

BUDGET 2022 SPEECH

CHARTING OUR NEW WAY FORWARD TOGETHER

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A. Economic Performance and Outlook

Mr Deputy Speaker, Sir

1 I beg to move that Parliament approve the financial policy of the Government for the financial year 1 April 2022 to 31 March 2023.

Living with COVID-19

2 Sir, it has been more than two years since COVID-19 upended our lives.

3 During this period, we mounted multiple public health responses that pushed us to new limits. We faced a major economic challenge and fought to save lives and jobs. All of us adapted to different restrictions as the virus threat evolved. Some had to put plans on hold. Others were kept apart from loved ones.

4 Throughout these challenges, Singaporeans have rallied together and supported one another. I want to express my deep appreciation to:

- a. Our stout-hearted healthcare workers who have been unwavering on the frontlines.

- b. As well as many others who have kept Singapore going – our public officers, our transport workers and those in social services, our safe distancing ambassadors, our hawkers and F&B operators, as well as our migrant workers.
- c. Most of all, I thank all Singaporeans for your strong cooperation and support – complying with our measures, coming forward to get vaccinated, trusting the government, and keeping faith with one another.

5 The last two years have shown us that there is nothing predictable about this virus. But as the global pandemic enters its third year, we will have to adjust to the new normal. We cannot let it change our hopes, our aspirations, our values.

6 We are much stronger now compared to when the virus first emerged. We have improved our public health defences and strengthened our collective resilience.

7 We have one of the highest vaccination rates in the world. And we continue to invest in and secure access to a wider range of booster and treatment options.

8 So as we navigate this Omicron wave and any future wave of infection, I am confident that we can overcome whatever lies ahead, and make further progress in our journey to live with COVID-19.

Economic Performance in 2021

9 We are starting the year on a positive note. Our economy has rebounded strongly from our worst recession since independence.

10 We worked together to cushion the effects of COVID-19. We planned, we consulted, we took action. We committed close to \$100 billion over the past two years to support Singaporeans and businesses through the uncertainties of COVID-19. The close tripartite partnership between the unions, employers and the Government enabled us to take decisive and timely actions to preserve jobs and create new ones even through this crisis.

11 Our measures have borne fruit.

12 The resident unemployment rate has come down to 3.2%, close to pre-COVID levels. The median income¹ of full-time employed

¹ Pertains to median gross monthly income from work (including employer CPF) of full-time employed residents.

residents grew by around 1% in real terms² last year, after a decline of 0.4% in 2020.

Outlook for 2022

13 We expect to see steady recovery this year.

14 Singapore will continue to benefit from the pick-up in the global economy. This will be supported by more widespread vaccination and booster efforts in the major economies like the US and Eurozone. The recovery of our key trading partners in the region will also support our growth.

15 That said, 2022 is not free of risks.

16 The global economy is still vulnerable to pandemic-related risks, and further supply-chain disruptions. Geopolitical and security risks loom, including the rising tensions in Eastern Europe.

17 We may also see a slowdown in external demand as the major economies scale back their pandemic support, and central banks tighten their accommodative monetary policies to deal with the threat of inflation.

² Deflated by Consumer Price Index for all Items at 2019 prices (2019=100).

18 We will continue to watch these potential threats. We stand ready to respond should the situation turn for the worse. Barring fresh disruptions, I expect the Singapore economy to continue to do well. Our economy should grow by 3% to 5% this year. Our investment pipeline is also strong. This will support our efforts to create more good jobs and secure the livelihoods of all Singaporeans at all levels of the workforce.

Immediate Support for Households, Businesses & Workers

19 While the overall outlook is positive, I recognise that there are still segments of the economy that are still struggling.

20 I will therefore provide targeted help for our workers and businesses in these sectors, through a **\$500 million Jobs and Business Support Package**. (See Annex A-1.)

21 As part of this Package, **I will provide a Small Business Recovery Grant for SMEs that have been most affected by COVID-19 restrictions over the past year, like those in the F&B, Retail, Tourism and Hospitality sectors.**

22 SMEs in the eligible sectors will receive a payout of \$1,000 per local employee, up to a cap of \$10,000 per firm. Local sole proprietors and partnerships in eligible sectors, as well as SFA licensed hawkers, market and coffeeshop stallholders, who do not hire local employees, will also receive a \$1,000 payout.

23 In addition, workers who continue to face income loss due to COVID-19 can apply for the COVID-19 Recovery Grant, which we have extended to the end of this year.

24 I will also extend the Jobs Growth Incentive by six months to September this year, with stepped-down support rates reflecting the improved labour market conditions. This extension will cover those who face greater difficulty finding jobs, like mature workers who have not been employed for six months or more, persons with disabilities, and ex-offenders.

25 Aside from this Package, I will continue to extend targeted assistance for the aviation sector. This includes measures to ensure public health and safety at the airport, as well as to preserve core capabilities. We must preserve and enhance our status as an international aviation hub. The Minister for Transport will share more at the COS.

26 As our economy reopens, the harder-hit sectors should progressively see improved prospects. Meanwhile, these support measures will provide temporary relief for our businesses and workers.

27 We are also closely monitoring the risk of rising inflation and cost of living. The rise in prices comes after an extended period of low inflation over the past decade. It has been driven mainly by the recovery in global demand amidst continuing supply chain dislocations, and especially by the rise in energy prices.

28 We are also seeing the effects of the expansionary macro-economic policies pursued by the US and other developed countries to revive their economies, following the onset of the pandemic.

29 This is why the MAS had taken the pre-emptive step of raising the rate of appreciation of its exchange rate policy band in October last year, and again last month, to help dampen inflationary pressures.

30 I recognise the immediate concerns of businesses and households and will provide significant additional support in this Budget to help them tide over the current period of higher prices.

31 For businesses, the spike in the cost of materials and electricity has led to cashflow concerns. To support companies with their cashflow needs, **I will extend the Temporary Bridging Loan Programme and the enhanced Trade Loan Scheme, with revised parameters, for another six months, from 1 April to 30 September this year.** (See Annex C-1.)

32 **I will also extend access to Project Loans for the domestic construction sector for another year, from 1 April this year to 31 March next year.** This is on top of the Foreign Worker Levy rebates that construction firms are receiving currently. (See Annex C-1.)

33 For households, I will introduce a **Household Support Package.**

34 As part of the Package, I will double the GST Voucher – U-Save rebates for the rest of this year. Eligible HDB households will receive additional rebates of up to \$285.

35 I will provide children below the age of 21 with a top-up of \$200 each in their Child Development Account, Edusave Account or Post-Secondary Education Account. This will be on top of the annual Edusave top-ups they already receive.

36 I will also distribute another set of \$100 CDC Vouchers this year to support all Singaporean households in their daily expenses, and the vouchers can be used at participating heartland shops and hawkers.

37 All these amount to a **significant package of \$560 million to help Singaporeans with their utility bills, children's education, and daily essentials.** (See Annex A-2.)

38 Details of the Jobs and Business Support Package, and the Household Support Package are in the Annex. (See Annexes A-1 and A-2.)

B. Moving Forward Together

39 Beyond the immediate outlook, we must set our eyes on the future.

40 We have come this far as a nation, because we are always thinking about tomorrow: planning and taking actions not just for the present, but also with the longer-term interests of Singapore and Singaporeans at heart. So we must position ourselves now for the challenges and opportunities of the decade ahead.

41 We are moving forward from a position of strength. Our responses to the pandemic have distinguished us from other countries. We have kept our air and sea ports open, and ensured an uninterrupted flow of critical supplies. We have enhanced our reputation as a trusted and reliable node.

42 This is why we are not only attracting more investments, but also securing more high quality, cutting-edge, and innovative projects. Singapore continues to be a strategic launch pad for businesses around the world looking to expand into new markets in the region.

43 For example, BioNTech, the company that, together with Pfizer, developed the mRNA COVID-19 vaccine, is establishing its regional headquarters for Southeast Asia in Singapore.

44 BioNTech also plans to build a fully integrated mRNA manufacturing facility here, which will be operational as early as next year. The new facility will boost BioNTech's regional and global supply capacity for its growing pipeline of novel mRNA-based product candidates. (See Annex B-1.)

45 Together with other new investments and plans to build businesses and headquarter operations in Singapore, this will create many good jobs for Singaporeans.

46 Our ability to create jobs will depend on how quickly we restructure and transform the economy to take advantage of new opportunities. It will also depend on us getting our foreign worker policies right. Even as we adjust these policies, we must remain open and welcoming to talent from around the world.

47 On the whole, we are making good progress. Our productivity is increasing, enabling continued income growth for our workers. We are advancing as a Smart City, with our world class infrastructure and digitally-enabled workforce as our key competitive strengths.

48 We also have a more vibrant start-up and innovation ecosystem. Last year alone, eleven Singapore-based start-ups achieved unicorn status – no mean feat for a small city-state. These and other technology firms create many highly-skilled jobs and opportunities for Singaporeans.

49 So our economic prospects are good. But we will have to contend with new external challenges, and adapt quickly to a new environment.

50 We have entered a new era of greater contestation for influence between countries and blocs, which may erode the rules-based multilateral system that has been so crucial to Singapore's success. In particular, rivalry between the two great powers – US and China – has intensified, and will impact the world for the rest of the decade and more.

51 The pandemic has also turbocharged the move to a digital future. Every time a task moves to the digital realm, it becomes easier to use software to automate and optimise it. Such new digital technologies will disrupt and reshape businesses, and impact a wide range of jobs across all sectors of the economy.

