

**ROUND-UP SPEECH FOR DEBATE ON MINISTERIAL STATEMENTS ON SUPPORT MEASURES FOR PHASE 2 (HEIGHTENED ALERT) AND PHASE 3 (HEIGHTENED ALERT) (27 JULY 2021)**

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Mdm Deputy Speaker,

## **A. INTRODUCTION**

1. I thank all Members for your comments and suggestions, and for supporting the support measures that we have put in place during the Heightened Alert period.
  
2. Several members have asked about COVID-related management measures. In fact, we had an extensive discussion on this yesterday. I do not really have much to add to this. But I do want to briefly address some points made by several Members about the abrupt and sudden changes that we all had to experience these past few weeks. I thought we had explained it yesterday, but I think it is worth repeating.
  
3. From the start of this pandemic, we have been upfront and transparent with Singaporeans about the challenges we face and our assessment of the situation. We sought to communicate it as best as we could. Obviously, it is very hard to predict what will happen. We do not even know what will happen in the next few days, let alone the next few weeks or months. So everyone needs to understand that we are operating in a highly fluid, rapidly changing and very uncertain environment.
  
4. In the lead up to where we are today, in early July, what were the number of cases like? Single digit! And it was coming down. On 11 July, we had zero cases for the first time in quite a long while. Any risk dashboard will tell you that things are okay and we will be able to move forward to open confidently.
  
5. And then, we had the KTV cluster with no warning, no indicator, before it struck us. But based on our assessment of the KTV cluster then, we felt it was still possible to proceed but perhaps slow down the pace of re-opening. And therefore, we put in place the five-two persons rule which we talked about yesterday.

6. But shortly after that, we had the Jurong Fishery Port cluster. And our assessment of that cluster was that this was much more serious. The cases were already in the community, through our markets, our hawker centers. There was heightened risk of exponential spread, and our vaccination coverage at that time was not adequate. That was why we decided at that time that we had to return to Phase 2 (Heightened Alert).

7. If we look at the facts today, I am fully convinced that we have made the right judgment call. Look at where we are today. Up till now, the KTV cluster has had 245 cases including two cases today. The Jurong Fishery Port cluster has had 902 cases, including 36 cases today. That is about four times the size of the KTV cluster, and it is still growing.

8. Let us look at the cases of hospitalisation and those who are very ill because that is also an important indicator. And that has gone up by three and a half times in the past week alone from five in July - yes, it is a low base – to 18 yesterday. But if we had not returned to Phase 2 (Heightened Alert), the outcome would have been far worse. Remember we still have 200,000 seniors above 60 years old who are not vaccinated. Are we prepared to live with an outcome where many of them fall sick and even succumb to the illness? Is that something we want to see happening in Singapore?

9. So, it is a very difficult decision. I know everyone is frustrated about the measures because the minute I announce something, I get feedback in my inbox too. But I hope Members in this house understand too, as we have tried very hard to explain to all of you, in the hope that you too understand what an important, difficult but necessary decision it was to make. So that you too can do your part as responsible Members of Parliament in this crisis and pandemic, to explain to your residents and constituents who, I understand are frustrated or upset. And explain to them why we had to do this difficult but necessary decision.

10. And as I said yesterday, we will monitor the situation. We know that hospitalisation in ICUs happens with a lag. So we will see what happens in the next few days with the ICU cases and cases of those who are severely ill. And we will see if we can continue to keep the cases under control.

11. Fortunately, as of now, while the case numbers are still high, it does not look like the numbers are rising exponentially. As I said yesterday, if the overall situation – like clusters are under control, hospitalisation rates and ICU rates remain acceptable and stable, at the mid-point of our Phase 2 (Heightened Alert), which is coming soon, we will review and consider some easing for vaccinated persons only.

12. The next milestone comes in September, when we have 80% of people in Singapore vaccinated with two doses, and hopefully similar coverage for our seniors aged 70 and above, we can then make the next move of easing.

13. This is already revealing some sense of what roadmap we can expect. It is not all the details, because we are still fleshing out details around specific measures and potentially next steps after September. When we are ready and have more information, we will certainly share this with Singaporeans.

