every $ of the first	10,000	75%	7,500	2,500
For every $ of the next	290,000	50%	145,000	145,000
	300,000		152,500	147,500

There is also **no change** in the full tax exemption for the first $100,000 normal chargeable income for the first 3 consecutive years of assessment for a newly incorporated Singapore tax resident company meeting the minimum 10% individual shareholder's requirement.

As before, the first $300,000 normal chargeable income for newly incorporated company is taxed as follows:

Chargeable Income	$	Percentage exempted	Amount exempted	Amount assessable
For every $ of the first	100,000	100%	100,000	-
For every $ of the next	200,000	50%	100,000	100,000
	300,000		200,000	100,000

CORPORATE TAX REBATE AND SME CASH GRANT *New*

For YA 2011, companies will receive the HIGHER of:-

(i) one-off tax rebate on 20% of tax payable subject to a cap of $10,000 (company may defer capital allowances claim to maximise the 20% tax rebate); or

(ii) one-off SME cash grant amounting to 5% of company's revenue subject to a cap of $5,000, provided the company has made CPF contributions for at least **one** employee including working director during 2010.

Companies will automatically receive either the tax rebate **or** the cash grant when IRAS assesses their YA 2011 tax returns.

Applicable year: YA 2011

ENHANCED PRODUCTIVITY AND INNOVATION CREDIT ("PIC") SCHEME

The PIC scheme is further enhanced and as follows:

(i) the quantum of tax deduction or allowance is increased from 250% to 400% of expenditure for the first $400,000 (upped from $300,000) spent on each qualifying activity. The 6 qualifying activities are:-

   (a) Research and Development ("R&D") done in Singapore;
   (b) Registration of Intellectual Property rights;
   (c) Acquisition of Intellectual Property rights;
   (d) Investment in Automation;
   (e) Training expenditure on employees; and
   (f) Design work done in Singapore.

(ii) PIC will now be available to R&D done abroad ***New***.

(iii) Businesses can combine the $400,000 expenditure cap per year for YA 2013 to 2015 into a new ceiling of $1,200,000 over 3 years for each qualifying activity. Businesses are also allowed to combine the caps for YA 2011 and 2012, into $800,000 for each qualifying activity.

(iv) A simplified and enhanced cash conversion option where businesses can opt to convert the first $100,000 (but subject to a minimum amount of $400) qualifying expenditure it incurs into a cash payout at the rate of 30%. This equates to a maximum of $30,000 cash payout.

   For YA 2011 and YA 2012, businesses can convert up to a combined cap of $200,000 of qualifying expenditure into cash payout, that is $60,000 ($200,000 @ 30%) for each activity. From YA 2013 onwards, the maximum cash payout is $30,000 (S100,000 x 30%) for each activity.

All other existing conditions of the PIC scheme continue to apply.

Applicable years: YA 2011 to YA 2015

IRAS will issue further details on the enhancement in June 2011.

STREAMLINING OF THE SECTION 14B AND SECTION 14K TAX DEDUCTION SCHEMES

Sections 14B and 14K will be merged, simplified and streamlined to allow more businesses to benefit from the scheme under which double or further deductions will be allowed on qualified market or investment development expenses.

The changes will apply to applications submitted and approved on or after 1 April 2011 and the scheme will have a sunset clause of 31 March 2016.

The International Enterprise Singapore will release further details by March 2011.

FOREIGN TAX CREDIT POOLING SYSTEM *New*

A FTC pooling system will be introduced so as to simplify tax compliance and allow for the reduction of Singapore tax payable on foreign income remitted.

The illustration below shows the difference between the existing FTC system and the new FTC pooling system:-

	Existing FTC System			New FTC pooling system
	Country A $	Country B $	Total $	$
Foreign income remitted	20,000	40,000	60,000	
Foreign taxes paid	3,000	8,000	11,000	
Singapore tax payable @ 17% of foreign income	3,400	6,800	10,200	10,200
Less: Foreign tax credit available capped at lower of foreign tax paid and Singapore tax payable	(3,000)	(6,800)	(9,800)	(10,200)
Net tax payable	400	0	400	0
The tax savings under the new FTC pooling system is $400 ($10,200 - $9,800)				

Assumptions

(1) Partial exemption does not apply as other sources of income is more than $300,000

(2) No direct expenses were incurred to derive the foreign income

Resident taxpayers can elect for the FTC pooling system if the following conditions are met:

(i) foreign income tax is paid in the foreign jurisdiction from which the foreign income is remitted;

(ii) the headline tax rate of the foreign jurisdiction from which the income is received is at least 15%; and

(iii) there is Singapore tax payable on the foreign income remitted and the taxpayer is entitled to claim the foreign tax credit.

