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## MOF Committee of Supply Speech 2012

### A. INTRODUCTION

- A.1. Mr Chairman, first let me thank all the members who have spoken for their comments and suggestions on a fairly wide range of topics.
- A.2. The questions and cuts that have been filed centre around three areas:
- The first, is on facilitating businesses, especially SMEs
  - The second, is on an efficient and effective Government
  - The third, is on nurturing a caring society
- A.3. Sir, I will address each of these themes in turn;

### B. FACILITATING BUSINESSES

#### B(I) Simplifying and Improving the Productivity and Innovation Credit (PIC)

- B.1. On facilitating businesses, Ms Jessica Tan and Ms Tan Su Shan suggested simplifying **PIC** and making it more accessible to SMEs. I think we have heard throughout the debate many concerns on how we can help SMEs make this transition.
- B.2. I would like to emphasise that although the PIC is available to all enterprises, it is in fact designed very much with small businesses in mind. PIC is available to all enterprises and they can qualify without having to meet any special criteria. All businesses including small and micro enterprises, as well as sole proprietors, can benefit from PIC.

- B.3. Based on tax returns filed last year, one in three, or more than 25,000 small companies<sup>1</sup> claimed PIC. This is a good start since 2011 was the first year of PIC claims. We are quite confident that with improved awareness, more SMEs will be able to take advantage of the PIC.
- B.4. Since the PIC was introduced 2 years ago, we have also acted on feedback and improved the scheme to better benefit small businesses.
- B.5. First, recognising the value of cash flow to small businesses, we allowed them to opt for a cash payout as an alternative to tax deductions. So for example, if a small business incurred \$10,000 worth of qualifying expenditure<sup>2</sup>, it could previously get a cash payout of \$3,000. From this year the cash payout is doubled to \$6,000.
- B.6. Second, the cash payout can now be claimed at the end of each financial quarter, rather than at the end of each financial year. For SMEs, this further eases cash flow.
- B.7. Third, we have made it easier for businesses to claim PIC for in-house training. And they can now claim up to \$10,000 per year on their in-house training costs without the need for certification by WDA or ITE. This change arose from many of the feedback that we received this about how it would particularly benefit SMEs.
- B.8. Some businesses may have the impression that it is difficult to make PIC claims. In fact, the process is fairly straightforward – the claims are made as part of the annual tax filing process, quite a lot of people don't realise this; and the taxpayers need only to provide a few additional lines of information on their productivity investments (in the Appendix of the tax form).

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<sup>1</sup> Small companies refer to those with turnover of \$10mil or less. Excluded are companies, who ACRA considers their status as dormant, inactive, no business activity, in liquidation, in receivership or has been dissolved.

<sup>2</sup> Up to a cap of \$100,000 in qualifying expenditure

- B.9. The PIC does not require an ocean of paperwork (MP Foo Mee Har) as feared by SMEs. In fact, there is no need to produce additional supporting documents as was discovered by Ms Yoong Chwee Hwa, Director of Creative Edge Consultants. They are a small business in design and project management – less than \$2 million in turnover, with fewer than 5 employees. Like many of the other SMEs who have actually claimed PIC, Ms Yoong said it was “a lot simpler than” she originally imagined. If an earlier cash payout is preferred, the business just needs to complete an additional simple form. That is only if they want a cash payout, otherwise if they want to claim it from their tax income they do not need to fill in another form.
- B.10. As PIC is a relatively new scheme, we fully recognise the importance of communication efforts, especially to SMEs. More proactive outreach is needed. Since the PIC was announced in Budget 2010, IRAS has, in fact, held nearly 150 seminars, or more than one seminar per week; reaching out to more than 20,000 people.
- B.11. IRAS will keep up the pace of its seminars. This will carry on. At the same time it will also step up its outreach in 3 ways.
- a) First, it will start a new series of PIC clinics which offer one-on-one consultations to businesses in partnership with the 5 major business chambers and associations<sup>3</sup>. The clinics will be held weekly over the next 6 months and will be free-of-charge. Businesses do not have to pay for the one-on-one consultations. And after the six months if businesses find this useful we will continue if needed.
- b) Second, IRAS will focus on small and micro enterprises operating in HDB neighbourhoods, which is where many of our SMEs are. This will be

