BUDGET SPEECH 2013

A Better Singapore: Quality Growth, An Inclusive Society

Delivered in Parliament on 25 February 2013 by Mr Tharman Shanmugaratnam, Deputy Prime Minister and Minister for Finance, Singapore

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A. ECONOMIC PERFORMANCE

A.1. Mdm Speaker, I beg to move, that Parliament approve the financial policy of the Government for the Financial Year 1st April 2013 to 31st March 2014.

FY2012 Fiscal Position

A.2. Our Budget for FY2012 is expected to have a surplus exceeding what we had estimated a year ago. We had estimated an Overall Budget Balance of $1.3 billion or 0.4% of GDP. We now expect a higher surplus of $3.9 billion or 1.1% of GDP. This additional surplus was due entirely to higher revenues from stamp duties and vehicle-related taxes. These are short-term increases in revenues, which we cannot expect to be sustained.

Economic Outlook and Performance

A.3. The Government expects Singapore's GDP growth in 2013 to remain modest at between 1% to 3%. This is comparable to the 1.3% growth last year, and down from the 5.2% growth in 2011.

A.4. While part of this slowdown is due to global cyclical factors which affected sectors such as Manufacturing, it is also to be expected as our economy matures and our labour force grows more slowly. In fact, our economy has been at full capacity since our strong recovery from the global financial crisis. This is why we have virtually full employment. It is also why wage costs and many other costs like rentals have been going up.

A.5. Rising costs remain a concern for both businesses and households. The pass-through of higher business costs into consumer prices, together with the sharp increase in COE prices, has kept upward pressure on CPI inflation in the last two years.[1]

[1] CPI All-items inflation was 5.2% in 2011 and 4.6% in 2012. CPI All-items less imputed rentals on owner-occupied accommodation (which have no impact on the cash expenditure of households who are owner-occupiers) was 4.2% in 2011 and 3.6% in 2012.

A.6. Household incomes have risen, in 2012 and over the last five years. Adjusted for inflation, the median Singaporean household saw income per member grow by 14% over the last five years, cumulatively. Lower-income households at the 20th percentile also saw real income per member grow by 10% in the last five years. Excluding imputed rentals on owner-occupied homes, which do not involve actual spending by households, both the median and 20th percentile households have in fact experienced growth of 19% in real incomes over the five years.[2] This reflects both higher individual wages and greater employment opportunities, part-time and full-time.

A.7. However, many Singaporeans who work in jobs at the lower rungs of the income ladder, especially cleaners, waiters, and security guards, have not fared as well. They have been able to get jobs easily, but have seen little or no rise in their real incomes over the last five years. These jobs should be paid better, and our schemes will help ensure that they are. For cleaners, the Government is working with NTUC and the business community to equip them better and to uplift their pay through the recently introduced Progressive Wage Model. We will be doing likewise for security guards. This Budget will also introduce further measures to support our workers, including those with the lowest wages.

A.8. Slowing or stagnating incomes are a real challenge for many economies around the world. It has happened not only in the advanced economies like the US, but also in the Asian countries that are in the same league as Singapore. Chart 1 shows the experience of the “Asian Newly Industrialised Economies (NIEs)”. The median Singaporean household has seen its real income grow more than twice as fast as that in Hong Kong. South Korea and Taiwan have seen little or negative growth in real median household incomes.

A.9. We do not set our goals based on whether our incomes do better than in other countries. Many of them in fact have strengths that we lack in Singapore. But their experiences provide a sense of perspective. They illustrate the realities of the highly competitive world that every country now faces.

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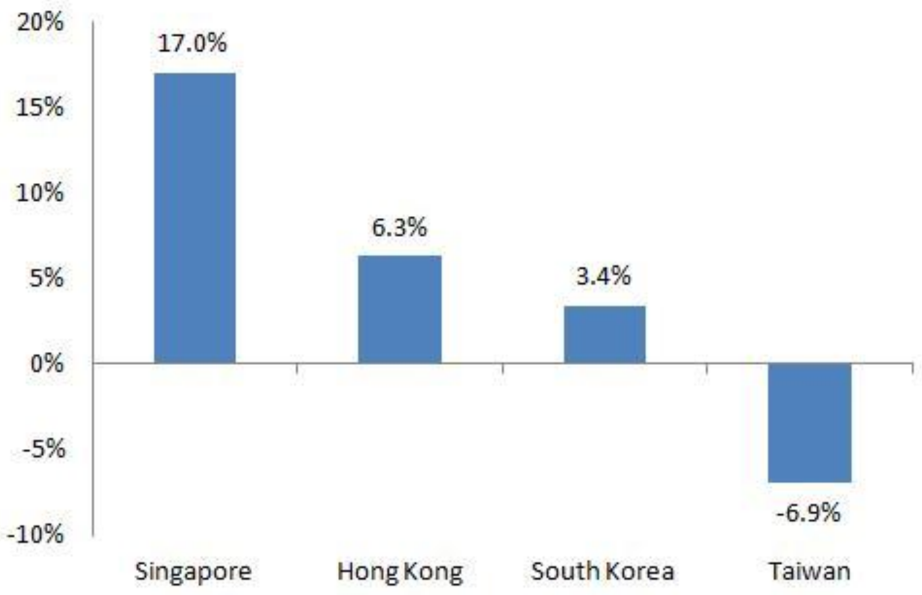
[2] See data at Annex

A.10. We cannot change that reality. But it means that we have to work harder, through both our economic and social strategies, to help Singaporeans improve their lives and build a truly inclusive society.

Chart 1: Income Growth of Singaporean Households: Compared with other Asian NIEs

Real Growth of Median Total Household Incomes after Accounting for Taxes and Transfers, 2007-2011 (Cumulative)



Source: Data from National Statistical Offices and the IMF

Notes:

1. South Korea: based on average rather than median income. Also includes transfers but not taxes.
2. Hong Kong: based on median income after accounting for cash transfers.
3. Hong Kong data is for 2006-2011, unlike the other three countries (2007-2011).
4. Cumulative real growth for Singapore from 2007-2012 is 17.7%. Data for 2012 is not available for Hong Kong, South Korea and Taiwan.

B. A BETTER SINGAPORE: QUALITY GROWTH, AN INCLUSIVE SOCIETY

B.1. Many Singaporeans, through Our Singapore Conversation platforms, have been sharing their hopes for Singapore – the kind of home we want to build for our families and our children. There has been a rich diversity of views. But a common set of aspirations is emerging, a common vision of the future that Singaporeans want:

- *A home with a strong Singaporean identity and sense of belonging*
- *A Singapore with a robust and vibrant economy, and with good jobs that enable a more fulfilling pace of life*
- *A home with strong families, and where our seniors can age with dignity*
- *A society that takes care of the disadvantaged*
- *A Singapore with affordable living*
- *A society with greater sense of togetherness, and where the Government and the people have a more collaborative relationship*

B.2. This is the Singapore that we want to build together.

B.3. The Government is making major moves to support this endeavour. Since 2010, we have embarked on major steps to transform our economy so as to create better jobs and allow for a better pace and quality of life. We are also making important shifts in social policies, as announced in last year's Budget, to foster a fair and more inclusive society.

B.4. We will need to make further moves. So that by the end of the decade, we will have a better Singapore, a better future for all Singaporeans.

Immediate Challenges: Housing and Transport

B.5. First, we have pressing challenges in housing and transport. The Government will spare no effort in resolving these problems.

B.6. We want to reduce the cost of housing relative to the income of young Singaporeans. Prices in the HDB resale market and private market have risen too rapidly in the cycle that began as we recovered from the 2009 economic crisis. We have taken major steps to cool the housing market. We have also ramped up the supply of HDB flats which will help first-time buyers book their flats faster as well as ease prices in the resale market. And we have increased supply of private housing through Government Land Sales. The Minister for National Development will speak more in COS about these immediate challenges as well as how we can ensure affordable, quality housing for Singaporeans over the longer term.

B.7. We have to make many improvements in public transport. Congestion and waiting times are a daily problem for Singaporeans. We are ramping up bus capacity, especially feeder services, to improve frequency and add new routes. We are accelerating the rollout of the additional 800 buses that we made provisions for last year. In addition, the Land Transport Authority will be tendering out routes to private operators.

B.8. Our rail network will expand by more than 50% by 2021. That is still eight years away. But in the meantime, we will see improvements that will help relieve congestion. Parts of the Downtown Line will start operating from the end of this year, and new trains will be added to existing lines from next year. We will also introduce other measures to reduce crowding, including significantly enhanced incentives for commuters who travel during the "shoulder" periods before and after the morning peak hour. The Minister for Transport will talk about these measures in the COS.

An Economy and Society in Transition

B.9. While we fix these immediate problems in housing and transport, we have to press on with our priorities to help Singaporeans have a better quality of life over the medium to long term.

B.10. We have to shift gears for an economy and society that is in transition.

B.11. We are no longer a developing economy, but we have not achieved the level of productivity and income of an advanced economy. At the same time, our own workforce is growing more slowly, and is gradually getting older.

B.12. We must make every effort to achieve **quality growth:** growth that is achieved mainly through innovation and higher productivity, and growth that will benefit all Singaporeans – our children, working families, our elderly and disabled.

B.13. Our strategies for achieving quality growth and **an inclusive society** are in fact tied inextricably together. Raising productivity is not just our most important economic priority, but enables us to build a better society. Higher productivity is the only sustainable way to raise incomes for ordinary Singaporeans, and provide jobs that give people a sense of responsibility and empowerment. Higher productivity is also necessary for us to shorten working hours over time and allow Singaporeans to enjoy a better work-life balance.

B.14. Our society is also facing the pressures of widening income disparities. This is happening in cities globally and in Asia, but it matters more to us because Singapore is not just a city but also a nation. We must take further steps to temper inequality. We also want to do more to enable our seniors to have a sense of economic security and fulfilment in their retirement years.

B.15. On both economy and society, therefore, we need to shift our thinking. In government: where we are reshaping policies and driving new initiatives, especially to sustain social mobility and strengthen support for older Singaporeans. In the business community: which has to innovate and adjust to the permanent reality of a tight labour market. In our society at large: where we have to accord ordinary workers not just better pay but greater respect. In the community: with non-profits and other voluntary groups pursuing the causes we all believe in, and working with an active partner in the government. And for all of us individuals, to do our best to improve and to contribute to our country in our own ways.

Transforming Our Economy for Better Jobs

B.16. We are restructuring our economy. We began this in earnest in 2010, by:

- Tightening foreign worker inflows;
- Supporting enterprises in their efforts to upgrade operations and improve productivity; and
- Investing in our workers by heavily subsidising their training, in every skill.

B.17. We need to intensify this economic restructuring and skills upgrading so as to achieve quality growth. Although wages are going up in a tight labour market, productivity has lagged. If we do not do better in raising productivity, we will be caught in a situation where businesses lose competitiveness, and wages eventually stagnate. Both workers and businesses will be worse off.

B.18. We must help our SME sector revitalise itself. There are however wide divergences in efficiency amongst SMEs even in the same industries. Restructuring will unfortunately lead to some businesses being winnowed out, but the end result must be a vibrant and sustainable local SME sector. Every support must be provided to help the businesses which bring in more efficient techniques and service models, so they can grow in a tight labour market, and where possible make their mark internationally.

B.19. There are already many examples of SMEs transforming themselves, in every sector. For example in furniture manufacturing, local firms are training multi-skilled employees, relocating manpower-intensive activities, developing unique brands and carving a niche for themselves in overseas markets.

B.20. To make this economic transition, we must also harness the value of older Singaporeans and design jobs suited for them, as well as for other potential employees who are unable to work regular, full-time schedules. Flexible work practices must become more common, enabling employees to structure their work so that they have time for their families or for personal development like part-time courses. We should also make it possible for more employees to have the option of telecommuting from home or working from "smart work centres" near their homes, like what they have in Amsterdam and Seoul. The Government will work closely with businesses in these efforts.

Building a Fair and Inclusive Society

B.21. We are also taking major steps to ensure a fair and more inclusive society.

- First, to sustain **social mobility**. Meritocracy alone will not assure us of this. We therefore want to do more, starting from early in our children's lives, to give the best leg up to those who start with a disadvantage. We cannot change the fact that children have different family backgrounds that bring very different advantages and disadvantages. But we want to find every way, at the pre-school and primary school levels, to help our children from poorer or less stable families to develop confidence and the self-belief that gives them aspirations of their own, and to help them catch up when they fall behind. And we will provide pathways to develop every skill and ability, so that every child can discover his strengths as he grows up, and can do well.

- Second, we must do more to mitigate inequality. We are making our fiscal system **more progressive**, by tilting our taxes and benefits in favour of the lower- and middle-income groups. Currently:

  i. A lower-income older worker receives a significant top-up of his income through Workfare each year.

ii. A middle-income family with a child in child care gets subsidies of $4,800 per year. If the child is in university, he can receive more than $8,500 in bursaries over the course of his studies, and get a subsidised government loan to pay off the remaining fees and cover study expenses. Children from lower-income families receive far more.

iii. Singaporeans with disabilities now receive substantially greater support. Both when young through early intervention under EIPIC,[3] and as adults, where we provide a substantial incentive through the Special Employment Credit (SEC) for firms to employ them so that they can contribute and lead more independent lives.

iv. An older Singaporean in need of long term care can receive subsidies of $870 per month for home-based care or $1,200 per month if he is in a nursing home, following the changes we introduced last year. Those who need more help will get it through Medifund.

B.22. We will take further, significant steps in this Budget towards strengthening social mobility and increasing the progressivity and fairness of our system. In particular, with enhancements to Workfare, a low-wage worker who is 60 years old would receive a top-up of his pay of about 30%. This is in addition to what his employer can receive through the SEC, and the new Wage Credit Scheme, to be introduced in this year's Budget, which will encourage his employer to up his pay.

B.23. While raising incomes is the best way to help lower- and middle-income Singaporeans cope with rising costs, this Budget will also include measures to help them more immediately. The most significant support will go to older Singaporeans, to help them with medical costs.

B.24. Taking all our measures together, including those which will be announced in this Budget, we are providing substantial benefits to lower- and middle-income Singaporeans. The full picture can be seen if we look at benefits over a lifetime, starting from a couple's

[3] Early Intervention Programme for Infants and Children

needs when they first have children, to the time they get old and need other types of help, especially with healthcare costs.

B.25. In total, over a lifetime, a young low-income couple with two children can expect to receive more than $600,000 in benefits in real terms (2013 dollars). (This comes from subsidies and other means-tested benefits for their children's education, housing, healthcare, Workfare, the GST Voucher, and other schemes.) This is much more than we used to provide in the past. In the last decade alone, we have more than doubled the lifetime benefits in real terms for such families.

B.26. When we take into account all the taxes that such low-income families will pay (mainly GST), they will get back far more in benefits. In fact, they will get more than five dollars in benefits for every dollar in taxes paid.

B.27. However, today's generation of **older Singaporeans** will not benefit as much as younger Singaporeans from the enhancements in Workfare and CPF and other schemes. We want to do more for this senior generation of Singaporeans, who worked over the years, often with low pay, to build a better future for their children. They made today's Singapore possible. We will do more for them. The Government is reviewing the system of healthcare financing and some other schemes to help them in their retirement years.

B.28. Finally, the Budget will make significant investments to nurture the sports and arts, which play a growing role in enriching life in Singapore. Over the next five years, we will invest 30% more in sports programmes, and more than double our investments to develop regional- and community-level sports facilities. The Government will also create a new Cultural Donation Matching Fund, to provide dollar-for-dollar matching for donations to the arts and culture.

B.29. In short, we are building **a better Singapore**: a more inclusive and caring society, with an innovative and dynamic economy, so that Singaporeans can have better opportunities and more fulfilling lives.

C. RESTRUCTURING FOR QUALITY GROWTH

Growing through Productivity

C.1. Let me go on to the first major thrust of the Budget: to intensify our efforts to achieve quality growth, i.e. growth that is driven by sustained productivity improvement rather than manpower growth.

Our Productivity Gains Since 1980

C.2. Productivity gains are not new to Singapore. With the exception of the previous decade, our productivity growth rates were well above the norm even as our labour force grew significantly.

C.3. In 1980, we were what the World Bank called a middle-income developing country. However, our productivity **level** was about a third of the most advanced economies then.

C.4. Three decades on, our productivity level is about 70% of today's global productivity leaders – the US, Japan, Switzerland, and Sweden. Our overall productivity is now in fact above Hong Kong's, although it used to be below theirs in the 1980s.

C.5. We have achieved this by:

a. Bringing in leading global companies at each stage of our development, with the technologies to create better jobs for Singaporeans;

b. Upgrading local enterprises, including those in mature industries that were once thought to be fading out, like the food manufacturing and marine industries; and

c. Above all, by building a strong education system and improving the skills of our workers.

A New Phase of Economic Transformation

C.6. However, we must now go through **a new phase of transformation**.

C.7. First, we need to catch up from a decade of slow productivity growth.

C.8. Second, we also have much room to catch up with the global leaders in each of our sectors.

C.9. Third, we must also reduce the wide gaps in efficiency between the different sectors of our economy. In particular,

a. Our Manufacturing and Transport sectors are well ahead in productivity compared to other economies in Asia apart from Japan, although we are behind the global leaders.

b. But in Construction, our productivity is about one-fifth below that of Hong Kong and South Korea, and much further below that of Japan and other international leaders.

c. In many Services industries, like F&B and Retail, we are also about one-fifth behind Hong Kong.

C.10. We must therefore press ahead and upgrade technologies, skills and expertise across our economy in this decade, so that we can be a truly advanced economy. The 2% to 3% per annum target for productivity growth that we had set after the weak decade until 2009, is ambitious but we must make every effort to achieve it. That will bring us, at the end of this decade, much closer to where the most advanced economies are today.