52 Our local businesses, especially those that are digitally savvy, will be able to take advantage of the rich opportunities on offer, and transcend our geographical limitations. But this cuts both ways, as it will also be possible for MNCs to “reshore” more functions to their home countries, as they seek to simplify and localise their supply chains.

53 In short, we are entering a future where conditions are more volatile, the global environment more unpredictable, and change more fast-paced than ever. We can and must adjust, and still excel in this new environment.

54 Our enterprises and workers will need to accelerate their transformation and develop new capabilities to stay ahead of the competition, and look for opportunities beyond our shores and in new areas.

55 But there will be segments of our society who are displaced. The fast pace of change can also give rise to a greater sense of anxiety and insecurity about the future.

56 It is not the first time we have faced such concerns. When we emerged from the Global Financial Crisis of 2009, and began restructuring our economy in earnest, we were keenly aware of those

who could be left behind. So we stepped up efforts to reskill and upskill our workers, and to strengthen our social security system.

57 We enhanced Workfare and launched the Progressive Wage Model to uplift the incomes of lower-wage workers. We introduced Silver Support to supplement the retirement income of seniors who had low incomes in their working years. We implemented MediShield Life to provide universal and lifelong protections against large hospital bills. Today, these policies have become vital pillars of our social security system.

58 And these efforts have made our growth more inclusive. Real incomes of our local workers at the 20th percentile have risen by almost 40% between 2009 and 2019, faster than that of the median worker. Lower-income workers have also benefited from our highly progressive system of taxes and transfers. Inequality after taxes and transfers as measured by the Gini coefficient has steadily improved over the last decade.

59 But we cannot stop here in our efforts to strengthen our social compact. We must continue to do more in a post-pandemic future, where our workers and firms will be exposed to more competition, and where there will be greater churn for our businesses and livelihoods.

60 In the coming years, we expect an increasing shift in market rewards towards those with the highest skills and who are best able to take advantage of new technologies. This will make it harder to keep our growth inclusive and to hold our society tightly together.

61 Besides these growing economic and employment-related risks, there are other forces on the horizon that raise the stakes in our efforts to preserve social solidarity, and will also have significant implications for our future generations.

62 We are now one of the fastest ageing countries. In 2010, 9% of our population were aged 65 and above. Last year, this became 16%. By 2030, we expect Singapore to become like Japan and some European countries today – where about one in four or 25% of Singaporeans will be 65 and above.

63 Ageing will mean an inexorable rise in demand for healthcare and social care. At the same time, our means to provide for this will come under strain, as the ratio of our working population to aged dependents decreases. We must therefore plan ahead to ensure we will have the resources needed to look after more seniors.

64 We must also take decisive steps to join the global effort in tackling climate change. If the world is unable to cut emissions sufficiently in time and temperatures rise beyond a certain level, we risk extreme flooding and weather events. This could result in food and water stress for hundreds of millions of people around the world. Island nations like Singapore will be especially threatened.

65 Moving to net zero emissions will be a very costly affair for Singapore, a built-up city-state with very limited scope to tap on renewable energies. But it is a cost we cannot afford to skimp on, for it is existential. It affects our very survival, and the Singapore that our children will live in. So we must take actions now to progressively decarbonise our economy and change our way of life.

66 The changes brought about by the pandemic, rising geopolitical contestation, climate change, as well as domestic issues like our rapidly ageing society – these are the defining challenges of our time. They call for robust policy responses to reinforce our resilience and retool our capabilities for the future.

67 More importantly, to overcome these major tests and trials, we must continue to stand united as one. This is why it is more important than ever to renew and strengthen our social compact, and to reaffirm our values and what we stand for as a nation.

68 Our existing social compact has been shaped by our history, beginning as a young and vulnerable nation thrust into independence. We start and maintain the basic premise that no one owes us a living, and that we are responsible for our own defence and survival.

69 The pillars underpinning our social compact – the individual, community groups, businesses, and the state – all play a role, complementing one another, and contributing to a system of mutual support.

70 The individual works hard to be self-reliant and to provide for his or her family. Community groups, be it unions, charities, or voluntary associations, come together to help different groups of people. Employers do their part to invest in workers, advance their well-being, and improve the quality of jobs. The Government creates the conditions for a vibrant economy, invests heavily in our citizens and delivers essential public services.

71 The Government, working actively with the community and tripartite partners, also provides an extra hand to those who start with less, to keep social mobility a defining feature of our society, to

mitigate life's inevitable inequalities and to provide support for the elderly.

72 Even with the demands of building a nation and reinvesting continually in our future, we have been able to keep public expenditures in Singapore extremely lean. Government spending today, excluding COVID-19 related expenditure, stands at \$88 billion, or about 18% of GDP. This is probably the lowest among the more developed economies, yet it has produced social and economic outcomes that have been better than most.

73 We generate sufficient revenues to fund this expenditure and maintain a balanced budget. We are supported by our Net Investment Returns Contribution, or NIRC, which is a continuing stream of income from the reserves we have accumulated over the years.

74 Over the past five years, NIRC provided on average a revenue stream of around \$17 billion or about 3.5% of GDP. So this means that for every dollar we spend on public services, about 80 cents is funded by tax, and the remaining 20 cents is funded through the NIRC.

75 This fiscal approach has enabled us to keep our overall tax burden low. Currently, half of our workers do not have to pay personal income taxes. In particular, for the middle-income, we have deliberately ensured a low tax burden so that they can enjoy the rewards of their hard work.

76 Put another way, for the quality of public services we have in healthcare, education, housing, transport and many other areas, the amount of tax our citizens pay is much lower compared to many developed countries.

77 The continental European and Nordic countries have a different social compact, arising from their different histories. They have much higher levels of state-financed welfare provisions, designed to meet the needs of their citizens from cradle to grave. Their governments typically spend well above 30% of their GDP. To fund such spending, they impose high income taxes, usually much higher than 30%, even for the middle-income group, as well as consumption taxes that range from 20% to 25%.

78 We do not intend to adopt the European model of comprehensive universal welfare and high taxes. But as we tackle the challenges of a changing world, and as our own society ages and

faces new stresses, we will have to do more to preserve and strengthen the unity of our people and our social compact.

79 In fact, we have already been adjusting our approach over the years, with the Government progressively doing more to support the community and individuals. Our social spending in particular, has almost doubled from \$17 billion to \$31 billion over the last decade, and now takes up close to half of our annual Budget.

80 The increase has gone to programmes that have made a difference in Singaporeans' lives, like higher subsidies in our healthcare system and in tertiary education, as well as schemes like SkillsFuture, Workfare, and Silver Support.

81 In the coming decade, we will invest even more in our people and social infrastructure. We will spare no effort to ensure that all Singaporeans continue to have access to world-class education and healthcare, affordable housing, good jobs, and have peace of mind over their retirement needs as they grow old. We will strengthen our system of collective risk sharing, so as to give Singaporeans more assurance in managing life's uncertainties.

82 We want every Singaporean to know and feel that he or she has a stake in our society – that everyone's contributions matter, and that

they will not be left to fend for themselves when times are down. We want to uphold that sense of obligation to each other, and strengthen the assurance that, whatever the challenges we face, we will always have each other's back.

83 These plans require additional spending. They reflect the need to respond to lasting, structural shifts in our society, as well as our new social and environmental aspirations. The spending requirements will therefore be recurring in nature, not temporary.

84 Given this, it would not be right to dip into our reserves to meet these new needs. We must husband our reserves for use in major crises and emergencies, as was necessary during the Global Financial Crisis, and especially in the last two years. We must ensure that we continue to get a steady stream of income from the reserves to benefit both today's generation of Singaporeans, and our children and grandchildren.

85 Let me summarise our fiscal outlook over the coming decade:

- a. On the expenditure side, our needs are significant and growing. By 2030, we expect government expenditures to increase to more than 20% of GDP. Most of this increase in spending will go to healthcare.

- b. On the revenue side, we will not have enough to cover the additional spending needs. The stream of income from NIRC should keep pace with economic growth over time, in spite of a more challenging global investment environment. But our sharply slowing labour force growth, and hence slower GDP growth compared to the last decade, will constrain our tax revenues.

86 This is why we will make significant enhancements to our tax system in this Budget. These tax adjustments will help to raise additional revenue and also contribute to a fairer revenue structure. That means everyone chips in and contributes to a vibrant economy and strengthened social compact, but those with greater means contribute a larger share.

87 At the same time, we are mindful of the impact of the tax increases on households and businesses and will have a very comprehensive set of measures to cushion the impact and help Singaporeans adjust.

88 This Budget therefore is about charting our new way forward together. It is a first step in renewing and strengthening our social

compact for a post-pandemic world, and in realising our vision of a fairer, more sustainable, and more inclusive society. It is about giving Singaporeans the confidence to embrace the change that lies before us, so that we grow into an ever stronger economy and nation, and an ever more secure society and home.

- 89 This Budget will set out the key changes we must make to
- a. Invest in new capabilities;
 - b. Advance our green transition;
 - c. Renew and strengthen our social compact; and
 - d. Develop a fairer and more resilient revenue structure.

C. Invest in New Capabilities

90 To stay ahead in the race, we must redouble our efforts to invest in new capabilities.

91 Even before COVID-19, we had started to restructure our economy. Through the Industry Transformation Maps, or ITMs, we have been steadily building up the capabilities we need for the future.

