LEGISLATION COMMENT

A YEAR OF TAX 'HAND-OUTS':

INCOME TAX (AMENDMENT) ACT 1980 (ACT No. 9 OF 1980)

INCOME TAX (AMENDMENT No. 2) ACT 1980 (ACT NO. 28 OF 1980)

Introduction

1980 saw two additional amendments to the already well-doctored Income Tax Act[1] (hereafter ITA). The first, Act No. 9 of 1980 came into operation on 3rd April 1980; the second, Act No. 28 of 1980, followed some nine months later to take effect on 4th December 1980. As with the 1979 Amendment Act,[2] the 1980 Acts live up to the perceived role of tax legislation as instruments for implementing government policy, particularly economic policy. In granting exemptions, creating incentives and extending reliefs, these latest amendments are in line with the Government's policy to restructure the economy and pursue the various development strategies earmarked for the Eighties. Some in the mixed bag of tax concessions are directed at the individual taxpayer in his personal capacity, but most are meant to 'skew' investment and growth in favour of selected sectors of the economy, *viz.* industry and trade. And, as with the 1979 Amendment Act, little (if anything) is made of the statute's revenue-raising function. In fact, the various tax concessions are expected to result in a net loss to the revenue estimated in millions.

The first Amendment Act of 1980, apart from implementing the Government's Budget proposals announced in 1977,[3] attempts to tighten up some of the provisions introduced by the 1979 Act and to further co-ordinate the operation of the ITA with that of the Economic Expansion Incentives (Relief from Income Tax) Act[4] (hereafter the EEIA), the latter itself having undergone major amendments in 1979.[5] The second Amendment Act of 1980 does much less remedial work and concentrates mainly on implementing the 1980 Budget proposals,[6] the best feature of which (in the view of the average taxpayer at any rate) are the lowered tax rates, across the board, on all chargeable income.

1 Cap. 141, Singapore Statutes, 1970 Rev. Ed.
2 Act No. 7 of 1979 coming into operation on 16th April 1979.
3 See 1979 Annual Budget Statement in *Singapore Parliamentary Debates* Vol. 38, No. 7 cols. 312-329.
4 Cap. 135, Singapore Statutes, 1970 Rev. Ed.
5 Act No. 8 of 1979 coming into operation on 20th April 1979.
6 See 1980 Annual Budget Statement in *Singapore Parliamentary Debates* Vol. 39, No. 10 cols. 608-636.

The following attempts to highlight the major changes introduced by each of these two Acts.

Act No. 9 of 1980

I. *Tax Concessions*

The tax concessions fall into two broad categories:

(1) concessions directed at the taxpayer in his business capacity, either as entrepreneur or investor, *viz*: —
   (a) double tax deduction benefits extended to export-marketing development expenditure;
   (b) tax deduction benefits for expenditure on scientific research by a manufacturing trade or business;
   (c) capital allowance for company registered cars increased;
   (d) 10% concessionary tax rate extended to cover income derived from general inward direct insurance of off-shore risks;

(2) concessions directed at the individual taxpayer in his personal capacity, *viz*:—
   (a) tax exemption for the whole of the pension income of a resident pensioner;
   (b) increased maximum allowable deductions for contributions to the Central Provident Fund (hereafter the CPF) or other approved pensions or provident fund schemes.

(1) *Business Concessions*

(a) *Double tax deduction benefits extended to export-marketing development expenditure — new section 14C:* In 1979, the then Senior Minister of State for Finance in delivering the Annual Budget Statement, noted that the prospects for world trade expansion were not bright and suggested as the only answer "the aggressive export promotion of competitively produced goods."[7] Thus, one of the Government's avowed trade development policies is to encourage the export of locally manufactured products. Apart from the normal section 14 deduction, section 14B of the ITA provides for a further deduction for expenses in maintaining an overseas trade office or participating in an approved (whether local or overseas) trade fair, exhibition or trade mission for the primary purpose of promoting the export of Singapore manufactured goods. This incentive has been found to be effective as 503 companies have utilised the scheme.[8]

Section 14C now extends the benefit of double tax deduction to export market development expenditure incurred on approved overseas marketing projects and expenses on advertisements in approved Singapore publications designed for publicity overseas.

