

**Volume 80  
No. 13**



**Tuesday  
18th October, 2005**

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Read a Second time; considered in Committee; reported without amendment;  
read a Third time

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Read a Second time; considered in Committee; reported without amendment;  
read a Third time

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# PARLIAMENTARY DEBATES SINGAPORE

## OFFICIAL REPORT

### TENTH PARLIAMENT

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#### PART II OF SECOND SESSION

#### VOLUME 80

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*Tuesday, 18th October, 2005*

*The House met at 1.30 pm*

PRESENT:

Mr SPEAKER (Mr Abdullah Tarmugi (East Coast)).

Mr Ahmad Khalis Bin Abdul Ghani (Hong Kah).

Dr Ahmad Mohd Magad (Pasir Ris-Punggol).

Dr Balaji Sadasivan (Ang Mo Kio), Senior Minister of State, Ministry of Information, Communications and the Arts and Ministry of Health.

Mr Cedric Foo Chee Keng (West Coast).

Mr Alexander Chan Meng Wah (Nominated Member).

Mr Chay Wai Chuen (Tanjong Pagar).

Mr Chew Heng Ching (East Coast), Deputy Speaker.

Mr Steve Chia Kiah Hong (Non-Constituency Member).

Mr Chiam See Tong (Potong Pasir).

Assoc. Prof. Chin Tet Yung (Sembawang).

Dr Chong Weng Chiew (Tanjong Pagar).

Mr Arthur Fong (West Coast).

Mr Gan Kim Yong (Holland-Bukit Panjang), Minister of State, Ministry of Education and Ministry of Manpower.

Mr Andy Gan Lai Chiang (Marine Parade).

Dr Geh Min (Nominated Member).

Mr Goh Chok Tong (Marine Parade), Senior Minister, Prime Minister's Office.

Mdm Halimah Yacob (Jurong).

Mr Hawazi Daipi (Sembawang), Senior Parliamentary Secretary to the Minister for Education and Minister for Manpower.

Mdm Ho Geok Choo (West Coast).

Assoc. Prof. Ho Peng Kee (Nee Soon East), Senior Minister of State, Ministry of Law and Ministry of Home Affairs.

Mr Inderjit Singh (Ang Mo Kio), Deputy Government Whip.

Ms Indranee Rajah (Tanjong Pagar).

Prof. S Jayakumar (East Coast), Deputy Prime Minister, Coordinating Minister for National Security and Minister for Law.

Mr Khaw Boon Wan (Tanjong Pagar), Minister for Health.

Dr Amy Khor Lean Suan (Hong Kah).

Assoc. Prof. Koo Tsai Kee (Tanjong Pagar), Senior Parliamentary Secretary to the Minister for Defence and Minister for the Environment and Water Resources.

Dr Lee Boon Yang (Jalan Besar), Minister for Information, Communications and the Arts and Government Whip.

Mr Lee Hsien Loong (Ang Mo Kio), Prime Minister and Minister for Finance.

Dr Warren Lee (Sembawang).

Mr Lee Yock Suan (East Coast).

Mr Leong Horn Kee (Bishan-Toa Payoh).

Mr Lawrence Leow Chin Hin (Nominated Member).

Dr Michael Lim Chun Leng (Pasir Ris-Punggol).

Mr Lim Hng Kiang (West Coast), Minister for Trade and Industry.

Mr Raymond Lim Siang Keat (East Coast), Minister, Prime Minister's Office, Second Minister for Finance and Second Minister for Foreign Affairs.

Mr Lim Swee Say (Holland-Bukit Panjang), Minister, Prime Minister's Office and Deputy Government Whip.

Mr David T E Lim (Holland-Bukit Panjang).

Mr Loh Meng See (Jalan Besar).

Dr Loo Choon Yong (Nominated Member).

Miss Penny Low (Pasir Ris-Punggol).

Assoc. Prof. Low Seow Chay (Chua Chu Kang).

Mr Low Thia Khiang (Hougang).

Mr Mah Bow Tan (Tampines), Minister for National Development and Deputy Leader of the House.