92 We have also opened new avenues of growth, by strengthening our network of Free Trade Agreements, and enhancing cooperation with like-minded partners in the digital and green economy.

93 But much more work lies ahead. Crucially, we have a window of opportunity over the next few years to establish leading positions in key market segments. So we will accelerate our investments in new capabilities to power our next stage of growth.

Strengthen our Digital Capabilities

94 Our first priority is to strengthen our digital capabilities.

95 Today, we are one of the most connected cities in the world, and among the first to roll-out a 5G standalone network. In parallel, we have built digital utilities, like SingPass, Myinfo and PayNow, that allow our people and businesses to access digital services and transact seamlessly and safely.

96 We will invest further to meet our future needs.

- a. We will upgrade our broadband infrastructure to increase broadband access speeds by around ten times over the next few years.
- b. We will also invest in future technologies like 6G, to ride the next communications and connectivity wave.
- c. The use cases for such high speeds are still nascent, but there are many new possibilities for augmented and virtual reality tools, limited only by our imagination.

97 Alongside infrastructure improvements, I will **set aside an additional \$200 million over the next few years to enhance schemes that build digital capabilities in our businesses and workers**. More details can be found in the Annex. (See Annex C-1.) The Minister for

Communications and Information will also elaborate further at the COS.

Make Innovation Pervasive

98 Second, we will push for pervasive innovation across the economy.

99 Innovation is built on strong R&D foundations. That is why, over the years, we have steadily increased the Government's investment in R&D, maintaining it at about 1% of GDP, comparable to other small advanced economies. I will continue to sustain our investments in R&D, with \$25 billion set aside under the Research, Innovation and Enterprise, or RIE2025 strategy.

100 Public investments in R&D also serve as a catalyst for similar investments in the private sector. Unfortunately, our total business expenditure on R&D still lags other economies.

101 Presently, most of this R&D is driven by MNCs, which have greater scale and better resources. Local enterprises, which comprise

about 80% of all firms, account for only about a quarter of total business R&D expenditure in Singapore.

102 I will therefore provide more support for our local firms to undertake R&D activities. We currently have a network of more than 80 centres across our Polytechnics and ITE engaging in technology, innovation, and enterprise activities. These centres work closely with SMEs to undertake industry projects, many of which have led to new innovations.

103 For example, Nanyang Polytechnic's Automation & Robotics Innovation Centre collaborated with Sanwa-Intec Asia, an SME that supplies the automotive industry, to design and implement robotics and automation solutions. (See Annex B-1.)

104 One of the solutions is a robotic tool that emulates an operator's handling of hot moulded products. Previously, a human operator would have had to do the work manually. Now, they get the job done using the robotics system. As a result, Sanwa-Intec has significantly raised production volume, while reducing its energy consumption. (See Annex B-1.)

105 Students from Nanyang Polytechnic also had the chance to work on these projects. One of them is Alysia Ong, who is now working at Sanwa-Intec after completing her internship there. (See Annex B-1.)

106 Such collaborations are a win-win – SMEs get to tap on the R&D capabilities in our polytechnics and ITE, while students can contribute meaningfully to these projects and gain valuable hands-on industry experience.

107 To further support such collaborations, I will **increase the capacity of the centres so that they can provide research and innovation support to more SMEs. Over the next five years, these centres will be able to undertake close to 2,000 innovation projects across five pilot sectors: Agri-Tech, Construction, Food Manufacturing, Precision Engineering and Retail.** This amounts to an eight-fold increase in the number of innovation projects undertaken in these sectors. We look forward to many more success stories in the coming years.

Strengthen Local Enterprises

108 Third, we will strengthen our local enterprise ecosystem.

109 For the broad base of SMEs, our priority is to raise their productivity. SMEs can make use of the Productivity Solutions Grant, or PSG, to implement digital and automation solutions.

110 I will set aside **around \$600 million to expand the range of available solutions under the PSG and push for greater take up of productivity solutions by SMEs.** We estimate that this will support more than 100,000 productivity projects over the next four years. This is more than double the number of projects supported since the scheme began.

111 Larger local enterprises need more customised assistance to scale up and invest in overseas markets. **I will support them with a new initiative called Singapore Global Enterprises.** Under this initiative, we will provide bespoke assistance tailored to the needs of promising local enterprises, in areas like innovation, internationalisation and fostering of partnerships with other firms.

112 Many of these enterprises also need more support in talent development. So, we will launch **a new Singapore Global Executive Programme,** to help them to attract and nurture their next generation of leaders through industry and overseas attachments, mentorships, and peer support networks.

113 Besides grants and bespoke assistance, some companies also need help with their financing needs. We provide such help through the Enterprise Financing Scheme. I will enhance two components of the Scheme (See Annex C-1.):

- a. **I will expand the M&A loan programme to include domestic M&A activities from 1 April this year to 31 March 2026.** This will support companies to grow and expand through mergers and acquisitions.
- b. I had earlier announced the extension of the enhanced Trade Loan till September this year. Beyond this six-month extension, **I will maintain the enhanced 70% risk-share under the Trade Loan for enterprises venturing into more nascent markets** like Bangladesh or Brazil. We hope this will encourage our enterprises to seek untapped opportunities in these markets.

114 The Minister for Trade and Industry will share more about our enterprise development strategy at the COS.

Other Enterprise-Related Measures

115 I will also make further refinements to our tax schemes, to support businesses and strengthen our competitiveness and resilience. More details are in the Annex. (See Annex C-2.)

Invest in our People

116 Finally, and most importantly, we will continue to invest in our people.

117 We continue to invest significantly in education, to help every child achieve their full potential. Through SkillsFuture, we are also empowering and equipping Singaporeans for their lifelong journey of acquiring new skills, and sharpening existing ones.

118 To support this, we are transforming our Institutes of Higher Learning, or IHLs, which include the Autonomous Universities, into institutes for continual learning. **We will review the programming in our IHLs, and enhance their provision of quality continuing education and training.** The Minister for Education will say more about this at the COS.

119 Our enterprises also play a critical role in fostering a culture of lifelong learning at the workplace. Employers are well placed to

identify skills that are in demand and provide industry-relevant training.

120 We support employers to do so through the SkillsFuture Enterprise Credit. Today, only employers that have had at least three local employees, and contributed at least \$750 of Skills Development Levy over a qualifying period, are eligible for this Credit – and these have tended to be larger enterprises.

121 To better support our smaller and micro enterprises, **I will grant a waiver of the Skills Development Levy requirement for the qualifying period of 1 January 2021 to 31 December 2021.** This is estimated to double the number of eligible employers, from 40,000 today to 80,000. The deadline to claim the credit will also be extended by a year, to 30 June 2024, to give employers more time to use the credit. (See Annex C-1.)

Better Skills Matching

122 To maximise the investments in our people, we must also ensure a good match between the skills demanded by the industry, and those offered by the workforce.

123 This means bringing together the various parties involved – training providers, employment facilitation providers, employers, and jobseekers themselves – to anticipate the areas where new skills are required, and ensure that effective training is provided in a timely manner.

124 At the same time, employers need to redesign jobs to harness technology more effectively, and make better use of the upgraded skills of their workers. Our tripartite partners, especially the unions, help to achieve this.

125 One approach that NTUC has championed and that has proved effective is the Company Training Committees, or CTCs. The CTC model brings together the unions and employers to develop concrete firm-level transformation plans, including the relevant training needed for their workers, so that they can enjoy better wages, welfare, and prospects. These plans are then implemented with the support of relevant Government agencies.

126 To date, NTUC has formed more than 800 CTCs with companies of various sizes. One SME that has benefited from this partnership is Speco Singapore.

127 Speco started out in cleaning services, and later shifted its operations to provide disinfection services through technology solutions. The Building Construction and Timber Industries Employees' Union, or BATU, worked with Speco management to form a CTC, and to map out the training needed to reskill its workforce. (See Annex B-1.)

128 One beneficiary is Shamsul Nurhakim, who joined Speco on a Work-Study Programme. Shamsul will be completing a Diploma in Applied Science from Republic Polytechnic this year, under the sponsorship of Speco. Through the support of the CTC, he has acquired new skills, and will be well positioned to excel in his career. (See Annex B-1.)

129 NTUC would like to do more. **I will therefore set aside about \$100 million to support NTUC in its efforts to scale up the CTCs.** Part of this will go into a new grant which will be administered by NTUC, to support companies that have set up CTCs to implement their transformation plans.

130 Besides the CTCs, we will continue to extend our outreach, especially to smaller companies, through other platforms. This includes partnering with industry leaders or Queen Bee companies to

provide training and advice to smaller companies, and working closely with the Trade Associations and Chambers as well as the Singapore Business Federation.

Support for Mid-Career Workers

131 We will also pay special attention to our mid-career workers, especially those in their 40s and 50s. They are more vulnerable to churn and disruptions in the workplace. But they have valuable experience to contribute, and with some help, many are able to learn, adapt and do well in new jobs.

132 For example, Mr Manokaran was 58 years old when his job as an events manager was badly affected by the pandemic. He decided to move to a new area, and took a leap of faith into digital marketing. Through the Career Conversion Programme for Digital Advertising Professionals, he joined an IT business solutions company, and picked up new skills. Now, he is a Digital Marketing Manager, a job with good prospects in the digital economy. (See Annex B-1.)

