IPTI Xtracts

Property Tax and Assessment News from Around the World

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Is property tax ready for the future economy?

Property tax provisions using Victorian-era language need to catch up urgently with the digital age.

PROPERTY tax, which originated as a municipal levy, hardly receives much attention from fiscal strategists, especially in these days of the re-design of the global tax system under the OECD/G20 Inclusive Framework on Base Erosion and Profit Shifting (BEPS 2.0).

With the current fiscal agenda in Singapore focused on the international equity of taxation, domestic inequality, climate change and ageing demographics, property tax has in recent months received some attention as an example of a progressive wealth tax.

There is however little discussion of a 19th century vestige of our property tax system, which incentivises investment in machinery for the making of items like socks and soaps of the old industrial economy, but not those of the modern economy pivoting towards Industry 4.0 and the future economy.

Why the colonial era property tax provisions needs to catch up with the digital age

A brief discussion of the fiscal history may be apt at this juncture. The property tax system in Singapore may be traced back to the early 19th century when it was introduced as a municipal levy to defray the expenses needed for the provision of various services such as the cleaning and lighting of public streets, fire and police service, etc.

The convenient and obvious tax base was the rental value of real or immovable properties that directly benefit from services provided by the municipal government. Machinery that are affixed to land or buildings would thus fall within the tax base and be subjected to municipal rates, as such machinery will be treated as part of the immovable property under the law of fixtures.

The tax base of real or immovable property was however a crude fiscal instrument, which catches within its dragnet, productive machinery which needed to be fixed to the premises, for functional efficiency.

Hence, the colonial authorities devised a carve-out to exclude machinery used for the making, altering and adapting of articles for sale, from the levy of rates. In essence, the carve-out served as a fiscal tool to promote investment in machinery in the early days of industrialisation.

Those carve-out provisions still remain in our law as section 2(2) of our Property Tax Act. Unsurprisingly, the statutory language of the carve-out reflected the nature of industries prevailing in the 19th century, which were chiefly that for the making, altering and adapting of articles for sale.

Applying property tax to modern industries

Our economy however, has evolved significantly over time, notably with the rise of new industries, particularly those that use "state of the art" technologies.

Unfortunately, the Victorian-era carve-out in section 2(2) uses workhorse language that is not elastic enough to be stretched to meet the circumstances of the 21st century. For example, the current property tax legislation disadvantages investments in certain types of machinery. This includes cold chain technologies needed for the storage of vaccines and perishables, as well as sterile and specialised environment technologies that provide contamination-free environments to facilitate the manufacturing of vaccines and drugs for the global supply chain, and simulated environments such as those used by our burgeoning aerospace industries with the use of wind tunnels.

The archaic language used also disadvantages investment in machinery which uses photovoltaic technologies that provide sustainable clean energy, and those used by Singapore's agritech and aquatech industries that could bolster food security in the face of supply chain disruptions and climate change.

A higher property tax burden also falls on businesses that use leading-edge machinery to drive productivity. In particular, within the logistics sector, property tax is currently imposed on a wide range of machinery, including those using robotic sensor-based technologies for the e-commerce supply chain, as well as those using automatic storage and retrieval technologies that minimise the use of physical space and manpower.

Such machinery does not necessarily make, alter or adapt articles for sale, to qualify for exclusion from property tax assessment under the requirements of section 2(2).

Yet much of the leading-edge technologies provide the environment and physical conditions essential for propelling deep tech in our future economy and enhancing productivity through automation.

Updating the property tax system

Are we unique in this situation? What have other jurisdictions with similar property tax systems done to cater to the advent of new technologies?

In a number of foreign jurisdictions that share similar property tax systems with colonial-era antecedents, it is noted that machinery used for "manufacturing operations and trade processes" have been excluded from the levy of property tax. Most investments in leading-edge machinery, such as those discussed above, qualify as machinery used for "trade processes", and hence are excluded from property tax assessment in these foreign jurisdictions.

