

REPUBLIC OF SINGAPORE

THE BUDGET

FOR THE FINANCIAL YEAR
1ST APRIL, 2004 TO 31ST MARCH, 2005

	\$
OPERATING REVENUE	28,307,509,000
TAX REVENUE	24,570,537,000
FEES AND CHARGES	3,607,824,000
OTHERS	129,148,000
Less:	
OPERATING EXPENDITURE	20,861,202,990
RUNNING COSTS	18,051,630,600
TRANSFERS	2,809,572,390
Less:	
DEVELOPMENT EXPENDITURE	9,575,102,350
GOVERNMENT DEVELOPMENT	4,419,394,650
CAPITAL GRANTS	3,690,789,900
CAPITAL INJECTIONS	199,305,000
PUBLIC HOUSING	1,265,612,800
SURPLUS/(DEFICIT)	(2,128,796,340)
Less:	
SPECIAL TRANSFERS	909,500,000
ECONOMIC RESTRUCTURING SHARES	900,000,000
UTILITIES SAVE SCHEME	9,500,000
Add:	
NET INVESTMENT INCOME CONTRIBUTION	2,287,000,000
BUDGET SURPLUS/(DEFICIT)	(751,296,340)

THE FY2004 BUDGET

BUDGET OVERVIEW

The FY2004 Budget is summarised in *Table I* below. Annex A gives the Performance Review for FY2003.

Table I: THE FY2004 BUDGET

	Estimated FY2003	Revised FY2003	Estimated FY2004	Change over Revised FY2003	
	\$b	\$b	\$b	\$b	%
OPERATING REVENUE	26.64	25.61	28.31	2.70	10.5
Tax Revenue	22.05	21.59	24.57	2.98	13.8
Fees & Charges	4.49	3.76	3.61	-0.15	-4.0
Others	0.10	0.25	0.13	-0.12	-49.0
Less:					
TOTAL EXPENDITURE	29.92	28.81	30.44	1.62	5.6
Operating Expenditure	20.36	19.99	20.86	0.87	4.4
Development Expenditure	9.56	8.83	9.58	0.75	8.5
SURPLUS/(DEFICIT)	(3.28)	(3.21)	(2.13)	1.08	-33.6
Less:					
SPECIAL TRANSFERS	0.60	0.60	0.91	0.31	50.7
Economic Restructuring Shares	0.60	0.60	0.90	0.30	50.0
Utilities Save Scheme ⁽¹⁾	0.00	0.00	0.01	0.01	n.a.
Add:					
NET INVESTMENT INCOME CONTRIBUTION	2.99	2.05	2.29	0.24	11.7
BUDGET SURPLUS/(DEFICIT)	(0.90)	(1.76)	(0.75)	1.01	-57.4

(1) Reclassified from operating expenditure wef FY2004.

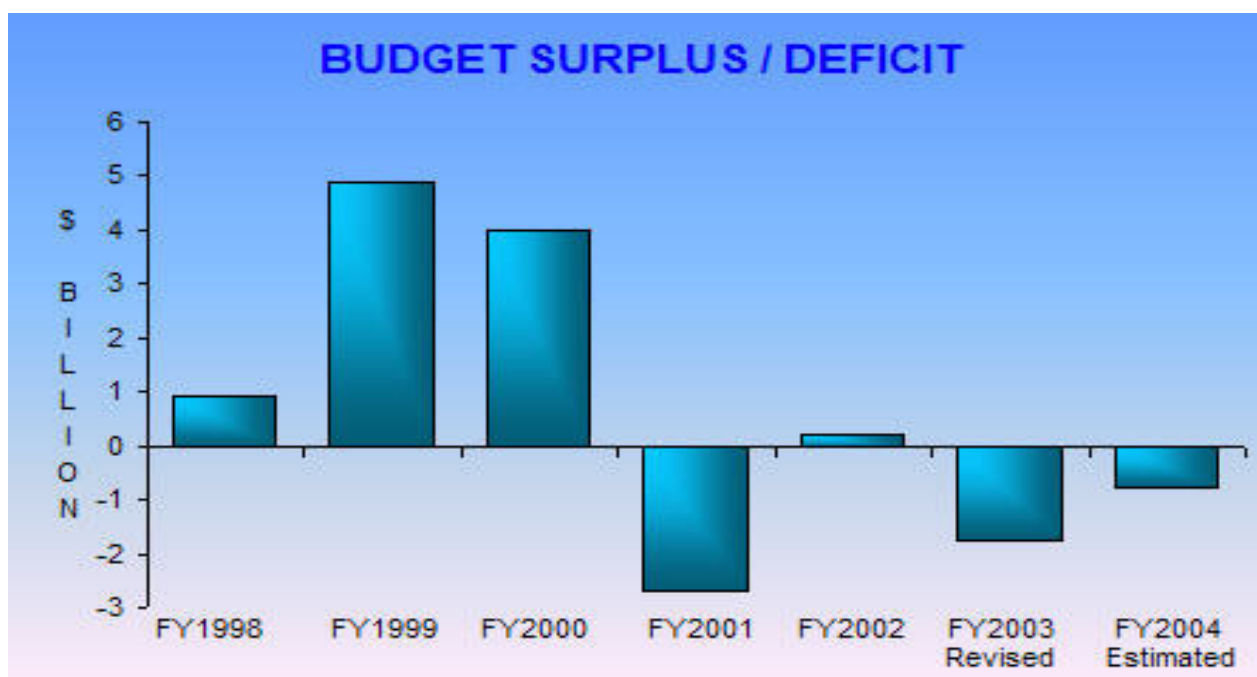
(Notes: Figures will not tally due to rounding)

BUDGET SURPLUS/DEFICIT

The estimated out-turn for FY2004 is a budget deficit of \$0.75 billion. Operating revenue, total expenditure and special transfers are \$28.31, \$30.44 and \$0.91 billion respectively. Further details are at Annex B.