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<sup>3</sup> Enterprise Development Centre at the Association of Small and Medium Enterprises (EDC@ASME), Enterprise Development Centre at the Singapore Manufacturers' Federation (EDC@SMa), Enterprise Development Centre at the Singapore Chinese Chamber of Commerce and Industry (EDC@SCCCI), Enterprise Development Centre at the Singapore Malay Chamber of Commerce and Industry (EDC@SMCCI), and Enterprise Development Centre at the Singapore Indian Chamber of Commerce and Industry (EDC@SICCI). These EDCs are funded by SPRING.

organised through a new programme organised jointly with the Community Development Councils (CDCs). The first such seminar will in fact be held this month at the Kembangan-Chai Chee Constituency<sup>4</sup>. We are going all the way down to the ground to make sure everyone knows about it.

- c) Third, IRAS will engage service providers like IT vendors, software providers and trainers so that they become more familiar with the PIC and help their customers benefit from it. We are also going through the intermediaries that are in a position to help the SMEs benefit from PIC.

B.12. To Ms Tan Su Shan's question on whether the 3-employee condition can be removed, I would like to clarify that this condition is only applicable to the cash payout feature of the PIC; no such requirement is needed for claiming the tax deduction itself.

- Now, the 3-employee condition is to ensure that cash is disbursed only to businesses with substantive operations.
- This helps prevent potential gaming, which Ms Tan also expressed concern over, by individuals who set up businesses to get a cash subsidy for essentially personal purchases.

B.13. We also like to thank Mr Seng Han Thong for suggesting that taxi companies be allowed to claim PIC on the training of taxi drivers. We have considered the suggestion and will indeed implement it from YA2012. This will align the training treatment for taxi drivers with that of insurance agents, real estate agents and financial advisors, who will also qualify for PIC.

B.14. We will make every effort to simplify PIC so that more businesses, especially SMEs, can get easy access. Mr Chairman if you would allow, I would like to now summarise in Mandarin.

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<sup>4</sup> This is expected to cater to 50-60 participants.

- 我们理解中小企业的处境。他们没有太多的时间和精力仔细研究政府的协助措施。
- “生产力及创新优惠计划”（PIC）两年前刚推出,有些商家还不熟悉.
- 尽管如此，每三家小型企业就有一家已经在 PIC 计划下受惠。为了促进中小企业提高生产力，政府会设法简化 PIC，让他们更轻易得到帮助。
- 首先，PIC 根本不需要额外的申请步骤。企业只要在申报年度所得税时，列出提高生产力的相关开销,就可以了。程序相当简单.
- 第二,我们充分认识到资金周转对中小企业的重要性。因此中小企业可以选择把这个税务优惠转换成现金补助.转换率从原来的 30%（百分之三十）增加到 60%（百分之六十）。打个比方,一家中小企业投入一万元采购新的设备,或为员工安排培训,它可获得 6 千元的现金补助。
- 过去，企业必须等到申报年度所得税后才领取现金补助,从年开始,企业就可以选择每三个月就申领这项现金补助.
- 政府将响应各界的号召,我们将积极努力加强企业对 PIC 的认识. 这包括:
  - 一,提供免费的一对一咨询服务,
  - 二,专门为组屋区内的商家们举办讲解会
  - 三,通过各服务供应商,协助商家利用 PIC
- 我们相信 PIC 将越来越普及化,帮助更多中小企业提升业务,改革创新，确保中小企业在我国未来的经济体，继续扮演重要的角色。