133 Today, we have a range of support measures to help mid-career workers. For Mr Manokaran and his employer, what worked was a place-and-train arrangement, meaning he was first hired and then given on-the-job training by the company.

134 In other cases, an attach-and-train modality may be more appropriate, for example, if a company is not yet ready to commit upfront to hiring more staff. Under the SGUnited Mid-Career Pathways Programme, we have provided company attachments for mid-career workers to undergo skills upgrading with a training allowance. **We will make such company attachments for mature mid-career workers a permanent feature of our training and placement ecosystem.** (See Annex C-3.)

135 Finally, there is the train-and-place route, where individuals first attend training in areas with good hiring opportunities, before searching for a new employer.

136 In recent years, and especially during the pandemic, we have significantly expanded such training opportunities. **We will continue to enhance our provision of high-quality, industry-oriented training courses through a new SkillsFuture Career Transition Programme.** These courses will be highly subsidised, and after the training, we will provide employment facilitation services to maximise the jobseekers' prospects. (See Annex C-3.)

Adjustments to Foreign Worker Policies

137 Even as we invest in Singaporeans, we must continue to stay open and bring in manpower and skills from around the world. By combining local and foreign professionals, we form the best teams in Singapore to create value together. This gives us that extra advantage to excel amidst intense global competition, and to create many more good jobs and career choices for Singaporeans.

138 We have in place a comprehensive foreign worker policy framework to allow companies to access a diverse pool of manpower. We continually review and adjust the key policy parameters in the framework and will introduce several changes. (See Annex C-4.)

Employment Pass Holders

139 First, we will update the framework for Employment Pass or EP holders. EP holders should be professionals and senior executives who can contribute to our economy, sharpen the skills of those they work with, and strengthen our workforce. To ensure that EP holders are of the right calibre, we adjust the minimum qualifying salary from time to time – because how much the employer is prepared to pay is a practical indicator of the quality of the EP holder.

140 **We will aim to ensure that incoming EP holders are comparable in quality to the top one-third of our local PMET workforce** (those with professional, managerial, executive and technical jobs).

141 Therefore, **from September this year, the minimum qualifying salary for new EP applicants will be raised from the current \$4,500 to \$5,000. For the financial services sector, which has higher salary norms, this will be raised from the current \$5,000 to \$5,500.** The qualifying salaries for older EP applicants, which increase progressively with age, will also be raised in tandem. For renewal applications, these changes will apply from September next year to give businesses sufficient time to adjust.

142 Beyond the qualifying salary, we will refine how we assess EP applications, to improve the complementarity and diversity of our foreign workforce, and also to increase certainty and transparency for businesses.

S Pass Holders

143 Likewise for S Pass holders, we have a minimum qualifying salary to ensure that those coming in are of the right quality.

144 **We will aim for the S Pass holders to be comparable in quality to the top one-third of local Associate Professionals and Technicians.** Similar to the EP framework, we will increase the qualifying salary for S Pass holders to achieve this, and we will do so in phases.

145 In the first step, **we will raise the minimum qualifying salary for new S Pass applicants from the current \$2,500 to \$3,000 in September this year. We will also introduce a higher minimum qualifying salary of \$3,500 for the financial services sector.** The qualifying salaries for older S Pass holders will be raised in tandem.

146 Thereafter, the minimum qualifying salary for new S Pass applicants will be raised in September next year, and again in September 2025. The specific salary values will be announced closer to the implementation date, based on the prevailing local wages then. Similar to EP, the changes will apply to renewal applications one year later, to give businesses time to adjust.

147 In addition, we currently regulate the number of S Pass holders with sub-Dependency Ratio Ceilings and levies. To better manage the flow of S Pass holders, **we will progressively raise the Tier 1 levy from the current \$330 to \$650 by 2025.**

Work Permit Holders

148 Finally, our work permit policies in the construction and process sectors will be adjusted, to spur greater productivity improvements and support more manpower-efficient solutions. This will help transform the sectors that have been more heavily dependent on foreign workers.

149 **The Dependency Ratio Ceiling, or DRC, will be reduced from the current 1:7 to 1:5. The current Man-Year Entitlement (or MYE) framework will be replaced with a new levy framework that will encourage firms to support more offsite work and employ more higher-skilled work permit holders.** To give companies time to prepare for the moves, these changes will take effect from 1 January 2024.

150 The Minister for Manpower will elaborate further on the foreign worker policy changes at the COS.

151 Sir, let me emphasise that Singapore will continue to stay open and welcome talent from around the world. The adjustments in our foreign worker policies apply mainly to the broad middle of the workforce. This is where we have Singaporeans doing the jobs, but we need to continually adjust our rules to ensure better complementarity between our foreign and local workforce. At the

higher end of the workforce, where there are acute skills shortages, we will continue to bring in professionals with the right abilities to be part of Team Singapore.

152 Ultimately, our investments to develop stronger capabilities across our businesses and workforce reflect our mindset of continuous improvement. We must always strive to do better and achieve more. This will put us in good stead to meet the challenges of the future.

D. Advance our Green Transition

153 Mr Deputy Speaker, I will now speak about our green transition.

154 Climate change is a global crisis that becomes more pressing with each passing year. At last year's UN Climate Change Conference in Glasgow, or COP26, countries were urged to get to net zero emissions by or around the middle of the century, to keep alive the ambition of limiting global warming to 1.5 degrees Celsius above pre-industrial levels.

155 2050 is still about 30 years away. But unless deep reductions in CO₂ and other greenhouse gas emissions occur in the coming decades, global warming will exceed 1.5 degrees, or even 2 degrees in this century. So, the world needs to take urgent action.

Net Zero Ambition

156 Singapore is fully committed to doing our part in the global movement to tackle climate change.

157 But unlike many other countries, we are highly disadvantaged by a lack of natural renewable energy sources. We do not have huge

rivers or hot springs to draw hydro and geothermal power. We do not have the land for wind or solar energy to be sufficient for our needs.

158 But thankfully, green technologies have been improving by leaps and bounds. Alternative low-carbon solutions, like carbon capture, utilisation and storage, and hydrogen, are starting to look more plausible.

159 Carbon markets are also growing steadily. At COP26, Singapore helped to finalise a landmark decision on Article 6 of the Paris Agreement, which unlocks the door for carbon credits to be traded on a global basis.

160 Such developments give us greater confidence to review our long-term climate goals.

161 Two years ago, we made an international commitment to peak our emissions around 2030. We also announced our Long-Term Low-Emissions Development Strategy, or LEDS, to halve our emissions from its peak by 2050, and to achieve net zero emissions as soon as viable in the second half of the century.

162 Singapore takes these commitments very seriously. We are on track to achieving our 2030 target. We have since reviewed our longer-term plans. With advances in technology and new opportunities for international collaboration in areas like carbon markets, we believe we can bring forward our net zero timeline.

163 **We will therefore raise our ambition to achieve net zero emissions by or around mid-century. We will consult closely with industry and citizen stakeholder groups to firm up and finalise our plans before making a formal revision of our LEDS later this year.**

Carbon Tax

164 To achieve this net zero ambition, we will need to set the right price of carbon, so that businesses and individuals will be able to internalise the costs of carbon, and take actions to moderate their emissions.

165 When we introduced the carbon tax in 2019, we kept the initial tax low – at \$5 per tonne of emissions – to give our businesses time to adjust. To move decisively to achieve our new net zero ambition, we will need a higher carbon tax.

166 I will therefore raise our carbon tax to \$25 per tonne in 2024 and 2025, and \$45 per tonne in 2026 and 2027, with a view to reaching \$50 to \$80 per tonne by 2030.

167 The current tax of \$5 per tonne will remain unchanged until 2023, as previously stated. We are pacing the increases to the carbon tax between now and 2030, and will announce subsequent increases ahead of time. This will provide certainty for businesses.

168 Besides this, we will not impose an additional carbon tax on the use of petrol, diesel and compressed natural gas. These already have excise duties that encourage users to moderate their fuel consumption and hence emissions. We will continue to review and adjust these fuel excise duties periodically.

169 I appreciate that some businesses and households may require support as they adjust to the carbon tax increase.

170 For example, we are mindful that firms in our emissions-intensive and trade-exposed sectors may face higher costs than those in countries with lower or no carbon tax. Some will need a little more time to make the necessary reduction in emissions or investment in cleaner technologies. Hence, to support such firms and **manage the**

near-term impact on their competitiveness, we will put in place a transition framework.

171 Such transition frameworks are found in many countries with carbon taxes. They provide existing companies with allowances for a share of their emissions. For our framework, the allowances will be determined based on efficiency standards and decarbonisation targets. This will help mitigate the impact on business costs, while still encouraging decarbonisation. We will continue to engage affected companies on the design of the framework prior to its implementation in 2024.

172 From 2024, we will also allow businesses to use high-quality, international carbon credits to offset up to 5% of their taxable emissions, in lieu of paying carbon tax. This will moderate the impact for companies. It will also help create local demand for high-quality carbon credits and catalyse the development of well-functioning and regulated carbon markets.

173 We will also do more to support companies, especially SMEs, to invest in energy-efficient equipment and decarbonisation solutions.

174 For households, the higher carbon tax will be felt mainly through an increase in utility bills. At \$25 per tonne, this would translate to an increase of about \$4 per month in the utility bills for an average 4-room HDB household. We will provide support, such as additional U-Save rebates, to help cushion the impact during the transition. More details will be announced next year, ahead of the carbon tax increase in 2024.

