



Singapore, 11 February 2010

KPMG Tax Services: Wishlist for Budget 2010

The information can be attributed to Mr Owi Kek Hean, Head of KPMG Tax Services in Singapore.

This upcoming Budget's wish list addresses the following themes:

- a) *Increasing Singapore's attractiveness as an investment destination and helping businesses manage cost.*
- b) *Enhancing Singapore's position in attracting global talent by making Singapore's personal tax regime more competitive.*
- c) *Fostering Singapore's position as an international financial centre.*
- d) *Promoting the growth of Singapore's enterprises, especially in the area of encouraging innovation and more Research & Development (R&D).*

Increasing Singapore's attractiveness as an investment destination

- 1. Exempt all sources of foreign income from Singapore** income tax without any conditions or pre-requisites, regardless of whether the income is remitted or deemed remitted.
- 2. The Government should introduce a blanket tax exemption for interest income accruing on Singapore** corporate bank deposits.
- 3. Provide more tax incentives for Singapore businesses venturing abroad. For example, by allowing** interest attributable to tax exempt dividends from overseas investments to be deducted against other taxable income and group relief for Singapore income tax purposes.
- 4. Enhance existing Regional Headquarter (RHQ) incentives** to encourage more foreign companies to set up their regional or global corporate headquarters here. For example, by reducing the concessionary tax rate from below the current 15 percent as the current corporate tax rate is 17 percent.

Helping Singapore's businesses manage cost

- 5. Lift all limits on the carry-back of unabsorbed capital allowances and tax losses.** This is to bring it in-line with the treatment for the carry-forward of capital allowances and tax losses.
- 6. Customise the Advance Pricing Arrangement (APA) Programme** to the needs of smaller businesses. This would help those who wish for more certainty in their transfer pricing matters but are unable to accommodate the process and requirements of the current APA Programme.
- 7. Extend Industrial Building Allowance claims** to buildings used for commercial offices and shops. This will help to lower the tax burdens of businesses on an overall basis with landlords passing on any tax savings to their tenants.
- 8. Lower the withholding tax rate for payments to non-residents for interest from 15 to 10 percent** to enhance Singapore as an international location for businesses and its attractiveness for cross border funding transactions.
- 9. Relax the merger and acquisition (M&A) tax rules to facilitate companies in achieving synergies and cost efficiencies** during mergers and amalgamations. We propose:
 - **Allowing tax deduction for interest incurred** by a company to finance share acquisition in another company where the two companies subsequently amalgamate.
 - **Allowing tax deduction for incidental expenses** relating to the merger/amalgamation with the view that most of the M&A undertakings are generally carried out to streamline businesses.

- **Allowing surviving companies in an amalgamation to claim tax deduction** for interest expenses incurred by the absorbed companies to purchase investments generating tax exempt income.

10. Amend the Goods and Services Tax (GST) legislation so that inter-company loans are attributable as taxable activities for the purpose of GST and hence recoverable.

11. Widen the scope of hedging activities by removing the qualifying activities listed, for which input GST can be recovered. This in turn would reduce administrative cost in tracking qualifying and non-qualifying hedging activities and streamline GST compliance rules.

Enhancing Singapore's position in attracting global talent while supporting our people

12. Make Singapore a more attractive destination for global talent. We propose:

- **Reducing the top marginal personal tax rate** of 20 percent to bring it closer in-line with the corporate tax rate.
- **Removing the five-year maximum period** for which the Not Ordinarily Resident (NOR) taxpayer scheme applies.

13. Supporting Singaporeans by:

- **Assisting home owners, by allowing mortgage interest deduction** for owner-occupied homes. Hong Kong and Taiwan already have such a deduction.
- **Allow individuals to claim relief for the premiums paid** for insurance policies and removing the current \$5,000 limitation tied to CPF contributions.
- **Expand the zero percent tax bracket** from \$20,000 to a higher level to help those at the lowest income level.
- **Exempt taxation of distributions from the Supplementary Retirement Scheme** to encourage more Singaporeans to save for their twilight years.