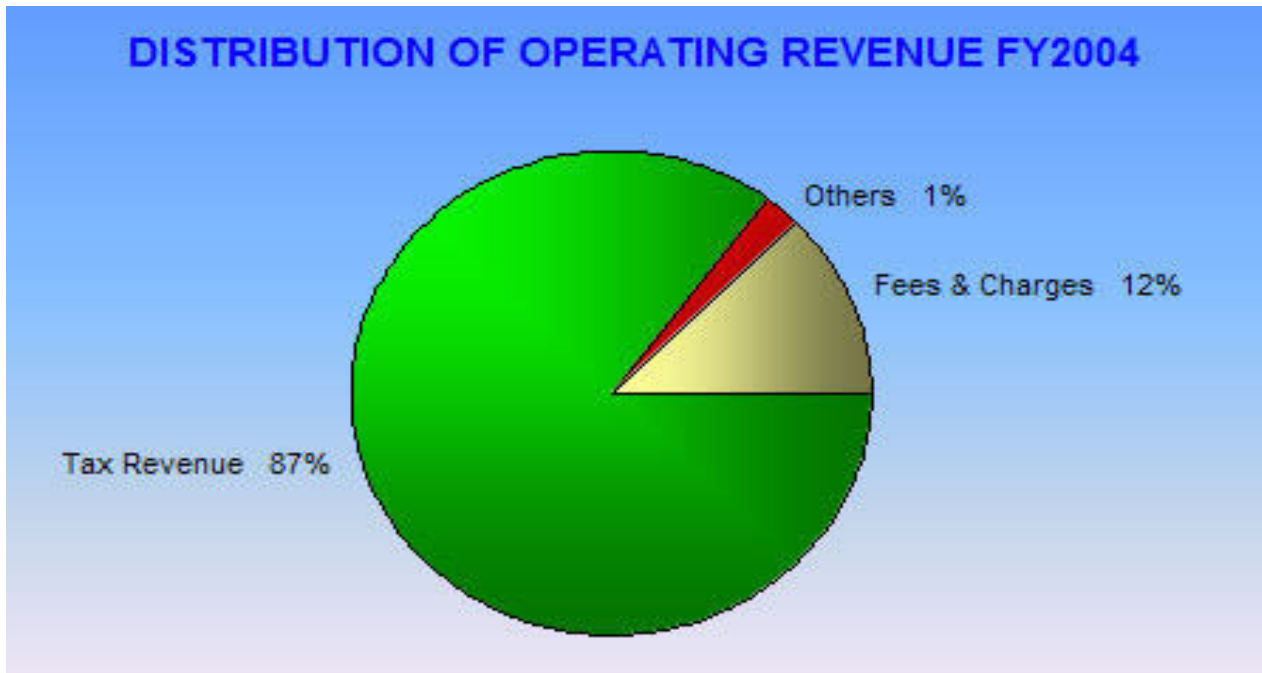
Government's budget policy continues to be characterised by restraint in Government expenditure. While the Government is prepared to go into deficits during downturns, it aims to have a modest surplus over the business cycle.

The budget out-turns for the years FY1998 to FY2004 are shown in the following chart.



OPERATING REVENUE

The FY2004 operating revenue estimate of \$28.31 billion is an increase of \$2.70 billion (10.5%) over the revised FY2003 estimate. The distribution of operating revenue by the main components of tax revenue, fees and charges, and miscellaneous collection is shown in the chart below.



Tax Revenue

Tax revenue for FY2004 is estimated at \$24.57 billion or 13.8% higher than the revised FY2003 collection. This generally reflects higher expected collections across-the-board, ranging from corporate income tax, personal income tax, property tax, motor vehicle taxes to goods and services tax (GST).

Corporate income tax and personal income tax collections are expected to increase by 6.0% to \$6.57 billion, and 10.9% to \$3.84 billion respectively, in line with the anticipated modest economic recovery in FY2004. Receipts from property tax are projected to increase by 28.6% to \$1.8 billion without the extension of rebates on commercial and industrial buildings after December 2003, and the tax exemption for land under development after October 2003. Motor vehicle taxes are expected to increase by 15.7% to \$2.15 billion due to higher collections from additional registration fees. GST is expected to increase by 22.6% to \$3.8 billion with the increase in GST rate from 4% to 5% in January 2004.

Fees and Charges

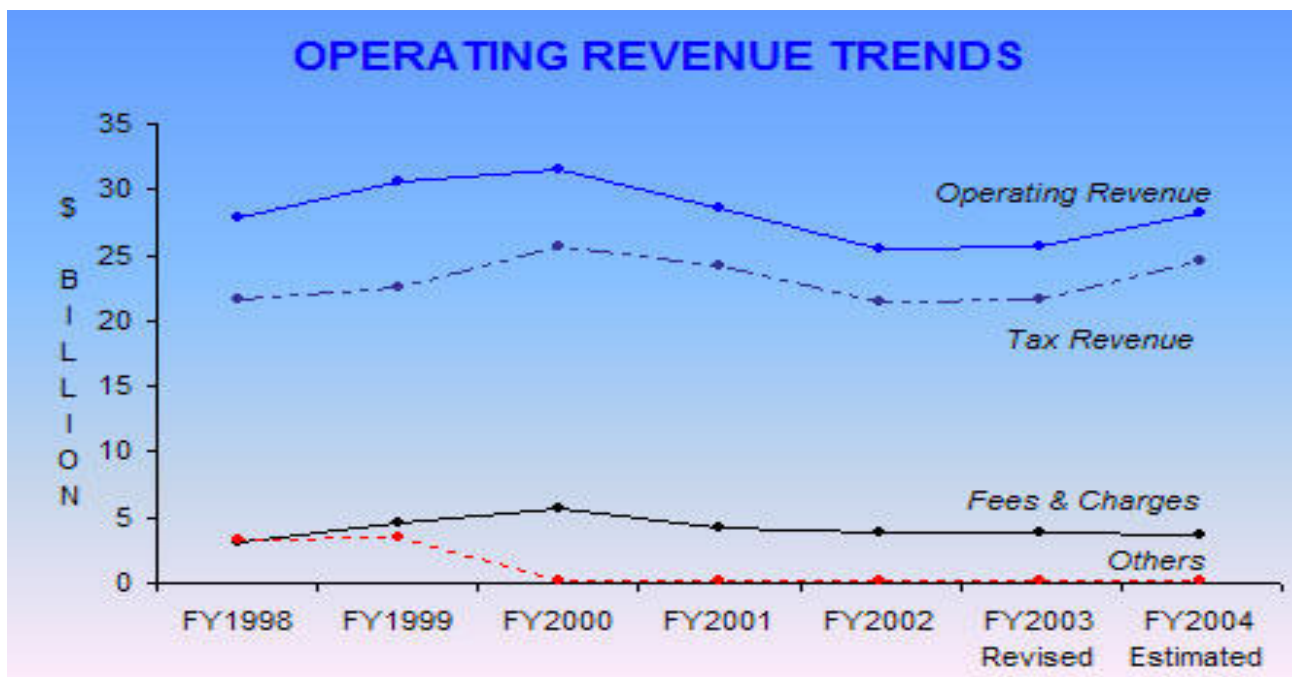
Revenue from fees and charges is projected at \$3.61 billion or 4.0% lower than the revised FY2003 collection. This is attributed to lower expected Certificate of Entitlement (COE) collections.

Miscellaneous Revenue

Other revenue, comprising loan related and financial receipts, is estimated to decrease by 49% to \$0.13 billion due to expected lower collection from financial receipts.