14. Recognising that as we open up with a higher vaccination coverage, our focus will change. And we will shift our focus to not just looking at daily infection cases, but paying more attention to those who are hospitalised and in ICU. That will be the more salient consideration. Based on that shift, hopefully then if we see more cases rising up or emerging as we open, we can have some confidence – so long as hospitalisation and ICU cases remain stable – that we hopefully will not have to go back to Heightened Alert again so long, as I said, important qualifier, so long as hospitalisation and ICU cases remain stable and at an acceptable level.

15. But we know that we cannot rule out things from worsening. We know that we cannot rule out the risk of new variants coming, that you may have a more severe outbreak with more people hospitalised. Therefore, we have to be prepared that we may have to put in additional restrictions down the road, but hopefully not like what we had gone through over this past few weeks and months.

16. That is the uncertainty that we all have to face and we all should face it together, recognising that this is something we all have to deal with during this pandemic. I would certainly not like to have to impose restrictions again, if I can help it. But if the situation worsens to such an extent, where hospitalisation and ICU cases go up despite our high vaccine coverage, perhaps because of a new variant, then I think we have to understand these are the risks and why we may have to put in place such measures.

17. So I hope this explanation will give everyone a better appreciation of why we did what we did, and what to expect. We have shared as much as we can up to now. And when further details are ready, we will share more. Many of you also have suggestions on other COVID-related measures that you think might be adjusted and I want to assure you that the MTF will continue to study all these suggestions carefully as we review and update our strategies

18. Several Members offered suggestions in other areas like childcare leave and workplace fairness – these will require careful study by the relevant ministries, and will be considered and addressed on other occasions. So I don't propose to dwell too much on them.

19. In my response today, I'd like to touch on two broad areas that Members have raised:

- a. First, how we are helping workers and businesses to ride through this period of Heightened Alert; and
- b. Second, how we are preparing for the next phase, and gearing up for a post-pandemic world.

## **B. PROVIDING IMMEDIATE SUPPORT**

20. Let me start with the immediate support that we are providing. Our support measures, as most of you know, will cost more than \$2 billion throughout the Heightened Alert period since May.

- a. Essentially, we have tried to re-allocate as much as we can from the existing Budget to avail funds for the support measures.
- b. Based on the amount available for spending, we had to carefully design the measures to meet the needs of businesses and workers who are most affected.

21. We also took into consideration the strong base of existing measures rolled out in previous Budgets, which are still in place today.

- a. These include the Wage Credit Scheme which continues to support businesses which provided wage increases to Singaporean workers; the SMEs Go Digital programme; and the SGUnited Jobs and Skills Package.
- b. All of these schemes, programmes and measures are already part of the baseline and part of the existing support package. In fact, the vast majority of the support goes to SMEs.

22. There is also existing support for specific areas like the arts and sports sector, which Mr Sharael Taha, Mr Mark Chay and Ms Raeesah Khan spoke about. Sports coaches and fitness instructors can benefit from the Continuing Coach Education Training Allowance and the Self-Employed Person (SEP) Project Grant. Likewise, we have similar support schemes for our arts and culture freelancers and organisations.

23. Where access to credit is concerned, we had earlier extended measures such as the Temporary Bridging Loan Programme, and the Extended Support Scheme -

Standardised to enable SMEs in affected sectors to defer principal payments on their eligible loans.

- a. I heard suggestions by Mr Don Wee and Mr Edward Chia to enhance some of these schemes, and to extend the moratoriums for these loan schemes.
- b. For now, the MAS and our economic agencies assess that the credit market remains healthy, and the current support measures are sufficient.
- c. But we will continue to monitor the situation closely, and we will review the need for any adjustments.
- d. Meanwhile our local banks are proactively reaching out to SMEs to provide relief and restructuring support based on their circumstances.