175 I should clarify that I do not expect to derive additional revenue from this increase in the carbon tax.

- a. Some of the revenue will be used to cushion the impact on households and businesses.
- b. A large part of the revenue will be used to support a decisive shift towards decarbonisation through investments in new low-carbon and more energy efficient solutions. These investments will help to lower our emissions, and bring us closer towards our net zero goal.

Singapore Green Plan

176 The path towards net zero will entail significant economic restructuring and changes in how we live and work in the future. All

of us – the public, businesses, the government – will face difficult choices. Costly investments may be required, for example, to import or generate low-carbon energy.

177 But now is the time when we must move decisively towards the future of a net zero world. This will allow us to tap fully on the many exciting possibilities in this green transition. That is why we launched the Singapore Green Plan 2030 last year, to bring everyone on board our sustainability movement.

178 Over the coming decade, we expect to see a “greening” of traditional sectors of our economy, like aviation, energy, and tourism. At the same time, emerging green sectors like green finance, and carbon services will grow in prominence. Millions of new green jobs will be created around the world, and demand for talent with green skills will increase.

179 Moving quickly will position Singapore to build on our competitive advantages to capture these opportunities. We can become the go-to location in Asia for expertise in carbon services, and the trusted regional marketplace for carbon credits. As a key node for international air and sea transport networks, we can become a frontrunner in the development of sustainable aviation and marine fuels.

180 In the financial services sector, for example, green finance is one of the fastest growing segments. Singapore now accounts for close to half of the ASEAN green bond and loan market. We aim to do more, so that banks and financial institutions will use Singapore as a base to develop their capabilities, and to develop innovative green financial solutions to service their customers all over Asia and the world.

181 The public sector will do its part to develop a robust green finance market. We aim to issue up to **\$35 billion of green bonds by 2030 to fund public sector green infrastructure projects**. This will include bonds issued by the Government, as well as Statutory Boards. The Government will also publish a Singapore Green Bond Framework and issue its inaugural green bond later this year.

182 Green finance is just one of many exciting new areas of green growth. As I mentioned just now, there are many more such opportunities across every sector of the economy. We aim to move Singapore into the forefront of green technologies – where new innovations are developed, trialled, scaled-up and eventually exported to the rest of the world. We will work hard to grab first-mover advantage and develop new engines of growth in the green economy.

183 Another important pillar of the Singapore Green Plan is to transform our living environment, and make it a greener and more sustainable home, and a beautiful city in nature for all to enjoy.

184 One aspect we have been focusing on is transport. We aim to be a car-lite city, supported by a comprehensive public transport network, which is the cleanest and most energy-efficient mode of transport. This is why we are maintaining our policy of zero growth rate for private vehicles – we are perhaps the only city in the world which has taken this bold step.

185 For those who wish to drive, we want their vehicles to be cleaner. Hence, we had announced our intention to phase out internal combustion engine vehicles by 2040. For passenger vehicles, the most promising clean energy option is electric vehicles or EVs. We have provided significant incentives for EV adoption. In fact, within a year, the EV share of new car registrations has jumped from just 0.2% in 2020 to around 4% last year.

186 Given this momentum, **we will further accelerate EV adoption by building more charging points closer to where we live.** To do this,

infrastructure upgrades will be necessary, and the financing can come from green bonds.

187 Mr Deputy Speaker, Singapore is fully committed to doing our part on the global climate change agenda. Various Ministers will elaborate more on our efforts under the Singapore Green Plan at the COS, because this is truly a Whole-of-Government effort. In advancing our green transition, we will strive to be a bright green spark and to secure a more sustainable future for ourselves and for the world.

E. Renew and Strengthen our Social Compact

188 Sir, the priority of this Government has always been to build a fair and just society, where every citizen is able to develop to their fullest potential and share in the country's progress. We are continually evolving our policies, as circumstances change, to achieve these goals.

189 In our earlier decades, we had three pillars in our social security system:

- a. Subsidised public housing through HDB to make home ownership a reality for the vast majority of Singaporeans.
- b. The CPF to help every working Singaporean save in order to own a home and build a nest-egg for retirement.
- c. The 3Ms of MediSave, MediShield, and MediFund, together with Government subsidies, to provide Singaporeans with affordable and quality healthcare.

190 Over the years, we have strengthened these pillars:

- a. We enhanced the CPF so that members with lower balances can benefit from extra interest on their retirement savings.

- b. In public housing, we are not just helping Singaporeans own a home, but also upgrading older flats and rejuvenating estates.
- c. In healthcare, we have gone beyond the original 3Ms. We introduced MediShield Life to provide life-long universal insurance for hospital bills. And as elderly care needs grew, we introduced CareShield Life and ElderFund to support our seniors.

191 We also added new pillars of support:

- a. First, we put in place ComCare to help people through temporary difficulties, and get support while they are being trained for new jobs.
- b. Second, we implemented Workfare to uplift our lower-wage workers. To complement Workfare, we introduced Silver Support to provide an additional plank of support for seniors with limited lifetime earnings.

192 Besides these five pillars of social support, we have invested more heavily in education as a social leveller and a source of opportunity for every Singaporean. In recent years, we have been investing more, not just in the formal years of schooling, but also through life – starting with KidSTART, pre-school, and extending through adulthood through SkillsFuture.

193 Over the past year, we have engaged around 6,000 participants in our Conversations on Singapore Women's Development. Many good ideas have come up, from better support for caregivers, to stronger measures against workplace discrimination. When the plans are ready, the Government will commit resources, and work with our partners to realise them.

194 So we have been doing more to strengthen our social compact over the years, and across many fronts. But as new stresses emerge, and as we enter a more volatile and unpredictable environment, we will take further decisive steps to strengthen the architecture of social security and opportunity for all Singaporeans.

195 Our healthcare needs, in particular, will grow as our population ages. We will need to revamp our healthcare ecosystem to cater to more geriatric needs across various care settings. Healthcare will therefore be the major driver of increased social spending in the coming decade.

196 In every area of spending, however, it is not just a matter of spending more, but also how we spend – to achieve the right outcomes and to preserve the values of individual responsibility and

mutual support from the community, even as the Government steps in to do more.

197 These are complex issues. We are studying them systematically in an effort to renew and strengthen our social compact for a post-pandemic world. We will start with a few major moves in this Budget, which I will explain in turn.

Uplift Lower-Wage Workers

198 First, we will do more to uplift lower-wage workers.

199 The Government has accepted and will implement the recommendations of the Tripartite Workgroup on Lower-Wage Workers.

- a. So over the next two years, we will extend the Progressive Wage Model to the retail, food services, and waste management sectors. We will also extend it to in-house cleaners, security officers, landscape workers, administrators, and drivers across all sectors.

- b. Companies employing foreign workers will be required to pay all their local employees at least the Local Qualifying Salary, which is currently set at \$1,400 per month.
- c. We will also launch a Progressive Wage Mark or PW Mark to accredit firms that pay Progressive Wages and the Local Qualifying Salary.
- d. The Government will require all our eligible suppliers to be accredited with the PW Mark when they contract with us from March 2023.

200 All of us – businesses, consumers and taxpayers – will have to do our part and contribute to uplifting our lower-wage workers.

201 I recognise that some firms may need time to adjust to these changes. Some may have locked in long-term contracts based on certain wage assumptions and now face higher manpower costs. Others may find it difficult to raise prices in the short term to support the wage increases.

202 I will therefore introduce the **Progressive Wage Credit Scheme or PWCS to provide transitional support for businesses.**

203 Under the PWCS, the Government will co-fund the wage increases of lower-wage workers between 2022 and 2026. For workers earning up to \$2,500, the PWCS co-funding rate will be 50% in the first two years, 30% in the next two years, before tapering to 15% in 2026. We will also provide some support for workers earning above \$2,500 and up to \$3,000, at a lower co-funding ratio.

204 With this, the Government will be co-sharing with employers a significant portion of the cost increase. We will set up a PWCS fund for this purpose and start with a \$2 billion injection this year. This will provide certainty of funding for the wage increases over the next five years. (See Annex E-1.)

205 To complement the moves on Progressive Wages, **I will also significantly enhance the Workfare Income Supplement.** This will give a further boost to our lower-wage workers.

206 From 1 January 2023, I will raise the qualifying income cap from the current \$2,300 to \$2,500 per month. This means more workers will get to benefit from Workfare.

207 I will introduce a minimum income criterion for Workfare at \$500 per month to encourage part-timers and casual workers to take up regular, full-time work.

208 I will extend Workfare to younger workers aged 30 to 34 so that they can start saving for housing and retirement earlier in their careers. They will receive a maximum annual payout of \$2,100.

209 I will also raise Workfare payouts.

- a. Those aged 35 to 44 will receive a maximum annual payout of \$3,000; those aged 45 to 59 will receive a maximum annual payout of \$3,600.
- b. Those aged 60 and above will receive the highest maximum payout tier of \$4,200 annually.
- c. And I will extend this same maximum payout tier to all persons with disabilities, regardless of their age.

210 The enhanced Workfare is expected to benefit more than half a million workers. (See Annex E-1.)

211 Our moves on Progressive Wages will cover around 94% of our full-time lower-wage workers. The enhanced Workfare will provide further support to all eligible Singaporean lower-wage workers.

212 So through the combination of Progressive Wages and Workfare, we expect the incomes of our lower-wage workers to grow faster than the median wage growth over the coming decade. So as our economy grows and society progresses, we will reduce income disparities in our workforce.

