

Taxation of High-Income Individuals

25 Apr 2024

- Overview of Singapore's taxes and transfers system
- Overview of Personal Income Tax in Singapore
- Overview of wealth taxes in Singapore
- Considerations for wealth tax options in Singapore

Overview of Singapore's taxes and transfers system

Overview – Supporting Singapore’s development through prudent and balanced fiscal policy

Revenues

- Broad-based and resilient
- Pro-growth
- Fair and equitable
- Saving and investing for the future



Expenditures

- Targeted and prudent
- Focus on quality of spending
- Intervene upstream
- Emphasis on shared responsibility

Striking the Right Balance

- Between competitiveness and care
- Between personal and collective responsibility
- Between the interests of different groups and generations

Government revenues – Key thrusts, breakdown of sources

1. Fund Government spending in a sustainable manner

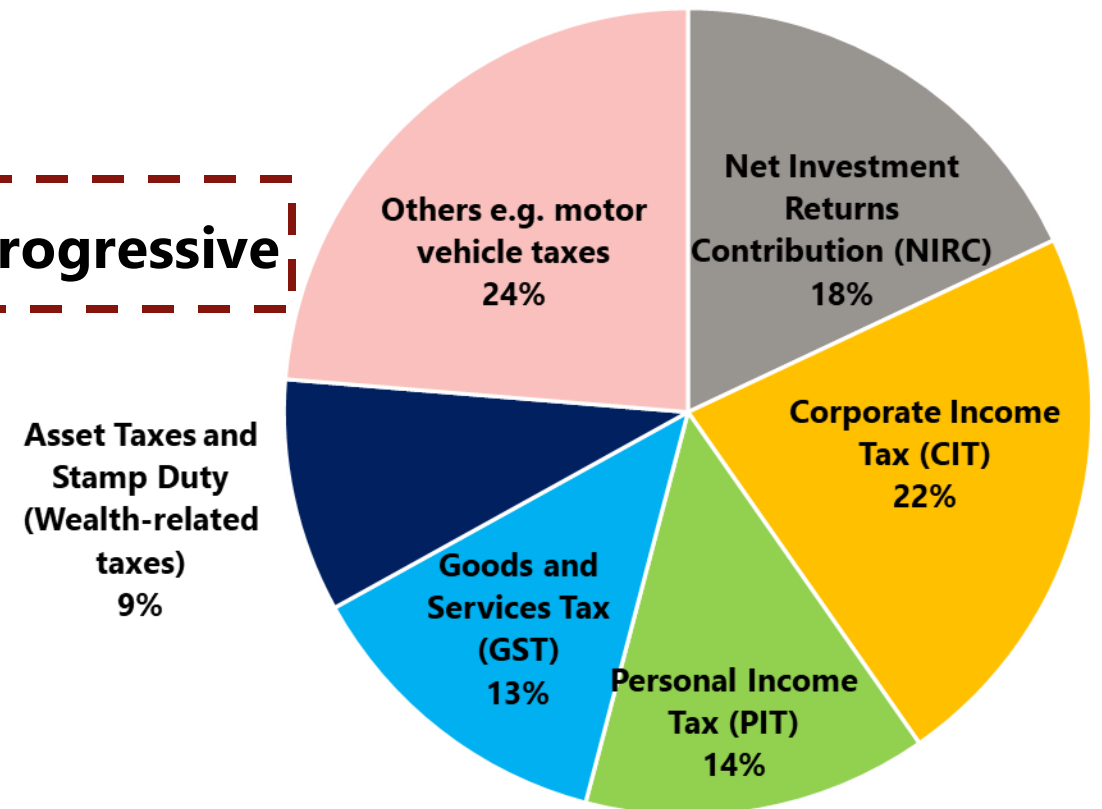
- Broad tax base
- Fiscal prudence and discipline of sustainable spending