Operating Revenue Trends

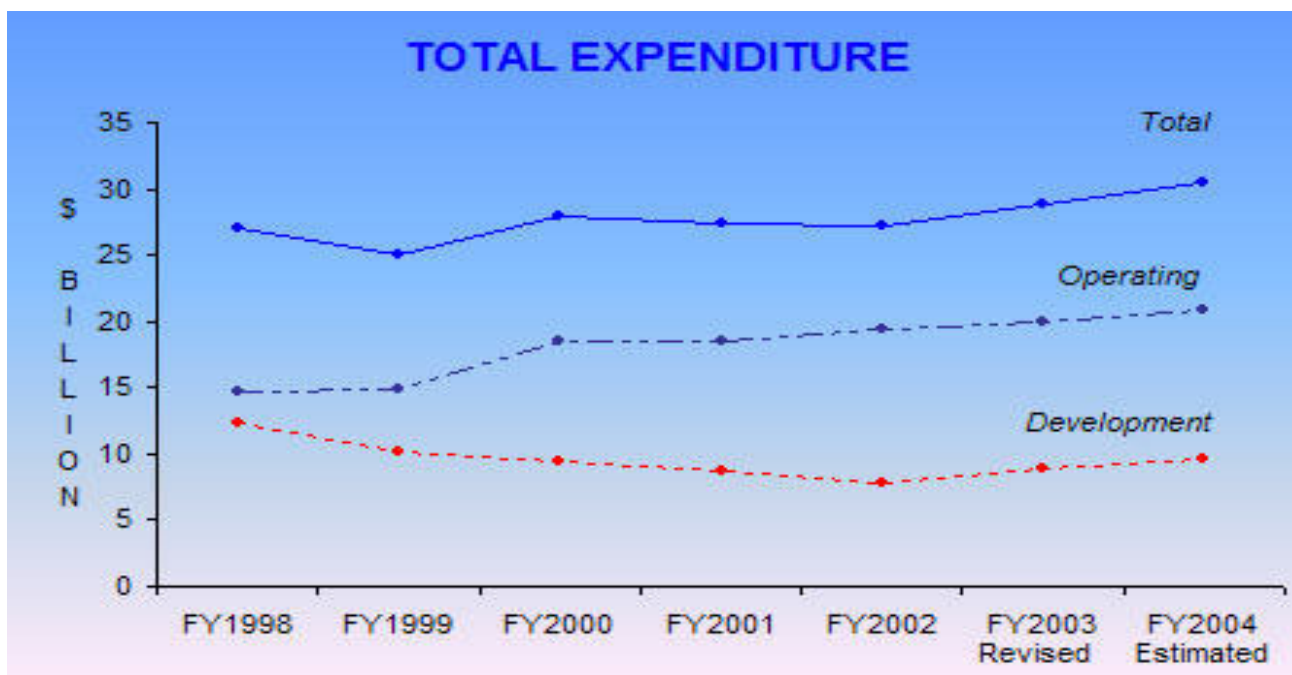
The operating revenue trends for FY1998 to FY2004 are shown in the chart below.



EXPENDITURE

Total expenditure in FY2004 is estimated at \$30.44 billion, an increase of \$1.62 billion or 5.6% over the revised FY2003 estimate.

The expenditure trends for FY1998 to FY2004 are shown in the chart below.



Of the total expenditure for FY2004, operating expenditure takes up 69% and development expenditure the remaining 31%. *Table II* summarises the distribution by sector and ministry with the percentage change from the revised FY2003 estimates.