C.11. There is also another important reason why we have to step up productivity improvement. If we do not succeed in this new phase of transformation, we will lose ground to emerging cities in Asia, which are catching up quickly. We can lose even the good jobs that we want to retain in Singapore. Several Chinese coastal cities, for example, are catching up in industrial robotics, so as to compete with German and Japanese manufacturers.

Foreign Workforce Growth

C.12. We slowed down the increase in our foreign workforce in 2012 compared to the previous two years, but it was still rather high – 67,000. However, most of the growth in the foreign workforce was seen in just two areas of the economy: the **Construction and Process** industries, and the **Services** sector. In Manufacturing, there was in fact a slight decline in the total stock of foreign workers.

a. The Construction and Process industries, with most workers coming in at the Work Permit level, accounted for about half of the total increase in the foreign workforce. This was partly due to the ramp-up in infrastructure projects, but also because productivity in these sectors remains weak.

b. In Services, there has been continued rapid growth, especially of S Pass employees.

C.13. Overall, the **total number of Employment Pass (EP) holders declined last year**. This was in part a result of the tightening of MOM's eligibility criteria, especially for Q1 pass holders, so as to raise the quality profile at the lower end of the foreign professional workforce as our economy restructures.

Our Foreign Worker Strategies Going Forward

C.14. Foreign workers now comprise 33.6% of our total workforce.[4] The Government had in 2010 accepted the Economic Strategies Committee's recommendation that we moderate the growth of the foreign workforce so as to avoid its proportion of the total workforce increasing significantly beyond one-third. While our mix of policies must allow for foreign worker numbers to fluctuate in the course of the business cycle, or when we have major infrastructural projects underway as is the case currently, the proportion of foreign workers to the total workforce should not increase indefinitely. Our foreign worker policies remain guided by this objective.

[4] This number excludes Foreign Domestic Workers (FDWs), consistent with the definition adopted in 2010 for the purpose of setting a long-term target for the proportion of foreign workers. The actual proportion at that time was almost one-third.

C.15. We have to make further adjustments so that we can continue moderating the growth of the foreign workforce, but they will not be across the board. The adjustments will reflect the circumstances of each sector.

a. First, we will make **selective further Dependency Ratio Ceiling (DRC) cuts** for sectors where there has continued to be significant growth in foreign worker numbers, and where productivity levels are still well behind international productivity leaders.

b. Second, we will **increase levies** for all sectors to ensure that businesses continue to reduce dependence on foreign manpower and improve productivity. The levy increases will be sharper for firms that are most dependent on foreign workers.

   However, while there will be significant levy increases for less-skilled workers, we will not increase levies for skilled workers in most sectors after the previously-announced rates for July 2013 kick in. So most companies will not need to pay a higher levy if they rely on skilled Work Permit Holders.

c. Third, we will encourage companies to **pro-actively develop the talents and skills of our Singaporean workforce** and reward them fairly.

Why We Cannot Pause in Restructuring Our Economy

C.16. We **cannot cut off the flow of foreign workers abruptly, but we have to slow its growth**. We are therefore making these further adjustments, and we have to do so in full knowledge of the difficulties they will pose for many of our companies. There has been extensive feedback from businesses and associations about the challenges that employers face in finding local workers.

C.17. And as everyone knows too, there are many sectors such as the Construction, Marine and Process industries, and even in some Service industries, where there will remain a significant **shortage of local workers** and where we will continue to need foreign workers for some time to come.

C.18. However, the basic reality is that these **sectors which are most dependent on foreign workers** are also the ones **furthest behind international standards of productivity**, and which account for the lag in productivity in our overall economy.

C.19. The tightening of foreign worker policies is therefore aimed mainly at **reducing reliance on manpower, not merely replacing foreign workers with locals.** That is the only way we can significantly improve productivity and avoid an indefinite increase in the ratio of foreigners in our workforce.

C.20. Further, within the Services sector, industries like F&B and Retail that have been most reliant on foreign workers have also seen **low wages and low wage growth for local workers** in certain jobs. Waiters are an example.

C.21. **We cannot carry on in the same way**. If we pause now and postpone the restructuring of these industries, we will face the same problems of low productivity, low wages and low profitability in these industries in future.

C.22. The problem does not merely lie in individual enterprises, but in the **structure of industry.** In Construction and Services, there are many small firms working very hard to survive, and to attract local employees. Sometimes, the owners themselves double up as workers. Many find it difficult to scale up to a point where they can invest in significant productivity improvements or build up and retain a pool of skilled employees.

C.23. F&B is a good example of this fragmented industry structure. The problem has not been inadequate workforce growth. The **F&B workforce has in fact increased by one-third (31%)** over the last five years, with foreign workers making up half of the increase. However, there has also been rapid growth in the number of F&B establishments. Many new F&B firms are formed each year, and many also exit, but the total number has grown. With our local workforce now growing more slowly, and as we are at full employment, many firms find it increasingly difficult to attract local workers.

C.24. The structure of some of our industries will inevitably have to change, given our tight labour market. Consolidation is part and parcel of restructuring. While efficient enterprises and those who develop stronger brands will grow, others may eventually downsize, switch to new business lines, or move parts of their operations abroad. This is indeed how productivity has advanced in the most developed economies – not just by individual firms innovating and upgrading, but also through the freeing up of space in the industry for more dynamic enterprises to obtain workers and grow.

C.25. The Government cannot decide which firms should succeed, or which employers within an industry should get more workers while others get less. Only the market can decide that. But the Government can and will actively support all SMEs that are willing to upgrade, so that they can retain their roots in Singapore and grow. The **restructuring of our economy must result eventually in a dynamic and re-energised SME scene**.

C.26. Businesses have to respond in new ways to the tight labour market – adopting shared services to save manpower, redesigning jobs, and giving workers broader responsibilities and rewarding them fairly. Indeed, in every sector, there are already examples of SMEs that stand out as having adopted these practices and are growing. Consumers too have to adjust. For instance, by getting used to self-serve or semi-serve models and returning trays, all of which are common in the F&B industry in many developed countries.

Quality Growth Programme

C.27. In this Budget, we will introduce a **Quality Growth Programme, which is aimed at helping businesses to upgrade, create better jobs and raise wages**. The Quality Growth Programme has four pillars:

a. **Tightening Foreign Worker Policies.** We will continue tightening our foreign workforce policies through a targeted approach, considering the circumstances of each sector and each category of workers.

b. **A 3-Year, Transition Support Package.** We will introduce a special 3-year package to support companies during this period of restructuring. This will include a new Wage Credit Scheme to encourage companies to share productivity gains with their workers through higher wages.

c. **Strengthening of Productivity Incentives.** We will also strengthen our schemes to help companies improve productivity, and make it much easier for companies to tap on them. These measures will be focused not just on helping individual companies, but also on supporting industry-wide collaboration.

d. **Capabilities for New Growth Industries.** We will also develop capabilities that will enable us to chart new frontiers in the manufacturing sector, and enable our Services sector companies to seize opportunities in Asia's rapidly growing economies.

C.28. The Government will not be keeping the additional levies that we will receive as a result of the additional tightening. We have in fact flowed back to companies the additional revenue that was collected since we began tightening in 2010 – through the Productivity and Innovation Credit (PIC), the SEC to help firms employ older workers, as well as various productivity grants and training subsidies. This will continue to be our approach over the next three years: **through new initiatives and enhancement of existing programmes, we will channel all additional levies collected back to help businesses upgrade and share productivity gains with their workers**.

Tightening Foreign Worker Policies

C.29. Let me first outline our measures to further moderate our demand for foreign workers.

C.30. First, we will **raise Foreign Worker Levies across the board in July 2014 and July 2015**. Increases will be most significant in sectors where productivity growth is weak and the growth of the foreign workforce is significant.

C.31. We will also take further measures to moderate foreign workforce growth in the Construction, Process and Marine sectors, as well as the Services sector.

Construction and Process Sectors

C.32. First, we will mandate the use of more manpower efficient designs and technologies in building projects through increases in the minimum Buildability scores.[5] The Government will take the lead and adopt even higher standards of buildability and constructability[6] for public sector projects, which will yield significant productivity gains.

C.33. Second, we will:

a. Increase levies for less-skilled Work Permit Holders by $150 between July 2013 and July 2015.

b. Steeper levy increases of $300 will be imposed on workers hired outside a company's Man-Year Entitlement or MYE.

C.34. We will not be making further cuts to the MYE in Construction this year because, by July 2013, we will have made a significant cumulative reduction of 45% since 2010. This reduction applies to new projects undertaken over the next few years.

Services Sector

C.35. In addition to levy increases, we will reduce the overall DRC and S Pass Sub-DRC by 5 percentage points each in the Services sector. Therefore:

a. The overall DRC will come down from 45% to 40%; and

b. The S Pass Sub-DRC from 20% to 15%;

For their existing workers, companies will be given until June 2015 to comply with the new DRCs. However, companies will not be allowed to bring in new foreign workers beyond the new DRCs from 1 July 2013.

C.36. The DRC reductions will particularly affect services industries like F&B. As I have just explained, this is a painful but necessary step

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[5] The Buildability score requires labour saving elements to be taken into consideration in the design of a project.

[6] Constructability scores mandate the use of better construction methods and technology at the building stage of a construction project.

that we have to take, in order to allow for market restructuring, to encourage innovations in the industry and to grow stronger companies that can create good jobs and raise wages. However, to help firms in the Services sector cope with labour constraints, MOM will allow more flexible deployment of foreign workers within a firm to raise productivity.

C.37. Cleaning. Other sectors such as Cleaning will not be significantly affected as most firms remain below the new 40% DRC. Together with the levy increases and programmes like the Clean Mark Accreditation Scheme, the DRC cut will give a push towards higher productivity and wages in these sectors.

C.38. Healthcare. Our Healthcare sector is able to provide good quality care with low labour intensity.[7] However, our healthcare manpower demands will increase as our population gets older. While we will continue to expand our local supply of healthcare manpower, we will still need a significant pool of foreign healthcare staff. In order to support the healthcare needs of Singaporeans, we will continue to ensure flexibility so that healthcare institutions are able to fulfil their staffing needs.

Marine Sector

C.39. EDB and SPRING are working with the key players in the marine sector to upgrade operations to improve land and labour productivity, and focus their Singapore operations on higher value design and engineering activities.

C.40. As part of this plan, we will reduce the overall DRC for the Marine sector from 1:5 to 1:3.5. This change will take place in two stages, in January 2016 and again in January 2018.

S Pass

C.41. We will tighten the qualification criteria for all S Passes, so as to moderate future growth, and ensure ample opportunities for career progression and wage growth for Singaporean mid-skilled and technical professionals.

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[7] As an example, in 2012, our practising nurse to population ratio was 1:180, as compared to the OECD average of 1:116 in 2010.

a. From 1 July 2013, we will increase the minimum S Pass qualifying monthly salary from $2,000 to $2,200.

b. We will introduce a tiered salary system based on age and qualifications of the applicant. Older and more experienced S Pass applicants will need to qualify at higher salaries. This will help to level the playing field for our local workers in the same jobs and also nudge employers to bring in better calibre workers to raise the overall quality profile of S Pass holders.

C.42. MOM will release more details of these changes in a separate press release.

Employment Pass

C.43. Our employment market for PMEs (Professionals, Managers and Executives) will evolve in the coming years. We will see progressively larger numbers of Singaporean university graduates entering the workforce.

C.44. Our EP policy must ensure that firms in Singapore remain able to recruit the best teams, including both locals and foreigners with the skills and expertise our companies need to compete internationally. At the same time, we must maintain a level playing field for Singaporeans with respect to jobs and progression opportunities.

C.45. We will therefore make further calibrated adjustments in our policies.

C.46. First, MOM will continue to tighten **eligibility requirements** for EP workforce, especially for **Q1 pass holders**. This has already led in the last year to more foreign employees coming within the S Pass category, which are subject to a DRC and levies.

C.47. Second, for the longer term, MOM will put in place a **framework to ensure that firms give fair consideration to Singaporeans in their hiring practices**. MOM has been studying work pass policies in various developed countries. Some countries, for example, require companies to advertise job vacancies to locals, before they can apply for a foreign work pass. Any such framework must enable companies to continue to meet their competitive needs, so that they can provide Singaporean professionals ample opportunities to do well in their careers. This framework is, however, not a matter to be rushed. MOM will consult closely with all stakeholders to develop a workable framework.

C.48. This will be discussed further in MOM's COS, together with the other key initiatives I announced.

3-Year Transition Support Package

C.49. To help businesses through this period of restructuring, we will provide significant government support with a **3-Year Transition Support Package**. There are three components:

a. Wage Credit Scheme

b. PIC Bonus

c. CIT Rebate

Wage Credit Scheme ($3.6 billion)

C.50. Businesses will have to restructure in a tight labour market in the coming years, and wages will have to rise. Government will provide support to help businesses raise their employees' wages. More importantly, this will incentivise employers to **share productivity gains with their employees**.

C.51. To do this, we will introduce a **Wage Credit Scheme** (WCS).

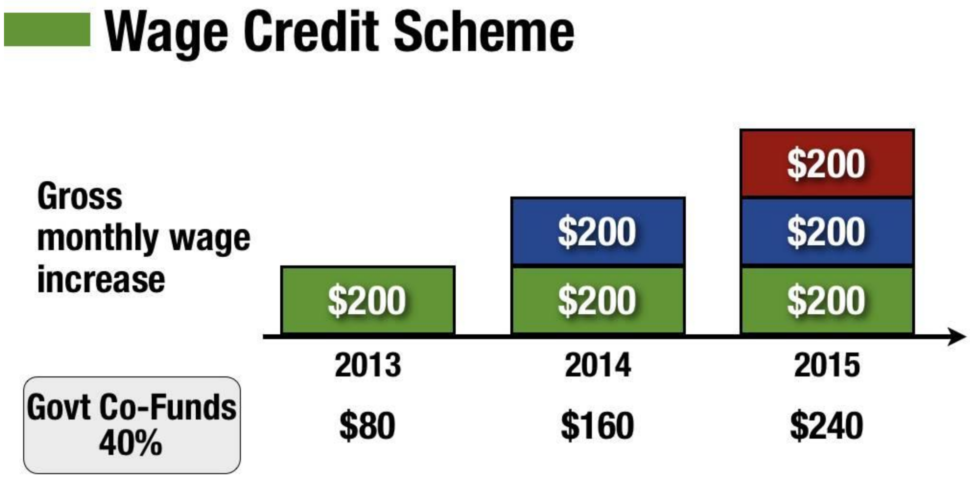
C.52. Under the WCS, the Government will co-fund 40% of wage increases for Singaporean employees over the next 3 years.

C.53. This co-funding will apply to wage increases for Singaporean employees earning up to a gross monthly wage of $4,000.

C.54. The Government will co-fund any increase in wages given to an employee in any year between 2013 and 2015, over his or her wage level in the preceding year. Co-funding will apply not just for that year, but for the rest of the period.

a. For instance, if an employer increases the gross monthly wage of his employee by $200 in 2013, the Government will pay 40% of the $200 wage increase, not just for 2013 but also the remaining two years.

b. If further $200 increases are given in 2014 and 2015, the Government will co-fund 40% of the total wage increases of $400 and $600 in 2014 and 2015 respectively.



C.55. There is no need to apply for WCS. **The Wage Credits will be automatically paid out to employers annually**. We encourage all employers to take full advantage of the WCS to share productivity gains with workers. The WCS will cost the Government about $3.6 billion over 3 years.

<u>Productivity and Innovation Credit Bonus ($450 million)</u>

C.56. We want as many businesses as possible to take advantage of the Productivity and Innovation Credit (PIC) scheme.

C.57. We will hence introduce a PIC Bonus as the second component of the Transition Support Package. Businesses that invest a minimum of $5,000 per Year of Assessment (YA) in PIC qualifying expenditure will receive a **dollar-for-dollar matching cash bonus**. The bonus will be up to $15,000 over three Years of Assessment, YA2013 to YA2015. This PIC Bonus is paid over and above existing PIC benefits.

C.58. The $5,000 minimum qualifying expenditure encourages small businesses to undertake meaningful productivity investments. Based on current claims, we expect that many firms will be able to benefit from the full $15,000 bonus. The PIC Bonus is expected to cost $450 million over three years.

Corporate Income Tax Rebate ($1.3 billion)

C.59. Besides higher manpower costs, businesses also face other cost pressures such as higher rentals. To help companies cope during this period of transition, I will provide *a special Corporate Income Tax rebate* from YA 2013 to YA 2015. **I will give a rebate of 30% of tax payable up to $30,000 per Year of Assessment.** This is expected to cost $1.3 billion over three years.

Cost Savings for Commercial Vehicles

C.60. We will also introduce two specific measures to help owners of commercial vehicles.

a. Currently, when commercial vehicles reach the end of their ten-year COE, the owners can only renew for five years with no further extension or pay more for a ten-year renewal. **We will allow owners who choose to renew their COEs for five years in the first instance to extend their COEs further for another five years**. This will ease their cash flow and provide flexibility. More details will be given by the Minister for Transport in MOT’s COS.

b. I will also grant a **one-year 30% road tax rebate for goods vehicles, buses and taxis.** The rebate will take effect on 1 July 2013 and save businesses $46 million.

Strengthening of Productivity Incentives

C.61. I will now move on to the third major pillar of the Quality Growth Programme, which comprises a significant enhancement of the productivity incentives we have introduced since 2010.

