



Deloitte Singapore's comments on the Singapore Budget 2008

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We are pleased to share our initial comments on the Singapore Budget 2008. All comments published should be attributed to Ajit Prabhu, Tax Partner, Deloitte Singapore & Southeast Asia.

If you wish to follow up on any of the comments or to obtain other comments, please contact Maureen or Pushpa at the numbers listed above or our Tax Partner/Directors directly (their contact details are on page 2).

The much anticipated cut in top personal income tax rates did not materialize. Instead, a personal income rebate of 20% (subject to a cap of \$2,000) was announced. Relative to the quantum of previous rebates, 20% is generous. However, the cap at \$2,000 would ensure the rebate benefits the lower to middle income groups the most.

Estate duty, however, is finally abolished. The removal of this tax should further enhance Singapore's status as a premier fund management location.

There are also several other significant personal income tax changes introduced. One of such is the relaxation of the SRS scheme to allow employers to contribute. This may now make the SRS scheme a viable alternative to private pension schemes that companies implement to retain staff.

Another notable change is the rationalization of the incentive schemes for stock option gains. The current Company Employee Equity-based Remuneration (CEEER) and Entrepreneurial Employee Equity Based Remuneration (EEEEER) schemes will be combined into one umbrella scheme. Under this new umbrella scheme, a new scheme for start-ups will also be introduced with even more favourable exemptions. This should help start-ups in attracting and retaining talent, and foster entrepreneurship.

On the corporate tax side, the introduction of several R&D concessions and incentives will be a further impetus to Singapore's quest to be a knowledge economy. The introduction of the R&D tax allowance and the increase of R&D deduction to 150% should spur more of such activities. The R&D incentive for start-ups Enterprise (RISE) is an interesting concept as it allows for losses arising from carrying out of R&D activities to be monetize. This will complement existing financial grants for R&D to provide innovative start-ups with much needed cashflows in their initial years of operation.

With respect to industry specific tax incentives, the extension of the Financial Sector Incentive (FSI) and the Qualifying Debt Securities (QDS) schemes were expected. However, the enhancement of

these schemes should see Singapore continue to be a vibrant and attractive financial hub. Various improvements have also been announced for the shipping and shipping financing industry, which will further consolidate Singapore's competitiveness as a shipping hub.

Overall, the tax measures introduced were well-balanced and consistent with the overall aim of the Budget to create a top-quality economy, through the promotion of enterprise, knowledge creation, development and attraction of talents. Reduction of personal tax rates would have been a real icing on the cake in helping to achieve this aim and we look forward to this materializing in the coming Budgets.

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