# Budget 2014

# Opportunities for the Future, Assurance for our Seniors

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# A. Economic Performance

A.1. Madam Speaker, I beg to move, that Parliament approve the financial policy of the Government for the Financial Year 1st April 2014 to 31st March 2015.

## FY2013 Fiscal Position

A.2. Our Budget for FY2013 is expected to record an overall surplus of $3.9 billion (or 1.1% of GDP) for FY2013. This is higher than the surplus of $2.4 billion (or 0.7% of GDP) we budgeted a year ago.

A.3. A few factors led to this higher surplus. On the expenditure side, we had temporary delays in implementation of public infrastructure projects. For example, there were unexpected delays in the construction of the Downtown Line due to the insolvency of one of the contractors.

A.4. Our revenues were also boosted by higher vehicle quota premium (VQP) collections, resulting both from a higher-than-expected number of vehicle de-registrations and hence more replacement COEs being issued, as well as more commercial vehicles being renewed. Secondly, stamp duty collections did not fall as much as expected.

A.5. The stronger fiscal surplus in FY2013 was mainly due to cyclical factors. They will not last, and we should see a tighter budget position in the coming years.

## Economic Performance and Outlook

A.6. The Singapore economy grew by 4.1% in 2013, up from 1.9% a year earlier, supported by a gradually improving external environment and strong domestic construction growth.

A.7. The global outlook for 2014 is uncertain. The advanced economies are gradually recovering, while the emerging economies are slowing. However, the odds are against a sharp slowdown in the global economy. MTI hence expects the Singapore economy to grow by 2% to 4% in 2014.

## Employment and Wages

A.8. Our labour market remains close to full employment. The unemployment rate for citizens fell to 2.9% in 2013. Job vacancies significantly exceed unemployed workers.[1]

A.9. Wages have continued to pick up. The wages of the median Singaporean worker increased by about 5% in real terms in 2013. Wages also grew for many lower-income workers, with those at the 20th percentile of the income ladder seeing real wages go up by around 7%.

## CPI Inflation and the Property Market

A.10. CPI inflation was lower in 2013.[2] However, higher wages, together with other increases in business costs, are expected to contribute to a slight uptrend in CPI inflation in 2014.

A.11. Besides consumer price inflation, we have been concerned about property prices, which have risen sharply in recent years. The Government's successive rounds of market-cooling measures are working, with both the HDB resale and private residential prices stabilising. In the meantime, HDB BTO prices have been stable, because we had delinked them from the resale market.

A.12. Our cooling measures have been aimed at moderating the market, so as to prevent property prices from getting too far out of line with incomes. We are not engineering a hard landing. But neither are we able to eliminate cycles in the property market, with upswings in prices in some years followed by corrections. Given the run-up in prices in the last four years, it is <u>too early to start relaxing our measures</u>. The Government will continue to monitor the property market and adjust our measures when necessary.

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[1] With more openings and fewer job seekers, the seasonally adjusted ratio of job vacancies to unemployed persons rose to 1.41 in September 2013, from 1.12 in June 2013. Source: "Labour Market, Third Quarter 2013", MOM.

[2] CPI-All Items inflation was 2.4% in 2013, down from 4.6% in 2012. Excluding imputed rentals on owner-occupied accommodation (OOA), which has no impact on the cash expenditure of most households in Singapore, CPI inflation was 1.9% in 2013, compared to 3.6% in 2012.

A.13. Our businesses have also faced rising rental costs in the last few years, especially in industrial space. Fundamentally, this has reflected the growth in demand for space, which has exceeded new supply. However, a very large quantity of industrial and shop space is entering the market, and should have a moderating influence over the next few years.

# B. Opportunities for the Future, Assurance for our Seniors

B.1. We have embarked on new directions in our economic and social strategies.

B.2. First, we are going for quality growth: growth based on innovation and deeper capabilities, that will enable us to sustain rising incomes for Singaporeans. It will also allow us to avoid indefinitely expanding the foreign workforce.

B.3. Second, we are building a fair and equitable society, with stronger support for those who start off with less, where everyone has a real chance to pursue their aspirations and earn their own success. We are strengthening social safety nets, and mitigating inequalities. And as our population ages, we are keeping quality healthcare affordable and strengthening community networks, to help seniors to enjoy active and fulfilling lives.

B.4. Achieving quality growth and an inclusive society go hand in hand. Together, they will help average Singaporeans as well as those with lower incomes improve their standards of living over time; ensure a caring hand is always there to help those who run into life's inevitable difficulties; and enable everyone to contribute to Singapore in meaningful ways.

B.5. Budget 2014 will reinforce and build on these new directions.

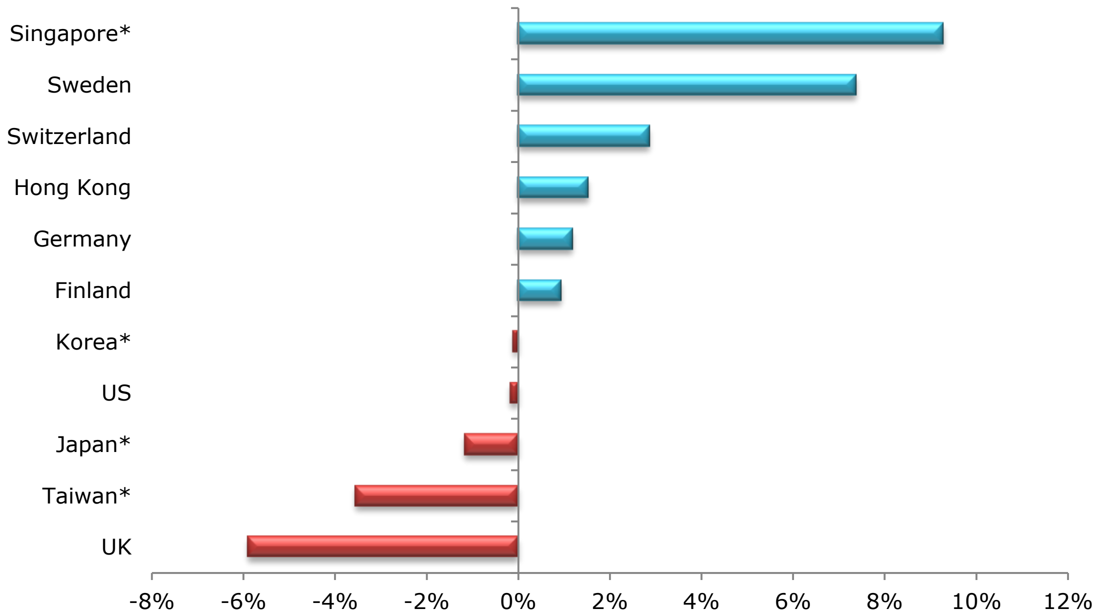
## Transforming our Economy to Raise Incomes

B.6. We are transforming our economy to create higher-value industries and quality jobs for Singaporeans in the next decade and beyond. We are investing in new manufacturing capabilities, to make use of advanced robotics, new sensor technologies and networks of Internet-enabled devices. We are developing an ecosystem to exploit Big Data and open promising new services opportunities. And we are taking advantage of the huge demand in Asia and other parts of the emerging world in fields where our companies are strong, such as in urban solutions and a whole range of services for Asia's growing middle classes.

B.7. There is no lack of demand for what Singapore can offer. But we are also changing how we grow, in a fundamental way. We must adapt to the permanent reality of a tight labour market, and transform every sector of the economy to achieve higher productivity and skills. This is the only way we can sustain higher incomes for Singaporeans.

B.8. Incomes have grown. Among citizens, median wages have increased by about 9% in real terms in the five years to 2013.[3] This is significantly better than in the other Asian Newly Industrialised Economies (NIEs) (Chart 1). Real incomes at the 20th percentile of the income ladder rose by a similar amount.[4] We have avoided the problems in many advanced economies, where median wages have stagnated or even fallen over much longer periods, while unemployment has gone up.

**Chart 1: Real median wage growth, 2007-2012***




Sources: National Statistics Offices, the IMF, OECD and MOF estimates

***Notes:**
- Comparisons were done for the period of 2007-2012 as 2013 data was unavailable for most countries. For Korea and Japan, data was based on the period of 2006-2011.
- Data for Taiwan is based on average monthly earnings instead of the median wage.
- Data for Singapore refers to full-time employed citizens. It is deflated by CPI-All Items.

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[3] Median wages for Singaporeans increased by 12% from 2008 to 2013, when deflated by the CPI excluding imputed rentals on OOA. (This measure of the CPI excludes imputed rentals on owner-occupied accommodation, which has no impact on the cash expenditure of most households in Singapore.) The data on wages refers to that of full-time employed citizens (including employers CPF).

[4] Wages of full-time employed citizens (including employers CPF) at the 20th percentile increased by 10% from 2008 to 2013 when deflated by CPI-All Items, and by 14% when deflated by CPI-ex imputed rentals on OOA.

B.9. The tighter labour market and increase in wages that we are seeing are part of economic restructuring. However we can only sustain wage increases if we succeed in boosting productivity. Let me put this in another way. Without good productivity growth, if we try to push wages up, we will end up with either higher consumer prices or squeezed profit margins that hurt both businesses and ultimately jobs. Firms will either pass on higher wage costs to consumers through higher prices, especially in the domestic service industries, or else they will become less competitive. It becomes a zero-sum game between business profits and wages, that no one benefits from.

B.10. That is why raising productivity is at the centre of our economic agenda. It is the only way we can raise our living standards in the years to come.

B.11. To reach advanced country incomes, we must develop advanced country capabilities – the corporate and managerial skills, the ability to translate Research and Development (R&D) into commercial opportunities, and deep skills and expertise in the workforce.

B.12. It is a major, multi-year undertaking. We cannot transform our economy and achieve major, innovative breakthroughs in every sector in only a few years. Indeed, while productivity has increased by 11% since we began the restructuring journey four years ago, this was entirely due to the strong cyclical recovery in 2010, with little improvement since.

B.13. However, we are now seeing progress on the ground. Mature, SME-dominated industries like precision engineering and food manufacturing are retooling and experiencing significant productivity growth. More companies are sharing services. Restaurants are using shared services for food preparation and dishwashing, and hotels for laundry services. And in several sectors, individual players are now introducing game-changing innovations – altogether new ways to grow their businesses.

B.14. Mindsets have also changed. Whereas two years ago the predominant mood amongst businesses was to call for the Government to slow down or postpone tightening of foreign worker inflows, most have now accepted the reality of a tight labour market, and are seeking assistance to upgrade, bring in new techniques and grow internationally. Many more firms are taking advantage of our schemes to invest in productivity and to expand abroad.

B.15. We will aggressively support every form of upgrading by firms – whether through R&D, automating business processes, creating new design and brands, or enriching the skills of their employees.

B.16. Budget 2014 will strengthen support for early adopters of new technologies, and for SMEs who are going beyond the norm in their upgrading efforts. We will also promote wider adoption of high-impact productivity solutions, beyond the early adopters to a larger group of firms in the industry. This will include a major effort to scale up the use of Infocomm Technologies (ICT) by SMEs.

B.17. The Budget will also enhance funding schemes to help catalyse growth enterprises, and support SMEs in their expansion abroad. In addition, in the construction sector, we will tighten upstream rules on developers to encourage manpower-saving designs, and give contractors stronger incentive to invest in the skills of their workforce.

B.18. Taking all our productivity support schemes together, we will be flowing back to businesses more support than the additional foreign worker levies collected from the policy tightening in recent years. However, we are not recycling monies indiscriminately, or seeking to benefit all firms equally. Our schemes will still favour the more dynamic and efficient players. Any company that invests in order to save manpower or achieve innovative breakthroughs gets government support, as long as it has its own money in the game.

## ***Changing our Social Norms***

B.19. However, transforming our economy is not just about technology, and productivity is not ultimately about the dollars and cents of upgrading. It also means changing our social norms.

B.20. We need a workplace culture where employees' views and contributions are valued, up and down the line. When employees are engaged and empowered, productivity goes up. Some of our firms, including SMEs, are good role models in this regard. Many more have to get on board.

B.21. Second, we also need a culture of mastery of the job. As individuals or companies, and as a society, we have to take pride in developing expertise and flair in every vocation, seeking not just competence but excellence, throughout people's working lives. Employers have to support this too – doing the job well is what counts, not long hours on the job.

B.22. Third and importantly, we have to change our habits as consumers. Quality service comes in many forms, and need not mean having service staff constantly waiting on us. We must also feel at ease with self-service technologies, such as at check-out counters in supermarkets. We are well behind many other cities in these respects.

B.23. These other cities were not always that way, but their social norms evolved. We too must make these shifts, in order to avoid a growing dependence on foreign workers, and to create quality jobs.

B.24. There is no reason, for example, why restaurants and cafes in Singapore cannot be like those in Europe or the US, which operate with fewer service staff, each taking more responsibility and getting better pay; where customers treat staff with respect and the staff wear their uniforms with pride.

B.25. We must all make the effort to change our social norms, in order to raise productivity and pay. Restructuring our economy will ultimately succeed if, at its heart, it is about these changes in our social practices.

## Building a Fair and Equitable Society

B.26. Budget 2014 also takes forward the major strategies that the Prime Minister spoke about at last year's National Day Rally, aimed at ensuring that ours is a fair and equitable society.

B.27. We are building on the broader initiatives we have taken in the last five years: in education, work, housing and healthcare. The changes reflect the new phase that we have entered as a country: with incomes rising less quickly, and disparities between different groups becoming a greater concern; and with a growing population of older Singaporeans, often with fewer children to support them, needing security and assurance in their retirement years.

B.28. Our thinking has shifted in this new phase, and our initiatives are helping to level up our society and mitigate inequalities. These policy interventions also help to explain why, taking into account government transfers and taxes, Singapore's Gini coefficient was lower in 2013 than it had been in over a decade.

## ***Uplifting Lower-Income Workers***

B.29. We take seriously the challenges faced by our lower-paid workers, and are helping them through both our economic and social strategies.

B.30. First and always, we must have a competitive and vibrant economy: that is the only way we can have good jobs and rising incomes for average and lower-income citizens. Jobs are the most important safety net, and the most meaningful way we can keep society inclusive.

B.31. Second, we are mitigating wage disparities, by using tax revenues to top up the wages of those in the lowest 20% through Workfare. Wages for these workers are in fact going up, as I mentioned earlier. With Workfare, and the Special Employment Credit, the average older lower-wage Singaporean will receive wages at least one quarter higher than what their employers will pay.

B.32. The three-year Wage Credit Scheme (WCS) that I introduced in last year's Budget is also working well. Wages for lower-paid Singaporeans have in fact improved the most rapidly, helped by the WCS.

B.33. Our third strategy has been to tackle the problem of cheap-sourcing. It is a specific problem that has required a more interventionist solution, worked out among the tripartite partners. In industries such as cleaning and security, cheap-sourcing has held down pay and also led to high attrition, making it difficult for workers to acquire skills and upgrade themselves. The Progressive Wage Model (PWM), which will be a licensing requirement for companies in both these industries, will ensure that cleaners and security guards too enjoy significant upgrades in their basic pay, and have a pathway to improve their skills and wages over time.

B.34. We are making progress, but there is more work to do. We cannot change the realities of global competition and technological advances that put pressure on less-skilled workers all over the world. But we can do much more to improve the lives of lower-income workers, and to give their children the best chances to do well, so that disadvantage is not passed from one generation to the next, and our society preserves a sense of equity and opportunity.

## *Further Measures in Budget 2014*

B.35. Let me now summarise the major social planks of this year's Budget.

B.36. We are giving special recognition to our Pioneer Generation through a package that assures them of affordable healthcare. The Budget will also set aside funds today to meet the full cost of the Pioneer Generation Package in future. By doing so, the Government is assuring the Pioneer Generation that the commitment we are making today will be met, regardless of future economic and fiscal circumstances. By taking advantage of current resources to provide fully for this special package for our pioneers, we will also allow future Budgets to focus on the needs and challenges of the future, such as in education, transport and the healthcare needs of all Singaporeans.

B.37. The Budget will continue with our efforts to support social mobility, and to build a strong and sustainable social safety net.

a. First, we will boost education subsidies, starting with the early childhood years. The earlier we intervene to help children who start with a disadvantage, the better their prospects for achieving their full potential in life. We will also strengthen support for the middle-income group, especially in tertiary education.

b. Second, we will continue to enhance healthcare subsidies for both the lower- and middle-income groups. Besides enhanced government help, we will increase employers' CPF contributions so as to increase the retirement savings of workers.

c. Third, we will buttress schemes to help the disabled, from young. Their difficulties are the greatest, and often their courage too. They deserve greater support.

B.38. Taken together, our initiatives of the last five years, plus the further steps in this Budget amount to a major programme to support lower- and middle-income Singaporeans – in fact about 2.5 times compared to ten years ago.[5]

B.39. Let me illustrate what this means for a typical low-income couple, at the 10th percentile of the income ladder, through the major episodes of their life.

a. First, the couple buys a home of their own. They receive $60,000 in housing grants to buy a BTO 2-room flat, with payments only from their CPF. Later on, if they upgrade to a new 3-room flat, they receive an additional $15,000 in Step-Up CPF Housing Grant.

b. Every step of their children's education will be heavily subsidised. Childcare fees will typically be just $3 a month. Then, through their children's school years and if they go on to polytechnic, for example, financial assistance will cover 75% of their total fees. If they go on to university, they get further support.

c. Workfare tops up their pay by up to 30%. And if they face set-backs along the way, such as losing a job, ComCare will help.

d. As the couple gets older, healthcare needs become more important. They will get subsidies of 70% to 80%, whether in in-patient or outpatient treatments, and for long-term care. And if they still have difficulty with their healthcare bills, Medifund will help.

[5] Based on projections of the lifetime benefits (net of taxes) that a typical household in each income group can expect to receive.

B.40. Taking these episodes in their life together, the couple will receive significant help from the Government. Government transfers (net of the taxes they pay) will in fact exceed their lifetime incomes.

B.41. However, what is critical is <u>not just how much we spend and redistribute resources, but how we do so</u>.

B.42. Our approach to uplifting the poor and levelling-up society can only succeed if it supports a culture of personal responsibility – the desire to learn a new skill and work for a better living, and to make the effort to look after our own families. We know this from the evidence of half a century of major social interventions around the world, such as in the US and the European countries.

B.43. We cannot leave people to face life's uncertainties on their own. That is not our approach. But as we strengthen our social support and safety nets, our whole approach must encourage <u>a compact between personal and collective responsibility</u>, where each reinforces the other. It is the best way to sustain a vibrant and equitable society, where everyone plays a role in making Singapore a better place.

## C. Transforming our Economy

C.1. Let me now go on to the first major plank of the Budget: to deepen incentives for restructuring to enable innovation to pervade the economy.

C.2. Our basic approach has been two-fold. First, we have been tightening foreign worker policies in progressive steps since 2010.

C.3. As a result, foreign workforce growth has slowed significantly in the past two years. We can expect further slowdowns in the next two years, particularly in the Services sector, as the Dependency Ratio Ceiling (DRC) cuts that were previously announced take full effect by July 2015.

C.4. The Construction sector has been the exception. While we are not making further moves to tighten foreign worker inflows for the economy at large in this year's Budget, we will make further efforts to encourage the Construction sector to retain skilled workers and to implement manpower-saving technologies. I will speak more on this later.