C.62. We have taken onboard detailed feedback on how we can improve and strengthen our incentives to help businesses raise productivity. **Taken together, these enhancements will involve additional government resources of about $500 million over three years.**

C.63. The enhanced incentives will be at three levels of the economy:

Initiatives for Industry-wide Collaboration

C.64. First, we will support **initiatives for industry-wide collaboration that can either provide the scale that individual firms often lack,** or enable best practices to be widely replicated:

C.65. This will include **Collaborative Industry Projects** (Estimated $100 million over 3 years), where consortia of firms will develop solutions to industry-specific productivity challenges. This approach will be adopted in seven new priority industries.[8]

C.66. A further initiative will foster SME collaborations with large enterprises so as to enable co-innovation, capability upgrading and sharing of best practices within the supply chain. **We will broaden and enhance the PACT scheme** (Partnerships for Capability Transformation), which we initiated in the Manufacturing sector, to other sectors. (Estimated $60 million over 3 years)

Support for Individual Firms

C.67. Next, a set of initiatives to help **individual firms**:

[8] These include food manufacturing, retail, F&B, printing and packaging, textile and apparel, furniture manufacturing, and social services. This is in addition to sectors that have already adopted this model – healthcare, ICT and construction.

C.68. I will make it much easier and faster for businesses to make PIC claims. Businesses and chambers such as the Singapore Chinese Chambers of Commerce and Industry (SCCCI) have asked that we broaden the range of investments that can qualify for PIC benefits. Just to give two examples, restaurants will be able to claim for dishwashing machines and contractors can claim for scissor lifts ($130 million over three years)**.** (Refer to Annex)

C.69. We will also introduce a **Land Productivity Grant** ($60 million) to support companies which intensify their use of land in Singapore. Help will also be given to those who choose to relocate some operations offshore, including to the immediate region, while retaining core functions in Singapore and saving land. This incentive was proposed by associations like the Singapore Business Federation SME Committee (SBF-SMEC).

C.70. Next, we will **link up SMEs with public-sector research institutions and private sector technology providers** to identify and develop productivity solutions that give them a competitive advantage ($51 million).

C.71. To promote prefabrication in construction, we will **set aside land for Integrated Construction and Precast Hubs** and enhance grants to encourage adoption ($10 million over two years).

Training for Singaporeans at All Levels of the Workforce

C.72. Third, we will provide a further **boost to training for Singaporeans at all levels of the workforce**:

C.73. We will **enhance the Workfare Training Support (WTS) scheme** for lower-wage Singaporeans as well as programmes to help PMEs to develop further expertise or to make mid-career switches.

C.74. We will launch an **SME Talent Programme,** developed by SPRING Singapore, together with the industry chambers and trade associations. The programme will provide awards to encourage polytechnic and Institute of Technical Education (ITE) students to join our SMEs upon graduation.

C.75. We will also **top up the Lifelong Learning Endowment Fund (LLEF) by $500 million.**

Improving Accessibility of Government Support Schemes for SMEs

C.76. Lastly, we will **improve the accessibility of government support schemes for our SMEs**. Amongst other things, SPRING will enhance the Enterprise Development Centres into one-stop, integrated SME Centres ($32 million).

C.77. Details of these initiatives will be shared during the COS of MTI, MOM and MND.

Working with the Hospitality Industry

C.78. We are working industry by industry, with business associations and individual firms to help them adopt customised solutions that will help them reduce costs, develop economies of scale, and raise productivity and wages. I will describe briefly how this is being done for the F&B industry as an example.

C.79. SPRING is working with the industry to help companies adopt wireless technologies; move towards using more central kitchens; and to collaborate more closely with food manufacturers. We are helping the industry to tap into a pool of part-time manpower and adopt manpower scheduling systems that many SMEs have found can lead to much more efficient deployment of employees. In addition, we are also helping promising F&B firms develop their brands and expand overseas.

C.80. There are already many examples of F&B establishments that are changing the way business is run, using technology and new management methods. Like PastaMania and Mr Bean, two well-known local brands. PastaMania had its roots in a foodcourt, and has now grown to have over 40 outlets in five countries. It pioneered mobile app ordering in the F&B industry, relies heavily on part-time staff, and invests in their training. Mr Bean started in People's Park Food Centre and has now grown to 70 outlets in six countries. It too has made significant productivity improvements. It is also collaborating with various Voluntary Welfare Organisations (VWOs) to provide training and employment to Singaporeans with special needs.

C.81. What we are doing in the F&B industry, we are also doing for our retail establishments and hotels – deep dives to understand the industry better and to work with firms to better cope in a tight labour market. (Refer to Annex)

Capabilities for New Growth Industries

C.82. Restructuring our economy is also about looking ahead for new growth opportunities. We have to keep developing new capabilities so that we stay relevant in the world and create higher value industries and high quality jobs for Singaporeans.

Charting New Frontiers in Manufacturing

C.83. The global manufacturing landscape is being redefined by disruptive technologies such as robotics and 3D printing, and business models involving mass customisation and use of manufacturing analytics. We must keep up with these developments to ensure that Singapore remains a key global centre for advanced manufacturing.

Future of Manufacturing Plan

C.84. EDB will set aside **$500 million over the next five years to support a Future of Manufacturing plan.** We will work with key industry partners, our universities, polytechnics and Research Institutes to test-bed new technologies and develop applications that can be commercialised and tapped on by our firms, including our SMEs. This has the potential to create a range of new jobs for Singaporeans in future, such as high-skilled robot operators and materials scientists.

C.85. We will also support the emerging satellite industry in Singapore through a **$90 million Satellite Industry Development Fund**.

Seizing Growth Opportunities in Services and in Asian Markets

C.86. In the services sector, the rapid rise of middle class consumers and dynamic enterprises in Asia is boosting demand for modern, high value services. Our companies, particularly in the professional services industries, are well positioned to ride this wave.

C.87. Data analytics is one such industry cluster that we are developing. We aim to develop a pool of 2,500 analytics professionals over the next five years to support this new area through programmes such as NTU's recently launched Business Analytics degree.

C.88. Infrastructure development is another such cluster. We are bringing together expertise and players from across the infrastructure value chain in Singapore, from project developers to EPC (Engineering, Procurement and Construction) players and financiers.

C.89. For example, the World Bank's investment arm, the IFC, will be setting its first Asset Management Company office outside Washington DC in Singapore, to invest in infrastructure projects in the region.

C.90. We will also help SMEs who are expanding their overseas footprint by mitigating the risks inherent in such ventures. In addition to the Political Risk Insurance Scheme introduced last year, IE Singapore is working with ADB and private insurers to expand the Asian Development Bank's Trade Finance Programme for Singapore exporters. This will provide credit guarantees to facilitate exports by our companies.

Further Tax Measures

C.91. I will also take the opportunity to make a few other tax-related changes.

Refining Tax Incentives for Companies

C.92. We will refine tax incentives for companies in the Maritime sector and Financial sector to ensure the continued growth of high-value activities in Singapore. (Refer to Annex)

Start-Up Tax Exemption

C.93. Investment holding companies or property development companies incorporated after 25 February 2013 will be excluded from the start-up tax exemption. Investment holding companies derive passive incomes, while firms in the real estate industry typically incorporate a company for each new property development. The start-up tax exemption for encouraging entrepreneurship is really not intended for such entities. These companies can still enjoy the partial tax exemption available generally to all companies.

Taxation of Employment Perquisites – Housing and Hotel Benefits

C.94. Benefits-in-kind such as housing or hotel accommodation and furniture and fittings that are provided in the housing premises are taxable as part of employment income. The current way of taxing housing and hotel accommodation has remained unchanged since the 1960s and under-values the actual benefits received by the employees.

C.95. To tax such employment perquisites more equitably, housing and hotel accommodation provided to employees will be taxed based on the Annual Value of the property[9] and actual cost of the hotel accommodation incurred by employers respectively.

C.96. The changes will take effect from Year of Assessment 2015. (Refer to Annex)

Tobacco Tax

C.97. Finally, we will take the final step to harmonise the tax rates between cigarette and non-cigarette tobacco products which we started two years ago. I will raise the excise duties for Beedies, Ang Hoon and smokeless tobacco by 25% from $239 per kilogram to $299 per kilogram, and unmanufactured tobacco by 1.5%, from $347 per kilogram to $352 per kilogram.

[9] Less rent paid by employees, if any.

D. BUILDING A MORE INCLUSIVE SOCIETY

D.1. Mdm Speaker, let me move on to the second thrust of the Budget which is about making our society even more inclusive.

D.2. We have two key concerns. First, income inequality and the risk that it poses to social cohesion. We have to take further steps to ameliorate inequality and give every Singaporean a real chance to do well and have a fulfilling life.

D.3. We have a special challenge in inequality that stems from the fact that our education system and economy have been completely transformed over the past 40 years. Many in our present day **older generation of Singaporeans** had very little education – barely half were able to go beyond primary school. Their pay was very low in the first few decades of our development. Younger Singaporeans have benefitted from vastly-improved opportunities in education with the bulk of them going on to tertiary study. As a result, a disproportionate number of middle- and high-paying jobs are taken up by younger Singaporeans while older Singaporeans (those aged 55 years and above) make up more than 40% of workers in the bottom fifth of the income ladder. Our schemes to help low-income workers therefore pay special regard to our older Singaporeans.

D.4. Second, we want to do more for our retirees. As they depend on their savings to finance their daily expenses, they are most affected by rising costs. Many worry about being a burden to their children. We must provide our seniors a greater sense of security in their retirement years.

Four Pillars of Our Social Strategy

D.5. Our social strategies are shaped by these two key concerns of Singaporeans, which are key priorities for the Government.

D.6. Twenty years ago, we could get by with very little government social support apart from Public Assistance. We were a young nation then. Incomes were rising rapidly across the board and the elderly had more children to support them. However, as our society matures and our incomes rise more slowly and more unequally, we have to step up our social support.

D.7. We took significant steps in last year's Budget. This year, we will put in place further initiatives as part of our commitment to build a more inclusive society. There are four pillars to our strategy.

Promoting Social Mobility

D.8. First, we must do all we can to **promote social mobility**. It is still an important feature of our education system today. However, as all societies have found, social mobility becomes increasingly difficult to sustain beyond the first few generations who benefited from a good education system.

D.9. To make a difference, we must start earlier in a child's life – from the pre-school level. We must find new and innovative ways to support children with disadvantages as they grow up in our primary schools and beyond.

Better Jobs and Incomes

D.10. Second, we must continue to provide **good job opportunities** and **grow incomes for all Singaporeans**. This is fundamental to achieving a stable and cohesive society, here and everywhere else in the world. Indeed, better jobs and higher incomes are still the foremost concerns of most Singaporeans.

D.11. This is why the restructuring of our economy – so that we can grow incomes and give Singaporeans a sense of fulfilment in their jobs – is an essential part of our strategy for a better society.

A Fair and Progressive Fiscal System

D.12. Third, we need to **redistribute to benefit our lower- and middle-income groups**. We must maintain a progressive system of taxes and benefits and preserve a sense of fairness, even as we ensure that our economy remains competitive. Everyone contributes something to Singapore, but the bulk of our taxes is paid by the high-income group, and most of the benefits received by the lower-income group. And everyone must feel they belong to a thriving and cohesive society.

D.13. In this Budget, we will add to the progressivity of our system, including enhancing Workfare significantly to help older workers.

D.14. We are also reinforcing our social safety nets. We are charting new directions to ensure healthcare remains affordable for older Singaporeans. We are also improving on the way we deliver social services to bring support closer to the home and to better meet the needs of individual families.

D.15. We will also provide some help in this Budget to cushion the impact of rising costs on Singaporeans, especially our older folk.

Partnering the Community

D.16. The fourth pillar, and a critical one for a vibrant society, is the role of the community. The Government will provide **strong support for community initiatives** by partnering with community bodies and groups of citizens to improve the lives of Singaporeans.

D.17. There is already a growing number of such bright spots of goodness. Like the collaboration between Lien Foundation and Care Corner launched a few days ago to help underprivileged pre-schoolers. Or the house-to-house health screening and counselling programme launched in 2007 by a small group of medical students led by Tan Chong Keat. It has now grown to 400 students doing visits in Jurong, MacPherson and Bukit Merah.

Promoting Social Mobility

D.18. In this Budget, we will take further initiatives to strengthen opportunities for low- and middle-income pupils in our education system.

D.19. Over the past five years, we have significantly increased financial assistance for students of all ages, especially for those from lower- and middle-income families. We have enhanced pre-school subsidies, so that those from the bottom 20% of households only pay about $10 a month for child care. We have expanded the MOE Financial Assistance Scheme benefits in schools and provide low-income students with breakfast to start their school day well. We have also increased our bursaries for lower- and middle-income students when they go on to university, polytechnic or ITE.

Pre-schools

D.20. Together with the significant enhancements to child care and infant care subsidies that the Government announced in January, we will more than double our spending on the pre-school sector over the next five years to over $3 billion.

D.21. We are **expanding capacity** so that pre-schools will be available closer to homes in all our neighbourhoods, as well as closer to workplaces.

D.22. Second, to ensure quality and affordable pre-schools, we will bring **more operators onto the Anchor Operator (AOP) scheme**. We will provide for 16,000 additional places in AOPs by 2017.

D.23. Third, **good teachers.** They are the key to a quality pre-school sector. We will increase salary grants to the AOPs so that all their pre-school teachers will be graduates or diploma holders, up from 80% today. We will also provide pre-school providers **across the sector** with greater support in curriculum and teaching guides. Teachers will also be able to obtain scholarships and training grants to upgrade and can look forward to more structured training and career development.

D.24. Fourth, MOE will work on distilling best practices that have the potential to scale across the sector. MOE will on its own also set up **a few kindergartens to develop best practices** to be part of this effort to catalyse quality improvements.

D.25. Fifth, we will establish a new autonomous agency, the **Early Childhood Development Agency**, to drive improvements across the entire pre-school sector. The new agency will combine the pre-school teams within MOE and MSF, and will be overseen by both Ministries.

D.26. MOE and MSF will elaborate on these initiatives.

More Support at School for Disadvantaged Students

D.27. Our next set of initiatives is at the school level. They will help students with a disadvantage to catch up and better build a foundation to do well later in life.

Extend Learning Support

D.28. First, we will extend the learning support programme which is currently for Primary 1 and 2. It is resource-intensive because the classes are conducted in small groups of less than 10 students.

D.29. Our experience has shown that early intervention helps but also that continuous intervention is necessary to reinforce what has been achieved.

D.30. We will therefore extend the learning support beyond the early primary school years. The programmes will require about 600 additional teachers who will be specially trained.

School-based Student Care Centres

D.31. Second, we will significantly expand the number of school-based student care centres to take advantage of the move to single-session primary schools. These centres can play a useful role providing additional development support to students outside school hours. The widespread provision of after-school care, together with the enhanced subsidies that we introduced last year, will also be helpful to working parents.

Online Resources

D.32. Third, MOE will develop richer instructional materials to enhance teaching and learning in every school. One important initiative is to develop online resources that include the best lessons, especially on difficult concepts, taught by experienced teachers and specialists. This is a new way in which we can support our goal of enabling every school to be a good school with equal access to the best teaching resources.

D.33. All in, these three school-level initiatives will cost an additional $120 million a year.

Opportunity Fund

D.34. In addition, we will put another $72 million into the Opportunity Fund. Schools with a larger number of students from less advantaged backgrounds will receive up to $275,000 for a secondary school and $150,000 for primary. This is 40% up from today. We will also be extending the Opportunity Fund to the polytechnics for the first time. In total, this is expected to benefit about 100,000 students across schools, ITE and the polytechnics.

D.35. The Minister for Education will provide more details at the COS.

Edusave Endowment Fund

D.36. Furthermore, I will make a $300 million top-up to the Edusave Endowment Fund which is used to help all our students develop as well-rounded individuals.

Sustaining a Fair and Progressive Fiscal System

D.37. Let me move on to talk about the further steps we are taking to make our fiscal system more progressive.

Strengthening Workfare

D.38. We will make the following enhancements to the Workfare Income Supplement (WIS) starting from work done from 1 January 2013.

Expand WIS coverage

D.39. First, we will expand the coverage of WIS to workers earning a monthly wage of up to $1,900 per month. This is an increase of $200 from the current $1,700 ceiling. WIS will benefit about 480,000 Singaporeans or 30% of our citizen workforce.

Increase WIS payouts

D.40. Second, we will increase WIS payouts significantly. For workers aged 45 years and older, the maximum payout for a low-income worker earning $1,000 will increase by $700. Those aged between 35 and 45 years will get a smaller increase. The enhanced WIS will mean increases of between 25% to 50% in maximum payouts.

Increase WIS cash payments

D.41. Third, we will increase the proportion of cash in the WIS payout. Our unionists had made a strong call for this so as to help WIS recipients with their immediate expenses. Workers will now receive 40% of WIS in cash and 60% in CPF. Previously, recipients received 29% of WIS in cash.

Increase WIS payments to CPF-MA and SA

D.42. With the higher WIS payouts, even with more being paid in cash, workers will still receive more WIS top-ups to their CPF accounts. We will channel more to their Medisave and Special Accounts equally.

Example

D.43. This is a significant boost to the WIS. A 60-year old cleaner at the bottom 10th percentile of incomes, earning $1,000 a month, will get $3,500 in WIS annually. This is equivalent to **3.5 months of additional income** or a 29% top-up of his normal pay. Of this, **$1,400 will be paid in cash**, which is more than $100 a month. Both his healthcare and retirement savings will also receive a boost.

A more targeted WIS

D.44. We will also tighten the WIS criteria to ensure that they are focused on low-income households. There are some WIS recipients who own second properties, or have spouses who are fairly well-off. These individuals would be better-off and are not the target of the WIS scheme. We will thus implement additional eligibility criteria for WIS to exclude those with a spouse earning more than $70,000, and individuals or couples owning a second property.

D.45. Only a small percentage of current WIS recipients fall into this category. But it is best that we make the refinements now as we are significantly enhancing WIS.

D.46. In total, the enhancements we are making to WIS will bring its annual cost to $650 million, which is about 44% higher than last year's bill. (Refer to Annex.)

