

From their millions, the taxman's bounty

THEY make up just 0.4 per cent of resident taxpayers — but account for a hefty one-quarter of net personal income tax payable.

In all, 3,799 residents, a surge from the 2,751 in the previous year, declared an annual income of above \$1 million for Year of Assessment (YA) 2008.

Their net tax payable? \$1.36 billion, or more than what's payable by some 830,000 resident taxpayers who make \$150,000 or less a year.

As for the biggest group of taxpayers, the 193,387 with declared income of \$30,000 to \$40,000, they were liable for net personal taxes of just \$38 million, after tax credits and rebates.

These figures from the Inland Revenue Authority of Singapore's (Iras) annual report come on the heels of a recent KPMG report suggesting the global decline in personal income tax rates could soon see a reversal, particularly in the top tier, as governments seek new ways to fund stimulus spending.

Singapore's tax rate starts at 3.5 per cent, and the top rate of 20 per cent — which kicks in only for chargeable income over \$320,000 — remains the lowest in the region after Hong Kong.



SNAPSHOTS OF FY2008/9

- Singaporeans' growing appetite for 4D, football betting and horse-racing betting drove the 3.6 per cent increase in betting and sweepstakes duties, totalling \$1.4 billion (4D accounted for \$1.1 billion)

- Individuals claimed \$19 billion in reliefs (eg CPF, child, caregiver, maid levy, NSman); 218,600 people with assessable income of over \$20,000 did not have to pay tax

IRAS ANNUAL REPORT

From their millions ...

This progressive income tax structure is because the Republic does not want to see a huge income gap among its citizens, said Associate Professor Annie Koh, dean of executive and professional education at the Singapore Management University.

"Singapore believes in as much equality as possible, although we are not a socialist state," she said.

At the same time, the "very rich" are "quite happy paying tax as Singapore residents since we don't apply a tax on their global sources of income like the United States does", she added.

In all, the Iras collected a total of \$29.8 billion in tax revenue in FY2008/2009,

a 2.4 per cent increase from the previous financial year and representing 72.5 per cent of the government operating revenue.

The global financial crisis triggered by the collapse of Lehman Brothers last September slowed the rate of increase for the FY2008/2009 collections but otherwise did not have a major impact.

"This is because the bulk of the tax collection is income tax which is based on income of businesses and individuals in the preceding year," the Iras said.

Income tax collection – including corporate, individual and withholding – amounted to \$17.2 billion, 14.9 per cent higher than that in the last financial year. GST collection increased by 5.2 per cent to \$6.5 billion.

LESS CORPORATE TAX AHEAD

On the corporate front, 10,514 companies declared chargeable income at \$10,000 or less.

At the other end of the scale, 1,736 companies declared chargeable income of above \$5 million.

For the first time, the Iras provided a breakdown of net tax by sector in its annual report.

It was no surprise that the financial sector contributed the most, about 31 per cent of total net tax assessed in YA2008.

The Iras expects corporate tax collection to shrink in the next one or two financial years, due to the downturn as well as the 1 percentage-point reduction in corporate income tax rate to 17 per cent from YA2010.

The state of the property market, too, was reflected in last year's collections.

There was a 17.6 per cent rise in property tax collection, the result of higher rentals in the first half of FY2008/09.

But as the number of property transactions fell in the second half, along with property prices, stamp duties plunged too, with collection 61.1 per cent lower than in the previous fiscal year.

Iras chairman Teo Ming Kian noted that even as Singapore grappled with the economic downturn, "as a small nation, (it) has to continuously innovate and invest resources to develop new competitive advantages to our economy.

"Taxation is an essential component of our fiscal system". **ADDITIONAL REPORTING BY ESTHER FUNG**

SNAPSHOTS OF FY2008/9

- With the bull economy in 2007 and early 2008, corporate income tax collection grew 14.3 per cent to \$10.6 billion. Individuals' higher earnings gave the taxman a 19.4-per-cent richer harvest of \$5.4 billion
- Income tax arrears arising within the FY grew nearly 30 per cent to \$266 million. But still-active arrears that arose in past FYs nearly halved, some due to write-offs because of bankruptcy, death, etc
- Stamp duties on sales and purchase agreements plunged from \$3.36 billion to just \$990 million, as the property market braked sharply
- The taxman spent 0.8 cent to collect every dollar of tax

INDIVIDUALS FIND RELIEF

Individuals, meanwhile, benefited from a slew of reliefs.

The one-off personal tax rebate of 20 per cent was enjoyed by 1,026,627 people. In all, 218,600 individuals with an assessable income of more than \$20,000 did not have to pay income tax at all after deducting reliefs.

A total of \$91 million in Parenthood Tax Rebate – given to married Singapore residents to encourage families to have more children – was claimed, with more than 58,000 using it to offset their income tax.

The final collection on estate duty, which was abolished in February, amounted to \$47.4 million.

TAX AUDITS, PROBES UP 20%

Times are tough. And that means the risk of people trying to evade their tax obligations will likely rise, notes Commissioner of Inland Revenue Moses Lee.

In the past financial year, the Iras completed 7,919 audits and investigations, or 20 per cent more than in the previous period. Efforts were focused on operators in the food and beverage

industry, real-estate agents and property owners with rental income.

The amount of tax and penalty arising from investigations into income tax and GST evasion was \$32.3 million – double that the previous year.

Six taxpayers were prosecuted successfully, such as United Team Enterprise director Teo Kiok Seng, who was jailed two years and ordered to pay

\$1.5 million for evading just over \$1 million in GST from 1996 to 2007.

Though taxpayers are "generally compliant", the wilfully errant can expect "strong deterrent action" from the Iras, noted

Mr Lee in its annual report. But at the same time, the authority is making tax compliance easier and educating taxpayers on their obligations.