## **B(II) Convergence with IFRS**

- B.15. I will now address Mr Ong Teng Koon's request for an update on Singapore's progress towards **full convergence of the Singapore Financial Reporting Standards (SFRS) with the International Financial Reporting Standards (IFRS)**.
- B.16. As an international business and financial centre, it is in Singapore's interest for the SFRS to converge with the IFRS. Using a single set of high quality, globally accepted financial reporting standards:
- Help to Minimise reporting costs for our listed companies that operate in multiple jurisdictions; and
  - Make it easier for our companies to participate in the international capital market.
- B.17. The SFRS is closely modelled after the IFRS. In 2009, the Accounting Standards Council (ASC) announced that it would work towards full IFRS convergence for Singapore-incorporated companies listed on the Singapore Exchange by 2012.
- B.18. Since then, it has pro-actively engaged the International Accounting Standards Board (IASB) on Singapore's convergence initiative, commissioned in- depth research, and undertaken extensive consultations with our local stakeholders on the implementation plans.
- B.19. Internationally, there have been some delays to the broad convergence initiative. Standards under review by the International Accounting Standards Board (IASB), such as the Revenue Recognition and Financial Instruments, have attracted extensive comments and differing views internationally, and are unlikely to take effect before 1 January 2015.

- B.20. The Accounting Standards Council (ASC) has thus reviewed Singapore's convergence plans and concluded that we should not rush into convergence until these key standards are finalised, so as to avoid additional transition cost for our listed companies. Therefore, our full IFRS convergence will not take place by 2012 as originally envisaged.
- B.21. The timeline for convergence will be adjusted in tandem with international developments. The revised timeline will be announced at an appropriate juncture. And we would like to assure affected companies that we will give them adequate time to prepare for it. Convergence is not expected to be unduly demanding because our standards are already very much aligned, nor is convergence expected to result in significant costs for listed companies.

### **B(III) Boosting the Capacity for Long-Tenor Project Finance**

- B.22. Sir, we had said that in order to further support internationalisation efforts, we have announced that a Project Finance Company (**PFC**) will be operational from the second half of this year. Mr Chen Show Mao sought to understand how the PFC will benefit local companies.
- B.23. The PFC addresses a market gap in long-tenor, cross border project financing. PFC, which is a commercial venture led by Temasek Holdings, will address this gap and catalyse supply of such project financing.
- B.24. Local companies will benefit in the following ways:
- First, access to financing gives them added confidence and ability to bid for major projects, on an equal footing with their competitors, who typically have funding support from their respective national Export Import Banks (EXIMs).



- The PFC removes a constraint on our companies where Singapore companies have had to partner foreign contractors to tap on financing facilities overseas. This opens up opportunities for our own SMEs to participate in such projects.

B.25. On Mr Chen's question of how we have defined "Singapore-based companies", a Singapore-based company must be listed or incorporated in Singapore, and have at least three global or regional strategic decision-making functions<sup>5</sup> located in Singapore.

B.26. This is a definition that is commonly used in incentive schemes of our enterprise development agencies.

B.27. While this definition does include foreign companies based here, these companies will have substantial presence anchored in Singapore.

B.28. There are significant spin-offs to the economy such as value-add (VA) and jobs created, as they use Singapore as a base for internationalising and undertaking major projects overseas. This will strengthen our position as a Global-Asia Hub.

B.29. Mr Chen also asked whether the involvement of Singapore companies will be required in every project. The PFC will aim to have 80% of its long-term portfolio comprise projects with significant participation from Singapore-based companies.

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<sup>5</sup> These functions include business planning, management and control, finance and treasury, sales, marketing and brand management.

- B.30. This already assures us of significant benefits because the Singapore-based company must have at least three global or regional strategic decision-making functions<sup>6</sup> located in Singapore; which I explained earlier.
- B.31. The additional condition of local partnership, if we were to make that a requirement, will unduly constrain the borrower, and make it less attractive for the deal to be financed out of Singapore.
- B.32. Notwithstanding, our economic agencies will continue to facilitate meaningful partnerships between our local SMEs and international companies for infrastructure opportunities in the region.