213 In aggregate, we will spend an average of \$1.8 billion per year over the next five years, or \$9 billion in total for the PWCS and the enhanced Workfare. It is a significant increase and reflects our shared commitment to uplift our lower-wage workers in Singapore.

Boost Retirement Adequacy

214 Next, we will enhance the retirement adequacy of Singaporeans, especially for senior workers who are preparing for retirement.

215 Following the recommendations of the Tripartite Workgroup on Older Workers, we will continue to increase the employer and employee CPF contribution rates for workers aged 55 to 70.

216 We implemented the first increase this year, and have been providing employers with a one-year CPF Transition Offset equivalent to half of the increase in employer CPF contributions.

217 **We will continue with the next step of the increase in 2023, and provide employers with a similar offset.** This means that workers aged 55 to 70 will see a total increase of three to four percentage points in their CPF contribution rates over these two years. (See Annex E-2.)

218 Additionally, with rising standards of living, we will adjust the CPF Basic Retirement Sum, or BRS, to provide members with higher monthly CPF payouts in their retirement years. **We will raise the BRS by 3.5% per year for the next five cohorts turning 55 from 2023 to 2027.** (See Annex E-3.)

219 There is no requirement for members to top up their CPF if they are unable to set aside their BRS. Those who set aside the BRS when they turn 55 in 2027 will receive payouts of close to \$1,000 per month when they are 65, and these payouts will continue for the rest of their lives. This will give them greater assurance for their basic retirement needs.

Invest in our Children

220 Just as we uplift our vulnerable groups, we will also continue to enhance social mobility.

221 The Government is committed to ensuring that all Singaporeans have the opportunities to do well for themselves, no matter their background or starting points.

222 This is why we continue to invest heavily in our children to give every Singaporean child the best possible start in life. We are now doing more upstream – starting with preschool years to provide additional support for children from low-income families. Yet, some vulnerable children fall out of or behind in our education system because of difficult conditions at home. Early intervention in their formative years can make a big difference in their lives.

223 One important intervention is to provide these children with a more conducive living environment to grow up in. For second-timer low-income families, we have the Fresh Start Housing Scheme to help them purchase a home of their own. **We will enhance the scheme to better support families in their journey towards home ownership.** And the Minister for National Development will share more at the COS.

224 Another effective intervention is the KidSTART programme, which taps on a network of community partners to provide upstream support for eligible families with young children. Under KidSTART,

parents and caregivers are guided to support their child's development at home, in the community and in preschools.

225 KidSTART is on track to support 5,000 children by 2023. Thereafter, we will scale up nationwide progressively to support even more eligible families.

226 To complement KidSTART, we started an UPLIFT Community Pilot to strengthen support for school-going children in disadvantaged families. This includes connecting them with social service agencies and befrienders who check in with them regularly and provide mentorship.

227 The pilot has yielded positive outcomes, with school attendance improving for most of the students placed on the programme. So we will expand the pilot into a nationwide UPLIFT Community Network to benefit more students, starting with eight additional towns this year, and more in the coming years.

Integrate Social Service Delivery

228 As our agencies develop more schemes to help different segments, there is a need for closer coordination and integration across these different services.

229 The challenges faced by lower-income families are often multi-faceted and inter-connected. For example, a child could be absent from school because of employment or health issues faced by his or her parents. In such cases, it is not enough to provide financial assistance. We also need to address the underlying issues faced by the family and support them in taking steps to achieve sustainable change.

230 We will therefore integrate the delivery of our social services to more effectively uplift lower-income families. We will do so as we scale up Community Link, or ComLink, which provides targeted support for families with children living in rental housing. This involves taking a family-centred approach to address each family's challenges so that they can keep their family situations stable, become self-reliant, and eventually achieve social mobility.

231 We will partner each ComLink family to develop an action plan that is customised to address their specific needs and aspirations. Each family will have dedicated and trained befrienders to support them towards achieving their action plans. And these befrienders will be the bridge with other community partners and Government agencies so that families can receive timely and holistic support.

232 The Minister for Social and Family Development will share more at the COS.

Prepare for Future Healthcare Needs

233 Let me now return to healthcare, which is a critical priority for Singapore's future. We have made heavy investments in healthcare over the years. For example, we have added five new polyclinics and doubled the number of beds in community hospitals in the last decade. To encourage ageing in place, we have injected a significant supply of aged care services, especially in home and community care.

234 We have improved the quality of care while keeping our healthcare affordable and accessible for all. And we have achieved better overall healthcare outcomes, with Singaporeans living longer and healthier lives.

235 But there are challenges ahead. As one of the fastest-ageing nations in the world, our healthcare costs will increase significantly. Government healthcare expenditure has already tripled from \$3.7 billion in 2010 to \$11.3 billion in 2019. If our current healthcare spending, excluding COVID-19-related expenditure, continues to

increase at a similar rate over the coming decade, we will spend about \$27 billion or around 3.5% of GDP by 2030.

236 Now, the Government can and must spend more on healthcare for Singaporeans. But the current trajectory of increase is not sustainable. We therefore need to fundamentally rethink the way we deliver healthcare.

237 An important aspect of this is to bring care closer and make it more accessible to the community. A strong primary care sector will serve as the bedrock of our healthcare system, and allow us to go upstream for preventive care and better manage chronic conditions. This can improve our quality of life and reduce the risk of costly downstream complications. It will also enable our hospitals to focus on complex conditions and emergency cases.

238 Our healthcare ecosystem must therefore be restructured over the longer term to centre the healthcare system around the patient. It must be designed to keep patients healthy, and provide care in the most appropriate setting. For example, patients with diabetes will require dietary and lifestyle changes to manage the condition well. These are best coordinated by a trusted primary care doctor.

239 So to do all these, we will need to build closer partnerships between our healthcare clusters and community partners, particularly with the GPs. We will also need to integrate our healthcare IT systems so that information can flow beyond hospitals to community healthcare providers, to enable quality care and maximise convenience to patients.

240 We are thinking through this “Healthier SG” strategy carefully. It will entail a review of our resourcing approach and healthcare financing schemes, as well as the need for more upstream investments in preventive healthcare.

241 This will be a challenging long-term effort involving many components and stakeholders. But if we succeed, we will be able to use our resources more effectively while providing quality care and enabling Singaporeans to stay healthy.

242 Another aspect of healthcare that has been brought to the fore during the pandemic is mental health. The pandemic has been a stressful period for Singaporeans. But the issues of mental health that we face are not caused only by COVID-19. We want to make sure that the lessons learnt are embedded into our healthcare and social support system, in a sustainable and permanent manner. Therefore, we have established an Interagency Taskforce on Mental Health and

Well-being to coordinate efforts across public agencies and other stakeholders, and to enhance and integrate mental health and social services in the community.

243 Sir, we have a full agenda for healthcare, and the Minister for Health will elaborate on the plans and strategies at the COS.

Caring and Inclusive Society

244 Beyond healthcare, we have, over the last decade, made progress in ensuring that Persons with Disabilities or PwDs lead dignified lives and are empowered to fulfil their potential across different life stages.

245 We supported them through their early and schooling years with Early Intervention programmes and Special Education schools. We built inclusive playgrounds across the island so that children with special needs can play with their peers. Through SGEEnable, the employment of PwDs has increased and workplaces have been made more inclusive to cater for the needs of PwDs.

246 We will continue to do more for this group. Later this year, **we will launch the Enabling Masterplan 2030 to further strengthen support in areas like employment, lifelong learning, and respite care.**

247 The community plays a critical role in building a caring and inclusive home. Through the course of the pandemic, we have seen an outpouring of generosity, kindness, and support from Singaporeans. Donations received at Giving.sg, an online donation portal, last year increased by nearly threefold to around \$100 million.

248 I will build on this momentum to strengthen the culture of giving in our society.

249 To provide more support for the charity sector and to encourage giving, **I will provide a top-up of \$100 million to extend the Government's support for Tote Board's Enhanced Fund-Raising Programme for three years until end-FY2024.** Charities can apply to receive dollar-for-dollar matching for eligible donations, up to a cap of \$250,000 per charity every year. (See Annex E-4.)

250 Earlier we had established the Community Capability Trust, to strengthen the capabilities of Social Service Agencies. I will provide similar support for charities. **I will therefore provide a top-up of \$26 million to the Charities Capability Fund for five years.** This will help to nurture a more productive and innovative charity sector and enable them to do more for the community. (See Annex E-4.)

251 I will also continue to support our Arts and Sports sectors. The Arts and sports provide meaningful outlets for self-expression and discovery. They help to strengthen our shared culture and our sense of identity, and unite us as one people.

252 Last year, all of us cheered our Olympians and Paralympians as they flew the Singapore flag high in Tokyo. To strengthen our High Performance Sports ecosystem, **I will extend the One Team Singapore Fund for another five years.** This will provide dollar-for-dollar matching for donations to rally support for our Team Singapore athletes.

253 To further encourage cultural philanthropy, **I will provide a top-up of \$150 million to the Cultural Matching Fund for three years,** which provides dollar-for-dollar matching for donations made to Arts and Heritage charities.

254 Mr Speaker Sir, I have outlined some of the key moves that the Government will make to strengthen our social compact. We will continually review every aspect of our social policies to see what needs to be further adjusted and improved. This is a major multi-year agenda, to strengthen our solidarity with one another, as we prepare Singapore for the next bound.