While Singapore's property tax system has been used to address the "inequality curve" as highlighted by Minister for Finance, Lawrence Wong, at the 35th Singapore Economic Roundtable on Oct 15, 2021, much more can be achieved through tweaking archaic property tax rules in redefining the trajectory of our fiscal strategy. This is particularly so given that the "demographic curve" pointed out by the minister will increasingly drive us towards the use of machinery as our labour pool diminishes.

Therefore, there is a good policy case for updating the scope of the carve-out in section 2(2) of the Property Tax Act, in order to encourage the investments in deep technologies so as to be future-ready in support of the transition and re-structuring of our economy.

At the same time, new rules should be introduced to equip our property tax system to tackle the "emission curve" mentioned by Minister Wong, by encouraging investment in sustainable or green properties that are aligned with environment, social and governance (ESG) principles. The Maritime and Port Authority has taken the first move in this regard, by announcing that "green" ships will qualify for tax rebates and other benefits to be introduced from next year.

Hopefully, our property tax system will similarly be ready for the future economy.

The writer is a tax partner at KPMG in Singapore

As global clamour grows again to tax the rich more, Singapore weighs up the pros and cons

In its report this year, the Credit Suisse Research Institute found that the top 1 per cent of wealthy persons in Singapore held a third of the total wealth as of the end of 2020, and expects the number of millionaires here to grow from 270,000 in 2020 to 437,000 in 2025, a 62 per cent jump.

- Discussions over whether Singapore needs to introduce a new form of wealth tax has picked up pace recently
- There are echoes to the 2007 to 2008 global financial crisis, when people sought solutions to address the widening wealth inequality worldwide
- The coronavirus pandemic has somehow allowed some people to gain wealth, even as economies were hit badly
- The idea of wealth taxes to tackle inequality has merits, said experts
- But there are complex issues to navigate when trying to impose levies on net wealth and assets

A little more than a decade ago, the leaderless Occupy Wall Street movement burst into the scene from the shadows of the global financial crisis, but quickly faded away in less than a year, leaving many to wonder what it actually achieved.

The protest was a response to the growing disparity in wealth, and the result of pent-up anger over the avarice of wealthy bankers in the United States, who many had thought were responsible for the crisis in the late 2000s, but were not held accountable for their actions.

The slogans “we are the 99 per cent” and “tax the rich” were snazzy catchphrases then, emblazoned in protest banners and spray painted on walls as protesters, as well as politicians, demanded for more to be done to close the wealth gap.

But just as it was in 2011, the same tagline has become fashionable again, literally.

In September this year, US congresswoman Alexandria Ocasio-Cortez courted controversy when she wore a dress bearing the words “tax the rich” to a gala attended by the wealthy. American policymakers, too, are proposing a law so that the capital gains of the top 700 billionaires in the US — many of whom have seen their fortunes rocketed during the unprecedented Covid-19 pandemic — can be taxed to fund government spending.

The International Monetary Fund earlier this year called for a wealth tax to compel the rich to pony up for Covid-19 costs. Britain is now contemplating a one-time wealth tax, while Argentina carried out such a one-off levy last December, raising US$2.4 billion to fund coronavirus-related measures amid controversy over the tax.

In China, there is also much chatter over an upcoming property tax to address social inequality — one that would exclude rural, poorer households — as part of President Xi Jinping’s common prosperity drive.

And in Singapore, discourse on wealth taxes has gathered steam over the course of the pandemic, especially after an unprecedented 2020 when the Government had to dip into the country’s reserves numerous times.

The reality is that tax revenue collections have also fallen during the pandemic, dropping by 7.3 per cent in the 2020 financial year.

At the same time, the wealth gap in Singapore is expected to grow — a trend that is similar to other advanced economies which see growing wealth concentrations.

In its report this year, the Credit Suisse Research Institute found that the top 1 per cent of wealthy persons in Singapore held a third of the total wealth as of the end of 2020, and expects the number of millionaires here to grow from 270,000 in 2020 to 437,000 in 2025, a 62 per cent jump.

