

MOF Committee of Supply Speech 2013

A. INTRODUCTION

A.1. Madam, I thank the honourable Members for their cuts.

A.2. Their comments and suggestions filed by Members can be organised around three themes:

- First, ensuring an effective and accountable government;
- Second, enabling quality growth; and
- Third, supporting an inclusive society.

A.3. Madam, before I proceed to address each of these in turn, let me first give an update on Government's support for the Best Sourcing Initiative, which Ms Jessica Tan (and some others) has spoken about.

B. UPDATE ON BEST SOURCING INITIATIVE

- B.1. As part of our efforts to raise the wages of low-wage workers, the National Environment Agency (NEA), NTUC and government agencies that procure cleaning services, have been working closely with cleaning companies to adopt the Progressive Wage Model. The Ministry of Education (MOE) which is the single largest buyer of cleaning services within the Government has taken the lead. All its contractors are now on board.
- B.2. Effectively, this means about half of all cleaners employed under Government contracts, or over 3,500 cleaners, now receive basic wages of at least \$1,000 per month. Further, with training, improved skills and bigger job scopes, the cleaners can earn more.
- B.3. The Government and NTUC are working closely to reach out to the remaining cleaning contractors. With the support of the cleaning contractors, we expect that by the end of this year, the vast majority of cleaners on Government contracts will be earning progressive wages.
- B.4. In addition, for all new contracts called from 1 April 2013, the Government will engage only cleaning companies

accredited under the NEA's Enhanced Clean Mark Accreditation Scheme. Henceforth, local cleaners on Government contracts will be paid according to the Progressive Wage Model.

- B.5. As Government contracts cover just about 10% of the cleaning workforce, it is essential to get private sector service buyers to also come on board. MEWR will be announcing at its COS further steps to support this national effort.

- B.6. For the security sector, starting from 1 April 2013, the Government will procure only from security agencies that are well graded by the Police. An important pillar of assessment is their grading of HR practices, including their wage practices. The Government, working closely with tripartite partners, will be further enhancing the security grading scheme as part of our efforts to uplift the wages and working conditions of security officers. MOM will be announcing details of these efforts at its COS.

C. ENSURING AN EFFECTIVE AND ACCOUNTABLE GOVERNMENT

C (I) Strengthening Public Sector Procurement

C.1. Madam, Ms Jessica Tan asked about efforts being taken to strengthen Government procurement.

C.2. Our procurement system is fundamentally sound. Nevertheless, we have taken significant steps to strengthen its governance. This includes reviewing procurement rules and procedures, training and equipping public officers adequately to perform their roles, as well as ensuring regular audits to provide an independent check.

C.3. Last year, we tightened our rules on the handling of single bids to ensure they provide value for money, and also extended the minimum opening period for submission of quotations to allow more time to potential vendors to respond. We are mindful not to make the rules overly cumbersome as it could end up being a deterrent to businesses.

- C.4. As Ms Jessica Tan rightly suggested, good procurement officers do not merely follow rules and procedures, but add value by finding the most effective solutions.
- C.5. There are over 2,000 officers across the Public Service today who perform procurement roles as part of their job responsibilities. However, not all agencies have dedicated procurement teams. In some agencies, procurement could be decentralised to many different officers for whom procurement is a secondary role. It is also likely viewed as an administrative support function, rather than as a profession. As a result, there are uneven standards of procurement capabilities across the public service.
- C.6. This is not satisfactory. MOF is therefore working with PSD to develop a **Procurement Specialist Track**, with professional development opportunities and proper career pathways. The Procurement Specialist Track will help professionalise the practice of procurement by giving officers greater recognition and more opportunities to develop deep skills and knowledge. More importantly, it will help procurement officers to accumulate experience and be discerning when evaluating bids.