D.47. We will also be enhancing the WTS Scheme, which the Acting Minister for Manpower will elaborate on at COS.

Revised CPF Contribution Rates

D.48. With the increase in WIS payouts, we will be able to raise the employer and employee CPF contribution rates for low-wage workers without a reduction of take-home pay for most of them. Their CPF contribution rates were reduced in 2007 to enhance their employability.

D.49. Since then, we have put in place schemes such as the SEC for older workers and the WTS which have improved their employability.

D.50. We will therefore restore the employer contribution rates fully (to the same level as higher-income workers of the same age) from 1 January 2014. We will also bring the employee contribution rates for most of these workers to the normal levels. The increased CPF will help them with their retirement and medical needs.

D.51. Take for example a **45-year old** earning $800 a month. His employer contribution rate will be restored from just below 11% currently to 16% from next year, and his employee contribution rate from 16.5% to 20%. He will now **save $15,000 more** in his CPF by age 65.

D.52. The revisions will also make it easier for employers to calculate the CPF they need to contribute for most workers, as their CPF contribution rates will be the same as for higher-income workers. (Refer to Annex.)

D.53. The increase in employer contribution rates is expected to cost employers $83 million in 2014.

D.54. We will also increase the Medisave contribution rates for Self-Employed Persons (SEPs) earning net trade income of between $6,000 and $18,000 per annum. (Refer to Annex.)

More Progressive Property Tax Structure

D.55. Let me now move to the tax measures.

D.56. When we eliminated Estate Duties, I highlighted that we would retain property tax as a means of taxing wealth. Unlike Estate Duty, the burden of which was felt most significantly by the middle- and upper-middle income groups rather than the rich, property taxes can be structured more equitably, with the rich paying the most. Property tax cannot be avoided through tax planning.

D.57. Three years ago, I introduced a progressive property tax structure. Last year, I also signalled that this would be a way in which we can increase the progressivity of our tax system going forward. A more progressive property tax allows us to achieve greater social equity without hurting our economic competitiveness or reducing the incentives for enterprise. It is what economists call an 'efficient' tax.

D.58. With this Budget, I will increase property tax rates for high-end residential properties, the largest increases being for investment properties – in other words, those that are not owner-occupied.

Owner-Occupied Residential Property

D.59. First, I will increase property tax rates for the high-end of owner-occupied residential properties, while lowering tax rates on the majority of owner-occupied residential properties. This is fair. The property tax is a wealth tax and is applied irrespective of whether lived in, vacant or rented out. Those who live in the most expensive homes should pay more property taxes than others.

D.60. I am especially mindful of the fact that we have retirees who do not have significant cash resources even if the homes they live in may be of significant value. The new property tax schedule for owner-occupied residential properties will ensure that **most retirees will end up paying less property taxes**.

D.61. Currently, property tax rates for owner-occupied residential property are 0%, 4% and 6%, depending on the Annual Values of the properties.

D.62. I will widen the 0% property tax band which currently applies to the first $6,000 of Annual Value, to $8,000. In addition to the current 4% and 6% tax rates, I will introduce new property tax rates of 8% to 16%.

D.63. The widening of the 0% property tax band will enable **950,000** owner-occupied residential properties to enjoy some tax savings. All 1- and 2-room owner-occupied HDB flats will continue to pay no property tax. Homes with Annual Values of $12,000, such as a 5-room HDB flat, will experience tax savings of $80 or 33% of their current property tax bill.[10] These savings for the majority of homes will mean a reduction in the Government's property tax revenue of $44 million.

D.64. The **top 1%** of owner-occupied residential properties, or 12,000, will face increased taxes, contributing an additional $25 million. However, the increase will be small except for those at the very top-end. A landed property in the central area with an Annual Value of $150,000 will see an increase in property tax of $5,120 per year.

D.65. The result of this more progressive property tax for owner-occupied residential properties is a net revenue loss to Government of about $19 million once fully implemented.

[10] Compared to the property tax bill for AV of $12,000 based on current Property Tax Structure, without taking into account one-off property tax rebate such as the $40 given to HDB owner-occupied flats in 2013.

Table 1: Owner-Occupied Residential Properties

Annual Values	**Example of Type of Property**	**Property tax payable under current structure**	**Property tax payable under new structure**	**Percentage Increase in property tax**
$12,000	5-room HDB flat	$240[11]	$160	-33%
$35,000	Suburban Condominium	$1,160	$1,080	-7%
$70,000	Condominium in central locations	$2,660	$2,780	5%
$150,000	Landed property in central locations	$7,460	$12,580	69%

Non-Owner-Occupied Residential Properties

D.66. I will apply more significant increases to tax rates for high-end investment properties. Currently, for residential properties that are not owner-occupied, the property tax rate is a flat 10%. I will introduce new marginal property tax rates of 12% to 20% for these investment properties.

D.67. What this will mean in effect is an increase in property taxes paid for non-owner-occupied residential properties with Annual Value above $30,000. These residential properties belong to the **top one-third of all non-owner-occupied residential properties**, or the top half of such private residential properties.

[11] Property tax payable under current structure without taking into account one-off Property Tax rebates like the 2013 $40 HDB rebate.

D.68. However, the increase will only be significant for investment properties at the high-end. Most suburban condominiums will only see a very small increase in property tax of about $100 to $300 per year. Residential properties with Annual Values of about $70,000, such as many condominiums in the central area, will face a $1,500 tax increase. A high-end property such as a landed property in the central area with Annual Value of $150,000 will see an increase in property tax of $9,000 per year.

Table 2: Non-Owner-Occupied Residential Properties

Annual Values	**Example of Type of Property**	**Property tax payable under current structure**	**Property tax payable under new structure**	**Percentage Increase in property tax**
$12,000	5-room HDB flat	$1,200	$1,200	0%
$35,000	Suburban Condominium	$3,500	$3,600	3%
$70,000	Condominium in central locations	$7,000	$8,500	21%
$150,000	Landed property in central locations	$15,000	$24,000	60%

D.69. These changes in property tax rates for non-owner-occupied residential properties will increase revenues by about $72 million per year once fully implemented.

D.70. The revised progressive property tax structure for residential properties will be phased in over 2 years starting from 1 January 2014. The revised rates will take full effect from 1 January 2015.

D.71. Property tax rates for **non-residential properties** remain unchanged at a flat 10%.

Removal of Property Tax Vacancy Refunds

D.72. Property tax is a tax on property ownership and should be levied irrespective of whether the property is vacant or occupied. For consistency and equity in tax treatment, I will remove the current concession which provides tax refunds on vacant properties. This is fair especially as we are now introducing a new and more progressive property tax schedule on residential properties.

D.73. The changes will take effect from 1 January 2014. The details are in the Annex.

Tiered Additional Registration Fees for Cars

D.74. I shall now move on to the vehicle tax system. Today, all cars incur the same Additional Registration Fee (ARF) at 100% of their Open Market Value (OMV).

D.75. I will make the vehicle tax system more progressive by introducing a tiered ARF structure for passenger cars and taxis. The ARF for car models with OMVs up to $20,000 will remain at the current 100%. I will introduce 2 more tiers for more expensive cars. The next $30,000 of the OMV of the car will attract an ARF rate of 140%. Any value beyond $50,000 will attract an ARF rate of 180%.

D.76. With the new ARF structure, a sedan with an OMV of about $18,000, like a Mazda 3, will see no change in the ARF rate. A car with an OMV of $45,000, like an Audi A5, will incur $10,000 or 22% more ARF, while a luxury model with an OMV of $74,000, like a BMW 735, will face a 42% increase in ARF payable.

D.77. The Preferential Additional Registration Fee, or PARF rebate, will remain unchanged as a proportion of the ARF paid.

Table 3: Tiered ARF Structure

Example	OMV	Current ARF Payable	New ARF Payable	Percentage Increase in ARF
Economy Car	$18,000	$18,000	$18,000	0%
Mid-range Car	$45,000	$45,000	$55,000	22%
Luxury Car	$74,000	$74,000	$105,200	42%

D.78. The tiered ARF structure will apply to vehicles registered with COEs obtained from the first COE bidding exercise in March 2013 onwards. This will contribute about $150 million in additional revenue annually.

Reinforcing Social Safety Nets

D.79. I will now turn to our initiatives to strengthen the social safety net so that we provide more support for families in need.

Review of Healthcare Financing

D.80. First, healthcare. Our system of government medical subsidies and the 3Ms provides universal healthcare coverage with multiple layers of protection. There are significant government subsidies across all settings – out-patient, acute and long term care. Last year, we significantly increased subsidies for middle-income Singaporeans in long term care. Whilst we have co-payments to reduce over-consumption, we also have Medisave and MediShield. Medisave ensures that Singaporeans have savings for their own and their family's healthcare needs. MediShield, our national healthcare insurance scheme, covers large medical bills.

D.81. The third and final "M" is Medifund which ensures that no one will be denied any treatment that he needs. Over the last five years, we have expanded Medifund to benefit more patients, including those from middle-income families.

D.82. However, our approach to healthcare financing has to evolve. As our society gets older, we will see higher demand for quality care, longer life expectancy and the rising incidence of chronic diseases. Families will also get smaller over time and we will have more singles without family support when they are in their silver years.

D.83. We have hence embarked on a thorough review of our healthcare financing system, as the Minister for Health has earlier indicated. This should seek to provide greater peace of mind for all Singaporeans while ensuring that the healthcare system remains sustainable. The review will look at all components of our healthcare financing framework.

D.84. First, although overall healthcare expenditure will go up, we want to see **Singaporeans' out-of-pocket share of medical costs fall**, and the Government take on a larger share. We will target help at those who need it the most. But we will also want to ensure that the needs of the middle-income group are met.

D.85. Second, we want to **broaden insurance coverage** by expanding risk-pooling so that as a society, we support those who require more help. We must however be careful about how this affects premiums.

D.86. Third, we must study how to **increase the role of Medisave** so it can be used to meet more healthcare needs whilst ensuring sustainability of savings.

D.87. Fourth, we will do more for those who need help with their medical expenses by **expanding the usage of Medifund**.

D.88. Finally, we will help Singaporeans stay healthy by **increasing our investments in health promotion and preventive care**, so all individuals are encouraged to stay healthy.

D.89. This is a major review. We are studying the strengths and weaknesses of other countries' healthcare systems.

D.90. We will have to consider the options carefully and consult broadly with Singaporeans. We want to do better for today's generation of Singaporeans, and do it in a way that is fair and sustainable for the next generation.

D.91. The Minister for Health will elaborate on these directions at the COS.

Senior's Mobility and Enabling Fund

D.92. In the meantime, in this year's Budget, we will introduce further support to meet Singaporeans' healthcare needs.

D.93. We will expand the current Senior's Mobility Fund into a Senior's Mobility and Enabling Fund, which will cover a much wider range of assistive devices like hearing aids, shower chairs and motorised wheelchairs. These devices are a great boon to our seniors, and help them stay active and independent.

D.94. Many frail elderly living at home are also concerned with the cost of consumables, such as milk feeds and adult diapers, which can be a costly burden. We will provide subsidies of up to 80% to our lower-income elderly to help defray the cost of consumables. For example, an elderly patient in need of milk feeds can save up to $2,000 per year.

D.95. We will also top up the fund from the existing $10 million to $50 million.

Building up Medifund and Eldercare Fund

D.96. We have expanded Medifund to benefit many more patients, including those from middle-income families. I will top up Medifund by $1 billion, bringing the total fund size to $4 billion.

D.97. I will top up the ElderCare Fund by $250 million this year to support patients tapping on subsidised nursing homes and other long term care services. This will bring the total size of the fund to $2.75 billion.

Public Assistance Scheme and Pension Allowance

D.98. We will also enhance the Public Assistance (PA) scheme, which provides a basic level of financial assistance to those who are permanently unable to work.

D.99. The monthly cash assistance for households will be raised to help recipients meet their daily needs. For example, a couple will now receive an additional $90, making up **$790** in cash assistance. A recipient in a single-person household will receive $450 in cash. PA recipients will continue to receive **other free services like medical treatment** in polyclinics and restructured hospitals, primary and secondary school education and access to a broad range of social services such as home help and day activity centres.

D.100. We will also introduce more flexibility to support recipients who need to incur other expenses.

D.101. To help government pensioners who draw lower pensions, the Government will increase the **Singapore Allowance** and monthly pension ceiling by $20 per month to $280 and $1,210 respectively. This will benefit about 10,000 pensioners.

ComCare Fund Top-Up

D.102. I will inject a further $200 million into the ComCare Fund as the Fund is well-utilised.

Supporting Self-Help Groups

D.103. I will also give an additional $10 million grant to the Self-Help Groups to help them enhance their programmes over the next two years.

Improving Social Service Delivery

D.104. A further aspect of the social safety net that we are strengthening concerns how we deliver social services. We want citizen-centred social services that are more integrated, so that anyone who needs help can get it conveniently and need not go to different agencies. To achieve this, there are three main initiatives that we are embarking on in this Budget.

D.105. First, we will introduce **about 20 Social Service Offices in HDB towns** over the next few years. A needy family can apply for help at a Social Service Office nearer their home, and benefit from better coordination of government and community help in the local area.

D.106. The second initiative is to **integrate elder care services**. As we scale up support to meet the needs of a growing elderly population, we will integrate the aged care services of the Centre for Enabled Living (CEL) and the Agency for Integrated Care (AIC) under one roof at AIC. The new AIC will be the single agency that helps the elderly and their caregivers to get easier access to both medical and social care services in the community.

D.107. Third, MSF will at the same time strengthen its **focus on persons with disabilities** with an agency dedicated to the disabled. This will serve as a focal point for all their needs.

D.108. The Acting Minister for Social and Family Development and the Minister for Health will provide more details on these improvements in social service delivery at the COS.

Direct Assistance for Cost of Living

D.109. This year's Budget will provide some direct assistance to households to help them cope with increases in the cost of living.

One-Off GST Voucher (GSTV) Special Payment

D.110. We introduced the permanent GST Voucher scheme last year to help lower- and middle-income households. The typical lower-income household receives $740 in GSTV-Cash and U-Save. A typical retiree household receives in addition $500 in GSTV-Medisave, for a total of $1,240.

D.111. This year, to help households facing cost of living pressures, I will provide an extra GST Voucher on top of the permanent voucher. In other words, all eligible Singaporeans will get double the usual amount.

D.112. This will benefit approximately 1.4 million Singaporeans and cost the Government an extra $680 million.

Service and Conservancy Charges (S&CC) Rebates

D.113. We will also provide 1 to 3 months of Service & Conservancy Charges (S&CC) rebates (see Table 4). 1- and 2-room HDB households will receive a total of 3 months of rebates for this year, while 3- and 4-room households will receive 2 months of rebates. This will cost the Government $77 million.

Table 4: S&CC Rebates

HDB Flat Type	S&CC rebate (No. of months)
1-room	3.0 months
2-room	3.0 months
3-room	2.0 months
4-room	2.0 months
5-room	1.5 months
Executive	1.0 month

One-off CPF Medisave Account Top-Up

D.114. To help older Singaporeans with their healthcare expenses, I will provide a $200 top-up to the CPF Medisave Accounts of all Singaporeans aged 45 and above. The top-ups will benefit 1.5 million Singaporeans and cost the Government $300 million.

Personal Income Tax Rebate

D.115. I will provide a Personal Income Tax Rebate this year for all taxpayers with a larger rebate for those who are 60 years old and above. The rebate will be for Year of Assessment 2013 (i.e. for income earned in 2012).

D.116. I will extend a rebate of 30% subject to a cap of $1,500 for taxpayers who are below 60 years old. I will also introduce a higher rebate for those who are older. Those aged 60 or above will receive a higher rebate of 50% subject to the same $1,500 cap. Having this cap allows us to provide the greatest benefits to those at the 80th percentile and below of taxpayers.

D.117. 1.3 million resident taxpayers will benefit. This will cost the Government $615 million.

Reduced Concessionary Foreign Domestic Worker Levy

D.118. Families with Singaporean dependants such as children, elderly parents and family members with disabilities currently pay a concessionary levy of $170 for a foreign domestic worker, instead of the normal levy of $265.

D.119. Our aim is to reduce costs for these families. We will hence reduce the concessionary foreign domestic worker levy from $170 to $120 per month. This will mean that a family will save an additional $600 a year.

D.120. This change is expected to cost the Government an additional $73 million a year and will take effect from 1 March 2013.

Building up the GST Voucher Fund

D.121. When we established the permanent GST Voucher Scheme last year, we set aside $3.6 billion to finance the Scheme until FY2016. To underscore our commitment to help offset what our lower-income Singaporeans pay in GST, I will top up the GST Voucher Fund by another $3 billion. This will ensure sufficient funds for the Government to make the yearly GST Voucher payouts up to FY2020.

How Households will Benefit

D.122. The direct assistance measures that I have just announced will provide significant assistance to Singaporeans with the cost of living.

D.123. Our elderly will receive the most help. A typical retiree couple living in a 3-room flat will receive a total of $1,800 in special transfers and tax savings. Including the permanent GSTV, they will receive more than $3,000 in benefits. Of this, $1,400 will go into their Medisave.[12]

D.124. A typical middle-income family living in a 4-room flat will also benefit from about $530 in special transfers and about $730 in tax savings from the Personal Income Tax Rebate, as well as changes to the property tax schedule and the Foreign Domestic Worker Concessionary Levy. Including the permanent GSTV, they will get a total of about $1,500.

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[12] This assumes that the couple are aged between 65 to 74 years. Older couples will get larger Medisave top-ups.

E. BUDGET POSITION

FY2013 Fiscal Outlook

E.1. Mdm Speaker, let me now summarise this year's budget position.