Politicians of all stripes have supported the idea of a wealth tax, but differ on the details. Earlier this month, Associate Professor Jamus Lim, Workers’ Party Member of Parliament (MP) for Sengkang Group Representation Constituency (GRC), spoke in Parliament for a tax that targets the ultra rich.

Prime Minister Lee Hsien Loong, speaking at the Bloomberg New Economy Forum last week, said the Government wants a wealth tax in principle, but implementing such a tax — which would be imposed on a range of assets such as property, stocks, artwork and cryptocurrency — is a challenge.

“We need to find a system of taxation which is progressive and which people will accept as fair.

"'Fair' means everybody needs to pay some, but if you're able to pay more, well, you should bear a larger burden," Mr Lee said.

The Republic already taxes assets which the wealthy are likely to spend more in, like property and motor vehicles, though it does not have a tax on inheritance, capital gains or net wealth.

Nevertheless, as Singapore figures out what steps to take, the clamour over how to tax the wealthy has been growing. Recent international headlines have painted a picture that impending wealth taxes could dampen the real estate market here, or drive highly rich individuals to its perennial economic rival Hong Kong.

Those against a wealth tax argue that taxing capital — wealth that can be used for investing or starting business — is against economic fundamentals, and could indeed lead to capital flowing elsewhere.

Renowned Singapore-based investor Jim Rogers, 79, said in a phone interview with TODAY: "Whenever governments get hard up for money, they will start looking for everything they can tax, including wealth. But history has been pretty clear on this: The more you tax wealth, the less prosperity you have."

Whether there is a pandemic or not is immaterial, the American investor argued. "That's like saying if there is a war or sorrow, you make (these wealthy people) pay more taxes, and I don't understand that rationale."

But advocates of a wealth tax say Covid-19 offers an opportunity to balance the scales, especially with the possibility of a K-shaped recovery from the pandemic, whereby one part of the economy recovers while another segment suffers — which means that some people will gain plenty of wealth while others will lose out.

Ms Foo Mee Har, an MP for West Coast GRC who has called for wealth taxes several times in Parliament, argued that there are new developments in wealth transparency around the world

"When tax is well structured, targeted and at competitive rates, our wealth tax regimes may actually be an allure for assets to be maintained in Singapore," said Ms Foo to TODAY.

"In a world of turbulence and uncertainty, Singapore's world-class infrastructure, rule of law, financial and political stability is priceless for the peace of mind of the wealthy."

THE CASE FOR WEALTH TAXES

Generally speaking, there are a few ways to impose taxes and duties that target wealthy individuals:

— Higher income taxes for top earners

— Asset taxes on property, motor vehicles or luxury goods

— Stamp duties on high value transactions such as property

— Inheritance tax or estate duty, which is levied on the estate when a person dies

— Tax on capital gains, such as when a person makes a profit from selling their assets

— Net wealth tax, in which the total value of their assets minus their debts are taxed periodically

Whether one calls it envy or the desire for equity, the growing number of voices calling for wealth taxes is a result of the protracted rising inequality around the world, said Professor Lawrence Loh from the National University of Singapore (NUS) Business School.

“Amid the ongoing digital revolution, the disparity between the wealthy and the less well off has taken a more severe turn, and this is worsened by the lingering pandemic crisis,” said the business professor.

But some noted that there are parallels between the recent discussions on wealth taxes in the current Covid-19 crisis and the Occupy Wall Street movement, albeit in a less dramatic fashion.

Back then, there were also several attempts to get big corporations to do their part following the global financial crisis from 2007 to 2008.

Countries had targeted corporate taxes.

Organisation for Economic Co-operation and Development (OECD) governments came together in 2009 to establish ways to counteract base erosion and profit shifting (Beps), which are essentially tax planning strategies used by multinational companies that exploit gaps and mismatches in tax rules around the world.