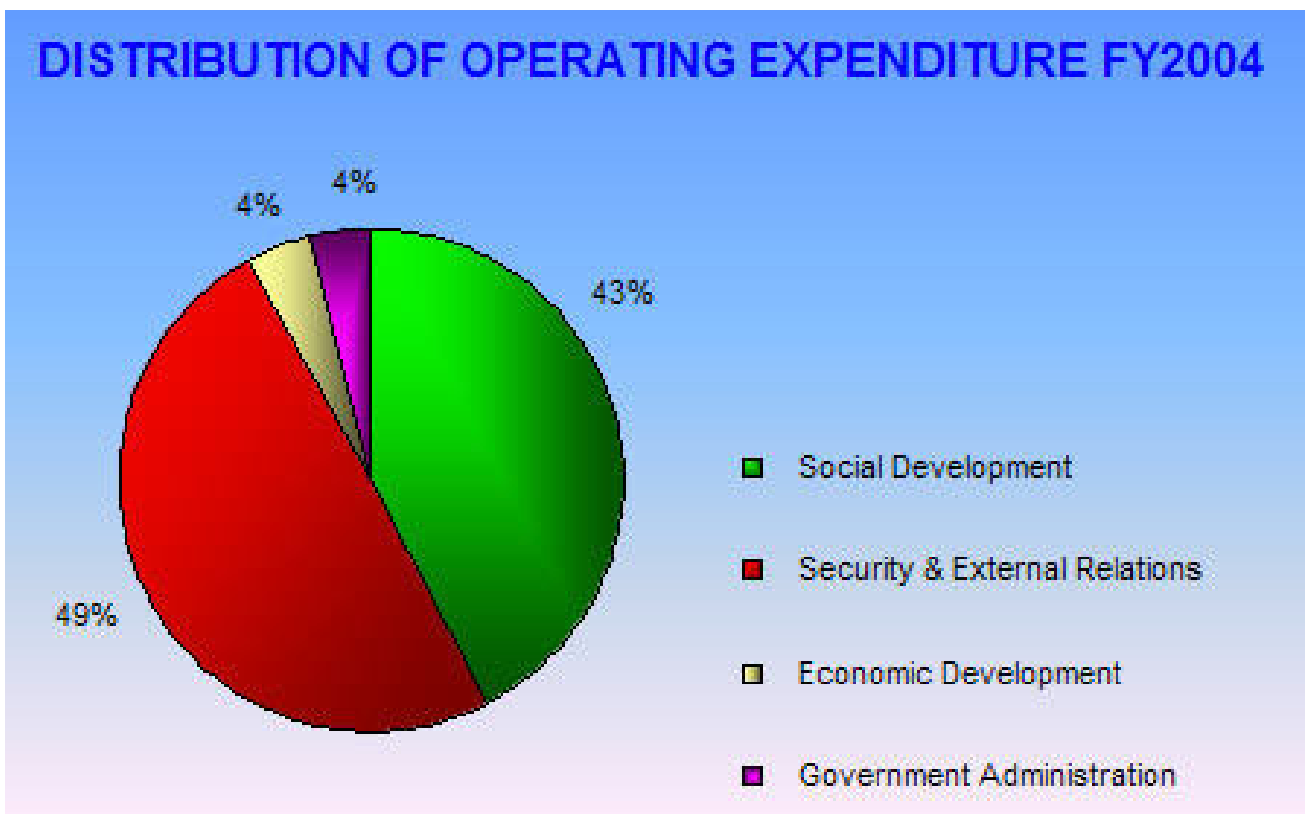
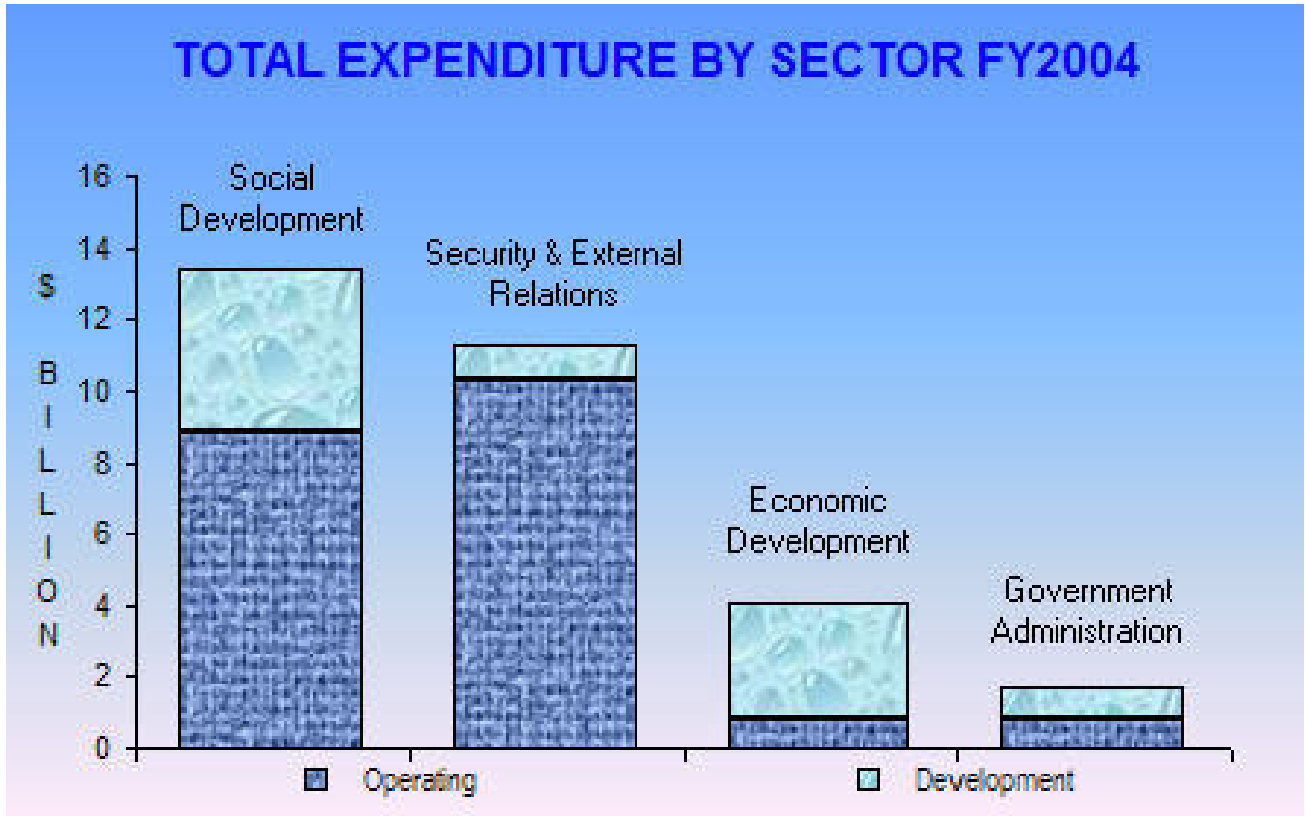
Table II: FY2004 EXPENDITURE BY SECTOR AND MINISTRY

Ministry	Operating Expenditure		Development Expenditure		Total Expenditure		
	\$b	% Change	\$b	% Change	\$b	% Change	% Allocation
SOCIAL DEVELOPMENT	8.88	3.9	4.52	-1.7	13.40	1.9	44.0
Education	4.99	2.4	1.37	8.8	6.36	3.7	20.9
National Development	0.38	-8.3	1.38	-29.4	1.76	-25.7	5.8
Health	2.06	6.5	0.19	60.1	2.24	9.6	7.4
Environment	0.47	3.7	1.25	25.5	1.72	18.7	5.7
Community Development & Sports	0.71	12.8	0.11	22.8	0.83	14.0	2.7
Information, Communications & the Arts (excluding Info-Communications Technology)	0.27	11.1	0.22	22.8	0.49	16.0	1.6
SECURITY & EXTERNAL RELATIONS	10.31	6.7	0.95	-7.5	11.26	5.4	37.0
Defence	8.24	6.7	0.38	-28.1	8.62	4.5	28.3
Home Affairs	1.83	6.8	0.52	17.7	2.35	9.0	7.7
Foreign Affairs	0.24	7.5	0.05	-14.5	0.29	2.9	0.9
ECONOMIC DEVELOPMENT	0.85	-14.0	3.23	21.2	4.08	11.7	13.4
Transport	0.29	0.2	1.91	70.4	2.21	55.9	7.3
Trade & Industry	0.37	-26.3	1.23	-16.0	1.60	-18.6	5.2
Manpower	0.16	-2.7	0.06	4.5	0.21	-0.9	0.7
Info-Communications Technology	0.03	-7.1	0.03	21.1	0.06	6.4	0.2
GOVERNMENT ADMINISTRATION	0.82	3.5	0.88	63.1	1.70	27.6	5.6
Finance	0.37	7.6	0.33	27.2	0.70	16.1	2.3
Law	0.10	3.4	0.33	79.0	0.43	53.0	1.4
Organs of State	0.20	5.7	0.17	248.8	0.37	55.6	1.2
Prime Minister's Office	0.16	-7.1	0.05	5.7	0.20	-4.4	0.7
TOTAL	20.86	4.4	9.58	8.5	30.44	5.6	100.0