E.2. Let me start with the basic balance. We expect a modest **basic surplus of $0.3 billion** for FY2013, after factoring in the various tax rebates and the Transition Support Package. The basic surplus takes into account the balance of our operating revenues and expenditures, but excludes the amounts that we are setting aside in our endowment and trust funds for the future. It also does not factor in the Net Investment Returns Contribution (NIRC) from past reserves. The basic balance measures the direct impact of the budget for the coming year on the economy. At 0.1% of GDP, this is close to a balanced budget, and reflects a neutral fiscal stance.

E.3. I will go on now to the Overall Budget Balance. This includes an estimated revenue from **NIRC of $7.7 billion**. It also takes into account the **$5.6 billion in top-ups** we are making **to endowment and trust funds,** including the GST Voucher Fund, and the $200 million we are setting aside for the new Cultural Donation Matching Fund to encourage private donations to the arts and culture.

E.4. The resulting **Overall Budget Balance for FY2013** is projected to be a surplus of **$2.4 billion (0.7% of GDP)**.

F. CONCLUSION

A Better Singapore is Ahead

F.1. This Budget is for a better Singapore.

F.2. We will fix our problems in housing and transport.

F.3. We are transforming our economy so that we can have quality growth – growth that will provide all Singaporeans a better quality of life.

F.4. And we are taking further steps towards a more inclusive society – starting with our children, helping lower-income workers, and providing better lives for our retirees.

F.5. But our policies will ultimately succeed by building on the strengths of Singaporeans – the skills and mastery in every job, the compassion, the sense of collective responsibility, and the belief in this country. Singaporeans who are in their own ways, building a better tomorrow for themselves, their families, and for Singapore.

a. Like Ali Marzuki Abdul Rani, whose father passed away when he was 18. He was determined to succeed and support his younger siblings, got bursary support to see him through his studies at NTU, and is now doing well as a project engineer and giving back to society.

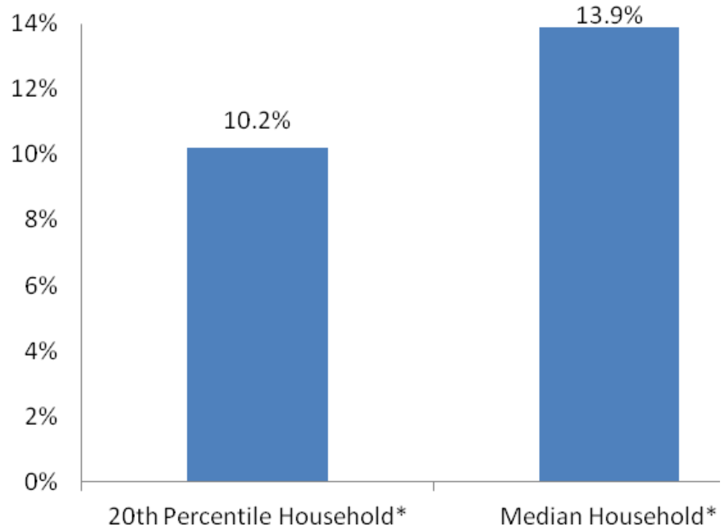
b. Or Madam Yeo Hui Imm, 58. A former factory operator, she found a job in a café, and decided to go for English lessons so that she could play a bigger role in her workplace. She is now a team leader, with more responsibilities and pay.

c. And Alfred Yeo, a young accountant, hearing- and speech-impaired. He is a tireless source of feedback on public transport and cycling paths, using emails, photos and even videos that he takes himself.

F.6. They each tell us something about our strengths, and about why we will have a better Singapore ahead.

F.7. Mdm Speaker, I beg to move.

ANNEX A-1: REAL GROWTH OF SINGAPOREAN HOUSEHOLD INCOMES PER MEMBER, 2007-2012 (CUMULATIVE)



Source: DOS

*Deflating by CPI excluding imputed rentals on owner-occupied accommodation, the cumulative real growth for the 20th percentile and median income households are **19.2%** and **18.8%** respectively.

Notes:

1. Based on household income (including employer CPF contributions) of Singaporean-headed households with at least one employed person.
2. Deflated by the Consumer Price Indices (CPIs) for the lowest 20% and middle 60% respectively.

ANNEX A-2: TIGHTENING FOREIGN WORKER INFLOWS

i) Increase in Foreign Worker Levies

Foreign Worker Levies for Work Permits and S Passes holders will increase for all sectors in 2014 and 2015.

ii) Reduction in Dependency Ratio Ceiling (DRC)

Sector	Current	Changes
Work Permit		
Manufacturing	60%	No change.
Services	• Overall : 45% • S Pass (Sub-DRC): 20%	• Overall : Reduced to 40% • S Pass (Sub-DRC): Reduced to 15% New applicants will be subject to the new DRCs from 1 July 2013. For existing permit holders and renewals, the new DRCs will take effect from 1 July 2015.
Construction	1 local : 7 foreigners	No change.
Process	1 local : 7 foreigners	No change.
Marine	1 local : 5 foreigners	• Reduced to 1 local : 4.5 foreigners (from 1 Jan 2016) • Reduced to 1 local : 3.5 foreigners (from 1 Jan 2018)
S Pass		
Services Sector	20%	Reduced to 15% New applicants will be subject to new DRC from 1 July 2013 For existing permit holders and renewals, the new DRCs will take effect from 1 July 2015
All other sectors	20%	No change.

iii) Increase in S Pass Qualifying Salary

The S Pass qualifying salary criteria will increase from $2,000 to $2,200. Older and more experienced S Pass applicants will need to qualify at higher salaries, commensurate with their work experience.

MOM will release more details on 26 February 2013.

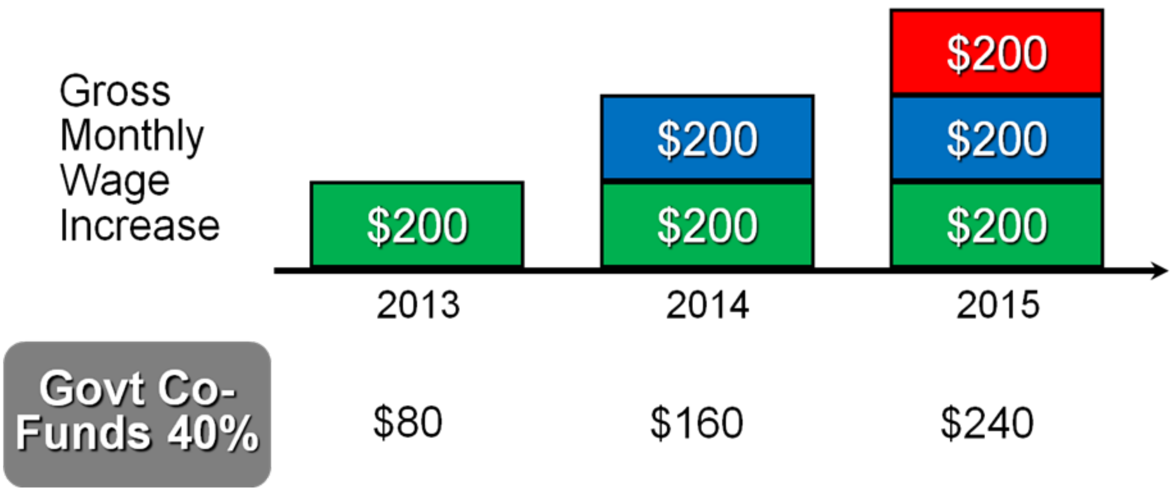
ANNEX A-3: WAGE CREDIT SCHEME

The Wage Credit Scheme (WCS) is part of the 3-Year Transition Support Package introduced in Budget 2013. Under the WCS, the Government will co-fund 40% of wage increases given to Singaporean employees earning a gross monthly wage[1] up to $4,000. Wage increases that are given in 2013 to 2015 will be eligible for WCS.

Eligible employers will receive a payout automatically annually. The first payout will be in the second quarter of 2014, and the last payout will be in 2016. The WCS is estimated to cost the Government about $3.6 billion over 3 years.

Illustration of WCS benefits

- If an employer increases the gross monthly wage of his employee by $200 in 2013, the Government would co-fund 40% of the $200 wage increase, not just for 2013 but the next two years.
- If further $200 increases are given in 2014 and 2015, the Government will co-fund 40% of the total wage increase of $400 and $600 in 2014 and 2015 respectively.
- At the end of 3 years, the employee will receive a total of $14,400 more in wages, of which the Government would have co-funded $5,760.



[1] Gross monthly wage is defined as the total wages paid by the employer to the employee in the calendar year, divided by the number of months in which CPF contributions were made. Total wages paid to an employee is computed from the CPF contributions that the employer makes for the employee in the year. Total wages includes basic salary and additional wages like overtime pay and bonuses, and excludes employer CPF contributions.

How to qualify for co-funding in calendar year 2013

Qualifying employees	• Singapore Citizen • Earns a gross monthly wage of up to and including $4,000 • Was employed for at least 3 months in 2012 • Is on employer's payroll for at least 3 months in 2013[2]
Qualifying employers	• No need for application. Employers who are not in the exclusion list will automatically be covered under WCS[3].
Qualifying wage increases	• WCS aims to support productivity gain sharing between employers and employees through meaningful wage increases, especially for lower wage workers. • Once an employee's gross monthly wage exceeds $4,000, the portion of the wage increase that brings the gross monthly wage above $4,000 will not be eligible for co-funding under WCS.

Please visit MOF Budget website (www.singaporebudget.gov.sg) for more information. You may also wish to contact IRAS via this hotline 1800-352-4727.

[2]Employer must have paid the employee CPF contributions for at least 3 months in 2013. Owners of companies or businesses do not qualify as employees even if they pay themselves CPF contributions.

[3] Government-related entities and entities not registered in Singapore are excluded from receiving the wage credit.

ANNEX A-4: PRODUCTIVITY AND INNOVATION CREDIT (PIC) BONUS

Businesses[1] that spend a minimum of $5,000 in qualifying PIC investments in a Year of Assessment (YA) will receive a dollar-for-dollar matching cash bonus. The Bonus is up to $15,000 from YA 2013 to 2015. This Bonus seeks to encourage businesses in undertaking improvement in productivity and innovation.

This is in addition to existing PIC benefits of:

i. 400% PIC tax deductions up to $400,000 in expenditure for each PIC qualifying activity; or

ii. Cash payout at 60% on up to $100,000 of the qualifying expenditure.

Businesses can either file claims for PIC Bonus with the PIC Cash Payout Application Form up to four times a year; or once a year with the filing of Form C.

The introduction of the PIC Bonus is expected to cost the Government $450 million over three years.

Illustration

The PIC Bonus is computed based on expenditure net of grants and subsidies from Government and statutory boards for making investments in qualifying PIC activities. This is the same as the existing PIC Scheme.

For more details please visit the MOF Budget website (www.singaporebudget.gov.sg), or contact IRAS at 1800 356 8622 (for companies) and 6351 3534 (for self-employed/partnership), or via email at picredit@iras.gov.sg.

[1] Active businesses (i.e. companies, sole proprietorships, partnerships) with business operations in Singapore and that have made CPF contributions to at least three qualifying local employees.

ANNEX A-5: ENHANCED PRODUCTIVITY INCENTIVES

(A) INITIATIVES FOR INDUSTRY-WIDE COLLABORATION

i) Collaborative Industry Projects (CIPs) ($100 million over three years)

Government agencies will work with industry players and partners such as trade associations to encourage the formation of consortia comprising solution providers and users to develop scalable solutions with potential for mass adoption. The Government will co-fund the development and adoption costs.

This model has been used in sectors such as ICT and construction, and has shown promising results. CIPs have also recently been launched for the healthcare sector.

The CIPs model will be extended to at least seven more priority sectors - Food Manufacturing, Retail, Food Services, Textile & Fashion, Furniture Manufacturing, Printing & Packaging, and Social Services.

ii) PACT ($60 million over three years)

Introduced in 2011, the PACT scheme encourages win-win partnerships between global manufacturers and their suppliers by upgrading the suppliers' capabilities through the sourcing and qualification processes. PACT will be expanded to include additional manufacturing sectors[1] as well as non-manufacturing sectors[2]. Beyond supplier qualification and sourcing, PACT will also support initiatives that improve SMEs' productivity and capabilities by facilitating and supporting SMEs to work with Large Enterprises (LEs)[3]. EDB, SPRING, IDA and BCA will lead PACT for their respective sectors.

(B) SUPPORT FOR INDIVIDUAL FIRMS

i) Enhancements to the Productivity and Innovation Credit (PIC) Scheme *[Refer to Annex A-8: Tax Changes]*

ii) Intellectual Property (IP) Financing Scheme

An IP financing scheme will be introduced to alleviate financing challenges faced by knowledge intensive, asset-light SMEs. The Government will partially

[1] Such as Food Manufacturing, Printing and Furniture Manufacturing.
[2] Such as the Retail, Food Services, ICT and Construction sectors.
[3] LEs encompass both large local enterprises as well as the MNCs.

underwrite the value of patents used as collateral. This scheme is expected to catalyse loans secured by up to $100 million worth of IP over two years.

MinLaw and IPOS will announce more details later in the year. Interested parties can also visit the IPOS webpage (http://www.ipos.gov.sg/ProgrammesandEvents/IPforC-suiteExecutivesandBusinesses/IPFinancingScheme.aspx), or contact IPOS at 6339 8616 or ipos_enquiry@ipos.gov.sg.

iii) Land Productivity Grant ($60 million over five years)

The Government will provide a Land Productivity Grant to support consultancy fees and/or domestic or overseas relocation costs for companies restructuring their operations which result in land intensification or savings of at least 0.1 hectares in Singapore. The scheme is open for applications and runs till 31 March 2017.

Interested companies can enquire with EDB at 6832 6832 or clientservices@edb.gov.sg, or SPRING at 6898 1800.

iv) Promoting Technology Adoption in Construction

a) *Tighten regulatory measures on the use of productive designs and building methods*

Jul 2013	**Jul 2014**
For all projects	
Raise Buildability score (B-score)	• Further raise B-score from Jul 2013 • Review C-score requirement
Public sector projects	
Meet higher B-score and Constructability (C-) score than the minimum mandatory requirements	• Further raise B-score from Jul 2013 • Review C-score requirement

b) *Step up assistance to small, progressive firms*

Enhance the Mechanisation Credit (MechC) scheme to give more support to smaller equipment typically used by small firms, and the Productivity Improvement Project (PIP) scheme by raising the funding support for firm-level, prefabricator-level and group level projects.

The enhancement will cost the Government $10 million over two years. More details will be provided during the MOF and MND COS.

(C) INVESTING IN WORKERS

i) Lifelong Learning Endowment Fund (LLEF) top-up ($500 million)

The LLEF is an endowment fund to support our workforce in acquiring skills and to enhance employability. Its interest income has consistently been fully utilised for the past three years for Continuing Education and Training, or CET schemes. It will be topped up by $500 million, allowing an increased expenditure of about $45 million over three years.

ii) Enhancing Continuing Educating and Training (CET)

To provide more help for workers to upgrade their capabilities and improve productivity, we will also enhance our CET schemes and outreach.

Holistic Package of Measures to Help Companies

We will also introduce a holistic package to help firms build up their human resource capabilities and develop structured training plans customised to their needs. More details on CET enhancements will be announced in MOM's COS.

ANNEX A-6: EXISTING PRODUCTIVITY MEASURES

The Government has various measures in place to help companies improve different aspects of their productivity. Interested parties can visit Way To Go (http://www.waytogo.sg/) or EnterpriseOne (http://www.enterpriseone.gov.sg/) for more details.

Some of the schemes include:

1) Inclusive Growth Programme (IGP)

The IGP encourages businesses to become more productive and share gains with workers. IGP co-funds projects that:

- Improve business productivity using measurable indicators; and
- Improve the value of low-wage jobs and raise the wages of low-wage workers (earning $1,700 or less per month).

Eligible projects include:

i) Automation and mechanisation (e.g. purchase of equipment);
ii) Process re-engineering;
iii) Adopting Best Sourcing Initiative (BSI) standards;
iv) Training programmes; and
v) Job redesign.

The IGP provides up to 50% co-funding for productivity projects. This is capped at $150,000 per project and $500,000 per company per year.

Please visit the e2i website (http://www.e2i.com.sg/services/employers/inclusive-growth-programme) for more information. You can also contact e2i at IGP@e2i.com.sg.

2) Productivity Innovation Credit (PIC)

Under the PIC Scheme, businesses can claim enhanced tax deductions on up to $400,000 of qualifying expenditure incurred for each of the six activities:

i. Investment in Automation Equipment
ii. Training
iii. Acquisition and in-licensing of IP Acquisition
iv. IP Registration
v. R&D
vi. Design

In lieu of enhanced tax deduction, businesses may opt to convert qualifying expenditure of up to $100,000 for each YA into cash. The cash payout rate is 30% (for YA 2011 and YA 2012) and 60% (for YA 2013 to YA 2015).

The PIC scheme also allows for tax deferral.

Please visit IRAS' website (http://www.iras.gov.sg/irashome/picredit.aspx) for more information. You can also contact IRAS at picredit@iras.gov.sg or call:

- 1800-356 8622 (companies)
- 6351 3534 (self-employed/partnership)

3) iSPRINT (Increase SME Productivity With Infocomm Adoption & Transformation)

iSPRINT aims to encourage SMEs to use technology to improve or innovate their business operations. iSPRINT supports two types of infocomm projects:

- Packaged solutions[1] for basic business functions
- Customised solutions tailored to business needs

The infocomm projects supported should lead to an increase in efficiency, revenue, or business value-add. The support level for projects is as follows:

Type Of Project	Support Level	Qualifying Costs
Packaged Solutions: a. **Basic Package Solutions** 'Off-the-Shelf' solutions for: ○ Accounting ○ Payroll ○ Point-of-Sales b. **Software-as-a-Service (SaaS)** Solutions that you pay only when you use it. c. **Intermediate Packaged Solutions** 'Off-the-Shelf' solutions with more advanced functions (e.g. Enterprise Resource Planning)	Up to 70% of qualifying cost, capped at: a. **Basic Package Solutions** $2,000 per solution b. **Software-as-a-Service (SaaS)** $20,000 per solution c. **Intermediate Packaged Solutions** $20,000 per solution	• Software/Subscription cost, up to 12 months • Consultancy Services • Training
Customised Solutions E.g. Customer Relationship Management, Enterprise Resource Planning, Supply Chain Management	Up to 70% of qualifying costs	• Consultancy Services • Manpower-Related Costs • Consultancy Services • Hardware/ Software • Training

Please visit IDA's website (www.ida.gov.sg/sme) for more information. You can also contact IDA at ida_isprint@ida.gov.sg.