In October this year, the OECD and G20 countries reached a landmark tax deal for governments to multilaterally impose a minimum corporate tax rate of 15 per cent on these enterprises. Singapore’s current standard corporate tax rate is above this, at 17 per cent.

Mr Sivakumar Saravan, senior partner and head of tax at professional services firm Crowe Singapore, said: “Countries needed to find more revenue and that was how the whole rhetoric started — redesigning the global tax system so that large companies pay their fair share of tax and fulfil their moral obligations.”

Now, with the pandemic, the spotlight is on high net worth individuals and a fair tax system.

“Overall, there is rising global consciousness about creating a fairer tax system and narrowing income inequality,” Mr Saravan said.

After all, it has not escaped many people that wealth gains have been “unusually high” in countries that have experienced a decline in economic output during the worst of the pandemic in 2020, including Singapore, noted Ms Shantini Ramachandra, South East Asia tax leader at accountancy firm Deloitte Private.

A wealth report by real estate consultancy Knight Frank earlier this year found that the number of individuals in Singapore with at least US$30 million in net assets rose by 10 per cent last year.

"In this context, the topic of wealth tax has come up," she said.

Giving an example, Mr Vikna Rajah, who heads the tax, trust and private client practices department at law firm Rajah & Tann, pointed to the stock market rallies occurring last year.

"I think it's probably likely that the affluent could have been able to enjoy these benefits, and with this backdrop of the wealthy increasing asset value, how do we then ensure that we can lessen the wealth gap across generations?" said Mr Rajah.

Agreeing, Mr Stephen Banfield, partner and head of family office and private client at KPMG in Singapore, said it is no secret that there are parts of society that have done well amid the pandemic, and they happen to be people who are asset rich.

"If you look at market share returns over the past year (and) property prices in various countries, everything is up," he said.

"Combine that with governments which are looking for additional revenue, and the man on the street who may have borne the brunt of lockdowns and interruptions to their businesses on account of Covid-19, you can see why there has been a greater focus and dialogue about things like wealth taxes."

The search for a novel tax solution has led many tax jurisdictions to eye the private wealth of ultra wealthy individuals, especially considering their ability to avoid having to pay income taxes — typically the largest component of any country's tax collection alongside corporate tax.

A ProPublica report earlier this year exposed how the US' 25 richest people have managed to avail themselves of tax avoidance methods to reduce their income taxes, in some cases to zero.

While their collective wealth rose by US$401 billion from 2014 to 2018, they only paid US$13.6 billion in federal income taxes in those years. This amount paid in taxes is only 3.4 per cent of their increase in wealth in that period.

Among those named in the report were Amazon founder Jeff Bezos, Tesla founder Elon Musk, investor George Soros and businessman Michael Bloomberg.

Progressive income tax systems globally have led those who are generally wealthy, but not the wealthiest, to pay more, since the amount of income taxes paid scale according to the taxpayer's income. But income taxes are unlikely to feature heavily among the ultra-rich.

Mr Saravan said: "In reality, for most wealthy individuals and entrepreneurs, their wealth is locked up in assets and they typically do not draw high salaries. However, their net worth may be astronomical due to the stakes in the companies and assets they own. From this perspective, the effectiveness of our current income tax system has its limits."

Taxing wealth, on the other hand, takes into account the amassed wealth of the individual.

Associate Professor of Economics Walter Theseira at the Singapore University of Social Sciences (SUSS) said wealth taxes could be "less economically distorting than other taxes which are based on income or consumption".

"Wealth taxes largely discourage concentration of resources, whereas income and consumption taxes discourage economic activities," added Assoc Prof Theseira, a former Nominated MP.

On net wealth taxes, one way to see how it may work is to look at countries like Switzerland, which imposes varying degrees of tax based on canton. Such a flat tax on wealth is arguably the purest form of wealth tax since it encompasses everything a person owns instead of individual items.

A Bloomberg report earlier this year looked into how the Swiss are faring with their system of levy that applies to property, artworks, cryptocurrency, and even livestock. While the world is debating why and how to implement such a tax, the report found that "the Swiss do not seem to be very bothered by all that".