C.5. The second prong in our restructuring strategy has been to provide firms with strong support for every investment that can improve productivity.

a. This year, companies will continue to benefit from the three-year Transition Support Package that we introduced last year. It is a major package of support, now estimated at about $7.3 billion. It has been very well utilised in the first year of rollout. In particular, strong wage increases over the past year will boost WCS payouts at the end of March 2014 to around $800 million, significantly more than originally estimated.

b. We are also seeing higher take-up rates for the existing Productivity and Innovation Credit (PIC) scheme. Two out of three SMEs with turnover of more than $1 million have claimed benefits.

c. Besides these broad-based measures, we are also providing targeted help to firms investing in innovative ideas through the Innovation and Capability Voucher (ICV) and Capability Development Grant (CDG) schemes.

## Individual Players are Showing What is Possible

C.6. As I mentioned earlier, change is happening on the ground. Even within our ‘old economy’ sectors, individual players are doing things quite differently. They show us that change is possible and how, if we scale up such changes across whole industries, we can achieve a major impact in overall productivity. I will give just three examples of such firms, each of which is operating in industries which have had relatively low productivity.

C.7. First example is in security: Oneberry Technologies.

a. Using its proprietary system of intelligent cameras and surveillance software in place of traditional security guards, Oneberry provides security cover with no manpower on site. Instead, staff at its central command centre receive instant alerts when there are intrusions and respond with alarms and warning announcements on-site, or by alerting the police.

b. This helps Oneberry’s clients to significantly cut down on security manpower. SCAL Kim Chuan dormitory, one of its clients, managed to save $300,000 in three years as a result.

c. This technology-driven business model has also enabled Oneberry to more than double its revenue with only one-third increase in manpower.

C.8. Second example: Marcella, a menswear retailer.

a. Marcella has used technology to produce bespoke shirts at off-the-shelf prices.

b. It developed software to enable its sales staff to translate customers’ measurements automatically into draft designs. As more customer data is collected, the software makes constant improvements in creating fitting designs. This has reduced the need for alterations.

c. Marcella also uses laser technology to cut fabric to precision in its factories for better accuracy and to reduce wastage.

d. With this cost-efficient business model in hand, Marcella is opening its first retail outlet abroad, in New York, in the middle of this year.

C.9. Third, moving on to the F&B industry, let us now look at Genki Sushi.

a. The Singaporean-owned franchise has invested in a system that has reduced the number of staff serving tables by about 85%, and cut waiting times for orders by half.

b. Orders are placed using iPads and conveyed directly to the kitchen. ‘Trains’ shaped like the Shinkansen are then used to serve food straight to its diners’ tables.

c. In addition, every table has a mechanised plate-clearing system which allows customers to slip empty plates into a slot to be sent directly to the stewarding area.

d. The technologies have not only reduced the need for staff but have become a novel dining concept that attracts more customers.

C.10. These are different examples from different industries, but each shows us what is possible. We must spread this willingness to innovate and make breakthroughs.

## Raising the Game in Restructuring

C.11. We will therefore provide sharper incentives in this Budget to support significant efforts in business transformation and upgrading. Our support for companies will be along five thrusts:

a. First, we will extend and deepen <u>support for businesses to invest in innovation and skills</u> so that they can sustain and step up their restructuring efforts;

b. Second, we will give a stronger and more specific push to the <u>piloting and scaling-up of ICT solutions</u> that can help to transform whole sectors;

c. Third, we will catalyse investments in growth enterprises to facilitate their growth and expansion;

d. Fourth, we will support companies in their efforts to internationalise and grow their brands in the global market;

e. Lastly, for the Construction sector, we will put in place a series of measures to help players meet the challenge of raising construction productivity.

## Supporting Innovation and Skills

### *Extension and Enhancements to the Productivity and Innovation Credit Scheme*

C.12. The Productivity and Innovation Credit (PIC) scheme is due to expire in Year of Assessment (YA) 2015. There have been many calls for its extension. I have decided to extend the PIC scheme for another three years until YA2018. This extension will cost the Government a total of $3.6 billion.

C.13. I will also introduce a "PIC+" scheme for SMEs, to help firms that are making more substantial investments to transform their businesses. Under the current PIC scheme, the expenditure cap is $400,000 per year for each qualifying activity and the cap can be combined to a total of $1.2 million across three years. I will raise the expenditure cap to $600,000 from YA2015. This means that SMEs can now claim tax deductions for up to $1.8 million[6] in expenditure. (Refer to Annex A-5.)

C.14. To illustrate, take the example of a medium-sized logistics company planning to invest in an automated storage and retrieval system at a cost of $1.6 million. Under existing PIC rules, the company can claim enhanced tax deductions on the cost capped at $1.2 million. With the new PIC+, it can now enjoy deductions on the full $1.6 million expenditure and expect total tax savings of about $530,000.[7]

[6] $1.8 million is the combined expenditure cap per qualifying activity for YA2016 to YA2018.

[7] Tax deduction of $1.6 million x 400% x effective tax rate of 8.3% (for company with turnover of $10 milion to $50 million) = $531,200.

## *Extension of Tax Incentives for Innovation*

C.15. To continue encouraging private R&D, we will extend the 50% additional tax deduction on qualifying R&D expenditure for another 10 years till YA2025, and the further tax deduction administered by the EDB for another five years till 31 March 2020. (Refer to Annex A-5.)

C.16. We will also extend the writing down allowance for cost incurred to acquire qualifying Intellectual Property Rights for another five years till YA2020. (Refer to Annex A-5.)

## *Industry Transformation through New Industrial Spaces*

C.17. We will create new industrial spaces that cluster companies within the same industry. SMEs will benefit from lower costs through the consolidation of operations, pooling of resources and aggregation of demand for delivery and other services.

a. For instance, JTC's Food Hub concept will feature an integrated cold room-warehouse shared facility operated by a third party provider who will also provide logistics services. This will not only lower the capital investments needed by SMEs – as they no longer need to invest in their own cold rooms – but also enable them to benefit from more efficient supply chains.

## *Extension of the Land Intensification Allowance*

C.18. In addition to these cluster strategies, we will continue to encourage individual businesses to maximise land use. We will renew the Land Intensification Allowance (LIA), due to expire next year, for five years to 30 June 2020. We will also extend the LIA to the logistics sector as well as to businesses carrying out qualifying activities on airport and port land. (Refer to Annex A-5.)

## *Promoting Continuing Education and Training*

C.19. We are undertaking a major review of our Continuing Education and Training (CET) system to support the up-skilling of our workers on a continuous basis and the transformation of our economy. The review will be completed later this year. As more funds will be needed for the expansion of our CET system, I will top up the Lifelong Learning Endowment Fund (LLEF) by $500 million, bringing the total fund size to $4.6 billion.

## Adopting ICT Solutions to Increase Productivity

C.20. Our second major thrust is to catalyse the adoption of ICT especially in our SME sector.

C.21. ICT is transforming almost every industry internationally. While the Public Sector and our larger corporations have been actively leveraging ICT, we have to help our SMEs step up adoption of ICT solutions.

C.22. We will give this a major push over the next three years. We will launch an ICT for Productivity and Growth (IPG) programme, comprising three key initiatives which I will elaborate on in turn.

### *Scaling-up Proven ICT Solutions*

C.23. The first concerns proven ICT solutions. Over the past three years, IDA has worked with trade associations and the ICT industry to develop and deploy sector-specific solutions under the iSPRINT scheme. In F&B, for example, more than 50 F&B operators have adopted a wireless integrated restaurant system that has relieved their service staff from manual and repeated tasks.

C.24. We target to extend the reach of these sector-specific proven solutions from the existing 500 SMEs to another 10,000 SMEs over the next three years. We will subsidise 70% of the costs of ICT products and services. (Refer to Annex A-2.)

### *Piloting of Emerging Solutions*

C.25. Second, we will encourage first movers, who can pilot emerging technology solutions that have the potential to transform businesses. These can, for example, include innovations in sensors, data analytics and robotics.

C.26. Over the next three years, we will support 80% of the qualifying costs for firms that are implementing innovative solutions that are new to Singapore. The support will be capped at $1 million per participating firm. (Refer to Annex A-2.)

### ***Enabling High-Speed Connectivity for Businesses***

C.27. Third, we will promote high-speed connectivity for SMEs. It is difficult for SMEs to take full advantage of cloud computing and data analytics solutions without high-speed Internet access.

C.28. We will subsidise SMEs' fibre broadband subscription plans of at least 100 Mbps (Megabits per second) and provide support for them to implement Wireless@SG services at their premises. (Refer to Annex A-2.)

C.29. We will also ensure that more buildings have facilities to bring fibre broadband to their business tenants. We will subsidise building owners for up to 80% of the costs of new in-building infrastructure, capped at $200,000 per building. (Refer to Annex A-2.)

a. As this is not a permanent measure, building owners are strongly encouraged to take this up within the next three years.

b. IDA will consult the industry and building owners to determine the most optimal way to structure the subsidy.

C.30. These initiatives will cost $500 million over the next three years.

## Catalysing Investment in Growth Enterprises

C.31. The third thrust in our efforts to promote industry transformation will catalyse financing for companies at various stages of growth so that they can take full advantage of growth opportunities.

### ***Co-Investment Programme Phase II***

C.32. SMEs in the growth and expansion stage often need a boost in financing to achieve sufficient scale and become globally competitive. In 2010, the Co-Investment Programme (CIP) was launched to catalyse patient growth capital for Singapore-based enterprises, through co-investing with the private sector.

C.33. The Government set aside $250 million for the first phase of the programme, of which approximately $160 million has been deployed. This has already catalysed over $500 million of investments from private sector players, or over three times of the Government's outlay.

C.34. In view of the good take-up to date, we will launch the second phase this year with the Government providing an additional $150 million to match private sector investments. The CIP will continue to focus on investing in growth-oriented Singapore SMEs and providing the patient capital to help SMEs that need more time to execute their expansion and internationalisation plans. (Refer to Annex A-3.)

C.35. The additional capital will be allocated to two funds:

a. SME Co-Investment Fund II. Similar to the existing SME Co-Investment Fund, this second fund will make direct equity investments into companies alongside other private equity investors.

b. SME Mezzanine Growth Fund. This is a new fund that aims to meet the demand from SMEs for mezzanine financing, a hybrid debt-equity instrument. It provides a more flexible financing option for SMEs that do not wish to dilute their equity but face challenges in increasing their borrowings from traditional banking sources.

## *Enhancement of the Micro-Loan Programme*

C.36. In addition, young SMEs often face financing challenges that hinder their potential growth. They lack a track record and are inherently more risky investments, making it difficult for them to obtain loans from banks. We thus launched the Micro-Loan Programme (MLP) in 2001, with the Government taking on some of the risk for small loans below $100,000, to encourage banks to lend to our small and young businesses.

C.37. The Government will take on more of the risk, to spur lending to young SMEs. SPRING Singapore will raise the government risk-share in the MLP for young SMEs (firms which have been registered for less than three years) from 50% to 70%. The enhancement is expected to catalyse an additional $32 million in loans for FY2014 and FY2015. (Refer to Annex A-3.)

### ***Crowdfunding for Start-ups***

C.38. We are also studying the potential for equity crowdfunding, which is emerging in some countries as an alternative source of financing for start-ups and small companies. MAS and SPRING are looking into an appropriate regulatory framework for such new business models.

## Seizing Growth Opportunities Overseas

C.39. Our fourth thrust concerns internationalisation. Take-up of IE Singapore's schemes to help companies internationalise has grown over the past year. We will make targeted enhancements to further assist companies in seizing opportunities overseas.

### ***Financing for Internationalisation***

C.40. First, we will raise the maximum loan quantum supported by the Internationalisation Finance Scheme (IFS) from the current $15 million to $30 million. This will boost debt financing for companies to make additional asset investments abroad or fund working capital expenses for secured overseas projects. With this enhancement, the IFS is expected to catalyse up to $500 million in loans over the next two years for companies pursuing internationalisation. (Refer to Annex A-4.)

### ***Building Capabilities for Internationalisation***

C.41. Second, we will enhance the Global Company Partnership (GCP) Programme by providing additional support in two areas:

a. We will raise the support level for pilot and test-bedding projects from the existing 50% to 70%. This is to assist our companies to establish track records and prototype new products to break into overseas markets.

b. We will also expand support for staff attachments in overseas markets.

C.42. This should benefit some 200 companies over the next two years. MTI will announce more details at the COS.

## The Construction Sector

C.43. Our fifth and last thrust has to do with the more intensive efforts needed to upgrade the Construction sector.

C.44. Transforming the industry requires change across the whole construction eco-system: from ensuring that developers and architects create designs that allow for more efficient downstream construction operations; to ensuring adequate supply of pre-fabricated components; and to allocating land near the site for storage needs during the construction stage.

### *Upstream Measures to Tackle Construction Productivity*

C.45. We will take a few initiatives in this budget to encourage change across this ecosystem.

C.46. First, for selected Government Land Sales (GLS) sites, we will mandate the use of productive technologies such as Prefab Prefinished Volumetric Construction and Prefab Bathroom units in the tender conditions. JTC will also stipulate a minimum percentage level of prefabrication as part of tender conditions for Industrial Government Land Sales (iGLS) sites.

C.47. In addition, we will incentivise developers to adopt productive technologies in developments on non-GLS sites.

C.48. We will continue to increase the legislated buildability-scores (B-score) and constructability-scores (C-score) for projects.

a. From September this year, private projects that are outside of the GLS programme will need to meet the same higher standards as public sector projects and private sector projects on GLS/iGLS sites. This is expected to reap 9% to 14% in manpower savings on such projects.

b. We will also require standardised floor heights and building components such as drywalls for new projects.

C.49. The public sector will also take the lead by using productive technologies more aggressively to provide a demonstrative effect, and catalyse mass demand. Development agencies such as LTA, JTC and HDB will continue to adopt more advanced technologies such as shield tunnelling, and optimise the use of precast and prefabricated components in their upcoming projects.

C.50. For government construction projects, tender evaluation will favour firms with good track records in adopting productive construction designs and methods.

C.51. More details on these upstream measures will be provided by MND at the COS.

## *Targeted Foreign Worker Policies for Construction*

C.52. We will also introduce further calibrated measures to discourage construction firms from over-reliance on lower skilled foreign workers. First, we will increase the foreign worker levies for construction Basic Skilled Work Permit Holders.

a. The levy for Basic Skilled or R2 Work Permit Holders employed within Man-Year Entitlement (MYE) will be increased from $600 to $700 in July 2016. We are announcing this change in the Construction sector two years in advance because of the significant pre-planning needed in such projects.

b. Levies for Higher Skilled or R1 Work Permit Holders will remain unchanged to further encourage construction firms to opt for more skilled foreign workers.

C.53. In the longer term, we will be looking into mandating a minimum proportion of R1 Work Permit Holders at the firm level to improve the skill profile of the foreign workforce.

C.54. We will help construction firms retain workers with better skills and experience. We will introduce a new Market-Based Skills Recognition Framework to complement the existing upgrading pathway which requires Work Permit Holders to pass a skills certification test to achieve Higher Skilled status.

C.55. Under this new framework, Basic Skilled workers who have worked in Singapore for at least six years and who earn a salary of at least $1,600 will be allowed to upgrade to Higher Skilled or R1 status.

C.56. Many firms have provided feedback through the Singapore Business Federation's SME Committee about the need to retain experienced workers who have acquired deep skills and valuable knowledge on the job.

C.57. We will extend the maximum Period of Employment for R1 Work Permit Holders from non-traditional sources (NTS) and the PRC from 18 to 22 years.

C.58. This extension of Period of Employment will also apply to the Marine and Process sectors.

C.59. More details will be released by MOM.

### *Monitor Foreign Workforce Growth in Other Sectors*

C.60. We will continue to closely monitor the growth of foreign manpower in other sectors, to ascertain whether further tightening measures, including levy increases, are needed for 2016 and beyond.

## D. A Fair and Equitable Society

D.1. The second major plank of the Budget has to do with our work to achieve a fair and equitable society.

D.2. We are driving important initiatives to help our lower-income families aspire for themselves, and enable every Singaporean to contribute to a better society. It is a determined, multi-year effort to keep up social mobility and do all we can to avoid becoming a society of permanent tiers. Equally, we are enabling a better system of care and financial security for the elderly and Singaporeans with disabilities.

D.3. A key feature in this year's Budget is the Pioneer Generation Package. As the Prime Minister has stated, we are honouring this unique generation of Singaporeans who built up the country, although no package can fully reflect the contributions that our pioneers have made.

D.4. Budget 2014 will also enhance retirement adequacy and healthcare affordability for all Singaporeans, besides the Pioneer Generation, and strengthen support for persons with disabilities. In addition, we will take further steps to support children from lower- and middle-income homes.

D.5. As we enhance our social spending, however, I want to highlight two important challenges that we face.

D.6. The first concerns healthcare costs. Healthcare will be the main driver of the higher social spending that we will see over the next 10 to 15 years. It will happen as Singaporeans get older, but also as new medical treatments become available, enabling longer and better lives. The demand for medical treatment will inevitably grow.

D.7. We will have to find the right ways to fund these future healthcare needs. It means finding the right balance of funding: between tax-funded subsidies, collective risk-pooling through MediShield Life and ElderShield, individual co-payments and safety nets like Medifund for the needy. We must find a balance that is equitable to the poor, and that also ensures that we can fund quality healthcare on a sustainable basis, in the next decade and well beyond.

D.8. But equally important, we must ensure that healthcare cost inflation is controlled in the years to come. We cannot end up in a cycle of ever-increasing healthcare spending and funding needs – whether from the Government or citizen's own pockets.

D.9. We therefore have to reshape our healthcare system to control costs, even as we ensure good healthcare outcomes. While we have to expand the capacity of our system in every area, from hospitals to home-based care, we must over time also reduce the over-concentration of patient load in our acute hospitals. Primary care providers like our family physicians and polyclinics have to play bigger roles. We are also developing the long-term care sector, to enable patients to receive continuing care outside hospitals, and close to home.

D.10. Besides rebalancing the system, we must also ensure that hospitals, doctors, insurers and patients have the right incentives, so that Singaporeans receive treatments that are both clinically sound and cost-effective. There are many lessons to be learnt from the experience of countries where healthcare costs have ballooned because incentives favour the most expensive treatments, even where benefits are doubtful or unproven.

D.11. The second key challenge is that of developing quality people for the social sector. We will not succeed without good people: with professional skills, empathy and the knack for helping those in need to find their own feet.

D.12. We need nurses, doctors and allied healthcare professionals; early childhood professionals and learning support specialists; social workers and counsellors; and imaginative leaders, who can build strong and effective networks across social services to tackle increasing complex social challenges.

D.13. In the coming years, we will be investing more in our people in the social sector. We will ensure they have opportunities to deepen their expertise, empower them to find creative solutions to problems, and give them the reward and recognition they deserve.

## Promote Social Mobility

D.14. We will do more in this Budget to strengthen opportunities for lower- and middle-income students in our education system, both at pre-schools and at our Institutes of Higher Learning (IHLs).

### *Pre-school Education*

D.15. Our existing financial assistance scheme for kindergartens is aimed at lower-income households. We will enhance this in two ways through the Kindergarten Fee Assistance Scheme (KiFAS). First, we will provide more fee assistance, and extend this to the middle-income group.

D.16. With this change, more households in the lowest quartile (up to $3,000 a month) will now pay just $3 a month, down from as much as $75 previously. A lower-middle income household that earns $4,800 a month will now pay $85 a month, compared to about $130 today.

D.17. The second change is that KiFAS will be made available to all Anchor Operators and MOE Kindergartens.

D.18. The Minister for Social and Family Development will provide more details at the COS.

### *Bursaries at our Institutes of Higher Learning (IHLs)*

D.19. We will significantly enhance bursaries at our IHLs.

