

IRAS ANNUAL REPORT

From their millions ...

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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,

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

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.

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.

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

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**

\$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.

Why do kids start to distinguish colours?

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THEY enjoyed playing and studying together at the club run by the Young Women's Christian Association (YWCA).

But when the Chinese boy saw the same group of boys, who were of a different race, outside his school while he was waiting alone for his ride to the club, he "freaked out" and went home, recounted a YWCA member. She surmised: "Perhaps it's what the family taught him, (that) you can only be safe with your own race."

She was one of 30 youth leaders from various ethnic and faith-based organisations at a National Youth Council (NYC) dialogue last night on race, religion and common space.

As Member of Parliament Lim Wee Kiak put the problem, children are born "colour-blind ... what went wrong along the way? Why do they start to distinguish colours?"

Religion or stereotyping could be factors that mould children's views but it is family that is the crucial influence, said NYC chairman Teo Ser Luck to the media later.

He recounted how, when he was in the United States, a colleague invited him home to dinner – with the sole purpose of showing his children what an Asian looked like. "They looked at me like I was an alien."

Other dialogue participants shared how they had interacted with children of other races in the school bus or kampung. But, as one pointed out, children today have so many options to stay home and play, rather than interact face-to-face with peers from all backgrounds.

When children go online also, noted Mr Teo, they may be exposed to negative influences. He was inclined towards re-introducing religious knowledge education in schools, to help counteract such negative information.

Other issues debated included SAP schools and whether vernacular television programmes lack ethnic diversity.

But MP Michael Palmer cautioned against "grasping" at race and religion issues when the problem is one of sharing space in a crowded Singapore.

For instance, he pointed out, what makes neighbours unhappy is ash entering their home – not who burns the incense.

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

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