Horwath First Trust

BUDGET 2009

A SPECIAL REPORT ON THE SINGAPORE BUDGET 2009 | **23 JANUARY 2009**

FOREWORD

Budget 2009 was probably the most keenly anticipated budget announcement in recent times. Singaporeans, just like citizens in many other countries, were looking to the government to help them in managing the financial and social impact of the worst global recession in 60 years. In this regard, the Budget did not disappoint as it unveiled a massive $20.5 billion economic expansionary package to deal with the crisis.

Dubbed by the Finance Minister Tharman Shanmugaratnam as the "Resilience Package", this Budget's main focus is to help as many Singaporeans as possible to keep their jobs and viable companies to stay afloat in what might be Singapore's worst economic downturn since its independence. Given the government's ever pragmatic and long-term thinking, the Budget also contains initiatives to position Singapore favorably when the global economy recovers.

The Finance Minister outlined 5 key components of the Resilience Package which are: preserving jobs, stimulating bank lending, enhancing business cashflow and competitiveness through tax measures, supporting families through various grants and tax measures and, investing in physical infrastructure, education and healthcare. Some of these measures are summarized below.

As the current economic woes are mainly due to a global slowdown in demand and not because our economy is not competitive, much of the Budget measures are aimed at reducing the costs of doing business in the short run to help businesses tide over the rough period. In this regard, a slew of cost reduction measures such as property tax rebates for commercial and industrial properties, road tax rebates for goods vehicles, taxis and buses and a reduction in port dues for harbour crafts have been introduced with effect for a limited time of about 1 year. These measures should provide immediate and direct relief especially to small and medium enterprises.

Secondly, to save jobs, almost a quarter of the $20.5 billion Resilience Package will be devoted to a new Jobs Credit scheme to defray part of the wage costs of employers. Under this scheme, every employer will be given for 1 year a cash grant equal to 12% of the first S$2,500 earned by each of their employees who are on the CPF payroll. This will help a lot businesses that are suffering from the pressure of high labour costs due to sharp increases in wages in the last 2 years coupled with decreased turnover in recent months. Workers and unions should also be happy with this initiative as this will not result in a cut in the CPF contribution rate which might have affected many families' ability to finance their home mortgage loans. As the cash grant will be paid out every quarter based on the number of employees on the CPF payroll, the Jobs Credit scheme will also help in the employability of Singaporean workers. While the finer details of the scheme are not available yet, we hope that the scheme will be further enhanced by exempting the cash grants from tax in the hands of the recipients.

InSide

If you wish to discuss the Budget or if you have any questions regarding tax matters, please communicate with your usual contact in our office or please call any one of the tax liaison persons below:

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On the corporate tax front, the notable change is the reduction in the corporate tax rate by 1% to 17% with effect from the year of assessment 2010. If the partial tax exemption scheme is taken into account, the effective corporate tax rate should be the lowest in the Asian region for now. While this change will not translate to an immediate benefit to companies, it should help to attract or retain MNCs that are restructuring and relocating their investments to remain sustainable during the current economic crisis. With the lowering of the corporate tax rate, it remains to be seen whether a reduction will be made to the concessionary tax rate of 15% for regional headquarter companies meeting the minimum qualifying requirements since the gap between the normal and concessionary tax rate has narrowed further.

The relaxation in the exemption of foreign-sourced income is welcomed as it puts Singapore on par with countries like Malaysia that has abolished income tax on foreign-sourced income. However, the fact that this is only a temporary measure that will expire on 21 January 2010 is disappointing and it is hoped that the Minister will extend or make this concession permanent in the next Budget.

The increase in the limit on the amount of current year unutilized capital allowances and trade losses that can be carried back under the loss carry-back relief scheme from $100,000 to $200,000 is a good move that may translate into immediate cash for businesses that have been profitable in the past but went or will go into the red in 2008/2009. In addition, it has been proposed that the unutilized capital allowances and trade losses be able to be carried back up to 3 years of assessment as opposed to only one year of assessment currently. This change will make our loss carry-back regime similar to certain countries such as France and Canada that also provide for a carry-back up to 3 prior years. Again, it has been mentioned that this is only a temporary enhancement for the years of assessment 2009 and 2010. Hence, it appears that the government is taking a wait-and-see approach before making permanent systematic changes.