14. Measures to help white collar workers (PMET) displaced in the recent recession:

- **Consider allowing the deferment of personal income tax** due assessed for the year of retrenchment, extending the installment period to 24 months.
- **Provide double tax deductions for costs involved in training and upgrading** to be utilised against the taxable income from the next job found.

Promoting the growth of innovation R&D, especially among Singapore's enterprises

15. Implement new measures to promote Singapore as a premier R&D and intellectual property (IP) hub.

- **Provide tax concessions to attract more R&D centres** to Singapore, such as extending the existing 150 percent R&D deduction to R&D centres of multinational companies. This may enhance Singapore's attractiveness as a base for corporate R&D, and help Singapore attract these R&D centres.
- **Provide automatic tax deduction for payments under cost-sharing R&D arrangements** where the intellectual property eventually resides in Singapore
- **Exempt royalties income from tax from intellectual property** developed in Singapore to encourage development of intellectual property in Singapore and commercial exploitation of the intellectual property in Singapore (instead of migrating the intellectual property overseas)
- **Allow loss-making small-to-medium sized enterprises** to convert the benefits of tax concessions for R&D into cash in recognition of the risks associated with R&D.

16. Allow the writing down allowance claim for intellectual property developed in-house to provide the necessary impetus in the development of local brands. Examples include those related to brand names and trade-marks.

KPMG in Singapore is a term used to describe KPMG LLP, KPMG Tax Services Pte. Ltd., KPMG Corporate Finance Pte. Ltd. and KPMG Advisory Services Pte. Ltd.

KPMG LLP (Registration No. T08LL1267L) is an accounting limited liability partnership registered in Singapore under the Limited Liability Partnership Act (Chapter 163A). KPMG Tax Services Pte. Ltd. (Registration No. 200003956G), KPMG Corporate Finance Pte. Ltd. (Registration No. 198500417D) and KPMG Advisory Services Pte. Ltd. (Registration No. 198301769C) are Singapore incorporated companies. Each has its address at 16 Raffles Quay, #22-00 Hong Leong Building, Singapore 048581 and is a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

17. Enhance Financial Sector Incentive (FSI) and other schemes and investments related to the Fund Management industry:

- **Enhancement of FSI -Fund Management Incentive to five percent** to encourage and attract more fund managers undertaking fund management activities to set up their base in Singapore.
- **Extend the qualifying investments for fund management tax incentives** to enhance the attractiveness and increase the relevance of the fund management tax incentives for fund managers and funds, it would be appropriate to extend the definition of "designated investments" (qualifying investments) beyond that of traditional financial assets.
- **Liberalise the recognition of tax residence status of trusts, limited partnerships (LPs) and limited liability partnerships (LLPs).** This will allow trusts, LPs and LLPs with general management and control in Singapore to avail themselves of the preferred tax treatments (e.g. tax treaty protections) that are only accorded to tax residents of Singapore.
- **Under the Enhanced Tier Scheme**, a qualifying fund established outside of Singapore is required to file a tax return in Singapore even though it is exempt from Singapore income tax. This requirement to file a tax return should be lifted as it adds to the compliance costs and negates the attractiveness of the incentive. As the fund is already exempt from tax anyway, there is no revenue leakage for the tax authorities.