[1] Solutions must be pre-qualified by the Info-Communications Development Authority of Singapore (IDA).

4) Innovation & Capability Voucher Scheme (ICV)

The ICV replaces the original Innovation Voucher Scheme (IVS). The ICV provides a $5,000 voucher that allows SMEs to upgrade their capabilities in 4 areas:

i) Innovation;
ii) Productivity;
iii) Human resource (HR) development; and
iv) Financial management.

Firms can contact participating service providers to discuss projects before submitting an application online for the ICV.

Please visit ICV website (www.spring.gov.sg/icv) for more information. You can also contact EnterpriseOne at enterpriseone@spring.gov.sg or call 6898 1800.

5) PACT (Please refer to Annex A-5)

6) CET Measures – Enhanced Training Support for SMEs

The enhanced training support scheme for SMEs is extended to local employees of SME establishments (not hiring more than 200 employees) registered or incorporated in Singapore.

More than 8,000 courses fall under this scheme including certifiable courses supported by WDA and academic CET courses offered by the five Polytechnics and Institutes of Technical Education. Under the 3-year initiative that took effect from 1 Jul 2012, SMEs can enjoy greater training support which includes:

i. *Higher Course Fee Funding* of 90% when SMEs sponsor their employees for the above-mentioned CET courses; and

ii. *Increased absentee payroll cap* of $7.50 per hour. Absentee payroll rate remains unchanged at 80% of basic hourly salary.

Further details are in Table 1 below:

Table 1: Enhanced Training support for SMEs

<table>
<tr><th>Existing Training Support Scheme</th><th>Enhanced Training Support Scheme</th></tr>
<tr><td colspan="2">Certifiable Courses Supported by WDA</td></tr>
<tr><td><u>(Rank & File)</u>
80% course fee subsidy, capped at $7 per hour for certifiable courses
90% course fee subsidy for CET Centres' courses
Absentee Payroll funding of 80% of basic hourly salary, capped at $4.50 per hour</td><td rowspan="2"><u>(Rank & File + PMEs)</u>
90% course fee subsidy, capped at $30 per hour for certifiable courses
90% course fee subsidy for CET Centres' courses
$15 per hour for in-house certifiable training
Absentee Payroll of 80% of basic hourly salary, capped at $7.50 per hour</td></tr>
<tr><td><u>(PMEs)</u>
50% course fee subsidy, capped at $15 per hour for certifiable courses
70% course fee subsidy for CET Centres' courses
Absentee Payroll funding of 80% of basic hourly salary, capped at $4.50 per hour</td></tr>
<tr><td colspan="2">Academic CET courses</td></tr>
<tr><td>Part-time Diploma: 70% subsidy for the cost of programmes for Singapore Citizen (SC) trainees
Advanced Diploma (AD) / Specialist Diploma (SD): 85% of the cost of AD/SD programmes for first-time SC trainees.
For SC trainees pursuing subsequent AD or SD, subsidy is 70% of the cost of the programme, provided that more than five years have lapsed since they completed their AD or SD.
Part-time NITEC and Higher NITEC: 90% fee subsidy for SC trainees
Absentee Payroll of 80% of basic hourly salary, capped at $4.50 per hour</td><td>90% subsidy for the cost of Polytechnics' academic CET programmes (i.e. Part-time Diploma, Advanced Diploma and Specialist Diploma Programmes for first-timers).
Absentee Payroll of 80% of basic hourly salary, capped at $7.50 per hour for Polytechnics' and ITE's academic CET programmes (i.e. part-time Diploma, Advanced Diploma and Specialist Diploma programmes, part-time ISC, NITEC and Higher NITEC programmes)</td></tr>
</table>

<u>Notes:</u>

[1] At present, under the Workfare Training Support (WTS) scheme, employers who sponsor their employees (Singapore Citizens aged 35 years and above, and earning up to $1,700 per month) are eligible for course fee and absentee payroll funding at 90%-95% for WSQ training.

[2] For academic CET courses offered by the five Polytechnics/Institute of Technical Education, the enhanced training support will only be extended to Singapore Citizens (SCs).

ANNEX A-7: WORKING WITH HOSPITALITY INDUSTRY (F&B, RETAIL AND HOTEL)

F&B	Available help
Re-design workflow and adopt wireless technologies to save manpower, whether in the ordering of dishes, in making payments, or in communications between the kitchen and front-of-house	• Adopt Wireless Ordering and mobile Payment through iSPRINT or Capability Development Grant (CDG) • Implement POS or ERP system through iSPRINT • Embark on upgrading projects in Innovation through Innovation & Capability Voucher (ICV) or Capability Development Grant (CDG) or self-help toolkits • Streamline and redesign work process through 5S via Capability Development Grant (CDG)
Implementing central kitchens	• Automate and re-design workflow through Innovation & Capability Voucher (ICV) or Capability Development Grant (CDG) or self-help toolkits • Outsource food processing to suppliers/food manufacturers
Manpower optimisation and deployment	• Implement Manpower scheduling software (CDG) • Tap on (PTP) Part time Pool Programme • Embark on upgrading projects in Productivity and HR through Innovation & Capability Voucher (ICV) or Capability Development Grant (CDG) or self-help toolkits
Upgrade manpower skills	• Groom local talents in management position through Core Executive Programme • Train in-house productivity managers
Helping promising F&B firms develop their brands and expand overseas	• Develop brands through Capability Development Grant (CDG) • Participate in international trade fairs (International Marketing Activities Programme (iMAP))

For more information, contact EnterpriseOne at enterpriseone@spring.gov.sg or call 6898 1800.

Retail	Available help
Technology adoption for process excellence	• Adopt advanced information and communication technologies such as Enterprise Resource Planning (ERP), integrated point of sales and customer relationship management (CRM) systems through iSPRINT and Capability Development Grant (CDG)
Promote Service Excellence and Concept Innovation	• Implement business upgrading projects in Service or Concept Innovation through Innovation & Capability Voucher (ICV) or Capability Development Grant (CDG) or self-help toolkits
Upgrade manpower skills	• Groom local talents in management position through Core Executive Programme or Capability Development Grant (CDG) • Train in-house productivity managers
Optimise manpower resources	• Implement Manpower scheduling software (CDG) • Tap on (PTP) Part time Pool Programme • Implement business upgrading projects in Productivity and HR through Innovation & Capability Voucher (ICV) or Capability Development Grant (CDG) or self-help toolkits
Help promising retail firms develop their brands and expand overseas	• Develop brands through Capability Development Grant (CDG) • Participate in international trade fairs (International Marketing Activities Programme (iMAP)

For more information, contact EnterpriseOne at enterpriseone@spring.gov.sg or call 6898 1800.

Hotels	Available help
Manpower optimisation and multi-skilling	• Participate in the Job Flexibility for Productivity (JFP) initiative and optimise existing foreign manpower • Fund employees' training for multi-skilling via Workforce Skills Qualification (WSQ) grants and the Training Industry Professionals in Tourism (TIP-IT2) • Leverage the Singapore Hotel Association (SHA) Casual Labour Registry for part-time/casual labour
Enhance the hospitality service experience and improve service standards	• Participate in STB's service experience study • Redesign the service experience and enhance service delivery capabilities using schemes like the Customer Centric Initiative (CCI) and Business Improvement Fund (BIF)
Redesign current systems and process (especially in labour-intensive areas of hotel operations, e.g. housekeeping, F&B service and preparation, front office etc) and adopt relevant technology solutions that can alleviate the manpower crunch or improve productivity	• Automate and re-design workflow through the Tourism Technology Fund (TTF), Business Improvement Fund (BIF), or Inclusive Growth Programme (IGP) • Participate in STB's technology audit* to better understand current technology gaps and identify potential solutions which can be integrated into existing hotel systems • Access directory* of previously funded and proven technology solutions to generate ideas • Explore shared services/outsourcing models that can facilitate consolidation of critical common services, and implement them via the Business Improvement Fund (BIF) • Attend industry seminars/workshops on relevant solutions and best practices **Coming soon*
Strengthen tourism skills upgrading and talent attraction/development efforts	• Attract talent and develop high-potential employees for leadership positions using the Training Industry Professionals in Tourism (TIP-IT2) and Executive Development Programme (EDP) • Upgrade employees' tourism-related skills through the Training Industry Professionals in Tourism (TIP-IT2), and Workforce Skills Qualification (WSQ) funding

For more information, visit www.stb.gov.sg

ANNEX A-8: TAX CHANGES

TAX MEASURES FOR BUSINESSES

S/N	Name of Tax Change	Current Treatment	New Treatment
Helping Businesses Cope with Rising Costs			
1	Granting a Corporate Income Tax ("CIT") Rebate from Year of Assessment ("YA") 2013 to YA 2015	Nil	To relieve business costs, a 30% CIT rebate capped at $30,000 per YA, will be granted to companies for three years from YA 2013 to YA 2015.
2	Road Tax Rebate	Currently, owners of goods vehicles (including goods-cum-passenger vehicles), buses and taxis pay road tax ranging from $340 to $2,976 per vehicle per year.	To relieve business costs, a 30% road tax rebate will be granted for goods vehicles (including goods-cum-passenger vehicles), buses and taxis for one year. The rebate will take effect on 1 July 2013 and yield savings of about $46 million for businesses. Details of the rebate will be announced by the Land Transport Authority.
3	Further Five-year Certificate of Entitlement	Currently, when commercial vehicles reach the end of their ten-year COE,	We will allow owners who choose to renew their COEs for five years in the first instance

S/N	Name of Tax Change	Current Treatment	New Treatment
	("COE") Renewal for Commercial Vehicles	the owners can only renew their COE for five years with no further extension or pay more for a ten-year COE renewal.	to extend their COEs further for another five years. This will ease their cashflow and provide flexibility. The Ministry of Transport will provide further details during the Committee of Supply Debate in March 2013.
Enhancing the Tax Regime to Help Businesses Improve Productivity			
4	Enhancing the Productivity and Innovation Credit ("PIC") scheme to include Intellectual Property ("IP") in-licensing	Currently, IP acquisition and registration are qualifying activities under the PIC scheme, but in-licensing of IP is not a qualifying activity.	The PIC scheme will be enhanced to include IP in-licensing as a qualifying activity. This enhancement is aimed at helping businesses, especially SMEs, that license IP rights rather than acquire the IP for innovation or productivity improvements. The enhancement extends the qualifying activities under "Acquisition of Intellectual Property" to include IP in-licensing. Cost of IP acquisition and in-licensing of IPs will be eligible for enhanced allowance/ deductions under the PIC scheme, up to a combined cap of $400,000 per YA. Similarly, cost of IP

S/N	Name of Tax Change	Current Treatment	New Treatment
			acquisition and in-licensing of IPs will qualify for a cash payout under PIC, subject to conditions. This change will take effect for IP in-licensing costs incurred from YA 2013 to YA 2015. The current PIC qualifying activity of "Acquisition of Intellectual Property" will be renamed to "Acquisition and In-Licensing of Intellectual Property" to reflect the change. The Inland Revenue Authority of Singapore ("IRAS") will release further details by April 2013.
5	Liberalising the Scope of PIC Automation Equipment	Currently under the PIC Scheme, businesses can claim enhanced capital allowance/deduction on the expenditure incurred to acquire or lease qualifying automation equipment. A prescribed list of automation equipment provides tax certainty to	We will make it easier and allow more equipment to qualify for PIC benefits, through the following changes: (a) For equipment that is not on the prescribed list, IRAS will assess and grant approval for PIC benefits based on the following liberalised conditions:

S/N	Name of Tax Change	Current Treatment	New Treatment
		businesses for their PIC claims as automation equipment on the prescribed list qualifies for PIC automatically. Where the automation equipment is not on the prescribed list, taxpayers can apply, on a case-by-case basis, to IRAS to seek approval to claim enhanced allowance/ deduction under the PIC scheme. IRAS would assess the equipment based on the following criteria: (i) The equipment automates the current core work processes of the business; (ii) The equipment enhances the productivity of the principal trade of the business (for example in terms of reduced man-hours, more output or improved work processes); and	(i) The equipment automates or mechanises, whether in whole or in part, the work processes, whether core or non-core of the business; and (ii) The equipment enhances productivity of the business (for example, in terms of reduced man hours, more output or improved work processes). (iii) Equipment that is a basic tool will be allowed, so long as: - It increases productivity compared to the existing equipment used in the business; or - It has not been used in the business before. (b) The term "automation equipment" is also changed to "IT and automation equipment" as PIC already supports IT-related software besides automation equipment. (c) The prescribed equipment list will be

S/N	Name of Tax Change	Current Treatment	New Treatment
		(iii) The equipment is not a basic tool[1] used in the business. If it is a basic tool, (a) It must have more advanced/ superior technology than existing automation equipment used in performing a similar function in the business; or (b) No other automation equipment performing a similar function has been used in the business before.	updated regularly to take into account feedback from businesses. The above changes will take effect from YA 2013. IRAS will release the updated equipment list and PIC examples on their website by 26 February 2013.
Enhancing Singapore's Attractiveness as a Global Financial Centre			
6	Extending and Enhancing the Financial Sector Incentive ("FSI") scheme	The FSI scheme comprises 12 separate awards that grant concessionary tax rates of 5%, 10% and 12% on income from qualifying	To continue the growth of financial sector activities in Singapore, the FSI scheme (excluding the FSI-IF award) will be

[1] A basic tool is one which is necessary for carrying out the trade or business, and is commonly used in the industry. Examples of basic tools used in the F&B industry include microwave ovens and blenders and those used in the laundry business include washing machines and dryers.

S/N	Name of Tax Change	Current Treatment	New Treatment
		financial activities: (i) FSI-Standard Tier ("FSI-ST") award [12%] (ii) FSI-Fund Management award ("FSI-FM") [10%] (iii) FSI-Headquarter Services award ("FSI-HQ") [10%] (iv) FSI-Bond Market award ("FSI-BM") [5%] (v) FSI-Equity Market award ("FSI-EM") [5%] (vi) FSI-Credit Facilities Syndication award ("FSI-CFS") [5%] (vii) FSI-Derivatives market award ("FSI-DM") [5%] – there are five separate sub-awards (viii) FSI-Islamic Finance ("FSI-IF")	extended for five years to 31 December 2018. The FSI scheme will be refined as follows: (i) The five separate FSI-DM sub-awards will be merged to form a single FSI-DM award; (ii) The FSI-BM and FSI-EM awards will be merged to form a single FSI-Capital Markets ("FSI-CM") award[2]; (iii) Withholding tax exemption will be granted automatically to FSI-HQ award recipients on interest payments made during the period of their FSI-HQ award for qualifying loans. This will take effect from 25 February 2013; (iv) The range of incentivised activities and financial instruments will be broadened for the FSI-ST, FSI-CM and FSI-CFS awards; and

[2] Currently, debt securities substantially arranged by FSI-BM award recipients may be regarded as Qualifying Debt Securities ("QDS"), subject to conditions under the QDS scheme. The QDS scheme will apply to debt securities substantially arranged by recipients of the FSI-CM award and FSI-ST award with effect from 1 January 2014.

S/N	Name of Tax Change	Current Treatment	New Treatment
		award [5%] The FSI scheme will expire on 31 December 2013. The FSI-IF award will expire on 31 March 2013.	(v) The FSI-IF award will be allowed to expire on 31 March 2013. The existing qualifying Islamic Finance activities will be incentivised under the FSI-ST award. Unless otherwise specified, the changes will take effect from 1 January 2014. Existing award recipients can continue with their awards till the end of their award tenures[3]. The Monetary Authority of Singapore ("MAS") will release further details by end June 2013.
7	Extending and Refining the Qualifying Debt Securities ("QDS") and Qualifying Debt Securities Plus ("QDS+") Incentive Schemes	The QDS scheme offers the following tax concessions on qualifying income from QDS : (i) 10% concessionary tax rate for qualifying companies and bodies of persons in Singapore; and (ii) Tax exemption for qualifying non-residents and qualifying	To further promote Singapore's debt market, the QDS scheme will be extended for five years to 31 December 2018. For debt securities issued during the period of 1 January 2014 to 31 December 2018, the requirement that the QDS has to be substantially arranged in Singapore will be rationalised to ease compliance for issuers.

[3] Provided the award recipients continue to fulfil the conditions under the respective awards.

S/N	Name of Tax Change	Current Treatment	New Treatment
		individuals. To qualify as QDS, debt securities must be substantially arranged by financial institutions ("FIs") in Singapore. The QDS+ scheme grants tax exemption for all investors on qualifying income derived from QDS that are: (i) Debt securities (excluding Singapore Government Securities) with an original maturity of at least 10 years; and (ii) Islamic debt securities or *sukuk*[4]. The QDS and QDS+ schemes will expire on 31 December 2013.	The QDS+ scheme will also be extended for five years to 31 December 2018. The QDS+ scheme will be refined to allow debt securities with standard early termination clauses to qualify for the QDS+ scheme, subject to conditions. The other existing conditions of the schemes remain unchanged. MAS will release further details by end June 2013.
8	Extending the Tax	Tax exemption is granted on income	To continue encouraging trading in Singapore

[4] Subject to the condition that any amount payable by the issuer to the investors of *sukuk* is not deductible against any income of the issuer accruing in or derived from Singapore.