Following through previous Budgets, the government has refined or extended certain existing tax incentives for businesses in the financial, maritime and aviation services sector that will continue to enhance Singapore's competitiveness.

What is also commendable of this year's budget is that, despite the recession, the government has set aside about $1 billion to be spent over the next 5 years on sustainable development initiatives that will support programmes such as clean energy and green transport. This augments the international effort in dealing with environmental issues that have been somewhat over-shadowed by the deepening global recession. It is hoped that the government will continue the commitment to green causes and also look into developing a comprehensive framework for the tax treatment of emissions units under an Emission Trading Scheme.

Normally, during a recession, philanthropy tends to take a backseat. The temporary increase in the amount of tax deduction that can be claimed for donations made to approved recipients signals the government's resolve to promote philanthropy.

This year's Budget will be remembered for some time to come as an indicator of the government's ability to deal with one of the worst crisis in recent times. The expected impact of this Budget can be best summarized by what Mr Tharman said - "The Resilience Package will not get us out of the recession, as long as the global economy continues to contract. But it will help avert an even sharper downturn, and more lasting damage to the economy."

In this report, we have summarized the tax changes affecting businesses and individuals. We hope you will find the summary useful.

1 BUSINESS TAX

GENERAL TAX CHANGES

Corporate Income Tax Rate

Current

The corporate income tax rate is 18% with effect from the Year of Assessment 2008. Also, a partial tax exemption is granted on up to the first $300,000 of a company's chargeable income. For the first $10,000 of the company's chargeable income, 75% of this amount will be exempt from tax. On up to the next $290,000 of the company's chargeable income, 50% of this amount will be exempt from tax.

Proposed

The corporate income tax rate will be reduced to 17% with effect from the Year of Assessment 2010. There is no change to the partial tax exemption scheme.

Enhancement Of The Start-Up Tax Exemption Scheme

Current

Under the start-up exemption scheme, newly incorporated companies can claim for full tax exemption on the first $100,000 of chargeable income and 50% exemption for the next $200,000 of their chargeable income, for their first three Years of Assessment upon incorporation.

To qualify for the start-up tax exemption scheme, the company must be:-

1. incorporated in Singapore;
2. a tax resident of Singapore; and
3. its total share capital must be beneficially held directly by no more than 20 shareholders all of whom are individuals; or at least one of whom is an individual holding at least 10% of the total number of issued ordinary shares of the company throughout the basis period relating to the Year of Assessment of claim

A company limited by guarantee is currently excluded from this scheme.

Proposed

With effect from Year of Assessment 2010, to support the growth of companies limited by guarantee set up by social entrepreneurs, the start-up exemption scheme will also be extended to companies limited by guarantee. These companies limited by guarantee will be subjected to the same conditions as those imposed on companies limited by shares.

Enhancement Of Loss Carry-Back Relief Scheme

Current

Under the current loss carry-back relief scheme, only current year unabsorbed capital allowances and trade losses up to a limit of $100,000 are allowed to be carried back against the assessable income of the Year of Assessment immediately preceding that Year of Assessment in which the capital allowances were granted or the trade losses were incurred.

Proposed

The loss carry-back relief scheme will be enhanced for Years of Assessment 2009 and 2010 as follows:

1. Current year unabsorbed capital allowances and trade losses (collectively known as "qualifying deductions") will be allowed to be carried back for up to three Years of Assessment immediately preceding that Year of Assessment in which the capital allowances were granted or the trade losses were incurred.
2. The order of setoff of qualifying deductions to the three immediate preceding Years of Assessment will be first to the third Year of Assessment, followed by the second Year of Assessment, and then the Year of Assessment immediately preceding the Year of Assessment in which the capital allowance were granted or the trade losses were incurred.
3. The limit on the aggregate amount of current year qualifying deductions that can be carried back will be increased from $100,000 to $200,000.

These enhancements will be available to all businesses, including sole proprietorships and partnerships. Other existing conditions will continue to apply.