Based on estimates, Assoc Prof Theseira said wealth taxes account for around 3.6 per cent of total tax revenue in Switzerland, which like Singapore, is also a wealthy country.

Although much depends on the rate of wealth taxes and the size of the tax base, if the Swiss example of net wealth tax were to be used here, it could make a difference of a "few percentage points" of government revenue for Singapore, though that would not be significant relative to taxes on personal income, corporate income, and consumption, he said.

"But it is interesting to note that a wealth tax might conceivably pull in a similar amount to raising the goods and services tax by a few percentage points," said Assoc Prof Theseira, with a caveat that the possible wealth tax revenue for Singapore is all speculation at this point.

THE CASE AGAINST WEALTH TAXES

Mr Christopher Gee, head of the governance and economy department at the Institute of Policy Studies (IPS), argued that the Swiss example shows instead that the revenue impact of a net wealth tax is too small to offset Singapore's expenditure needs.

"Wealth tax is actually quite a modest contributor to the overall tax revenue, and for the average person as well as for the high net worth, the contributions are also not very large (even though the latter pays) disproportionately more.

"To me, it's a form of signalling — just to say that 'we've got this, we levy a wealth tax, and (thus) it can be seen that we have a more fair system'," Mr Gee said.

The reality is that while discourse over wealth taxes has been raging in the past two years of the pandemic, countries have been stripping away such taxes over the course of a decade.

Eight out of 12 European countries that had a wealth tax in 1990 later discarded them by 2019. Out of the 38 member nations in the OECD today, only four have a net wealth tax — Colombia, Norway, Spain, and Switzerland.

France, which had a levy on wealth that it called its "solidarity tax", abolished it in 2018 over continued fears of capital flight, a phenomenon in which wealthy individuals move their wealth into another tax jurisdiction where it cannot be taxed, or move out of the country entirely, taking their assets with them.

One estimate said that more than 840 people left France in 2006, causing a loss of €2.8 billion in solidarity tax collection. The French government replaced the tax with levies on real estate.

Mr Banfield from KPMG said the French example also reveals the high cost of collecting a net wealth tax — it is very challenging and costly to tally up an individual's taxable assets and declare them, and for the authorities to make an assessment.

"For any serious study of wealth taxes to be done, you'd have to look at the European jurisdictions to understand the reasons why they were eventually taken away… The net revenue impact was just not worth it," he said.

NUS' Prof Loh added: "The difficulty of implementation beyond properties and motor vehicles render such taxes impracticable... Valuation is one of the greatest challenges in wealth tax enactment."

Singapore, too, had abolished its system of inheritance and estate taxes in 2008 owing to low tax collections, which was believed at the time to be due to the mobility of wealth.

Then Finance Minister Tharman Shanmugaratnam said: "If we make Singapore an attractive place for wealth to be invested and built up, whether by Singaporeans or foreigners who bring their assets here, it will benefit our whole economy and society, not just the individuals who build up their wealth."

Capital flight is thus a serious concern if a wealth tax is imposed, said most of the experts interviewed.

Mr Chris Woo, tax leader of accountancy firm PwC Singapore, said even bringing back inheritance and estate taxes would have a negative impact and discourage entrepreneurs from relocating here, thus denying Singapore a source of capital and innovation that can potentially generate significant local economic spin-offs.

"As Singapore is a leading asset and wealth management centre, any wealth tax should not target funds or wealth that is brought into and managed in Singapore. This would hurt the industry that not only creates jobs but also potentially trigger capital flight from Singapore," he said.

Capital is mobile after all, particularly that owned by wealthiest individuals, said SUSS' Assoc Prof Theseira. "It becomes likely that the highest net worth individuals will find legal means of effectively shielding much of their wealth from taxation."

Apart from practical concerns over a wealth tax, some of those interviewed raised fundamental disagreements over such a tax, which also crosses the ethical line of fairness since it could be a form of double, or triple, taxation. The source of that wealth would, after all, already have been taxed previously as income, or capital gains, elsewhere.