- C.7. MOF is working with various agencies to identify opportunities to cluster their procurement functions where feasible, so that capabilities are more centralised and there are more career options for procurement officers.
- C.8. In tandem with these efforts, we have also put in place additional measures to **reinforce the accountability and responsibility of supervisors**. Complaints about procurement practices are brought to the attention of the Permanent Secretary or CEO in charge and investigated. MOF also shares audit findings on procurement lapses and common pitfalls with public sector Directors of Finance and at various management forums. To help officers who are responsible for approving procurements, MOF has developed checklists to guide them on what to look out for before giving approval.
- C.9. Madam, our system handles over 80,000 procurements each year, the vast majority of which are processed by our officers in accordance with well-established guidelines. However, even with the best of efforts, there will be instances of lapses or misconduct. Therefore, there is no substitute for robust audit and enforcement,

along with the willingness to acknowledge problems and correct them. We are confident that our efforts will raise standards further.

C (II) Managing Outsourcing

C.10. Mr Baey raised concerns about the accountability of agencies when outsourcing.

C.11. Outsourcing allows the Government agencies to tap on the private sector if the latter is better placed to perform those functions or to deliver the services. It is not always a matter of reducing costs. Often, outsourcing can lead to more innovative or efficient solutions that benefit the public.

C.12. For instance, one outsourced contractor that provides services to clear storm-damaged trees from roads was able to reduce their response time by up to 60% (to within 30 minutes). As an added bonus, two workers are now able to do this job compared to a team of 5 to 8 persons previously.

C.13. I would like to assure Mr Baey that whether a Government agency outsources a particular function or performs it in-house, it **is expected to maintain high service standards and be fully accountable for its delivery**. As a buyer of services, agencies are expected to spell out clearly the required service level standards in their tender specifications and clarify with vendors if there are ambiguities.

C.14. Contract management after tender award is equally important, and should be done on an on-going basis to ensure that the project remains on schedule and the agreed service standards can be met. Penalising contractors and excluding them from future contracts is only a last resort.

C.15. There is of course, room for improvement and it need not involve moving functions back in-house. If the government were to take back all the functions that it has outsourced, we will have a significantly larger Public Service and reduced business opportunities for the private sector.

C.16. A better approach is to ensure that suppliers of services to Government meet the desired standards, including their adoption of the Progressive Wage Model, and to train public officers to manage outsourced contracts better. We will also remind agencies that whilst functions can be outsourced, accountability for service delivery cannot.

C.17. That said, Mr Baey can be assured that the Public Service does not hesitate to retain various functions within its fold where there are good reasons. For example, the Centre for Public Project Management or CP2M was set up in January 2011 to retain and strengthen public sector expertise to advise the Government on infrastructure projects. This includes rendering project management services to agencies which may need extra help when dealing with large and complex projects.

D. ENABLING QUALITY GROWTH

D.1. Madam, several members spoke about measures to facilitate businesses, in particular SMEs which play an important role in our efforts to achieve quality growth.

D (I) Opportunities for SMEs in Government Procurement

- D.2. Ms Jessica Tan asked about the proportion and trend of Government tenders awarded to SMEs.
- D.3. All suppliers are given equal opportunities to be awarded Government contracts. In 2012, for larger value purchases (for which tenders rather than quotations are required), about 20% were awarded to small companies with less than \$250,000 of Net Tangible Assets¹. Over 60% of tenders valued up to \$100,000 were awarded to such companies. This figure has been quite stable over the last 5 years. An even larger percentage of purchases of lower value are awarded to small companies.
- D.4. As a signatory to the WTO Agreement on Government Procurement and a number of Free Trade Agreements, Singapore is obligated to be non-discriminatory in our Government procurement practices. For procurement that is covered by these agreements, we cannot discriminate in favour of local companies.

¹ "Net Tangible Assets" takes into consideration paid-up capital, revenue reserves, shares, accumulated profit etc

D.5. Hence, to help local SMEs, our focus has been and continues to be on strengthening their capabilities and competitiveness. For instance, a significant portion of Budget 2013 goes towards helping our local enterprises to improve their competitiveness and productivity.

D.6. To facilitate businesses' access to public sector procurement, the government publishes upcoming procurement opportunities. For instance, a listing of indicative government procurement opportunities is published on GeBIZ, which is the government's electronic procurement portal. This is to inform suppliers of potential tenders valued \$200,000 or above for the financial year ahead. It gives them a heads up so that they can plan whether or not to bid for it. BCA briefs the construction industry annually on upcoming public sector construction projects. This enables construction contractors, project managers and consultants to prepare themselves to bid for government projects. Similarly, IDA organises the Infocomm Technology (ICT) Industry Briefing every year to highlight potential upcoming Government ICT projects.