Mr Matthias Yao Chih (MacPherson).

Encik Mohamad Maidin B P M (Marine Parade), Senior Parliamentary Secretary to the Minister for Home Affairs.

Dr Mohamad Maliki Bin Osman (Sembawang), Parliamentary Secretary to the Minister for Community Development, Youth and Sports and Minister for National Development.

Dr Lily Neo (Jalan Besar).

Dr Ng Eng Hen (Bishan-Toa Payoh), Minister for Manpower and Second Minister for Defence.

Ms Irene Ng Phek Hoong (Tampines).

Ms Eunice Elizabeth Olsen (Nominated Member).

Mr Ong Ah Heng (Nee Soon Central).

Dr Ong Chit Chung (Jurong).

Mr Ong Kian Min (Tampines).

Dr Ong Seh Hong (Aljunied).

Assoc. Prof. Ong Soh Khim (Nominated Member).

Mr Othman Haron Eusofe (Marine Parade).

Mr R Ravindran (Marine Parade).

Mr S Iswaran (West Coast), Deputy Speaker.

Mr Seng Han Thong (Ang Mo Kio).

Mr K Shanmugam (Sembawang).

Mr Sin Boon Ann (Tampines).

Dr Tan Boon Wan (Ang Mo Kio).

Dr Tan Cheng Bock (Ayer Rajah).

Mr Teo Chee Hean (Pasir Ris-Punggol), Minister for Defence.

Mr Teo Yock Ngee (Nominated Member).

Mr Tharman Shanmugaratnam (Jurong), Minister for Education.

Dr Vivian Balakrishnan (Holland-Bukit Panjang), Minister for Community Development, Youth and Sports and Second Minister for Trade and Industry.

Dr Wang Kai Yuen (Bukit Timah).

Mr Wee Siew Kim (Ang Mo Kio).

Mr Wong Kan Seng (Bishan-Toa Payoh), Deputy Prime Minister, Minister for Home Affairs and Leader of the House.

Assoc. Prof. Dr Yaacob Ibrahim (Jalan Besar), Minister for the Environment and Water Resources and Minister-in-charge of Muslim Affairs.

*Oral Answers to Questions*

Mr Yeo Cheow Tong (Hong Kah), Minister for Transport.

Mr Yeo Guat Kwang (Aljunied).

Mr George Yong-Boon Yeo (Aljunied), Minister for Foreign Affairs.

Mrs Yu-Foo Yee Shoon (Jurong), Minister of State, Ministry of Community Development, Youth and Sports.

Mr Zainudin Nordin (Bishan-Toa Payoh).

ABSENT:

Mr Ang Mong Seng (Hong Kah).

Mr Chan Soo Sen (Joo Chiat), Minister of State, Ministry of Education and Ministry of Trade and Industry.

Dr John Chen Seow Phun (Hong Kah).

Mr Charles Chong (Pasir Ris-Punggol).

Mr Davinder Singh (Bishan-Toa Payoh).

Mr Heng Chee How (Jalan Besar), Minister of State, Ministry of National Development.

Mr Lee Kuan Yew (Tanjong Pagar), Minister Mentor, Prime Minister's Office.

Mr Lim Boon Heng (Jurong), Minister, Prime Minister's Office.

Mrs Lim Hwee Hua (Marine Parade), Minister of State, Ministry of Finance and Ministry of Transport.

Mdm Cynthia Phua (Aljunied).

Prof. Ivan Png Paak Liang (Nominated Member).

Mr Tan Soo Khoo (East Coast).

Dr Tan Sze Wee (Nominated Member).

Dr Teo Ho Pin (Holland-Bukit Panjang).

Dr Tony Tan Keng Yam (Sembawang).

Encik Yatiman Yusof (Tampines), Senior Parliamentary Secretary to the Minister for Information, Communications and the Arts.

Mr Zainul Abidin Rasheed (Aljunied), Minister of State, Ministry of Foreign Affairs.