Expansion Of Scope Of Foreign-Sourced Income Exemption

Current

Under Section 13(8) of the Income Tax Act (ITA), foreign-sourced dividends, foreign-sourced branch profits and foreign-sourced service income remitted to Singapore by resident non-individuals are exempted from income tax, subject to the following conditions:

1. the specified foreign income must have been subjected to tax in the foreign jurisdiction from which the income is received; and
2. at the time the specified foreign income is received in Singapore, the headline tax rate of the foreign jurisdiction from which the income is received is at least 15%

Proposed

With effect from 22 January 2009, resident non-individuals and resident partners of partnerships in Singapore will be exempted from tax on their remittance of all foreign-sourced income earned/accrued outside Singapore on or before 21 January 2009, if they remit their foreign-sourced income to Singapore from 22 January 2009 to 21 January 2010 (both dates inclusive).

The Government will also temporarily lift the 2 conditions mentioned above that are currently required for foreign-sourced income to be exempted from tax when remitted into Singapore.

Enhancement Of Existing Capital Allowances Regime

Current

Under Section 19A(2) of the ITA, a taxpayer can claim a 100% write-off of capital expenditure incurred on the provision of computer or automation equipment. Further, under Section 19A (10A) of the ITA, a 100% write-off can be claimed in respect of capital expenditure not exceeding $1,000 incurred on the provision of any item of plant or machinery for the purposes of a trade, business or profession, provided the aggregate capital allowances claimed in any Year of Assessment under Section 19A (10A) does not exceed $30,000. Capital allowances on capital expenditures incurred in the provision of plant and machinery for the purposes of a trade, profession or business, that do not qualify under Section 19A(2) and Section 19A(10A) can be claimed over three years under Section 19A(1).

Proposed

Businesses can write down the costs of newly acquired plants and machinery within two years with 75% of the write-down taking place in the first year of capital allowance claim. This accelerated write-down will be applicable for the basis periods for the Years of Assessment 2010 and 2011.

Enhancement Of Tax Deduction For Capital Expenditure Incurred On Renovation And Refurbishment (R&R) Works

Current

Under Section 14Q of the ITA, a tax deduction is granted on qualifying R&R expenditure (except those expenses relating to structural works and expansion of space) incurred during the period from 16 February 2008 to 15 February 2013. The amount incurred will be granted a tax deduction over three years, on a straight-line basis, and is subject to an expenditure cap of $150,000 for every three years per business entity.

Proposed

Businesses that incur qualifying R&R expenditure in the basis periods for the Years of Assessment 2010 and 2011 can deduct such expenses in one year instead of over 3 years. The expenditure cap of $150,000 for every three years per business entity will remain unchanged.

Enhanced Tax Deduction For Donations

Current

Under the current treatment, all qualifying donations to Institutions of Public Character (IPCs) and other approved recipients (such as approved museums, prescribed schools, etc) qualify for double tax deduction at 200%.

Proposed

Tax deduction on qualifying donations made during 1 Jan 2009 to 31 Dec 2009 will be enhanced from the current 200% to 250%. All the other existing rules to qualify for the enhanced tax deduction will remain the same.

Tax Framework For Facilitating Corporate Amalgamations

Current

In an amalgamation under the Companies Act, the amalgamated company takes over all assets and liabilities of the amalgamating companies and the amalgamating companies cease to exist. Under the existing tax treatment, tax consequences are often triggered as the amalgamating companies are treated as having ceased businesses and disposed of their assets and liabilities, and the amalgamated company having acquired or commenced a new business. For example, plant and machinery will be considered as sold and balancing adjustments would have to be made. Bad and doubtful debts taken over by the amalgamated company are neither deductible nor taxable in the hands of the amalgamated company, if the amalgamated company subsequently writes off or recovers the debt respectively.

Proposed

A new tax framework for qualifying amalgamations aimed at minimising the tax consequences arising from amalgamation will be introduced. This will apply to qualifying corporate amalgamations where, amongst other conditions, the amalgamated company takes over all assets and liabilities of the amalgamating companies and the amalgamating companies cease to exist.

IRAS will release details of the new tax framework for public consultation in February 2009.

ENHANCEMENTS AND EXTENSIONS TO EXISTING TAX INCENTIVES

Enhancement Of Fund Management Incentives

Current

Existing fund management tax incentives generally grant tax exemption on specified income derived by qualifying funds from designated investments. Qualifying funds can be in the form of companies, trusts or individual accounts. Where a qualifying fund is in the form of a company or a trust, the qualifying fund must not be 100% beneficially owned by resident investors.