D.7. Businesses can also sign up for free alerts on Government procurement opportunities via GeBIZ or

subscribe to email notifications via SPRING's EnterpriseOne portal.

D.8. To help businesses better understand Government procurement processes and policies, we are currently developing a supplier guide, which will also include useful tips for businesses participating in Government procurement.

D (II) PIC and Help for SMEs

D.9. I thank Mr Ong Teng Koon for their comments about how the PIC scheme can better help businesses.

D.10. I'd like to share with him that based on tax returns filed to date for Year of Assessment 2012, 56% of active SMEs² with at least one employee, or about 33,000 companies have taken up the PIC Scheme. So the take up is quite encouraging, although there is more that could be done.

On Helping SMEs More

D.11. Last year, in response to industry feedback, we enhanced the PIC Scheme, taking into consideration the needs of small businesses. For example, we increased

² With annual turnover of at most \$100 million.

the PIC cash payout rate from 30% to 60% and removed the requirement for in-house training programmes to be certified by WDA or ITE, if they cost less than \$10,000 per year.

D.12. This year, to help SMEs further, we introduced the PIC Bonus, and made it easier for businesses to enjoy PIC benefits for IT and automation equipment. We also extended the list of items that qualify for PIC, to include Intellectual Property in-licensing.

Simple Application Process

D.13. Some businesses may still 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 which all businesses would have to carry out every year.

On Making Timely Disbursements

D.14. I agree with Mr Ong Teng Koon that it is important to make timely disbursements from the PIC.

D.15. Under the PIC scheme, businesses can receive the benefits in the form of tax deductions, or convert this into

cash payout. The vast majority of PIC claimants so far have chosen to receive it in the form of a tax deduction. In other words, it is automatically offset against their taxes. This process is straightforward.

D.16. Businesses can also apply to IRAS to receive their benefits in cash. This can be done quarterly, or when they file their annual tax returns. IRAS is committed to making all payouts within three months. To date, 80% of the applications for quarterly cash payouts are paid within two months.

D.17. Similarly, for the PIC Bonus that was announced on Budget Day, businesses can automatically get their PIC Bonus when they submit their annual tax return or together with their PIC cash payout every quarter.

Outreach

D.18. Over the past week, several members have spoken about the importance of adequately communicating and explaining Government policies and programmes. I fully agree with them.

D.19. IRAS has been actively reaching out to businesses to increase their awareness of PIC through PIC Seminars, dedicated hotline and email clarifications. IRAS also runs PIC clinics that provide one-to-one consultation to help businesses, especially SMEs, claim PIC.

D.20. To date, we have reached out to more than 850 businesses through the PIC Clinics and more than 33,000 business representatives through the PIC seminars. In response to requests by the business community, we have also conducted some of these sessions in Mandarin.

D.21. Although businesses have found these seminars useful, some remain unsure how they can benefit from the schemes. It will require more work from the businesses themselves, the trade associations, as well as the Government, to encourage more SMEs to come onboard. The trade associations, in particular, can play an important multiplier role. We want to work with them to reach out to as many businesses as possible. Ultimately, however, businesses are in the best position to assess how best they can make use of the various schemes to

transform their companies. Indeed they have the responsibility to do so.

Outreach for Wage Credit Scheme

D.22. Mr Ong Teng Koon has also asked about outreach efforts on the Wage Credit Scheme (WCS). We will apply the lessons learnt from the outreach experience that we have had with the PIC scheme lessons as we promote and implement the WCS.

D.23. Since the Budget announcement, MOF has reached out to the business community to raise awareness of the WCS, and help them understand how they can benefit from it. We have engaged over 150 representatives from Trade Associations and Chambers, and over 1,000 representatives from businesses. In the upcoming weeks, we will meet with other stakeholders including members of the Singapore National Employers Federation, the Association of Small and Medium Enterprises and NTUC.