## **C. EFFECTIVE AND EFFICIENT GOVERNMENT**

- C.1. Mr Chairman, let me now touch on issues related to an effective and efficient Government, beginning with the management of our reserves, which Mr Inderjit Singh raised.

### **C(I) Managing our Reserves Prudently**

- C.2. Mr Inderjit Singh suggested that the Government play a coordinating role between GIC and Temasek to ensure that there are no overlaps. His key concern is that even as GIC and Temasek manage their own portfolios on a diversified basis, taking them together, there could still be concentration risks in the overall Government portfolio.
- C.3. Mr Inderjit Singh's question is a valid one, and I should assure him that the Government does in fact systematically review the risks in its overall portfolio. We do this by considering the Government's whole portfolio of assets invested by the three entities, MAS, GIC and Temasek:

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<sup>6</sup> These functions include business planning, management and control, finance and treasury, sales, marketing and brand management.

- We monitor for concentration risks in the whole portfolio, and whether there is appropriate diversification in terms of asset classes, sectors and geographies.
- We also assess the impact on the whole portfolio of various adverse global scenarios, across medium to long-term time-frames, to ensure that the risks to the whole portfolio are not excessive.

C.4. MAS, GIC and Temasek in fact operate at different parts of the investment risk spectrum, even if there is some overlap. They engage in different investment strategies, and take different degrees of risk:

- MAS, as a central bank, is the most conservative of the three. A significant majority of its diversified portfolio is in low-risk and liquid investments.
- GIC's mandate is to preserve and enhance the real value of Singapore's foreign reserves over time. GIC's portfolio is well diversified across asset classes, including equities, bonds, real estate, natural resources and some other asset classes. It is also highly diversified internationally.
- Temasek's mandate is to create and deliver sustainable returns for its shareholder over the long run. This has remained Temasek's mandate even after its Charter was revised in 2009. Temasek is an equities-only value investor. It takes concentrated stakes from time to time, but its portfolio remains diversified, and is also invested across sectors and geographies. I should add that Temasek's strategy of actively investing internationally began much earlier than 2009. It made the shift in 2002, and has since achieved more diversification by reducing its previously heavy concentration in Singapore assets.

- C.5. The Government does not decide on how each investment entity should manage its own portfolio. Their respective boards and professional management teams are responsible for those decisions.
- C.6. The Government's role therefore is two-fold. First and foremost, we ensure that these investment entities have competent boards to oversee how their respective management teams execute their investment mandates. And we also ensure that these entities have proper mandates and objectives.
- C.7. Second, based on the overall risk profile of the Government's whole portfolio, we decide how government capital should be allocated among the three entities. Further, we ensure that GIC, Temasek and MAS are sensitised to Government's considerations with regard to these overall risks.
- C.8. This is therefore not an auto pilot system. We have a governance structure for looking at our whole-of-Government assets within the system, and for monitoring the overall risks and returns. It is a structure that has worked well, and that we will keep improving.

## **C(II) Productive and Efficient Public Sector**

- C.9. Sir, let me now turn to Mr Laurence Lien's question on the public sector promoting productivity and being efficient in the use of manpower resources.
- C.10. The growth of the public sector headcount in recent years reflects the greater manpower demands on the public sector in essential areas such as education, public security and healthcare.
- The 14% cited by Mr Lien was largely contributed by major increases in teachers and allied educators, and security personnel. (In fact the allied educator scheme is a completely new scheme.) Together, teachers and allied educators and security personnel, accounted for nearly two-thirds of the overall increase in public sector headcount.

- It is well known that the increase in teachers and allied educators has improved pupil-teacher ratios and supported more customised learning in schools.

C.11. As Mr Lien noted, since 2004, MOF has introduced the Manpower Management Framework (MMF) to promote discipline in public sector hiring. And this also attends to Ms Jessica Tan's question on fiscal prudence and how we manage our resources. The MMF constrains the overall growth of public sector manpower to keep it in line with Singapore's resident labour force growth in the long run.

