

News release

For immediate release on 22 January 2009

Overall budget reaction

Russell Aubrey, Head of Tax, Ernst & Young Solutions LLP

“A bold and credible budget for immediate survival and future sustainability.”

Russell Aubrey, Head of Tax, Ernst & Young Solutions LLP

“Fiscal prudence pays. Singapore now has the ammunition to tackle this extraordinary economic downturn head on.”

Choo Eng Chuan, Tax Services Partner, Ernst & Young Solutions LLP

“This is a budget to preserve our AAA sovereign risk rating.”

Choo Eng Chuan, Tax Services Partner, Ernst & Young Solutions LLP

“An all-rounded budget that takes care of everyone in the economy. No one is left behind.”

Tan Lee Khoon, Tax Services Partner, Ernst & Young Solutions LLP

“The government has reacted swiftly and boldly to a rapidly contracting economy. This should not be the end, but rather an ongoing journey towards re-positioning our economy and our people to meet the evolving challenges before us.”

Poh Bee Tin, Tax Services Partner, Ernst & Young Solutions LLP

“The economy has yet to bottom out. It is reassuring to know that the Government will be monitoring the situation and is prepared to introduce more measures to arrest the economic slide where appropriate.”

Choo Eng Chuan, Tax Services Partner, Ernst & Young Solutions LLP

“The resilience package is holistic and encompassing. It is a well-thought-out ‘rescue package’ for the people, businesses and long-term sustainability of Singapore.”

Amy Ang, Tax Director, Ernst & Young Solutions LLP

“A much-needed jolt to revive the heartbeat of an ailing economy.”

Russell Aubrey, Head of Tax, Ernst & Young Solutions LLP

“The Government has pulled creative policy levers to resuscitate the flagging economy.”

Jobs Credit Scheme

Russell Aubrey, Head of Tax, Ernst & Young Solutions LLP

“A welcome move to encourage companies to keep their employees and stave off further job losses.”

Amy Ang, Tax Director, Ernst & Young Solutions LLP

“The jobs credit scheme is an innovative way to encourage job retention, and is an effective alternative to a CPF cut.”

Choo Eng Chuan, Tax Services Partner, Ernst & Young Solutions LLP

“It’s heartening that our government is totally committed to saving jobs; this is demonstrated by the introduction of the jobs credits scheme, which will cost S\$4.5 billion.”

Latha Mathew, Tax Services Partner, Ernst & Young Solutions LLP

“Dire times call for extraordinary measures and the government has responded with a bold and innovative resilience package to save jobs”

Foreign-sourced income exemption scheme

Poh Bee Tin, Tax Services Partner, Ernst & Young Solutions LLP

“The one-year tax amnesty for foreign income without conditions is a good move to encourage an injection of cash into the economy swiftly and put companies on par with individuals.”

Tan Lee Khoon, Tax Services Partner, Ernst & Young Solutions LLP

“Given that the economic downturn may be prolonged, we hope the Government will

consider extending the one-year window period for the foreign income exemption to allow companies more time to convert illiquid assets into cash.”

Loss-carry back

Latha Mathew, Tax Services Partner, Ernst & Young Solutions LLP

“The doubling of the quantum for the loss carry back is a good move. Allowing a refund based on a provisional claim without waiting for a final tax assessment will certainly help companies.”

Tan Lee Khoon, Tax Services Partner, Ernst & Young Solutions LLP

“The enhancement to the loss carry back regime will immediately put cash back in the hands of companies since the carry back will be allowed based on provisional calculations.”

Poh Bee Tin, Tax Services Partner, Ernst & Young Solutions LLP

“At the practical level, it remains to be seen how IRAS will administer the enhancement to expedite the refund.”

Small and medium enterprises

Amy Ang, Tax Director, Ernst & Young Solutions LLP

“The Government has answered the cries of the SMEs. With these initiatives, it gives SMEs greater hope and confidence in pulling through this crisis.”

Cash grants / workfare income supplement

Amy Ang, Tax Director, Ernst & Young Solutions LLP

“It is generous of the Government to provide the cash grants to the low income workers. This will definitely help this group of workers to provide for themselves and their families in this gloomy situation.”

Corporate tax cut

Helen Bok, Tax Director, Ernst & Young Solutions LLP

“With the corporate tax rate cut, the difference between the top rate of personal tax of 20% and the corporate rate is widened to 3 percentage points. It will give sole proprietors more incentive to consider corporatising their business.”

Yeo Kai Eng, Partner, GST Services, Ernst & Young Solutions LLP

“The recent corporate tax reductions have always coincided with an increase in the GST rate. Of course, this is not the right time to increase the GST rate. But we might well see a further increase in the GST rate when the economy recovers.”