Pointing to how many people in Singapore have illiquid assets, Mr Saravan from Crowe said: “There are also individuals who are asset-rich primarily through years of prior earnings, but who are currently cash-poor as they are no longer working.

“The question is — is it fair for them to sell their assets to settle wealth taxes?”

Investor Rogers, himself a high net worth individual who has been living in Singapore since 2007, said it should not be a surprise if people leave because they perceive taxation to be unfair, which is a trend that has occurred throughout history.

He noted how New Jersey, which is located between New York and Philadelphia, was once a “wildly prosperous” state that fell in prominence over the years when it kept raising taxes, causing wealth to flow to other US states that have lower or no taxes targeting wealthy individuals.

“(With such taxes), successful people are going to leave, and even unsuccessful people may leave to go where the successful people are,” he said.

Mr Mahesh Kumar, a partner at law firm WithersKhattarWong’s private client and tax team, said a tax on wealth is essentially taxing capital and discouraging wealth creation.

“One can consider a tree that bears fruit. If the government takes some of those fruits, that is income tax.

“But an annual wealth tax or an inheritance tax is like cutting the trunk of the tree systematically each year — how long can something like that be sustainable in a world where people and capital are highly mobile and where there are so many countries competing for the wealthy and their assets,” said Mr Kumar.

THE RIGHT PATH FOR SINGAPORE

On this, tax experts noted that Singapore has been trying to achieve its ambition to become an asset and wealth management hub in the region for decades.

By the end of 2019, the total assets under management here amounted to a record S$4 trillion, representing a 15.7 per cent year-on-year increase. More than three-quarters of this were assets sourced from outside Singapore.

This inflow of capital and wealth has a significant impact on the country’s fortunes. Family offices that manage wealth employ advisers and investment professionals, hire professional services for finance, tax and legal needs. As investors, they could also fund Singapore-based start-ups and business ventures here.

Said KPMG’s Mr Banfield: “These high net wealth individuals who are based in Singapore become consumers in society, consuming not only ordinary goods but luxury goods — they travel, they eat out at restaurants, they have homes which they fill with furniture.

“They have an ecosystem-sized impact on the economy.”

As of the end of 2020, there were around 400 single family offices operating in Singapore, according to a parliamentary reply in April by then Trade and Industry Minister Chan Chun Sing.

Despite its attractiveness to global wealth, Singapore is no Switzerland yet, said those TODAY interviewed. The European nation has a storied history as a wealth centre and can afford to impose wealth taxes without incurring an exodus of capital, they added.

Ms Ramachandra from Deloitte said: “Singapore’s hard-earned status as a well-developed financial and wealth management hub could be undermined by the imposition of a wealth tax… and may adversely affect Singapore’s ability to remain competitive and attract investors.”

The question is what would be a better option, since Singapore still needs to dig deep to raise tax revenue while addressing the yawning divide between the rich and poor.

To this end, Finance Minister Lawrence Wong last week hinted at what may come when he said that the Government will not focus on taxing the wealth of individuals based on their net wealth, but will consider how the entire system of taxes work in Singapore.

The Government “will continue to review to see what additional ways we can do to strengthen our system of taxation so that we can generate revenue but do so in a way that's fair and progressive”, he said at a summit organised by investment bank Morgan Stanley.

Rather than a recurring net wealth tax, there are some options left on the table to tax the wealthy, said experts.

For one thing, the idea of a one-off tax on pandemic windfall gains, or even on wealth like that imposed by Argentina, is not yet dead in the water, some said.

IPS’ Mr Gee said a one-off tax would resolve some of the issues of an annual net wealth tax. Its justification would be because of the inordinate gains arising from the Covid-19 crisis, so a one-time tax might be palatable, he said.

But Ms Ramachandra demurred, stating that a one-off tax would still introduce uncertainty in taxation and the possibility that it could be repeated in future.