24. I also recognise that cash flow is a major concern for many SMEs. Several members highlighted this, such as Ms He Ting Ru, Mr Edward Chia and others. Hence, we will strive to push out the support as fast as we can. We will do so within our operational limits, while ensuring accuracy and good governance

- a. In fact, government assistance is now flowing such that there is cash flow support to businesses throughout the year.
- b. To illustrate, eligible firms have been receiving quarterly Jobs Support Scheme, or JSS payouts since April last year, with the most recent paid in June. The cash payout under the Rental Support Scheme will be paid out soon in August, before the next JSS payout in September. Hence, we will try to ensure a steady stream of cash payouts to businesses.

25. There may be businesses or workers who do not meet the qualifying criteria of our schemes. That is why we have the COVID-19 Recovery Grant -Temporary (CRG-T) to cater to individuals who may not fit into any of our schemes.

- a. For example, hawkers in the coffeeshops may not qualify for the Market and Hawker Relief Fund but can apply for the COVID-19 Recovery Grant - Temporary. We will help them through this scheme. We also help these hawkers by providing rental rebates or getting them on board online delivery platforms.

- b. Likewise, we also consider businesses that are badly affected but may not fall neatly into the specific SSIC codes. These are the codes used to determine which categories businesses fall under, for us to disburse JSS payouts. However, the codes may not accurately reflect the kind of business activities that the firm is involved in.
  - c. Hence, since the inception of the JSS, we have considered appeals from businesses. In fact, we have extended JSS support for close to 6,000 companies through such appeals. Successful appellants include companies that are suppliers or vendors to the F&B sector, retail, event companies for local events, and other affected sectors that Members have talked about. Many appeals from such companies have been successful. If you know of such cases, do let MOF know or appeal through IRAS, and we will look at each case on its own merits.
26. Likewise, agencies do exercise flexibility in the implementation of the different schemes.
- a. With regard to the COVID-19 Recovery Grant (CRG) – Temporary, Ms Jessica Tan and Mr Sharael Taha asked for more flexibility for those with extenuating circumstances and flexibility around the income loss or AV criteria. Similarly, agencies will look at cases and consider on a case-by-case basis.
27. On rental relief, I recognise the difficult issues facing landlords and tenants, as Ms Jessica Tan highlighted.
- a. I mentioned this in my Ministerial Statement yesterday, and perhaps it is worth repeating the principles for intervention.
    - i. The starting point is the sanctity of contract.
    - ii. We do not lightly intervene.
    - iii. We do so only in specific situations, and in a carefully scoped manner.
  - b. This is also in line with Mr Cheng Hsing Yao's caution that we should not create the impression that such interventions are now becoming the norm.



- c. The Ministry of Law is carefully considering the eligibility criteria and the details of the framework, which they will announce in due course.
- d. Ultimately, landlords and tenants have a symbiotic relationship where both parties do well, or conversely, do poorly together. It is important to keep lines of communication open to ensure constructive discussions. That is why we now have the Fair Tenancy Industry Committee that facilitates this by bringing together key representatives from Singapore's landlord and tenant communities to discuss issues related to retail lease agreements.

28. Several members, including Ms Janet Ang, Mr Edward Chia, Mr Don Wee, also raised suggestions on a wide range of further measures. We will study these options for future support, if necessary. But as many have also highlighted, the best way to help our businesses is to allow them to resume their operations and get their topline back again. That remains our priority.

29. When we do so and start to reopen our economy and our borders, the manpower inflow will resume. This will address concerns about acute labour shortages in sectors like Construction, Marine Shipyard and Process, a point that Ms Janet Ang and Mr Melvin Yong highlighted.

- a. Meanwhile, as Members have highlighted, we have started several pilots to bring in migrant workers who will adhere to strict testing protocols in their home countries. We will bring these workers in safely.
- b. We will explore expanding these pilots to facilitate worker inflow in a safe manner.
- c. Mr Melvin Yong asked about the numbers. I do not have concrete numbers with me at this point, but obviously they are not going to be very large at this stage. It will take time to bring workers in, in a safe and sustainable manner. To Associate Professor Jamus Lim's question on why we do not carry out development projects this year, it is not because of financial issues. It is because we do not have enough workers to do so. We do not want to rush to bring workers in and end up with a large outbreak again. We want to do so

safely, in a careful and controlled manner. We will ensure these pilots work before we scale up.