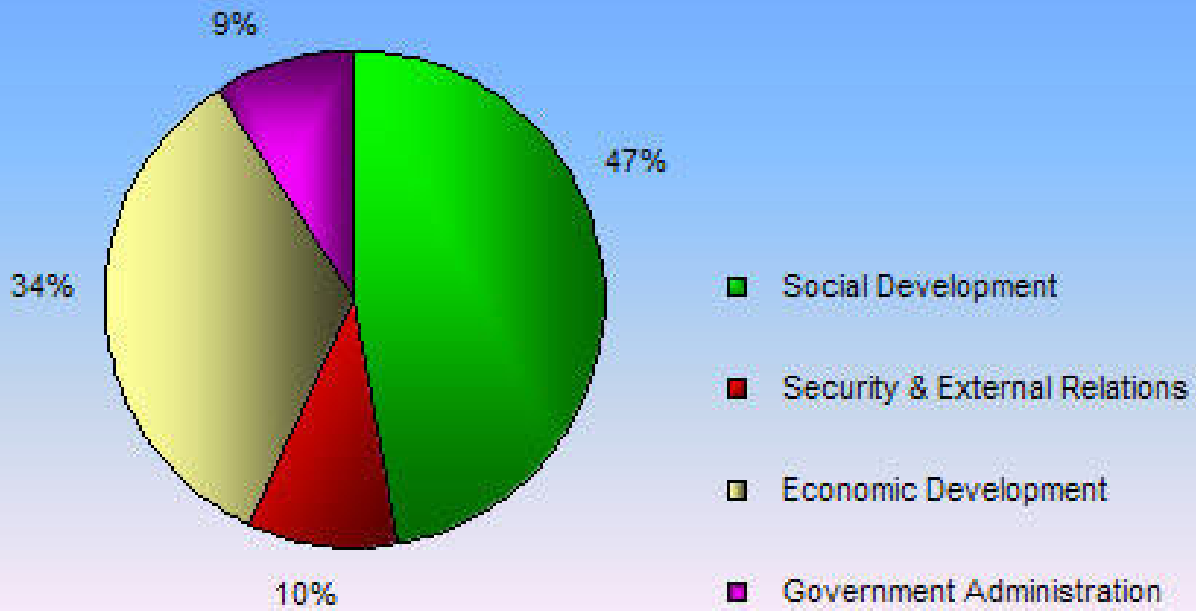
(Notes: Figures may not tally due to rounding)

As in previous years, the Social Development sector takes up the largest share (44%) of total expenditure, followed by Security and External Relations (37%), Economic Development (13%) and Government Administration (6%).

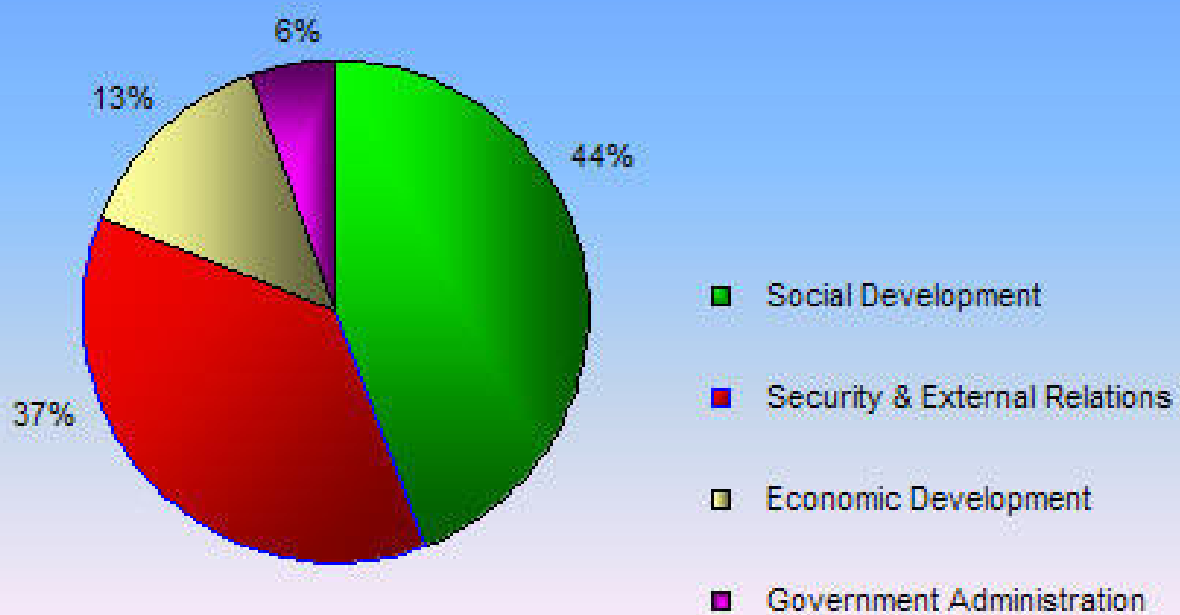
The charts below show the expenditure allocations for FY2004 by sector, and the sectoral distribution of operating, development and total expenditure. The change in total expenditure between FY2003 and FY2004 by sector and ministry is given in Annex C.



DISTRIBUTION OF DEVELOPMENT EXPENDITURE FY2004



DISTRIBUTION OF TOTAL EXPENDITURE FY2004



Operating Expenditure

The FY2004 estimated operating expenditure of \$20.86 billion is an increase of \$0.87 billion or 4.4% over FY2003. About 87% of the operating expenditure is for ministries' running costs in expenditure on manpower (EOM), other operating expenditure (OOE) and grants-in-aid (GIA) to statutory boards and aided educational institutions. The remaining 13% is for transfer payments to external organisations and the public.

Running Costs are projected to increase by 4.0% to \$18.05 billion, mainly because of higher OOE.

EOM is estimated to increase by 2.2% to \$3.47 billion to cater to annual salary increments, filling of vacancies and net addition of 145 posts. The main increases are for the Ministry of Education (MOE) and the Ministry of Home Affairs (MHA). MOE's expenditure is estimated to increase by 1.5% to \$1.75 billion to fill up vacant teaching posts. MHA's expenditure is estimated to increase by 2.0% to \$1.11 billion mainly for enhanced security measures.

OOE is estimated to increase by 5.4% to \$10.57 billion mainly for the Ministry of Defence (MINDEF). The bulk of MINDEF's OOE of \$8.22 billion goes towards the Armed Forces for payment of salaries and allowances for full-time national servicemen and operationally ready national servicemen, maintenance of equipment and camps, and purchase of military equipment.

GIA is estimated to increase by 2.1% to \$4.00 billion. This is mainly for MOE, the Ministry of Information, Communications and the Arts (MITA) and the Ministry of the Environment (ENV). MOE's allocation is increased by 1.7% to \$2.46 billion mainly for the newly formed Singapore Examinations and Assessment Board (SEAB). The board is to conduct national examinations, develop testing instruments and advise schools on assessment matters. The allocation to MITA is increased by 7.9% to \$0.20 billion because the National Library Board (NLB) needs to provide for the Jurong Regional Library and the new National Library. The allocation to ENV is increased by 2.7% to \$0.44 billion because the National Environment Agency requires a higher operating budget to maintain its additional assets.