To prevent duplication of relief, the benefits of section 14C are not available to companies enjoying tax relief under the EEIA.[9]

[7] *Supra,* n. 3 at col. 317.
[8] *Supra,* n. 3 at col. 318.
[9] By the same token, an amendment to s. 14B was also made to impose a similar restriction on the availability of the double tax deduction benefits of s. 14B. See Act No. 9 of 1980, s. 5.

(b) *Tax deduction benefits for expenditure on scientific research by a manufacturing trade or business — new section 14D:* Singapore's process of industrialisation has been for the most part fueled by foreign expertise and inflow of technology from multinationals. The Government's present policy for industrial development is to promote local expertise and technology.[10] To achieve this, section 14D extends to new manufacturing companies deduction for expenditure incurred in scientific research projects carried out in Singapore. It is hoped that such a concession would give the manufacturing sector an incentive to embark on indigenous research and development (R & D). The scientific research contemplated is of the kind that will lead to or facilitate an extension or an improvement in the technical efficiency of the taxpayer's trade or business.[11]

(c) *Capital allowance for company registered cars increased — section 14(3A), section 19(2A) amended:* Expenses incurred in the production of income in respect of a company registered car[12] are allowed as deductions under section 14. However, these deductions were somewhat restricted as what was allowed was only a fraction of the actual expenses, the fraction being the allowed capital cost of the cars ($15,000) over the actual capital cost. This was of course consistent with section 19(2A) which also limited capital allowance on a company registered car to a maximum of $15,000. The new section 14(3A) and the new proviso to section 19(2A) have increased the allowed maximum capital cost of such cars to $25,000. These amendments are not meant to implement a new incentive but rather to take into account the effects of inflation[13] and to reflect in realistic terms the capital costs of cars in today's overpriced markets.

(d) *10% concessionary tax rate extended to cover income derived from general inward direct insurance of off-shore risks — section 26, section 43C amended:* The 1979 Act introduced the 10% concessionary tax rate for income derived from reinsuring off-shore risks.[14] This concession was designed to develop Singapore as a centre for reinsurance business and to encourage reinsurance companies to remit back into Singapore premiums earned overseas.[15] Section 26 and section 43C have now been amended so as to extend the 10% concessionary rate to income from general inward direct insurance covering off-shore risk with the objective of further developing Singapore as a centre for off-shore reinsurance business.

[10] *Supra,* n. 7.
[11] Act No. 9 of 1980, s. 14D(3)(a).
[12] The restriction of s. 14 deductions only to cars registered as business service passenger vehicles was introduced in 1979. See Act No. 7 of 1979, s. 5 which added para. (j) to s. 15 of the ITA. This restriction was necessary to prevent the anomalous position of cars registered as private vehicles (and thus free from the double road tax and Area Licence Fees applicable to business vehicles) being used in the taxpayer's business and qualifying for s. 14 deductions. See the Second Reading of the 1979 Income Tax (Amendment) Bill, *Singapore Parliamentary Debates* Vol. 39, No. 4 at cols. 300-301.
[13] See the Second Reading of the 1980 Income Tax (Amendment) Bill, *Singapore Parliamentary Debates* Vol. 39, No. 12 at cols. 1035-1036.
[14] S. 14 Income Tax (Amendment) Act, 1979, *supra,* n. 2.
[15] Second Reading of the 1979 Income Tax (Amendment) Bill, *supra,* n. 12 at cols. 198-299.

