



2001 SECOND OFF-BUDGET PACKAGE

INTRODUCTION

On 12 October 2001, Deputy Prime Minister (“DPM”) Lee Hsien Loong announced a second off-budget stimulus package worth S\$11.3 billion. This package will help to stimulate the local economy and bring down business costs.

OFF-BUDGET PACKAGE

This package can be divided into the following main categories:

1. Tax Rebates

a. Corporate Tax Rebates

To help businesses reduce costs and minimise job losses, the Government will grant tax rebate to companies. These tax rebates will not apply to Singapore dividend and income earned by non-residents companies, which is subject to a final withholding tax.

For Year of Assessment 2001

- 50% tax rebate on the first S\$25,500 of income tax payable; and
- 5% tax rebate for any balance of tax payable.

For Year of Assessment 2002

- 5% tax rebate will be granted on top of the lower corporate tax rate of 24.5% and the new tax exemption scheme announced in the budget statement this year (i.e. 75% of the first S\$10,000 and 50% of the next S\$90,000 of chargeable income will be exempt from tax).

b. Personal Tax Rebates

For Year of Assessment 2001

- A further 5% tax rebate will be granted on top of the 10% rebate announced in Budget Statement this year. This will bring the tax rebate to 15%.

For Year of Assessment 2002

- 10% tax rebate will be granted on top of the reduction in the personal income tax rates.



2. Reducing Costs for Businesses and Individuals

a. Increased Property Tax Rebates for Commercial and Industrial Properties

The property tax rebate for commercial and industrial properties that was announced in July 2001 would be improved as follows:

- Instead of 25% rebate, the government will give a fixed rebate of up to S\$8,000 per year to all commercial and industrial properties; and
- A further rebate of 30% for any balance of property tax payable.

The new rebate scheme will be effective from 1 July 2001 to 31 December 2002. The owners who have already paid their property tax for the second half of this year will receive refunds from Inland Revenue Authority of Singapore.

JTC and HDB will pass on the savings to their tenants. Other landlords are encouraged to do likewise.

b. Reduction in Stamp Duty Rates

Stamp duty rates will be reduced by 30% for all chargeable instruments (mainly for property and share transactions) executed on or after 13 October 2001. This reduction will expire at the end of 2002.

c. Reduction of Petrol Excise Duty and Diesel Tax

With effect from 13 October 2001, the petrol excise duty will be reduced from 40% to 35% of pump price. The floor rates will also be reduced by 5 to 6 cents per litre. This measure will be in place till the end of 2002.

Oil companies are expected to pass on the savings arising from the reduction of excise duty fully and promptly to motorists.

Diesel tax of S\$5,100 per year paid by taxi companies will be reduced by S\$400 to S\$4,700. Taxi companies are expected to pass on the savings to their taxi drivers by lowering the taxi rentals.



d. Road Tax Rebates

The following will take effect from 1 January 2002 for one year:

- A grant of one-time S\$100 road tax rebates for cars, taxis, goods vehicles and buses; and
- A grant of one-time S\$20 road tax rebates for off-peak cars, weekend cars, motorcycles and trailers.

e. Landing Fee Rebates

With effect from 15 October 2001, the Civil Aviation Authority of Singapore will grant a 10% landing fee rebate to all airlines operating out of Changi and Seletar Airports. This rebate remains in place for a year.

3. Assistance to Local Enterprises

a. Improved Access to Funds

The Local Enterprise Finance Scheme (“LEFS”), which is used by local enterprises to upgrade, strengthen and expand their operations, will be enhanced to allow local enterprises to have easier access to the funds as follows:

- Reducing the interest rates for new and existing LEFS loans by up to 1% point, depending on the duration of the loan (This will be effective for 1 year from 1 November 2001);
- Increasing government’s risk-sharing from 70% to 80% for new loans from 1 November 2001 for a 1-year period;
- Launching a new micro-loan programme under LEFS to help the very small companies (For a start, the Government will increase the loan line by S\$250 million over 5 years and the interest subsidy by S\$14 million over 5 years); and
- Launching a ‘Loan Insurance Scheme’ to help SMEs, especially for those who lack collateral or track record (The Government will be setting aside S\$6 million to pay for the cost of insurance premium over a period of 5 years).



b. Enhanced Package for Hawkers under the Hawker Centres Upgrading Programme (“HUP”)

The ex-gratia cash grants for those hawkers who choose to retire from their business whose centre is under the HUP will be increased from:

- S\$15,000 to S\$18,000 for market stallholders and
- S\$19,000 to S\$ 23,000 for cooked food stallholders.