D.24. IRAS will be administering the WCS with the help of CPF Board. It will tap on its existing outreach platforms to further engage businesses. Over the next few weeks, more details of the scheme will be published on IRAS'

website, including detailed answers to the questions that many have asked. A dedicated hotline and email for enquiries have been set up. There will also be a WCS calculator for businesses to compute their payout.

D.25. IRAS will ensure that businesses receive their WCS payments as quickly as possible. By the end of March 2014, businesses will receive their payments for wage increases given in 2013 via cheque or their GIRO account with IRAS. To make it easy for businesses to benefit, payment will be automatic – no application will be required.

加薪补贴计划的推广

- 我们在推行生产力及创新优惠计划时，深深地体会到，要让企业了解计划并从中受惠，需要一段时间和过程。因此，我们在推广加薪补贴计划时，会吸取经验，希望把推广宣传的工作做得更好
- 在财政部长宣布预算案之后，财政部马上跟进，向商界解释加薪补贴计划的细节，加强他们对计划的认识和了解，让他们知道如何能从中受惠。我们在预算案

宣布后已经举行了多场研讨会和对话会，通过这些活动，我们与多达 150 名工商协会代表和一千多名商业代表，进行了讨论和对话。接下来的几个星期，我们将会与新加坡全国雇主联合会和全国职工总会等关键组织，进行磋商和讨论。

- 国内税务局将是推行加薪补贴计划的负责部门。它将继续通过现有的平台，与企业沟通，向它们解释加薪补贴计划的细节。在接下来的几个星期内，财政部将与国内税务局携手合作，把计划的更多资讯放上网。公众可上国内税务局的网站，获取更多的细节，例如较为普遍或大家关心的问题与解答，和方便企业计算它们所能得到的津贴的“网上计算机”。我们也已设专线电话服务和电邮服务，让那些想要询问详情的企业，能够轻易获得所需的资讯。国内税务局也会将加薪补贴计划的相关资讯，纳入其企业宣传计划之内。

D (III) Helping the Asset Management Industry

- D.26. Ms Lina Chiam had a suggestion to use tax rebates to help grow the asset management industry. I'd like to share that Singapore has a vibrant asset management industry with a diverse range of players. This includes large and small fund houses, and fund managers of both traditional and alternative funds.
- D.27. Over the past five years, the total assets managed by Singapore-based asset managers have grown at an average rate of 11% per annum to reach S\$1.34 trillion at end-2011. This is higher than our average GDP growth rate over the same period.
- D.28. Singapore has introduced several incentives such as grants and concessionary tax rates, to promote the asset management industry. For example, we provide grants for the training of fund managers, and offer tax exemption on income derived by fund vehicles managed or advised out of Singapore. They achieve a similar effect as introducing tax rebates, and because they have worked well, we will continue to use them as a way of promoting the industry.

D.29. Ms Chiam had a question on commissions. In fact, MAS is best placed to address this, but I will just share very briefly that the commissions of stock brokerages was liberalised more than a decade ago. So the market is competitive and commissions are lower than before. And if the commissions are still too high, global and regional competition will force them down.

D.30. Ms Chiam also asked about whether Singaporeans are able to take up the opportunities that the thriving asset management industry is offering. The government encourages the employment of Singaporeans through non-tax tools, such as economic grants and manpower development programmes. For example, last year MAS announced that it will introduce new schemes to boost the Singaporean leadership and talent pipeline in the financial sector. These schemes are aimed at increasing opportunities for Singaporean finance professionals to be groomed through structured leadership programmes and to gain international exposure, which is critical to be successful in this sector. MAS will also provide scholarships to Singaporeans under the Financial Scholarship Programme, so as to build our own pool of specialist talent and help them go further.

D.31. Concurrently, there are training programmes such as those offered by the Institute of Banking and Finance, based on the Financial Industry Competency Standards, which focus on raising the overall competency and enabling the career mobility of Singaporeans at all levels. So I would like to assure Ms Chiam that these measures are very much a priority for MAS.