D.20. First, we will enable more students to qualify for bursaries by raising the per capita monthly household income threshold from $1,700 to $1,900. The bursaries will hence benefit students from two-thirds of all Singaporean households.

D.21. For university undergraduates, those from the lowest one-third of households will see bursaries increase to $3,600 a year. Middle-income students will see a $450 increase to $2,600 a year. This is besides the Tuition Fee Loan and Study Loan schemes that enable students to pay for their university education interest-free while they are studying.

D.22. Similarly, polytechnic and ITE students from middle-income households will receive increased support, besides the substantial support that we will continue to provide for those from lower-income families. ITE bursaries for lower-income students will be significantly higher than their fees, helping them defray their living expenses.

D.23. These changes will together cost up to $147 million more each year. The Minister for Education will provide more details at the COS.

## Enhance Healthcare Affordability

D.24. We are taking significant steps to enhance healthcare affordability for Singaporeans by introducing subsidies for MediShield Life, and expanding subsidies at Specialist Outpatient Clinics (SOCs). We will also raise CPF contributions to better provide for the future medical needs of Singaporeans.

### ***MediShield Life Review***

D.25. The MediShield Life Review Committee has been reviewing the various parameters of MediShield, taking into consideration the feedback received. It is reviewing benefits such as claim limits and co-insurance rates so that MediShield Life provides better protection against large hospital bills and reduces patients' share of the bill.

D.26. Naturally, these significant enhancements will require higher premiums. However, the Government will ensure that premiums remain affordable for the lower- and middle-income groups. We will do so in two ways:

a. First, we will provide them with significant permanent subsidies, so that they can fully pay their remaining premiums out of their regular Medisave contributions. We will also provide further assistance for those in financial difficulties.

b. Second, to ease the transition into MediShield Life we will provide a subsidy to offset premium increases for the first few years, including for those who are higher-income.

D.27. We will finalise the details of the subsidies after the Committee has completed its work.

## *Specialist Outpatient Clinics Subsidies*

D.28. We will also do more to keep outpatient care affordable for the lower- and middle-income group.

D.29. Today, all subsidised patients enjoy 50% subsidy on average for general Specialist Outpatient Clinics (SOC) services, including consultation and diagnostic tests. We will raise subsidies for lower- and middle-income Singaporeans to 70% and 60% subsidy respectively. This will be especially helpful for patients who require regular treatment at the SOCs because of their conditions. The subsidies for SOC services will be implemented from September 2014.

Table 1: Enhancements to subsidy for SOC services

| Household income per capita | Annual value of home (for those without income) | Current | Revised |
|---|---|---|---|
| Up to $1,100 | Up to $13,000 | 50% | 70% |
| $1,101 to $1,800 | $13,001 to $21,000 | | 60% |
| More than $1,800 | More than $21,000 | | 50% |

D.30. Apart from SOC services, patients also have to spend on medication. We will similarly enhance subsidies for medication. However, as this has to be implemented across different healthcare settings, the enhancements will be introduced early next year. MOH will provide the details later.

D.31. To illustrate how these subsidies work, consider someone in his 50s who is lower-income and suffers from chronic illnesses such as high cholesterol and hypertension. These changes would mean reducing his annual SOC charges by almost half from $480 to

$265, once the subsidies for services and medication are implemented.

D.32. An estimated 400,000 patients will benefit from the enhancements. It will cost an additional $123 million per year.

## *CPF Medisave Contribution Rate*

D.33. Everyone has to play a role in meeting future healthcare costs. The Government is significantly increasing its support for lower- and middle-income individuals, and providing a special package for the Pioneer Generation. For individuals, as I mentioned earlier, MediShield Life premiums will go up so as to pay for the enhanced benefits they will receive. It is important for employers to play a role too in this national effort to provide for the future healthcare needs of Singaporeans. Indeed, it is in employers' interest to have a healthy and motivated workforce.

D.34. We will therefore raise the CPF employer contribution rate by 1 percentage point for all workers. This increase will be channelled to the Medisave Account.

D.35. To help employers manage this increase, the Government will provide them with a 50% offset, through a one-year Temporary Employment Credit (TEC). Employers will receive an offset of 0.5 percentage points of wages, up to the CPF salary ceiling of $5,000. Both the CPF contribution rate change and the TEC will take effect from January 2015 to give employers sufficient time to factor the changes into their business plans. The TEC will cost $330 million. (Refer to Annex B-2.)

D.36. Our younger workers will benefit significantly from this increase, but so too will middle-aged workers. For example, a 40-year-old earning a wage of $4,000[8] will increase his Medisave savings by $20,800 by the time he retires at age 65.

D.37. As a result of this adjustment, the overall CPF contribution rate will be 37%, with employers contributing 17 percentage points and employees 20 percentage points. At 37%, the overall rate is higher than the range of 30% to 36% that was targeted in 2003.

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[8] Median wage for workers aged 40 – 44.

D.38. We deliberated on this increased contribution rate carefully, taking into account future needs. Compared to a decade ago, life expectancy has increased, and will very likely move up further in Singapore. The demand for healthcare services has also increased, as advancements in medical care become available.

D.39. We do not expect to make further changes soon to total CPF contribution rates, beyond this 1 percentage point increase. In the longer term, any further changes will have to be carefully considered by the tripartite partners, taking into account economic conditions, business costs and competitiveness.

D.40. With higher Medisave contributions, we will allow elderly Singaporeans to <u>use a portion of their Medisave more flexibly</u> across a <u>range of outpatient treatments</u>. This is on top of the existing Medisave withdrawal limits for specific chronic conditions and other treatments. The Minister for Health will elaborate at the COS.

## Honouring our Pioneer Generation

D.41. Taken together, the review of MediShield Life – including the subsidies we will provide for Singaporeans – as well as our enhanced SOC subsidies, are significant improvements in healthcare accessibility and affordability. These are changes that we will sustain for the long term for all Singaporeans.

D.42. Let me move on now to the Pioneer Generation Package which provides a special package of support on top of these enhancements.

### *Criteria for the Pioneer Generation*

D.43. As the Prime Minister has announced, the Pioneer Generation Package will be for the first generation of Singaporeans who were living and working in Singapore after we became independent.

D.44. The Pioneer Generation Package will thus be for those who were at least 16 years old in 1965. Within these age cohorts, we have – for practical reasons – included those who became citizens before 1987. This is because our manual records before that are incomplete with regard to the dates they became citizens. However, we know that more than 90% of those who became citizens by 1987 were already living in Singapore before 1970.

D.45. In total, about 450,000 Singaporeans fulfil the criteria. There may be people who marginally miss out on the precise criteria, but have good claims to be counted among the Pioneer Generation. We will hence establish a panel to assess appeals on a case-by-case basis.

## *Pioneer Generation Package Benefits*

D.46. There will be three key components to the Pioneer Generation Package – Outpatient care, Medisave Top-ups and MediShield Life subsidies.

D.47. These special benefits that we are providing the Pioneer Generation will not be differentiated by income because our objective is to honour the contributions of this whole generation. However, members of the Pioneer Generation who are less well-off will benefit more where there are higher underlying subsidies for all lower-income Singaporeans – such as at the SOCs, as I have just announced.

### *(I) Outpatient Care*

D.48. Many of the Pioneer Generation require outpatient treatment, either for common illnesses or for chronic conditions, such as diabetes and high blood pressure. We will provide them with additional subsidies in three areas:

D.49. First, SOCs and polyclinics. As I have just explained, we are increasing SOC subsidies for the lower- and middle-income. We will give the Pioneer Generation a further 50% off their subsidised bills at SOCs. What this amounts to is that all Pioneer Generation members will get a 75% to 85% subsidy for treatment at SOCs. Similarly, the Pioneer Generation will receive an additional 50% off their subsidised bills at polyclinics.

D.50. Second, Community Health Assist Scheme (CHAS) benefits, which are important because private GPs play an integral role in our primary care system. CHAS is currently targeted at lower- and middle-income Singaporeans. Under this package, all Pioneer Generation members will get more:

a. Those who are not on CHAS will now qualify;

b. Those already on CHAS will enjoy additional subsidies, which will be similar to our enhancements for the Pioneer Generation at SOCs and polyclinics.

D.51. Third, Pioneer Generation Disability Assistance. Those who have moderate to severe functional disabilities often face much higher long-term care expenses because they require assistance to feed themselves, bathe or move around. Under the Pioneer Generation Package, they or their nominated caregivers will receive cash assistance of $1,200 a year.

D.52. The subsidies for SOC and polyclinic services, as well as disability assistance, will be implemented in September 2014. The additional CHAS benefits will be implemented in January 2015. The Minister for Health will provide more details at the COS.

***(II) Medisave Top-ups***

D.53. The second component of the Pioneer Generation Package comprises annual Medisave top-ups of $200 to $800 for the Pioneer Generation. These are on top of the regular GST Voucher – Medisave payouts for older Singaporeans. Older Pioneer Generation cohorts will enjoy larger top-ups. The Medisave top-ups will be paid out from August this year. The Pioneer Generation can also look forward to the more flexible Medisave for all older Singaporeans, that I spoke about earlier. (Refer to Annex B-1.)

Table 2: Medisave Top-Ups for Pioneer Generation

| Age in 2014 (Birth Cohort) | Annual Medisave Top-Up |
|---|---|
| 65-69 (1945-1949) | $200 |
| 70-74 (1940-1944) | $400 |
| 75-79 (1935-1939) | $600 |
| 80+ (1934 and earlier) | $800 |

### *(III) MediShield Life Subsidy*

D.54. Many of the Pioneer Generation, especially the older ones, are currently not covered by MediShield.

D.55. MediShield Life will cover all Pioneer Generation members, including those with pre-existing conditions. They will receive enhanced coverage for large hospital bills. We will also provide the Pioneer Generation a special subsidy to ensure that MediShield Life premiums are highly affordable for them.

D.56. The special subsidy will increase with age. All Pioneer Generation members will enjoy subsidies starting from <u>40% of the MediShield Life premium at age 65, rising to 60% of the premium at age 90</u>. This means that a 65-year-old today – who is expected to live to 85 – will get a 50% average subsidy over his lifetime.

D.57. The MediShield Life Review Committee is currently reviewing the benefits and premiums, which will be ready later this year. However, the Government's intent is clear:

a. <u>For Pioneer Generation members aged 80 and above in 2014, we intend to fully cover their premiums through a combination of premium subsidies and Medisave top-ups</u>.

   i. This will be the case even for those who are currently not covered under MediShield, and who will now enjoy the benefits of MediShield Life.

b. For those who are younger, for example, aged 70 in 2014,

   i. If they are on MediShield today, with the new premium subsidies and Medisave top-ups, we aim for them to pay only <u>about half of their current premiums</u>.

   ii. If they are not on MediShield today, they will be brought onto MediShield Life. They should still pay less than current premiums.

D.58. The MediShield Life subsidies will be implemented in end-2015, when MediShield Life is rolled out.

## ***Summary of Pioneer Generation Benefits***

D.59. Let me summarise. All members of the Pioneer Generation will receive the special benefits of the Package regardless of income. They will also get it for the rest of their lives.

D.60. First, for outpatient treatment. They will get a further 50% discount on their subsidised bills in SOCs and Polyclinics. They will also receive CHAS benefits. These will be on top of the underlying subsidies. And for those with moderate to severe disabilities, they will get cash assistance of $1,200 per year under the Pioneer Generation Disability Assistance Scheme

D.61. Second, Medisave top-ups. The Pioneer Generation will receive $200 to $800 every year, with the older cohorts receiving more. This is on top of the annual Medisave top-ups in the GST Voucher. They will also be able to use their Medisave more flexibly for a range of outpatient treatments.

D.62. Third, MediShield Life will be affordable. For those 80 and above in 2014, we intend to fully cover their MediShield Life premiums through a combination of MediShield Life subsidies and Medisave top-ups. For those who are younger, around 70 in 2014, we aim for them to pay only about half of their current premiums, with the rest covered through premium subsidies and Medisave top-ups, if they are on MediShield today.

D.63. I will explain how I will fund the Pioneer Generation Package later.

## Further Help for Older Singaporeans

D.64. We want to provide more support for other older Singaporeans. As I mentioned earlier, they will benefit from subsidies for MediShield Life and the enhanced subsidies for SOCs. We will introduce further measures to help them.

## *5-Year CPF Medisave Top-Up*

D.65. To help those not eligible for the Pioneer Generation Package with their healthcare expenses, I will provide a Medisave top-up of $100 to $200 annually over the next five years to Singaporeans aged 55 years and above in 2014. The vast majority, those living in HDB flats, will get $200 a year. (See Table 3.) This special top-up is on top of the annual GST Voucher – Medisave that those 65 and above can receive.

Table 3: 5-Year CPF Medisave Top-Up

| **Annual Value of Home as at 31 Dec 2013** | **Up to $13,000** | **Above $13,000 or owns more than 1 property** |
|---|---|---|
| Citizens born in 1959 and earlier who do not enjoy Pioneer Generation benefits | $200/year | $100/year |

D.66. This is expected to cost around $440 million over 5 years.

## *CPF Contribution Rates for Older Workers*

D.67. In recent years, we have boosted our support for older workers to help them remain meaningfully employed. Schemes such as the Special Employment Credit (SEC) and Workfare Training Support (WTS) encourage employers to hire and invest in training them.

D.68. Our efforts at improving the employability of older workers are showing results. The employment rate of older residents aged 50 to 64 has risen steadily from 56% in 2003 to 70% in 2013.

D.69. We had made a commitment in 2012 to give older workers aged 50 to 55 the same contribution rates as their younger counterparts. We made the first step in that year with a 2.5 percentage point increase. Smaller increases were introduced for workers aged 55 to 65.

D.70. NTUC has called for contribution rates for older workers to be increased this year. The Singapore National Employers' Federation (SNEF) also supports some adjustments in contribution rates, but has cautioned that rates be increased gradually to preserve the incentive for employers to hire older workers.

D.71. Following consultations amongst tripartite partners, we will take a second step towards raising the contribution rates for them. This will be on top of the 1 percentage point increase in the Medisave contribution rate, which I announced earlier.

D.72. We will raise CPF contribution rates for those aged 50 to 55 by 1.5 percentage points – 1 percentage point from the employer and 0.5 percentage points from the employee. We will also raise the employer contribution rate for those aged 55 to 65 by 0.5 percentage points.

D.73. All increases in employer contributions will be allocated to the Special Account. As some older households may still be servicing mortgages, the 0.5 percentage points from employees will go to the Ordinary Account. (See Table 4.)

Table 4: Increase in CPF Contribution Rates for Older Workers

| **Employee Age (Years)** | **New Contribution Rates* from Jan 2015 (% of wage) (rate increases are in brackets)** | | |
|---|---|---|---|
| | **Employer** | **Employee** | **Total** |
| Above 50 – 55 | 16 (+2) | 19 (+0.5) | 35 (+2.5) |
| Above 55 – 60 | 12 (+1.5) | 13 | 25 (+1.5) |
| Above 60 – 65 | 8.5 (+1.5) | 7.5 | 16 (+1.5) |
| Above 65 | 7.5 (+1) | 5 | 12.5 (+1) |

**Includes the 1 percentage point increase in employer's contribution to CPF Medisave for all Singaporeans.*

D.74. As a result of these changes, a 50-year-old worker earning a wage of $3,000[9] will have $6,500 more in his retirement savings at age 65.

D.75. To help employers adjust, we will provide a <u>one-year</u> increase in the SEC of up to 0.5 percentage points. This comes on top of the existing SEC of up to 8% of wages, and will <u>offset the increase in older worker contribution rates</u>. This temporary increase in SEC will cost an additional $30 million.

D.76. Like the Medisave contribution increase announced earlier, the higher contribution rates for older workers, as well as the SEC offset, will begin from January 2015 onwards.

[9] Median income for those aged 50 to 54.

## *Enhancement of Parent Relief*

D.77. I will also enhance income tax reliefs to give greater encouragement and recognition to individuals supporting their parents and grandparents.

D.78. I will increase parent relief and handicapped parent relief by up to $3,000, with those individuals who are staying with their elderly dependants enjoying a higher relief quantum. (See Table 5.)

Table 5: Parent Relief and Handicapped Parent Relief

| Type of Relief | Current Relief Quantum | Relief Quantum With Effect From YA2015 |
|---|---|---|
| Parent Relief<br><br>(Staying with dependant) | $7,000 | $9,000 |
| Parent Relief<br><br>(Not staying with dependant) | $4,500 | $5,500 |
| Handicapped Parent Relief<br><br>(Staying with dependant) | $11,000 | $14,000 |
| Handicapped Parent Relief<br>(Not staying with dependant) | $8,000 | $10,000 |

D.79. This measure will benefit about 170,000 individuals, supporting 208,000 dependants. It will cost about $27 million a year.

D.80. Currently, the relief for a parent can only be claimed by one child. Following a public consultation last year, I will allow the sharing of parent relief in recognition that care for parents is a shared responsibility among family members. (Refer to Annex A-5.)

## Greater Support for Persons with Disabilities

D.81. Our next set of initiatives for Budget 2014 concerns support for persons with disabilities. We have over the last decade significantly expanded support for them, to help at each stage of their lives.

## *Strengthening Early Intervention*

D.82. We will enhance subsidies for the Early Intervention Programme for Infants and Children (EIPIC). For children with special needs, access to early intervention in the form of therapy and educational support services helps greatly in developing their potential and their ability to be independent. However, it is resource-intensive and therefore costs more, which places a higher strain on the finances of families with such children.

D.83. We will enhance subsidies so that more middle-income households can benefit. Those earning above median household income (up to the 80th percentile) will now benefit from a further 20% to 50% subsidy, on top of an enhanced $500 base subsidy that benefits all Singaporean children enrolled in EIPIC.

D.84. For example, after the enhancements, a middle-income household with per capita income of $1,875 would pay less than $300 per month – compared to $600 previously, depending on the service their child requires.

D.85. Lower-income households will also see a decrease in monthly expenses. They will now pay a nominal monthly fee as low as $3, down from $50 a month today.

## *Transport for Persons with Disabilities*

D.86. Our next set of initiatives is to reduce the cost of transport for the disabled community.

D.87. In January 2014, we announced a new government-funded fare concession scheme so that persons with disabilities who travel by bus and train enjoy 25% discount on adult fares. Beyond public transport, we will move decisively on two other fronts.

D.88. We will introduce subsidies of up to 80% for those who require dedicated transport services to access special education and care services. This will apply to the lower two-thirds of households.

D.89. There are also those who rely on taxis as they are unable to travel by public transport or tap on dedicated transport. We will subsidise those in the lower half of households through a new Taxi Subsidy Scheme, covering up to 50% of the cost.

D.90. The Minister for Social and Family Development will elaborate on these initiatives at the COS.

### *Enhanced Handicapped Dependant Reliefs*

D.91. Finally, apart from the increase in reliefs for handicapped parents which I announced earlier, I will also boost support for individuals with handicapped dependants. Reliefs for those caring for a handicapped spouse, sibling or child will be increased. Starting from YA2015, each relief will be increased by $2,000 to provide greater recognition and support to these individuals. This measure will benefit about 11,500 taxpayers.

D.92. Collectively, these initiatives to support persons with disabilities will cost the Government an additional $30 million a year.

## Additional Support for Singaporean Households

D.93. Finally, I will provide in this Budget some additional support, especially for lower-income groups and retirees, to help them with their costs of living. (Refer to Annex B-3.)