2. Encourage enterprise and growth

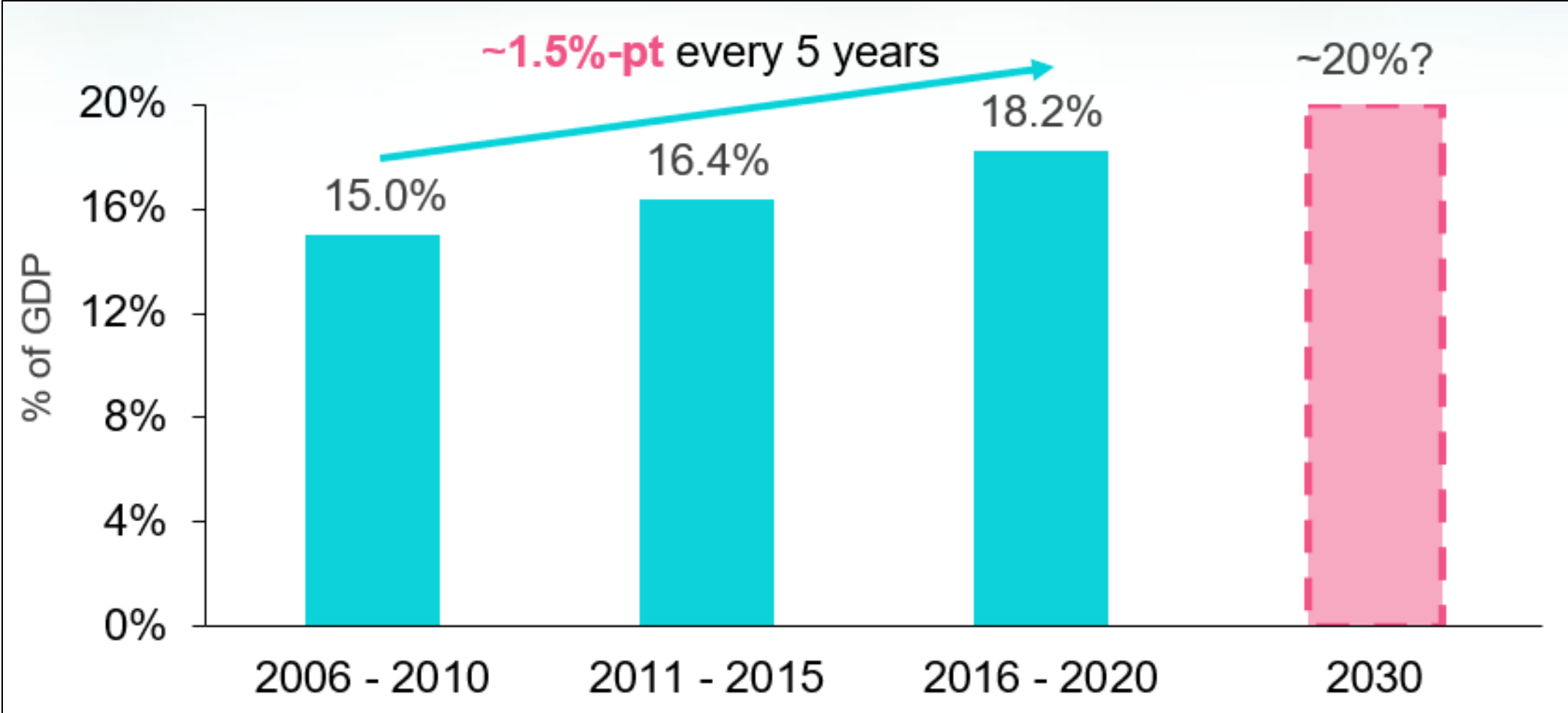
3. Keep overall taxes and transfers system progressive