Applicable year: from YA 2012 onwards

IRAS will release further details by end June 2011.

ENHANCED TAX TREATMENT OF PRE-COMMENCEMENT EXPENSES

To facilitate the starting up of businesses, the current concession on allowing businesses to claim pre-commencement revenue expenses will be enhanced to include expenses incurred **one year prior to the deemed commencement date**. Please refer to the example below:-

The company was incorporated on 1.3.2009. Its accounts are prepared to 31 December yearly and the company derived its first dollar of business receipt on 1.4.2011. The deemed commencement date is 1.1.2011.

Revenue expenses incurred from	Before the enhancement	After the enhancement
1.3.2009 to 31.12.2009 (YA 2010)	Not tax deductible	Not tax deductible. The expenses are not incurred 1 year prior to the deemed date of commencement of business which is 1.1.2011.
1.1.2010 to 31.12.2010 (YA 2011)	Not tax deductible	Tax deductible in YA 2012. Any expenses incurred during the basis period of Year of Assessment 2011 are treated as incurred on 1.1.2011.
1.1.2011 to 31.12.2011 (YA 2012)	Tax deductible as the business is treated as having commenced on 1.1.2011 (deemed commencement date)	Tax deductible as the business is treated as having commenced on 1.1.2011. (deemed commencement date)

As before, this concession is not applicable to investment holding nor Section 10E companies.

Applicable year: from YA 2012 onwards

IRAS will release further details by end June 2011.

DEDUCTIONS FOR COST OF PARENT COMPANY'S SHARES ACQUIRED THROUGH A SPECIAL PURPOSE VEHICLE ("SPV") FOR EMPLOYEE EQUITY-BASED REMUNERATION ("EEBR") SCHEME

Currently, a company is able to deduct costs incurred on the acquisition of its own shares or its parent company's shares for the purpose of fulfilling its obligations under the EEBR scheme. It is proposed that the tax deduction is extended to company who set up SPV to facilitate the EEBR obligations where:

(1) the SPV is set up solely to administer the EEBR scheme; and

(2) the SPV acquires the parent company's shares from the market or the parent company and holds them in trust for the EEBR scheme.

The tax deduction is based on the lower of:

(a) the amount paid by the company to the SPV for the parent company's shares; or

(b) the cost incurred by the SPV to acquire the company shares.

less any amount recovered from the company's employees for the parent company's shares.

The deduction relates to the basis period in which the company is eligible to claim a tax deduction when it applies the parent company's shares for the benefit of its employees under the EEBR scheme or is liable to pay the SPV for the shares transferred, whichever is later.

As in the current situation, the deduction is not applicable to newly issued shares by the parent through the SPV.

Applicable year: from YA 2012 onwards

IRAS will release further details by end June 2011.

PERSONAL INCOME TAX

PERSONAL INCOME TAX RATES AND TAX REBATE

For YA 2011, a one-off personal income tax rebate of 20% will be granted to all tax resident individual taxpayers. The tax rebate is capped at $2,000.

With effect from YA 2012, personal income taxes will be reduced for the middle and upper-middle income resident taxpayers as follows:

Tax rates structure with effect from YA 2012				
	Chargeable income $	Tax rate	Gross tax payable $	Effective tax rate
On the first	20,000	0%	0	
On the next	10,000	2%	200	
On the first	30,000		200	0.7%
On the next	10,000	3.5%	350	
On the first	40,000		550	1.4%
On the next	40,000	7%	2,800	
On the first	80,000		3,350	4.2%
On the next	40,000	11.5%	4,600	
On the next	40,000	15%	6,000	
On the first	160,000		13,950	8.7%
On the next	40,000	17%	6,800	
On the next	120,000	18%	21,600	
On the first	320,000		42,350	13.2%
in excess of	320,000	20%		

Current tax rates structure (YA2007 - YA 2011)				
	Chargeable income $	Tax rate	Gross tax payable $	Effective tax rate
On the first	20,000	0%	0	
On the next	10,000	3.5%	350	
On the first	30,000		350	1.2%
On the next	10,000	5.5%	550	
On the first	40,000		900	2.3%
On the next	40,000	8.5%	3,400	
On the first	80,000		4,300	5.4%
On the next	80,000	14%	11,200	
On the first	160,000		15,500	9.7%
On the next	160,000	17%	27,200	
On the first	320,000		42,700	13.3%
in excess of	320,000	20%		

CPF CONTRIBUTIONS

Prior 1 September 2011, the employer CPF contribution rate will be raised by 0.5 percentage point and this will go into the Special Account and the CPF salary ceiling is revised to $5,000.