Resident non-individual investors of a qualifying fund are subject to a 30% or 50% investment limit, as the case may be, depending on the number of investors in the fund. A breach of this limit would subject resident non-individual investors to a financial penalty. Where the fund vehicle is a Limited Partnership, the incentive conditions are to be applied on each partner, to determine if they qualify for the tax incentives.

Proposed

To further position Singapore as a hub for fund management, a New Enhanced Tier will be introduced to the existing fund management incentives for funds with a minimum fund size of S$50 million at the point of application amongst other conditions. This will be effective from 1 April 2009 to 31 March 2014 (both dates inclusive).

Under the Enhanced Tier, there will be no restrictions imposed on the residency status of the fund vehicles as well as that of investors. The Enhanced Tier will also apply to funds that are constituted in the form of Limited Partnerships i.e. there will no longer be a need to look through to the partners' level to apply the incentive conditions. The 30% or 50% investment limit imposed on resident non-individual investors will also be lifted for funds that come under the Enhanced Tier.

A sunset clause will also be introduced for the Enhanced Tier as well as the existing fund management incentives at the incentive scheme level. Both incentives will expire on 31 March 2014. All funds that are on the scheme on or before 31 March 2014 will continue to enjoy the tax exemption after 31 March 2014, subject to them continuing to meet the scheme conditions.

Fund managers interested in the Enhanced Tier for their funds may apply to MAS for approval. MAS will release the details by April 2009.

Enhancements Of Financial Sector Incentive- Headquarter Services (FSI-HQ) Scheme

Current

The FSI-HQ scheme grants a 10% concessionary tax rate to a FSI-HQ company on qualifying income derived from providing qualifying services to qualifying network companies. A company cannot be approved as an FSI company if:

1. It is not licensed or approved by MAS or is exempted from such licensing or approval under any Act; and
2. It provides treasury, investment or financial services in Singapore to any of its offices or its associated companies.

The tax concession under the FSI-HQ scheme does not extend to income from qualifying services to Local Network Companies (LNC).

In addition, under Section 43R of the ITA there is a separate tax incentive scheme for provision of high value-added processing services ("Qualifying Processing Services Company (QPC) scheme"), which grants a 5% concessionary tax rate on income derived from providing prescribed processing services in Singapore to any financial institution or another QPC. This incentive is valid for the period from 27 February 2004 to 26 February 2009.

Proposed

To further encourage financial institutions to manage and control their regional/global operations from Singapore, the FSI-HQ scheme will be enhanced for the period from 22 January 2009 to 31 December 2013 (both dates inclusive) as follows:

(a) The FSI-HQ scheme will be amended to admit a company that is (i) wholly-owned, directly or indirectly by, or wholly owns directly or indirectly, a company that is licensed or approved by MAS or by the financial supervisory authority in its home country; and (ii) provides treasury, investment or financial services in Singapore for any of its offices or its associated companies.

(b) Withholding tax exemption will be granted on interest payments made by a FSI-HQ company to qualifying persons on qualifying loans entered into during the period from 22 January 2009 to 31 December 2013 to perform qualifying activities.

(c) An LNC can be approved as a qualifying network company of a FSI-HQ company, subject to condition.

(d) The activities incentivised under the QPC scheme will be subsumed under the FSI-HQ scheme and income from providing prescribed processing services in Singapore to any financial institution or another QPC will be taxed at a concessionary rate of 10%. There will be no other changes to the scope of the QPC scheme. Companies that have been approved during the period from 27 February 2004 to 26 February 2009 will continue to enjoy the concessionary rate of 5% until the end of their respective awards.

MAS will release the details by April 2009.

Extension And Enhancement Of Commodity Derivatives Traders (CDT) Scheme

Current

The CDT scheme grants a concessionary tax rate of 5% on income derived by an approved company from:

1. Qualifying trades in commodity derivatives carried out Over-The-Counter (OTC) and on exchanges;
2. Services as an intermediary in connection with transactions relating to commodity derivatives; and
3. Forward freight agreements.

A qualifying trade is one which satisfies the condition that the transaction is carried out with qualifying counter-parties. The CDT scheme will expire on 26 February 2009.

Proposed

The CDT scheme will be extended and subsumed under the Financial Sector Incentive-Derivatives Market (FSI-DM) scheme for the period from 27 February 2009 to 31 December 2013 (both dates inclusive). Accordingly, a new FSI-DM(CDT) award will be created.