4. Support social objectives

FY2023
Overall Revenue:
S\$127.2 billion

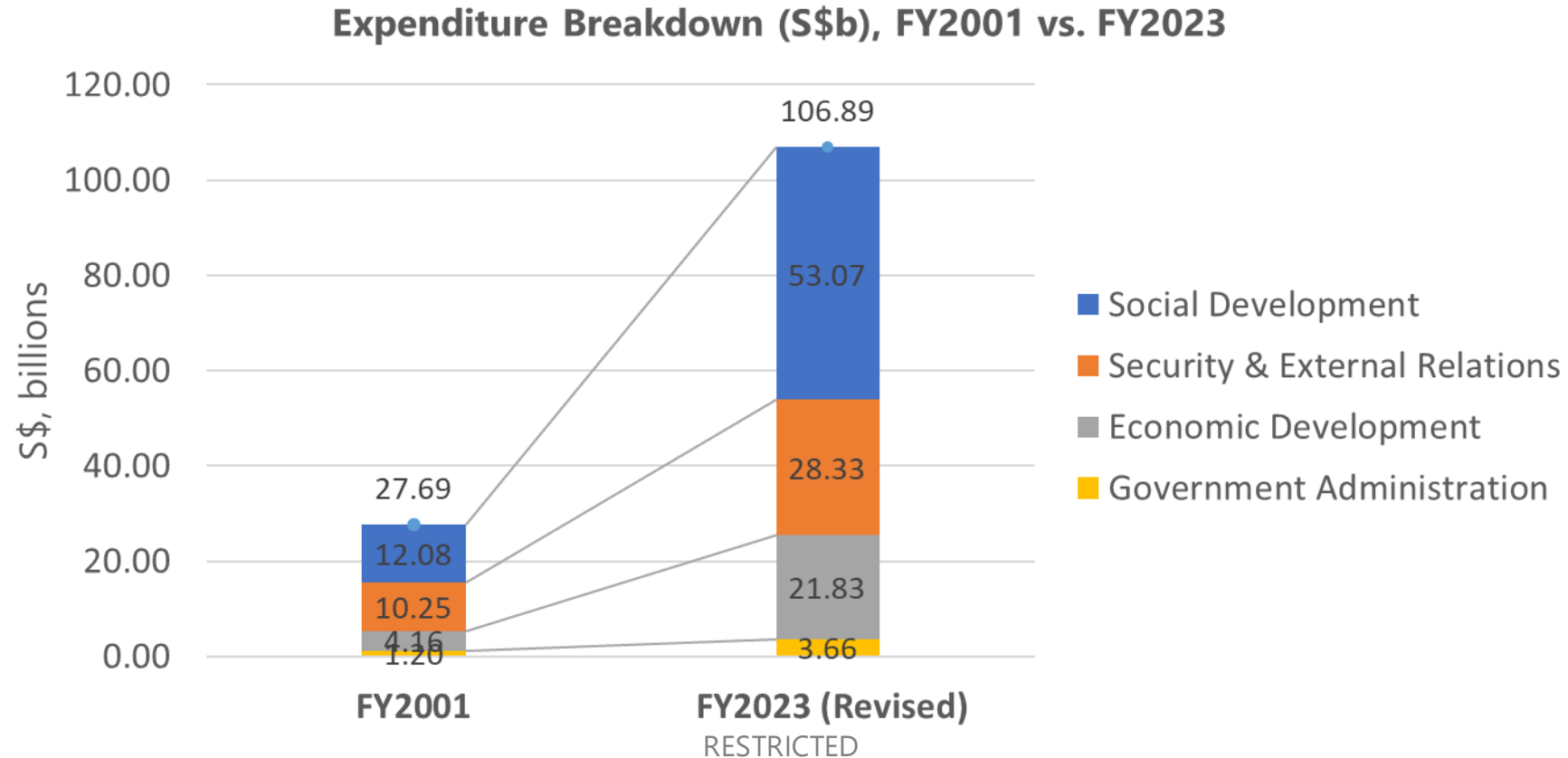


Government expenditure – Rising over the years; growing faster than our economy



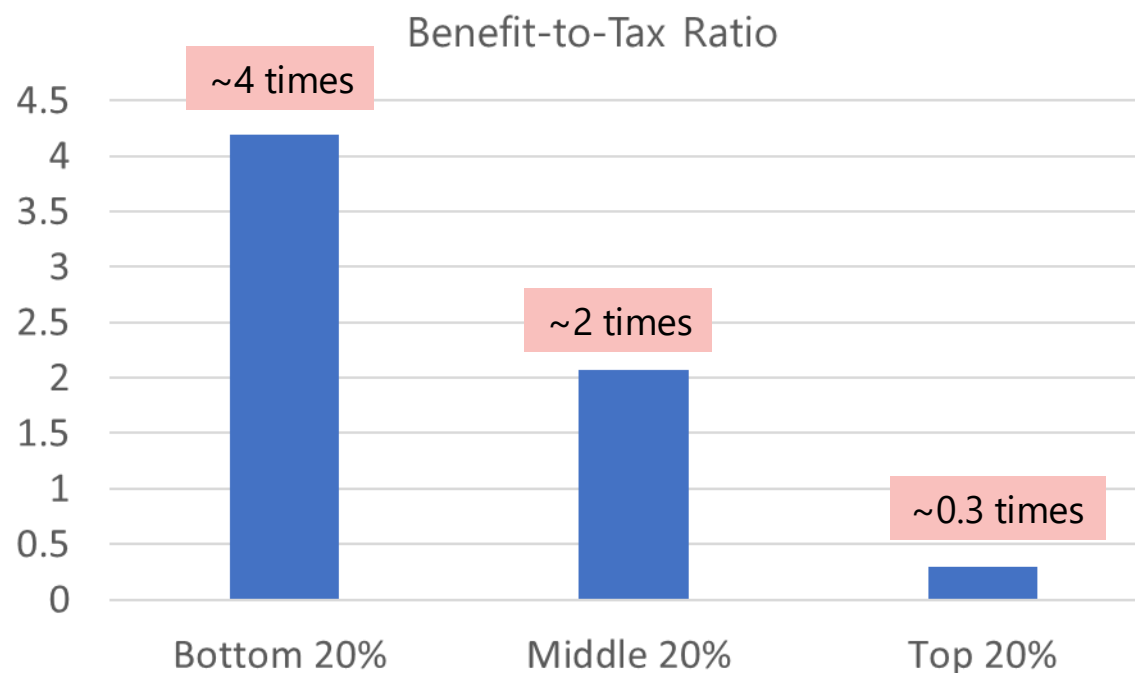
Government expenditure – Social spending is increasing significantly

