Update on Regulatory and Tax Treatment for MAS Bills

MAS announced in July 2010 that it would be issuing MAS Bills as part of its money market operations. This announcement serves to keep banks and financial institutions informed about the regulatory and tax treatment that will be accorded to MAS Bills.

Regulatory Treatment of MAS Bills

2 MAS Notices 613 and 640 will be amended on 13 April 2011 such that the regulatory treatment of MAS Bills will be identical to that for SGS, in terms of their use as minimum liquid assets and for minimum asset maintenance requirements. Specifically,

a. Under Notice 613, MAS Bills will be approved as "liquid assets" for the purposes of section 38(9)(c) of the Banking Act; and

b. Under Notice 640, MAS Bills will be included as eligible assets for banks to meet asset maintenance requirements, with a haircut of 15%, i.e. same as SGS and deposits with MAS.

Tax Treatment of MAS Bills

3 The Ministry of Finance will accord MAS Bills the same tax treatment as that for SGS T-bills, which will be as follows:

Qualifying Income from MAS Bills[1]

a. A concessionary tax rate of 10% on qualifying income derived by resident non-individuals[2] (excluding Financial Sector Incentive – Standard Tier companies) in respect of MAS Bills issued on or before 31 December 2013;

[1] Qualifying income means interest, discount, prepayment fee, redemption premium, break cost and such other payment and such other income as may be prescribed by regulations

[2] Including a permanent establishment in Singapore of a non-resident person

b. A concessionary tax rate of 12% on qualifying income derived by Financial Sector Incentive – Standard Tier companies in respect of MAS Bills issued on or before 31 December 2013;

c. Tax exemption on qualifying income derived by any person who is not resident in Singapore and who does not have a permanent establishment in Singapore, in respect of MAS Bills issued on or before 31 December 2013; and

d. Tax exemption on qualifying income derived by any person who is not resident in Singapore and who carries on any operation in Singapore through a permanent establishment in Singapore where the funds used by that person to acquire the MAS Bills are not obtained from the operation, in respect of MAS Bills issued on or before 31 December 2013.

Income derived from Trading of MAS Bills

a. Tax exemption on income derived by a Primary Dealer from trading in MAS Bills;

b. A concessionary tax rate of 12% on income derived from trading in MAS Bills by Financial Sector Incentive – Standard Tier companies; and

c. A concessionary tax rate of 5% on income derived from trading in MAS Bills by Financial Sector Incentive – Bond Market companies, where the MAS Bills are issued on or before 31 December 2013.

4 This will be implemented by way of relevant amendments to the Income Tax Act.

Eligibility of MAS Bills at the MAS Intraday Liquidity Facility, MAS Standing Facility

5 Eligible counterparties may obtain Singapore Dollar (S$) funds at the MAS Intraday Liquidity Facility and MAS Standing Facility by entering into repurchase transactions with MAS involving MAS Bills, at the same terms as transactions involving SGS.

6 The abovementioned amendments will be effective as of 13 April 2011. Any enquiry may be directed to the Monetary and Domestic Markets Management Department at 62299150 or mdd@mas.gov.sg.