(2) *Personal Concessions*

(a) *Tax exemption for the whole of the pension income of a resident pensioner — new section 13(x):* Unless specifically exempt under section 13,[16] all income derived from any pension is taxable[17] in the hands of a resident pensioner. A partial concession was granted in 1977 whereby only 50% of the amount received is deemed to be taxable.[18] The new paragraph (x) to section 13 effectively exempts from tax the whole of the pension income of a resident pensioner. This gesture was made in recognition of the past services rendered to the nation by pensioners and to buffer them against the ravages of inflation.[19] The concession is, however, not as far-reaching as might have been hoped. The only pensioners to benefit are those who receive enough to put them in the chargeable bracket in the first place. For those pensioners whose pension income still fall outside the chargeable bracket, there is no relief against the ravages of inflation.

(b) *Increased maximum allowable deductions for contributions to the Central Provident Fund (hereafter the CPF) or other approved pensions or provident fund schemes — new section 39(2)(e), proviso (ii):* In 1973, the ceiling on allowable deductions for CPF contributions and life-insurance premiums was raised to $4,000.[20] Ever since then, CPF contributions have steadily increased. By 1st July 1977, required contributions were at 15% subject to a maximum of $310 per month,[21] which meant that they yearly maximum of $4,030[22] fell just outside the maximum allowable deduction. The inadequacy of the section 39(2)(e) relief was further aggravated when a new rate of contribution at 16½% came into force subject to a monthly maximum of $495.[23] The yearly contribution of $6,435 was clearly well in excess of the $4,000 deduction. As rightly observed, the benefits intended by the concession have been eroded steadily by increased CPF contributions.[24] Thus, the increase in the maximum allowable deduction to $5,000 would go some way to redress the imbalance. However, not long after this amendment came into effect, the schedule to the CPF Act[25] governing rates of contributions underwent another amendment.[26] Contributions were raised to 18% subject to a monthly maximum of $540, which made one wonder whether it was another case of "giving with one hand and taking away with the other"! Unfortunately for the tax-paying employee, it was not to be the last assault on his pay-packet. The latest amendment, to take effect on 1st July 1981 exactly one year after the last increase, saw the rate of contribution climbing further to 22% subject to a maximum of $660.[27]

[16] Paras. (h), (j), (k) and (1) are specific instances of exemptions.

[17] S. 10(l)(e) ITA *supra,* n. 1.

[18] Sub-section 6A to s. 10, inserted by Act No. 5 of 1977.

[19] "We have to be a hard-headed Government, but we are not hard-hearted. Wherever we can afford to, we shall show in some tangible way that those who have served are not forgotten." From the speech of the Senior Minister of State for Finance in the 1979 Budget Statement, *supra,* n. 3 at col. 326.

[20] See Act No. 26 of 1973.

[21] Implemented by S178/77.

[22] $310x13, the 13th month salary is also subject to CPF contributions.

[23] Implemented by S155/78.

[24] The lower-middle income groups *i.e.* those whose income fall between $1,900 and $2,500 per month are hardest hit. See *supra,* n. 3 at col. 325.

[25] Cap. 121, Singapore Statutes, 1970 Rev. Ed.

[26] S187/80 which takes effect from 1st July, 1980.

[27] Implemented by S188/81.

II. *Amendments to Streamline Procedure and Improve Existing Legislation*

(a) *Restriction on tax-exemption for net annual value of residential property — proviso to section 10(1A) amended:* Section 10 (1A) represents one of the few instances where the ITA attempts to cast its net on imputed income. Profits arising from property are brought into the tax base by section 10(l)(f) and such profits are deemed by section 10(1A) to include the net annual value (NAV) of any property used by or on behalf of the owner for residential purposes and not for purposes of gain or profit. The deeming powers of section 10(1A) is nevertheless somewhat tempered by its proviso in that it exempts from tax the NAV of any one property which is occupied for residential purposes by the owner thereof. The 'tax-break' given is no doubt to encourage homeownership.

Prior to the amendment, the then existing restrictions on the exemption show the policy to be this: only one home is encouraged and it must be owner-occupied. If a taxpayer owns two houses, lives in one of them and rents out the other, the 'tax-break' does not extend to the second house used for profit-making. The policy becomes even clearer when one considers the case of the taxpayer with only one piece of property. If he chooses to rent it out and in turn himself occupy rented premises (at a cheaper rent, no doubt) he receives no exemption.[28] Home ownership is thus encouraged for the purpose of the taxpayer's own consumption rather than for his profit-making.