- Healthcare spending has tripled over the last decade
- Expected to continue to grow, as the population ages (1 in 4 will be aged 65 and above by 2030, compared to 16% now)



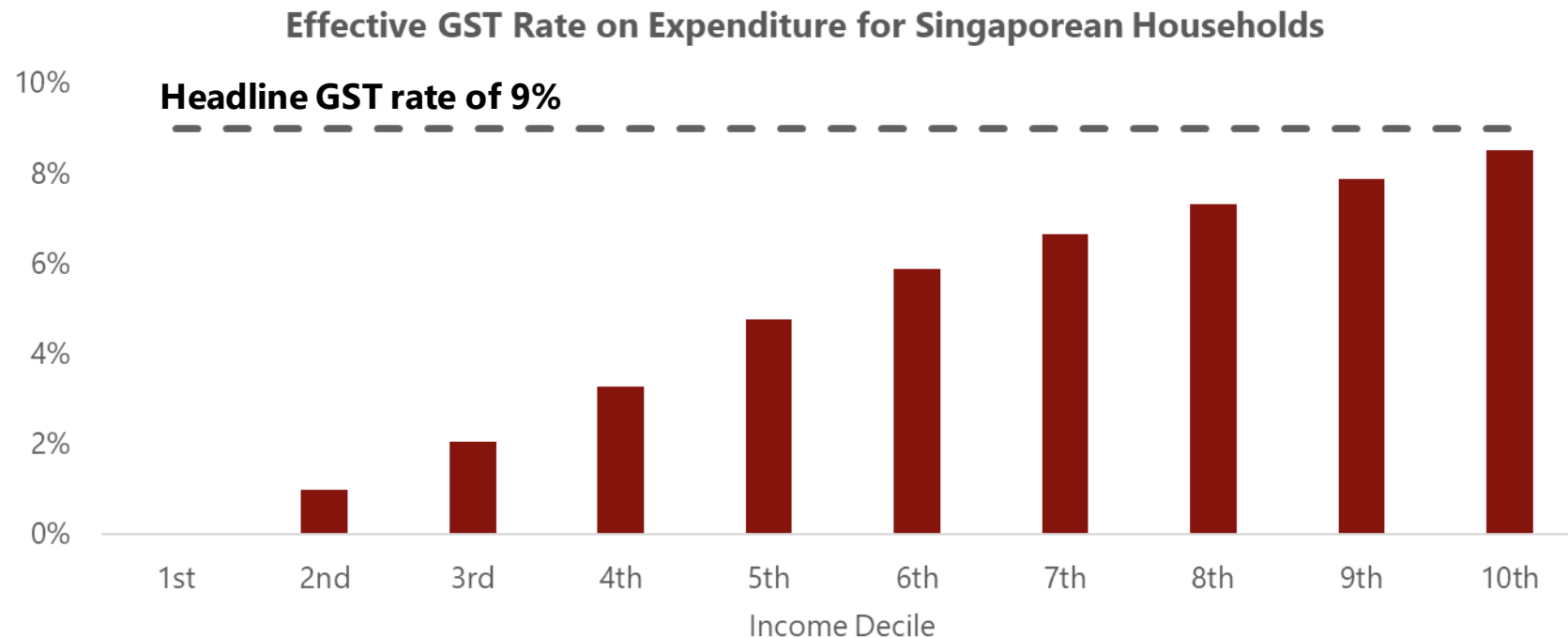
Overall taxes and transfers system is progressive