- Since the introduction of the MMF in 2004 to 2011, public sector headcounts increased 8% compared to the resident labour force growth of 19% over the same period. So that's the update that Mr Lien is looking for.

C.12. Many agencies have in fact introduced initiatives to improve productivity and efficiency, by leveraging on technology for example.

- The Immigration and Checkpoints Authority (ICA) introduced the enhanced-Immigration Automated Clearance System (eIACS) in 2006. This is one of them.
- This has helped to relieve manpower pressures on ICA and also improve security at the checkpoints despite the large increases in cross-border travel in recent years.

C.13. We also acknowledge Mr Lien's point that manpower issues are a key challenge faced by the social services sector.

- Mr Lien mentioned salary increases in the public sector as one of the factors contributing to these challenges. Like the social services sector,

the public sector cannot and does not depend only on salaries to attract and retain good staff.

- Salary adjustments are made only when benchmarking studies indicate a need to keep pace with the market. And the last month salary review mentioned by Mr Lien, was only for a group of civil servants, whose salaries were last reviewed in 2007, some time ago. So the salary review is not all that frequent.
- We support more being done to enable the social services sector to groom a larger pool of social workers and professionals. It is very important for the ongoing development of our social sector. And this will involve providing not just better rewards, but also fulfilling careers.
- MCYS will implement a comprehensive social sector manpower development plan and ensure that adequate resources are provided to support it. MCYS will elaborate on this at their COS.

C.14. The Government will continue to seek ways to increase productivity and efficiency in manpower use, while ensuring sufficient resources to meet emerging needs and priorities.

### **C(III) Reinforcing Procurement Competencies and Rules**

C.15. Sir, Ms Jessica Tan asked about procurement compliance in public agencies and fraud risk.

C.16. MOF regularly reviews financial rules and guidelines. A comprehensive review in 2010 led to the clarification of key procurement roles and further segregation of duties to strengthen checks and balances in the procurement process. Public agencies were also reminded to adopt good practices such as the periodic rotation of officers with procurement responsibilities.

- C.17. We are also developing a business intelligence system that will help identify procurement irregularities, to point them out, flag them; and to show instances of non-compliance.
- C.18. To minimise opportunities for fraud, we must complement sound rules, systems and processes with effective management supervision and robust audits.
- C.19. Since June 2009, public procurement officers have been required to complete a mandatory training programme. MOF also organises discussion forums and workshops for procurement officers to share and learn good practices.
- C.20. And to ensure prudent use of public funds, the Accountant-General's Department (AGD) conducts regular Value-For-Money (VFM) audits on expenditures of public agencies. Learning points from these audits are shared with the senior management of public agencies and also tabled at various Government platforms.
- C.21. All said, the professionalism and integrity of public procurement officers is what really matters for a well-functioning system of public sector procurement. And we continue to emphasise this to our officers that it is their responsibility to uphold these values.

## D. NURTURING A CARING SOCIETY

D.1. We recognise that MOF can help to nurture a caring society which Mr Vikram Nair and Dr Chia Shi-Lu mentioned. Let me highlight two areas:

- First, on uplifting low-wage workers through Government Best Sourcing Initiative; and
- A tax regime that encourages giving.

### D(I) Uplifting Low-wage Workers' Wages and Employment Terms – Best Sourcing Initiative

D.2. Mr Vikram Nair requested for more details on the Government **Best Sourcing Initiative**.

D.3. In consultation with tripartite partners, MOM is working closely with NEA and MHA to enhance their respective cleaning accreditation and security grading schemes. The enhanced schemes aim to raise the productivity and professionalism of low-wage jobs, as well as help workers earn higher wages and enjoy better employment terms. MOM will be announcing further details at its COS.

D.4. What I would like to give assurance of is that MOF will give full support to the enhanced accreditation schemes. We will make it mandatory for all government agencies, which include ministries and statutory boards, to procure only from accredited contractors. This means that any contractor wishing to bid for government cleaning contracts **must** be accredited under the enhanced scheme. In the case of security contracts, the contractors **must** obtain an “A” or “B” grade. So the higher ones.