Following the increase in CPF salary ceiling, the annual SRS contribution will be increased to $12,750 for Singaporeans and Singapore permanent residents and $29,750 for foreigners.

TAX TREATMENT FOR ALIMONY PAYMENTS AND SPOUSE RELIEF

It is proposed that tax exemption will be granted on receipt of alimony and maintenance payments made under a Court Order or Deed of Separation.

Following the above exemption, spouse relief or handicapped spouse relief will not be granted to individuals who maintain their former spouses.

Applicable year: from YA 2012 onwards

GOODS AND SERVICES TAX

ZERO-RATING SCHEME FOR SPECIALISED STORAGE AND OTHER VALUE-ADDED SERVICES SUPPLIED TO OVERSEAS PERSONS ON PRESCRIBED GOODS TO BE EXPORTED EVENTUALLY

It is proposed that specialised storage facilities (for high value goods such as art and antiques) and supporting services such as valuation and conservation **supplied to overseas persons** will be zero-rated if they are performed on certain goods kept in approved warehouses in Singapore. To qualify for the zero-rating scheme, amongst other conditions, the specialised warehouse must have mostly overseas customers (at least 90%) and the majority of goods (at least 90%) removed from the warehouse are exported. Approval for the warehouses will be administered under a new scheme.

The new scheme is effective from 1 October 2011. IRAS will publish a circular to explain details of the scheme by 1 September 2011.

ACMT SCHEME FOR THE BIOMEDICAL INDUSTRY

Currently, the Approved Contract Manufacturer and Trader ("ACMT") scheme, available only to the semiconductor and printing industries, allows an approved contract manufacturer to disregard (i.e. out-of-scope) his supply of value-added services to his overseas client, subject to certain qualifying conditions.

To encourage clinical research activities to take root in Singapore, it is proposed that GST relief will be granted upfront on all clinical trial materials imported into Singapore, irrespective of whether the clinical trial materials are for local testing, re-export or for disposal in Singapore. This measure will support the growth of local clinical trials as well as ease the GST compliance burden for such businesses engaged in clinical trial.

To relieve irrecoverable GST cost incurred by their overseas client, the ACMT scheme will be extended to qualifying biomedical contract manufacturers. In addition, further enhancements will be made to the ACMT scheme to be enjoyed by all approved industries as follows:

a) Disregard services rendered by local contract manufacturer on failed or excess production under the ACMT scheme; and

b) Allow local contract manufacturers to recover GST on local purchases of goods made by the overseas client for use in the contract manufacturing process.

These changes are effective from 1 October 2011. IRAS and Singapore Customs will publish circulars to explain the changes and operational details by 1 September 2011.

GST MEASURES FOR THE MARINE INDUSTRY (PHASE 2)

Currently, the sale and rental of goods (including stores and merchandise) for use or installation on a 'ship' (as defined in the GST Act) can be zero-rated under certain scenarios, **provided that the supplier maintains the requisite documentary proof.**

In addition, repair and maintenance services performed on ship and ship parts or components may qualify for zero-rating if:

a) The repair or maintenance is carried out on board the ship;
b) Any part or component of the ship is removed for repair and reinstalled on the ship;
c) Any part or component of the ship is removed for repair and returned to the ship as a spare; or
d) Any part or component of the ship is removed and replaced by an identical part or component.

A new GST scheme will be introduced to allow 'approved marine customers' to buy or rent goods without having to pay GST, as long as they are for use or installation on a commercial ship that is wholly for international travel. This means that the supplier may zero-rate the supply of such goods to an 'approved marine customer' **without having to maintain the requisite documentary proof.**

Zero-rating of repair and maintenance services will also be extended to include the following scenarios:

a) repair or maintenance services performed on ship parts or components which are delivered to:
   (i) Shipyards in Singapore; or
   (ii) Approved Marine Customers; and

b) In addition, where the supplier provides a reconditioned ship part or component in exchange for the faulty part (e.g. 1-for-1 exchange) to his customer, such arrangements will be treated as a single supply of repair services.