- Everyone contributes something to Singapore, and everyone benefits
- But those with more means contribute much more in taxes than the benefits they receive, while the low-income enjoy much more in benefits than the taxes they contribute



Singapore's unique GST system

- Singapore implements GST in combination with:
 - Permanent GST Voucher scheme, to permanently defray GST expenses of lower- to middle-income households; and
 - Permanent GST absorption of publicly subsidised healthcare and education
 - Effective GST rate is progressive; tiered by income levels



Keep overall taxes and transfers system progressive

- GST increased from 7% to 9%, over 2 steps in 2023 and 2024. Revenue from the increase in GST will go towards **supporting our healthcare expenditure** and **taking care of our seniors**
 - As one of the fastest-ageing nations in the world, we will inevitably need to spend more to take better care of a larger number of seniors
- Other areas of social spending are rising too
- GST by itself will not be sufficient to cover our additional healthcare spending. Hence, we have also **made changes to our Personal Income Tax (PIT) and wealth taxes**
 - We will continue to implement GST in a manner that is fair, with features and schemes to support the less well-off

Overview of Personal Income Tax in Singapore

Personal Income Tax (PIT)

Objective

- A direct tax on individual's income accrued in or derived from Singapore
- A progressive regime; those who earn more, contribute more

Coverage and rates

- Resident taxpayers are eligible for specific personal reliefs and are taxed at progressive tax rates
- Non-resident taxpayers do not qualify for personal reliefs and their income are taxed at 24%, except for certain income taxable at reduced withholding rates (due to our tax treaties) and employment income which is taxed at the higher of 15% or resident tax rates

Recent changes to enhance progressivity

- Raised the top marginal PIT rates in Budgets 2015 and 2022, effective from Year of Assessment (YA) 2017 and 2024 respectively
- Introduced a relief cap of S\$80,000 per YA in Budget 2016, effective from YA2018

Progressive PIT rates for tax residents (from YA2014)

Chargeable Income (S\$)	PIT Rate (%)		
	YA2014 to YA2016	YA2017 to YA2023	YA2024 onwards
0 – 20,000	0	0	0
20,001 – 30,000	2	2	2
30,001 – 40,000	3.5	3.5	3.5
40,001 – 80,000	7	7	7
80,001 – 120,000	11.5	11.5	11.5
120,001 – 160,000	15	15	15
160,001 – 200,000	17	18	18
200,001 – 240,000	18	19	19
240,001 – 280,000		19.5	19.5
280,001 – 320,000		20	20
320,001 – 500,000	20	22	22
500,001 – 1,000,000			23
> 1,000,000			24