### *One-off GST Voucher – Cash: Seniors' Bonus*

D.94. Older Singaporeans are broadly most affected by increase in cost of living, especially retirees with little or no incomes. We will provide eligible Singaporean seniors with a special GST Voucher – Cash: Seniors' Bonus (See Table 6). This will effectively double the GST Voucher – Cash that they usually receive. The additional cash will help them offset some of their daily expenses.

Table 6: GST Voucher – Cash: Seniors' Bonus

| **For Singaporeans aged 55 and above in 2014** | **Annual Value of Home as at 31 Dec 2013** | |
|---|---|---|
| **Assessable Income for Year of Assessment 2013** | **Up to $13,000** | **$13,001 to $21,000** |
| Up to $26,000 | $250 | $100 |

D.95. About 675,000 Singaporeans aged 55 and above in 2014 will benefit from this. This will cost $170 million.

## *One-off GST Voucher – U-Save Special Payment*

D.96. We will also provide a one-off GST Voucher – U-Save Special Payment this year. The rebates will be larger for those in smaller flats (See Table 7). Through these additional rebates, eligible households will be able to free up cash for their other expenses.

D.97. This will benefit approximately 800,000 HDB households, and will cost the Government $110 million.

Table 7: One-off GST Voucher – U-Save Special Payment

| HDB Flat Type | % of Regular Payment | GST Voucher – U-Save Regular Payment | **GST Voucher – U-Save Special Payment** |
|---|---|---|---|
| 1-Room | 100% | $260 | **$260** |
| 2-Room | 100% | $260 | **$260** |
| 3-Room | 75% | $240 | **$180** |
| 4-Room | 50% | $220 | **$110** |
| 5-Room | 50% | $200 | **$100** |
| Executive | 50% | $180 | **$90** |

## *One-off Service and Conservancy Charges Rebates*

D.98. We will also provide one to three months of Service & Conservancy Charges (S&CC) rebates. (See Table 8). 1- and 2-room HDB households will receive a total of three months of rebates for this year, while 3- and 4-room households will receive two months of rebates. This will cost the Government $80 million.

Table 8: S&CC Rebates

| HDB Flat Type | S&CC Rebates (months) |
|---|---|
| 1-Room | 3 |
| 2-Room | 3 |
| 3-Room | 2 |
| 4-Room | 2 |
| 5-Room | 1.5 |
| Executive | 1 |

## How Singaporeans will Benefit

D.99. These enhancements in social support outlined in Budget 2014 will help all Singaporeans, with a special emphasis on the needs of our seniors.

D.100. The Pioneer Generation will get assurance on their healthcare costs for the rest of their lives. (See paragraphs D.59 to 63 for a summary of the benefits to the Pioneer Generation.)

D.101. Our lower- and middle-income families will enjoy enhanced assistance for pre-school and tertiary education. They will also benefit from the increased subsidies at our SOCs, and they will receive subsidies for MediShield Life later on. In addition, they will benefit from increased employer Medisave contributions. Those who are older will also see increased CPF contributions. Further, our enhanced tax reliefs will help the large number of Singaporeans who look after their parents and grandparents.

D.102. Persons with disabilities will benefit from our increased support for early interventions when they are young. Our new transport subsidies will also help them in their schooling years, during their working lives and beyond. Finally, their families will benefit from the enhanced tax reliefs for handicapped dependants.

# E. Other Tax Changes

E.1. I will also take the opportunity to make a series of other tax changes.

## Vehicle Taxes

E.2. First, I will make adjustments to our vehicle taxes to enhance incentives for environmentally-friendly vehicles.

### ***Early Turnover Scheme***

E.3. The Early Turnover Scheme was introduced last year to encourage replacement of old commercial diesel vehicles to meet the new Euro V emissions standards. Owners who de-register their Pre Euro and Euro I vehicles before the end of statutory life will pay lower, pro-rated COE premiums for their replacement vehicle, as they can transfer the unused period of their COE to the replacement vehicle. They will also get a bonus COE period for their replacement vehicle based on the current vehicle's remaining statutory life.

E.4. We will enhance the bonus COE period to further incentivise owners to replace their vehicles early. The Minister for the Environment and Water Resources will announce more details during the COS.

### ***Carbon Emissions-based Vehicle Scheme***

E.5. Last year, we introduced the Carbon Emissions-based Vehicle Scheme (CEVS) to improve the take-up of green vehicles. Car models with low carbon emissions will enjoy generous rebates on their Additional Registration Fee (ARF) of up to $20,000, while those with high carbon emissions will have to pay a registration surcharge of up to $20,000.

E.6. We are encouraged by the results so far - more than 50% of the new cars registered in 2013 received CEVS rebates while about 10% paid the surcharge. This is an improvement over 2012, where only about 40% of the new cars registered would have been in the rebate bands and about 14% in the surcharge bands.

E.7. As the CEVS was introduced last year amidst other changes to the COE system and the introduction of tiered ARF, we should observe the full impact of CEVS before making refinements. Hence, I will extend CEVS by six months until June 2015, with a view towards continuing the scheme thereafter.

E.8. Next, I will raise duties on betting, tobacco and liquor, in line with our social objective of avoiding excessive consumption or indulgence in these areas.

## Tobacco Excise Duties

E.9. Duties on cigarettes and manufactured tobacco products have remained constant since 2005. In the meantime, smoking prevalence has increased, especially amongst youths aged 18 to 29. To discourage this trend, I will raise the excise duties for cigarettes and manufactured tobacco products by 10%. (Refer to Annex A-5.)

E.10. This is expected to yield additional revenue of about $70 million a year.

## Liquor Excise Duties

E.11. The last effective increase in liquor duties was made 10 years ago, in 2004, when we rationalised our liquor duties to bring them in line with our international obligations. We will now raise the excise duty rate of all liquor types by 25% to keep pace with inflation. (Refer to Annex A-5.)

E.12. These changes will take effect today and result in a revenue gain of about $120 million a year.

## Betting Duties

E.13. I will raise the betting duty rates on lotteries from 25% to 30% of gross bets, from 1 July 2014. The rate increase affects Singapore Pools. Private clubs are not affected as they pay different duties on their jackpot machine takings.

E.14. The Tote Board will have adequate resources to continue its donation activities.

E.15. The additional duties will increase Government revenues by $255 million a year.

E.16. The other tax changes are reflected in the Annex. (Refer to Annex A-5.)

# F. Budget Position

## FY2014 Budget Position

F.1. Madam Speaker, before I go on to summarise the FY2014 budget position, let me set out how we will fund the Pioneer Generation package.

F.2. We estimate that the cost of providing the extra benefits to the Pioneer Generation over their lifetimes will be slightly over $9 billion in nominal terms.

F.3. It is right and prudent to set aside monies today to pay for the Pioneer Generation Package, while we have sufficient resources to do so.

F.4. We will therefore set aside monies in Budget 2014 that will enable us to meet the full projected cost of the package. We will create a Pioneer Generation Fund for the purpose and set aside $8 billion into the Fund. The $8 billion, with accumulated interest over time, will be enough to pay for the full projected cost of the package, including a buffer for inflation.[10] Of the $8 billion in the Fund, we expect that about half will be drawn down in the first ten years, due to the age profile of the Pioneer Generation and the higher benefits for older members.

F.5. With this Fund, we assure the Pioneer Generation that Singapore will honour our commitment to them, regardless of future economic or fiscal circumstances.

F.6. The Fund also ensures that Budgets in subsequent years can focus on the needs and challenges of the future, for all Singaporeans. Our spending needs will grow significantly in the next 10 to 15 years. Investments in infrastructure, such as HDB estate renewal, MRT expansion, and Changi Airport Terminal 5 will accelerate. Government healthcare spending for the population as a whole will grow, quite apart from the extra benefits we are providing the Pioneer Generation. We are also spending more on education. On pre-schools, in the next 5 years, we are spending an additional $1.5 billion. We are expanding

[10] This does not include the $260 million required to cover the benefits which will be made available this year.

university education and enhancing the polytechnic and ITE pathways. We will also do much more in continuing education for workers.

F.7. The $8 billion Pioneer Generation Fund is <u>not intended to cover the underlying healthcare subsidies</u> that the Pioneer Generation receives together with all Singaporeans. These will continue to be funded from future annual budgets. For example, the enhanced SOC subsidies in this year's Budget are part of our future budgetary spending and we have planned for them on that basis.

F.8. After including the Pioneer Generation Fund and various measures in this year's Budget, and factoring in the Net Investment Returns Contribution, <u>the Overall Budget Balance is a deficit of $1.2 billion, or about 0.3% of GDP</u>**.** This is close to a balanced budget, and will not result in a draw on past reserves as we have sufficient surpluses from the last few years.

## G. Conclusion

G.1. Madam Speaker, let me conclude very briefly. This Budget builds on the changes that we have been making in recent years as Singapore enters a new phase. We are transforming our economy to sustain improvement in incomes; we are opening up new opportunities for the young; and we are giving more assurance to our seniors.

G.2. We can never be certain of the future. But the Pioneer Generation has given us something beyond the material. As the Prime Minister put it at the Pioneer Generation Tribute Event on 9 February, it is <u>the pioneering spirit</u> – to be self-reliant, never-say-die, and to be united in purpose.

G.3. One of the people I met again at the Tribute Event was Madam Fong Yuet Kwai. She is now retired. She had been an educator for over four decades at Nan Hua Primary, including 21 years as principal, working tirelessly during the switchover from Chinese-stream to English-stream and strengthening the school year by year. Madam Fong was diagnosed with cancer in 1997. She took a break, but came back after six months to re-immerse herself in school life. I was at Education a decade ago when she finally retired, and so I met her to thank her for her contributions to education. Her reply was simple: “It was my duty”.

G.4. The best we can do for the Pioneer Generation is to live according to their values as we seek to build a better future for Singapore.

G.5. Madam Speaker, I beg to move.

# ANNEX A-1: EXISTING MEASURES TO SUPPORT BUSINESSES WITH RESTRUCTURING, PRODUCTIVITY IMPROVEMENT AND CAPABILITY DEVELOPMENT

There are various Government initiatives to support businesses that are restructuring and raising productivity. These include the Productivity and Innovation Credit (PIC) Scheme introduced in 2010, and the 3-Year Transition Support Package introduced in 2013. Businesses can visit Way to Go (http://www.waytogo.sg/) or EnterpriseOne (http://www.enterpriseone.gov.sg/) for information on these measures.

## (A) Productivity & Innovation Credit Scheme

The PIC Scheme was introduced in Budget 2010 for Years of Assessment (YAs) 2011 to 2015 to encourage businesses to invest in productivity and innovation.

Under the PIC scheme, businesses can claim 400% tax deductions on up to $400,000 of qualifying expenditure incurred per YA in each of the six qualifying activities:

(i) Acquisition/ Leasing of IT and Automation Equipment;
(ii) Training of Employees;
(iii) Acquisition/ In-licensing of Intellectual Property Rights (IPRs);
(iv) Registration of IPRs;
(v) Research & Development activities; and
(vi) Design projects (approved by DesignSingapore Council).

The expenditure cap of $400,000 per activity is combined across YA2013 to YA2015 (i.e. combined expenditure cap of $1.2 million).

In lieu of a tax deduction, businesses may opt to convert up to $100,000 of the total qualifying expenditure incurred into a non-taxable cash payout. The cash payout rate for YA2013 to YA2015 is 60%. The expenditure cap of $100,000 is not combined across the three YAs.

Please refer to Annex A-5 for enhancements to the PIC scheme in Budget 2014.

For more details, please visit the IRAS website (http://www.iras.gov.sg/irashome/PIcredit.aspx), or contact IRAS at 1800-356-8622 (for companies) and 6351 3534 (for self-employed/partnership), or via email at picredit@iras.gov.sg

## (B) 3-Year Transition Support Package

In Budget 2013, we introduced the 3-Year Transition Support Package that will remain in effect until 2015, comprising:

(i) Wage Credit Scheme (WCS);
(ii) Productivity and Innovation Credit (PIC) Bonus; and
(iii) Corporate Income Tax (CIT) Rebate

**Wage Credit Scheme**

The WCS helps businesses cope with rising wage costs in a tight labour market, so that they can free up resources to make investments in productivity, and share the productivity gains with their employees.

Over the period 2013 to 2015, the Government will co-fund 40% of wage increases given to Singaporean employees earning a gross monthly wage of $4,000 and below.[1]

Employers do not need to apply for Wage Credit. They will receive their yearly payout automatically, at the end of March 2014, 2015 and 2016.

The first payout, to be disbursed by the end of March 2014, is for wage increases given in 2013 over 2012. A "Quick Guide on First Wage Credit Scheme Payout 2014" can be downloaded at http://www.iras.gov.sg/irasHome/wcs.aspx.

For further assistance or clarifications, please contact IRAS at wcs@iras.gov.sg or 1800-352-4727 (8 am to 5 pm from Mondays to Fridays).

[1] Gross monthly wage is defined as total wage of employee paid by the employer in the calendar year (including basic salary, overtime pay and bonuses), divided by the number of months of CPF contribution. The employee must be on the employer's payroll for at least 3 months in the year of wage increase, and must have been employed for at least three months in the preceding year. Gross monthly wage increase must be at least $50.

**PIC Bonus**

The PIC Bonus seeks to assist businesses to defray rising operating costs such as wages and rentals, and to encourage businesses to undertake improvements in productivity and innovation.

Businesses[2] that spend a minimum of $5,000 in qualifying PIC investments in a YA will receive a dollar-for-dollar matching cash bonus. The bonus is capped at a total of $15,000 for YA2013 to YA2015.

The bonus is paid over and above the existing PIC benefits of:

(i) 400% tax deduction on up to $400,000 in expenditure for each PIC qualifying activity; or
(ii) 60% cash payout on up to $100,000 of the qualifying expenditure.

Businesses do not need to apply for PIC Bonus. It will be computed and disbursed automatically based on PIC claims for enhanced tax deductions or PIC cash payout.

For more details, please visit the IRAS website (http://www.iras.gov.sg/irashome/PIcredit.aspx), or contact IRAS at 1800-356-8622 (for companies) and 6351 3534 (for self-employed/partnership), or via email at picredit@iras.gov.sg .

[2] Active businesses (i.e. companies, sole proprietorships, partnerships) with business operations in Singapore and that have employed at least three qualifying local employees.

**Corporate Income Tax (CIT) Rebate**

To help companies alleviate rising business costs over the medium-term, companies can receive a 30% CIT Rebate, subject to a cap of $30,000 per YA for YAs 2013, 2014 and 2015.

The CIT Rebate will be given to all companies. Companies need not apply for the CIT Rebate as IRAS will compute and factor in the rebate when assessing companies' income tax returns, i.e. Form C/Form C-S.

For more details, please visit the IRAS website (http://www.iras.gov.sg/)

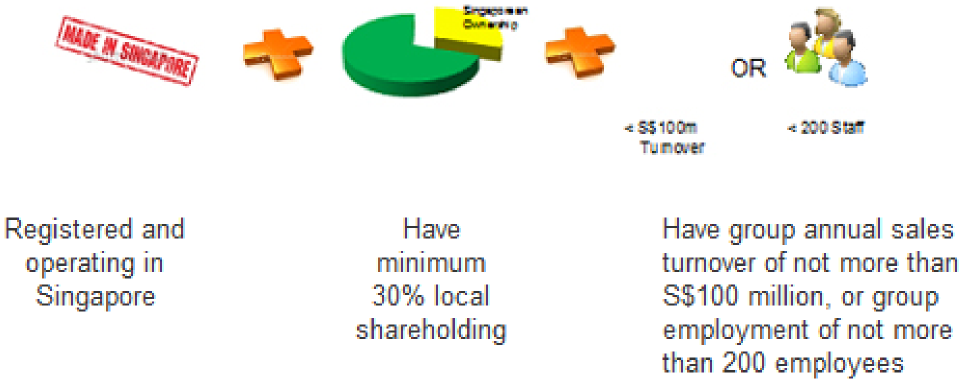
## (B) Broad-Based Schemes

**Capability Development Grant (CDG)**

The CDG is aimed at helping Small and Medium Enterprises (SMEs) defray up to 70% of qualifying project costs relating to consultancy, manpower, training, certification, upgrading productivity and developing business capabilities for process improvement, product development and market access.

Eligibility

SME criteria




Qualifying Projects

SPRING will assess the application based on the SME's needs, the project scope and competency of the service provider to improve the SME’s business capabilities.

The 10 supportable areas are:

- (i) Brand Development;
- (ii) Business Innovation and Design;
- (iii) Business Strategy Development;
- (iv) Enhancing Quality and Standards;
- (v) Financial Management;
- (vi) Human Capital Development;
- (vii) Intellectual Property and Franchising;
- (viii) Productivity Improvement;
- (ix) Service Excellence; and
- (x) Technology Innovation

For more details, please visit the SPRING website (http://www.spring.gov.sg/). You can also contact EnterpriseOne at enterpriseone@spring.gov.sg or call 6989 1800.

**Innovation and Capability Voucher (ICV)**

The ICV is a $5,000 voucher that allows SMEs to upgrade their capabilities in four areas:

(i) Innovation;
(ii) Productivity;
(iii) Human Resource Development; and
(iv) Financial Management

SMEs may apply for two vouchers per area of supported services at service providers participating in the ICV scheme. From 1 March 2014 onwards, SMEs can also use the vouchers to implement and procure solutions in the 4 areas. Each ICV project must be completed before a new application will be considered. The duration for each project should not exceed six months.

For more details, please visit the SPRING website (http://www.spring.gov.sg/). You can also contact EnterpriseOne at enterpriseone@spring.gov.sg or call 6989 1800.

**Inclusive Growth Programme (IGP)**

The IGP encourages businesses to become more productive and share gains with workers. IGP co-funds projects that:

(i) Improve business productivity using measurable indicators; and
(ii) Improve the value of lower-wage jobs and raise the wages of lower-wage workers (earning $1,700 or less per month)

<u>Eligible projects include:</u>

(i) Automation and mechanisation (e.g. purchase of equipment);
(ii) Process re-engineering;
(iii) Adopting Best Sourcing Initiative standards;
(iv) Training programmes; and
(v) Job redesign.

The IGP provides up to 50% co-funding for productivity projects. This is capped at $150,000 per project and $500,000 per company per year.

Please visit the e2i website (http://www.e2i.com.sg/services/employers/inclusive-growth-programme) for more information. You can also contact e2i at IGP@e2i.com.sg.

## Increase SME Productivity With Infocomm Adoption & Transformation (iSPRINT)

iSPRINT encourages SMEs to use technology to improve or innovate their business operations. iSPRINT supports two types of infocomm projects:

(i) Packaged solutions[3] for basic business functions; and
(ii) Customised solutions tailored to business needs

The infocomm projects supported should lead to an increase in efficiency, revenue, or business value-add. The support level for projects is as follows:

| Type Of Project | Support Level | Qualifying Costs |
|---|---|---|
| Packaged Solutions:<br><br>**a. Basic Package Solutions**<br>'Off-the-Shelf' solutions for:<br>• Accounting<br>• Payroll<br>• Point-of-Sales<br><br>**b. Software-as-a-Service (SaaS)**<br>Solutions that you pay for only when you use them.<br><br>**c. Intermediate Packaged Solutions**<br>'Off-the-Shelf' solutions with more advanced functions (e.g. Enterprise Resource Planning) | Up to 70% of qualifying cost, capped at:<br><br>**a. Basic Package Solutions:** $2,000 per solution<br><br>**b. SaaS:** $20,000 per solution<br><br>**c. Intermediate Packaged Solutions**: $20,000 per solution | • Software/Subscription cost, up to 12 months<br><br>• Consultancy Services<br><br>• Training |
| Customised Solutions<br>E.g. Customer Relationship Management, Enterprise Resource Planning, Supply Chain Management | Up to 70% of qualifying costs | • Consultancy Services<br><br>• Manpower-Related Costs<br><br>• Consultancy Services<br><br>• Hardware/ Software<br><br>• Training |

Please visit IDA's website (www.ida.gov.sg/sme) for more information. You can also contact IDA at ida_isprint@ida.gov.sg.