Another idea is to introduce a form of capital gains tax. Rajah & Tann’s Vikna Rajah said while Singapore is experiencing a property boom during the pandemic, the higher-end segment of private properties has surged in value relatively more than other properties, including public housing.

“Should we then be imposing some sort of capital gains tax on property? I think that's possibly going to be something we could be looking at,” said Mr Rajah.

EY’s Desmond Teo, however, noted that this has limitations in the longer run.

“Capital gains tax tends to align with economic cycles, which would mean a dip in tax revenues during economic downturns,” he said.

MP Foo, who is also chief executive of the Wealth Management Institute, noted that Singapore's structure of property tax, stamp duty and additional registration fees for higher-end cars or residential property has already netted strong contributions from April to September this year.

Stamp duties alone contributed S$3.2 billion for the half-year period, according to official data from the Accountant-General's Department.

This is compared with S$12.8 billion in corporate income taxes, S$8 billion in personal income taxes and S$2 billion in property taxes.

Singapore collected S$10.3 billion in GST in 2020. Tax revenue from GST in the April to September 2021 period is not available.

Some said property and motor vehicle taxes could also be adjusted up. Or, the authorities could also consider introducing higher-end tiers of such assets that can be used as a proxy to tax the wealthy.

Said Mr Woo from PwC: "(Property) is also an immobile factor of production that cannot be shifted to avoid the incidence of tax. It is possible that the taxation of real estate may be increased by adjusting current tax rules or by introducing a new tax system at such net real estate value to increase the level of tax to be collected.

"What is imperative is that any such changes require deliberation and careful consideration to not harm the golden goose such as the real estate industry and the relevant financial services sector."

One novel idea by Mr Kumar from Withers KhattarWong would be to use taxation as a way to incentivise and partner wealthy individuals to adopt and fund meaningful causes.

He suggested that the Government could impose additional income taxes for those earning above a certain threshold.

The twist is that these additional taxes would apply unless the person spends a specified part of their income on a charity, or a cause that the public sector has an interest in, such as environmental development goals, or skills and workforce training.

"I see it as a creative way of encouraging private and public partnership by using taxation as a means to get the private sector more engaged in social impact."

There is a business sense in it too, since many family offices and investors are also embracing investments and businesses that are oriented towards ESG (environmental, social and governance), said Mr Kumar.

"The risk of capital flight is addressed because now, you are no longer trying to punish the wealthy, you're finding ways to partner with them."

FINDING THE RIGHT BALANCE

Ultimately, taxing the wealthy is not a straightforward task even if its intentions seem noble and equitable, though there could be creative solutions to an old problem, said those interviewed.

The challenge lies in determining what is a “fair” level of wealth to tax, given the competing societal, economic and political objectives, added Ms Ramachandra.

“An effective wealth tax must meet the objective of mitigating income and wealth inequality and bridging socio-economic divide. It must also add to Singapore’s revenue resilience and adequacy. In addition, it must be easily administered by the tax authority and cannot be easily avoided by the taxpayer or result in excessive costs for the taxpayer.”

“Most importantly, the wealth tax must achieve a balance between progressivity and competitiveness,” she added.

This is why most of those interviewed by TODAY were cautious about abrupt changes to tax policy that could hurt the country in the longer term.

Said NUS’ Prof Loh: “Singapore’s approach has been based on a progressive personal income tax system coupled with targeted taxes and levies on properties and car ownerships — from a practical viewpoint, this has worked well.

“It is also balanced with more fundamental considerations like sustaining the country as a global business and investment hub which will in turn generate broader benefits for a wider spectrum of workers.”

Just as how the global financial crisis had kindled a worldwide consciousness of wealth inequality, the pandemic also provides an opportunity for Singapore to make tweaks.

“In taxation and tax collection, there’s never a best time,” said Mr Teo from EY.

“(But) the pandemic has brought on a lot of changes, and this may be a time to take a fresh look at Singapore’s current tax system which has worked well for the past decades to see if it is fit for purpose for the new norm.”