However, as amended, the provision was not so finely-tuned. A married couple owning two homes could claim the exemption for both by the simple expedient of having one home in each spouse's ownership. Although the second home has not been used for profit-making, the policy for not exempting its NAV from tax is equally compelling. There is a current shortage of housing in Singapore — many people are waiting to acquire their first home. Owning a second home is a luxury and it is hard to argue that such a luxury merits a subsidy from the Government in the nature of a 'tax-break'.[29]

In this light, the amendment to section 10(1A) is a welcome one: for the purposes of entitlement to the exemption, property owned by a married woman living with her husband is deemed to be owned by the husband.[30] It is not an insensitive amendment as it recognises situations where couples, though married, may be living apart. In such a case, each spouse would still be entitled to the tax-break in respect of his/her own home.

(b) *Tax-exemption for maintenance payments received by a child — new section 10(8):* Maintenance payments, whether made under a court order or under a deed of separation, are in the nature of

[28] The disincentive is doubly great: not only does he receive no tax-exemption for the NAV of his rented-out property, he can claim no deduction for the rent that he pays on the premises occupied by him.

[29] A second home retained by the owner for his own use does not even have the merit of making available another piece of property to the rental market.

[30] This is consistent with the general tax treatment for the wife under the ITA which subsumes all unearned income of a wife under her husband's name. See *supra,* n. 13 at col. 1034.

annual payments for tax purposes.[31] They are therefore within section 10(1)(e) and are accordingly chargeable to tax. A wife or a child receiving such maintenance payments will be subject to tax unless relief is specifically provided. Prior to the amendment no such relief was available.[32] The new sub-section (8) to section 10 affords relief by providing that maintenance payments received under a maintenance order or a deed of separation shall not be deemed to be income for the purposes of paragraph (e) of sub-section (1) of section 10. However, the relief is available only to the child and not the wife. The policy for making this distinction is not clear, unless the premise is that the wife, being an adult, would (or should?) be gainfully employed and thus well able to afford taxes.[33] A child, on the other hand, is more likely than not to be completely dependent on his parents' financial support and hardly in a position to bear taxes.

(c) *Capital allowances and deductible expenditure for business vehicles registered and used exclusively outside Singapore — section 15, section 19(2D) amended:* The 1979 Act introduced paragraph (j) to section 15[34] which restricts the deduction of expenditure on motorcars used in the taxpayer's business only to those registered as a business service passenger vehicle under the Road Traffic Act.[35] A corresponding amendment was made to section 19(2D) to restrict capital allowances only to such company registered vehicles.[36] This necessarily entails excluding from section 14 cars used exclusively outside Singapore and therefore registered outside Singapore, even if utilised to earn income taxable in Singapore. To be consistent with the basic principle that expenses directly borne for earning income, wherever incurred, should be deductible, this new amendment does the necessary to narrow the paragraph (j) restriction. Similarly, the terms of section 19(2D) have been liberalised. Thus, a taxpayer may claim both capital allowances and expenses incurred on motorcars registered and used exclusively outside Singapore to earn income taxable in Singapore.

(d) *No balancing allowance for non-business vehicles — new section 20(5A):* As capital allowances under section 19(2D) have been confined to company registered cars (except for those registered and used exclusively outside Singapore), the new section 20(5A) ensures that no anomalous situations will arise. No balancing allowance will be granted on the sale of a motorcar not registered as a business service passenger vehicle under the Road Traffic Act.

Act No. 28 of 1980

I. *Tax Concessions*

Again the tax concessions fall within two broadly distinct categories:

31 See *e.g. Clack v. Clack* [1935] All E.R. 228; *Stokes* v. *Bennet* [1953] 2 All E.R. 313.

32 Relief in the form of deductions is however extended to the person who has to bear the maintenance payments: see s. 39(2)(c) and (d).