[3] Solutions must be pre-qualified by the Info-Communications Development Authority of Singapore.

# ANNEX A-2: ICT FOR PRODUCTIVITY AND GROWTH (IPG) PROGRAMME

The $500 million ICT for Productivity and Growth (IPG) programme is a three-year programme comprising three key initiatives:

## Initiative 1 – Scaling up proven ICT solutions

This initiative promotes the adoption of ICT-based sectoral productivity solutions that have been proven to help SMEs raise productivity.

***Benefits:***
- 70% of the qualifying costs will be subsidised; SMEs pay the remaining 30%
- IDA will pre-qualify eligible vendors and their solutions
- SME need not apply to IDA for the subsidy, they can approach the pre-qualified vendors for the solution they need, and IDA reimburses the vendors directly upon demonstration of adoption by the SME.

***Beneficiaries:***
SMEs that adopt proven ICT-based sectoral productivity solutions

***Conditions:***
The sectoral solutions are those that are supported under iSPRINT. Solutions must be those that are able to help SMEs achieve productivity gains.

## Initiative 2 – Piloting of emerging solutions

This initiative encourages enterprising SMEs to pilot emerging technology solutions that can transform their businesses, for example, innovations in the areas of sensor, data analytics and robotics.

***Benefits:***
- 80% of qualifying pilot project costs will be subsidised, up to $1 million per SME; SMEs pay the remaining 20%.
- Vendor will submit proposal for evaluation by IDA. SME need not apply directly to IDA for the subsidy, and IDA reimburses vendors directly upon completion of agreed milestones.

***Beneficiaries:***
SMEs that pilot emerging technology solutions

***Conditions:***
This should be a transformative solution that is not currently used by Singapore SMEs.

## Initiative 3 – Enabling high-speed connectivity for businesses

This initiative promotes high-speed connectivity for SMEs so that they can take full advantage of ICT-based productivity solutions.

<u>First</u>, we will subsidise SMEs' fibre subscription plans of at least 100 Mbps and provide further support for them to implement Wireless@SG services at their premises.

***Benefits:***

- 50% of the monthly recurrent cost of the fibre subscription plan will be subsidised, capped at $120/month up to 24 months, or $2,880 per SME.
- One-time acquisition cost of the Wireless@SG equipment will be subsidised, capped at $2,400, for SMEs that require wireless connection in their public-facing business premises.

***Beneficiaries:***

SMEs that adopt qualifying ICT-based productivity solutions

***Conditions:***

- SME must not already have subscribed to the fibre subscription plan
- SME must qualify for iSPRINT support for the adoption of an ICT-based solution that can transform or grow their business (excluding firms with support of less than $2,000 for off-the-shelf iSPRINT solutions)
- SME must subscribe to service plans that feature speeds of at least 100Mbps
- For the Wireless@SG subsidy, SME must extend the wireless hotspots to the general public
- SME must allow IDA (or appointed company) to conduct random network audit

<u>Second</u>, we will overcome installation challenges and ensure that more non-residential buildings have the facilities to bring fibre broadband to their business tenants within the buildings. IDA will consult the industry ahead of releasing implementation details and qualifying criteria for the scheme.

***Benefits:***

80% of the one-time infrastructure enhancement costs of up to $200,000 per qualifying building will be subsidised

***Beneficiaries:***

Owners of eligible non-residential buildings with multiple tenants

***Conditions:***

IDA will release details after consulting the industry

**For all <u>media queries</u>**, please contact:

| | |
|---|---|
| Grace Chiang (Ms)<br>Manager, Corporate and<br>Marketing Communications | Angie Low (Ms)<br>Senior Manager, Corporate and Marketing<br>Communications |

MINISTRY OF FINANCE

| | |
|---|---|
| Tel: +65 6211 3863<br>E-mail: grace_chiang@ida.gov.sg | Tel: +65 6211 1417<br>E-mail: angie_low@ida.gov.sg |

**For all <u>other queries</u>**, please call the iSPRINT hotline at 6211-1212.

MINISTRY OF FINANCE

# ANNEX A-3: ENTERPRISE FINANCING SCHEMES

*[All figures are quoted in Singapore dollars]*

## CO-INVESTMENT PROGRAMME (CIP)

### BACKGROUND

The Government launched the Co-Investment Programme (CIP) in 2010 to catalyse patient growth capital for Singapore-based enterprises through co-investment with the private sector. This arose from the Economic Strategies Committee's recommendation that the Government catalyse up to $1.5 billion of growth capital over 10 years to nurture Singapore-based globally competitive companies, with the Government contributing about half the amount. The key features of the CIP are as follows:

- The CIP provides patient growth capital, to help enterprises that need more time to execute their growth and expansion plans;
- The Government, as co-investor, relies on the private sector to assess investments, to instil commercial discipline in investment decisions; and
- The Government's seed capital is matched minimally on a 1:1 ratio by private sector capital.

### PROGRESS OF PHASE I

Launched in December 2010, Phase I of the CIP set aside up to $250 million of Government capital for two funds managed by Heliconia Capital Management Pte Ltd ("Heliconia") – (i) the SME Catalyst Fund, which invests in a portfolio of private equity funds that manage and match the Government's capital; and (ii) the SME Co-Investment Fund, which co-invests with private sector investors in qualifying investee companies on deal-by-deal basis.

To-date, we have committed approximately $160 million of seed capital to two private equity funds and four investee companies. This has catalysed over $500 million from the private sector, more than the 1:1 public-to-private co-investment ratio originally envisaged.

### LAUNCH OF PHASE II

In view of the good progress of Phase I, we will launch Phase II of the programme and set aside up to $150 million of Government capital for two new funds to be managed by Heliconia, bringing total Government capital under the CIP to $400 million:

- **SME Co-Investment Fund II**: Similar to the SME Co-Investment Fund, the fund will provide equity capital to qualifying investee companies through co-investment with private sector investors.

- **SME Mezzanine Growth Fund**: The fund will provide mezzanine capital to qualifying investee companies. The hybrid debt-equity financing instrument will address demand from enterprises for mezzanine financing as an alternative form of expansion capital to private equity.

Similar to Phase I, Temasek Holdings will participate as a co-investor in Phase II.

Qualifying investee companies should have their key management functions and headquarter activities in Singapore. Consistent with Phase I, Phase II will be available to companies with revenues of up to $500 million.

Interested private sector co-investors and potential investee companies may contact Heliconia at enquiries@heliconiacapital.com for more information on Phases I and II of the CIP.

## MICRO-LOAN PROGRAMME (MLP)

### OVERVIEW

The MLP provides loans of up to $100,000 for local SMEs with not more than 10 employees or not more than $1m turnover. The Government shares 50% of the loan default risk with financial institutions.

| | |
|---|---|
| Use of Funds | For daily operations or for automating and upgrading factory and equipment |
| Maximum Loan Quantum | $100,000 |
| Interest Rate | *Minimum 5.50% interest rate for loan tenure of 4 years and below |
| *subject to Participating Financial Institutions' (PFI) assessment of risk involved | |

### CRITERIA

You may apply for a Micro Loan if your business meets these criteria:

- Registered in Singapore;
- Has 10 or fewer employees OR has annual sales not exceeding $1 million;
- Has at least 30% local shareholding; and
- Company's Group Annual Sales of not more than $100 million OR company's Group employment size of not more than 200*

*Annual sales turnover and employment size will be computed on a group basis

*[NEW] To spur further lending to young SMEs, the Government will increase the risk which it shares with participating financial institutions for loans to young SMEs (firms which have been registered for less than three years) will be raised from 50% to 70% for two years.*

For more details, including a list of participating financial institutions, please visit the SPRING website (http://www.spring.gov.sg/). You can also email EnterpriseOne at enterpriseone@spring.gov.sg or call 6989 1800.

# ANNEX A-4: SCHEMES TO HELP SINGAPORE COMPANIES INTERNATIONALISE

To help companies internationalise more effectively, IE Singapore (IE) has simplified its assistance into two comprehensive programmes – Market Readiness Assistance (MRA) and Global Company Partnerships (GCP).

- In 2013, more than 26,000 companies, over 85% of them SMEs, received financial and non-financial assistance from IE, including access to some $775 million in trade and financing loans.

## MARKET READINESS ASSISTANCE (MRA)

The MRA is a broad-based programme designed to provide basic know-how for companies new to internationalisation. The MRA covers the following areas:

**(i) Information**

Companies looking to expand overseas can visit the iAdvisory Centre as a first-stop for advice and information. IE also provides a range of research databases, market and sector insights to help companies navigate new markets of interest.

**(ii) Learning**

Companies can attend seminars, clinics and workshops organised by IE to seek guidance on new markets and specific topics relating to internationalisation

**(iii)Financial Assistance**

Eligible companies[1] can tap on the MRA Grant to co-fund 50% of costs (capped at $20,000 per company per year) for pre-scoped professional services relating to market assessment, market entry and business restructuring through internationalisation. Other assistance includes the International Marketing Activities Programme which co-funds companies to participate in overseas tradeshows and business missions through trade associations and business chambers.

## GLOBAL COMPANY PARTNERSHIP (GCP) PROGRAMME

The GCP Programme is aimed at providing a customised, in-depth approach to groom companies with more established overseas operations to achieve global competitiveness. Companies can receive customised support in four key areas:

[1] Companies must be based in Singapore (global headquarters anchored in Singapore) with turnover of less than $100 million per annum.

**(i) Capability Building**

Build capabilities for internationalisation in areas such as Branding, Design, Internationalisation Strategy and Intellectual Property Management.

**(ii) Market Access**

Partner Singapore companies to help them obtain information, develop strategies and access global business opportunities overseas, as well as support market start-up costs for expansion into new overseas markets.

*[**NEW**] The support level for pilot and test-bedding projects will be <u>raised from 50% to 70%</u> for two years to support companies to build track records for internationalisation.*

**(iii) Manpower Development**

Assist companies with talent attraction and talent development, as well as develop human resource strategies to support internationalisation. In particular, the Young Talent Program helps to provide a pipeline of new talent to support overseas growth.

*[**NEW**] Existing support for staff attachments in overseas markets will be expanded to include <u>attachments to acquire new business or technical capabilities</u> that can assist in internationalisation for two years.*

**(iv) Access to Financing**

Enhance access to capital required for business expansion via financing schemes such as the Internationalisation Finance Scheme (IFS) and Loan Insurance Scheme (LIS / LIS+):

- <u>Internationalisation Finance Scheme (IFS)</u>

  The IFS helps Singapore-based companies to secure mid- to long-tenure capital facilities with Participating Financial Institutions (PFIs) for overseas assets acquisitions and projects. IE shares up to 70% risk under the IFS.

  Supportable facilities include:

  (i) Asset-based financing for acquisition of revenue-generating fixed assets or factories / land for use overseas;

  (ii) Structured loan to fund working capital expenses for secured overseas projects; and

  (iii) Banker's Guarantee for secured overseas projects.

  *[**NEW**] For Budget 2014, the maximum loan quantum supportable under the IFS will <u>increase from $15m to $30m</u> for two years. The IFS is expected to catalyse up to $500m worth of loans over the next two years for companies pursuing internationalisation.*

- Loan Insurance Scheme (LIS/ LIS+)

  The LIS/ LIS+ Scheme helps Singapore-based companies secure short-term trade financing lines with PFIs. IE supports a portion of the insurance premium for commercial insurers to partake up to 75% risk under LIS. IE also shares risk with PFIs under LIS+ for loans that exceed the risk appetite of commercial insurers.

  Supportable facilities include:

  (i) Inventory/ stock financing;

  (ii) Structured pre-delivery working capital for confirmed sales orders;

  (iii) Factoring/ bill or invoice or accounts receivable discounting with recourse; and

  (iv) Banker's Guarantee for contractual fulfilment.

MTI will announce more details on these enhancements in their Committee of Supply. For more information on internationalisation assistance, companies may:

- Visit the IE website (http://www.iesingapore.gov.sg/)
- Contact IE at **1800-IESPORE (1800-4377673)**
- Meet with IE officers at the iAdvisory Centre

<u>**ANNEX A-5: TAX CHANGES**</u>

**TAX CHANGES FOR BUSINESSES**

| S/N | Name of Tax Change | Current Treatment | New Treatment |
|---|---|---|---|
| **Boosting Productivity and Promoting Innovation** | | | |
| 1 | Extending the Productivity and Innovation Credit ("PIC") Scheme | The PIC scheme is available from the Year of Assessment ("YA") 2011 to YA2015.<br><br><u>Enhanced Tax Deductions</u><br><br>The scheme provides for 400% tax deductions on up to $400,000 of qualifying expenditure incurred on each of the six qualifying activities[1] in each YA.<br><br>The expenditure cap of $400,000 per activity is combined across YA2013 to | To give businesses more time to put in place productivity improvements, the PIC scheme will be extended for three years till YA2018.<br><br>For enhanced tax deductions, the expenditure cap of $400,000 of qualifying expenditure per activity will be combined across YA2016 to YA2018 (i.e. $1.2 million per qualifying activity). The expenditure cap of $100,000 for PIC cash payout cannot be combined across the |

[1] The six qualifying activities are: (i) Acquisition/ Leasing of Information Technology ("IT") and Automation Equipment; (ii) Training of employees; (iii) Acquisition/ In-licensing of Intellectual Property Rights (IPRs); (iv) Registration of qualifying IPRs; (v) Research and Development activities; and (vi) Design projects approved by DesignSingapore Council.

| S/N | Name of Tax Change | Current Treatment | New Treatment |
|---|---|---|---|
| | | YA2015 (i.e. combined expenditure cap of $1.2 million) per qualifying activity.<br><br><u>PIC Cash Payout</u><br><br>In-lieu of the tax deduction, businesses may opt to convert the qualifying expenditure into a non-taxable cash payout. For YA2013 to YA2015, the cash payout rate is 60% of up to $100,000 of qualifying expenditure across the six activities. The expenditure cap of $100,000 is not combined across the three YAs. | three YAs, as is the case currently. |
| 2 | Introducing PIC+ for SMEs | PIC enhanced tax deduction at 400% is subject to an expenditure cap of $400,000 per YA for each qualifying activity. This cap is combined across three YAs (i.e. up to $1.2 million per | A new PIC+ scheme will be introduced to provide support to SMEs making more substantial investments to transform their businesses. Under the PIC+ scheme, the expenditure cap for qualifying SMEs[2] will |

[2] An entity is a qualifying SME if (a) its annual turnover is not more than S$100 million or (b) its employment size is not more than 200 workers. This criterion will be applied at the group level if the entity is part of a group.

| S/N | Name of Tax Change | Current Treatment | New Treatment |
|---|---|---|---|
| | | qualifying activity for YAs 2013 to 2015). | be increased from \$400,000 to \$600,000 per qualifying activity per YA. This means that these SMEs that invest beyond the current combined expenditure cap of \$1.2 million for each qualifying activity can claim 400% enhanced tax deduction on an additional \$200,000 of qualifying expenditure.<br><br>PIC+ will take effect for expenditure incurred in YA2015 to YA2018. The combined expenditure cap will be as follows: up to \$1.4 million for YA2015[3]; and up to \$1.8 million for YA2016 to YA2018.<br><br>The expenditure cap for PIC cash payout will remain at \$100,000 of qualifying expenditure per YA. |

[3] For YA2015, qualifying SMEs eligible for PIC+ can enjoy a combined expenditure cap of \$1.4 million per qualifying activity (i.e. \$400,000 for YAs 2013 and 2014 respectively and \$600,000 for YA2015).

| S/N | Name of Tax Change | Current Treatment | New Treatment |
|---|---|---|---|
| | | | Please refer to Appendix A for more information on the PIC+ scheme. IRAS will release further details by end March 2014. |
| 3 | Extending PIC benefits to training of individuals under centralised hiring arrangements | Businesses that incur training expenses on individuals deployed to their organisations under centralised hiring arrangements are not allowed to claim PIC benefits on the training expenses incurred, as they are not the legal employers of these individuals. | In response to industry feedback and recognising that training of such individuals can improve the productivity of the businesses where they are deployed, the PIC scheme will be enhanced to allow businesses to claim PIC benefits on training expenses incurred in respect of individuals hired under centralised hiring arrangements.<br><br>This change will take effect from YA2014.<br><br>IRAS will release further details by end March 2014. |

| S/N | Name of Tax Change | Current Treatment | New Treatment |
|---|---|---|---|
| 4 | Refining the three-local-employees condition for PIC cash payout | To qualify for PIC cash payout, businesses i.e. sole-proprietorships, partnerships, companies (including registered business trusts) must have employed at least three local employees[4] i.e. three-local-employees condition.<br><br>A business is considered to have met the condition if it contributes CPF on the payroll of at least three local employees in the relevant month[5]. | To reinforce the condition that the payouts are made to businesses with active business operations, businesses will have to meet the three-local-employees condition for a consecutive period of at least three months prior to claiming the cash payout.<br><br>This requirement will take effect for PIC cash payout applications from YA2016. |
| 5 | Allowing the Tax Deferral Option under the PIC Scheme to Lapse | To help businesses, especially SMEs, with their cash flow and investments in productivity, businesses can defer a dollar of their tax for the current YA | As the PIC cash payout serves a similar purpose to help businesses relieve cash-flow concerns, the tax deferral option will lapse with effect from YA2015. |

[4] A local employee refers to a Singapore citizen or Singapore permanent resident with CPF contributions but it excludes a sole-proprietor, a partner under contract for service and a shareholder who is a director of the company, as the case may be.

