

## Singapore Budget Speech 2008 – PwC’s reactions

Please attribute the following quotes to the respective PricewaterhouseCoopers partner. Please note “PricewaterhouseCoopers” is “PwC” in short.

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"A clear direction to encourage an innovative environment and support R&D projects in Singapore."

- **Abhijit Ghosh, Tax Partner, PricewaterhouseCoopers (PwC) Singapore**

"The Finance Minister emphasised on education and R&D – two vital issues for revving up a knowledge-based economy."

- **Abhijit Ghosh, Tax Partner, PricewaterhouseCoopers (PwC) Singapore**

"In the battle for global talent, the Finance Minister decided to keep his powder dry in this Budget. Not reducing the top rate of tax from 20 percent was a surprise but the income tax rates are still extremely competitive."

- **James Clemence, Partner, PwC International Assignment Services Singapore**

"The tax rebate will be well received by taxpayers but will only create a short-term ‘feel good’ factor rather than a longer term cushion against significant cost inflation."

- **James Clemence, Partner, PwC International Assignment Services Singapore**

"With so many incentives for innovation, there was little innovation for incentives from the Finance Minister."

- **James Clemence, Partner, PwC International Assignment Services Singapore**

*On education, R&D, and estate duty*

"Back to school, be innovative, and rest in peace."

- **Peter Tan, Tax Partner, PricewaterhouseCoopers (PwC) Singapore**

"The government is doing much to help companies, for example, through offering tax deductions for R&D. However, companies that are serious about competing at the world stage need to constantly innovate, reinvent themselves and invest in R&D, instead of relying on the government to reduce corporate tax rates."

- **Paula Eastwood, Head, Corporate Tax, PricewaterhouseCoopers (PwC) Singapore**

"The extension of the automatic exemption period for profits on the sale of ships and gains from hedging of foreign exchange transactions relating to the core shipping operations for another five years will be a great relief to the shipping community. The tax concession for the sale of ships was expanded to cover profits from the sale of shares of the Special Purpose Company which owns the ship. All these give much needed certainty, and the competitive edge needed for Singapore to stay as a leading international maritime centre."

- **Ho Mui Peng, Tax partner, PricewaterhouseCoopers (PwC) Singapore**

"For symmetry of treatment, it would be better if income from leasing of containers was also exempt from tax just as income from ship leasing is under the Maritime Finance Incentive (MFI). Nonetheless, providing a concessionary tax rate will help to entice specialised sea container owners to base a part of their container business here, giving financiers and liner owners more options in packaging their financing solutions. Interestingly, partnerships, which do not qualify for tax incentives, will be allowed to apply for the MFI."

- **Ho Mui Peng, Tax partner, PricewaterhouseCoopers (PwC) Singapore**

“The slew of incentives for the shipping industry signal the importance Singapore places on the shipping sector in our economy.”

**- Ho Mui Peng, Tax partner, PricewaterhouseCoopers (PwC) Singapore**

“A Budget to encourage entrepreneurship, innovation and wealth creation. This will continue to enhance Singapore’s attractiveness to the global community.”

**- Abhijit Ghosh, Tax partner, PricewaterhouseCoopers (PwC) Singapore**

“The five percent tax incentive for offshore takaful and retakaful business and the 10 percent tax incentive for offshore insurance and reinsurance broking business are obviously incentives intended to continue to promote Singapore as the insurance hub for the Asian region. They will certainly be welcomed by the insurance sector. The question, however, is whether the incentive rates offered are low enough. Would a zero percent and five percent tax respectively have been a better incentive? After all, the normal corporate tax rate in Singapore is now only 18 percent.

Related to this is the current incentive rate of 10 percent offered to offshore insurance businesses not subject to any other special incentive. This 10 percent incentive rate has remained unchanged since the late 1970s. Given the fact that corporate tax rates have more than halved over the years, it is perhaps time that this incentive rate be reduced to, say, at least five percent. One must not forget that Singapore is not just competing in Asia but is competing for the international insurance business against popular tax-favoured locations such as Bermuda.”

**- Yip Yoke Har, Tax partner and insurance leader, PricewaterhouseCoopers (PwC) Singapore**

“The government completed the path started last year to duty all alcoholic beverages on the basis of alcohol content, not volume of beverage. For wines and vermouths with an alcohol content of more than 13.57 percent, this means an increase in excise duty, and for those with a lower alcohol content, a decrease. In effect, it continues to encourage the consumption of drinks with a lower percentage of alcohol, although the numbers are designed to be revenue neutral.

For revellers whose tipple weighs in at a content of 13.5 percent (which is at the highest for wine) or more, this means an increase in excise duty. Spirit and liqueur drinkers will have to keep an eye on the 4.3 percent mark on the bottle. For cider and perry, the line is about 6.9 percent and for shandy, who cares? (but it's 1.14 percent!)”

**- Frank Debets, Partner, PricewaterhouseCoopers Worldtrade Management Services**