33 The whole structure of the income tax rests on this underlying basis: the ability to pay!

34 S. 5 Income Tax (Amendment) Act 1979, *supra,* n. 2.

35 Cap. 92, Singapore Statutes, 1970 Rev. Ed.

36 S. 8 Income Tax (Amendment) Act 1979, *supra,* n. 2.

(1) concessions directed at the taxpayer in his business capacity, either as entrepreneur or as investor, *viz:*—

   (a) double tax deduction benefits allowed for expenditure incurred by manufacturers undertaking an approved research and development (R & D) project;

   (b) capital allowance for buildings used in R & D activities;

   (c) straight-line method as the new basis for calculating annual allowances (AA) in respect of plant and machinery coupled with revised life spans for plant and machinery;

   (d) accelerated depreciation allowance extended to expenditure on computers and R & D equipment;

   (e) writing down allowances for capital expenditure incurred in acquiring approved know-how or patent rights;

   (f) 10% concessionary tax-rate extended to income derived from off-shore gold transactions;

(2) concessions directed at the individual taxpayer in his personal capacity, *viz:*—

   (a) relief to taxpayer who maintains a handicapped child, brother or sister in the same household;

   (b) across the board reduction in tax rates on chargeable income.

(1) *Business Concessions*

(a) *Double tax deduction benefits allowed* for *expenditure incurred by manufacturers undertaking an approved research and development (R & D) project — new section 14E:* In the 1979 Budget Statement, the Government announced its policy in industrial development to promote indigenous R & D.[37] This policy was duly implemented in the tax concession enacted in section 14D of the first 1980 Amendment Act[38] which allowed, for the first time, deductions for expenditure on scientific research. In the 1980 Budget, this theme was reinforced and it was announced that "to encourage multinational companies to shift some of their research activities to Singapore, as well as local industries to undertake R & D" the Government would introduce further tax concessions.[39] The new section 14E allows double tax deduction for expenses in undertaking an approved R & D project. The concession goes so far as to allow deductions for expenses even where the taxpayer assigns the project to a R & D organisation. As with section 14D, the R & D project in question is confined to those in the manufacturing sector. For the purposes of section 14E, new definitions of 'R & D' and 'R & D organisation' have been incorporated into section 2, and accordingly section 14D has been amended to replace the term "scientific research" with 'R & D'.[40]

37 *Supra,* n. 7.
38 See discussion at p. 158, *supra.*
39 *Supra,* n. 6 at cols. 615-616.
40 S.4, Act No. 28 of 1980.

(b) *Capital allowance for buildings used in R & D activities — section 18 amended:* Consistent with the tax concessions embodied in section 14D and section 14E to encourage growth in R & D in the manufacturing sector, a building used by a R & D organisation to carry out R & D activities will now have the tax-favoured status of "industrial building or structure" within the terms of section 18. Thus, the taxpayer would be entitled to claim an initial allowance of 25% and an annual allowance (AA) of 3% in respect of the capital expenditure incurred on the construction of the building.[41]

(c) *Straight-line method as the new basis for calculating annual allowances (AA) in respect of plant and machinery coupled with revised life spans for plant and machinery — section 19(2) amended, new Sixth Schedule:* Prior to the amendment, the method for calculating AA for plant and machinery in section 19(2) was based on the reducing value of the asset. The rates of depreciation were prescribed in the Income Tax Rules, 1948.[42] By this method, recovery of capital costs starts off at its highest and tapers off at the end of the stipulated life-span of the asset. The new system of calculating AA, the straight-line method, allows a standard rate of recovery over the useful life of the asset. The introduction of the straight-line method is not in itself a tax concession as the reducing-value method in fact allows a faster cost-recovery over the same time period. However, a new schedule has been enacted with newly stipulated life-spans for various machinery and plant used in business. With the adjusted life-spans, a more realistic rate of write-off results. Thus, the faster rate for recovery of capital investment cost represents the true concession. The capital which is recovered earlier will be free to be re-invested in other depreciable assets. Assets which promote automation and mechanisation are given faster rates. The policy is clearly to encourage cost efficiency through automation and mechanisation.