[5] Businesses can apply for PIC cash payout after the business' financial year-end or after the end of each quarter (or combined consecutive quarters in the busniess' financial year). For one-time application after the end of the business' financial year, the relevant month is the last month of the basis period for the qualifying YA. For quarterly applications, the relevant month is the last month of the quarter or combined consecutive quarters to which the cash payout relates.

| S/N | Name of Tax Change | Current Treatment | New Treatment |
|---|---|---|---|
| | | with every dollar of PIC qualifying expenditure incurred in the current financial year, up to a cap of $100,000.<br><br>The tax deferral option is available for tax payable for YA2011 to YA2014 based on expenditure incurred in the corresponding financial years 2011 to 2014. | |
| 6 | Extending the Research and Development (“R&D”) Tax Measures | Under section 14DA(1) of the Income Tax Act (“ITA”), businesses can enjoy additional 50% tax deduction on qualifying expenditure incurred on qualifying R&D activities up to YA2015.<br><br>Section 14E of the ITA provides further tax deduction on expenditure incurred in relation to R&D projects approved by EDB on or before 31 March 2015. | To continue encouraging private R&D and to give certainty to businesses, the additional 50% tax deduction accorded under section 14DA(1) will be extended for ten years till YA2025.<br><br>To attract businesses to conduct large R&D projects in Singapore, the further tax deduction accorded under section 14E will be extended for five years till 31 March 2020. |

| S/N | Name of Tax Change | Current Treatment | New Treatment |
|---|---|---|---|
| | | Currently, businesses can claim tax deductions/ allowance on R&D expenditure incurred for undertaking R&D in areas unrelated to their existing trade or business as long as the R&D is conducted in Singapore. | In line with the above extensions, businesses can continue to claim tax deductions/ allowance on R&D expenditure incurred for R&D in areas unrelated to their existing trade or business as long as the R&D is conducted in Singapore.<br><br>Businesses can also continue to claim a further deduction of up to 300%, on qualifying R&D expenditure up to $400,000 under the PIC scheme, which has been extended till YA2018 (see item S/N 1). |
| 7 | Extending and Refining the Section 19B Writing Down Allowance ("WDA") Scheme | Under section 19B of the ITA, businesses can claim a 100% WDA over a period of five years on the acquisition cost of the following types of qualifying Intellectual Property Rights ("IPRs"): | To build Singapore as an IP hub, the section 19B WDA will be extended for five years till YA2020. The accelerated WDA for MDE companies will be extended for three years till YA2018.<br><br>All other existing conditions of the |

| S/N | Name of Tax Change | Current Treatment | New Treatment |
|---|---|---|---|
| | | a) Patents;<br>b) Trademarks;<br>c) Registered designs;<br>d) Copyrights;<br>e) Geographical indications;<br>f) Lay-out designs of integrated circuits;<br>g) Trade secret or information that has commercial value; and<br>h) Plant Varieties.<br><br>An accelerated WDA scheme was introduced in Budget 2009 to allow Media and Digital Entertainment ("MDE") companies to accelerate the writing down period from five years to two years[6], subject to EDB's approval.<br><br>Both the section 19B WDA and the accelerated WDA scheme for MDE | section 19B WDA remain unchanged.<br><br>To provide clarity on the types of items that would not meet the description of "information that has commercial value", a negative list will be legislated to expressly exclude the following two categories of information: (i) customer-based intangibles, and (ii) documentation of work processes. This is in line with the policy intent of the scheme, which is to encourage the economic exploitation of confidential information that is of the same class or nature as trade secrets and the other forms of IPR expressly listed in the definition.<br><br>The negative list will be published on IRAS' website by end April 2014, and will be legislated by end December 2014. |

[6] Provided under section 19B(2C) of the Income Tax Act

| S/N | Name of Tax Change | Current Treatment | New Treatment |
|---|---|---|---|
| | | companies will lapse after YA2015. | Businesses can also continue to claim a further 300% allowance on up to $400,000 of such qualifying costs under the PIC scheme, which has been extended till YA2018 (see item S/N 1). |
| 8 | Extending the Section 14A Tax Deduction Scheme for Registration Costs of Intellectual Property | Under section 14A of the Income Tax Act, businesses can claim 100% tax deduction on the costs incurred to register the following qualifying intellectual property:<br>a) Patent;<br>b) Trademarks;<br>c) Designs; and<br>d) Plant Varieties.<br>The scheme will lapse after YA2015. | To encourage businesses to protect their intellectual property, the 100% tax deduction will be extended for five years till YA2020.<br>Businesses can also continue to claim a further 300% deduction on up to $400,000 of such qualifying costs under the PIC scheme, which has been extended till YA2018 (see item S/N 1). |
| 9 | Extending and Enhancing the Land Intensification Allowance (“LIA”) Scheme | The LIA scheme was introduced in Budget 2010 to encourage intensification of industrial land. The scheme is open to businesses in the | To continue encouraging businesses to optimise land use, the LIA scheme will be extended for five years till 30 June |

| S/N | Name of Tax Change | Current Treatment | New Treatment |
|---|---|---|---|
| | | manufacturing sector that build on industrial Business 1/ Business 2 (“B1/B2”) (excluding B1 White and B2 White) land.<br><br>To qualify for the LIA scheme, businesses must meet the following conditions:<br><br>a) The relevant building or structure must meet the Gross Plot Ratio (“GPR”) benchmark applicable for the qualifying trade or business; and<br>b) At least 80% of the total floor area of the relevant building or structure is utilised by a single user for undertaking the qualifying trade or business.<br><br>The scheme will lapse after 30 June 2015. | 2020.<br><br>The LIA will be extended to the logistics sector in recognition of the close nexus between this sector and qualifying activities supported by LIA.<br><br>The LIA scheme will also be extended to businesses carrying out qualifying activities on airport and port land.<br><br>A new condition requiring existing buildings that have already met or exceeded the GPR benchmark to meet a minimum incremental GPR criterion of 10% will be introduced. This is to encourage businesses, especially those already in the top quartile of the relevant GPR benchmark, to continue intensifying their land use.<br><br>All other existing conditions of the LIA |

| S/N | Name of Tax Change | Current Treatment | New Treatment |
|---|---|---|---|
| | | | scheme remain unchanged.<br><br>The enhancements are effective for LIA approvals granted, and capital expenditure incurred on or after 22 February 2014.<br><br>EDB will release the implementation details by end May 2014. |
| **Promoting Economic Growth** | | | |
| 10 | Waiving the Withholding Tax Requirement for Payments made to Branches in Singapore | Persons making payments that fall under the scope of sections 12(6) and 12(7) of the ITA (e.g. interest and royalty payments) to non-residents are required to withhold tax on the payments. This includes payments made to Permanent Establishments ("PEs") that are Singapore branches of non-resident companies. | To reduce compliance costs for businesses, payers will no longer need to withhold tax on sections 12(6) and 12(7) payments made to PEs that are Singapore branches of non-resident companies.<br><br>These branches in Singapore will continue to be assessed for income tax on such payments that they receive and will be required to declare such payments in |

| S/N | Name of Tax Change | Current Treatment | New Treatment |
|---|---|---|---|
| | | | their annual tax returns.<br><br>This change will take effect for all payment obligations that arise on or after 21 February 2014. |
| 11 | Introducing a review date for the Approved Building Project ("ABP") Scheme | Currently, land under development can be granted property tax exemption for a period of up to three years under the ABP scheme, subject to conditions. | A review date of 31 March 2017 will be legislated to ensure that the relevance of the scheme is periodically reviewed. |
| **Strengthening the Competitiveness of the Financial Sector** | | | |
| 12 | Treating Basel III Additional Tier 1 Instruments as Debt for Tax Purposes | Additional Tier 1 instruments are a new type of capital instruments under the Basel III global capital standards. Under MAS Notice 637, Singapore-incorporated banks are required to meet minimum capital adequacy ratios that are 2% higher than the Basel III minimum requirements, with effect from 1 January 2015. In addition, | To provide tax certainty and maintain a level-playing field for Singapore-incorporated banks which issue Basel III Additional Tier 1 instruments, such instruments other than shares, will be treated as debt for tax purposes. Hence, distributions on such instruments will be deductible for issuers and taxable in the hands of investors, subject to existing |

| S/N | Name of Tax Change | Current Treatment | New Treatment |
|---|---|---|---|
| | | Singapore-incorporated banks are required to meet the Basel III minimum capital adequacy requirements from 1 January 2013, two years ahead of the Basel Committee on Banking Supervision's 2015 timeline. Currently, the tax treatment of such Additional Tier 1 instruments has not been publicly clarified. | rules.<br><br>The tax treatment will apply to distributions accrued in the basis period for YA2015 and thereafter, in respect of such instruments issued by Singapore-incorporated banks (excluding their foreign branches) that are subject to MAS Notice 637.<br><br>MAS will release further details by end May 2014. |
| 13 | Extending and Refining Tax Incentive Schemes for Qualifying Funds | Funds managed by Singapore-based fund managers ("Qualifying funds") currently enjoy the following tax concessions, subject to conditions:<br><br>a) Tax exemption on specified income derived from designated investments; and<br>b) Withholding tax exemption on | To anchor and continue to grow Singapore's asset management industry, the sections 13CA, 13R and 13X schemes will be extended for five years till 31 March 2019. The section 13C scheme will be allowed to lapse after 31 March 2014.<br><br>The sections 13CA, 13R and 13X |

| S/N | Name of Tax Change | Current Treatment | New Treatment |
|---|---|---|---|
| | | interest and other qualifying payments made to all non-resident persons (excluding Permanent Establishments in Singapore).<br><br>Qualifying funds comprise the following:<br><br>a) Trust funds with resident trustee (section 13C scheme);<br>b) Trust funds with non-resident trustee and non-resident corporate funds (section 13CA scheme);<br>c) Resident corporate funds (section 13R scheme); and<br>d) Enhanced-tier funds (section 13X scheme)<br><br>The sections 13CA and 13R schemes impose conditions on investor ownership levels on the last day of the | schemes will be refined as follows:<br><br>a) The section 13CA scheme will be expanded to include trust funds with resident trustees, which are presently covered under the section 13C scheme, with effect from 1 April 2014;<br>b) The investor ownership levels for the sections 13CA and 13R schemes will be computed based on the prevailing market value of the issued securities on that day instead of the historical value. This will take effect from 1 April 2014; and<br>c) The list of designated investments will be expanded to include loans to qualifying offshore trusts, interest in certain limited liability companies and bankers acceptance. This will apply to income derived on or after 21 February 2014 from such |

| S/N | Name of Tax Change | Current Treatment | New Treatment |
|---|---|---|---|
| | | qualifying fund's basis period for the relevant YA. The investor ownership levels are computed based on the historical value of the qualifying funds' issued securities. The section 13X scheme does not impose conditions on investor ownership levels.<br><br>The schemes for qualifying funds will lapse after 31 March 2014. | investments.<br><br>Other existing conditions of the schemes remain unchanged.<br><br>MAS will release further details of the changes by end May 2014. |
| 14 | Recovery of GST for Qualifying Funds | As a concession, qualifying funds that are managed by prescribed fund managers in Singapore are allowed to claim GST incurred on expenses at a fixed rate.<br><br>The concession will lapse after 31 March 2014. | To further grow Singapore as a centre for fund management and administration, the concession will be extended for five years till 31 March 2019.<br><br>MAS will release further details of the change by end March 2014. |
| 15 | Enhancing the Foreign-Sourced Income Exemption | Currently, foreign-sourced income derived by listed infrastructure RBTs in | To accord listed infrastructure RBTs in Singapore greater tax certainty, thereby |

| S/N | Name of Tax Change | Current Treatment | New Treatment |
|---|---|---|---|
| | Scheme for Listed Infrastructure Registered Business Trusts (“RBTs”) | Singapore is exempted from tax if the income falls within certain scenarios specified under section 13(12) of the ITA. Tax exemption for foreign-sourced income received in all other situations must be approved by the Minister for Finance, on a case-by-case basis, including the tax exemptions for foreign-sourced dividends that originate from interest income and foreign-sourced interest income derived from a qualifying offshore infrastructure project/ asset. | facilitating the listing of more infrastructure assets in Singapore, the foreign-sourced income exemption for listed infrastructure RBTs will be enhanced as follows:<br><br>a) The specified scenarios under section 13(12) will be expanded to cover dividend income originating from foreign-sourced interest income so long as it relates to the qualifying offshore infrastructure project/ asset. IRAS will continue to verify that the qualifying conditions are met for all specified scenarios; and<br>b) Interest income derived from a qualifying offshore infrastructure project/ asset will automatically qualify for section 13(12) exemption provided certain conditions are met. With the |

| S/N | Name of Tax Change | Current Treatment | New Treatment |
|---|---|---|---|
| | | | change, IRAS will verify that the qualifying conditions are met instead of the current case-by-case approval by the Minister for Finance.<br><br>IRAS will release further details, including the effective date of these enhancements, by end May 2014. |
| 16 | Refining the Designated Unit Trust ("DUT") Scheme | The DUT scheme was introduced to foster the development of the domestic retail unit trust industry. Specified income derived by a unit trust with the DUT status is not taxed at the trustee level, but is taxed upon distribution in the hands of certain investors. Qualifying foreign investors and individuals[7] are exempted from tax on any distribution made by a DUT. | The DUT scheme will be streamlined and rationalised through the following changes:<br><br>a) The scheme will be limited to unit trusts offered to retail investors with effect from 21 February 2014. Non-retail unit trusts may consider other fund schemes;<br>b) Existing non-retail unit trusts that were approved under the scheme |

[7] Unless such income is derived through a partnership in Singapore or is derived from the carrying on of a trade, business or profession.

| S/N | Name of Tax Change | Current Treatment | New Treatment |
|---|---|---|---|
| | | The DUT scheme is available to both retail unit trusts[8] and certain other types of unit trusts, which are targeted at more sophisticated and institutional investors ("non-retail unit trusts"). | prior to 21 February 2014 may continue to retain their DUT status; and<br>c) From 1 September 2014, subject to the fulfilment of conditions, unit trusts do not have to apply for the DUT scheme to enjoy the benefits of the scheme.<br><br>Other existing conditions of the DUT scheme remain unchanged.<br><br>A review date of 31 March 2019 will be legislated to ensure that the relevance of the scheme is periodically reviewed.<br><br>MAS will release further details of the changes by end May 2014. |
| **Rationalising the Corporate Tax System** | | | |

[8] Retail unit trust refers to a unit trust that is authorised under Section 286 of the Securities and Futures Act and is open to public for subscription, as well as a unit trust included under the CPF-Investment Scheme.

| S/N | Name of Tax Change | Current Treatment | New Treatment |
|---|---|---|---|
| 17 | Allowing the Investment Allowance ("IA") Scheme for Aircraft Rotables to Lapse | The IA scheme for aircraft rotables was introduced on 10 September 2004 to encourage investments in aircraft rotables that would increase the productive capacity of the aerospace maintenance, repair and overhaul companies.<br><br>The scheme will lapse after 31 March 2015. | As the scheme is assessed to be no longer relevant, the IA scheme for aircraft rotables will be allowed to lapse after 31 March 2015. |

# TAX MEASURES FOR INDIVIDUALS

## *PERSONAL INCOME TAX*

<table>
<tr><th>S/N</th><th>Name of Tax Change</th><th>Current Treatment</th><th>New Treatment</th></tr>
<tr><td>1</td><td>Enhancing the Parent and Handicapped Parent Reliefs</td><td>A tax resident individual may claim parent / handicapped parent relief in a YA if he supported his or his spouse’s parents, grandparents and great-grandparents (collectively referred to as “parents”) in the year immediately preceding that YA. The current quantum of parent / handicapped parent relief granted for each parent is as follows:<br><table><tr><th>Type of Relief</th><th>Current Relief Quantum</th></tr><tr><td>Parent Relief (Individual staying with dependant)</td><td>$7,000</td></tr></table></td><td>To provide greater encouragement and recognition to individuals supporting their or their spouse’s parents, the quantum of parent / handicapped parent relief will be increased, with individuals who are staying with these dependants enjoying a higher relief quantum, as follows:<br><table><tr><th>Type of Relief</th><th>Relief Quantum With Effect From YA2015</th></tr><tr><td>Parent Relief (Individual staying with dependant)</td><td>$9,000</td></tr></table></td></tr>
</table>

<table>
<tr><th>S/N</th><th>Name of Tax Change</th><th>Current Treatment</th><th>New Treatment</th></tr>
<tr><td></td><td></td><td>

| | |
|---|---|
| Parent Relief (Individual not staying with dependant) | $4,500 |
| Handicapped Parent Relief (Individual staying with dependant) | $11,000 |
| Handicapped Parent Relief (Individual not staying with dependant) | $8,000 |

Currently, parent / handicapped parent relief in respect of a qualifying parent can only be claimed by one claimant in any YA.

Where the family members are</td><td>

| | |
|---|---|
| Parent Relief (Individual not staying with dependant) | $5,500 |
| Handicapped Parent Relief (Individual staying with dependant) | $14,000 |
| Handicapped Parent Relief (Individual not staying with dependant) | $10,000 |

Recognising that care for parents is a shared responsibility among family members, claimants of parent / handicapped parent relief will be able to share the relief according to the claimants' agreed proportion.</td></tr>
</table>

| S/N | Name of Tax Change | Current Treatment | New Treatment |
|---|---|---|---|
| | | unable to agree among themselves on who is to claim the parent / handicapped parent relief, the Comptroller of Income Tax has the discretion to decide on whom the relief will be allowed. | If more than one claimant is making the claim and the claimants cannot come to an agreement on the apportionment ratio among themselves, the Comptroller of Income Tax will apportion the relief equally among all claimants.<br><br>The above changes will take effect from YA2015. |
| 2 | Enhancing the Handicapped Spouse, Handicapped Sibling and Handicapped Child Reliefs | The current amounts of handicapped spouse, handicapped sibling and handicapped child reliefs are as follows:<br><br>**Type of Relief** \| **Current Relief Quantum**<br>Handicapped spouse relief \| $3,500<br>Handicapped \| $3,500 | To provide greater recognition to individuals who are supporting their handicapped dependants, the amount of handicapped spouse, handicapped sibling and handicapped child reliefs will be increased with effect from YA2015 as follows:<br><br>**Type of Relief** \| **Relief Quantum With Effect From YA2015**<br>Handicapped spouse relief \| $5,500 |

| S/N | Name of Tax Change | Current Treatment | New Treatment |
| --- | --- | --- | --- |
| | | sibling relief \| <br>Handicapped child relief \| $5,500 | Handicapped sibling relief \| $5,500<br>Handicapped child relief \| $7,500 |
| 3 | Removing Transfers of Qualifying Deductions, and Deficits Between Spouses | From YA2005, a married taxpayer can transfer the following qualifying deductions and deficits to his / her spouse for a particular YA:<br><br>a) Unabsorbed trade losses;<br>b) Unabsorbed capital allowances;<br>c) Unutilised donations; and<br>d) Rental deficits.<br><br>The taxpayer can also carry back any unabsorbed trade losses or capital allowances to set-off against the | To simplify the personal income tax system, married couples can no longer transfer qualifying deductions and deficits between each other (including under the loss carry-back scheme) with effect from YA2016.<br><br>As a transitional concession, qualifying deductions and deficits incurred by a married couple in and before YA2015 will still be allowed for inter-spousal transfers up till YA2017, subject to existing rules.<br><br>Any unabsorbed trade losses or capital allowances may still be carried forward to |

| S/N | Name of Tax Change | Current Treatment | New Treatment |
|---|---|---|---|
| | | income of his / her spouse for the immediate preceding YA under the loss carry-back scheme from YA2006 onwards. | future years to be set-off against the future income of the taxpayer, until the amount is fully utilised, subject to existing rules. Similarly, any unutilised donations may be carried forward to future years to be set-off against the future income of the taxpayer, up to a maximum of five years.<br><br>IRAS will provide more details of the change by end May 2014. |
| 4 | Removing the Section 40 Relief | Currently, certain categories of non-resident individuals are entitled to section 40 relief that would reduce their tax payable on their aggregate assessable income to an amount equivalent to what they would have been liable for had they been assessed as a tax resident in Singapore and entitled to personal income tax reliefs. These categories of non- | To simplify the personal income tax system, the Section 40 relief will be removed with effect from YA2016. |

| S/N | Name of Tax Change | Current Treatment | New Treatment |
|---|---|---|---|
| | | resident individuals are:<br><br>a) Singapore Citizens;<br>b) Individuals who are not Singapore Citizens and deriving pension income from Singapore; and<br>c) Individuals who are not Singapore Citizens and are residents of countries with which Singapore has a tax treaty that accords such benefits on a reciprocal basis. | |

***STAMP DUTIES***

<table>
<tr><th>S/N</th><th>Name of Tax Change</th><th>Current Treatment</th><th>New Treatment</th></tr>
<tr>
<td>1</td>
<td>Streamlining the Stamp Duty Rate Structure</td>
<td>a) Currently, the stamp duty payable on a lease of an immovable property is assessed on the annualised rental amount, regardless of the actual lease period. This means that a one-month lease will bear the same stamp duty amount as a one year lease, where the monthly rent is the same for both leases.<br><br>The current stamp duty rate structure for leases is as follows:<br><br>
<table>
<tr><th>Lease Period</th><th>Stamp Duty Rates</th></tr>
<tr><td>Up to one year</td><td>$1 for every $250 or part thereof of the average annual rent</td></tr>
</table>
</td>
<td>a) To ensure consistency in stamp duty treatment across leases of varying tenures, the basis for charging stamp duty on leases executed on or after 22 February 2014 will be as follows:<br><br>
<table>
<tr><th>Lease Period</th><th>Stamp Duty Rates</th></tr>
<tr><td>Up to four years</td><td>0.4% of the total rent for the entire period of the lease</td></tr>
<tr><td>Exceeding four years or for any indefinite term</td><td>0.4% of four times of the average annual rent for the entire period of the lease</td></tr>
</table>
<br>b) To further streamline the stamp duty regime, the stamp duty rates for other instruments (land premiums and</td>
</tr>
</table>

| | |
|---|---|
| Exceeding one but not exceeding three years | $2 for every $250 or part thereof of the average annual rent |
| Exceeding three years or for any indefinite term | $4 for every $250 or part thereof of the average annual rent |

b) Buyer's stamp duty is charged as a specified amount for every $100 or part thereof of the consideration for land premiums and purchase of property as follows:

| Purchase Price or Market Value (whichever is higher) | Buyer's Stamp Duty Rates |
|---|---|
| First $180,000 | $1 for every $100 or part thereof |
| Next $180,000 | $2 for every $100 or part thereof |
| Remainder | $3 for every $100 or part thereof |

purchase of property, share transfers and mortgages) executed on or after 22 February 2014 will be as follows:

i) Land Premiums and Purchase of Property

| Purchase Price or Market Value (whichever is higher) | Buyer's Stamp Duty Rates |
|---|---|
| First $180,000 | 1% |
| Next $180,000 | 2% |
| Remainder | 3% |

ii) Share Transfers and Mortgages

| Types of Instruments | Stamp Duty Rates |
|---|---|
| Transfer of stock or shares | 0.2% of the purchase price or market value of the |

| | | | |
|---|---|---|---|
| | | c) Stamp duty is charged as a specified amount for every \$100 or \$1,000 or part thereof on the following types of instruments: | (continued) |

| Types of Instruments | Stamp Duty Rates |
|---|---|
| Transfer of stock or shares | \$0.20 for every \$100 or part thereof of the purchase price or market value of the stock or shares transferred, whichever is higher |
| Mortgage instruments | \$2 or \$4 for every \$1,000 or part thereof (depending on the type of mortgage instrument[9]), subject to maximum duty of \$500 |

| | |
|---|---|
| | stock or shares transferred, whichever is higher |
| Mortgage instruments | 0.2% or 0.4% of the relevant amount (depending on the type of mortgage instrument[9]) subject to maximum duty of \$500 |

[9] Please refer to the IRAS website (www.iras.gov.sg) for details.