S/N	Name of Tax Change	Current Treatment	New Treatment
	Exemption on Income Derived by Primary Dealers from Trading in Singapore Government Securities	derived by primary dealers from trading in Singapore Government Securities. The tax exemption will expire on 31 December 2013.	Government Securities, the tax exemption on income derived by primary dealers from trading in Singapore Government Securities will be extended for five years to 31 December 2018.
9	Extending the Tax Incentive Scheme for Approved Special Purpose Vehicle ("ASPV") engaged in securitisation transactions ("ASPV Scheme")	The ASPV scheme grants the following tax concessions to an ASPV engaged in asset securitisation transactions: (i) Tax exemption on income derived by an ASPV from approved asset securitisation transactions; (ii) GST recovery on its business expenses at a fixed rate of 76%; (iii) Remission of stamp duties on the instrument of transfer of assets to the ASPV for approved asset securitisation transactions; and	To continue developing the structured debt market, the ASPV scheme will be extended for five years to 31 December 2018. All existing conditions of the scheme remain unchanged. MAS will release further details by end May 2013.

S/N	Name of Tax Change	Current Treatment	New Treatment
		(iv) Tax exemption on payments to qualifying non-residents on over-the-counter financial derivatives in connection with an asset securitisation transaction. The scheme will expire on 31 December 2013.	
10	Enhancing the Tax Exemption Scheme for the Underwriting of Offshore Specialised Insurance Risks	Insurers and reinsurers on this scheme can currently enjoy tax exemption on qualifying income derived from the following qualifying offshore specialised insurance lines: (i) Terrorism risks; (ii) Political risks; (iii) Energy risks; (iv) Aviation and Aerospace risks; and (v) Agricultural risks.	To encourage the underwriting of severe and volatile catastrophe risks from Singapore, tax exemption will be granted on qualifying income derived from offshore Catastrophe Excess of Loss ("CAT-XOL") reinsurance layers[5]. All existing conditions of the scheme remain unchanged. This change will take effect from 25 February 2013. MAS will release further details by end April

[5] This refers to CAT-XOL reinsurance layers providing coverage for more than one risk arising from a single event and against natural perils.

S/N	Name of Tax Change	Current Treatment	New Treatment
		The scheme will expire on 31 August 2016.	2013.
11	Extending and Enhancing the Tax Incentive Scheme for Offshore Insurance Broking Business	Insurance and reinsurance brokers on this scheme can enjoy a 10% concessionary tax rate on fees and commissions derived from the provision of insurance broking and advisory services to clients that are not based in Singapore. The scheme will expire on 31 March 2013.	To support Singapore's position as a major regional insurance and reinsurance hub, the scheme will be extended for five years to 31 March 2018. Insurance broking activities will be incentivised if the risks being insured or reinsured are offshore risks. Advisory services will continue to be incentivised for services provided to clients that are not based in Singapore. To accelerate the development of the specialty insurance cluster in Singapore, a new 5%-tier award for the offshore specialty insurance broking business will be introduced. Insurance and reinsurance brokers which are granted the new award can enjoy a 5% concessionary tax rate on fees and commissions derived from the provision of qualifying speciality insurance broking and

S/N	Name of Tax Change	Current Treatment	New Treatment
			advisory services. These changes will take effect from 1 April 2013. MAS will release further details by end April 2013.
Enhancing Singapore's Competitiveness as an International Maritime Centre			
12	Extending the Maximum Tenure of the Maritime Sector Incentive – Approved International Shipping Enterprise ("MSI-AIS") Award	The MSI-AIS award incentivises international shipping enterprises to base their operations in Singapore. It confers tax exemption on qualifying income derived from international shipping operations. Currently, companies are granted the MSI-AIS award for a 10-year period, with the possibility of renewal up to a maximum tenure of 30 years, subject to conditions.	To promote the growth of our maritime industry, the maximum tenure of the MSI-AIS award will be increased from 30 years to 40 years. Companies can be granted the MSI-AIS award for a 10-year period, with the possibility of renewal up to a maximum tenure of 40 years, subject to conditions.
Rationalising Singapore's Corporate Tax Regime			

S/N	Name of Tax Change	Current Treatment	New Treatment
13	Rationalising the Start-Up Tax Exemption ("SUTE") Scheme	In Budget 2004, the SUTE scheme for qualifying new start-up companies was introduced to encourage entrepreneurship. Under the SUTE scheme, a new start-up company that satisfies the qualifying conditions can claim for full tax exemption on the first $100,000 of chargeable income, and 50% tax exemption on the next $200,000 of chargeable income, for each of its first three consecutive YA. To qualify for the SUTE scheme, a company (including a company limited by guarantee) must: (i) Be incorporated in Singapore; (ii) Be a tax resident of Singapore for that YA; and (iii) Have no more than 20 shareholders where:	SUTE will no longer be available to the following companies: (i) Property Developer – a company that buys or leases land and arranges for a building to be built on the land in order to lease, manage or sell the building; and (ii) Investment Holding Company – a company whose principal activity is that of investment holding. It derives only investment income such as rental, dividend, or interest income. Investment holding companies derive only passive incomes, while the real estate industry typically incorporates a new company for each new property development. The start-up tax exemption for encouraging entrepeneurship is not intended for such companies. Property developers and investment holding companies will still be able to enjoy the partial tax exemption generally available to

S/N	Name of Tax Change	Current Treatment	New Treatment
		(a) All of the shareholders are individuals beneficially and directly holding the shares in their own names; or (b) At least one shareholder is an individual beneficially and directly holding at least 10% of the total number of issued ordinary share[6] of the company, throughout the basis period for that YA.	all companies. All existing conditions of the SUTE scheme remain unchanged. This change will take effect for start-ups incorporated from 26 February 2013.
14	Allowing the Deduction Scheme for Upfront Land Premium to Expire	This scheme allows businesses to claim a tax deduction for upfront land premium paid to JTC or HDB in respect of a designated lease for the construction or use of a building for carrying on qualifying activities,	This scheme was introduced in 1998 to assist lessees who pay upfront land premium in respect of leases of industrial land to encourage industrialisation. We have assessed the scheme to be no longer relevant. As such, the scheme will be allowed

[6] In the case of a company limited by guarantee, this refers to total contributions of the members of the company.

S/N	Name of Tax Change	Current Treatment	New Treatment
		subject to conditions. The lease must be granted from 1 January 1998 to 27 February 2013.	to expire for leases granted on or after 28 February 2013.
15	Allowing the Further Tax Deduction Scheme for Expenses Incurred in Relocation or Recruitment of Overseas Talent to Expire	Currently, employers can claim further tax deduction in respect of prescribed expenses incurred in the recruiting and relocating of overseas talents and their families to Singapore. The further tax deduction is allowed if the prescribed expenses are incurred during the period from 1 October 1998 to 30 September 2013.	As the objective of the scheme no longer merits a tax incentive, the scheme will be allowed to expire on 30 September 2013.
16	Allowing the Offshore Insurance Business Scheme for Islamic Insurance and Reinsurance to Expire	Approved insurers and reinsurers can enjoy a 5% concessionary tax rate on qualifying income derived from offshore Islamic insurance (*takaful*) and reinsurance (*retakaful*) businesses. The scheme will expire on 31 March	As the objective of the scheme no longer merits a tax incentive, the scheme will be allowed to expire on 31 March 2013. Insurers which conduct offshore Islamic insurance and reinsurance activities may apply to MAS for the existing 10% Offshore Insurance Business Scheme.

S/N	Name of Tax Change	Current Treatment	New Treatment
		2013.	
17	Allowing the Tax Incentive Scheme for Family-Owned Investment Holding Companies to Expire	This scheme grants tax exemption on qualifying locally-sourced investment income and foreign-sourced income to family-owned investment holding companies. The scheme will expire on 31 March 2013.	As the objective of the scheme no longer merits a tax incentive, the scheme will be allowed to expire on 31 March 2013.
18	Withdrawing the Overseas Enterprise Incentive ("OEI") Scheme	Currently under the OEI scheme, an approved company is granted tax exemption on qualifying income from approved overseas investments or projects for a maximum period of ten years.	With broad-based changes to our tax regime for foreign-sourced income in past years, the scheme is assessed to be no longer relevant. The OEI scheme will be withdrawn from 25 February 2013.
19	Withdrawing the Approved Cyber Trader ("ACT") Scheme	The ACT scheme was introduced to position Singapore as an electronic commerce hub, and grants the following concessions: (i) 10% tax rate on incremental income from qualifying e-	As the objective of the scheme no longer merits a tax incentive, the ACT scheme will be withdrawn from 25 February 2013.

S/N	Name of Tax Change	Current Treatment	New Treatment
		commerce transactions; (ii) Investment allowance of up to 50% of the cost of qualifying new fixed capital expenditure (e.g. investments in server farms); and (iii) Full or partial exemption of withholding tax on qualifying payments (e.g. royalties, licence fees).	

TAX MEASURES FOR INDIVIDUALS

PERSONAL INCOME TAX

S/N	Name of Tax Change	Current Treatment	New Treatment
1	Granting a Personal Income Tax Rebate for Resident Individual Taxpayers	Nil	A personal income tax rebate will be granted to all resident-individual taxpayers for Year of Assessment ("YA") 2013. The rebate quanta are as follows: (i) Resident-individual taxpayers aged below 60 years as at 31 December 2012: 30% rebate, capped at \$1,500 per taxpayer; (ii) Resident-individual taxpayers aged 60 years and above as at 31 December 2012: 50% rebate, capped at \$1,500 per taxpayer.
2	Rationalising the Taxation of Accommodation	Currently, the taxable value of housing accommodation, hotel	To simplify tax compliance and make our tax system more equitable, the government will

S/N	Name of Tax Change	Current Treatment	New Treatment
	Benefits	accommodation and furniture and fittings benefits provided by the employer to the employee[7] are calculated as follows: (i) The taxable value of housing accommodation is the lower of 10% of employment income, or the annual value of the premises, less rent paid by employee; (ii) The taxable value of hotel accommodation is a function of the number of days of the hotel stay, the number of family members staying in the hotel, the latter's relationship to the employee, and the basic salary of the employee; (iii) The taxable value of furniture	tax the accommodation benefits enjoyed by employees[7] according to market value: (i) The taxable value of housing accommodation will be the annual value of the premises, less rent paid by employee. (ii) The taxable value of hotel accommodation will be the actual cost of the hotel stay benefit provided to the employee. (iii) The taxable value of furniture and fittings will be based on a percentage of the annual value of the housing accommodation. The implementation details will be finalised after consultation with the industry. These changes will take effect from YA 2015. IRAS will release further details of the

[7] Includes the director of a company.

S/N	Name of Tax Change	Current Treatment	New Treatment
		and fittings are based on a prescribed list indicating the taxable value for each item.	changes by October 2013.
3	Phasing Out the Equity Remuneration Incentive Schemes (“ERIS”)	Currently, there are three ERIS schemes to encourage companies to use equity-based remuneration. (i) The ERIS(Start-ups) provides employees of qualifying start-up companies tax exemption on 75% of qualifying gains arising from the Employee Share Options Plans (“ESOPs”) or Employee Share Ownership Plans (“ESOWs”), capped at \$10 million over a 10-year period, subject to conditions. This applies to stock options or shares granted during the period from 16 February 2008 to 15 February 2013 (both dates inclusive).	The ERIS(Start-ups) has expired on 15 February 2013. It will not be renewed. For stock options or shares granted to an employee on or before 15 February 2013 which qualify for the ERIS(Start-ups), the employee will continue to enjoy partial tax exemption under the ERIS(Start-ups) in respect of the gains derived from such stock options or shares, as long as the gains are derived on or before 31 December 2023. The ERIS(All Corporations) and the ERIS(SMEs) will expire with effect from 1 January 2014. For stock options or shares granted to an employee on or before 31 December 2013 which qualify for the ERIS(All Corporations) or ERIS(SMEs), the employee will continue to enjoy partial tax exemption under the relevant scheme in

S/N	Name of Tax Change	Current Treatment	New Treatment
		(ii) The ERIS(SMEs) provides employees of qualifying SMEs tax exemption on 50% of qualifying gains arising from ESOPs or ESOWs, capped at $10 million over a 10-year period, subject to conditions. (iii) The ERIS(All Corporations) provides employees of qualifying companies tax exemption on the first $2,000 of qualifying gains, and on 25% of the remaining qualifying gains arising from ESOPs or ESOWs, capped at $1 million over a 10-year period, subject to conditions.	respect of the gains derived from such stock options or shares, as long as the gains are derived on or before 31 December 2023. These changes seek to rationalise the tax treatment of remuneration, regardless of form, for employees.

PROPERTY TAX

<table>
<tr><th>S/N</th><th>Name of Tax Change</th><th>Current Treatment</th><th>New Treatment</th></tr>
<tr>
<td>1</td>
<td>More Progressive Property Tax Structure for Residential Properties[8]</td>
<td>Currently, the annual property tax rate is 10% on the annual value for all properties.

As a concession, owner-occupied residential properties are taxed under a progressive tax structure:

<table>
<tr><th>Annual Value</th><th>Tax Rates</th></tr>
<tr><td>First $6,000</td><td>0%</td></tr>
<tr><td>Next $59,000</td><td>4%</td></tr>
<tr><td>AV in excess of $65,000</td><td>6%</td></tr>
</table>
</td>
<td>To further enhance the progressivity of the property tax structure, residential properties with higher Annual Value ("AV") will be taxed at higher rates.

The progressivity of the tax rates for owner-occupied residential properties [9] will be enhanced over 2 years as follows:

<table>
<tr><th>Annual Value</th><th>Tax Rates from 1 Jan 2014</th><th>Tax Rates from 1 Jan 2015</th></tr>
<tr><td>First $8,000</td><td>0%</td><td>0%</td></tr>
<tr><td>Next $47,000</td><td>4%</td><td>4%</td></tr>
<tr><td>Next $5,000</td><td>5%</td><td>6%</td></tr>
<tr><td>Next $10,000</td><td>6%</td><td>6%</td></tr>
</table>
</td>
</tr>
</table>

[8] Does not include residential land.

[9] The tax rates for owner-occupied residential properties will only be applied to one home owned and occupied by an individual or a married couple.

S/N	Name of Tax Change	Current Treatment	New Treatment

Next $15,000	7%	8%
Next $15,000	9%	10%
Next $15,000	11%	12%
Next $15,000	13%	14%
AV in excess of $130,000	15%	16%

Non-owner-occupied residential properties will be taxed at the following new progressive tax rates:

Annual Value	**Tax Rates from 1 Jan 2014**	**Tax Rates from 1 Jan 2015**
First $30,000	10%	10%
Next $15,000	11%	12%
Next $15,000	13%	14%
Next $15,000	15%	16%

<table>
<tr><th>S/N</th><th>Name of Tax Change</th><th>Current Treatment</th><th>New Treatment</th></tr>
<tr><td></td><td></td><td></td><td><table><tr><td>Next $15,000</td><td>17%</td><td>18%</td></tr><tr><td>AV in excess of $90,000</td><td>19%</td><td>20%</td></tr></table>
The property tax rate for land and non-residential properties remains unchanged at 10%.

IRAS will release further details of the changes by June 2013.</td></tr>
<tr><td>2</td><td>Removing the Property Tax Refund Concession for Vacant Properties and Aligning the Tax Treatment for Vacant Properties</td><td>Currently, the following categories of vacant properties are eligible for the property tax refund concession:

(i) Properties (whether residential or not) that are vacant, despite reasonable efforts by the owners to find a tenant, can get full property tax refund for the duration that they are vacant;

(ii) Properties (whether residential</td><td>To be more in line with property tax as a tax on property ownership and for consistency in the tax treatment of vacant properties, the government will remove the property tax refund concession and streamline the tax treatment of vacant properties as follows:

(i) Properties (whether residential or not) that are vacant despite reasonable efforts by the owners to find a tenant will no longer enjoy property tax refund. Instead, they will be taxed at the</td></tr>
</table>

S/N	Name of Tax Change	Current Treatment	New Treatment
		or not) undergoing repairs to render them fit for occupation can get full property tax refund for the duration that they are vacant; and (iii) Residential properties that are fit for occupation and intended for owner-occupation but undergoing building works can get full property tax refund for a maximum period of two years. The property must be owner-occupied for at least one year after the completion of the building works. However, the following categories of vacant properties are not eligible for the property tax refund concession: (i) Residential properties that are demolished and reconstructed are taxed at 10%. However, if	prevailing property tax rates; (ii) Properties (whether residential or not) undergoing repairs to render them fit for occupation will no longer enjoy property tax refunds. They will be taxed at the prevailing property tax rates. However, if residential properties undergoing repairs are intended for owner-occupation, the owners can apply to IRAS to be taxed at the owner-occupier residential property tax rates for the duration of repairs (up to a maximum of two years). The property must be owner-occupied for at least one year after the completion of the repairs; (iii) Residential properties that are fit for occupation and are undergoing building works for owner-occupation will no longer enjoy property tax refund. However, the owner can apply to IRAS to be taxed at the owner-occupier residential property tax rates for the

S/N	Name of Tax Change	Current Treatment	New Treatment
		they are intended for owner-occupation, the owners can apply to IRAS to be taxed at the owner-occupier residential property tax rates for a maximum period of two years. The property must be owner-occupied for at least one year after the completion of the construction works; and (ii) Vacant land that is undergoing new development is taxed at the prevailing property tax rate of 10% during the period of development.	duration of building works (up to a maximum of two years). The property must be owner-occupied for at least one year after the completion of the building works; (iv) Vacant land undergoing residential development intended for owner-occupation can be taxed at the owner-occupier residential property tax rates for the duration of the residential development (up to a maximum of two years), upon application to IRAS. The property must be owner-occupied for at least one year after the completion of the residential development. However, all other vacant land will continue to be taxed at the prevailing tax rate of 10% for land for the duration of the development. These changes will take effect from 1 January 2014. There is no change in property tax

S/N	Name of Tax Change	Current Treatment	New Treatment
			treatment for residential properties undergoing demolition and reconstruction. IRAS will release further details of the changes by June 2013.