18. Provide more exemptions, and extend FSI schemes related to the debt capital markets.

- **Tax exemption of long term debt securities with shorter tenure.** This incentive scheme provides for tax exemption on qualifying income derived by local corporate investors from QDS+ (long term debt securities). To boost and stimulate the development of Singapore's debt market, it is appropriate to modify the condition that QDS+ should have an original maturity of 10 years to a shorter period of three to five years.
- **Extension of FSI scheme to Singapore dollar (S\$) lending** to continue stimulating credits from financial institutions to local businesses to tide over the recent economic crisis. It may be appropriate to temporarily lift the condition that lending must be in non-S\$ before the interest income derived may be taxed at the concessionary rate of 10percent under the FSI scheme.
- **Enhancement of FSI – Standard Tier scheme.** It would be relevant to re-look at the concessionary tax rate for the financial sector to help Singapore remain attractive for new investors into Singapore. Singapore could perhaps look at a reduced rate of eight percent for the FSI-Standard Tier scheme.
- **Blanket tax remission or concession for all Islamic financing transactions** blessed by the Islamic councils to provide tax symmetry with their conventional financing equivalents
- **Withholding tax exemption on funded risk participation arrangement** to cover payments made by financial institutions in Singapore to non-resident non-bank participants of funded risk arrangements. This will help to develop Singapore as a matured location for the debt capital market.
- **Credit Facilities Syndication (FSI-CFS).** To simplify the process, we would recommend that the authorities allow the 5percent concessionary tax rate to be applied to all income derived by an FSI-CFS company arising from a qualifying syndication. The foregoing presupposes that any syndication funds used onshore in Singapore does not exceed 10 percent of the total syndication and that all other relevant conditions are being satisfied.

19. Provide certainty in the GST treatment for Islamic financing by enhancing the GST legislation for Islamic financing especially *Sukuks* to achieve alignment with conventional financing to facilitate the growth of Islamic banking in Singapore.

20. Streamline the GST compliance cost for financial institutions by reviewing and widening exemptions related to financial services being provided which are not currently exempt. Examples are the exemptions relating to the provision of loans.

Others

Shipping

21. Consider tax incentives for ship management companies which do not enjoy existing incentives so that the whole stream of shipping related activities are supported and Singapore is promoted as a maritime hub.

Real Estate

22. Extend existing tax concessions and incentives enjoyed by Singapore-listed Real Estate Investment Trusts (REITs) for five years to spur Singapore's attractiveness as a leading REIT hub in Asia. These are currently set to expire after 17 Feb 2010.

Note to editors:

*For more details about some of the wishes outlined above, please refer to **Annex A**.*

About KPMG in Singapore

KPMG in Singapore is part of a global network of professional services firms providing Audit, Tax and Advisory services. The independent member firms of the KPMG network operate in 144 countries and have more than 137,000 professionals worldwide. Each KPMG firm is a legally distinct and separate entity and describes itself as such. KPMG's website is located at kpmg.com.sg

KPMG in Singapore is a term used to describe KPMG LLP, KPMG Tax Services Pte. Ltd., KPMG Corporate Finance Pte. Ltd. and KPMG Advisory Services Pte. Ltd.

For further information please contact:

Jeremy Kong
Assistant Manager, Marketing & Communications, KPMG in Singapore
Tel: +65 6507 1541 / 8118 9962
e-Mail: jeremykong@kpmg.com.sg

Kelvin Lee,
Manager, Marketing & Communications, KPMG in Singapore
Tel: +65 6507 1534 / 8118 9400
e-Mail: kelvinlee1@kpmg.com.sg

Dawn Westerhout,
Director, Marketing & Communications, KPMG in Singapore
Tel: +65 6507 1538 / 8118 9920
e-Mail: dwesterhout@kpmg.com.sg

KPMG in Singapore is a term used to describe KPMG LLP, KPMG Tax Services Pte. Ltd., KPMG Corporate Finance Pte. Ltd. and KPMG Advisory Services Pte. Ltd.

KPMG LLP (Registration No. T08LL1267L) is an accounting limited liability partnership registered in Singapore under the Limited Liability Partnership Act (Chapter 163A). KPMG Tax Services Pte. Ltd. (Registration No. 200003956G), KPMG Corporate Finance Pte. Ltd. (Registration No. 198500417D) and KPMG Advisory Services Pte. Ltd. (Registration No. 198301769C) are Singapore incorporated companies. Each has its address at 16 Raffles Quay, #22-00 Hong Leong Building, Singapore 048581 and is a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

Annex A:

Increasing Singapore's attractiveness as an investment destination

1. Extend the temporary liberalisation of Foreign-Source Income Exemption Scheme beyond 21 January 2010. This may help businesses to overcome their liquidity needs by remitting their foreign-sourced income (e.g. interest income, royalty income) in offshore account to Singapore with no Singapore income tax imposed on such income. It would also help continue the internationalisation of the Singapore economy and provide a positive spin-off effect for Singapore.