Expenditure on **Transfers** is estimated to increase by 6.7% to \$2.81 billion. The increase is mainly for operating subventions from the Ministry of Health (MOH) to restructured institutions, polyclinics and voluntary welfare organisations. The allocation to MOH is increased by 17.8% to \$1.80 billion mostly to cater for increased running costs, research and measures to prevent, control and contain the outbreak of the Severe Acute Respiratory Syndrome (SARS) and other diseases.

Development Expenditure

Development expenditure is estimated to increase by 8.5% to \$9.58 billion. Of this, a sum of \$4.83 billion forms direct expenditure for projects undertaken by the ministries. The remaining sum comprises capital grants (\$4.55 billion) and capital injections (\$0.20 billion) for projects undertaken by the statutory boards and aided institutions.

Major on-going development projects include Phase I of the deep tunnel sewerage system (\$0.69 billion), the Kallang and Paya Lebar Expressway (\$0.43 billion), the selective en-bloc redevelopment scheme for public housing (\$0.29 billion) and rebuilding and improving Government schools/junior colleges (\$0.26 billion).

The bulk of the capital grants goes to the statutory boards under the Ministry of Transport (MOT) (\$1.16 billion), the Ministry of Trade and Industry (MTI) (\$1.10 billion), MOE (\$0.97 billion), the Ministry of National Development (MND) (\$0.89 billion) and MITA (\$0.25 billion). MOT's provision is for the various rail projects by the Land Transport Authority (LTA). Of the grant of \$1.16 billion to LTA, a sum of \$0.94 billion is for the development of the Circle Line. MTI's provision is mainly for R&D projects by the Agency for Science, Technology and Research. MOE's provision is for the upgrading and development of facilities in the higher educational institutions and aided schools. MND's provision is largely for the Housing and Development Board (HDB) for agency work done on behalf of Government and public housing subsidies for home ownership activity and rental of flats (\$0.86 billion).

The estimated sum of \$0.20 billion for capital injections to statutory boards is for projects which are developmental and investment in nature. The bulk of the provision goes to ENV (\$0.10 billion) and MOH (\$0.90 billion) for financing the transfer of land, building and other assets from the Government to these agencies.

OTHER FUND OUTLAYS

Other Consolidated Fund Outlays

Other outlays from the Consolidated Fund are estimated at \$3.96 billion. Of this, \$2.80 billion or 71% is for transfer to the Development Fund (\$1.90 billion) and the Economic Restructuring Shares Trust Fund (\$0.90 billion). Another \$0.01 billion is for funding the utilities rebates of HDB households under the Utilities Save Scheme.

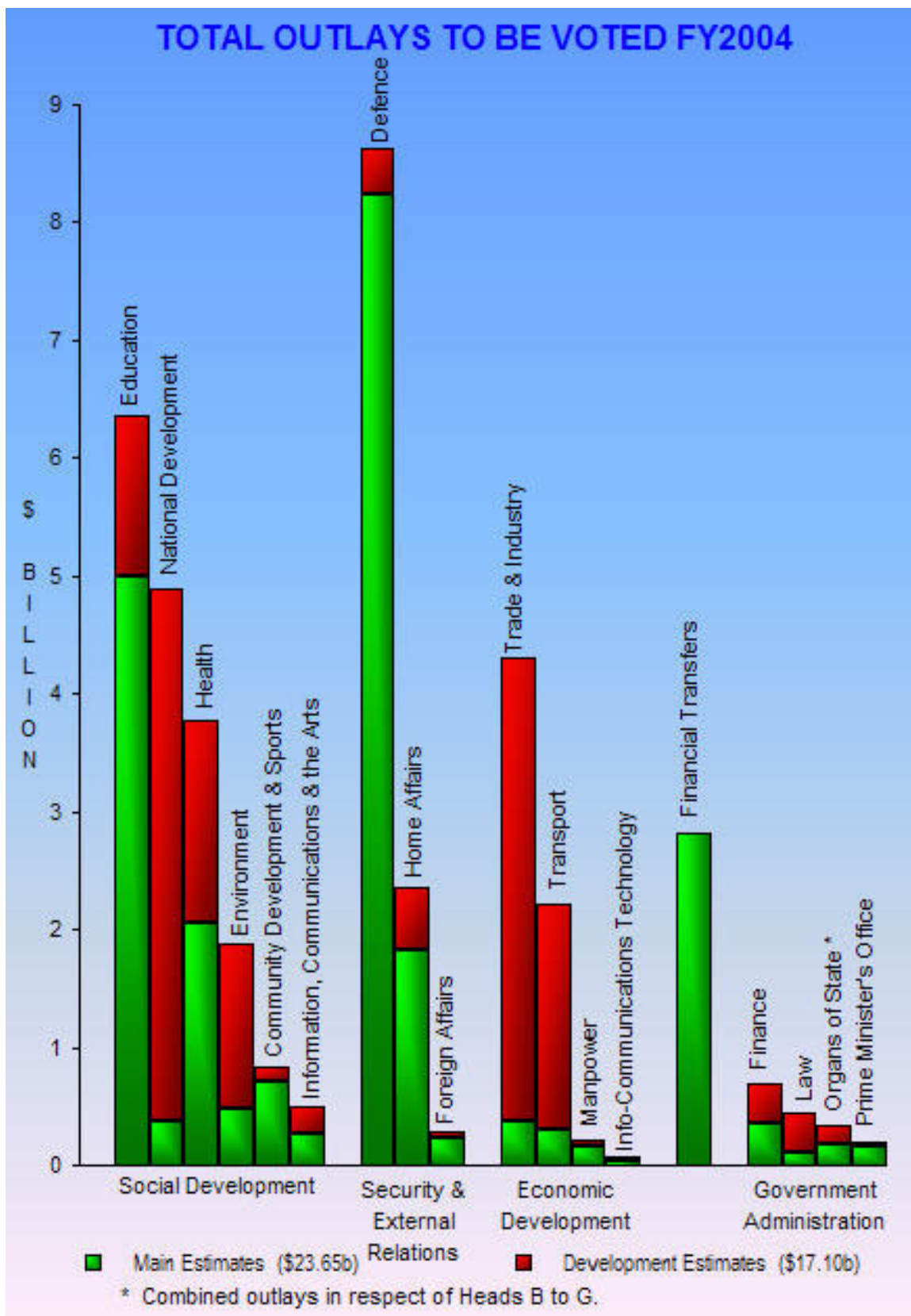
The balance of \$1.15 billion or 29% is for expenses on investments (\$0.85 billion), servicing the public debt (\$0.29 billion) and agency fees on land sales (\$0.01 billion).