E. SUPPORTING AN INCLUSIVE SOCIETY

E (I) Philanthropic Causes

E.1. Mr Alvin Yeo and Mr Laurence Lien have both raised questions relating to how we shape a more inclusive society, an important facet of which is the culture of giving. I agree with their basic approach of wanting to foster a culture of having the more able helping the less fortunate in our society.

E.2. Our incentives for philanthropy have been significantly enhanced. There are also many more examples that show Singaporeans' generosity in supporting charitable causes. Many donors give anonymously, whether or not they receive a benefit in return. Nonetheless, they appreciate that the Government recognises their

generosity through various measures such as the 250% tax deduction introduced in 2009.

E.3. We have also introduced matching grants for donations to support the Institutes of Higher Learning through the Singapore Universities Trust (SUT) and the long-term care sector through the Community Silver Trust (CST). In this year's Budget, we announced further support for the arts and culture sector by matching private donations through the new Cultural Donation Matching Fund.

E.4. Both the tax deduction scheme and matching grants have been well received. For example, the Government matched donations of over \$200 million with disbursements from the SUT and CST in 2010 and 2011. Aided by favourable economic conditions, the total amount of tax-deductible donations to local Institutions of a Public Character (IPCs) rose from \$896 million in 2011 to a record \$1.1 billion in 2012. The 250% tax deduction scheme was extended in 2011 for another five years, to 2015. MOF intends to review this scheme again before it expires.

- E.5. As Mr Lien has noted, certain gifts-in-kind already qualify for tax deduction. These are shares, computers, land, buildings, and works of art. About \$3 million in computer donations and \$18 million in arts and artefacts received tax deductions from 2005 to 2011.
- E.6. We agree that there is scope to expand the qualifying list of in-kind donations, including services, to support more of such giving. Given the very wide range of possible gifts, we will have to find an appropriate and not overly cumbersome way for the valuation of gifts. This is not to make things difficult, or circuitous as Mr Alvin Yeo described it, for the potential donors, but to ensure a sense of fairness and equitability.
- E.7. MOF and MCCY will study how it is done in other countries and will also be happy to work with the National Volunteer and Philanthropy Centre and other community partners to develop a sensible way to value non-standard gifts. So I think Mr Lien suggested fair market value as well as at cost – these are certainly ways in which we can value the gifts, but we also have to look at all the non-standard gifts in totality and find a sensible way to handle all of them.

- E.8. An increasing number of Singaporeans donate to overseas causes. Singapore-based charities have also been involved in overseas philanthropic work. These are by themselves worthy initiatives
- E.9. Madam, charities are allowed to raise funds publicly in support of overseas disaster relief. In 2007, we also relaxed the 80:20 rule with respect to the use of private donations for other overseas work.
- E.10. We have explained previously why we would prefer not to further relax the 80:20 rule and grant tax deductions with respect to donations for overseas causes made to Singapore-registered charities. Doing so would mean more resources, especially foregone tax revenues, being channelled overseas. We have to carefully consider this, especially when such resources could otherwise be used to meet the needs of the local charitable sector, which is still developing. Nonetheless, we will study how we can encourage the local IPCs who are doing charity work in the region.

E (II) Social Enterprises

E.11. Mr Alvin Yeo also suggested granting more incentives to social enterprises – which are businesses set up to advance social causes.

E.12. Social enterprises play an important role in empowering the disadvantaged and building an inclusive community. During the Budget debates, Ms Penny Low cited two successful examples overseas – Zipcars and AirBnb - which have done well for themselves while addressing a social need.

E.13. What makes social enterprises more effective, compared to the Government or charities, in meeting certain social needs? For one thing, they are better able to harness the creativity and entrepreneurial skills of the private sector. Second, through building viable business models that are responsive to changing market needs, social enterprises can provide meaningful and sustainable ways of supporting their clients.

E.14. The Government's support must therefore help to bring forth these qualities rather than blunt them. Existing

grants and incentives available to start-ups and SMEs are applicable to social enterprises as well. These include 3-year tax exemption for start-up companies. As is the case for all businesses, losses can already be carried forward indefinitely to offset future taxable income. Social enterprises will also benefit from the Productivity and Innovation Credit, as well as the Wage Credit Scheme announced in this year's Budget.