(d) *Accelerated depreciation allowance extended to expenditure on computers and R & D equipment — section 19A amended:* In 1975, the Government introduced special allowances for certain prescribed plant and machinery used in an industrial enterprise and for anti-pollution equipment.[43] Instead of the normal AA provided by section 19, the taxpayer could have his capital expenditure written-off in 3 years at 33⅓% a year. In line with the policy to promote R & D, the benefits of the section 19A scheme of accelerated depreciation allowance have now been extended to expenditure on computers and R & D equipment.

(e) *Writing down allowances for capital expenditure incurred in acquiring approved know-how or patent rights — new section 19B:* Acquisition of know-how and patent rights for use in trade or business are regarded as acquisition of capital assets. As such, expenditure incurred on such acquisition are not deductible under section 14. At the same time, there existed no scheme in the ITA for the recovery of cost of this type of capital investment, perhaps, because know-how

41 S. 16 ITA, *supra,* n. 1.
42 See S378/48 adjusted in 1964 by LN 181/64.
43 See Act 4 of 1975.

and patent rights are not generally regarded as depreciable assets.[44] To create incentives for investing in know-how and patent rights by the manufacturing sector (so that it can develop or upgrade its products and processes) such expenditure may now be capitalised and written off over a period of 5 years. However, if the manufacturer sells off the approved know-how or patent rights, the allowance will no doubt be 'recaptured' as section 19B provides for a balancing adjustment.

(f) *10% concessionary tax-rate extended to income derived from off-shore gold transactions — new section 43:* The 10% concessionary tax rate was first introduced in respect of income derived from off-shore reinsurance, and subsequently extended to inward direct insurance covering off-shore risks by the first 1980 amendment Act.[45] This concession sees another extension in section 43D. Income derived from off-shore gold transactions now enjoys the same favourable 10% rate instead of the higher 40% rate. This amendment was the result of representations received by the Ministry of Trade and Industry that the 40% tax rate inhibited the development of the gold market.[46] The loss in revenue created by the grant of this concession is expected to be compensated by the growth of the gold market. This is consistent with the Government's strategy to develop Singapore into a "financial supermarket" in the Eighties.

Note: With the passing of the second amendment Act of 1980, three out of the package of four tax incentives for promoting R & D in Singapore announced in the 1980 Budget Statement were implemented. The remaining R & D incentive *viz.,* the granting of up to 50% of the capital investment in R & D made by a company was implemented by an amendment to Part IVA of the EEIA.[47] Under the new section 46B, R & D projects undertaken by a company now enjoy the same favourable tax treatment that had been granted in 1979 in respect of projects for the manufacture or increased manufacture of any product or for the provision of specialised engineering or technical services.[48]

(2) *Personal Concessions*

(a) *Relief to taxpayer who maintains a handicapped child, brother or sister in the same household — new section 39(2)(d) proviso, new section 39(2)(g):* As from 1975, a taxpayer maintaining a handicapped child, even if the child were above 16 years in age, has been entitled to "child allowance" relief.[49] However, this allowance was still subject to the stipulated amount in the Fifth Schedule depending on whether the child is a first or subsequent child. In the true spirit that moved 1980 to be proclaimed the International Year of Disabled Persons the

[44] This is probably a misconception. With the speed of progress in R & D, know-how and the subject matter of patent-rights could easily be superseded and rendered obsolete.

[45] See discussion at p. 158, *supra.*

[46] *Supra,* n. 6 at col. 630.

[47] Act No. 29 of 1980 which came into operation on 4th December 1980.

[48] See s. 3, Economic Expansion Incentives (Relief from Income Tax) (Amendment) Act, No. 8 of 1979.

[49] Inserted by Act 4 of 1975.

Government has started a relief of $750 allowance a year for;a taxpayer who maintains a handicapped brother or sister in the same household. Accordingly, the relief given to parents for maintaining a handicapped child has also been raised to $750, notwithstanding the Fifth Schedule. The concession is not available if the handicapped person is maintained in an institution as the intention is to promote the care of such persons in the home.