The following changes will also be introduced to ease GST compliance for ships which are in Singapore only for a short period of time and intend to leave Singapore as soon as possible:

a) Remove documentary requirements (for GST relief) for a qualifying ship engaged in pleasure, recreation, sports or other similar events; and

b) Grant import GST relief (and waive documentary requirement) on goods shipped and remained on board a qualifying ship.

These changes are effective from 1 October 2011. IRAS and Singapore Customs will publish circulars to explain the changes and operational details by 1 September 2011.

INCENTIVISED INDUSTRIES

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. These incentives have different incentive tenures and application windows (if any) as shown below:-

1. **International shipping operations** : Tax exemption on qualifying income derived from operating Singapore-flagged and foreign-flagged ships (Section 13A of the ITA).

2. **Approved International Shipping Enterprise (“AIS”) scheme** : Tax exemption on qualifying income derived from operating foreign-flagged ships.

3. **Maritime Finance Incentive (“MFI”)** : Tax exemption or concessionary tax rate (5% or 10% depending on type of activities) on qualifying income derived from leasing ships or containers and managing an approved shipping or container investment enterprise.

4. **Approved Shipping and Logistics (“ASL”) scheme** : 10% concessionary tax rate on incremental qualifying income derived by approved ship agencies, ship management companies, freight forwarders and logistics operators.

5. **Ship broking and Forward Freight Agreement (“FFA”) trading incentive**. 10% concessionary tax rate on incremental qualifying income derived by approved ship brokers and approved FFA traders.

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.

It is proposed that all existing tax incentives for the maritime sector will be streamlined and consolidated under the new Maritime Sector Incentive (“MSI”) with effect from 1 June 2011.

There are three broad categories under the MSI:

a) International Shipping Operations,
b) Maritime (Ship or Container) Leasing, and
c) Supporting Shipping Services.

New enhancements will also be introduced under the MSI. Existing incentive recipients will transit automatically to the MSI from 1 June 2011.

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 Income Tax Act and AIS scheme will transit to this category of the MSI.

(New) Entities under the International Shipping Operations category of MSI will, subject to conditions, enjoy automatic withholding tax ("WHT") exemption on qualifying payments made in respect of qualifying foreign loans taken to finance the purchase or construction of both Singapore-flagged and foreign-flagged[1] ships, without having to apply for such exemption on a case-by-case basis.

(New) A new award will be introduced for qualifying entry players. Entities approved under this award will be granted similar tax benefits as the current AIS scheme but for a non-renewable tenure of 5 years. 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.

(New) Approved ship lessors will, subject to conditions, enjoy automatic WHT exemption on qualifying payments made in respect of qualifying foreign loans taken to finance the purchase or construction of both Singapore-flagged and foreign-flagged 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 here. Under this category, a new 5-year award will offer 10% concessionary tax rate on incremental qualifying income derived from the provision of qualifying supporting shipping services.

Qualifying supporting shipping services include:

a) Ship management, ship agency, and shipping freight/logistic services (currently covered under the ASL scheme);

b) Ship broking and FFA trading (currently covered under the ship broking and FFA trading incentive); and

c) ***(New)*** Qualifying corporate services.

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

The Maritime and Port Authority of Singapore ("MPA") will release further details by end May 2011.

[1] Automatic WHT exemption in respect of foreign-flagged ships will apply only to approved ship operators under the MSI.

LIBERALISATION OF THE WITHHOLDING TAX EXEMPTION REGIME FOR BANKS

To facilitate access to a wider range of funding sources for their lending business and strengthen our position as a regional funding centre, the following enhancements will be made to the **WHT exemption regime for banks** with effect from 1 April 2011:

a) WHT exemption will be granted on interest and other qualifying payments (i.e. all payments falling within the ambit of Section 12(6) of the ITA) made to all non-resident persons (excluding Permanent Establishments in Singapore) if the payments are made for the purpose of their trade or business; and

b) Entities covered under the exemption will be expanded to include banks licensed under the Banking Act or approved under the MAS Act, finance companies licensed under the Finance Companies Act, and 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 (such as investment banks).

The WHT exemption covered by the enhancements will be applicable for:

a) Payments liable to be made during the period from 1 April 2011 to 31 March 2021 (both dates inclusive) on contracts which take effect before 1 April 2011; and

b) Payments liable to be made on contracts which take effect on or after 1 April 2011 to 31 March 2021 (both dates inclusive).