2. This blanket tax exemption should bring Singapore's treatment of corporate bank deposits in line with other global financial centres such as Hong Kong and Ireland. It should also encourage Singapore companies to retain and recycle capital in Singapore; boosting liquidity for the banking system and helping to promote Singapore's position as a leading global financial centre. Without such exemption, the underlying objectives of the Government's foreign source income exemption policy may not be fully achieved.

3. As Singapore encourages companies to venture abroad, a broad tax incentive should be extended to such businesses. One way is to allow interest attributable to tax exempt dividend from overseas investments (e.g. with a 20 percent equity participation) for deduction against other taxable income and group relief for Singapore income tax purposes. This is to encourage further business diversification and regional expansion.

4. Under the existing Headquarters Programme, the RHQ Award offers a concessionary tax rate of 15 percent for 3+2 years on incremental qualifying income from abroad. The applicant company must satisfy and maintain all minimum requirements as stipulated throughout the incentivised period, in order to be awarded the concessionary tax rate.

The current concessionary tax rate for the RHQ incentive is 15 percent. Given that the corporate tax rate is 17 percent, it would be appropriate to review whether the concessionary tax rate under the RHQ incentive should be reduced. The RHQ as an incentive then continues to remain relevant.

Helping Singapore's businesses manage cost

5. There should be no limitations on the quantum to be carried-back. This brings it in-line with the carry-forward of capital allowances and tax losses. Too many restrictions will only add administrative burdens to both tax authority and taxpayers, and will certainly undermine the true effect and good intention upon which the ideal of carry-back was originally mooted.

6. Create 'APA Lite' - Customise the Advance Pricing Arrangement (APA) Programme to the needs of smaller businesses, especially for those who wish for more certainty in their transfer pricing matters but are unable to accommodate the process and requirements of the current APA Programme. Having an "APA-Light" Programme mirrors developments in countries such as the United States.

7. IBA is currently restricted to building and structures used for industrial purposes but exclude those used for commercial offices and shops. With escalating costs, it is appropriate to consider extending IBA claim to those buildings that are used for commercial offices and shops. This will help to lower the tax burdens of businesses on an overall basis with landlords hopefully passing on any tax savings to their tenants.

8. The interest withholding tax rate should be lowered below 15 percent since the corporate tax rate currently stands at 17 percent. As the withholding tax is imposed on gross interest earned, while corporate tax rate is imposed on taxable income (i.e. after expenses), the 15 percent withholding tax rate for interest, which is also a final tax, appears excessive. The revenue implication from this proposal should not be significant in view that almost all of Singapore's tax treaties provide for withholding tax rates of less than 10 percent or less.

KPMG in Singapore is a term used to describe KPMG LLP, KPMG Tax Services Pte. Ltd., KPMG Corporate Finance Pte. Ltd. and KPMG Advisory Services Pte. Ltd.

KPMG LLP (Registration No. T08LL1267L) is an accounting limited liability partnership registered in Singapore under the Limited Liability Partnership Act (Chapter 163A). KPMG Tax Services Pte. Ltd. (Registration No. 200003956G), KPMG Corporate Finance Pte. Ltd. (Registration No. 198500417D) and KPMG Advisory Services Pte. Ltd. (Registration No. 198301769C) are Singapore incorporated companies. Each has its address at 16 Raffles Quay, #22-00 Hong Leong Building, Singapore 048581 and is a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

10. Interest income from loans provided to related companies

Currently, interest income received on inter-company loans is not regarded as attributable to taxable activities. Thus, the quantum of GST recoverable by the business that provides inter-company loans would be reduced to the extent that the interest is an exempt supply. It is very common for companies within the same group to extend loans to each other rather than borrow from external sources where the costs of borrowing are normally higher. In addition, there are business reasons for providing inter-company loans. For example, a project company is normally set up for each property project and the funds for each project company can be provided by the holding company. There is also a situation where the financial institutions prefer to provide loans to the more established holding company or give a preferential rate to the holding company which in turn provides inter-company loans to its subsidiaries.