E.15. These help alone are insufficient as unlike businesses with financial bottom-lines, a social enterprise also has a social bottom-line. Getting both right is often very challenging. That is why we extend grant-support, and more importantly help to nurture them through capability-building initiatives. One example is the Social Enterprise Capability Development Programme, which provides 80% co-funding for social enterprises to attend management courses. MSF is also exploring a Social Enterprise Mentorship Programme with corporations and chambers of commerce so that social enterprises can pick up business skills.

E.16. Besides benefiting from PIC, social enterprises that train or employ the less advantaged can also tap on the

ComCare Enterprise Fund (CEF) provided by the Ministry of Social and Family Development (MSF) to fund their start-up and expansion costs. Since its inception in 2003, the CEF has committed \$11 million to support more than 90 projects, such as Dignity Kitchen and Bizlink Centre.

E.17. More recently, MSF launched the inaugural President's Challenge Social Enterprise Award in 2012 to recognise outstanding social enterprises. MSF also partnered MediaCorp in its programme 'Social Inc' which is currently being aired. These initiatives enhance the branding and public awareness of our social enterprises.

E.18. Beyond Government, social enterprises have the strong support of community partners. For instance, Tote Board provides funding and incubational support to social enterprises through the Social Enterprise Hub (SE Hub), which it established in 2011. One of SE Hub's investments is the chain of "Laksania" cafés, which trains and employs persons with disabilities.

E.19. These types of support are more significant than additional tax privileges. This is because most of our social enterprises do not have much taxable profits. In

the US where the social enterprise landscape is vibrant and dynamic, social enterprises too do not benefit from special tax incentives. Their success lies in having a strong and supportive ecosystem, which is also how we should grow local social enterprises to be part and parcel of the inclusive society in Singapore.

E (IV) Singapore 50 Fund

E.20. Madam, Mr Alex Yam suggested that the Government consider a Singapore 50 Fund to recognise Singaporeans' contributions to nation-building.

E.21. 2015 will indeed be an important milestone for Singapore as we celebrate our Golden Jubilee year. It will provide us the opportunity to reflect on how Singapore has progressed over the years, and also look ahead to the future as one people. To celebrate this important year, we are planning programmes and activities that will involve all Singaporeans.

E.22. The Ministry of Community, Culture and Youth (MCCY) will share more details on how the community can play a part in the 2015 celebrations in their COS. We welcome

all ideas on how to celebrate this occasion, such as the idea raised by Mr Alex Yam.

F. OTHERS

F (I) Managing Costs of Infrastructure

- F.1. Madam, I will now address the thoughtful questions raised by Ms Tan Su Shan.
- F.2. Ms Tan asked if the tightened foreign worker policies would lead to higher Government development costs for public infrastructure.
- F.3. Constructions costs vary greatly from project to project. Material and equipment costs tend to make up the largest component, as much as 70%, and these costs can fluctuate quite significantly, depending on global demand and supply. This explains why estimates have to be revised from time to time and why any adjustments may not be due to manpower alone.
- F.4. If there is no reduction in manpower usage, construction costs will indeed increase a little as a result of the tightening measures. This is why our approach has to be

to provide every support to those firms which make an effort to raise construction productivity and reduce manpower usage.

- F.5. The public sector will also take the lead by setting higher standards with respect to labour-saving designs and more efficient construction methods. These include standardised layouts and greater use of pre-cast materials, without sacrificing quality design. We will focus sharply on improving productivity to contain cost increases in public projects.
- F.6. The Government has also set up systems such as the Gateway Process and Value Management workshops to strengthen the rigour of the approval process for large development projects. These initiatives will become even more important during this period where we aim to transit to a higher level of construction productivity.
- F.7. Ms Tan also raised the question of fiscal sustainability, as social spending rises with the ageing population, while revenues from some sources may weaken as the economy restructures. Several MPs raised similar

concerns during the Budget Debate - Dr Lily Neo, Mr Ong Teng Koon, and Mr Edwin Tong. These concerns point to the need to continue our long-standing practice of prudent fiscal planning.