A sunset clause will be introduced, but only for the enhanced scope of WHT exemption – 31 March 2021. The sunset clause allows us to review schemes on a regular basis and ensure that they continue to be useful to the industry.

MAS will release further details of the changes by end March 2011.

EXTENSION OF CAPTIVE INSURANCE TAX INCENTIVE

Insurers on this scheme can enjoy tax exemption on qualifying income derived from the carrying on of offshore insurance business for a period of 10 years. The scheme **will now be extended until 31 March 2018.** An award renewal framework will also be introduced for incentive recipients with effect from 19 February 2011.

MAS will release further details of the changes by end April 2011.

EXTENSION OF MARINE HULL AND LIABILITY INSURANCE TAX INCENTIVE SCHEME

Insurers on this scheme can enjoy tax exemption on qualifying income derived from the carrying on of marine hull and liability insurance business for up to 10 years.

The following are proposed:-

a) A sunset clause will be introduced for the scheme – 31 March 2016. The sunset clause allows us to review schemes on a regular basis and ensure that they continue to be useful to the industry; and

b) An award renewal framework will be introduced for incentive recipients with effect from 19 February 2011.

MAS will release further details of the changes by end April 2011.

EXTENSION AND ENHANCEMENT OF SPECIALISED INSURANCE TAX INCENTIVE SCHEME

Insurers on this scheme can enjoy tax exemption on qualifying income derived from the carrying on of qualifying offshore specialised insurance business for a period of 5 years. The specialised insurance business lines under this scheme are Terrorism, Political, Energy and Aviation and Aerospace risks.

The sunset clause for this scheme is 31 August 2011 but will be extended till 31 August 2016.

In addition, the following enhancements will be made to the scheme with effect from 19 February 2011:

a) Agriculture insurance will be included as a new qualifying specialised insurance business line; and

b) An award renewal framework will be introduced for incentive recipients.

MAS will release further details of the changes by end April 2011.

RENEWAL OF TAX EXEMPTION SCHEME FOR INCOME DERIVED FROM STRUCTURED PRODUCTS

Presently, 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. This is applicable to payments made on structured products where the contracts take effect, are renewed or extended during the period from 1 January 2007 to 31 December 2011.

It is proposed that the existing tax exemption scheme for income derived from structured products will be extended to 31 March 2017.

EXTENSION OF TAX INCENTIVE SCHEMES FOR PROJECT FINANCE

The current package of tax incentive schemes for Project Finance includes:

a) Exemption of qualifying income from qualifying project debt securities ("QPDS");

b) 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 to qualifying entities listed or to be listed on the SGX;

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[2] 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.

With the exception of the FSI-PF, it is proposed that the existing package of tax incentive schemes for Project Finance will be extended till 31 March 2017.

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

MAS will release further details of the changes by end April 2011.

SUNSET CLAUSE ON THE TAX INCENTIVE SCHEME FOR TRUSTEE COMPANY

Currently, trustee companies approved on the scheme can enjoy a concessionary tax rate of 10% on income derived from the provision of qualifying trustee and custodian services, trust management and administration services.

To streamline the scheme and align the administration of the incentive with other tax incentive schemes, the following changes will be made to the scheme:

a) A sunset clause will be introduced for the scheme – 31 March 2016. The sunset clause allows us to review schemes on a regular basis and ensure that they continue to be useful to the industry;

[2] "Approved" means approved by the Minister or such person as he may appoint.

b) Trustee companies approved on or after 1 April 2011 will be offered a 10-year award tenure;

c) All existing approved trustee companies will automatically transit to the new framework on 1 April 2011. They will enjoy the scheme for a period of 10 years ending 31 March 2021; and

d) The list of qualifying activities will be expanded to include the provision of trustee and custodian services in respect of the issue of units to foreign Collective Investment Schemes and foreign Business Trusts with effect from 1 April 2011.

MAS will release further details of the changes by end April 2011.

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.

However, this scheme will be discontinued from 19 February 2011. The objective of the scheme has been assessed to be no longer relevant to merit a tax incentive.

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:

a) 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

b) exchange-traded and OTC freight derivatives.

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

Also, the GTP scheme does not have a sunset clause. The various enhancements to the GTP scheme have sunset clauses[3] ending at different times. As part of their incentive award, GTP companies can enjoy the following:

a) 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;

b) 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; and

c) Concessionary rate of 5% for qualifying income derived by GTP companies between 24 May 2007 and 23 May 2017 from qualifying transactions in LNG ("Liquefied Natural Gas") .

