

Income Tax (Amendment No. 2) Bill

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Bill No: 26/1990

Read the first time: 4th October 1990

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Income Tax (Amendment No. 2) Bill

Bill No. 26/1990

Read the first time on 4th October 1990.

An Act to amend the Income Tax Act (Chapter 134 of the 1985 Revised Edition).

Be it enacted by the President with the advice and consent of the Parliament of Singapore, as follows:

Short title

1. This Act may be cited as the Income Tax (Amendment No. 2) Act 1990.

Amendment of section 10

2. Section 10 of the Income Tax Act (referred to in this Act as the principal Act) is amended by inserting, immediately after subsection (10), the following subsection:

“(11) Any distribution made by a unit trust approved under section 10B out of gains or profits derived on or after 1st July 1989 from the disposal of securities and which have not been subject to tax shall be deemed to be income if received by a unit holder except where the unit holder is —

- (a) an individual resident in Singapore; or
- (b) a person who is not resident in Singapore and has no permanent establishment in Singapore.”.

Amendment of section 10A

3. Section 10A(2) of the principal Act is amended —
 - (a) by deleting the words “, and includes any unit trust” in the definition of “investment company”;
 - (b) by deleting the word “or” at the end of paragraph (a) of the definition of “securities”; and
 - (c) by deleting the full-stop at the end of paragraph (b) of the definition of “securities” and substituting the word “; or”, and by inserting immediately thereafter the following paragraph:

“(c) units in any unit trust within the meaning of section 10B.”.

New sections 10B and 10C

4. The principal Act is amended by inserting, immediately after section 10A, the following sections:

“Profits of unit trusts

10B.—(1) Notwithstanding any other provisions of this Act, the Minister may by regulations —

- (a) provide that tax on gains or profits derived on or after 1st July 1989 from the disposal of securities by an approved unit trust shall be levied and paid for each year of assessment by the trustees upon such percentage of the gains or profits and in such manner as may be prescribed;
- (b) provide for the deduction of such percentage of the losses arising from the disposal of securities in such manner as may be prescribed;
- (c) provide for the deduction of expenses allowable under this Act to be granted in such manner as may be prescribed;
- (d) provide for the deduction of tax by the trustees of the unit trust on any distribution received by a unit holder which is deemed to be income under section 10(11).

(2) In this section —

“approved” means approved by the Minister or such other person as he may appoint;

“securities” has the same meaning as in section 10A;

“unit” means a right or interest (whether described as a unit, a sub-unit or otherwise) which may be acquired under a unit trust;

“unit trust” means any trust established for the purpose, or having the effect, of providing facilities for the participation by persons as beneficiaries under a trust, in profits or income arising from the acquisition, holding, management or disposal of securities or any other property.

Excess contributions deemed to be income

10C.—(1) Notwithstanding section 13(1)(j), where in any year from 1st January 1989 contributions have been made by an employer in respect of an employee under section 7 of the Central Provident Fund Act [Cap. 36] —

- (a) any part of the employer’s contributions, in respect of ordinary or

additional wages paid to the employee in that year, which is not obligatory under that Act; or

- (b) the employer's contributions in respect of that part of the additional wages which exceeds 40% of all ordinary wages paid to the employee in that year,

shall be deemed to be income accruing to the employee for the year in which the wages are paid.

(2) Notwithstanding subsection (1)(b), where in any year from 1st January 1989 all the ordinary wages of an employee paid in that year do not exceed \$72,000, and his total wages paid in the same year —

- (a) do not exceed \$100,000, the excess contributions under subsection (1)(b) shall not be deemed to be income accruing to the employee;
- (b) exceed \$100,000, only that part of such excess contributions made in respect of the difference between the total wages and \$100,000 shall be deemed to be income accruing to the employee.

(3) Where in any year from 1st January 1989 contributions under section 7 of the Central Provident Fund Act [Cap. 36] have been made in respect of an employee employed by two or more employers and the employers are related to each other, subsection (2) shall apply with the necessary modifications as if all the ordinary and additional wages from those related employers and the contributions on those wages were paid by one employer.

(4) For the purposes of subsection (3), one employer shall be deemed to be related to another where one of them, whether directly or indirectly, has the ability to control the other or where both of them, whether directly or indirectly, are under the control of a common person.

(5) Subsections (1) to (4) shall apply with the necessary modifications to contributions made by an employer to a designated pension or provident fund as if those contributions were employer's contributions to the Central Provident Fund.

(6) Subsection (1) shall apply with the necessary modifications to contributions made to an approved pension or provident fund in respect of an employee who at the same time has no contribution made by his employer to the Central Provident Fund as if the contributions to the approved pension or provident fund were employer's contributions made to the Central Provident Fund.

(7) Where in any year from 1st January 1989 contributions have been made by

an employer in respect of an employee to the Central Provident Fund or to a designated pension or provident fund, in addition to any other approved pension or provident fund, the whole of the contributions made to that approved pension or provident fund shall be deemed to be income accruing to the employee for the year in which the contributions are paid.

(8) In this section —

“additional wages” has the same meaning as in the Central Provident Fund Act [Cap. 36];

“designated pension or provident fund” means an approved pension or provident fund designated by the Minister under section 39(6)(c);

“employer’s contributions” means the contributions made by any employer under section 7(1) of the Central Provident Fund Act less the amount of contributions recoverable by the employer from the wages of an employee under section 7(2) of that Act;

“ordinary wages” has the same meaning as “ordinary wages for the month” in the Central Provident Fund Act;

“total wages”, in relation to any year, means the total of the ordinary and additional wages in that year received by an employee;

“year” means any year from 1st January to 31st December.”.

Amendment of section 14

5. Section 14 of the principal Act is amended —

- (a) by inserting, immediately after the words “1st July 1989” in sub-paragraph (i)(J) of the proviso to subsection (1)(e), the words “and before 1st July 1990”; and
- (b) by deleting the comma at the end of sub-paragraph (i)(J) of the proviso to subsection (1)(e) and substituting a semicolon, and by inserting immediately thereafter the following sub-paragraph:

“(K) commencing on or after 1st July 1990 shall not exceed 16¹/₂%,”.

Amendment of section 14F

6. Section 14F of the principal Act is amended by inserting, immediately after the words “section 10A” at the end of subsection (4), the words “or any unit trust which has