- d. This is why our assessment is that these projects cannot be done this year, and have to be deferred to next year.

30. Ultimately no one can predict the trajectory of this pandemic. As I said just now, if we continue on our path or reopening, hopefully we can do so in a continuous manner. But I cannot rule out the possibility of occasional slowdowns or pullbacks. We may have to introduce additional restrictions.

31. If we do so, we need to put in place another package to support businesses, and we will find ways to fund it. But as Mr Liang Eng Hwa noted, it is becoming harder and harder to do so, to squeeze out the “next drop of funding”. It is not easy.

- a. For this support package, agencies have already reviewed their development projects due to COVID-related delays. As I said earlier, it is not possible to do these projects this year because of manpower shortages. These delays have allowed us to reallocate resources for the current support measures.
- b. If we have to provide additional support later in this Fiscal Year, we will likely need to tighten Government spending across both operating and development expenditures, to free up resources for such contingency needs. That is what we would do if we need another package this financial year.

32. Mr Liang suggested setting up a Pandemic Economic Response Fund, so that the Government would not have to come to Parliament each time we do a support package. Mr Louis Chua also mentioned something similar with the use of automatic stabilisers.

- a. It may be challenging to set up such a fund this year because we will not have the resources to do so.
- b. But this is an idea we can study for the next Budget.
- c. If we do set up such a fund, we will have to strike the right balance to ensure that Parliament continues to have oversight over the relief measures.

33. Of course, we cannot rule out the possibility that the situation may significantly worsen. And if we were in such a serious and emergency condition, as I said before, we will not hesitate to draw on the full fiscal firepower of our Reserves, and will seek the President's support to do so.

### **C. GEARING UP FOR A POST-PANDEMIC WORLD**

34. Besides dealing with the immediate challenges, we must prepare for the next phase.

- a. Life in a post-pandemic world will be different from what it used to be and we must expect greater uncertainty and volatility.
- b. So we must continue the important work of transforming our economy, and equipping our people with the skills they need in an age of change.

35. As we transition to the new normal, we must go beyond support measures, towards building strength and resilience for the future. We must continue to invest in growing our economy, strengthening our society, and greening our home. Let me elaborate on each of these areas.

#### Vibrant and Strong Economy

36. Our first priority is to expand opportunities and create good jobs for Singaporeans. To do so, we need a strong and vibrant economy. This will enable us to provide a high quality of life for all Singaporeans, and enable them to achieve their aspirations.

37. As a small and open economy, rapid shifts in the external environment have profound implications for Singapore. COVID-19 has brought this out acutely.

- a. Countries have moved to re-shore production activities. Industries and firms have accelerated the restructuring of their supply chains to reduce concentration risks.
  - b. Remote working is becoming the new norm, reducing the importance of geographical factors in where companies choose to locate.
  - c. At the same time, fiscal stresses have led to the emerging international consensus on a global minimum effective tax rate, which we discussed. The outcome will blunt our use of tax incentives to anchor significant economic activities in Singapore.
  - d. All of these trends can erode our value proposition as a hub economy.
38. I recently attended the G20 Finance Ministers meeting in Venice.
- a. Being in Venice, I was reminded of how a city's fortunes can easily change.
  - b. Venice enjoyed great prosperity in the Middle Ages – it was a vital trading hub, connecting the East with the West via the Mediterranean.
  - c. But Venice did not adapt fast enough to changes in the world.
  - d. The invention of the seafaring galleon, which could survive at sea for months, even years, meant that European states could set up new oceanic trade routes, bypassing Venice altogether.
  - e. This marked the beginning of the decline of Venice.
39. What happened to Venice can happen to Singapore too, if we are not careful.
- a. We must never take our hub status for granted.
  - b. We must continue to stay open and double down on our connectivity as a trusted hub for commerce, trade and talent. And that's why we thought that it was very important that we have a debate on the issue of FTAs not too long ago.
  - c. We must continually work hard to strengthen our value proposition as the gateway to Asia and the world.