F. Build a Fairer and more Resilient Tax System

255 To bring all the plans I have just laid out to fruition, we will need more revenues. **I will therefore make major enhancements to strengthen our tax structure.**

Corporate Tax

256 Our corporate tax system will need to be updated due to global tax developments relating to the Base Erosion and Profit Shifting initiative, or BEPS 2.0.

257 There are two pillars in BEPS 2.0:

- a. Pillar 1 re-allocates the profit of the largest and most profitable Multi-National Enterprises, or MNEs, from where activities are conducted to where consumers are located. There are ongoing international discussions on how to determine the jurisdictions which will surrender profits for re-allocation to the markets under Pillar 1 and how much each will have to surrender. Given our small domestic market and the extent of activities conducted here by MNEs, Singapore will lose tax revenue under Pillar 1.

- b. Pillar 2 introduces, amongst other things, a global minimum effective tax rate of 15% for MNE groups with annual global revenues of 750 million euros or more, under its Global Anti-Base Erosion (or GloBE) Model Rules. What this means is that if such an MNE were to have an effective tax rate of less than 15% in Singapore at the group level, other jurisdictions such as its home jurisdiction can collect the difference up to 15%.

258 We will adjust our tax system in response to Pillar 2 GloBE rules. We are exploring a top-up tax called the Minimum Effective Tax Rate, or “METR”. The METR will top up the MNE group’s effective tax rate in Singapore to 15%. IRAS will study this further and consult the industry on the design of METR. We will also continue to closely monitor international developments before making any decisions on the METR.

259 At this stage, it is premature and difficult to determine the eventual fiscal impact of both pillars. As I mentioned just now, there will be a negative revenue impact under Pillar 1. METR might yield some additional tax revenue in the short term, but the eventual impact of Pillar 2 on our revenue will depend on how governments

and companies respond. The net impact of both Pillars depends on the rules and details, which are still being developed by the Inclusive Framework on BEPS.

260 While BEPS 2.0 may have reduced the scope for tax competition, it has not reduced global competition for investments. In fact, competition is likely to intensify as governments worldwide seek to restore and rebuild their economies after the effects of the pandemic. So there may be less tax competition but there will be other forms of competition. We will have to take this into consideration and ensure that Singapore remains one of the best places in the world for business.

261 We will therefore need more time to study these issues thoroughly, and will announce changes in the corporate tax system when we are ready.

Personal Income Tax

262 Where personal income tax is concerned, there is room for greater progressivity, so that those who earn more, contribute more.

263 I will therefore increase the top marginal personal income tax, or PIT rate with effect from the Year of Assessment 2024. The

portion of chargeable income in excess of \$500,000 up to \$1 million will be taxed at 23%, while that in excess of \$1 million will be taxed at 24%; both up from 22% today. (See Annex C-2.)

264 This increase is expected to affect the top 1.2% of personal income taxpayers and will raise \$170 million of additional tax revenue per year.

Wealth Taxes

265 **Next, wealth taxes.** This is an important part of our tax system. Apart from generating revenue, they also help to recirculate a portion of the wealth stock into our economy and in so doing, mitigate social inequalities. Wealth taxes are therefore needed to build a fairer society where everyone can aspire to succeed regardless of their backgrounds.

266 Currently, we tax wealth in several ways – through property tax, stamp duties, and the Additional Registration Fee or ARF for motor vehicles. The higher value the residential property or motor vehicle, the higher the tax rate.

267 Ideally, we would want to tax the net wealth of individuals. But such a tax is not easy to implement effectively. Estimating wealth

accurately and fairly is a more complex exercise than estimating incomes. Further, many forms of wealth are mobile, and as long as there are differences in wealth taxes across jurisdictions, such wealth can and will move.

268 Singapore is not alone in facing such challenges. Countries like Germany, France, and Denmark have stopped levying taxes on individuals' net wealth. The number of OECD countries that levy net wealth taxes has dropped from 12 in 1990 to only three in 2020. And this is partly because of the difficulties in effectively implementing net wealth taxes.

269 We will continue to study the experiences of other countries and explore options to tax wealth effectively. In the meantime, we will strengthen our current system of taxes.

270 In particular, **I will make several adjustments to property tax, which is currently our principal means of taxing wealth.**

271 **I will increase the property tax rates for non-owner-occupied residential properties, which includes investment properties. For such properties, I will increase the property tax rates from 10% to 20% which is the current range, to 12% to 36%. All non-owner-occupied residential properties will face higher property taxes, and**

the increase will be more significant for properties at the higher end. With these changes, a large non-owner-occupied detached house in the central area with Annual Value of \$150,000 will see an annual property tax bill of about \$43,000 per year. (See Annex C-2.)

272 For owner-occupied residential properties, I will increase the property tax rates for the portion of Annual Value in excess of \$30,000, from today's 4% to 16%, to 6% to 32%. This increase will impact the top 7% of owner-occupied residential properties. The increase will be higher for properties at the top end. So to illustrate with the same landed property with Annual Value of \$150,000, if this is owner-occupied, the new property tax bill will be about \$28,000 a year. (See Annex C-2.)

273 The increases in property tax rates will be implemented in two steps, starting with the tax payable in 2023. When fully implemented, they will raise our property tax revenue by about \$380 million per year.

274 I will also tax luxury cars at a higher rate to make our vehicle tax system more progressive. I will introduce an additional ARF tier for cars at a rate of 220% for the portion of Open Market Value in excess of \$80,000.

275 The new rates will apply to all cars registered with COEs obtained from the second COE bidding round this month. And the additional ARF is expected to generate an additional \$50 million in revenue per year. (See Annex C-2.)

Goods and Services Tax

276 Finally, the GST. The revenue from the increase in GST will go towards supporting our healthcare expenditure, and to take care of our seniors. In fact, the GST revenue by itself will not be sufficient to cover our additional healthcare spending. Further, as I shared earlier, other areas of social spending are rising too. This is why we need not only the GST increase but also the changes to personal income tax, property tax, and vehicle tax which I have just announced.

277 Where the timing of GST is concerned, I have carefully considered the overall situation – the ongoing pandemic, the state of our economy, and the outlook for inflation. Our revenue needs are pressing. But I also understand the concerns that Singaporeans have about the GST increase taking place at the same time as rising prices.

278 I have therefore decided to delay the GST increase to 2023 and stagger the increase over two steps. The first increase will take

place on 1 January 2023, from 7% to 8%, and the second increase on 1 January 2024 from 8% to 9%.

279 I want to assure all Singaporeans that we will continue to implement the GST in our unique Singaporean way, with features and schemes that support the less well-off.

280 I will continue to absorb GST on publicly-subsidised healthcare and education.

281 I will provide Town Councils with an additional \$15 million per year to absorb the additional GST payable on Service and Conservancy Charges.

282 I will not increase Government fees and charges for one year from 1 January 2023. This will apply to license fees, as well as fees charged by Government agencies for the provision of services. This includes school fees, ITE and Polytechnic fees, and charges in public carparks. (See Annex F-1.)

283 To address concerns that businesses could use GST as a cover to raise prices, the Government will stand up a Committee Against Profiteering. The Committee will be chaired by Minister of State for Trade and Industry Ms Low Yen Ling.

284 We had earlier announced a \$6 billion Assurance Package to cushion the impact of the GST increase for all Singaporeans. **I will provide an additional top-up of \$640 million to the Assurance Package.**

285 The enhanced Assurance Package will provide significant payouts to Singaporeans over the next five years:

- a. Every adult Singaporean will receive cash payouts totalling \$700 to \$1,600.
- b. Eligible seniors will receive a special GSTV – Cash (Seniors' Bonus) totalling \$600 to \$900.
- c. Eligible HDB households will receive additional U-Save rebates totalling \$330 to \$570 depending on flat type.
- d. All Singaporean children and seniors will receive MediSave top-ups totalling \$450.
- e. All Singaporean households will receive two tranches of CDC vouchers worth \$200 each in 2023 and 2024. The vouchers can be used at all participating heartland merchants and hawkers, as well as major supermarkets.

f. Details are in the Annex. (See Annex F-2.)

286 For the majority of Singaporean households, the offsets from the Assurance Package will cover at least five years of additional GST expenses. And for lower-income households, they will receive more – with offsets covering about ten years' worth of additional GST expenses.

287 For example, take a middle-income family of four in a 4-room flat, with two school-going children and a household income of about \$8,000 a month. They will receive a total of around \$4,000 in benefits, around five times the additional GST they are expected to incur a year.

288 If I were to choose a lower-income family, the benefits they receive will be larger and the offsets will cover more years of additional GST expenses. Seniors will also get more benefits. Take the example of a retired couple in a 3-room flat. They will receive even more support from the Assurance Package, at around \$6,800. This far exceeds ten times the additional GST they are expected to incur a year. (See Annex F-3.)

289 Even with these offsets, some vulnerable households may require more support. These households with urgent needs can approach their Citizens' Consultative Committees (CCC) for assistance. **To further support vulnerable households, I will top up the CCC ComCare Fund by \$5 million over five years. I will also provide a total of \$12 million over four years to our Self-Help Groups.**

290 In addition, businesses may need to adjust to the GST increase. So, I will set aside close to \$40 million under the Productivity Solutions Grant for businesses to apply for subsidised accounting and point of sale solutions.

291 Over and above the transitional support provided by the Assurance Package, I will enhance the GST Voucher or GSTV scheme which is a permanent feature of our system.

