

SPEECH BY MINISTER FOR FINANCE, MR. LIM KIL SAN,  
WHEN MOVING THE SECOND READING OF THE INCOME TAX  
IN THE PARLIAMENT ON FRIDAY, 31.12.65.

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Sir, I beg to move, "That the Bill be now read a second time".

The proposed amendments to the Income Tax Ordinance include a number of textual changes and changes of terminology taking account of the separation of Singapore from Malaysia and the independent and sovereign status of the Republic. In particular, the jurisdiction of the Malaysian Board of Income Tax and the Comptroller-General of Inland Revenue will no longer extend to Singapore.

The amendments in Clause 29 will restore certain personal reliefs for individual taxpayers to pre-Malaysia levels. For instance, earned income relief is to be increased from 1/10th of the income earned to 1/5th, subject to a maximum of \$1,000; the deduction from chargeable income for Life Insurance premiums and Provident Fund contributions is to be increased from \$3,000 to \$4,000 or 1/6th of the assessable income; married women are to be permitted to again elect to have assessment of their income tax liability on their earned income separate from their husbands; but children's allowances will be limited to a maximum of five children.

On the other hand, the higher pre-Malaysia rate of tax on individuals whose chargeable income exceeds \$100,000 is to be restored by Clause 59 to 55%.

The opportunity is also taken to plug loop holes in the existing Legislation to render more effective the administration of the Revenue laws generally. For instance, Clause 5 will make it possible for the Comptroller of Income Tax to disclose official information to the Comptroller of Property Tax where such information may be required for the purpose of Property Tax collection.

Under Clause 14, power is to be given to the Comptroller to take possession of documents in certain circumstances where offences have been or are likely to be committed, e.g. where false books of accounts have been kept.

Under Clause 8, a new provision is introduced to enlarge the scope of the charging provisions, rendering liable to tax miscellaneous forms of income in respect of which no specific provision now exists. A further amendment in Clause 8 limits the exemption in respect of net annual value of an owner-occupied house to \$3,000 which would provide for additional tax liability in respect of those owning expensive residences.

Under Clause 12, ..... /2

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Under Clause 12, the Comptroller is to be empowered to curtail the deduction allowable where a taxpayer makes abnormal payments of salaries or wages to close relatives, e.g. wife, husband or child, which are not bona fide.

As an independent Republic, double taxation arrangements will be entered into with other countries and in Clause 5 provision is to be made for the exchange of official information with the taxation authorities of other countries with which double taxation arrangements exist to prevent tax evasion.

Consequent upon the separation from Malaysia, the tin profits tax provisions are to be repealed by Clause 9 and such profits will be charged income tax under the relevant Malaysian legislation.

Under Clause 11, the liability for tax of income derived in Sabah and Sarawak is to be restored to the extent that it is remitted to Singapore.

In keeping with Government's policy to encourage industrialisation and market development, certain new provisions have been introduced.

Under Clause 14, a new provision has been made to allow a further deduction in respect of market development expenditure overseas and for increased local advertisement expenditure.

Clause 18 provides for the Minister to vary the rate of initial allowance which may be given in respect of plant and machinery by Order thus allowing for flexibility.

Clause 19 introduces a special incentive allowance in respect of plant and machinery used in various manufacturing industries whereby the cost may be written-off over three years.

Consequent upon the full independence of Singapore, the former combined income provisions, whereby Singapore and States of Malaya residents were assessed in their places of residence irrespective of where they derived their income, are no longer appropriate and are repealed by Clause 56.

Certain consequential provisions are made necessary by such repeal to prevent hardship arising.

Under Clause 23, residents in the States of Malaya who continue carrying on business in Singapore will receive capital allowances under the Singapore Ordinance from 1966 together with the carry forward benefit from previous years to which they were entitled under the States of Malaya legislation.

Under Clause 27, provision is made for assessment on a continuing basis in Singapore from 1966 of States of Malaya taxpayers deriving income in Singapore.

Provision is also made under Clause 28 for the carry forward of the benefit of the loss provision where States of Malaya taxpayers continue to derive income in Singapore and have accrued losses previously agreed in the States of Malaya under the combined income provisions.

In addition to these immediate relieving measures, more detailed provisions will be provided in a Double Taxation Agreement with Malaya.

Sir, I beg to move.