40. Across industries too, rapid technological change is bringing about new waves of disruption. As the global economy recovers, we are seeing increased levels of activity, startups, and company formation around the world, powered by new innovations and ideas. We see this in Singapore too, a point that Mr Leon Perera highlighted just now.

- a. We will strive to anchor more of such activities in Singapore.
- b. Likewise, existing companies must be prepared to rethink their business models, strive for new horizons, and push the technology frontier.

41. That's why we are systematically refreshing all 23 of our Industry Transformation Maps, or ITMs – to spur restructuring and transformation, and to develop new growth areas.

- a. Take the example of the Aerospace industry.
- b. It has been badly hit by the pandemic. At some point, demand will return, and the industry will recover.
- c. However, at that time, the future of the industry may be very different.
- d. For example, we are seeing a shift towards sustainable aviation fuels. In the longer term, we could even see the emergence of hydrogen-powered aircraft.
- e. Digital services which leverage aircraft data to create new services like fuel optimisation and aircraft health monitoring are also emerging.
- f. We already start from a position of strength, with an established base of engine Maintenance, Repair and Overhaul, or MRO activities in Singapore. But we cannot assume that this lead will be with us forever. We must actively pursue opportunities to anchor global Centres of Excellence with new technologies, to ensure we remain a global node for aerospace MRO and manufacturing activities.
- g. At the same time, we must help our local Singapore firms and SMEs grow and build new capabilities to partner these MNCs, to build a vibrant aerospace ecosystem.

42. This process of restructuring and transformation is vital to keeping our economy vibrant and strong.

- a. Hence the focus of our support measures will, over time, shift from providing temporary pain relief, as we are doing now, to building deep capabilities for companies to innovate and transform.
- b. To do this, we have a suite of capability-development schemes, administered by Enterprise Singapore, such as the Enterprise Development Grant and the Productivity Solutions Grant.
- c. Some members have said that these schemes can sometimes be “overwhelming” and difficult to navigate, and the process for administration can be cumbersome. I want to assure Members that Enterprise Singapore takes these feedback seriously, and are continuing to improve. For example, we have the SME Centres and the Business Grant Portal. Enterprise Singapore will continue to look at suggestions that Members have given, to see how we can strengthen our SME sector and help more of them scale up to reach new markets overseas.

43. Just as firms are transforming, we must also envision jobs of the future. I think many Members spoke about this, including the Labour MPs, and I thank you for your suggestions. Our ITMs are complemented by Jobs Transformation Maps.

- a. They help to equip our workers with the relevant skills to take on new jobs, as their firms and industries transform.
- b. We work closely with our Institutes of Higher Learning to ensure that fresh graduates from our ITEs, Polytechnics and Universities are equipped with these skills.
- c. We pay special attention to mid-careerists, especially those in their 40s and 50s, as we recognise that it is harder for them to find jobs if they are displaced. We work closely with employers and unions on training, reskilling, upskilling and career conversion opportunities for this group.

44. Through the SGUnited Jobs and Skills Package, we have provided many opportunities for job seekers over the past year.

- a. I understand the concern amongst those in temporary jobs. They are worried that once COVID is over, they may no longer have jobs.
- b. As our economy recovers, there will be increased demand for workers and more jobs will be created. We are monitoring this carefully to ensure that those in temporary jobs now will be emplaced into permanent positions.
- c. One tangible help that the Government provides for this is through the Jobs Growth Incentive, which has supported employers to expand their local hiring. Ms Foo Mee Har mentioned the good outcomes of this scheme in her speech. The scheme runs until September this year, and we are reviewing its extension.

45. In sum, Singapore will never be a large market, or the cheapest place to do business. But what has made Singapore an attractive value proposition for investors is our overall systems competitiveness – rule of law, strong intellectual property protections, connectivity to regional and global markets, an innovative and skilled workforce, and importantly, the strong spirit of tripartite partnership between the Government, unions, and employers. We will continue to strengthen all of these factors, to ensure we build a stronger and more vibrant economy.