[3] The end dates listed in the sunset clauses under enhancements (a) to (c) refer to the dates after which the qualifying income will no longer enjoy the tax incentive.

A GTP company approved during the period 21 May 2010 to 20 May 2015 can enjoy a concessionary rate of 5% or 10% on qualifying income derived from carrying out structured commodity financing activities.

To facilitate better risk management amongst GTP companies, it is proposed that the existing list of qualifying derivative instruments under the GTP will be expanded to include all derivative instruments. This enhancement will apply to income from qualifying trades in the new qualifying derivative instruments, derived by a GTP company from Year of Assessment 2012. This enhancement will strengthen our commodity markets and generate spin-offs for our financial sector.

A sunset clause will be introduced for the GTP scheme – 31 March 2021. The sunset clause allows us to review schemes on a regular basis and ensure that they continue to be useful to the industry.

The existing sunset clauses for the GTP enhancements will be aligned to a common sunset clause at the scheme level (i.e. 31 March 2021).

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 five years.

IE Singapore will release further details by end 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.

The total annual revenue of approved network/associated companies located in Singapore ("LNCs") must not exceed 10% of the Group's annual total revenue globally (hereinafter known as "revenue ratio"). The EDB determines this revenue ratio at the time of application and will review it subsequently at the mid-term of the FTC award tenure.

It is now proposed 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 will be introduced for the FTC Incentive – 31 March 2016. The sunset clause allows us to review schemes on a regular basis so as to ensure that they continue to be useful to the industry.
All other existing conditions of the current concession apply.

MISCELLANEOUS

SPECIAL EMPLOYMENT CREDIT ("SEC")

To be paid out over 3 years, employers will receive a one-off SEC for employing older Singaporean workers who are covered by the Workforce Scheme. The credit represents 50% and 80% of employers' CPF contribution for employees who are 55 to 59 years old and 60 and above respectively.

FOREIGN WORKER LEVIES

Foreign worker levies will be gradually increased for all sectors, including manufacturing, services, construction and marine industries from 1 January 2012 to 1 July 2013.

EXTENSION OF GREEN VEHICLE REBATE ('GVR") SCHEME

The GVR scheme will be extended for another year until 31 December 2012 whilst the government will undertake a comprehensive review of the relevant measures.

REMOVAL OF RADIO AND TELEVISION LICENCE FEES

From 1 January 2011, the $27 annual fee for vehicle radios and $110 for TV licence fee will be removed permanently.

EXCISE DUTIES

With effect from 18 February 2011, excise duties for the following two classes of non-cigarette tobacco products will be increased:-

i. beedies, ang hoon and smokeless tobacco products from S$181 to S$199 per kg;

ii. unmanufactured tobacco, cut tobacco and tobacco refuse from S$300 to S$315 per kg.

The excise duties for the other tobacco products remain unchanged.

VOLUNTARY CPF MEDISAVE CONTRIBUTIONS MADE BY COMPANIES FOR SELF-EMPLOYED PERSONS ("SEPs")

From 1 January 2011, voluntary cash contributions made by eligible companies to the medisave account of SEPs (e.g. taxi drivers) will be given tax deduction of up to $1,500 per SEP per year and the contributions are tax exempt in the hands of the SEPs, subject to certain conditions.

GROWTH DIVIDENDS

Due to the strong economic growth recorded last year, all Singaporeans will receive growth dividends ranging from $100 to $800 by 1 May 2011. The amount received will depend on the income and annual value of the residence. NSmen and National Full-Time Servicemen ("NFSs"), including those below 21 years old, will receive an additional $100.

CPF MEDISAVE ACCOUNT TOP-UPS

A top-up to the CPF Medisave Account will be provided to Singaporeans aged 45 and above ranging from $200 to $700, depending on the annual value of the residence.

CHILD DEVELOPMENT CREDIT ("CDC") SCHEME *New*

Depending on the annual value of residence in 2010, CDC of $300 or $400 will be paid from July 2011 to all Singaporean children who are aged 6 years old or below in 2011 (i.e., for those born between 1 January 2005 and 31 December 2011). CDC can be used to pay for the children's preschool, childcare and medical expenses.

HDB HOUSEHOLD REBATES

Additional Utilities-Save, Service and Conservancy Charges and rental rebates will be given in 2011.