Overview of wealth taxes in Singapore

Overview of Singapore's wealth tax regime

- In Singapore, wealth is taxed through **Property Tax, Buyer's Stamp Duty, and motor vehicle-related taxes**
- Beyond **generating revenue**, wealth taxes help to **mitigate social inequalities**

Objective

- Recurrent tax on all immovable properties, based on the Annual Value (AV)* of the property
- A tax on property ownership and our principal means of taxing wealth

Coverage and rates

- Applied to all residential properties
- Rates are progressive
 - The higher the AV of the residential property, the higher the tax rate
 - In addition, non-owner-occupied residential properties are taxed at higher rates

Recent changes to enhance progressivity

- Raised progressive PT rates for residential properties in Budgets 2010, 2013, and 2022

* AV is the estimated gross annual rent of the property if it were to be rented out, excluding furniture, furnishings, and maintenance fees

Progressive PT schedule for owner-occupied residential properties (from 2011 onwards)

AV Band (\$)		AV at the start of the band (\$)	AV at the end of the band (\$)	Owner-Occupier Tax Rates											
				Before 2011	2011 to 2013	2014	2015 to 2022	2023	2024	2025					
First	6,000	-	6,000	4%	0%	0%	0%	0%	0%	0%					
Next	2,000	6,001	8,000		4%	4%	4%	4%	4%		4%				
Next	4,000	8,001	12,000							4%		4%	4%	4%	4%
Next	18,000	12,001	30,000												
Next	10,000	30,001	40,000			4%	4%	4%	4%	4%	4%				
Next	10,000	40,001	50,000									4%	4%	4%	4%
Next	5,000	50,001	55,000			4%	4%	4%	4%	4%	4%				
Next	5,000	55,001	60,000									4%	4%	4%	4%
Next	5,000	60,001	65,000			4%	4%	4%	4%	4%	4%				
Next	5,000	65,001	70,000									4%	4%	4%	4%
Next	5,000	70,001	75,000			4%	4%	4%	4%	4%	4%				
Next	10,000	75,001	85,000									4%	4%	4%	4%
Next	15,000	85,001	100,000			4%	4%	4%	4%	4%	4%				
Next	15,000	100,001	115,000									4%	4%	4%	4%
Next	15,000	115,001	130,000			4%	4%	4%	4%	4%	4%				
Next	10,000	130,001	140,000									4%	4%	4%	4%
Above	140,000	140,001				RESTRICTED	15%	16%	23%	32%	32%				

Progressive PT schedule for non-owner-occupied residential properties (from 2014 onwards)

AV Band (S\$)		AV at the start of the band (S\$)	AV at the end of the band (S\$)	Non-Owner-Occupier Tax Rates					
				Before 2011	2011 to 2013	2014	2015 to 2022	2023	2024
First	30,000	-	30,000	10%		10%	10%	11%	12%
Next	15,000	30,001	45,000			11%	12%	16%	20%
Next	15,000	45,001	60,000			13%	14%	21%	28%
Next	15,000	60,001	75,000			15%	16%	27%	36%
Next	15,000	75,001	90,000			17%	18%		
Above	90,000	90,001				19%	20%		

Buyer's Stamp Duty (BSD)

Objective

- Basic tax on documents; applied to all property transactions in all sectors
- Not a property market cooling measure

Coverage and rates

- Applied to all residential and non-residential properties (latter are mainly commercial and industrial properties)
- Rates are progressive; the higher the purchase price or market value of the property, the higher the tax rate