#### Fair and Inclusive Society

46. Second, we will also build a fairer and more inclusive society. We want to progress, not individually or for our own families, but for all in our larger Singapore family.

47. COVID-19 has deepened existing social inequalities on a global scale. Across the world, the lower-income and lower-skilled workers suffered the most from COVID-19. We have not been spared. COVID-19 has also exposed the vulnerabilities of certain segments of our society.

48. The support that the Government has provided to households and individuals during this period have helped to cushion the impact. But beyond the immediate

support, we can and we will do more to address the stresses and strains brought about by COVID-19.

49. The Government will therefore continue to review our social safety nets, paying attention to groups that have been set back during this pandemic. Let me highlight some areas:

- a. For those who become unemployed, our current support goes beyond ComCare or the COVID-19 Recovery Grant. It includes a wide range of active labour market policy measures, like job-matching and skills training opportunities. We will study how we can provide more help for those who lose their jobs, with continued focus on employment facilitation. The Labour Movement will continue to be an important partner in these efforts, as Mr Abdul Samad and many others have also mentioned.
- b. We also value the contributions of our caregivers. We have introduced the Home Caregiving Grant recently to defray the costs of caregiving expenses. We will continue to see how we can better support our caregivers, together with the social infrastructure needed for an ageing population.
- c. With the rise of the gig economy, we will examine how we can boost protections and strengthen the financial resilience of self-employed persons. This includes support for skills upgrading and transition to regular employment, for those who wish to do so.
- d. These are some of the areas that we are now reviewing.

50. The journey towards building a fairer and more inclusive society goes beyond redistribution and the provision of social assistance. We all have a part to play to ensure social mobility, opportunity, and, importantly, dignity for every worker. We must put maximum effort to help every worker earn a fair wage and be accorded due respect for their contributions.



51. It is with this in mind, the Government, unions, and employers have been collaborating closely to raise the wages and enhance the employability of our lower-wage workers, as well as to improve their working conditions.

- a. The Tripartite Workgroup on Lower-Wage Workers, chaired by SMS Zaqy Mohamad, is looking at how we can move faster to uplift even more workers, in a sustainable and meaningful manner. This includes increasing the number of workers covered by the Progressive Wage Models (PWMs) and offering progressive wages in occupations not covered by the mandatory PWMs.
- b. The Workgroup will release its recommendations in due course and we are confident that these will lead to tangible and beneficial outcomes for our lower-wage workers.
- c. We will also continue to review the Workfare Income Supplement (WIS) scheme, which works hand-in-hand with the PWM, to raise the incomes of our lower-wage workers.

52. Helping our workers is a continuous endeavor that cannot be accomplished by Government efforts alone. We will partner our unions, communities, employers, and the workers themselves, to ensure that we continue to protect the livelihoods of the most vulnerable amongst us.

53. COVID-19 has also taken a toll on our mental wellbeing. I assure Dr Tan Yia Swam, Ms Jessica Tan, Mr Melvin Yong and Ms Raeesah Khan that the Government takes very seriously the issue of our people's mental health. MOH and MSF have set up a new interagency taskforce, which transited from the COVID-19 Mental Wellness Taskforce. Chaired by SMS Janil, this Taskforce will bring together the capabilities and capacities of different agencies to coordinate and oversee this important effort.

54. Together with our healthcare professionals and social service agencies, we have stepped up efforts and invested significant resources to enhance the mental wellbeing of Singaporeans and we will continue to do so. The focus areas include awareness,

prevention, destigmatisation of mental health issues and treatment. We will also take care of the mental wellbeing of our migrant workers, which is an issue raised by Mr Louis Ng and Mr Mohd Fahmi.

55. For all of the above, the Government can only do so much alone. We will need Singaporeans to step forward and contribute your ideas, talents, and energies so that together we can do more to help the disadvantaged and the vulnerable in the community.

56. We must rally together to build a Singapore where we develop the full potential of every citizen, where every person is respected and valued, and no one is left behind.

#### Green and Sustainable Singapore

57. Finally, we will build a greener and more sustainable home. We will put sustainability at the heart of our recovery, as Ms Mariam Jafaar suggested just now.