We suggest the GST law be amended to regard the provision of inter-company loans as attributable to taxable activities (i.e. widen the scope of regulation 33 of the GST (General) Regulations) so that the input tax recovery of businesses will not be affected by the provision of inter-company loans.

11. Hedging activities

Currently, input tax attributable to certain hedging activities ("referred to as qualifying hedging activities") are treated as attributable to taxable supplies and thus recoverable. As businesses may undertake hedging activities arising from activities other than those indicated in the legislation such as the investment of properties via special purpose companies (i.e. through equity holding), we propose widening the scope of hedging activities by removing the qualifying activities listed. This in turn would reduce administrative cost in tracking qualifying and non-qualifying hedging activities and streamline GST compliance rules.

Enhancing Singapore's position in attracting global talent

12. To make Singapore a more attractive destination for global talent, we propose:

- **Reducing the top marginal personal tax rate of 20 percent.** While competitive on a global basis, there is room to make Singapore more competitive when compared to Hong Kong's top rate of 16 percent.
- **Remove the five-year maximum period for which the Not Ordinarily Resident (NOR) taxpayer scheme applies.** This is to continue attracting companies and foreign talent to relocate here and stay here longer. When compared to Hong Kong's time apportionment taxation basis which does not have a restriction on the number of years, the NOR time apportionment concession does not have the advantage of longevity.

13. To support Singaporeans, the Government could:

- **Assist home owners, by allowing mortgage interest deduction** for owner-occupied homes. Hong Kong and Taiwan already have such a deduction.
- **Allow individuals to claim relief for the premiums paid** for insurance policies and removing the current \$5,000 limitation tied to CPF contributions can help families provide for their longer term financial security even as they cope with the economic uncertainty.
- **Expand the zero percent tax bracket** from \$20,000 to a higher level to help those at the lowest income level.
- **Supplementary Retirement Scheme – Exempt taxation of distributions.** SRS distributions would include earnings that would typically be tax exempt (cap gains, dividends) if held in a non-SRS account. Modifying SRS would help encourage more people to save for retirement.

14. The main issue will be that these PMETs will have to pay tax this year on the income they earned before they were displaced. Government could consider allowing deferment of the tax payments or allow these individuals to extend the installment period to 24 months.

KPMG in Singapore is a term used to describe KPMG LLP, KPMG Tax Services Pte. Ltd., KPMG Corporate Finance Pte. Ltd. and KPMG Advisory Services Pte. Ltd.

KPMG LLP (Registration No. T08LL1267L) is an accounting limited liability partnership registered in Singapore under the Limited Liability Partnership Act (Chapter 163A). KPMG Tax Services Pte. Ltd. (Registration No. 200003956G), KPMG Corporate Finance Pte. Ltd. (Registration No. 198500417D) and KPMG Advisory Services Pte. Ltd. (Registration No. 198301769C) are Singapore incorporated companies. Each has its address at 16 Raffles Quay, #22-00 Hong Leong Building, Singapore 048581 and is a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

One possible consideration could be to provide double tax deductions for these individuals for expenses incurred on training and upgrading courses, to recognise the effort put in. This may not be much in terms of lowering the tax liability, but it can help provide some measure of recognition.

Promoting the growth of innovation R&D, especially among Singapore's enterprises

15.

Providing tax concessions to attract more R&D centres to Singapore

Currently the 150 percent R&D deduction does not apply to “R&D service providers” i.e. where the R&D undertaken is on behalf of an affiliate company overseas, and all resultant intellectual property is held by the affiliate company. The 150 percent R&D deduction should be extended to these “R&D service providers” to enhance Singapore’s attractiveness as a base for corporate R&D, and to also possibly provide alternative tools (other than R&D financial grants) for the Singapore government to attract these R&D centres to Singapore.