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**PERMISSION TO MEMBERS TO BE ABSENT**

Under the provisions of clause 2(d) of Article 46 of the Constitution of the Republic of Singapore, the following Members have been granted permission to be or to remain absent from sittings of Parliament (or any Committee of Parliament to which they have been appointed) for the periods stated:

| <i>Name</i>       | <i>From<br/>(2005)</i> | <i>To<br/>(2005)</i> |
|-------------------|------------------------|----------------------|
| Mr Davinder Singh | 18 Oct                 | 18 Oct               |
| Mrs Lim Hwee Hua  | 18 Oct                 | 18 Oct               |
| Mr Tan Soo Khoo   | 18 Oct                 | 18 Oct               |
| Mr Ang Mong Seng  | 27 Nov                 | 01 Dec               |

ABDULLAH TARMUGI  
*Speaker*  
*Parliament of Singapore*

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**[Mr Speaker in the Chair]**

**ORAL ANSWERS TO QUESTIONS**

**EMPLOYABILITY OF OLDER EMPLOYEES**

**(Update on programmes)**

1. **Mdm Ho Geok Choo** asked the Minister for Manpower to provide an update on the various programmes that have been launched or are being planned to better secure the employability of older employees.

*Income Tax (Amendment) Bill – Second Reading*

[Mr RAYMOND LIM SIANG KEAT]

more than \$1,000 each have been simplified. These assets which are acquired during or after the basis period relating to year of assessment 2005 will be granted a 100% write-off, subject to conditions. Clause 17 of the Bill spells out the conditions for such claims.

Finally, 11 other changes have been incorporated into this Bill. As they are either technical in nature or relate to improvements in tax administration, I will not bring Members through the details of these remaining changes.

Sir, I beg to move.

Question put, and agreed to.

Bill accordingly read a Second time and committed to a Committee of the whole House.

The House immediately resolved itself into a Committee on the Bill. – [Mr Raymond Lim Siang Keat.]

Bill considered in Committee.

[Mr Deputy Speaker in the Chair]

Clause 1 –

**The Chairman:** Clause 1. There is a proposed amendment standing in the name of Prof. Ivan Png. In his absence, Mr Steve Chia, I understand that you are moving the amendment. As the proposed amendment to this clause relates to other proposed amendments to subsequent clauses, I will allow you to raise matters relating to similar amendments to the later clauses now. Mr Steve Chia, you may speak on the amendments.

**Mr Steve Chia Kiah Hong (on behalf of Prof. Ivan Png Paak Liang):** Sir, I beg to move,

In page 2, line 31, to leave out "and 48", and insert ", 42, 48(b) and 49".

Thank you, Sir, for allowing me to raise the amendment on behalf of NMP, Prof. Ivan Png, who is currently on Parliamentary assignment to Geneva to attend the IPU conference. Thank you, Sir, also for allowing me to take all the three amendments in one speech. I am not an expert in the details, but I generally agree with the principle brought up by Prof. Ivan Png as outlined in his brief to me. So I gladly take on this assignment on his request to raise this amendment on his behalf.

Sir, a recent World Bank study rated Singapore as the second most business-friendly country in the world, behind New Zealand. We should now do our best to maintain, and even improve on our attractiveness to these businesses. One obvious and important way existing now – as we debate on the Income Tax (Amendment) Bill – is that we seek to cut down the weight of record-keeping for income taxpayers to a lesser burden by reducing the required number of years.

The current Act requires us taxpayers to keep 'sufficient records for a period of seven years from the year of assessment'. As the year of assessment is the year following the actual year of income and expenses, the Act in actual fact requires that all records be kept for up to at least eight years straight.

It is quite a burden to keep a lot of records for so many years and, therefore, it is onerous on the taxpayer. It is time to shorten this burden, especially considering that IRAS now receives information on salaries, dividends, profits, tax returns and many others electronically and online. This extensive computerisation of tax submission, processing and analysis have actually substantially speeded up IRAS work and helped reduce its workforce. It is now time to pass some of these accrued benefits back to taxpayers by lightening up their load and also cost in record keeping. Surely, by now, IRAS

*Income Tax (Amendment) Bill – Committee*

need not force taxpayers to dig back eight years into their archives to retrieve those archaic records.