58. Earlier this year, we launched the Singapore Green Plan 2030. This is our national roadmap for a better and greener future. It sets out ambitious sectoral targets to green our living environment, use cleaner energy sources, and be more resource-efficient.

59. By 2050, we aim to halve greenhouse gas emissions from our 2030 peak, with a view to achieving net zero emissions as soon as viable in the second half of the century. As an alternative-energy disadvantaged country, this is a very ambitious aspiration to be net zero. But we are working very hard to make it happen.

- a. For a start we are reviewing the carbon tax level post-2023, in consultation with the industry, to incentivise the shift to green alternatives.
- b. We are also investing in new technologies that can help reduce our waste and emissions.

- c. Importantly, all of us must all do our part by adjusting our consumption patterns and making changes to our everyday lives.

60. This transition will not be easy, and it is not going to be costless. But there are also many opportunities to pursue from a green and sustainable Singapore.

- a. Sustainability will be a new growth area as it cuts across different industries. There can be green transport, green buildings, green power, and a whole range of different areas to explore. In some areas, such as renewable power, there will naturally be constraints on how much we can scale up in Singapore. But we can export our solutions overseas. For example, Sunseap, a solar company, is now building the world's largest floating solar farm and energy storage system in Batam.
- b. We are also putting plans in place to make Singapore the leading centre for green finance in Asia. We can become a hub for the financing of green projects in the region and even worldwide.
- c. We can also be a carbon services hub to complement Asia's decarbonisation efforts.
- d. It is a difficult transition to make, but there are significant opportunities as we grow the green economy.

#### Sustainable Fiscal Strategy

61. Building a more vibrant economy, a fairer society, and a greener nation – these are all ambitious long-term goals.

- a. It will take significant resources – billions of dollars – to make these plans a reality.
- b. To achieve that, we need a sustainable fiscal strategy.

62. I mentioned the G20 meeting just now.

- a. The G20 consists of the major economies that make up more than 80% of the world's economy - many of the world's advanced economies, all with high per capita GDP and standards of living.
  - b. But nearly all are grappling with annual deficits and rising public debt. And COVID-19 has worsened their fiscal positions.
63. Why has this happened? It often starts with good intentions. For example, to increase public spending on healthcare or welfare schemes. All with the best of intentions.
- a. But before long, entitlement spending balloons sharply as the economy matures and the population ages, outpacing the ability to raise revenues to cover these spending obligations.
  - b. What happens then? A country turns to borrowing to finance its annual deficits, year after year.
  - c. And this ends up quickly in a downward fiscal spiral.
64. What's more worrying is that societal norms and individual expectations change.
- a. An entitlement mindset sets in.
  - b. It becomes politically very challenging to roll back any benefit. And to raise taxes, or even to mention it.
  - c. There is a tendency to shortchange the future, and to overspend on the present.
  - d. That's why we must always resist the siren song of easy money, and we must do our part to uphold a culture of fiscal responsibility and stewardship.
65. Our Constitutional fiscal rules seek to achieve that – by imposing strict discipline on how we go about spending, and using our reserves. It is a framework that enables us to safeguard our reserves, while achieving a fair and judicious balance between the interests of today and tomorrow; a balance between spending for today's needs and saving for the future needs of today's generation and generations to come.

66. Now, it does not mean that the rules can never be changed. I have said that before. But we should do so only after very careful consideration and take measured steps.

- a. In fact, we debated and amended the Net Investment Returns, or NIR framework not too long ago in 2015.
- b. We made a considered long-term decision, that balanced the needs of present and future generations.
- c. The NIR framework would make a very substantial contribution to the Government's annual budget, but it was not meant to cover every funding need.
- d. Therefore, we should not, at the first sign of need, push for changes in the rules now, just to take the easy way out, and avoid having to raise tax revenues to meet our growing recurrent expenditure needs.
- e. That would not be the responsible thing to do.

