Workshop 'Cheat Sheet'

ASIA ESTATE PLANNING ASSOCIATION
AEPA

Workshop:	**Wealth Taxes: What To Do If They Happen?**
When:	27 January 2022
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Overview of Singapore's Tax System

Main objectives are:

- To raise revenue to fund government operations
- To promote economic and social goals
- To keep tax rates competitive both for corporations as well as individuals

Types of taxes 'missing' in Singapore:

- Capital gains tax, Transfer tax, Estate & Inheritance tax

Sample Tax Rates:

- Max personal income tax = 22%
- Standard corporate tax = 17%
- BSD (non-residential) = 3% exceeding $1M
- BSD (residential) = 4% exceeding $1M
- Seller's Stamp Duty = 12/8/4%
- ABSD Singapore citizen = 0/17/25%
- ABSD Singapore PR = 5/25/30%

What are Wealth Taxes?

Net wealth taxes are recurrent taxes on individual net wealth stocks covering movable and immovable property, net of debt.

It is a tax on an individual's stock of assets, and not on income, profits, or transactions.

Wealth Statistics

1. 1% of population own 1/3 of wealth
2. Population of crazy rich (>USD30M wealth) increased 10% in 2020
3. Total billionaires increased 30% during pandemic.
4. Singapore's real GDP per capita is #4 out of 229 countries with Gini Coefficient over 0.4.
5. Singapore ranked 147 out of 159 countries for its efforts to reduce inequality (Oxfam, 2018).
6. "… widening wealth gap … driven most strongly by property investments." Ravi Menon, MD of MAS.

Arguments against Wealth Taxes

1. In 1990, 12 European countries started an annual wealth tax. By 2008, 8 countries abandoned the tax, citing high admin cost, risk of capital flight, and failure to meet redistributive goals.
2. Only 4 of 38 OECD nations have a net wealth tax — Colombia, Norway, Spain, and Switzerland.
3. The 25 richest people in US have used tax avoidance methods to reduce their income taxes, in some cases to zero.
4. In 2007, Singapore collected $154M of estate tax, which is 1% of total tax revenue collected.

What Solutions Might Be Considered?

Note: There are no clear-cut solutions.

1. Making inter vivos gifts to a living trust.
2. Making inter vivos gifts to beneficiaries.
3. Buying insurance for liquidity to pay tax expenses and to avoid selling prized assets.

What Could Happen?

1. One-off or recurring net wealth tax.
2. Higher income tax on top earners.
3. Tax on property transfers pursuant to inheritance.
4. Capital gains tax.
5. Increase in property tax rates on high-value properties both residential and non-residential.
6. Inheritance tax or estate tax on worldwide assets.
7. Tax on inter vivos transfers.

Note: Members can access sources at www.aepa.asia.

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