## OTHER TAX MEASURES

### *BETTING DUTIES*

<table>
<tr><th>S/N</th><th>Name of Tax Change</th><th>Current Treatment</th><th>New Treatment</th></tr>
<tr><td>1</td><td>Raising the Duty Rate on Totalisator or Pari-mutuel Betting (excluding Horse Racing) and any other system or method of Cash or Credit Betting</td><td>Currently, the Betting and Sweepstake Duties Act imposes duty on betting activities as follows:<br><table><tr><th>Type of Betting Activities</th><th>Current Duty Rate</th></tr><tr><td>Totalisator or Pari-mutuel Betting (excluding Horse Racing; e.g. TOTO) and any other system or method of Cash or Credit Betting (e.g. 4D, Singapore Sweep)</td><td>25% x (Amount of bets received - GST[10])</td></tr></table></td><td>The duty on Totalisators, Pari-mutuel Betting (excluding Horse Racing) and any other system or method of Cash or Credit Betting will be raised from 25% of gross bets (net of GST) to 30% of gross bets (net of GST).<br><br><u>Revised Duty Rate</u>: 30% x (Amount of bets received – GST[10])<br><br>The change will take effect from 1 July 2014.<br><br>Betting duties on Horse Racing, Sports Betting and Sweepstakes will remain unchanged.</td></tr>
</table>

[10] GST = 7/107 x (amount of bets received – winnings paid out)

***VEHICLE TAX***

<table>
<tr><th>S/N</th><th>Name of Tax Change</th><th>Current Treatment</th><th>New Treatment</th></tr>
<tr><td>1</td><td>Extending the Carbon Emissions-based Vehicle Scheme (CEVS) and Green Vehicle Rebate (GVR) scheme</td><td>The rebates under CEVS were introduced from January 2013, while the surcharges were applied from July 2013 to give the industry adequate time to adjust to the new scheme. The CEVS is scheduled for a review in end 2014.<br><br>The GVR Scheme for commercial vehicles, buses and motorcycles was extended by two years till December 2014.</td><td>More time is needed to observe the impact of CEVS amidst other vehicle tax changes in 2013, e.g. introduction of tiered Additional Registration Fee (ARF) and adjustments to the Certificate of Entitlement (COE) system, before refinements to CEVS are made. Hence we will:<br><br>a) Extend CEVS by six months, from 1 January 2015 to 30 June 2015; and<br>b) Extend GVR for commercial vehicles, buses and motorcycles by six months, from 1 January 2015 to 30 June 2015.<br><br><table><tr><th>Scheme</th><th>Current Expiry Date</th><th>New Expiry Date</th></tr><tr><td>CEVS</td><td>31 December 2014</td><td>30 June 2015</td></tr><tr><td>GVR (commercial</td><td>31 December</td><td>30 June 2015</td></tr></table></td></tr>
</table>

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | | vehicles, buses, motorcycles) | 2014 | | |

## EXCISE DUTIES FOR TOBACCO PRODUCTS

We will increase the excise duties on cigarettes and other manufactured tobacco products by 10%, from $352 per kg or 35.2 cents per gram or part thereof of each stick of cigarette, to $388 per kg or 38.8 cents per gram or part thereof of each stick of cigarette.

These tax changes will take effect from 21 February 2014.

The full list of changes is:

| HS Code | Product description | Current Excise Rate | New Excise Rate |
|---|---|---|---|
| 2402.20.20 | Clove cigarettes | 35.2 cents for every gram or part thereof of each stick of cigarette | 38.8 cents for every gram or part thereof of each stick of cigarette |
| 2402.20.90 | Other cigarettes containing tobacco | | |
| 2402.90.20 | Cigarettes of tobacco substitutes | | |
| 2402.10.00 | Cigars cheroots & cigarillos containing tobacco | $352.00 per kg | $388.00 per kg |
| 2402.90.10 | Cigars cheroots & cigarillos of tobacco substitutes | | |
| 2403.11.00 | Water pipe tobacco specified in Subheading Note 1 to Chapter 24 | | |
| 2403.19.19 | Other smoking tobacco packed for retail sale | | |

| | | | |
|---|---|---|---|
| 2403.19.90 | Other smoking tobacco not packed for retail sale | | |
| 2403.91.10 | Homogenised or reconstituted tobacco packed for retail sale | | |
| 2403.91.90 | Homogenised or reconstituted tobacco not packed for retail sale | | |
| 2403.99.30 | Manufactured tobacco substitutes | | |
| 2403.99.40 | Snuff whether or not dry | | |
| 2403.99.90 | Other manufactured tobacco not for smoking | | |

# EXCISE DUTIES FOR LIQUOR PRODUCTS

We will increase excise duties across all liquor categories (i.e. beer, wine, spirits, and raw materials to manufacture alcohol) by 25%, to keep pace with inflation since the last effective duty raise in 2004. We will also lower the excise duty rate of shandy from $70 pla to $60 pla, to be consistent with that of beer, since shandy is a variant of beer.

These tax changes will take effect from 21 February 2014.

The summary of changes is:

| Liquor types | Current Excise Rate | New Excise Rate |
|---|---|---|
| Beer | $48 per-litre-alcohol | $60 per-litre-alcohol |
| Wine | $70 per-litre-alcohol | $88 per-litre-alcohol |
| Spirits | $70 per-litre-alcohol | $88 per-litre-alcohol |
| Raw materials to manufacture alcoholic beverages | $70 per-litre- alcohol (liquids)<br>$90 per kgm (solids) | $88 per-litre-alcohol (liquids)<br>$113 per kgm (solids) |
| Shandy | $70 per-litre-alcohol | $60 per-litre-alcohol |

The full list of changes is:

| HS Code | Product description | Current Excise Rate | New Excise Rate |
|---|---|---|---|
| 2203.00.10 | Stout or porter | $48.00 per litre of alcohol | $60.00 per litre of alcohol |
| 2203.00.90 | Other beer including ale | | |
| 2206.00.10 | Cider & perry | | |
| 2206.00.40 | Shandy | $70.00 per litre of alcohol | $60.00 per litre of alcohol |
| 2106.90.61 | Alcoholic preparations in liquid form as raw material for making composite concentrates of a kind used for the manufacture of alcoholic beverages | $70.00 per litre of alcohol | $88.00 per litre of alcohol |
| 2106.90.64 | Alcoholic composite concentrates in liquid form for simple dilution with water of a kind used for the manufacture of alcoholic beverages | | |
| 2106.90.66 | Other alcoholic preparations in liquid form of a kind used for the manufacture of alcoholic beverages | | |
| 2204.10.00 | Sparkling wine | | |
| 2204.21.11 | Wine of fresh grapes not over 15% alcoholic in containers of 2 litres or less | | |

| | | | |
|---|---|---|---|
| 2204.21.13 | Wine of fresh grapes over 15% but not over 23% alcoholic in containers of 2 litres or less | | |
| 2204.21.14 | Wine of fresh grapes over 23% alcoholic in containers of 2 litres or less | | |
| 2204.21.21 | Grape must with fermentation prevented or arrested by addition of alcohol not over 15% alcoholic in containers of 2 litres or less | | |
| 2204.21.22 | Grape must with fermentation prevented or arrested by addition of alcohol over 15% alcoholic in containers of 2 litres or less | | |
| 2204.29.11 | Wine of fresh grapes not over 15% alcoholic in containers of more than 2 litres | | |
| 2204.29.13 | Wine of fresh grapes over 15% but not over 23% alcoholic in containers of more than 2 litres | | |
| 2204.29.14 | Wine of fresh grapes over 23% alcoholic in containers of more than 2 litres | | |
| 2204.29.21 | Grape must with fermentation prevented or arrested by addition of alcohol not over 15% alcoholic in containers of more than 2 litres | | |

| | | | |
|---|---|---|---|
| 2204.29.22 | Grape must with fermentation prevented or arrested by addition of alcohol over 15% alcoholic  in containers of more than 2 litres | | |
| 2204.30.10 | Other grape must not over 15% alcoholic | | |
| 2204.30.20 | Other grape must over 15% alcoholic | | |
| 2205.10.10 | Vermouth & other wine of fresh grape flavoured with plants or aromatic substances not over 15% alcoholic  in containers of 2 litres or less | | |
| 2205.10.20 | Vermouth & other wine of fresh grape flavoured with plants or aromatic substances over 15% alcoholic  in containers of 2 litres or less | | |
| 2205.90.10 | Vermouth & other wine of fresh grape flavoured with plants or aromatic substances not over 15% alcoholic  in containers of more than 2 litres | | |
| 2205.90.20 | Vermouth & other wine of fresh grape flavoured with plants or aromatic substances over 15% alcoholic  in containers of more than 2 litres | | |
| 2206.00.20 | Sake | | |
| 2206.00.30 | Toddy | | |

| | | | |
|---|---|---|---|
| 2206.00.91 | Other rice wine | | |
| 2206.00.99 | Other fermented beverages mixtures of fermented beverages & mixtures of fermented beverages & non-alcoholic beverages | | |
| 2207.10.00 | Undenatured ethyl alcohol of alcoholic strength by vol of 80% or more | | |
| 2208.20.50 | Brandy obtained by distilling grape wine or grape marc | | |
| 2208.20.90 | Other spirits obtained by distilling grape wine or grape marc | | |
| 2208.30.00 | Whiskies | | |
| 2208.40.00 | Rum & other spirits distilled from fermented sugar-cane products | | |
| 2208.50.00 | Gin & geneva | | |
| 2208.60.00 | Vodka | | |
| 2208.70.00 | Liqueurs & cordials | | |
| 2208.90.10 | Medicated samsu not over 40% alcoholic | | |
| 2208.90.20 | Medicated samsu over 40% alcoholic | | |
| 2208.90.30 | Other samsu not over 40% alcoholic | | |

| | | | |
|---|---|---|---|
| 2208.90.40 | Other samsu over 40% alcoholic | | |
| 2208.90.50 | Arrack or pineapple spirit not over 40% alcoholic | | |
| 2208.90.60 | Arrack or pineapple spirit over 40% alcoholic | | |
| 2208.90.70 | Bitters & similar beverages not over 57% alcoholic | | |
| 2208.90.80 | Bitters & similar beverages over 57% alcoholic | | |
| 2208.90.90 | Undenatured ethyl alcohol of less than 80% alcoholic & other spirituous beverages | | |
| 3302.10.10 | Odoriferous alcoholic preparations in liquid form for manufacture of alcoholic beverages | | |
| 2106.90.62 | Alcoholic preparations in other forms being raw material for making composite concentrates of a kind used for the manufacture of alcoholic beverages | $90.00 per kgm | $113.00 per kgm |
| 2106.90.65 | Alcoholic composite concentrates in other forms for simple dilution with water of a kind used for the manufacture of alcoholic beverages | | |

| | | | |
|---|---|---|---|
| 2106.90.67 | Other alcoholic preparations in other forms of a kind used for the manufacture of alcoholic beverages | | |
| 3302.10.20 | Odoriferous alcoholic preparations in other forms for manufacture of alcoholic beverages | | |

**Appendix A**

# Introducing PIC+ for SMEs

The PIC+ scheme is available to qualifying SMEs which incur PIC qualifying expenditure beyond the combined cap of $1.2 million[1] applicable for the relevant three Years of Assessment ("YAs") from YA2013 to YA2015 and YA2016 to YA2018 respectively. Under the PIC+ scheme, qualifying SMEs can enjoy a higher expenditure cap of $600,000 per qualifying activity from YA2015. This means they can claim a 400% enhanced tax deduction on an additional $200,000 qualifying expenditure for each YA, for any of the six qualifying activities. This enhancement will apply to qualifying expenditures incurred during the basis periods for YA2015 to YA2018.

The higher expenditure cap for PIC+ is combined across the relevant three YAs. Therefore, the combined cap will be:

- YA2015 = $400,000 + $400,000 + $600,000 = $1,400,000
- YA2016 to YA2018 = $600,000 + $600,000 + $600,000 = $1,800,000

The cap for PIC cash payout will remain at $100,000 across all six qualifying activities per YA.

**What is a qualifying SME?**

An entity is a qualifying SME if (a) its annual turnover is not more than S$100 million or (b) its employment size is not more than 200 workers. This criterion will be applied at the group level if the entity is part of a group.

Businesses will self-assess their eligibility for the scheme. Businesses that meet the qualifying criteria can claim the expenditure similar to the current PIC application process.

IRAS will provide further details on the PIC+ scheme by end March 2014.

[1] $400,000 expenditure cap per YA for a total of $1.2 million over three YAs

**Example: How can a business benefit from the PIC+?**

Company A has invested $1.2 million in automation equipment in YA2014 (i.e. it has hit the $1.2 million combined expenditure cap for YAs 2013 to 2015) for the PIC qualifying activity of Acquisition/ Leasing of IT and Automation Equipment and intends to acquire another automation equipment in June 2014 costing $500,000. Company A's accounting profit is expected to be $1 million for the financial year ending December 2014.

Company A is a qualifying SME. With PIC+, Company A's tax payable is reduced substantially, as seen in the following computation:

| | **Without PIC+** | **With PIC+** |
|---|---|---|
| Net profit per account (A) | 1,000,000 | 1,000,000 |
| Add: Depreciation# | 500,000 | 500,000 |
| | 1,500,000 | 1,500,000 |
| Less: Normal/ enhanced capital allowance | (500,000) | (1,100,000)^ |
| Chargeable income | 1,000,000 | 400,000 |
| Less: Partial tax exemption* | (152,500) | (152,500) |
| Chargeable income after tax exemption | 847,500 | 247,500 |
| Tax payable @ 17% (B) | 144,075 | 42,075 |
| **Tax payable as a % of net profit (B)/(A)** | **14.4%** | **4.2%** |

*# Assume that the automation equipment is fully depreciated in one year.*

^ *Capital allowance = ($200,000 × 400%) + ($300,000 × 100%) = $1,100,000*

**75% of the first $10,000 and 50% of the next $290,000 of a company's chargeable income are exempt from tax.*

# ANNEX B-1: PIONEER GENERATION PACKAGE

The Pioneer Generation Package honours and recognises the Pioneer Generation for their significant contributions in the early days of our nation-building.

The 'Pioneer Generation' is defined as living Singaporeans who meet 2 criteria:

i. Aged 16 and above in 1965 (born on or before 31 Dec 1949, which also means they are aged 65 and above in 2014); and
ii. Obtained citizenship on or before 31 Dec 1986.

Through this package, we want to provide the Pioneer Generation with greater assurance so that they do not have to worry about their healthcare costs in their old age. The package provides the following benefits, which the Pioneer Generation will enjoy for life:

## a) Outpatient care

i. **50% discount off the net bill for subsidised services** at Specialist Outpatient Clinics (SOC) (see subsidy rates in Table 1 below) and polyclinics.

Table 1: SOC Services Subsidy Rates for Pioneer Generation

| Monthly household income per capita | Annual Value of home (for those without income) | Subsidy (with effect from 1 Sep 2014)* | Subsidy for Pioneer Generation, after further 50% discount |
|---|---|---|---|
| Up to $1,100 | Up to $13,000 | 70% | 85% |
| $1,101 to $1,800 | $13,001 to $21,000 | 60% | 80% |
| More than $1,800 | More than $21,000 | 50% | 75% |

*Current SOC subsidy is about 50% on average.

The Ministry of Health will conduct a similar review of subsidies for medication (with a higher subsidy for the Pioneer Generation) and will provide an update on the details later.

ii. **Enhanced Community Health Assist Scheme (CHAS).** CHAS is currently targeted at lower- and middle-income Singaporeans. Under this package, all Pioneer Generation members will be placed on CHAS. Those already on CHAS will enjoy additional subsidies which will be similar to our enhancements for the Pioneer Generation at SOCs and polyclinics.

iii. **Pioneer Generation Disability Assistance Scheme will provide cash assistance of $1,200 a year** to help those with moderate to severe functional disabilities.[1]

The subsidies for SOC and polyclinic services, as well as disability assistance, will be implemented in September 2014. The additional CHAS benefits will be implemented in January 2015. The Minister for Health will provide more details at the COS.

**b) Medisave Top-ups**

The Government will provide **annual Medisave top-ups of $200 to $800** to the Pioneer Generation, depending on birth cohorts. Those who are older will receive more. See Table 2 for details.

Table 2: Lifetime Annual Medisave Top-up for Pioneer Generation

| Age in 2014 (Birth cohorts) | Amount per year |
|---|---|
| 65-69 (1945-1949) | $200 |
| 70-74 (1940-1944) | $400 |
| 75-79 (1935-1939) | $600 |
| 80 and above (1934 and earlier) | $800 |

The Medisave top-ups will be paid out from August 2014.

**c) MediShield Life**

The Pioneer Generation will receive a special subsidy for their MediShield Life premiums starting from 40% of their premium at age 65, rising to 60% of their premium at age 90. The Pioneer Generation can expect **an average of at least 50% subsidy over their lifetime**.