67. As Mr Liang Eng Hwa and Prof Hoon Hian Teck both highlighted, we will have to raise revenue in order to meet our rising expenditure. Rising expenditure for very meritorious reasons, for all the things that we talked about: our economy, a fairer and inclusive society, a greener nation. But in deciding the timing of any tax increases, including a GST rate increase, the Government will take into account our fiscal needs as well as the prevailing economic conditions.

68. Mr Yip Hon Weng and Mr Louis Chua suggested that the Government could consider other taxes instead of GST.

- a. The truth of the matter is that we need both.
- b. The GST rate increase is largely to fund higher spending in healthcare, especially as our population ages. This reflects the support we aspire to provide for every Singaporean – better healthcare for our elderly and for ourselves as we grow old. And because these are broad-based needs, we should fund them using a broad-based tax like GST. That is appropriate and that is responsible.

- c. In fact, even with a 2%-points GST increase, we will not be able to cover all our projected healthcare spending needs.
  - d. As such, we have been increasing other revenue sources over the years, be it income tax, property tax or buyer's stamp duty, and we will continue to review these and other tax options for the future.
69. I should just make a point of clarification too – it's slightly technical – but Mr Louis Chua mentioned that SMEs contributed 29% of corporate income tax, but accounted for just 9% of accounting profits:
- a. So the suggestion is that SMEs pay disproportionately more in tax than non-SMEs.
  - b. But this comparison is in fact not correct, because when we look at accounting profits for all companies, it includes profits and losses. It's a summation of the bottom line. That's the first point.
  - c. Number two, corporate income tax is levied on chargeable income, not accounting profits. Chargeable income is not the same as accounting profits. You have to make tax adjustments for non-tax-deductible expenses like depreciation, or for capital allowances. So the two concepts are quite different.
  - d. Only companies with positive chargeable income need to pay corporate income tax. Those with losses can carry forward their losses to offset future years' corporate income tax liabilities.
  - e. In fact, close to 60% of all SMEs do not pay corporate income tax. We have replied this in a Parliamentary Question as well. And it is quite clear from the data that SMEs have a lower tax burden than non-SMEs or larger companies. The effective tax rate for SMEs is 3%, but the effective tax rate for non-SMEs is 8% to 10%.
  - f. So there should be no doubt that our system is such that SMEs have a lower tax burden.
70. Some have expressed concerns that the GST is regressive. But we cannot look at the GST in isolation.

- a. Our GST system is unique in that it is tied to a permanent GST Voucher scheme, where we offset the GST for lower-income Singaporeans, and we also absorb GST for publicly-subsidised healthcare and education.
- b. As part of the upcoming increase in the GST rate, we have set aside \$6 billion for a temporary Assurance Package to cushion the impact for all Singaporean households, with lower-income households to receive more support.
- c. In addition, we will enhance the permanent GST Voucher scheme – not just the temporary, but the permanent layer – to strengthen support for lower- to middle-income Singaporeans
- d. So concerns about regressivity have been mitigated and will continue to be, as we plan for the GST rate increase.

71. At the same time, remember that our public services and subsidies are designed to provide more help for the lower and middle-income.

- a. Put together, the outcome is that the higher-income groups pay more taxes than the benefits they receive, while the lower- and middle-income groups receive significantly more benefits than the taxes they pay.
- b. As I have shared before, lower-income households receive close to \$4 of benefits for every \$1 of tax they contribute.
- c. This is how we ensure our taxes and transfers remain fair and progressive. And it will be anchored in a system of sound and sustainable finances.

#### **D. CONCLUSION**

72. Mdm Deputy Speaker, to conclude, COVID-19 will be a major chapter in our history.

73. It will be remembered as the time:

- a. When our usually bustling CBD laid empty;
- b. When we had to work from home;
- c. When we had to meet with our friends and loved ones over a screen;

d. But it will also be remembered as the time we saw the best of Singaporeans amidst adversity and tough conditions.

74. COVID-19 is only one chapter. We have much going for us today; and much more we can look forward to in the journey ahead. Let's harness our collective strengths, keep striving to do better, and write many more chapters of our Singapore Story together.

75. Thank you.