Special Risk Sharing Incentive / stimulating lending

Amy Ang, Tax Director, Ernst & Young Solutions LLP

“The Government has clearly studied the effectiveness of various stimulus packages and bailout plans introduced by other Governments. The SRI should provide more confidence to the financial industry and help encourage the provision of credit.”

Amy Ang, Tax Director, Ernst & Young Solutions LLP

“The S\$11 billion worth of loans expected to be stimulated by the SRI should provide excitement to businesses which have been starved for credit and inject liquidity to cash-strapped companies.”

Accelerating capital allowances

Helen Bok, Tax Director, Ernst & Young Solutions LLP

“This enhancement is obviously targeted at large corporations which have the means to invest in new plant and machinery in these difficult times.”

Renovation and refurbishment tax incentive

Poh Bee Tin, Tax Services Partner, Ernst & Young Solutions LLP

“It is disappointing that the cap of S\$150,000 on the renovation and refurbishment tax incentive is not raised.”

Fund management industry

Amy Ang, Tax Director, Ernst & Young Solutions LLP

“Enhancing the tax incentives for the fund management industry should encourage and promote wealth management activities in Singapore. Singapore monies will no longer be shortchanged.”

Helen Bok, Tax Director, Ernst & Young Solutions LLP

“The enhancement to the existing fund management incentives provide additional source of funds to the fund managers. The question is how will these funds be used. Perhaps further relaxation of the list of designated investments to include Singapore residential properties should be considered.”

Amy Ang, Tax Director, Ernst & Young Solutions LLP

“These enhancements are welcoming and would propel Singapore to be a leading global asset management hub.”

Helen Bok, Tax Director, Ernst & Young Solutions LLP

“The removal of the conditions and limits under the enhancements will make the fund management incentive easier to understand, administer and most importantly achieve the fund managers’ objective to attract funds.”

Helen Bok, Tax Director, Ernst & Young Solutions LLP

“Perhaps the Government could also consider an automatic 10% concessionary tax rate for the fund managers under the enhanced tier incentive, which otherwise will only be available if the fund manager meets certain conditions.”

Recovery of input GST for qualifying funds

Yeo Kai Eng, Partner, GST Services, Ernst & Young Solutions LLP

“Bravo, long overdue! The ability to finally be able to recover the input GST will remove a disincentive to engage the services of fund managers in Singapore.”

Yeo Kai Eng, Partner, GST Services, Ernst & Young Solutions LLP

“The proposed input GST recovery concession for funds should attract more funds to be established in Singapore as they will no longer be disadvantaged by the irrecoverable GST costs .”

GST zero-rating for the aerospace industry

Yeo Kai Eng, Partner, GST Services, Ernst & Young Solutions LLP

“With the further concessions granted for the aerospace industry, GST should be less of a concern for those MRO businesses operating out of Singapore. This augurs well for the aerospace industry in Singapore.”

Yeo Kai Eng, Partner, GST Services, Ernst & Young Solutions LLP

“Further GST relief for the aerospace industry is great news for those MRO businesses already operating in Singapore and will make Singapore even more GST-friendly.”

Personal tax rebate

Grahame Wright, Partner, Human Capital, Ernst & Young Solutions LLP

“The 20% personal tax rebate for YA2009 and extension of the tax payments schedule for those who lose their jobs will have an almost immediate impact on cash flow for families, particularly the middle income group.”

Donations relief

Tan Lee Khoon, Tax Services Partner, Ernst & Young Solutions LLP

“The increase in the donations relief to 250% will encourage donations in these difficult times, but it would have been even better if it were to be raised to 300% since it is only for one year.”

Latha Mathew, Tax Services Partner, Ernst & Young Solutions LLP

“It is heartening to see an increase in relief to 250% for donations made in 2009. This will certainly help the less fortunate in some way.”

Grahame Wright, Partner, Human Capital, Ernst & Young Solutions LLP

“In these tough times, increasing tax deductibility of charitable donations should encourage more taxpayers to continue supporting IPCs. A donation made by a taxpayer in the 20% tax bracket will now be 50% funded by the resulting tax saving.”

Training

Grahame Wright, Partner, Human Capital, Ernst & Young Solutions LLP

“Further expansion of training subsidies will enable employers to transform their employees to be a stronger workforce in the upturn.”

Temporary suspension of GST and duty on goods temporarily removed from Zero-GST or Licensed warehouse for auctions and exhibitions

Yeo Kai Eng, Partner, GST Services, Ernst & Young Solutions LLP

“With the proposed suspension of the GST and duty on goods temporarily removed from Zero-GST or licensed warehouse for auctions and exhibitions, it will make Singapore an attractive place to conduct these activities without the headache of addressing the GST and duty implications.”

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