In addition, the following enhancements will be made to the CDT scheme:

1. The definition of commodity derivatives is expanded to include emission derivatives under the FSI-DM (CDT) award; and
2. The counter-party restrictions under the FSI-DM (CDT) award will be removed for qualifying trades carried out on exchanges (This enhancement will also apply to qualifying trades carried out under the Global Trader Programme (GTP) and are entered into during the period of 27 February 2009 to 31 December 2013 (both dates inclusive).

The above enhancements will apply to trades entered into during the period from 27 February 2009 to 31 December 2013 (both dates inclusive). MAS will release the details by April 2009.

Enhancement To The Specified Income And Designated Investments Lists

Current

There is a list of specified income and a list of designated investments that qualify for tax incentives under the following financial sector tax incentive schemes:

(a) Foreign trust scheme
(b) Fund management incentives
(c) Approved Trustee Company (ATC) scheme
(d) Financial Sector Incentive- Standard Tier Scheme
(e) Financial Sector Incentive-Fund Management scheme

Proposed

Both lists will be enhanced with effect from 22 January 2009.

The specified income list will be expanded to cover:

(a) Income realised (other than through sale) on or after 22 January 2009 from designated investments in other forms (held to maturity, redemption, or where the realization leads to a transfer of both economic and legal ownership); and

(b) Income derived from debt securities under the Qualifying Debt Securities (QDS) scheme, specifically:

- Prescribed income directly attributable to QDS issued on or after such date as may be prescribed by regulations.
- Amount payable on any Islamic debt securities which are QDS issued on or after 22 January 2009.

The designated investments list will also be expanded to cover the following

1. Investments in structured products
2. Units in business trusts
3. Qualifying Islamic investments involving the *Murabaha, Mudaraba*, *Ijara wa Igtina*, *Musharaka*, *Istisna* and *Salam* concepts
4. Emissions derivatives
5. Stocks and shares of unlisted companies (whether resident or non-resident in Singapore) denominated in any currency
6. Adjudicated and non-adjudicated liquidation claims

MAS will release the details by April 2009.

Extension Of Deductibility Of MAS Notice 612 Provisions For Banks

Current

Banks are allowed to claim tax deduction for the impairment provisions made under MAS Notice 612, subject to caps as stipulated under Section 14I of the ITA. The concession was introduced in 2005 and is valid for five Years of Assessment. Similar tax concessions were made for collective impairment provisions made under MAS Notice 811 for finance companies, and under MAS Notice 1005 for merchant banks.

Proposed

This tax concession will be extended, with the same terms and conditions, for a further three years. The extension of the tax concession will likewise apply for finance companies and merchant banks.

This tax change is to encourage banks to continue making adequate loan impairment provisions and bolster their financial strength to underpin continued lending in the downturn

Accelerated Writing-Down Allowances (WDA) For Acquisition Of Intellectual Property (IP) Rights For Media And Digital Entertainment (MDE) Content

Current

Under Section 19B of the ITA, capital expenditure incurred by a company or partnership in acquiring all genres of IP rights can automatically be written down over a period of five years under the WDA scheme, if the legal and economic ownership of the IP rights are acquired. Where only economic ownership of the IP rights is acquired, but not the legal ownership, an application for approval must be made to the EDB in order to claim WDA.

Proposed

Under this change, the writing-down period for WDA in respect of capital expenditure incurred by a MDE company or partnership in acquiring qualifying IP rights for MDE content will be reduced from five years to two years, subject to prescribed conditions.

This accelerated WDA will be granted on an approval basis by EDB for qualifying IP rights for MDE content acquired during 22 January 2009 to 31 October 2013 (both dates inclusive). The approval to claim accelerated WDA on IP rights for MDE content is required for all such cases, including cases where both economic and legal ownership of the IP rights for MDE content are acquired.

Extension And Enhancement Of Withholding Tax Exemption For Maritime Industry

Current

Under the Block Transfer Scheme (BTS), withholding tax ("WHT") exemption can be granted in respect of interest payable on a loan taken by a shipping enterprise from a lender outside Singapore to acquire a Singapore-flagged ship. This WHT exemption was for ships registered with the Singapore Registry of Ships (SRS) on any date from 1 November 2003 to 31 December 2008.