D.5. Tripartite partners are working together to finalise the criteria for enhanced accreditation. This is work-in-progress. Once the criteria is finalised,



sufficient time will be given for contractors to be accredited. Government will consult industry and set an effective date from which only accredited contractors can bid for government contracts.

- D.6. We expect that within two years of the effective date, the vast majority of government cleaning and security contracts will be serviced by accredited contractors.
- D.7. Let me assure Mr Nair and other members that the Government recognises that ministries and statutory boards, as significant buyers of services, have an important role to play in providing momentum to the Best Sourcing Initiative. However, Government alone cannot transform the cleaning and security sectors. Government contracts cover just about 10% of the cleaning workforce.
- D.8. In this regard, we are heartened that autonomous agencies such as the restructured hospitals and the universities have already indicated their support for the Best Sourcing Initiative.
- D.9. We share Mr Nair's desire to see many more companies will come onboard the BSI. The Government hopes that by taking the lead, we provide a strong signal to the entire private sector to embrace the Best Sourcing Initiative and help in this very meaningful national effort to uplift low-wage workers.

## **D(II) Encouraging Philanthropy**

- D.10. Next, let me turn to an important topic that many members have spoken about during the Debate. It has to do with how we as Singaporeans look out for one another and contribute to worthy causes, as we build an inclusive society together.
- D.11. Mr Liang Eng Hwa asked if our ranking on the World Giving Index of 2011 showed that Singaporeans were less charitable than in other countries and if

more could be done to encourage philanthropy amongst higher income individuals.

D.12. I would just like to clarify that the methodology used in the construction of the World Giving Index 2011 (WGI) actually understates the level of charitable giving in Singapore<sup>7</sup>.

- The WGI measures the percentage of people who donated and volunteered a month before the survey was conducted.
- An alternative study, done by the NVPC, was the Individual Giving Survey that tracks giving over a full year. And in 2010, this survey found that 85% of the population contributed money while 23% contributed or volunteered time in 2010. This is significantly higher than the 41% and 11% recorded under the World Giving Index 2010.

D.13. Nonetheless, we agree with Mr Liang that those who are better-off should be encouraged to contribute more. That is why we:

- Increased the tax benefit from 200% to 250% for donations to approved recipients<sup>[1]</sup> in Budget 2009; and
- Provided matching grants for donations to Institutes of Higher Learning through the \$2b Singapore Universities Trust, and to the long-term care sector through the \$1b Community Silver Trust.
- We also have non-tax measures to increase giving. The Charity Council and MCYS have been working to enhance public confidence in our charities. The NVPC has rolled out initiatives such as the Community

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<sup>7</sup> First, the index measures charitable behaviour the month before the survey was conducted, instead of a more holistic measure that takes into account giving behaviour in a full year. Secondly, the World Giving survey does not consider the **quantum of donations given**, which is a better measure of the strength of community support in Singapore.

<sup>[1]</sup> This includes donations made to IPCs, grantmakers and some approved museums. The 250% benefit will last until 2016.

Foundation of Singapore, and the Singapore Gives online portal to encourage giving as well.

D.14. To Mr Liang's question on whether there is support to encourage the setting up of charitable vehicles, let me highlight two specific ways:

- First, we exempt all our charities from income tax; and
- Second, in Budget 2007 we introduced the Qualifying Grantmaking Philanthropic Organisation. What this scheme allows for is tax deductions for donations to grantmakers such as family foundations, community foundations and business-giving programmes. Since inception, 10 charitable vehicles, such as the Anglo-Chinese Schools Foundation, have registered to benefit from the scheme.

D.15. We are very encouraged that charitable giving has in fact been growing steadily in Singapore. We know that with many Singaporeans doing their part to give to the community, and with them doing so, Singapore can become a more caring and inclusive society.