Recent changes to enhance progressivity

- Raised BSD for more expensive properties in Budgets 2018 and 2023

Progressive BSD schedule

RP: Residential Property
Non-RP: Non-Residential Property

Higher of Purchase Price or Market Value (S\$)	Date of Acquisition						
	2 Jan 1969 to 31 Mar 1989	1 Apr 1989 to 28 Feb 1996	29 Feb 1996 to 19 Feb 2018	20 Feb 2018 to 14 Feb 2023		On or after 15 Feb 2023	
	RP and Non-RP	RP and Non-RP	RP and Non-RP	RP	Non-RP	RP	Non-RP
≤ 30k	2%	1%	1%	1%	1%	1%	1%
> 30k to 50k	2.5%						
> 50k to 90k	3%	2%	2%	2%	2%	2%	2%
> 90k to 150k		3%					
> 150k to 180k			3%	3%	3%	3%	3%
> 180k to 360k							
> 360k to 1m			3%	4%	3%	5%	5%
> 1m to 1.5m		3%					
> 1.5m to 3m	3%		4%	3%	6%	5%	
> 3m		3%					4%

Motor vehicle-related taxes – Additional Registration Fee (ARF)

Objective

- Tax imposed when one registers a vehicle, in addition to all other relevant fees and taxes (i.e. Registration Fee, Quota Premium for Certificate of Entitlement, Road Tax, Excise Duty)

Coverage and rates

- Computed based on a percentage of the vehicle's Open Market Value (OMV), which is assessed based on the purchase price, insurance costs, freight costs, and all other charges incidental to the sale and delivery of the car to Singapore, prior to taxes

Recent changes to enhance progressivity

- Raised taxes on higher-end cars in Budgets 2022 and 2023

Progressive schedule for ARF

Open Market Value (OMV; S\$)		ARF Rate (As % of OMV)									
		1972 to 31 Oct 1990	1 Nov 1990 to 28 Jan 1991	1 Feb 1991 to 31 Mar 1998	1 Apr 1998 to 2 May 2002	3 May 2002 to 29 Feb 2004	1 Mar 2004 to 29 Feb 2008	1 Mar 2008 to 25 Feb 2013	26 Feb 2013 to 18 Feb 2022	19 Feb 2022 to 14 Feb 2023	On or after 15 Feb 2023
First	20,000	175%	160%	150%	140%	130%	110%	100%	100%	100%	100%
Next	20,000								140%	140%	140%
Next	10,000								190%		
Next	10,000								180%	180%	250%
Next	20,000								220%	320%	
Above	80,000										

Considerations for wealth tax options in Singapore

- **Type of tax and incidence**
 - Net wealth tax (Applied sporadically or periodically on an individual's net wealth)
 - Wealth transfer tax (Applied on a transfer of wealth; could be transferor- or recipient-based)
- **Scope of assets to be taxed**
 - Whether tax base includes worldwide assets of a taxpayer who has a sufficient connection with the jurisdiction, or assets situated in a jurisdiction regardless of the taxpayer's connection with it
 - Mobility of assets; assets can and will move if there are wealth tax differences between jurisdictions
 - Ease of tracking as well as valuation of assets, especially illiquid assets (e.g. art, jewellery)
- **Tax rates and exemption**
 - Flat or progressive rates
 - Affect effectiveness in achieving progressivity

Key considerations for wealth taxes (cont.)

- **Revenue yield, resilience, and impact**
 - Raise sufficient revenue, and minimise volatility and risks
 - Taxes targeting ultra high net worth individuals target a very small base, which limits revenue generated
 - Broad-based taxes end up imposing tax burden on middle- and upper-middle-income groups
 - Taxes which are contingent on presence of transactions may result in revenue fluctuating depending on property market sentiments / conditions
- **Economic efficiency and competitiveness**
 - Avoid unwanted economic distortions
 - Remain competitive for businesses, investments, and talent
- **Ease of administration / anti-avoidance**
 - Keep cost of tax administration low
 - Operational difficulties in determining wealth

- **Property- and vehicle-related measures** are the most efficient and preferred way to tax wealth in Singapore
 - Immobile tax base, hard to tax plan away
 - Tax base is broad (all properties and vehicles are subject to wealth taxes), with limited exemptions/reliefs
 - Ease of administration – easy to track transfers and valuation of assets
- Singapore will **continue to study wealth tax options, and their design to ensure their effectiveness**

Thank you