4. Land/Property-Related Measures

a. Government Land Sales Programme

The Government has reviewed its land sales programme for 2001 and 2002. The Government will suspend the sale of residential and commercial sites and defer the sale of industrial land to relief the oversupply situation in the property market.

b. Anti-Speculative Measures on Property

- The Government has decided to remove income tax on short-term gains from sale of property within 3 years of purchase. This will take effect for property sales contracted on or after 13 October 2001; and
- With effect from 12 October 2001, limitation of one Singapore dollar loan to one residential property in Singapore for each Permanent Resident and restriction of non-Permanent Residents and non-Singapore companies for obtaining housing loans will be lifted.

c. Exemption of Property Tax for Land Under Development

With effect from 12 October 2001, property tax exemption will be given for land under development for a period of 2 years.



d. Rental Rebates for Commercial and Industrial Tenants

- JTC will reduce the refurbishment charge for upfront payment lessees by 50%. The rental security deposits will also be reduced from 3 to 2 months for tenants and temporary occupation licence holders who make the payments through Giro. With effect from November 2001, a further 10% rental rebate will be given across the board to all JTC tenants until December 2002.
- HDB will extend the existing rental rebates, ranging from 10% to 30%, to December 2002. A further 10% rental rebate will be given to all HDB commercial and industrial tenants, from 1 November 2001 to 31 December 2002.
- Other government agencies and statutory boards will also extend rental rebates to their tenants.

5. Acceleration of Infrastructure Projects

The Government has identified more than 100 infrastructure projects that can be implemented within 18 months. These projects will stimulate the economy and provide jobs.

6. Employment Assistance for Workers and Executives

With effect from 1 November 2001, the Government will expand the scale of the People for Jobs Traineeship Programme by raising the ceiling of wage support from S\$600 to S\$2,000 per month and the period of support will be extended from a period of 3 to 6 months. This enhanced scheme will be extended to skilled workers and management staff.

The Government will increase training allowance under the Skills Redevelopment Programme ("SRP"). For those taking full-time training courses, the training allowance will increase from current S\$600 per month to 75% of the last drawn salary or S\$1,000 per month, whichever is lower. The part-time courses training allowance will increase from S\$3.80 to S\$5.70 per hour.

The absentee payroll support under SRP will be increased to S\$6.10 or S\$6.90 per hour per worker, depending on the worker's age.



Other measures include increased skill development fund funding support for skill training courses, intensification of employment assistance services and changes in foreign worker policy.

The minimum salary for foreigners to qualify for an employment pass will be raised from S\$2,000 to S\$2,500 with effect from 1 December 2001. The qualifying standards for low foreign worker levy work permit holders will also be raised.

7. Helping for The Lower Income and Unemployed

Measures to help the lower income households and the unemployed include maintaining the undergraduate and polytechnic tuition fees at the existing levels; easing cash flow of new HDB flat buyers; financial assistance for HDB mortgages; reducing utilities bills; extending service and conservancy rebates; extending the HDB rental assistance; enhancing the HDB Rental and Utilities Assistance Scheme; implementing a new Hospitalisation Fee Assistance Scheme and introducing a new Economic Downturn Relief Scheme.

8. New Singapore Shares

The Government will give New Singapore Shares, worth S\$1 per share to citizens on 1 November 2001. These shares will earn dividends for 5 years from year 2002 to 2007. The dividend rate will be a guaranteed minimum of 3% per annum. The bonus dividends equal to the real Gross Domestic Product growth rate of the preceding year (provided that is above zero), will be declared annually.

These shares are not transferable or tradable but the citizens can cash them for S\$1 per share up to half of their shares for the first 12 months. After 12 months, no limit is imposed. Qualifying citizens will receive a basic allocation of shares based on the individual's income level and housing type. Bonus shares will be given to the elderly and NSmen.



9. Measures related to Wage Costs

The National Wage Council has recommended wage freeze or appropriate cost reduction measures including wage cuts through variable components for companies.

Political appointment holders and senior civil servants, whose salaries are tied to the private sector salary benchmarks, will be reduced by 10% from 1 November 2001 for 12 months.

CONCLUSION

DPM Lee Hsien Loong concluded that this package will help Singaporeans and businesses to tide over the downturn. But large as it is, it cannot by itself restore our economy to steady growth. We cannot spend our way to prosperity. To grow we have to generate wealth, which means producing and exporting, earning wages and making profits. And that will depend on the global economy and foreign markets, because our economy is so heavily reliant on external demand.

Reference: Speech by Deputy Prime Minister Lee Hsien Loong in Parliament on 12 October 2001.

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