

The CEEBR scheme is one of three schemes in Singapore that provide certain income tax incentives to gains from qualifying employee share option (ESOP) plan or employee share ownership (ESOW) plan. Only ESOPs granted on or after 1 April 2001 and ESOWs granted on or after 1 January 2002 would qualify.

e.g. a plan that is offered on a limited basis to senior executives may benefit from another plan that is offered to "rank and file" employees;

- Qualifying ESOP and ESOW plans need not be restricted to plans of Singapore incorporated companies that carry out business activities in Singapore. They could also include plans of the foreign incorporated companies of Singapore entities that meet certain qualifying conditions;
- The tax exemption is a partial tax exemption. Only the first \$2,000 of any annual qualifying ESOP/ESOW gains and 25% of the remainder gains would be tax exempt each year;
- If the ESOP or ESOW is offered to the employee at a discount to market value, the discount does not qualify for the partial tax exemption;
- It is necessary to keep track of the cumulative total qualifying ESOP/ESOW gains as the cumulative total qualifying gains (including the tax exempt gains) are subject to a \$1,000,000 cap over a 10-year period;
- Both employer and employee are required to maintain sufficient documentation that the qualifying criteria under the scheme are met. In addition the employer needs to inform the employee in writing within a month of the close of the calendar year of ESOP/ESOW grants that the qualifying criteria are met.

SINGAPORE TAX

Singapore Company Employee Equity-Based Remuneration (CEEBR) scheme revisited

KPMG Tax Services can assist employers to determine if their plans meet the various conditions necessary to qualify for the scheme, advise on the documentation support requirements and calculate the taxable gains. Some key features of the CEEBR scheme include:

- The ESOP and ESOW plans must meet certain minimum vesting period and holding period requirements respectively;
- The ESOP and ESOW must be offered to at least 50% of the employees and it is possible to aggregate the different ESOP and ESOW plans together to satisfy the 50% requirement. The aggregation rule enables more plans to qualify

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US TAX

US Individual Taxpayer Identification Number (ITIN)



The US Internal Revenue Service (IRS) issues Individual Taxpayer Identification Numbers (ITINs) to help individuals comply with the US tax laws, and to provide a means to efficiently process and account for tax returns and payments for those foreign nationals who are not eligible for Social Security Numbers (SSNs).

- **Original, certified or notarised** copies of documents that substantiate the information provided on the Form W7 (e.g. a passport).

Without certification or legally notarised documents, the individual needs to provide the IRS with the original documents which can be retained for up to 60 days by the IRS. Only notary publics from countries that are members of the Hague Convention can notarise documents for ITIN application purposes. Singapore, Indonesia, Philippines, Malaysia and Canada are some of the countries that are not members of the Hague Convention. Accordingly, notary publics in Singapore could not notarise documents for the ITIN application.

Who needs ITINs?

Examples of those who need ITINs include:

- A nonresident alien filing a US tax return;
- A US resident alien (based on days present in the US) filing a US tax return;
- A nonresident alien individual electing to file a joint US tax return with a spouse who is a US citizen or resident;
- A spouse or dependent of a nonresident alien visa holder;
- A nonresident individual eligible to obtain the benefit of reduced withholding under an income tax treaty; and
- Foreign buyers/sellers of US real property interests.

How to apply for ITINs?

The ITIN application must include the following:

- Completed Form W7;
- Supporting US tax return; and

Who can certify the documents?

A Certifying Acceptance Agent, who pursuant to a written agreement with the IRS, is authorised to assist individuals in obtaining ITINs from the IRS, including certifying the documents that substantiate the information on the Form W7.

KPMG Tax Services is currently the only Certifying Acceptance Agent in Singapore¹. The role of a Certifying Acceptance Agent is to:

- Assist in the completion of the Form W-7;
- Certify that the taxpayer has provided a foreign passport (or other acceptable documents) as documentary evidence sufficient to support the applicant's identity and foreign status; and
- Act as a liaison with the IRS.

¹See IRS website www.irs.gov

Trusts are not for everyone. However for some, they provide a way of securing one's wealth for future generations and avoiding the complexities of probate that estates may otherwise be subject to.

SINGAPORE ESTATE DUTY

Trusts provide haven for wealth



Trusts may therefore be efficient instruments in estate duty planning, especially for wealthy individuals with international tax issues to contend with or are in an advanced age. For example, the holding of dutiable property through a trust could minimise Singapore estate duty if the property is settled on the trust in such a manner as to avoid the Estate Duty provisions that would deem the property to have transferred upon death. This would generally include the use of a discretionary trust with no power for reversion of interest to the settlor, the property to be gifted to the trust at least 5 years before the death of the settlor and the settlor should not be a trustee.

Multiple objectives

Clearly, trusts can help accomplish multiple objectives in estate and business succession planning. They are useful in addressing such concerns as the varying capabilities and needs of beneficiaries, assuring fiduciary responsibility, competent investment management, support and maintenance for the surviving spouse, and the preservation of certain assets for the ultimate beneficiaries.

Trustee appointments

The selection of individuals to serve in fiduciary roles should be based on the abilities, capacities and willingness of the individuals, as well as the cost of their services, if any. In a will, spouses commonly name each other to act as independent executor, with other relatives as alternate or successor executors. Similarly, the selection of a trustee for trusts created under the will may name the spouse as trustee or co-trustee, with other relatives as co-trustees or successor trustees. Additionally, it is sometimes advisable to name a corporate co-trustee or successor trustee (e.g., a bank trust department) as a contingency or for additional fiduciary controls. Of course, the fiduciary may engage the assistance of attorneys, accountants, investment advisors, etc in order to properly execute their fiduciary duties. The relative fees and effectiveness of outside fiduciaries should be evaluated. It is often advisable to give the spouse trustee the power to remove and appoint such co-trustees to ensure accountability for services rendered.

Beneficiary designations

When the estate plan is being designed, it is necessary to make sure that the beneficiary designations for certain assets are coordinated because certain assets may pass at death by operation of law according to the beneficiary designation, for example, life insurance policy, company benefits or CPF benefits. Where the beneficiary designation conflicts with the deceased individual's will, the beneficiary designation may control.

KPMG Tax Services provides insights and advice relating to estate duty planning, the setting up of trusts and other related issues.

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