Anyway, Sir, we have also fallen behind other developed countries. Australia now requires record to be kept for five years after submission. The UK requirement is six years for limited companies, and five years for other companies. The US requirement ranges from three to seven years, depending on the nature of the records.

This record keeping requirement of the Income Tax Act also exceeds requirement under our Limitation Act, which specifies a six-year limit for actions in contract and tort. With various laws specifying different requirements, the hapless taxpayer ends up abiding by the most burdensome requirement.

Thus, the proposed amendments in clause 1, clause 26 and clause 47 and the new clause, seek to reduce the burden of record-keeping for all taxpayers, and especially to individuals and small businesses. They will also support the Government's initiative to simplify policies, procedures and practices for citizens. It will also serve to increase our attractiveness to entrepreneurship with our less cumbersome rules. Finally, it will also serve to bring our business record-keeping requirements closer to those of other advanced countries, as mentioned earlier.

The amendment to clause 1 makes a consequential amendment arising from the proposed amendments as detailed in the Order Paper Supplement.

The amendment to clause 26 aligns the provisions of the Income Tax (Amendment) Bill with the existing subsections: 10(17), 13A(8), 13B(8), 13E(10), 13H(16), 14B(10), 14M(23), 16(10), 74(1), 93(2), and 93A(1), all of which set a limit of six years, and not

seven years – for any additional requirement by the IRAS. This amendment is to make the new amendments consistent with the existing legislation (Cap. 163).

The proposed amendments to clause 47 and the addition of the new clause 'Amendment of Section 67' seek to reduce record-keeping to three years for small businesses – defined as those having gross receipts not exceeding S\$100,000 – and for taxpayers with non-business income not exceeding S\$100,000. This S\$100,000 limit has been set by IRAS as qualification for the simplified two-line statement of business income. This amendment will also limit the record-keeping requirement for all other taxpayers to six years, as per the Limitation Act (Cap. 163).

The proposed amendments to the Income Tax (Amendment) Act are being raised now as Parliament seeks to deliberate on the various other amendments to the Income Tax Act. This proposed relief may also give us a leg up on New Zealand, in terms of business friendliness. So we hope the Minister, and fellow Parliamentarians, will seek to support the proposed amendments.

**The Chairman:** The Question is the amendment proposed by the Non-Constituency Member.

As the amendment to clause 1 is related to other proposed amendments indicated in the Order Paper Supplement, the debate on this amendment can range over similar amendments to subsequent clauses. When these subsequent clauses are reached, I will put the Questions on their amendments separately for the House to decide.

Mr Raymond Lim, do you wish to respond?



*Income Tax (Amendment) Bill – Committee*

**Mr Raymond Lim Siang Keat:** Sir, the proposed amendment to clause 1 relates to the subsequent proposal to amend clauses 26 and 47 and to insert a new clause to amend section 67 of the Income Tax Act. All these amendments relate to the record-keeping requirement under the ITA. I agree that the right balance must be struck between the need for enforcement and not making compliance cost too onerous. I should like to point out that the current six-year period limit for review of tax assessment under the Income Tax Act is in line with that laid out in the Limitation Act. Records have to be kept for seven years of assessment largely because Singapore's tax assessment is based on the preceding year's income. The seven-year record-keeping requirement supports the rights of IRAS to review tax assessment for six back years. Reducing the current record-keeping period will adversely affect IRAS' ability to recover taxes that are omitted, detect tax fraud and prevent revenue leakage. There are cases where IRAS has recovered tax from the six back years of assessment of up to \$35 million. It would also reduce the window period available to the taxpayer for claiming relief in respect of any error or omission. Taxpayers with complex tax matters will have a shorter time to prepare and submit their tax computation to IRAS since IRAS will have to shorten the extension periods. Currently, close to 8,000 cases or 8% of corporate tax assessment are settled only in the fifth, sixth or seventh year. Similarly, over 22,000 cases of individual tax assessments are settled in the fifth, sixth or seventh year.