Withholding tax exemption for royalties in respect of intellectual property exploited in Singapore

Singapore has the necessary ingredients for becoming an intellectual property hub. The benefits of being an intellectual property hub can be significant. In addition, with the spin-offs associated with licensing income being routed to Singapore as well as developing an environment where innovation can thrive through the presence of patent lawyers, IP professionals and R&D personnel. With all the work being done to encourage R&D (through various R&D grants and tax incentives), the next step is to encourage companies to exploit the intellectual property from Singapore. This could be achieved with the following:

- Exempt royalty income received by intellectual property developed in Singapore. The benefits would be twofold: encourage development of intellectual property in Singapore, and encourage the commercial exploitation of the intellectual property in Singapore (instead of migrating the intellectual property overseas); and
- Exempt withholding taxes on royalty payments made to non-residents. This takes into account that MNCs typically retain the legal rights of the intellectual property in the home country, while transferring economic rights to various regional locations. The transfer of economic rights would usually be accompanied by payments for such rights, either in a lump sum or periodic payments. Such payments may attract withholding tax. To improve Singapore’s attractiveness as an intellectual property location hub, the royalties paid to the home country in respect of economic intellectual property rights managed from Singapore could be exempted from withholding tax.

Allowing loss-making SMEs to convert the benefits of tax concessions for R&D into cash

This suggestion brings Singapore in-line with practices in countries such as Australia and Canada.

i) In **Australia**, the Government will be replacing the current research and development tax concessions with an expanded tax credit from 1 July 2010 that improves support for smaller firms in tax loss as well as rewarding larger firms for their research and development efforts. The new research and development tax credit will feature a 45 percent refundable credit (offset) for firms with an annual turnover of less than \$20 million, which is equivalent to a tax concession of 150 percent. A 40 percent non-refundable tax credit (offset) will be available from that same year to firms with an annual turnover of more than \$20 million – equivalent to a deduction of 133 percent. The existing R&D Tax Concession Premium and International Premium will be abolished and eligibility criteria will be tightened to provide better targeted support.

ii) In **Canada**, the National Research Council’s Industrial Research Assistance Program helps small and medium-sized enterprises innovate by providing technical and business advice, networking services, as well as direct, non-repayable, financial assistance. The Budget 2009 provides \$200 million over two years, starting in 2009–10, to the National Research Council’s Industrial Research Assistance Program to enable it to temporarily expand its initiatives for small and medium-sized enterprises.

KPMG in Singapore is a term used to describe KPMG LLP, KPMG Tax Services Pte. Ltd., KPMG Corporate Finance Pte. Ltd. and KPMG Advisory Services Pte. Ltd.

KPMG LLP (Registration No. T08LL1267L) is an accounting limited liability partnership registered in Singapore under the Limited Liability Partnership Act (Chapter 163A). KPMG Tax Services Pte. Ltd. (Registration No. 200003956G), KPMG Corporate Finance Pte. Ltd. (Registration No. 198500417D) and KPMG Advisory Services Pte. Ltd. (Registration No. 198301769C) are Singapore incorporated companies. Each has its address at 16 Raffles Quay, #22-00 Hong Leong Building, Singapore 048581 and is a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity.

Canadian-controlled private corporations are eligible to earn investment tax credits at an enhanced rate of 35 percent on up to \$3 million of scientific research and experimental development (SR&ED) expenditures annually.

16. It is important for the Government to provide the necessary impetus in the development of local brands and self-created IP. To accord the appropriate tax breaks for creative and innovative businesses, the writing down allowance (WDA) claim should be extended to internally created IP as well and the amount could be based on independent professional valuation. Based on current law, only acquired IP qualifies for WDA claim.