Other Development Fund Outlays

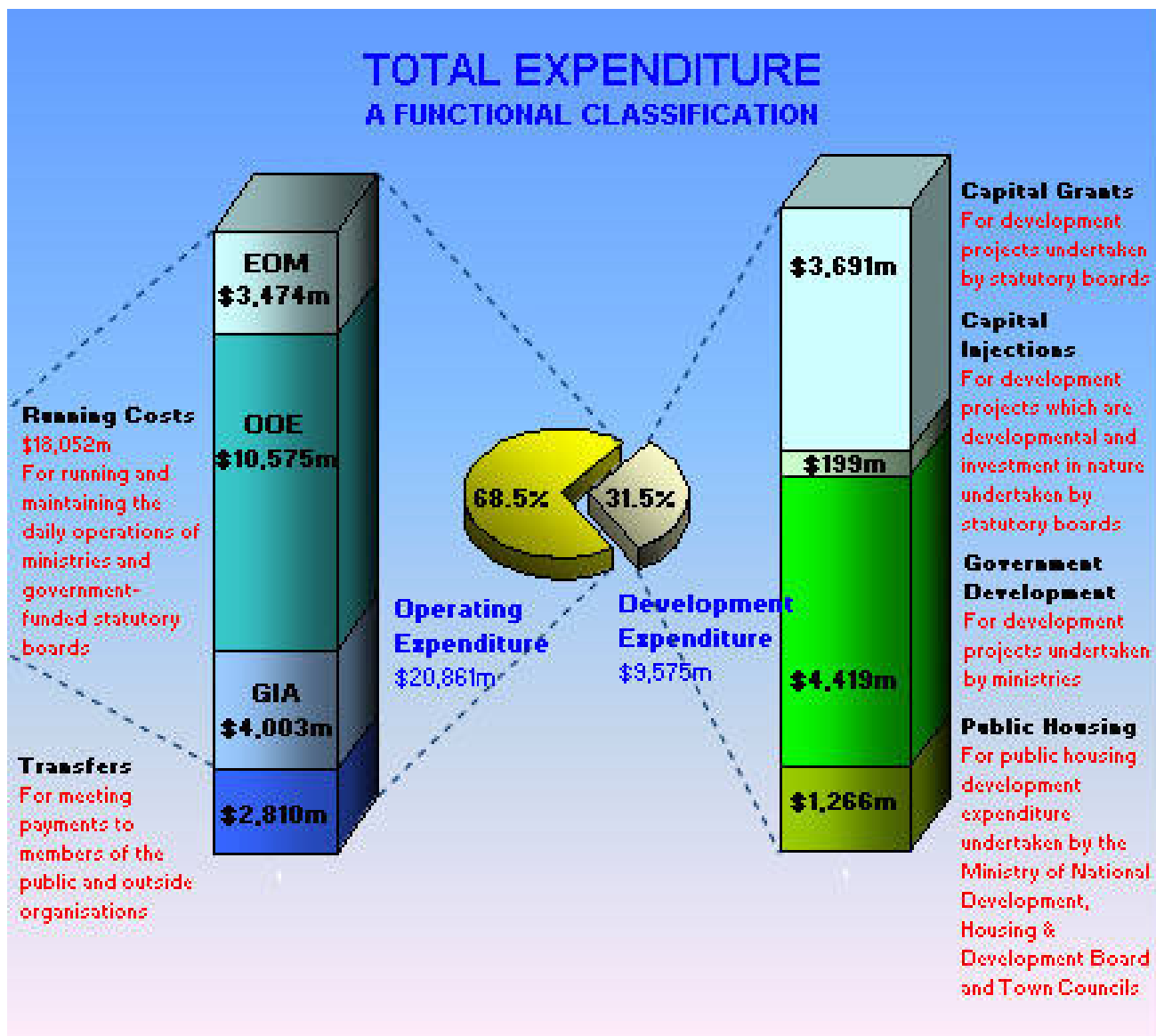
Other outlays from the Development Fund are estimated at \$7.52 billion. Of this, \$6.05 billion or 80.4% is for loans to government agencies. A sum of \$2.61 billion is for loans to the HDB to fund the Mortgage Financing Loan, the Upgrading Financing Loan and the Housing Development Loan Schemes. Another sum of \$1.74 billion is for the Economic Development Board and the Standards, Productivity and Innovation Board to fund the various loan schemes under the Economic Development Assistance Scheme and the Local Enterprise Financing Scheme. The remaining loan provision of \$1.70 billion is to finance the transfer of land, building and other assets from the Government to various agencies including the restructured institutions under MOH, the Public Utilities Board under ENV, the Accounting and Corporate Regulatory Authority under the Ministry of Finance (MOF) and the Singapore Land Authority under the Ministry of Law (MINLAW).

The balance of \$1.47 billion is for land-related expenditure on land development projects. The ministries with land-related expenditure are MTI (\$0.96 billion), MND (\$0.51 billion) and MINLAW (\$643,900).

TOTAL OUTLAYS TO BE VOTED FY2004



TOTAL EXPENDITURE - A FUNCTIONAL CLASSIFICATION



FY2003 PERFORMANCE REVIEW

OVERVIEW

For FY2003, the revised estimate for operating revenue is \$25.61 billion, and that for total expenditure is \$28.81 billion. After discounting special transfers totalling \$0.60 billion and taking in the NII contribution of \$2.05 billion, the expected budget deficit is \$1.76 billion.

A summary of the revised FY2003 operating revenue, operating expenditure and development expenditure estimates is given in *Table III* below.

Table III: THE REVISED FY2003 BUDGET

	Actual FY2002	Revised FY2003	Change over FY2002	
	\$b	\$b	\$b	%
OPERATING REVENUE	25.47	25.61	0.14	0.5
Tax Revenue	21.50	21.59	0.09	0.4
Fees & Charges	3.81	3.76	-0.05	-1.2
Others	0.16	0.25	0.09	56.6
Less:				
TOTAL EXPENDITURE	27.15	28.81	1.66	6.1
Operating Expenditure	19.36	19.99	0.63	3.2
Development Expenditure	7.79	8.83	1.03	13.3
SURPLUS/(DEFICIT)	(1.68)	(3.21)	-1.52	90.6
Less:				
SPECIAL TRANSFERS	1.80	0.60	-1.20	-66.6
Economic Restructuring Shares	1.20	0.60	-0.60	-50.1
Lifelong Learning Endowment Fund	0.50	0.00	-0.50	-100.0
Medical Endowment Fund	0.10	0.00	-0.10	-100.0
Add:				
NET INVESTMENT INCOME CONTRIBUTION	3.68	2.05	-1.63	-44.3
BUDGET SURPLUS/(DEFICIT)	0.19	(1.76)	-1.95	-1,025.2

(Note: Figures will not tally due to rounding)

OPERATING REVENUE

The revised operating revenue for FY2003 is projected to be \$25.61 billion, an increase of \$0.14 billion or 0.5% over actual operating revenue for FY2002.