(b) *Across the board reduction in tax rates on chargeable income — new Part A, Second Schedule:* The Government's policy, as reaffirmed in the 1979 Budget Statement, is to ensure that effort, talent and skills at all levels be equitably rewarded. In a quotable quote, the then Senior Minister of State for Finance declared: "Tax is a necessary evil of any good government but it must never be so high as to become a disincentive to work harder."[50] However, no general revision to personal income tax rates was seen in the Fiscal Year of 1979 as it was too soon after the tax cut implemented in the preceding year, 1978.[51] In the 1980 Budget Statement, the sentiments expressed in 1979 were echoed by the Minister of Trade and Industry,[52] but this time with a proposal for a general reduction of income tax rates across the board, to give relief against inflation. Happily for all, this proposal has been implemented by an amendment to Part A of the Second Schedule. Every taxpayer now enjoys a tax-reduction ranging from 6.8% to 19.9% depending on his tax-bracket. The average reduction came to 16.1%. Again, the Government has made apparent its policy to encourage the application of time, talents and effort to earning income which in turn, generates economic growth for Singapore.

II. *Amendments to Streamline and Improve Existing Legislation*

(a) *Definitions — section 2 amended:* The definitions of 'R & D' and 'R & D organisation' have been inserted for the purposes of new section 14E and section 14D as amended.[53]

(b) *Repeal and re-enactment of section 14D:* This is a consequential amendment to replace the words "scientific research" with the words "R & D", in line with the words used in new section 14E.[54]

(c) *Increased deductions in respect of CPF contributions by employers — section 14(1)(e) amended:* As a result of the revision upward of CPF contributions,[55] an employer with effect from 1st July 1980 has to increase his contributions to 20½% of his employee's salary. Accordingly, the consequential amendment to section 14(l)(e) is required to allow an employer to claim a correspondingly increased deduction.

(d) *Definition of "institution of a public character" extended — section 37(2) amended:* Gifts to approved institutions of a public character are tax deductible. Institutions of a public character are

[50] *Supra,* n. 3 at col. 326.
[51] The tax reduction in 1978 varied from 7.7% to 20.7% depending on the tax bracket. The average tax cut was 14.8%. See supra, n. 3 at col. 324.
[52] The Minister of Trade and Industry in 1980 was the then Senior Minister of State for Finance when he delivered the 1979 Budget.
[53] See discussion on pp. 158, 162, *supra.*
[54] *Ibid.*
[55] *Supra,* n. 25.

defined in the Act and are confined to non-profit organisations providing some public service. The amendment to section 37(2) extends the definition to include charities as well as non-profit organisations promoting culture, the arts or sports. It is not clear what the category of "charitable institution or a body of persons or trust established for charitable purposes only" adds to the existing list which is not already covered by the broad category of "public or benevolent institution not operated or conducted for profit." The other new category added, however, may be seen as the Government's gesture towards the promotion of culture, the arts and sports by creating an incentive for contributions to non-profit organisations dedicated to such pursuits.

(e) *Lessening employer's duty to inform Comptroller — section 68 amended:* Section 68(5), prior to the amendment, required an employer to inform the Comptroller of Income Tax of the cessation of employment of his employees. The obligation imposed upon the employer makes no distinction between employees who are Singapore citizens and those who are not. While it is clear why the Revenue needs to be informed about the cessation of employment of a non-citizen, it is not at all clear why the same is required of a citizen. The non-citizen may leave the jurisdiction without having accounted for his income tax liabilities which, for any year of employment, would not accrue until the following year.[56] This is not likely to be the case with the citizen. Thus, the amendment which confines the employer's obligation to inform the Comptroller to only cases of non-citizen employees terminating work is a sensible one. It reduces the compliance burden of the employer and cuts down the paper-shuffling done by the Revenue department.

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[56] This is the result of levying tax on a preceding year basis. See s. 35(1) ITA, *supra,* n. 1.