292 The permanent GSTV scheme currently has three components – a cash payout, MediSave top-up and utilities rebates. I will enhance it in three ways:

- a. First, the Service and Conservancy Charges (S&CC) Rebate will be made a permanent component of the GSTV scheme.

- b. Second, the Assessable Income threshold for GSTV – Cash will increase from \$28,000 to \$34,000. This will cover more Singaporeans.
- c. Third, I will increase the quantum of the GSTV – Cash payout to \$500 for those residing in homes with Annual Values of \$13,000 and below; and to \$250, for those residing in homes with Annual Values of between \$13,000 and \$21,000.
- d. And the details will be provided in the Annex. (See Annex F-4.)

293 The enhanced permanent GSTV scheme will provide continuing offsets for the GST expenses of lower-to middle-income households, and most retiree households, beyond the transitional period covered by the Assurance Package.

294 The enhanced GSTV will fully offset the total GST that retiree households living in 1 to 4-room HDB flats have to pay. Many retiree households in bigger flats will also have their GST offset by a significant amount.

295 For low-income households (who do not have elderly members), the GSTV will offset about half their total GST expenses every year.

296 Both the Assurance Package and the enhanced permanent GSTV scheme will be implemented together, before the GST rate increase, so that Singaporeans can benefit from both schemes at the same time. (See Annex F-3.)

297 Low-income households, in particular, will be well looked after. Besides the offsets in the Assurance Package, the permanent GSTV ensures that they will receive significant support on a continuing basis. This is why the GST increase will not hurt low-income households – for them the impact of the increase in GST will be neutralised.

298 Mr Deputy Speaker, the Budget is about using our collective resources to build our nation and to improve the lives of all Singaporeans. The budget supports spending on programmes for all, in areas such as security, housing, education, health. Every dollar collected flows back to our taxpayers in one way or another.

299 The benefits show up in many ways:

- a. In our seniors' Silver Support payments;
- b. In our lower-wage workers' Workfare payouts;
- c. In the subsidies for our loved ones for healthcare;
- d. In the childcare subsidies that parents enjoy;
- e. In the quality education every child receives.

300 We are reminded of them every day when we look around – our roads, MRT lines, hospitals, schools, the beautiful parks. In the safety and security our families enjoy.

301 But when it comes to paying for these benefits, we should not shirk from our responsibilities. No one likes to talk about taxes. But there are no painless solutions. Ultimately, every need must be paid by someone – every dollar not paid by one person will have to be made up by someone else, either today or in the future.

302 But what we can and will always do is to ensure that we have a fair and progressive system in Singapore. And this means that those with more will contribute more taxes than the benefits they receive. Those with less will still contribute, but a lesser amount, and they will

receive more benefits in return. This reflects our values and who we are as a society. This is how we strengthen our social compact. This is how we will fund our common aspirations for tomorrow.

G. Fiscal Outlook

303 Sir, let me now go through our fiscal outlook.

304 At the onset of COVID-19 in FY2020, we were looking to draw up to \$52 billion from Past Reserves to protect lives and livelihoods. Given the uncertainty of the crisis at that time, we had to set aside sufficient resources to handle any downside scenarios.

305 We now expect to utilise a lower amount of \$31.9 billion from Past Reserves for COVID-19 relief in FY2020. This is the result of our swift and decisive response, which allowed us to avert worse public health outcomes. We saw a stronger-than-expected rebound in our economy and businesses, and did not need to utilise measures like loan loss provisions which we had set aside.

306 For FY2021, we had planned to draw up to \$11 billion from Past Reserves for the COVID-19 Resilience Package. We now expect to draw a lower amount of \$5 billion from Past Reserves. This is mainly due to a reduced expenditure of \$10 billion for the COVID-19 Resilience Package, underutilisation of Ministries' expenditures primarily due to projects delayed by COVID-19, as well as one-off revenue upsides including from Vehicle Quota Premiums and stamp duties.

307 We also tapped on our existing resources first to provide short-term relief when we had to tighten restrictions periodically last year. For example, the \$2 billion worth of economic relief measures introduced during the Heightened Alerts last year was resourced through a reallocation of funds.

308 During the Stabilisation Phase, we introduced \$1.4 billion worth of support measures. For timely implementation of these measures, we took an advance from the Contingencies Fund. I will now replace the advances through the Supplementary Budget for FY2021.

309 For FY2022, we will set aside \$6 billion to maintain a multi-layered public health defence.

- a. This is necessary for us to react nimbly and confidently to the evolving COVID-19 situation.
- b. Given the extraordinary nature of this pandemic, we will resource this COVID-19 public health expenditure for FY2022 from Past Reserves.
- c. The President has given her in-principle support for this.

310 This brings the total expected draw on past reserves over FY2020 to FY2022 to up to \$42.9 billion. This cumulative draw is less than the initial draw of \$52 billion that the President had originally agreed to for FY2020. It reflects our prudence in the use of Past Reserves. (See Annex G-1.)

311 Beyond the crisis, our spending needs will continue to grow, as we tackle structural shifts and invest more to deliver on our longer-term priorities as I have laid out just now.

312 In order to meet new spending needs, besides raising revenue, we will continue to manage our expenditure growth. Since FY2017, we have implemented a 2% cut in the budgets of all Ministries and Organs of State to ensure we spend judiciously and achieve good value-for-money outcomes. From FY2023, I will apply a further 1% cut to the budgets of Ministries and Organs of State. Funds from this adjustment will be channelled towards new priorities.

FY21 and FY22 Overall Fiscal Position

313 Let me now summarise our overall fiscal position. **For FY2021, I expect an overall deficit of \$5 billion or 0.9% of GDP.**

314 For FY2022, our budget remains expansionary to support the economy. **I expect an overall deficit of \$3 billion or 0.5% of GDP.** (See Annex G-2.)

H. Conclusion

315 Mr Deputy Speaker, Singapore has come a long way in our transformation. Life has not been perfect; we have stumbled and struggled, here and there. But all things told, we can be very proud of where we are today.

316 Remember we were once thought to be an improbable nation. We are a little red dot; a most unlikely country. We are the only city in the world with a military and foreign service. We are a diverse city in one of the most highly diverse regions in the world. We are the only city of this size that is also a country and a hub for the world.

317 Throughout our nation's history, we have faced many crises.

- a. Our pioneers still remember what it was like during the Japanese Occupation. World War Two seems very distant to us. But for the survivors, the experiences left them with indelible lessons.
- b. There is an exhibition now at the National Museum marking the 80th anniversary of the fall of Singapore, with stories of those who lived through it. One of them is Madam Sim Soo Wee. She was just seven years old when

she lost her parents during the Occupation. She still remembers vividly the hardships of war, and how she and the people around her persevered through the most difficult days. And she said: “I hope the younger generation will continue to stay united, and demonstrate the same fortitude and resilience in the face of their own tests”. (See Annex B-1.)

318 Indeed over the subsequent decades, we have confronted many other challenges

- a. We had the communist insurgency in the 50s
- b. We went through the tumultuous period of the 60s and early 70s, with racial riots, separation from Malaysia, and the sudden departure of the British
- c. Since then, we have had to deal with one crisis after another – economic recessions, 9/11 and terrorism, SARS, and the Global Financial Crisis

319 Through these crucibles of fire, we forged our Singapore spirit – a spirit that is resolute and indomitable; that never gives up, and

never says die. Adversity has not weakened us. Instead, it has strengthened our steel, deepened our bonds, and brought us closer together as one united people.

320 And so it has been in the last two years tackling this pandemic. We have made many sacrifices, stood together, and measured up as one people

- a. I will never forget the contributions of our frontline warriors – how they displayed tremendous courage, valiantly took on personal risks to fight the virus, and went above and beyond the call of duty.
- b. I will always remember how different groups from the public and private sectors joined forces to set up the Community Care Facilities at the Expo in 2020, when we were overwhelmed with our first wave of infection. They worked hand in hand and, against all odds, got the facility up and running in a matter of days. Since then, we have launched many more “Singapore Together” projects, involving public-private partnerships and Alliances for Action. They remind us that we are stronger when we stand together.

- c. I was especially cheered by the responses of our youth throughout this pandemic. They have taken the restrictions in their stride, and found new ways to learn online, and to keep in touch with their friends. In these difficult times, many looked beyond their own circumstances to help others in need.

- d. I saw this same resilient spirit at the AFF Suzuki Cup semi-final football match last year. The Lions fought hard and gave it their all. Even though they lost the game in extra-time, many fans stayed on after the match, and applauded the team, proud of how they had persevered despite going down to eight men. At the end, the fans in the stadium stood at attention, and everyone started singing the National Anthem in unison spontaneously. It was an unforgettable moment.

321 I am sure all of us will have our own memories of how the Singapore spirit shone brilliantly in the darkest hours of the pandemic. Let us draw strength from these experiences, and continue to keep faith with one another.

322 Sir, the past was not fore-ordained. Neither is the future predestined. There will be unexpected problems ahead, as there were in the past. They have to be met, grappled with and resolved.

323 But looking back at what we have been through during these COVID-19 years, we have nothing to fear. We will always overcome. We will always prevail, so long as we continue to stand side by side in solidarity with one another, regardless of race, language, or religion.

324 We will chart a new way forward together. We will see through the pandemic today, and build a better Singapore tomorrow.

325 Mr Deputy Speaker, Sir, I beg to move.