Proposed

The WHT exemption under the BTS will be extended by five years to 31 December 2013. WHT exemption can also be granted, subject to terms and conditions, on interest payable on a loan taken by a shipping enterprise from a lender outside Singapore to acquire a ship that is a new entrant to the SRS and registered with the SRS on any date from 1 January 2009 to 31 December 2013 (both dates inclusive).

In addition, with effect from 1 January 2009, the WHT exemption under the BTS has been extended to interest payable on a loan taken by a shipping enterprise from a lender outside Singapore to acquire 100% of the shares in a Special Purpose Company (SPC) owning 100% of a ship that is a new entrant to the SRS and registered with the SRS on any date from 1 January 2009 to 31 December 2013 (both dates inclusive).

2 INDIVIDUAL INCOME TAX

Personal Income Tax Rebate

Current

A one-off personal income tax rebate of 20% was provided for in the Year of Assessment 2008, up to a maximum cap of $2,000.

Proposed

The personal income tax rebate of 20% capped at $2,000 will continue to be applicable for tax resident individuals for the Year of Assessment 2009. In addition, the IRAS will allow tax resident individuals who have lost their jobs in 2008 or 2009 to pay their personal income tax for Year of Assessment 2009 in monthly instalments of up to 24 months. Taxpayers can apply to IRAS for this instalment assistance.

Removal Of Income Tax On Net Annual Value (NAV)

Current

The NAV of a property is taxable if it is used by the owner or on behalf of the owner for residential purposes and not for business purposes. An annual exemption threshold of up to $150,000 is allowed on the NAV of one owner-occupied property only. Any excess of NAV above $150,000 is subject to income tax.

Proposed

The income tax on NAV will be removed with effect from Year of Assessment 2010.

3 GOODS AND SERVICES TAX

Recovery Of Input GST For Qualifying Funds

Current

Services provided to a fund outside Singapore generally qualify for zero-rating whereas services provided to a fund in Singapore are standard-rated.

Proposed

Qualifying funds that are managed by a prescribed fund manager in Singapore will be allowed to claim a substantial portion of their input GST on prescribed expenses. This will take effect from 22 January 2009 to 31 March 2014 (both dates inclusive). MAS will release the details by April 2009.

GST Zero-Rating For The Aerospace Industry

Current

Zero-rating of GST of the following transactions is currently allowed for aircrafts that are not used for recreational or pleasure purposes:

1. Sale and lease of qualifying aircraft; and
2. Sale of aircraft components exported as well as maintenance, repair and overhaul works that are performed directly on the aircraft

Proposed

The scope of qualifying aircraft for the purposes of zero-rating will be expanded to include all aircraft which are wholly used or intended to be wholly used for international transportation of goods and passengers. This includes private aircraft, provided that it is wholly used or intended to be wholly used for travel outside Singapore. In addition, zero-rating will be extended to cover the sale, maintenance or repair services of aircraft components or systems as long as they form part of a qualifying aircraft.

A new scheme will also be introduced to facilitate the import of aircraft components or systems for qualifying aircraft without GST.

These changes will take effect from 1 April 2009 and IRAS will release the details by March 2009.

Suspension Of GST And Duty On Goods Temporarily Removed From Zero-GST Or Licensed Warehouse For Auctions And Exhibitions

Current

GST and duty are payable when goods are removed from a Zero-GST or licensed warehouse.

Proposed

With effect from 1 April 2009, GST and duty will be suspended on goods (including wine) temporarily removed from a Zero-GST or licensed warehouse for auctions or exhibitions, even if the goods are sold during the auction or exhibition, provided the goods are returned to the warehouses subsequently.

Singapore Customs will release the details by March 2009.

Exemption Of Duty And GST For A Specified Quantity Of Wine For Approved Wine Exhibitions And Conference Events

Current

Duty and GST are payable for wine used at wine exhibitions and conference events.

Proposed

Duty and GST will be exempted for a specified quantity of wine for use at approved wine exhibitions and conference events with effect from 1 April 2009.

Duty exemption and GST relief will be granted on up to 3 bottles of wine per label per day for each exhibitor and the main conference organizer at approved wine exhibitions and conference events. Singapore Customs will release the details by March 2009.