Tax Revenue

Tax Revenue is expected to increase by 0.4% to \$21.59 billion. This is mainly due to the expected increase in collections from property taxes, motor vehicle taxes, customs & excise taxes and GST.

Revenue from property taxes is expected to increase by 13.6% to \$1.40 billion due to the less rebates for commercial and industrial buildings for the second half of 2003, and cessation of the tax exemption for land under development in October 2003.

Motor vehicle tax collection is also anticipated to increase by 28.6% to \$1.86 billion. This is attributed to the increased collection of additional registration fees.

Collection from GST is estimated to increase by 43.2% to \$3.10 billion on the back of the increase in GST rates to 4% in January 2003 and 5% in January 2004.

Fees and Charges

Revenue from fees and charges is projected to be \$3.76 billion or 1.2% lower than the FY2002 collection of \$3.81 billion. This is due to lower collections from the sale of goods and rental income as a result of the weak property market.

Miscellaneous Revenue

Other miscellaneous revenue is expected to increase by 56.6% to \$0.25 billion due to the higher collection of financial receipts.

EXPENDITURE

Total Expenditure

The revised total expenditure for FY2003 of \$28.81 billion is an increase of \$1.66 billion or 6.1% over actual FY2002 total expenditure. Of this, operating expenditure accounts for \$19.99 billion or 69% and development expenditure for \$8.83 billion or 31%.

Operating Expenditure

The revised FY2003 operating expenditure is higher than actual FY2002 expenditure by \$0.63 billion or 3.2%. The increase is attributed mainly to MOH (\$0.48 billion) and MHA (\$0.15 billion). MOH's increase goes towards funding SARS-related expenditure during the outbreak as well as new measures for prevention, containment and controls of future outbreaks. MHA's increase is mainly for SARS-related expenditure, transfer of part of Singapore Customs from MOF and Health Sciences Authority budget from MOH, and payment of outstanding contribution to the INVEST Fund set up in 2001 to cater to the career structures of the ministry's uniformed personnel.

Development Expenditure

The revised FY2003 development expenditure is higher than actual FY2002 expenditure by \$1.03 billion or 13.3%. The increase is attributed mainly to MND (\$0.87 billion), MTI (\$0.45 billion) and ENV (\$0.22 billion). MND's increase is for its Public Housing Development Programme. MTI's increase is for research and development projects by the Agency for Science, Technology & Research. ENV's increase is due to construction of the deep tunnel sewerage system (Phase I).

BUDGET OUT-TURN FY2002-FY2004

Particulars	Actual FY2002	Revised FY2003	Estimated FY2004	Change over FY2003	
	\$b	\$b	\$b	\$b	%
OPERATING REVENUE	25.47	25.61	28.31	2.70	10.5
Tax Revenue	21.50	21.59	24.57	2.98	13.8
Fees and Charges	3.81	3.76	3.61	-0.15	-4.0
Others	0.16	0.25	0.13	-0.12	-49.0
Less:					
TOTAL EXPENDITURE	27.15	28.81	30.44	1.62	5.6
OPERATING EXPENDITURE	19.36	19.99	20.86	0.87	4.4
Running Costs	17.05	17.35	18.05	0.70	4.0
Transfers	2.31	2.63	2.81	0.18	6.7
DEVELOPMENT EXPENDITURE	7.79	8.83	9.58	0.75	8.5
Government Development	3.56	3.73	4.42	0.69	18.5
Capital Grants	3.26	3.25	3.69	0.44	13.5
Capital Injections	0.20	0.20	n.a.
Public Housing	0.97	1.84	1.27	-0.58	-31.4
SURPLUS/(DEFICIT)	(1.68)	(3.21)	(2.13)	1.08	-33.6
Less:					
SPECIAL TRANSFERS	1.80	0.60	0.91	0.31	50.7
Economic Restructuring Shares	1.20	0.60	0.90	0.30	50.0
Utilities Save Scheme	0.00	0.00	0.01	0.01	n.a.
Lifelong Learning Endowment Fund	0.50	0.00	0.00	0.00	0.0
Medical Endowment Fund	0.10	0.00	0.00	0.00	0.0
Add:					
NET INVESTMENT INCOME CONTRIBUTION	3.68	2.05	2.29	0.24	11.7
BUDGET SURPLUS/(DEFICIT)	0.19	(1.76)	(0.75)	1.01	-57.4

TOTAL EXPENDITURE BY SECTOR AND MINISTRY FY2003-FY2004

Component	Revised FY2003		Estimated FY2004		Change over FY2003	
	\$b	% Allocation	\$b	% Allocation	\$b	%
SOCIAL DEVELOPMENT	13.14	45.6	13.40	44.0	0.26	1.9
Education	6.13	21.3	6.36	20.9	0.23	3.7
National Development	2.37	8.2	1.76	5.8	-0.61	-25.7
Health	2.05	7.1	2.24	7.4	0.20	9.6
Environment	1.45	5.0	1.72	5.7	0.27	18.7
Community Development & Sports	0.73	2.5	0.83	2.7	0.10	14.0
Information, Communications & the Arts	0.42	1.5	0.49	1.6	0.07	16.0
SECURITY & EXTERNAL RELATIONS	10.68	37.1	11.26	37.0	0.57	5.4
Defence	8.25	28.6	8.62	28.3	0.37	4.5
Home Affairs	2.15	7.5	2.35	7.7	0.19	9.0
Foreign Affairs	0.28	1.0	0.29	0.9	0.01	2.9
ECONOMIC DEVELOPMENT	3.65	12.7	4.08	13.4	0.43	11.7
Transport	1.42	4.9	2.21	7.3	0.79	55.9
Trade & Industry	1.96	6.8	1.60	5.2	-0.37	-18.6
Manpower	0.21	0.7	0.21	0.7	0.00	-0.9
Info-Communications Technology	0.06	0.2	0.06	0.2	0.00	6.4
GOVERNMENT ADMINISTRATION	1.33	4.6	1.70	5.6	0.37	27.6
Finance	0.60	2.1	0.70	2.3	0.10	16.1
Law	0.28	1.0	0.43	1.4	0.15	53.0
Organs of State	0.24	0.8	0.37	1.2	0.13	55.6
Prime Minister's Office	0.21	0.7	0.20	0.7	-0.01	-4.4
TOTAL EXPENDITURE	28.81	100.0	30.44	100.0	1.62	5.6