VEHICLE TAX

<table>
<tr><th>S/N</th><th>Name of Tax Change</th><th>Current Treatment</th><th>New Treatment</th></tr>
<tr><td>1</td><td>Tiering of the Additional Registration Fee (“ARF”)</td><td>The Additional Registration Fee (“ARF”) is payable upon registration of a vehicle and is 100% of the Open Market Value (“OMV”) for passenger cars.</td><td>To improve progressivity in the vehicle tax system, a tiered ARF structure will replace the existing flat ARF rate of 100% of OMV for passenger cars.

ARF for car models with OMVs up to $20,000 will remain at the current 100%. The next $30,000 of the value of the car will attract an ARF rate of 140% and any value above $50,000 will attract an ARF rate of 180%.

<table><tr><th>Tier</th><th>ARF Rates</th></tr><tr><td>First $20,000</td><td>100%</td></tr><tr><td>Next $30,000</td><td>140%</td></tr><tr><td>In excess of $50,000</td><td>180%</td></tr></table>
The tiered ARF structure will apply to vehicles registered with Certificates of Entitlement (“COEs”) obtained from the first</td></tr>
</table>

			COE bidding exercise in March 2013. These vehicles include private passenger cars, goods-cum-passenger vehicles, imported used cars and vintage normal (transferable) vehicles. For vehicles that do not require bidding of COEs but are still liable for the tiered ARF (e.g. taxis, classic cars and COE-exempt vehicles), the tiered ARF will be applicable to vehicles registered from 26 February 2013. Further details will be announced by the Land Transport Authority.

ANNEX B-1: ENHANCEMENT OF WORKFARE INCOME SUPPLEMENT (WIS) SCHEME AND CPF CONTRIBUTION RATES FOR LOW-INCOME WORKERS

ENHANCEMENT TO WIS FOR WORK DONE FROM 2013

The Government will enhance the WIS scheme in 2013, to further supplement the income and savings of low-wage workers, as well as encourage them to remain in the workforce. The enhanced WIS is expected to benefit about 480,000 workers, and will cost the Government about $650 million per year.

The changes to the scheme are:

(1) **Expand income cap from $1,700/month to $1,900/month**

With the higher income cap, about 40,000 more Singaporean workers will benefit from WIS.

(2) **Increase WIS payouts to up to $3,500**

The maximum WIS payout will be increased from $2,800 to $3,500 per year for employees aged 60 years and above. Employees at other age tiers will also see increases to the maximum payout of between $350 to $700. The payouts for self-employed persons will be correspondingly increased, and remain at two-thirds of the employee WIS payout. Details are in Table 1 below.

Table 1: Revised maximum WIS payout per year for different age groups

Age Group	Current Max WIS Payout for Employees*	Revised Max WIS Payout for Employees*
35-44	**$1,050**	**$1,400** (33%↑)
45-54	**$1,400**	**$2,100** (50%↑)
55-59	**$2,100**	**$2,800** (33%↑)
60 & above	**$2,800**	**$3,500** (25%↑)

**WIS Payouts for Self-employed persons are 2/3rds that for employees*

(3) **Give more WIS in cash**

Employees will receive **40%** of their WIS payouts in cash, an increase from about 29% today. Self-employed persons will receive **10%** of their WIS payouts in cash. Previously, WIS for self-employed persons was paid entirely into their Medisave accounts.

(4) **Increase WIS payments to CPF Medisave and Special Accounts**

For WIS payouts to the CPF, more will be channelled into the CPF Medisave and Special Accounts equally.

(5) **Additional criteria to improve targeting of WIS**

To ensure that the WIS scheme is focused on low-income households, the following additional criteria will be introduced[1]:

(a) Individual does not own two or more properties;
(b) For a married individual,
  (i) He and his spouse together do not own two or more properties;
  (ii) The Assessable Income of his spouse does not exceed $70,000, which is above the 80th percentile income of full-time employed Singapore Citizens.

The changes will apply to work done from 1 January 2013 onwards. This means that the first WIS payment under the enhanced scheme will be made to employees on 1 June 2013 for work done from January to March 2013. Employees will automatically be assessed for WIS every quarter based on their monthly CPF contributions. Self-employed persons will need to declare their annual net trade income and make Medisave contributions by 31 March 2014 to receive WIS on 1 May 2014.

[1] This is on top of the current criteria:

a. Be a Singapore citizen;
b. Be aged 35 years and above as at 31 December 2013;
c. Earn an average gross monthly income of not more than $1,900 (raised from $1,700);
d. Work at least two months in any three-month period;
e. Be staying in a property with an annual value not exceeding $13,000, as assessed on 31 December 2012;

CHANGES TO CPF CONTRIBUTION RATES FOR LOWER-INCOME WORKERS

(A) New CPF contribution rates for employees earning above $50 to $1,500[2]

The CPF contribution rates for employees earning above $50 to $1,500 will be increased from 1 January 2014 as follows:

Table 2: Changes to CPF Contribution Rates

<table>
<tr><th rowspan="2">Income</th><th colspan="2">CPF Contribution rates</th></tr>
<tr><th>Employer</th><th>Employee</th></tr>
<tr><td>>$50 to ≤$500</td><td rowspan="3">Raised to the full CPF contribution rates of workers earning ≥$1,500.</td><td>No mandatory CPF contributions required.</td></tr>
<tr><td>>$500 to <$750</td><td>Gradually increases with wage, from 0% (at income of $500/month) to the full contribution rates (at income of $750/month).</td></tr>
<tr><td>$750 to <$1,500</td><td>Raised to the full CPF contribution rates of workers earning ≥$1,500.</td></tr>
</table>

Please see Tables 3 & 4 below for more information.

(B) New Medisave contribution rates for self-employed persons earning Net Trade Income (NTI) of above $6,000 to $18,000[3]

Starting from 1 January 2014, self-employed persons earning an annual NTI of above $6,000 to $12,000 will be required to contribute half (instead of the current one-third) of the full Medisave contribution rate relevant to their age group. For self-employed persons who earn NTI of above $12,000 to $18,000, the

[2] There is no change to the contribution rates for employees earning monthly wages of more than $1,500.
[3] There is no change to the contribution rate for self-employed persons earning Net Trade income of more than $18,000.

contribution rate will increase with income, from half of the full rate (at NTI of $12,000) to the full contribution rate (at NTI of $18,000).

Please see Table 5 below for more information.

Table 3: Employer CPF contribution rates for workers earning above $50 to $1,500 from 1 January 2014

Employee's total wages for the calendar month	Employer's share of CPF contributions for the calendar month	Formula
35 years and below		
≤$50	Nil	Nil
>$50 to $500	16%	16% (TW)
>$500 to <$750		
≥$750		[16%(OW)]* + 16%(AW) *Up to a maximum of $800
Above 35 - 50 years		
≤$50	Nil	Nil
>$50 to $500	16%	16% (TW)
>$500 to <$750		
≥$750		[16%(OW)]* + 16%(AW) *Up to a maximum of $800
Above 50 - 55 years		
≤$50	Nil	Nil
>$50 to $500	14%	14% (TW)
>$500 to <$750		
≥$750		[14%(OW)]* + 14%(AW) *Up to a maximum of $700
Above 55 - 60 years		
≤$50	Nil	Nil
>$50 to $500	10.5%	10.5% (TW)
>$500 to <$750		
≥$750		[10.5%(OW)]* + 10.5%(AW) *Up to a maximum of $525
Above 60 - 65 years		
≤$50	Nil	Nil
>$50 to $500	7%	7% (TW)
>$500 to <$750		
≥$750		[7%(OW)]* + 7%(AW) *Up to a maximum of $350
Above 65 years		
≤$50	Nil	Nil
>$50 to $500	6.5%	6.5% (TW)
>$500 to <$750		
≥$750		[6.5%(OW)]* + 6.5%(AW) *Up to a maximum of $325

Notes:

1. *Employer CPF contribution rate for employees aged 35 years and below remains unchanged.*
2. *CPF contribution on Ordinary Wages is computed up to the Ordinary Wage Ceiling of $5,000.*
3. *TW: Total Wages = Ordinary Wages (OW) + Additional Wages (AW)*
4. *The total CPF contribution is obtained by adding up both the employer's and employee's share of CPF contribution.*

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Table 4: Employee CPF contribution rates for workers earning above $50 to $1,500 from 1 January 2014

Employee's total wages for the calendar month	Employee's share of CPF contributions for the calendar month	Formula
35 years and below		
≤$50	Nil	Nil
>$50 to $500	Nil	Nil
>$500 to <$750	Gradually increases with wage from 0% to 20%	0.6(TW-500)
≥$750	20%	[20%(OW)]* + 20%(AW) *Up to a maximum of $1,000
Above 35 - 50 years		
≤$50	Nil	Nil
>$50 to $500	Nil	Nil
>$500 to <$750	Gradually increases with wage from 0% to 20%	0.6(TW-500)
≥$750	20%	[20%(OW)]* + 20%(AW) *Up to a maximum of $1,000
Above 50 - 55 years		
≤$50	Nil	Nil
>$50 to $500	Nil	Nil
>$500 to <$750	Gradually increases with wage from 0% to 18.5%	0.555(TW-500)
≥$750	18.5%	[18.5%(OW)]* + 18.5%(AW) *Up to a maximum of $925
Above 55 - 60 years		
≤$50	Nil	Nil
>$50 to $500	Nil	Nil
>$500 to <$750	Gradually increases with wage from 0% to 13%	0.39(TW-500)
≥$750	13%	[13%(OW)]* + 13%(AW) *Up to a maximum of $650
Above 60 - 65 years		
≤$50	Nil	Nil
>$50 to $500	Nil	Nil
>$500 to <$750	Gradually increases with wage from 0% to 7.5%	0.225(TW-500)
≥$750	7.5%	[7.5%(OW)]* + 7.5%(AW) *Up to a maximum of $375
Above 65 years		
≤$50	Nil	Nil
>$50 to $500	Nil	Nil
>$500 to <$750	Gradually increases with wage from 0% to 5%	0.15(TW-500)
≥$750	5%	[5%(OW)]* + 5%(AW) *Up to a maximum of $250

Notes:

1. *CPF contribution on Ordinary Wages is computed up to the Ordinary Wage Ceiling of $5,000.*
2. *TW: Total Wages = Ordinary Wages (OW) + Additional Wages (AW)*
3. *The total CPF contribution is obtained by adding up both the employer's and employee's share of CPF contribution.*

Table 5: Medisave contribution rates for self-employed persons earning Net Trade Income (NTI) of above $6,000 to $18,000 (applicable to annual NTI from 2014)

Period	Net Trade Income	Age as at 1 January			
		Below 35	**35 – below 45 years**	**45 – below 50 years**	**50 and above**
Jan-Dec	Above $6,000 to $12,000	3.50%	4.00%	4.50%	4.75%
	Above $12,000 to $18,000	Gradually increased from 3.50% to 7.00% using this formula: *[420+0.14(NTI-12,000)]x100/NTI*	Gradually increased from 4.00% to 8.00% using this formula: *[480+0.16(NTI-12,000)]x100/NTI*	Gradually increased from 4.50% to 9.00% using this formula: *[540+0.18(NTI-12,000)]x100/NTI*	Gradually increased from 4.75% to 9.50% using this formula: *[570+0.19(NTI-12,000)]x100/NTI*
	Above $18,000	7.00% (Maximum $4,200)	8.00% (Maximum $4,800)	9.00% (Maximum $5,400)	9.50% (Maximum $5,700)

The rates will also apply to self-employed and informal workers with annual income of $6,000 or less, who wish to make voluntary contributions for work done from 2014 to qualify for the WIS Scheme.

MORE INFORMATION

Members of the public may contact the CPF Board for more information.

Workfare Income Supplement (WIS)
Phone: 1800-222-6622 (hotline)
Email: member@cpf.gov.sg
Website: www.workfare.sg

CPF Contribution Rates
Phone: 1800-227-1188 (hotline)
Email: employer@cpf.gov.sg
Website: www.cpf.gov.sg

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ANNEX B-2: GST VOUCHER SPECIAL PAYMENT

The Government will provide an extra GST Voucher, on top of the permanent GST Voucher, in 2013 to help households with their cost pressures. This means that eligible Singaporeans get double the GST Voucher amount this year. The GST Voucher Special Payment will benefit 1.4 million Singaporeans, and cost the Government an extra $680 million.

Please see Tables 1 – 3 for more information on the GST Voucher Special Payment:

Table 1: GSTV – Cash Special Payment

Assessable Income for YA2012	**Annual Value (AV) of Home as at 31 Dec 2012**	
	≤ $13,000	**$13,001 to $21,000**
≤ $24,000	$250	$100

Table 2: GSTV – Medisave Special Payment

Age in 2013	**AV of Home as at 31 Dec 2012**	
	≤ $13,000	**$13,001 to $21,000**
65-74	$250	$150
75-84	$350	$250
≥85	$450	$350

Table 3: GSTV – U-Save Special Payment (per household)

Flat Type	Jul 2013	Jan 2014	Total GST Voucher – U-Save Special Payment
1-2 Room	$130	$130	$260
3 Room	$120	$120	$240
4 Room	$110	$110	$220
5 Room	$100	$100	$200
Executive	$90	$90	$180

For more information on the GST Voucher and the 2013 GST Voucher Special Payment, please visit the GST Voucher website at www.gstvoucher.gov.sg.

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ANNEX C: FISCAL POSITION IN FY2013

	Revised FY2012	Estimated FY2013	Change over Revised FY2012	
	$billion	**$billion**	**$billion**	**% change**
OPERATING REVENUE	**55.18**	**55.03**	**(0.15)**	**(0.3)**
Corporate Income Tax	12.75	12.94	0.19	1.5
Personal Income Tax	7.65	7.56	(0.09)	(1.2)
Withholding Tax	1.27	1.14	(0.13)	(10.4)
Statutory Boards' Contributions	0.54	0.33	(0.21)	(38.2)
Assets Taxes	3.79	4.09	0.30	7.9
Customs and Excise Tax	2.13	2.13	0.00	0.2
Goods and Services Tax	8.82	9.31	0.49	5.5
Motor Vehicle Taxes	1.76	1.55	(0.21)	(12.1)
Vehicle Quota Premiums	2.76	2.44	(0.32)	(11.8)
Betting Taxes	2.30	2.30	(0.00)	(0.2)
Stamp Duty	4.18	3.08	(1.09)	(26.2)
Other Taxes	4.29	5.14	0.85	19.8
Other Fees and Charges	2.60	2.69	0.08	3.2
Others	0.33	0.33	0.00	1.5
Less:				
TOTAL EXPENDITURE	**50.11**	**53.41**	**3.30**	**6.6**
Operating Expenditure	37.21	40.63	3.42	9.2
Development Expenditure	12.90	12.78	(0.12)	(0.9)
PRIMARY SURPLUS / DEFICIT[1]	**5.07**	**1.62**		
Less:				
SPECIAL TRANSFERS[2]	**8.87**	**6.90**	**(1.97)**	**(22.2)**
Special Transfers Excluding Top-ups to Endowment and Trust Funds	**1.47**	**1.30**		
Growth Dividends	0.00	0.00		
GST Credits	0.00	0.00		
GST Voucher and GST Voucher Special Payment[3]	0.68	0.68		
Utilities Save Rebates/Service and Conservancy Charges Rebates	0.00	0.08		
CPF Medisave Top-ups	0.40	0.31		
Transfers to Young Singaporeans[4]	0.00	0.00		
Transfers to Seniors and the Needy[5]	0.01	0.01		
Transfers to Businesses[6]	0.37	0.23		
BASIC SURPLUS / DEFICIT[7]	**3.61**	**0.32**		
Top-ups to Endowment and Trust Funds	**7.40**	**5.59**		
Top-up to Endowment Funds[8]	1.00	2.32		
GST Voucher Fund	2.95	3.00		
Bus Service Enhancement Fund	1.10	-		
Special Employment Credit Fund	2.35	-		
Cultural Donation Matching Fund	-	0.20		
National Youth Fund	-	0.07		
Add:				
NET INVESTMENT RETURNS CONTRIBUTION	**7.65**	**7.70**	**0.05**	**0.7**
OVERALL BUDGET SURPLUS / DEFICIT	**3.86**	**2.42**		

Note: Due to rounding, figures may not add up. Negative figures are shown in parentheses.

[1] Surplus / Deficit before Special Transfers and Net Investment Returns Contribution.
[2] Special Transfers include Top-ups to Endowment and Trust Funds.
[3] Consists of a cash component, Utilities Save Rebates and CPF Medisave Top-ups.
[4] Consists of Child Development Credits and Top-ups to Post-Secondary Education Accounts.
[5] Consists of public transport vouchers, assistance through Citizens' Consultative Committees and funds set aside for Self-Help Groups and Voluntary Welfare Organisations.
[6] Consists of the Productivity and Innovation Credit, Productivity and Innovation Credit Bonus and SME Cash Grant.
[7] Surplus / Deficit before Top-ups to Endowment and Trust Funds and Net Investment Returns Contribution.
[8] Consists of the Community Care Endowment Fund, Edusave Endowment Fund, ElderCare Fund, Lifelong Learning Endowment Fund and Medical Endowment Fund.