Post-Workshop Notes

Workshop:	**Wealth Taxes: What To Do If They Happen?**
When:	27 January 2022
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Introduction

The workshop's purpose is to discuss potential scenarios for wealth tax in Singapore and what we can do should wealth tax be implemented.

Definition of wealth tax

It is a recurring tax on one's net wealth (equals to the assets such as properties, the shares in private companies, jewelleries, cars - minus off any debts you have). It is collected during a person's lifetime.

Countries may modify definition of wealth tax to suit their circumstances as to what to cover and exclude.

ABSD and COE are variants of wealth taxes.

Challenges of Implementing

It is a good idea to tax the rich but can be difficult to implement, based on reasons such as:

- Do we want to tax an individual, household or company?
- Do we tax people staying in HDBs?
- How do we make sure that people declare honestly about their assets outside of Singapore?

Current and Past Experiences

Wealth tax has existed in India for decades. Only the UHNW is taxed because authorities found it too difficult to manage and too expensive to maintain. The amount of wealth tax collected may not be enough to cover the cost of maintaining the system.

We used to have estate duty in Singapore prior to 2008. It is easier to bring back estate duty as a wealth tax variant. However:

- Amount collected was not significant. In 2007, $154M was collected, which was just 1% of total tax revenue collected.
- The wealthy know how to structure their assets to reduce the amount taxed.
- The exemptions were - $9M for residential properties and $600,000 for movable assets. Then for deaths between 28 Feb 1996 and before 15 Feb 2008, the net value of inheritance tax was:
    - 5% for every dollar of first $12M; and
    - 10% for every dollar exceeding $12M.
- While 12 OECD countries had net wealth taxes in 1990, only four OECD countries still levied recurrent taxes on individuals' net wealth in 2017. Reasons for repealing include failure to meet redistributive goals and low revenue collected.

What Might Happen?

Estate tax may not be feasible due to high cost of implementing.

An increase in property tax (annual tax based on market rental values) may be feasible as the system is already in place.

Stamp duties may continue to be tweaked.

Families should work with their financial advisers to on their portfolio of assets to make sure there is sufficient liquidity to pay any future new taxes.