While there may be merit to reduce the record-keeping period under the ITA, in line with some other jurisdictions, such a decision should not be made in haste. The records kept for income tax purposes are similar in nature to the records required in other legislation such as the Companies Act. Merely amending the ITA will not necessarily reduce the compliance

burden for businesses, if they are still required under other laws to keep records for a longer period of time. So, therefore, we need to do a holistic review to assess the implications of such an amendment, the possible tax leakages from this change, the real lessons from other jurisdictions and the impact of the amendment on other Acts. We also need to examine the transitional provisions required with such a change. While I agree that the record-keeping provision should be reduced as much as possible, it is neither sound nor prudent to simply apply what other jurisdictions are doing without carefully taking into account our own circumstances in Singapore.

So these are my reasons for not agreeing to the amendments at this stage. Rather than to rush to amend this, my Ministry will study this proposal and any changes arising from this review can then be incorporated into the Income Tax (Amendment) Bill next year.

As for clause 26, the reference to the seven year period in that clause is actually in relation to the introduction of the one-year carry back of losses and capital allowances. The utilisation of losses and capital allowances are carried back to previous year of assessment naturally implies that an additional back year's assessment has to be revised. This clause does not constitute a change to the current policy review period of six years.

*Amendment negated.*

*Clause 1* ordered to stand part of the Bill.

*Clauses 2 to 25* inclusive ordered to stand part of the Bill.

*Clause 26* –

**Mr Steve Chia Kiah Hong:** Sir, I beg to move,

*Income Tax (Amendment) Bill – Committee*

In page 24, line 23 and in page 28, line 30, to leave out "7", and insert "6".

Sir, the reasons for the amendment are as outlined in my earlier speech on clause 26.

*Amendment negatived.*

Clause 26 ordered to stand part of the Bill.

Clauses 27 to 46 inclusive ordered to stand part of the Bill.

Clause 47 –

**Mr Steve Chia Kiah Hong:** Sir, I beg to move,

(1) In page 46, to leave out lines 13, 14 and 15 and insert –

"47. The principal Act is amended –

(a) by deleting the words "or 43S" in the following provisions and substituting in each case the words ", 43S, 43T or 43U":; and

(2) In page 46, after line 18, to insert –

"(b) immediately after the full-stop of sections 74(1), 93(2) and 93A(1), the following words:

"Notwithstanding sections 10(17), 13A(8), 13B(8), 13E(10), 13H(16), 14B(10), 14M(23), 16(10), 37E(8) and 37F(9), the period shall be within 3 years after the expiration thereof with respect to income from trade, business, profession or vocation if gross receipts from such trade, business, profession or vocation in the calendar year preceding the year of assessment did not exceed \$100,000 and with respect to all other sources of income if such income in the calendar year preceding the year of assessment did not exceed \$100,000."."

*Adjournment*

Sir, the reasons for the amendments are as outlined in my earlier speech on clause 47.

*Amendments negatived.*

Clause 47 ordered to stand part of the Bill.

Clause 48 ordered to stand part of the Bill.

*New Clause –*

**"Amendment of section 67**

Section 67(1) of the principal Act is amended –

(a) by deleting the number "7" in paragraph (a) and substituting the number "6"; and

(b) by inserting, immediately after the words "authorised in that behalf by the Comptroller" in paragraph (a), the words ", except that the period shall be 3 years from the year of assessment if the gross receipts from such trade, business, profession or vocation in the preceding calendar year did not exceed \$100,000". – [Prof. Ivan Png Paak Liang].

*Brought up, and read the First time.*

*Question accordingly negatived.*

*New Clause accordingly disagreed to.*

Bill reported without amendment, read a Third time and passed.

**ADJOURNMENT**

Resolved,

That Parliament do now adjourn to a date to be fixed. – [Mr Mah Bow Tan].

Adjourned accordingly at  
Twenty-two minutes to Six o'clock pm  
to a date to be fixed.