## **E. OTHER ISSUES**

E.1. Let me now address several specific questions raised by Ms Indranee Rajah, Dr Chia Shi-Lu and Mr Inderjit Singh.

### **E(I) Right Charging for Usage of State Land**

E.2. Ms Indranee Rajah asked whether MOF would be prepared to consider charging a community rate for State Land used for community purposes and/or used by community users.

E.3. The Government's policy is to charge market rates for the rental of temporarily unused state land to recognise the true value of the land. I

understand where Ms Indranee Rajah is coming from and she will be pleased to know that if there are grounds to subsidise the operations of an organisation, the relevant Ministry will consider doing so.

- For example, the Ministry of Community Development, Youth and Sports currently provides rental subsidies to some VWOs operating day care centres and senior citizen homes.

E.4. This approach, of charging State Land use at the market rate and Ministry providing subsidies in a directed manner, is a more transparent and targeted approach.

[Afternote: MOS in reply to further comments from Ms Indranee Rajah, clarified that charging market rent is not to make money, but to reflect true value of the land. We have to find a way to do so that is equitable, so that all players have fair way of accessing that land. From point of view of community users, there is also no need to confine yourself to these types of land; the intention is not to turn them only in direction of such unused State Land.]

## **E(II) Tax Relief for the Handicapped**

E.5. Dr Chia Shi-Lu asked if MOF could consider increasing the income tax relief for handicapped family members.

E.6. We share his concern for such families.

- In 2008, we increased the Handicapped Child relief (HCR) from \$3,500 to \$5,500; and
- In 2010, we allowed tax reliefs for the handicapped to be claimed regardless of the dependent's income earned.

- E.7. However, we are mindful that about 40% of individual income taxpayers already do not pay taxes after the reliefs and rebates. So, higher reliefs are less meaningful to them.
- E.8. That is why we have introduced other support measures to help persons with disabilities at all stages of life. In Budget 2012, we have made significant enhancements, including increasing places in centres for children who need intensive early intervention, and also extending the Workfare Income Supplement (WIS) and Special Employment Credit (SEC) to lower-income Singaporeans with disabilities regardless of their age, and expanding places in Day Activity Centres.
- E.9. Nonetheless, let me assure Dr Chia that we will continue to review the relief quantum and adjust them from time to time.

### E(III) Rationalising Taxes

- E.10. Mr Inderjit Singh gave several tax-related suggestions.
- On the M&A allowance scheme, it has just been liberalised to cover transaction costs. The scheme targets SMEs which tend to have smaller deal sizes and the \$100,000 cap on transaction costs is sufficient for most.
  - On aligning the top personal income tax (PIT) rate of 20% with the corporate tax rate (CIT) of 17%, there is currently no compelling reason to do so. Because they are different tax types, and our PIT rates remain competitive. The PIT rates should reflect the progressivity of our tax system.
  - On voluntary CPF contributions, I think Mr Inderjit Singh's broader point is how we can use fiscal policy to better support retirement adequacy.

Retirement adequacy is a very important subject and will be comprehensively addressed in MOM's COS.

## **F. CONCLUSION**

F.1. Let me once again thank all members for their comments and suggestions. To summarise, MOF has taken a comprehensive approach towards:

- Facilitating businesses;
- Ensuring an effective and efficient Government; and
- Playing our part in nurturing a caring society.

F.2. First, we will continue to facilitate businesses, particularly SMEs:

- Ensuring that the PIC claim process is straightforward;
- Doubling the PIC cash payout option from 30% to 60% of qualifying expenditure up to \$100,000, and allowing claims to be made quarterly rather than annually;
- Relaxing the criteria to allow PIC claims on expenses of up to \$10,000 on in-house training without WDA/ITE certification; and
- Introducing more channels, such as CDCs and business associations, for businesses to learn and get help on the PIC.

F.3. MOF will continue to play our role in reinforcing the effective and efficient use of resources.

F.4. And let me just close by highlighting that the Government's Best Sourcing Initiative is an important tool to leverage on to uplift our low-wage workers.