More details will be provided after the MediShield Life Review Committee has finalised benefits and corresponding premiums later in 2014.

[1] Require hands-on assistance with at least 3 Activities of Daily Living.

## How to Receive the Pioneer Generation Package

For Pioneer Generation Disability Assistance Scheme

Eligible beneficiaries can come forward to apply for the assistance after going through a functional disability assessment. The Ministry of Health will provide more details on the application process later.

For all other components of the Pioneer Generation Package

Letters will be sent out in August 2014 to all eligible Singaporeans with valid NRIC addresses to inform them of the benefits that they will receive. Those who are eligible are encouraged to keep their NRIC addresses updated.

The vast majority of the Pioneer Generation will **automatically** receive their benefits. They **do not need to do anything** to receive the Pioneer Generation Package because they have already signed up for previous Government transfer schemes[2] or are Central Provident Fund (CPF) members.

For a small number of the members of Pioneer Generation who have never signed up for any of these Government transfer schemes and are not CPF members, the Government will work with community organisations to reach out to them, so that they can receive their Pioneer Generation Package benefits.

Appeals

There may be people who marginally miss out on the precise criteria, but have good claims to be counted among the Pioneer Generation. The Government will hence establish a panel to assess appeals on a case-by-case basis.

[2] GST Voucher in 2012 and 2013, Growth Dividend in 2011 or GST Offset Package in 2007.

## Timeline

The implementation timeline for the Pioneer Generation Package is summarised in Table 3 below.

Table 3 – Timeline for the Pioneer Generation Package

| Date | Description |
|---|---|
| 21 Feb 2014 | Members of the Pioneer Generation who wish to check their eligibility for the Pioneer Generation Package can do so through the Singapore Budget website. http://www.singaporebudget.gov.sg/budget_2014/pgp.aspx.<br><br>They can also approach their nearest CitizenConnect Centres (CCC) if they need help to check their eligibility. A list of the CCC can be found below or at the following website: http://www.ecitizen.gov.sg/Topics/Pages/Citizen-Connect-Centre.aspx.<br><br>Those who are eligible are encouraged to keep their NRIC addresses updated. |
| Aug 2014 | Letters will be sent to the Pioneer Generation informing them of the benefits that they will get.<br><br>Medisave top-ups will be credited to the Medisave Accounts of the Pioneer Generation. |
| Sep 2014 | Additional subsidies will take effect for the Pioneer Generation at polyclinics and SOC services.<br><br>Disability Assistance Scheme cash assistance will take effect for members of the Pioneer Generation with moderate to severe disabilities. |
| Jan 2015 | Additional subsidies will take effect for the Pioneer Generation at General Practitioner and dental clinics participating in the Community Health Assist Scheme (CHAS). |
| End-2015 | Subsidies for MediShield Life premium will take effect for the Pioneer Generation when MediShield Life is implemented. |

Please visit the MOF Budget website (http://www.singaporebudget.gov.sg/budget_2014/home.aspx) for more information.

## List of CitizenConnect Centres (CCCs) and operating hours

Operating hours for the CCCs at the 25 Community Centres/ Clubs are from 12 pm to 8 pm, Mondays to Sundays (the peak period is from 6pm to 8pm each night). The Centres are closed on public holidays.

| | | |
|---|---|---|
| **Central region** | | |
| Kallang Community Club | 45 Boon Keng Road, Singapore 339771 | 6298-4582<br>6298-9038 |
| Kim Seng Community Centre | 570 Havelock Road, Singapore 169640 | 6272-3878 |
| Tanjong Pagar Community Club | 101 Cantonment Road, Singapore 089774 | 6221-9898<br>6223-6847 |
| Toa Payoh Central Community Club | 93 Toa Payoh Central, Singapore 319194 | 6252-1249 |
| Thomson Community Club | 194 Upper Thomson Road, Singapore 574339 | 6254-4550<br>6251-6344 |
| Yio Chu Kang Community Club | 50 Ang Mo Kio Street 61, Singapore 569163 | 6457-0414<br>6456-1324 |
| **Northeast region** | | |
| Eunos Community Club | 180 Bedok Reservoir Road, Singapore 479220 | 6448-6971 |
| Pasir Ris East Community Club | 1 Pasir Ris Drive 4 #01-08, Singapore 519457 | 6584-2798 |
| Sengkang Community Club | 2 Sengkang Square, #01-01 Sengkang Community<br>Hub, Singapore 545025 | 6312-5400 |
| Tampines East Community Club | 10 Tampines Street 23, Singapore 529341 | 6786-3227 |
| The Serangoon | 10 Serangoon North Ave 2, Singapore 555877 | 6285-6264 |
| **Northwest region** | | |
| Chong Pang Community Club | 21 Yishun Ring Road, Singapore768677 | 6758-8258 |
| Fuchun Community Club | 1 Woodlands Street 31, Singapore 738581 | 6365-6911 |
| Ulu Pandan Community Club | 170 Ghim Moh Road #01-01, Singapore 279621 | 6469-3154<br>6463-7333 |
| Woodlands Community Club | 1 Woodlands Street 81, Singapore 738526 | 6368-9938 |
| Zhenghua Community Club | 1 Segar Road, Singapore 677638 | 6310-6702 |
| **Southeast region** | | |
| Bedok Community Centre | 850 New Upper Changi Road, Singapore 467352 | 6442-5317<br>6445-0633 |
| Changi Simei Community Club | 10 Simei Street 2, Singapore 529915 | 6781-6058 |
| Marine Parade Community Club | 278 Marine Parade Road, Singapore 449282 | 6346-7703 |
| **Southwest region** | | |
| Bt Batok East Community Club | 23 Bukit Batok East Ave 4,Singapore 659841 | 6565-9330 |
| Chua Chu Kang Community Club | 35 Teck Whye Avenue,Singapore 688892 | 6769-1694 |

| | | |
|---|---|---|
| Gek Poh Ville Community Club | 1, Jurong West St. 74, Singapore 649149 | 6792-2750 |
| The Frontier | 60 Jurong West Central 3 #01-01, Singapore 648346 | 6795-8229 |
| West Coast Community Centre | West Coast Community Centre 2 Clementi West Street 2, Singapore 129605 | 6779-1098 |
| Yew Tee Community Club | 20 Chua Chu Kang Street 52 #01-01, Singapore 689286 | 6769-3672 |

The CCC at the IRAS service centre operates from 8am to 5pm, Mondays to Fridays. The centre is closed on Saturdays, Sundays and public holidays.

| | | |
|---|---|---|
| Revenue House | 55 Newton Road, Revenue House, Singapore 307987 | 6769-3672 |

MINISTRY OF FINANCE

# ANNEX B-2: CPF CONTRIBUTION RATE CHANGES AND RELATED ASSISTANCE MEASURES FOR EMPLOYERS

## (A) CPF Contribution Rate Changes

### Increase in Medisave Contribution Rates

Employer contribution rates to the Medisave Account (MA) will be increased by 1 percentage point to help workers save for their future healthcare expenses.

MA contribution rates will also be raised by 1 percentage point for self-employed persons with annual net trade income[1] of $18,000 and above, to align with the increase for employees.

Both increases will take effect from 1 January 2015.

### Increase in CPF Contribution Rates for Older Workers

The CPF contribution rates for workers aged above 50 years to 65 years will be increased from 1 January 2015 as shown in Table 1 below. This will be on top of the 1 percentage point increase in MA contribution rates.

Table 1: Increase in CPF Contribution Rates for Older Workers*

| Employee Age (Years) | Increase in Contribution Rates (% of wage) | | |
|---|---|---|---|
| | Contribution by Employer | Contribution by Employee | Total |
| Above 50 to 55 | +1 | +0.5 | +1.5 |
| Above 55 to 65 | +0.5 | - | +0.5 |

*Excluding increase in Medisave Contribution Rates

The increase in employer contribution rates will be allocated to the Special Account. The increase in employee contribution rates will be allocated to the Ordinary Account.

[1] "Net trade income" refers to gross trade income minus all allowable business expenses, capital allowances and trade losses as determined by the Inland Revenue Authority of Singapore (IRAS). It excludes income from share dividends, employment and interest from savings.

**New CPF Contribution Rates for All Workers**

Tables 2a and 2b show the new CPF contribution rates for employees, and Table 3 shows the new Medisave contribution rates for self-employed persons with an annual net trade income of $18,000 and above. Both the increases in Medisave contribution rates and contribution rates for older workers have been taken into account.

Table 2a: New CPF Contribution Rates for Employees (increases in brackets)

| Date | Employee Age (Years) | Contribution Rate (% of wage) | | |
|---|---|---|---|---|
| | | Contribution by Employer | Contribution by Employee | Total |
| With effect from 1 Jan 2015 | 35 and below<br>Above 35 to 45<br>Above 45 to 50 | 17 (+1) | 20 | 37 (+1) |
| | Above 50 to 55 | 16 (+2) | 19 (+0.5) | 35 (+2.5) |
| | Above 55 to 60 | 12 (+1.5) | 13 | 25 (+1.5) |
| | Above 60 to 65 | 8.5 (+1.5) | 7.5 | 16 (+1.5) |
| | Above 65 | 7.5 (+1) | 5 | 12.5 (+1) |

Table 2b: Allocation of New CPF Contribution Rates for Employees (increases in brackets)

| Date | Employee Age (Years) | Credited Into (% of wage) | | |
|---|---|---|---|---|
| | | OA | SA | MA |
| With effect from 1 Jan 2015 | 35 and below | 23 | 6 | 8 (+1) |
| | Above 35 to 45 | 21 | 7 | 9 (+1) |
| | Above 45 to 50 | 19 | 8 | 10 (+1) |
| | Above 50 to 55 | 14 (+0.5) | 10.5 (+1) | 10.5 (+1) |
| | Above 55 to 60 | 12 | 2.5 (+0.5) | 10.5 (+1) |

| Date | Employee Age (Years) | Credited Into (% of wage) | | |
|---|---|---|---|---|
| | | OA | SA | MA |
| | Above 60 to 65 | 3.5 | 2 (+0.5) | 10.5 (+1) |
| | Above 65 | 1 | 1 | 10.5 (+1) |

*Note:*

1. *The rates in Table 2a and 2b are applicable for Singapore Citizens and Singapore Permanent Residents (SPRs) in the 3rd year and onwards of obtaining SPR status and earning monthly wages of ≥$750. As per current practice, the employee CPF contribution rates for employees earning >$500 but <$750 will be pro-rated. Further details on the changes to the contribution rates are available on CPF Board's website: www.cpf.gov.sg*
2. *The Ordinary Wage Ceiling will remain as $5,000.*

Table 3: New Medisave Contribution Rates for Self-Employed Persons (increases in brackets)

| Date | Age of Self-Employed Person as at 1 January | Medisave Contribution Rates (% of Net Trade Income) |
|---|---|---|
| **With effect from 1 Jan 2015** | Below 35 Years | 8 (+1) |
| | 35 to below 45 years | 9 (+1) |
| | 45 to below 50 years | 10 (+1) |
| | 50 years and above | 10.5 (+1) |

*Note:*
*The rates in Table 3 are applicable for self-employed persons with annual net trade income of $18,000 and above. As per current practice, self-employed persons earning less than $18,000 contribute at lower rates. Further details on the changes to Medisave contribution rates for Self-Employed Persons are available on CPF Board's website: www.cpf.gov.sg .*

## (B) Related Assistance Measures for Employers

### Enhancement of the Special Employment Credit (SEC)

To help employers adjust, the SEC will be enhanced for one year to provide employers who hire Singaporean workers aged above 50 earning up to $4,000 month with an additional offset of up to 0.5 percent of wages.

With the enhancement, employers who hire older Singaporean workers between 1 January 2015 and 31 December 2015 will receive an SEC of up to 8.5 percent of a worker's monthly wage. For more information on the SEC, please refer to www.sec.gov.sg.

Table 4: Example of Monthly SEC Amounts for Wages Paid in 2015

| Income of Employee in a Given Month ($) | SEC for the Month ($) |
|---|---|
| $500 | $42.50 |
| $1,000 | $85.00 |
| $1,500 | $127.50 |
| $2,000 | $170.00 |
| $2,500 | $212.50 |
| $3,000 | $255.00 |
| $3,500 | $127.50 |
| ≥ $4,000 | $0 |

### Temporary Employment Credit (TEC)

To alleviate the rise in business costs due to the increase in Medisave contribution rates, employers will receive a one-year offset of 0.5 percent of wages for Singaporean and Permanent Resident workers up to the CPF salary ceiling of $5,000 per month.

TEC payments will be made based on employees' incomes paid in 2015. More details will be made available at a later date.

**(C) More information**

Members of the public may visit www.cpf.gov.sg or contact the CPF Board for more information.

| | |
|---|---|
| Hotline number: | 1800-227-1188 (General enquiry)<br>1800-222-2888 (SEC/TEC) |
| Email: | employer@cpf.gov.sg; or<br>member@cpf.gov.sg |

# ANNEX B-3: SPECIAL TRANSFERS TO HOUSEHOLDS

The Government will provide more support this year to help older and lower-income Singaporeans with their costs of living.

1. Service and Conservancy Charges (S&CC) Rebates

   The S&CC rebates cost $80 million and will benefit about 800,000 households.

| HDB Flat Type | S&CC Rebates (months) |
|---|---|
| 1-Room | 3 |
| 2-Room | 3 |
| 3-Room | 2 |
| 4-Room | 2 |
| 5-Room | 1.5 |
| Executive | 1 |

2. GST Voucher (GSTV) – U-Save Special Payment.

   The GSTV – U-Save Special Payment will be paid out on top of the regular GSTV – U-Save payments.

   It costs $110 million and will benefit about 800,000 households.

| HDB Flat Type | % of Regular Payment | GSTV – U-Save Regular Payment | GSTV – U-Save Special Payment |
|---|---|---|---|
| 1-Room | 100% | $260 | $260 |
| 2-Room | 100% | $260 | $260 |
| 3-Room | 75% | $240 | $180 |
| 4-Room | 50% | $220 | $110 |
| 5-Room | 50% | $200 | $100 |
| Executive | 50% | $180 | $90 |

3. GSTV – Cash: Seniors' Bonus

   Eligible older Singaporeans aged 55 and above in 2014 will receive a one-off GSTV – Cash: Seniors' Bonus. This will be paid out on top of their regular GSTV – Cash, so they will get double the amount of GSTV – Cash this year.

   It costs $170 million and will benefit about 675,000 older Singaporeans.

| **For Singaporeans aged 55 and above in 2014** | **Annual Value of Home as at 31 Dec 2013** | |
|---|---|---|
| **Assessable Income for Year of Assessment 2013** | **Up to $13,000** | **$13,001 to $21,000** |
| Up to $26,000 | $250 | $100 |

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For more information on the GST Voucher and the 2014 GST Voucher Special Payments, please visit the GST Voucher website at www.gstvoucher.gov.sg.

MINISTRY OF FINANCE

# ANNEX C: FISCAL POSITION IN FY2014

| | Revised FY2013 | Estimated FY2014 | Change over Revised FY2013 | |
|---|---|---|---|---|
| | $billion | $billion | $billion | % change |
| **OPERATING REVENUE** | **57.15** | **59.51** | **2.37** | **4.1** |
| Corporate Income Tax | 12.55 | 13.03 | 0.49 | 3.9 |
| Personal Income Tax | 7.65 | 8.79 | 1.14 | 14.9 |
| Withholding Tax | 1.13 | 1.19 | 0.06 | 5.7 |
| Statutory Boards' Contributions | 0.53 | 0.49 | (0.04) | (7.4) |
| Assets Taxes | 4.23 | 4.35 | 0.12 | 2.7 |
| Customs and Excise Taxes | 2.20 | 2.61 | 0.41 | 18.9 |
| Goods and Services Tax | 9.52 | 10.11 | 0.58 | 6.1 |
| Motor Vehicle Taxes | 1.69 | 1.36 | (0.33) | (19.5) |
| Vehicle Quota Premiums | 2.76 | 2.95 | 0.20 | 7.1 |
| Betting Taxes | 2.34 | 2.58 | 0.25 | 10.6 |
| Stamp Duty | 4.05 | 2.84 | (1.22) | (30.0) |
| Other Taxes | 5.26 | 5.82 | 0.55 | 10.5 |
| Other Fees and Charges | 2.93 | 3.07 | 0.14 | 4.9 |
| Others | 0.32 | 0.32 | 0.00 | 1.5 |
| Less: | | | | |
| **TOTAL EXPENDITURE** | **52.34** | **56.66** | **4.32** | **8.3** |
| Operating Expenditure | 40.43 | 42.88 | 2.45 | 6.1 |
| Development Expenditure | 11.91 | 13.78 | 1.87 | 15.7 |
| **PRIMARY SURPLUS / DEFICIT**[1] | **4.80** | **2.85** | | |
| Less: | | | | |
| **SPECIAL TRANSFERS**[2] | **8.82** | **12.11** | **3.29** | **37.4** |
| **Special Transfers Excluding Top-ups to Endowment and Trust Funds** | **3.22** | **3.61** | | |
| GST Voucher Special Payment[3] | 0.68 | 0.28 | | |
| Utilities-Save Rebates and Service and Conservancy Charges Rebates | 0.08 | 0.08 | | |
| CPF Medisave Top-ups | 0.31 | 0.12 | | |
| Pioneer Generation Package | - | 0.26 | | |
| Productivity and Innovation Credit | 0.65 | 0.74 | | |
| Productivity and Innovation Credit Bonus | 0.64 | 0.32 | | |
| Wage Credit Scheme | 0.82 | 1.76 | | |
| SME Cash Grant | 0.04 | 0.03 | | |
| Other Transfers[4] | 0.01 | 0.02 | | |
| **BASIC SURPLUS / DEFICIT**[5] | **1.58** | **(0.76)** | | |
| **Top-ups to Endowment and Trust Funds** | **5.59** | **8.50** | | |
| Top-up to Endowment Funds[6] | 2.32 | 0.50 | | |
| GST Voucher Fund | 3.00 | - | | |
| Cultural Matching Fund[7] | 0.20 | - | | |
| National Youth Fund | 0.07 | - | | |
| Pioneer Generation Fund | - | 8.00 | | |
| Add: | | | | |
| **NET INVESTMENT RETURNS CONTRIBUTION** | **7.94** | **8.10** | **0.16** | **2.0** |
| **OVERALL BUDGET SURPLUS / DEFICIT** | **3.92** | **(1.16)** | | |

Note: Due to rounding, figures may not add up. Negative figures are shown in parentheses.

[1] Surplus / Deficit before Special Transfers and Net Investment Returns Contribution.
[2] Special Transfers include Top-ups to Endowment and Trust Funds.
[3] The Special Payment committed in Budget 2013 consists of a cash component, Utilities-Save Rebates and CPF Medisave Top-ups. The Special Payment introduced in Budget 2014 comprises the GST Voucher – Cash: Seniors' Bonus and Utilities-Save Rebates.
[4] Consists of Growth Dividends, GST Credits, Child Development Credits, Top-ups to Post-Secondary Education Accounts, public transport vouchers and funds set aside for Self-Help Groups and Voluntary Welfare Organisations.
[5] Surplus / Deficit before Top-ups to Endowment and Trust Funds and Net Investment Returns Contribution.
[6] Consists of the Community Care Endowment Fund, Edusave Endowment Fund, ElderCare Fund, Lifelong Learning Endowment Fund and Medical Endowment Fund.
[7] The Cultural Donation Matching Fund has been re-named as the Cultural Matching Fund.