- F.8. Let me outline some of the ways in which we do that. First, we must ensure that we spend wisely. As DPM said during the Budget debate, it's not just about spending more, it's about spending better. We have to use taxpayers' monies carefully, to make sure our expenditure gets the best value, and our programmes are both effective and efficient. This is why, despite keeping social spending relatively low, our social outcomes are not inferior to many countries by most international reckonings.
- F.9. For instance, our spending per capita on primary school education is lower than in many advanced countries like the U.S. Similarly, our spending per capita on secondary school education is also lower than in the U.S. Yet most international assessments place our school system as amongst the best internationally, and well above that of the U.S., based on outcomes for students of all abilities.

F.10. Second, while providing broad-based support to give all Singaporeans the chance to achieve their aspirations, social spending is directed at Singaporeans who need the most help. For instance, the Workfare Income Supplement (WIS) scheme is targeted at older low-wage workers, to encourage them to stay in employment. And in healthcare, we aim to support both lower and middle-income Singaporeans.

F.11. Third, we have to ensure that we have a resilient revenue structure. The changes we made over the last five years, to enhance revenues through changes to the Net Investment Returns (NIR) framework and by raising the GST rate, have given us the fiscal space to make significant investments in infrastructure as well as to expand our social spending. As social spending increases, especially with our population getting significantly older over the next 10-15 years, we will in time have to consider how best to seek additional revenue sources.

F.12. In doing so, as emphasised by DPM Tharman when he rounded up the Budget debate, we must maintain a tax

regime that is fair and equitable, as well as be able to sustain our economic dynamism.

F (II) Measuring Income and Wealth

F.13. Turning now to Mr Gerald Giam's question, our approach to collecting information on the income and wealth of Singaporeans takes into account our tax policies, as well as the ease with which accurate capture is achievable.

F.14. Employment income and property wealth are the basis of our tax regime. Further, they are relatively easy to capture compared to investment income such as the sale of shares in private businesses, and wealth assets such as art and wine collections.

F.15. It would take a much more elaborate system to track all possible sources of income and wealth of Singaporeans. For example, in the U.S., the instructions for individuals filing a federal income tax return run to 108 pages. There are other problems. For example, it would be difficult to verify the declared value of certain types of wealth such as properties overseas or art and wine collections.

F.16. Even if we can overcome these difficulties, we have to recognise the practical reality that income and wealth holdings can be migrated to other tax jurisdictions. This will also be easiest amongst those who are wealthy, much more so than amongst middle-income Singaporeans.

F.17. To avoid paying high taxes in their home countries, sophisticated taxpayers will often engage in tax planning which is legal and permissible. In other words, as several other countries have found, a more elaborate tax system does not mean more taxes collected from the very high-income and wealthy as they can park their income and wealth elsewhere. This is particularly so in the case of small countries.

F.18. Therefore, instead of focusing on how comprehensively the income and assets of the wealthy are taxed, we look at ensuring that they contribute a good share of the total taxes that we collect.

F.19. As was highlighted during the Budget Debate, the bulk of taxes in Singapore is paid by higher income-earners and the wealthy.

- a. At the individual level, the top 10% of the employed workforce contribute 90% of personal income tax collections;
- b. At the household level, and including GST and all other taxes, the top 20% of households accounted for slightly over 50% of all taxes paid, while the bottom 20% paid 7%.

F.20. At the same time, we have ensured that the bulk of benefits are received by the lower- and middle-income earners. Overall, we have a progressive tax and benefits system that is fair, effective and practical. And we have taken steps in this Budget to enhance this progressivity, such as through changes to Workfare, property tax and vehicle taxes, while maintaining a competitive tax regime.

G. CONCLUSION

G.1. Let me once again thank all members for their comments and suggestions. To sum up:

- Ensuring an effective and accountable government;
- Enabling quality growth; and
- Supporting an inclusive society

Remains very much at the core of MOF efforts. There are no short cuts to achieving these objectives. What's important is we continue to take pragmatic steps to make this a better home for Singaporeans.