4 PROPERTY TAX

As part of the cost reduction measures, the following changes to the property tax was announced:

- A 40% property tax rebate will be given for owner-occupied residential properties for calendar year 2009. This will be in addition to following existing rebates for owners of owner-occupied residential properties:

  (a) The on-going property tax rebate given since 1994, when GST was introduced. The quantum of rebate depends on the Annual Value (AV) of a property.

  (b) The additional property tax rebate of up to $100 (or the actual property tax, whichever is lower) per year for 2008 and 2009 as part of the 2007 GST Offset Package, which is given to all owner-occupied residential properties irrespective of the AV.

- A property tax rebate of 40% will be given for commercial and industrial properties for calendar year 2009.

- To help ease cash-flow for commercial property developers with the intention of developing vacant land, property tax deferral of up to two years will be granted to land approved for development. For this assistance measure, land approved for development will be defined as land with valid Written Permission (WP)/Provisional Permission (PP) from URA, and where the land sites are owned by companies. The property tax deferral will take effect immediately from 22 January 2009, or from the date of WP/PP, whichever is later.

- The property tax assessment rate for hotel rooms will remain at the current 20% for 2009.

5 OTHER CHANGES

Jobs Credit Scheme

To sustain jobs for Singaporeans, the Government will introduce a Jobs Credit scheme which will encourage all businesses to preserve jobs in the downturn. This is a temporary one-year scheme for 2009. Details of the scheme are as follows:

1. Employers will receive a 12% cash grant on the first $2,500 of each month’s wages for each employee on their CPF payroll.
2. The Jobs Credit scheme is for one year, and employers will receive the Jobs Credit in four payments: March, June, September and December 2009.
3. For each payment, employers will receive Jobs Credits on the employees that are on their CPF payrolls at the start of the quarter in which the payment is made. The wages paid to these employees in the previous quarter will be the qualifying wages used to calculate the 12% cash credit that employers will receive.
4. All active employers, with the exception of local and foreign government organizations, are eligible for the Jobs Credit.

Road Tax

As part of the relief measures for businesses during the economic downturn, a 30% road tax rebate will be granted for goods vehicles (including goods-cum-passenger vehicles), buses and taxis for one year.

The rebate will take effect on 1 July 2009. Details of the measure will be announced by the Ministry of Transport.

Special (Diesel) Tax Waiver for Un-Hired Taxis

As a relief measure for the taxi industry during the economic downturn, the special (diesel) tax for un-hired taxis will be waived for one year. The waiver will take effect on 1 March 2009. Details of the measure will be announced by the Ministry of Transport.

Extension of Special (CNG) Tax Exemption
Introduction of CNG Unit Duty

Compressed Natural Gas (CNG) vehicles are currently exempted from special tax till 31 December 2009. The CNG fuel is not subjected to any duty, unlike petrol fuel which is subjected to a duty of $0.41 or $0.44 per litre (depending on the grade of petrol).

The special tax exemption for CNG vehicles will be extended for another two years till 31 December 2011. With effect from January 2012, a CNG unit duty will be introduced at $0.20 per kg and the special tax on CNG cars, which had never been imposed, will be removed permanently. CNG cars will also not be included in the Green Vehicle Rebate (GVR) scheme with effect from 2012.

Industrial usage of CNG (e.g. power generation) would be granted duty exemption. Details of the implementation of CNG duty will be announced nearer to 2012.

Port Dues Concession

To help local SMEs engaged in commercial activities within Singapore's port waters, the Maritime Port Authority will provide a 20% port dues concession for harbour craft (excluding pleasure craft for personal use) for 1 year from 1 Apr 2009 till 31 Mar 2010.

Extension of Green Vehicle Rebate (GVR) Scheme

Green vehicles currently qualify for a rebate on the Additional Registration Fee (ARF) so as to encourage the purchase of green vehicles, that are more environmentally friendly. The GVR scheme will expire on 31 December 2009.

The GVR scheme will be extended for another two years till 31 December 2011 as follows:

(a) For hybrid, electric and CNG passenger vehicles: rebate on ARF equal to 40% of the Open Market Value (OMV) of the vehicle at registration
(b) For hybrid, electric and CNG buses and commercial vehicles: 5% of OMV at registration

Details will be announced by the Ministry of the Environment and Water Resources.