Fostering Singapore's position as an international financial centre

19. To provide certainty in the GST treatment for Islamic financing

Currently, the law surrounding the Islamic transactions addresses specific Islamic financing transactions - Murabaha and Ijara transactions involving non-residential properties by financial institutions. In the light of the continued evolution of Islamic financing products and with the increasing demand for Islamic financing as an alternative to funding projects, the Government should consider enhancing the GST legislation for Islamic financing to achieve alignment with conventional financing to facilitate the growth of Islamic financing in Singapore.

The proposed area is the GST treatment of Sukuk where such alignment is lacking. Currently, the provision of debt security is exempt from GST to the extent that it does not include an interest in land. Under the Sukuk, there is generally an interest in land included and thus would be subject to GST at the standard-rate. This presents a misalignment with the conventional debt securities.

20. To extend the scope of exemption to financial services rendered by financial institutions

Currently, certain transactions provided by financial institutions in connection with the provision of loans such as the sell-down of a syndicated loan are not treated as an exempt supply for GST purposes. This causes cascading effect as well as administrative inconvenience in terms of the need to identify such transactions and report them as standard-rated supplies and charge GST.

To streamline the GST compliance cost of the financial institutions, we propose a review of the scope of exempt supplies and widen the scope of the exemption to include services rendered by the financial institutions that are currently not exempt but relate to the provision of loans.

Others

21. Shipping

Maritime Finance Incentive (MFI) - to liberalise the requirement in Section 13S(1)(a) so as to include as qualifying exempt income the income from chartering or finance leasing of any sea-going ship (acquired by the approved shipping investment enterprise) to any persons, not just person who is neither resident in Singapore nor a permanent establishment in Singapore or an approved international shipping company.

Tax incentive for ship management which on its own, cannot presently constitute an activity that will qualify for tax incentive. To support the whole stream of shipping related activities in order to further promote Singapore as a maritime hub, tax incentive for a truly ship management company should be considered.

KPMG in Singapore is a term used to describe KPMG LLP, KPMG Tax Services Pte. Ltd., KPMG Corporate Finance Pte. Ltd. and KPMG Advisory Services Pte. Ltd.

KPMG LLP (Registration No. T08LL1267L) is an accounting limited liability partnership registered in Singapore under the Limited Liability Partnership Act (Chapter 163A). KPMG Tax Services Pte. Ltd. (Registration No. 200003956G), KPMG Corporate Finance Pte. Ltd. (Registration No. 198500417D) and KPMG Advisory Services Pte. Ltd. (Registration No. 198301769C) are Singapore incorporated companies. Each has its address at 16 Raffles Quay, #22-00 Hong Leong Building, Singapore 048581 and is a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.

22. Real Estate

Currently, the following tax concessions/incentives enjoyed by Singapore-listed REITs will expire after 17 Feb 2010:

- a) Reduced withholding tax rate of 10 percent for distributions made to non-resident non-individuals paid out of income accorded tax transparency;
- b) Remission of stamp duty on instruments of transfer relating to transfers of Singapore properties to Singapore-listed REITs;
- c) Certain GST concessions.

The above tax concessions/incentives should be extended for another five years. The withdrawal of these tax concessions/incentives may dampen the growth of the REIT market in Singapore and have an adverse impact on the ability of REITs to raise capital. Extending these tax concessions/incentives is necessary to rejuvenate the REIT market and further spur Singapore's attractiveness as a leading REIT hub in Asia.

KPMG in Singapore is a term used to describe KPMG LLP, KPMG Tax Services Pte. Ltd., KPMG Corporate Finance Pte. Ltd. and KPMG Advisory Services Pte. Ltd.

KPMG LLP (Registration No. T08LL1267L) is an accounting limited liability partnership registered in Singapore under the Limited Liability Partnership Act (Chapter 163A). KPMG Tax Services Pte. Ltd. (Registration No. 200003956G), KPMG Corporate Finance Pte. Ltd. (Registration No. 198500417D) and KPMG Advisory Services Pte. Ltd. (Registration No. 198301769C) are Singapore incorporated companies. Each has its address at 16 Raffles Quay, #22-00 Hong Leong Building, Singapore 048581 and is a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity.