

BUDGET 2024 SPEECH

BUILDING OUR SHARED FUTURE TOGETHER

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A. Introduction

Mr Speaker, Sir

1. I beg to move that Parliament approve the financial policy of the Government for the financial year 1 April 2024 to 31 March 2025.

2. Sir, the past year has not been easy.
 - a. The international environment was troubled.

 - b. The global economy was subdued.

 - c. Our own economy grew by a modest 1.1%, avoiding a recession.

3. I know that many households are feeling the pressure of higher living costs.
 - a. Fortunately, we had some unexpected revenue upside from our strong economic rebound in the preceding two years.

- b. And this is why the Government was able to enhance its assistance measures to relieve the burden on households.

- 4. For 2024, the outlook is mixed.
 - a. Growth in the major economies on the whole is expected to remain resilient.

 - b. But geopolitical risks continue to loom large.

 - c. Wars are raging in Europe and the Middle East.

 - d. These conflicts can escalate dangerously, leading to disruptions in global energy markets and supply chains.

- 5. Fortunately, there are some upsides.
 - a. Global inflationary pressures are expected to recede further. This may provide room for the major central banks to adopt more accommodative stances, which can help to ease financial conditions and support demand.

- b. The global electronics industry is expected to recover. This will bolster the growth of many regional economies, including our key trading partners.
 - c. Meanwhile, Asia continues to be a key driver of global growth, with a wider spread of opportunities across the region – not just in China, but also in India and many parts of Southeast Asia.
6. Overall, we are cautiously optimistic that 2024 will be a better year. Besides lower inflation, we expect higher GDP growth at 1.0% to 3.0%.
7. But there is considerable uncertainty in the outlook and the risks are tilted to the downside.
- a. The international environment has darkened dramatically.
 - b. The post-Cold War era that began in the early 90s and fostered three decades of peace and stability is over.
 - c. We are now in a new era of conflict and confrontation, and there is no turning back.

- d. What can we expect in this new world?
- e. It will be more violent. We already see a growing zone of impunity involving armed conflict and terrorism that cannot be easily resolved by the global community.
- f. It will be more fragmented. Because the major powers are prioritising national security over economic interdependence, and the traditional modes of cooperation are breaking down.
- g. It will be messier and more unpredictable. Because there will be diminished willingness and capacity to tackle global issues, be it responding to future pandemics or tackling climate change.

8. These are the stark realities before us. For some time to come, Singapore will have to operate in an external environment that will be less stable and favourable to our security and prosperity than the preceding three decades.

9. That is why we embarked on the Forward Singapore exercise – to refresh our social compact to keep our society strong and united,

and to set out a roadmap for our way forward in this very troubled world.

- a. Through Forward Singapore, we aim to give more assurance to help Singaporeans navigate the uncertainties in today's world; strengthen our sense of cohesion and solidarity; and keep our society together.
 - b. For as one united people, we can overcome all odds.
 - c. We can turn every challenge into opportunity, and every vulnerability into strength.
 - d. We can build a nation that is vibrant and inclusive, fair and thriving, resilient and united.
10. We have an ambitious agenda to achieve these shared goals.
- a. We have major plans to unfold over the coming years.
 - b. Some are ready to be implemented now.
 - c. Others will require more time to study or to work out the implementation details.

- d. In this Budget, we will roll out the first instalment of our Forward Singapore programmes.

11. Budget 2024 is therefore about taking concrete steps to build our shared future together. We will:

- a. Tackle immediate challenges for households and businesses;
- b. Pursue better jobs, better growth, and equip our workers for life;
- c. Create more paths for equality and mobility;
- d. Provide more assurance for families and seniors;
- e. And ultimately forge a stronger and more united nation.

12. And I will touch on each of these in turn in the rest of my speech.

B. Tackling Immediate Challenges

13. Sir, we have enjoyed low inflation in Singapore for more than a decade. But inflation rose sharply in 2022, following the outbreak of the war in Ukraine, which led to significant increases in global energy and food prices.

14. Despite the unprecedented surge in prices, we had good economic growth in 2022. So incomes that year rose faster than inflation and Singaporeans were better off, in real terms.

15. Unfortunately, this did not happen last year. Inflation had in fact started to moderate. But economic growth also slowed. As a result, real incomes declined.

16. We had picked up early indicators of this negative trend. And that is why I introduced the Cost-of-Living Support Package in September last year, and enhanced the Assurance Package to over \$10 billion.

17. While we expect the situation to improve this year, there are uncertainties in the outlook as I mentioned just now. So in this Budget, I will do more to support households and further **enhance the Assurance Package.**

- a. **First, I will provide an additional \$600 in CDC Vouchers for all Singaporean households.** The first \$300 will be disbursed in end-June this year. The remaining \$300 will be disbursed in January next year.
- b. **Second, I will provide a Cost-of-Living Special Payment of between \$200 and \$400 in cash.** This will be extended to adult Singaporeans with Assessable Income of up to \$100,000, and who do not own more than one property.
- c. **Third, I will provide additional one-off U-Save rebates to help households cope with increases in their utility bills.** In total, eligible HDB households can expect to receive two-and-a-half times the amount of regular U-Save rebates, or up to \$950, in FY2024. This will cover about four months of utility bills for those living in 3- and 4-room flats.
- d. **Fourth, I will provide an additional one-off Service and Conservancy Charges (or S&CC) Rebate for HDB flats.** Together with the regular S&CC rebates, eligible HDB households will receive up to four months of such rebates in FY2024.

- e. Altogether, the additional support under the Assurance Package will cost \$1.9 billion. (See Annex B-1 for details of the enhanced Assurance Package.)

18. We have designed this Package so that lower-income families get more support. We have also ensured that larger households, particularly those with seniors and children, get more support.

19. Let me give some illustrations:

- a. A lower-income household of four, with two young children, will receive about \$5,500 in benefits in FY2024. This comprises cash, MediSave top-ups, U-Save and S&CC rebates, and CDC Vouchers.
- b. A middle-income household of four, with two young children, will receive about \$3,000 in benefits.
- c. A middle-income household with six persons – a larger family – including two seniors and two young children, will receive about \$8,000 in benefits.

20. Sir, these are concrete ways to help Singaporeans tackle cost-of-living pressures. Let me assure everyone: we will always have your backs.

21. Beyond the Assurance Package, I will top up the **GST Voucher Fund** by \$6 billion. This delivers on our commitment to permanently defray GST expenses for lower- and middle-income households, through the GST Voucher scheme.

22. Businesses also need help to manage rising costs. Many companies have seen increases in their wage bills, rental, and utilities, amongst others. I will therefore introduce an **Enterprise Support Package**, which will provide **\$1.3 billion in support to companies.**

- a. **First**, companies will receive a **50% Corporate Income Tax Rebate, capped at \$40,000**, in the Year of Assessment 2024. Not all companies are profitable, and some may not benefit from such a rebate. So I will provide a minimum benefit of \$2,000 in cash payouts for companies that employed at least one local employee in 2023.
- b. **Second**, I will **enhance the Enterprise Financing Scheme**, which helps Singapore enterprises with their financing

needs. The maximum working capital loan quantum will be permanently raised to \$500,000. I will also extend until 31 March 2025 the enhanced maximum trade loan quantum, as well as the Government's risk sharing of project loans to support domestic construction projects.

- c. **Third, I will extend the SkillsFuture Enterprise Credit by a year** to 30 June 2025. The Credit provides additional support for eligible employers to cover their out-of-pocket expenses when they embark on workforce and business transformation. With this extension, employers will have another year to claim any unused credit.
- d. The measures in this Enterprise Support Package are tilted towards firms that make the effort to restructure and transform. I encourage all firms to make full use of these schemes, so that they can thrive and succeed, amidst a more challenging operating environment. (See Annex B-2 for details of Enterprise Support Package.)

23. The enhanced Assurance Package and the Enterprise Support Package will provide some near-term relief to Singaporean households and firms. These are needed during this period when inflation, while moderating, remains on the high side. But they are

not permanent solutions. In the longer term, the best way to deal with inflation is to ensure that our firms and workers are more productive, and that real incomes continue to rise sustainably.

C. Pursuing Better Growth and Jobs

24. Our key priority therefore is to ensure a strong, innovative, and vibrant economy. This is absolutely essential to secure good jobs and better lives for all Singaporeans, and on a sustained basis.

25. Since our early days of independence, we have been able to defy the odds and consistently achieve good economic performance. But we cannot afford to be complacent, especially in a more complex and volatile external environment.

26. In past years, some had suggested that Singapore should slow down; don't have to grow so quickly. Indeed, this was what happened last year – our economy grew by just about 1%. But if we were to experience similarly slow growth for several years in a row, we will be in trouble. We will have no chance of improving our collective well-being. Singaporeans' living standards will be dented. We will not be able to afford the social services we need. And in the end, lower-income workers and families will be hit the hardest.

27. We therefore make no apology for pursuing growth. To be clear, we are not going for growth at all costs. There is a limit to how fast we can grow due to the tighter constraints we face in land, labour, and carbon. But by focusing on productivity and innovation, we can

push the frontier and grow at an average of about 2% to 3% each year over the next decade.

28. Now, this is an ambitious goal given our stage of economic development. But we must aim high, so that Singapore keeps moving forward, and our people continue to enjoy more opportunities and a better quality of life.

Anchoring Quality Investments

29. A crucial enabler for growth is our ability to attract high-quality and high-value investments to Singapore, because such projects bring the latest know-how and capabilities, and create good jobs for Singaporeans.

30. So far, our investment pipeline has been healthy. Despite a challenging external environment last year, EDB exceeded its targets, and brought in investments which are expected to create over 20,000 new jobs.

31. But the competition for investments is getting tougher.

- a. Governments around the world are rolling out vast subsidies to attract investments, especially in strategic

industries. For example, in November last year, Japan announced that it would allocate 2 trillion yen, or about \$18 billion, to support its semiconductor industry.

- b. We cannot afford to engage in a “bidding war” with the major economies.
- c. But neither should we stand still and just do nothing.

32. We will therefore enhance our investment promotion toolkit by introducing a new **Refundable Investment Credit**. (See Annex C-1.)

- a. This is a tax credit with a refundable cash feature. It will support high-value and substantive economic activities, including the setting up or expansion of manufacturing facilities; new innovation and R&D activities; as well as activities in support of the green transition.
- b. Essentially, this new tax credit will help us stay competitive and attract investments from global companies with the right know-how, and create good jobs for Singaporeans.

33. To support this and other investment promotion efforts, I will **top up the National Productivity Fund by \$2 billion.**

Building on Our Strengths

34. Besides anchoring new investments, we must build on our existing strengths, and upgrade the sectors where we have competitive advantages.

35. These advantages did not come about by chance. They are the result of many decades of hard work to restructure and to upgrade our economy. We did not just keep costs competitive. We also enhanced our capabilities and moved up the value chain, so as to justify the higher premiums for operating out of Singapore. And we are pressing on with these restructuring efforts through the Industry Transformation Maps.

36. Take semiconductors as one example. Singapore is not the cheapest location worldwide. But we have many things going for us – our excellent connectivity, our reliability and stable business environment, and also a critical mass of leading companies based here. And they operate across the value chain, from design, to wafer fabrication, to assembly and testing. The companies here do not produce cutting-edge 3 nm chips, which you will read about in the

media these days. But they have carved out a niche in other types of chips, like specialty chips and NAND flash memory chips. These are critical enablers of automation, 5G, electric vehicles, and they are in high demand. And that is how this little red dot can be a key node in the semiconductor supply chain – we account on our own for more than 10% of the global semiconductor market, and 20% of semiconductor equipment in the world.

37. Likewise in finance, we are a leading centre in Asia, supporting businesses from all over the world. During this period of global uncertainty, we have been able to distinguish ourselves as a stable and trusted financial centre. The major financial institutions are keen to do more out of Singapore, and we are seeing a continued inflow of investments, capital, and talent.

38. So whether in advanced manufacturing or high-end services, the strengths we have today are not easily replicated by others. But the global competitive landscape is ever-changing and other countries, you can be sure, are seeking to overtake us. So in this Budget, I will set aside resources to reinforce our competitive lead.

39. I will **top up the Financial Sector Development Fund by \$2 billion**. This will give MAS more resources to take full advantage of current opportunities, and extend our lead in the financial services

sector – not just to do more in the core areas of banking, capital markets, asset management, and insurance, but also to build capabilities in new areas like FinTech, as well as green and transition finance.

40. I will set aside more funds for R&D – Research and Development – because this is how we push the frontiers of innovation across the entire economy.

- a. In 2020, we launched the Research, Innovation and Enterprise 2025 (or RIE2025) plan, with a commitment of \$25 billion.
- b. I will invest a further **\$3 billion in RIE2025.**
- c. This will sustain our investments in research, innovation, and enterprise at about 1% of GDP. The additional resources will go towards research and related investments in national priorities such as advanced manufacturing, sustainability, the digital economy, and healthcare.
- d. Our investments in R&D will take some time to translate into concrete outcomes. But we must take a long-term

view. For these investments help to develop a critical mass of capabilities, ideas, and talent. They enable us to sharpen our competitive edge globally, as a knowledge-based and innovation-driven economy.

41. Besides a steady commitment to R&D, we also need to harness the full power of technology across our key sectors.

42. One critical emerging technology is Artificial Intelligence. AI is not just about ChatGPT or Large Language Models. It is a general-purpose technology, like electricity, the internal combustion engine, the computer, or the internet. It has the potential to transform a wide range of industries, and to enhance productivity across many existing processes, from drug discovery, to organising warehouses, or driving vehicles.

43. Singapore is already recognised as a serious player in AI development. We aim to go further – to build new peaks of excellence, and crowd in private sector investments. We have set out the plans to do so in the **National AI Strategy 2.0**.

44. To support this strategy and further catalyse AI activities, I will **invest more than \$1 billion over the next five years into AI compute, talent, and industry development.**

- a. Part of the investment will be used to ensure that Singapore can secure access to the advanced chips that are so crucial to AI development and deployment.
- b. We will also work with leading companies in Singapore and around the world to set up their AI Centres of Excellence here. We want these Centres to spur industry collaboration and innovation, and drive greater value creation across the whole economy.

45. In tandem, I will allocate additional resources to **catalyse investments in upgrading our Nationwide Broadband Network**. With the additional investments, we aim to enable mass market access to broadband speeds of up to 10 Gigabits per second in the second half of this decade. This is 10 times faster than the broadband speed in most homes today. This also ensures that our connectivity infrastructure will be able to support technologies like AI and immersive media, as they become more pervasive in the future.

Developing Our Local Enterprises

46. We will continue to do more to invest in and strengthen our local enterprises.

- a. We are helping smaller firms harness technology through pre-approved solutions, many tailored to the needs of specific industries. This enables the SMEs to “plug and play” and quickly achieve greater efficiencies and productivity gains.
- b. As companies grow, their needs will become more complex, especially as they go overseas. We are providing more customised support to help these companies scale up, and we will continue with these efforts.

47. One way for our companies to level up quickly is to partner with the multinational enterprises (or the MNEs) that are based here. The MNEs set high requirements and standards for firms that wish to partner or supply to them. We cannot force MNEs to choose only local suppliers. But we can and we will help Singapore enterprises to meet the high standards, and to form win-win partnerships with MNEs.

- a. Let me share an example from the aerospace industry. Aerospace parts must meet stringent manufacturing and safety requirements. So aerospace manufacturers like

Rolls-Royce are highly selective in who they choose as partners.

- b. Zincode, a local company, was supported by the Smart Manufacturing Joint Lab. This is a collaboration between A*STAR, Rolls-Royce, and Singapore Aero Engine Services Private Limited. The company was supported by the Lab to improve its image processing capabilities. As a result, it qualified as one of the approved partners for inspection work at the Rolls-Royce manufacturing facility here in Singapore. Zincode has now successfully captured new opportunities from other companies in the aerospace sector, and benefited from an increase in sales.

48. We want to help more companies like Zincode raise their capabilities and win new opportunities. Today, we have the Partnerships for Capability Transformation (or PACT) scheme. This supports collaborations between larger companies and SMEs, in the areas of supplier development and co-innovation.

- a. I will **enhance PACT** to support partnerships in more areas – including capability training, internationalisation, and corporate venturing.

- b. With the enhanced PACT, we aim to help more of our local firms plug into global supply chains, compete in markets abroad, and grow to become industry leaders in their own right.

49. For firms to be competitive, they also need to embrace sustainability. SMEs today sometimes still treat sustainability as an additional imposition and cost. But going green can be a competitive advantage. Because the MNEs are already looking to reduce their carbon footprint, and they expect their suppliers to do the same. In other words, to play in the MNE value chain, our own companies must be “sustainability-ready”.

50. I will therefore **extend the enhanced support for green loans under the Enterprise Financing Scheme**, and expand its scope to help more of our SMEs adopt green solutions.

51. I will also **enhance the Energy Efficiency Grant**. This was introduced in 2022 for companies in the Food Services, Food Manufacturing, and Retail sectors. I will **extend the grant to more sectors including Manufacturing, Construction, Maritime, and Data Centres and their users**. Beyond pre-approved energy-efficient solutions supported under the Grant, we will provide additional

support for companies with more ambitious plans to reduce their emissions. (See Annex C-2.)

52. The Minister for Trade and Industry will elaborate on this and other sustainability-related measures at the Committee of Supply.

53. We are taking concrete steps to keep our economy competitive and vibrant, and to help our enterprises seize new opportunities. We will do whatever it takes to secure our place as one of the leading economic hubs in the world, known for our innovation, dynamism, and deep capabilities, with good jobs and opportunities for our people.

D. Equipping Our Workers for Life

54. Sir, people and talent are critical to our economic dynamism. We are investing heavily in our human capital, including in preschool and education. But learning cannot stop when formal schooling ends, and that is why we launched SkillsFuture – to systematically support Singaporeans in reskilling and upskilling, and to equip them throughout life.

55. The Singapore workforce today ranks highly in terms of skills and technical proficiency. Our workers are able to command a premium in the global marketplace because of their expertise. But with rapid technological advances, expertise is in constant flux. Jobs like data entry clerks and door-to-door salesmen have dwindled in numbers. New jobs that did not exist decades ago, like data scientists and digital marketers are now in demand.

56. Expertise keeps on changing. In other words, robots and machines will not completely replace humans at work. But they do change the way expertise is defined and how value is created. We therefore have to invest even more in our human capital, and help our workers refresh and update their skills, and learn how to harness new technologies more effectively. Indeed, this is something that

NTUC and the Labour Movement have consistently championed, most recently in the Forward Singapore engagements.

Strengthening SkillsFuture

57. We started SkillsFuture nearly 10 years ago. Since then, Government spending on Continuing Education and Training has nearly doubled to \$0.9 billion last year.

58. Today, every Singaporean gets a \$500 SkillsFuture Credit, and all employers get support to train their workers. We have also built up a wide array of training options, which individuals enjoy generous subsidies for.

59. We have made good progress over the past decade. But there is still much more to be done. Continuous skills upgrading throughout life is now more than important than ever. So we must firmly establish SkillsFuture as a key pillar in our social compact.

60. Quality learning and skills training is not just about attending a one- or two-day course. Workers may need weeks or even months of training to get a proper skills reboot, especially if they are looking to move to a different area of work. Even if they stay in the same

industry, they will need a substantial injection of skills from time to time to stay relevant.

61. But we know that taking time off from work to attend training courses over an extended period is not easy, especially for those in their 40s and 50s with financial and caregiving obligations.

62. I will therefore introduce a new **SkillsFuture Level-Up Programme** to better support our mid-career workers. I will share the broad thrusts of this programme, and the Minister for Education will provide more details at the Committee of Supply. (See Annex D-1.)

63. **First, I will give all Singaporeans aged 40 and above a top-up in SkillsFuture Credit of \$4,000.**

- a. All Singaporeans aged 40 and above will get the top-up in May this year. For those who are younger, you do not have to worry. Your turn will come – you will get the top-up, when you turn 40.
- b. We have deliberately allowed the existing basic tier of \$500 in SkillsFuture Credit to be used for a wide range of courses, and this was to instil a habit of lifelong learning.

- c. The new credit – this \$4,000 credit – will be more targeted in scope. We will confine its usage to selected training programmes with better employability outcomes. This includes part-time and full-time diploma, post-diploma, undergraduate programmes, as well as courses for the Progressive Wage Model sectors. And that is because we want participants taking up these programmes to be assured of better employment outcomes after they have completed their training.

64. **Second**, to provide more reskilling options, I will provide subsidies to all Singaporeans aged 40 and above to pursue another full-time diploma at our Polytechnics, ITE, and Arts Institutions from Academic Year 2025 onwards.

65. In other words, we will give every Singaporean another bite of the education subsidy. Even after you have graduated from an Institute of Higher Learning as a younger person, you can come back again after you turn 40 to do a full-time diploma, and it will be at subsidised rates.

66. **Third**, I will provide a monthly training allowance to Singaporeans aged 40 and above who enrol in selected full-time courses.

- a. This training allowance will be equivalent to 50% of one's average income over the latest available 12-month period, and will be capped at \$3,000 per month. Every individual can receive up to 24 months of such a training allowance throughout their lifetime.
- b. This will support the full duration of a SkillsFuture Career Transition Programme, and more than half the duration of most qualifications issued by our Institutes of Higher Learning.

67. What do these changes mean for our workers?

- a. Take the example of Mr Calvin Li, 40 years old now; graduated from Singapore Polytechnic with a Diploma in Electronic, Computer and Communication Engineering.
- b. He works today as a Project Director at Khoon Engineering, a mechanical and electrical service provider. With the SkillsFuture Level-Up Programme, he will enjoy a \$4,000 top-up in SkillsFuture Credit.

- c. He can use the Credit to pursue a second diploma. This diploma will be offered at subsidised fees, and the Credit will cover more than half of the expense after subsidies.
- d. Should he intend to do this full-time, he can receive the monthly training allowance of up to 50% of his previous pay for two years.

68. Sir, we are making a significant enhancement to our SkillsFuture ecosystem. But we will reap the full benefits only if all of us – government, employers, workers, and unions – lean forward to truly deepen this culture of lifelong learning and skills mastery. This must be our shared commitment to one another – to help our fellow Singaporeans develop to their fullest potential, and to have productive and meaningful careers.

Supporting the Involuntarily Unemployed

69. There is one other move we will make under SkillsFuture. We know that technological changes will bring about more churn in the economy. Even when the economy as a whole is doing well, some businesses or even some industries may be suffering. In fact, it is not possible to have an economy that is dynamic and growing without

failures and losses. In some sectors, firms will have to let go of people, while in other sectors, new and better jobs will be created.

70. We have to accept this reality. But it doesn't mean we should be indifferent to the suffering caused when firms lay off their workers.

71. Losing a job is a major setback for workers and their families. Those who become involuntarily unemployed naturally feel the pressure to rush into the first available job they find. But the new job may not always be a good fit. Ideally, they should consider ways to upgrade their skills, and to find a job that fits their aptitude and talent. Displaced workers may not have the time to train or search for new jobs, especially when they are already straining to make ends meet.

72. Therefore, we will do more to support this group of workers. In particular, we will introduce a temporary financial support scheme for the involuntarily unemployed, while they undergo training or look for better-fitting jobs.

- a. We have to design this scheme carefully, including the quantum of support and the conditionalities that come with the support. This is to avoid the pitfalls that other

countries experienced when they introduced unemployment benefits.

- b. We are working out the parameters for the scheme, and we will provide more details later this year.

73. Ours must always be an economy that provides opportunities for all; an economy that benefits the many rather than the few. This is why we are making significant enhancements to SkillsFuture, and supporting jobseekers while they search for their next opportunity. We believe that every worker matters; that every citizen counts. We will equip every Singaporean to benefit from the fruits of our economic growth.

E. Creating More Paths Towards Equality and Mobility

74. In many developed countries, rising inequality and slowing mobility have fractured cohesion, and deeply divided their peoples. These can create similar pressures here.

75. Indeed, we embarked on the Forward Singapore exercise because we do not want to succumb to the kind of harsh inequality we see in so many parts of the world. By creating more paths towards equality and mobility, we also put ourselves in a better position for continued growth – in other words, a strong economy and a strong society reinforce each other.

76. But tackling inequality is often easier said than done. Ideas on how to do so are frequently replete with unintended consequences. Simple handouts and blunt measures do not solve poverty. This is why Singapore has continually paved our own way since the beginning. We carefully study the experiences of others. We take note of where they have succeeded and failed. We introduce significant innovations that work for us, our ethos, our society. This is the Singapore way.

Reducing Wage Gaps

77. Over the last decade, we have made progress in uplifting lower-wage workers, and reducing disparities in wages. Our income inequality, as measured by the Gini coefficient, has declined to its lowest level over two decades.

78. Workfare and Progressive Wages are our key strategies to uplift our lower-wage workers. These strategies are working. I will make several adjustments to ensure they continue to deliver results. (See Annex E-1.)

79. **First, I will enhance the Workfare Income Supplement scheme** from next year.

- a. I will **raise the qualifying income cap from \$2,500 to \$3,000**. This ensures that we continue to cover lower-wage workers, even as their wages grow.
- b. I will also **raise Workfare payouts**. Lower-wage senior workers will qualify for a maximum annual payout of \$4,900, from \$4,200 today.

80. **Second, I will raise the Local Qualifying Salary (or the LQS)**. All local employees at companies that hire foreign workers must be paid at least the LQS.

- a. **The LQS for full-time workers will be raised from \$1,400 to \$1,600** from this year. The minimum hourly rate will be increased from \$9 to \$10.50 per hour.
- b. This increase ensures we keep pace with wage growth.

81. **Third, I will provide more support for employers who raise the wages of their lower-wage workers.**

- a. In 2022, I introduced the Progressive Wage Credit Scheme (or the PWCS), where the Government co-funds the wage increase of lower-wage workers with employers.
- b. I know employers are concerned with rising business costs in today's economy. And so the Government will do its part to help. I will **raise the co-funding levels** for this year, from a maximum of 30%, to a maximum of 50%.
- c. I will also **raise the PWCS wage ceiling from \$2,500 to \$3,000** in 2025, in tandem with the increase in the qualifying income cap for Workfare.

- d. And to provide for these enhancements, I will **top up the PWCS Fund by \$1 billion.**

82. Besides uplifting lower-wage workers, we also want to improve wages across different professions. There will always be differences in wages in any society. But too large a gap creates unhealthy levels of anxiety and stress. Parents and children may get caught up in an education arms race, or may feel pressured to prioritise careers only in a few traditional fields, instead of focusing on their individual strengths and talents.

83. In fact, the vast majority of Singaporeans in the Forward Singapore engagements welcome broader definitions of success. We want more diverse pathways so that every individual can strive to be the best possible version of themselves. This also means we must accord greater value to those who are skilled in technical hands-on abilities, as well as those with the social and empathetic traits to excel in service jobs. In particular, the wages and career prospects of our ITE graduates should not be too far below their Polytechnic- and University-going peers.

84. I recently met some recent ITE graduates. I was inspired by their personal stories, and their enthusiasm to deepen the skills they have acquired at ITE.

85. One of them, Matthew Francis Thanarajoo, graduated from ITE in 2021 with a Higher Nitec in Mechatronics.

- a. He is now pursuing a Diploma in Mechatronics at Temasek Polytechnic, and honing his skills in automation and robotics.
- b. These experiences have equipped him with confidence to pursue his aspirations in engineering. He will be representing Singapore at the WorldSkills competition later this year in France, and we wish him the very best.

86. We want to encourage and support more young ITE graduates in their upskilling efforts, so they can excel in a profession they have trained in, and get themselves onto a better career and wage trajectory. I will therefore provide more support for ITE graduates aged 30 and below through a new **ITE Progression Award**.

87. There are two parts to the Award:

- a. **First**, I will provide a \$5,000 top-up to the Post-Secondary Education Accounts of ITE graduates when they enrol in a

diploma programme. This will help to offset the costs of obtaining a diploma.

- b. **Second**, when these students attain their diplomas, I will provide a further \$10,000 top-up to their CPF Ordinary Accounts. This will give them a head-start in purchasing a home or saving for retirement.
- c. Sir, this new Award is a significant investment in our ITE graduates. It represents our continuing commitment to uplift them, and to better equip them in their journey of lifelong learning.

Advancing Social Mobility

88. Besides tackling inequality, we must also uphold social mobility. And up to now, Singapore has fared better than other advanced economies. But we must continue to pay special attention to children from less well-off families, to ensure they have access to full and fair opportunities early in life.

89. Many of these families are already taking steps to build better lives for themselves, but they may find it hard to sustain progress.

We know that they often face complex challenges, such as marital stress, existing debts, or even motivation or self-confidence issues.

90. Under the enhanced ComLink (or ComLink+), we are providing more customised support for these families. We are getting family coaches and volunteer befrienders to work directly with these families. They will jointly develop action plans to improve their life circumstances, and the coaches will provide additional support to the families, so as to encourage and motivate them towards their goals.

- a. The additional support will be rolled out in the form of **ComLink+ Progress Packages**. And this is yet another major innovation in our social policy landscape. (See Annex E-2.)
- b. For example, adults in the family can each receive payouts of up to \$600 every quarter, through a combination of cash and CPF, if they secure a job and stay employed.
- c. Those who make voluntary contributions to their CPF will receive matching grants from the Government to grow their savings faster. This, combined with existing schemes like the Fresh Start Housing Scheme, will help these families buy their own homes.

- d. We will also partner with corporates and community groups to implement the ComLink+ Progress Packages. The donors can provide additional financial support to these families, and contribute in other ways, like befriending and mentoring, to help them get back on their feet again.

91. Sir, in this Budget, we are taking further steps to ensure that all Singaporeans have opportunities to take on work they find meaningful and fulfilling, build on their talents, give their best, and be rewarded fairly for it. This is how we keep the Singapore Dream alive and well for all our people.

92. The Government will do our part. But I want to emphasise that it is not just about the Government doing more. We also need our employers, community groups, as well as families and individuals themselves, to step up. Together, we can and we will build – a fairer, a more equal, and a more inclusive Singapore.

F. Providing More Assurance for Families and Seniors

93. Next, let me touch on our plans to build a Singapore made for families – an endearing home for all of us to sink roots, grow up, and grow old in.

Supporting Families through Every Stage

94. Families are the bedrock of our society, and we will support their needs at every stage of life.

95. Let me start with support for our children, to give them a strong foundation in life.

96. We will continue to take steps to improve preschool affordability.

- a. At Government-supported preschools, we extend generous subsidies, so that out-of-pocket expenses are kept affordable.
- b. We will lower the fees further so that full-day preschool expenses for dual-income families will be comparable to

those of primary school and after-school student care.

- c. We will do so in two stages. I will reduce **monthly childcare fee caps in Government-supported preschools in 2025**, to \$640 for Anchor Operators and \$680 for Partner Operators. This is before the childcare subsidies which all families benefit from. I will make another move to reduce fee caps in 2026, and the details will be announced later.

- d. I will also **enhance existing preschool subsidies for lower-income families**. Currently, more subsidies are given to children with working mothers. I will extend these higher subsidies to all children from lower-income families, including those with non-working mothers. This will benefit up to 17,000 children.

97. In schools, we will do more to help our children develop the competencies and values they need to thrive in a more unpredictable future.

- a. MOE is placing more emphasis on competencies like adaptive and inventive thinking, communication skills, and civic literacy.

- b. We want to encourage and recognise students who demonstrate such competencies, including by enhancing the Edusave awards.
- c. I will therefore **top up the Edusave Endowment Fund by \$2 billion** to support these and other education initiatives.

98. For young couples who are getting ready to settle down and form their own families, timely access to affordable housing is critical.

- a. We are helping first-timer families by ramping up BTO supply and giving them greater priority.
- b. We are also making flats in choicer locations more affordable, and in a way that is fair and inclusive, through the “Prime, Plus, and Standard” framework. This will be implemented later this year for new BTO projects.

99. Some couples have already booked their BTO flats, but they may like to have a place to stay temporarily, while they wait for the completion of their flats. And this is especially the case for those with young children.

- a. Currently, HDB offers subsidised rental housing under the Parenthood Provisional Housing Scheme (or the PPHS).
- b. HDB receives many such applications for the scheme, and is ramping up supply to meet the demand. But in the interim, we want to do more to support such young families with urgent housing needs.
- c. I will therefore **provide a PPHS (Open Market) Voucher for one year**, to support eligible families who rent a HDB flat in the open market.

100. In this Budget, I will also do more for families of persons with special needs or disabilities.

- a. We know that families of children with special needs face greater cost pressures due to higher fees at education and care services. Every student at a Special Education (or SPED) school already benefits from more subsidies than a primary school student in a mainstream school. But the fees at most SPED schools remain higher than those of mainstream schools due to the higher underlying costs.

- b. We are studying further moves to alleviate the cost pressures on these families. As a first step, I will **reduce the maximum monthly fees at SPED schools to \$90**, down from \$150 today. I will also **lower the fee caps at all Special Student Care Centres** to reduce the out-of-pocket expenses for families.

- c. **For adults with disabilities, I will provide more support for their employment and integration into the community.** I will expand spaces in Sheltered Workshops and Day Activity Centres where they can undergo skills training, and launch more Enabling Services Hubs to provide community support to persons with disabilities and their caregivers.

101. The respective Ministers will share more on each of these moves at the Committee of Supply.

Strengthening Retirement Adequacy

102. I will do more to support the retirement needs of our seniors.

103. And let me start with some adjustments to **the CPF system.**

(See Annex F-1.)

104. **First**, in line with the recommendations of the Tripartite Workgroup on Older Workers, we will continue with the next step of planned CPF contribution rate increases for senior workers. I will **increase the CPF contribution rates for those aged 55 to 65 by a further 1.5 percentage points in 2025.**

105. I will also **provide the CPF Transition Offset** to employers for another year, to cover half of the increase in employer contributions for 2025. This will help to cushion the impact on business costs.

106. **Second**, I will **raise the Enhanced Retirement Sum.**

- a. The ERS is the maximum amount that members can put into their CPF Retirement Accounts to receive CPF payouts.
- b. I will increase the ERS from three times the Basic Retirement Sum, to four times, from 2025. This means the ERS next year will be \$426,000. This will allow more members aged 55 and above to fully commit their accumulated CPF savings to receive higher CPF payouts, should they wish to do so.

107. **Third**, we will take steps to **rationalise the CPF system**.

- a. Today, members aged 55 and above have a Special Account and a Retirement Account.
- b. From next year, we will close the SA – the Special Account – for those aged 55 and above. The SA savings will be transferred to the RA – the Retirement Account – up to the Full Retirement Sum, where they will continue to earn the long-term interest rate.
- c. The remaining SA savings will be transferred to the Ordinary Account. Of course, members can voluntarily transfer their OA savings to the RA at any time, up to the revised ERS, to earn higher interest, and to receive higher retirement payouts.

108. I will also enhance the retirement support schemes for seniors who need more help.

- a. The Silver Support Scheme provides quarterly payments to seniors who had low incomes during their working years and have less family support. I will **raise the qualifying per capita household income threshold for**

Silver Support from \$1,800 to \$2,300, and increase the quarterly payments by 20%, to keep pace with inflation.

- b. The Matched Retirement Savings Scheme (or the MRSS) helps Singaporeans aged 55 to 70 with less CPF savings to save more, by providing dollar-for-dollar matching for cash top-ups to their CPF accounts. I will make several adjustments to the scheme.
- c. **I will extend the MRSS to those above the age of 70.** This will enable more Singaporeans to meet their retirement needs, with the help of their families, employers, and the community.
- d. **I will increase the annual matching cap from \$600 to \$2,000, and set a lifetime matching cap of \$20,000.**
- e. Currently, we provide a tax relief to encourage Singaporeans to top up their CPF. But the matching grant is already a significant benefit extended by the Government. So we will remove the tax relief for the cash top-ups that attract the matching grant.

- f. These changes to the Silver Support Scheme and the MRSS will take effect from 2025.

109. “Young Seniors” who are currently in their 50s and early 60s will get an additional boost for their retirement through the **Majulah Package**. This was announced by Prime Minister Lee at last year’s National Day Rally.

110. While the package is geared towards supporting Young Seniors, Pioneer and Merdeka Generation seniors will benefit too. In fact, all Singaporeans born in 1973 or earlier will receive at least one component of the Majulah Package. Let me explain. (See Annex F-2.)

- a. **First**, I will provide an **Earn and Save Bonus**, to help seniors earning up to \$6,000 per month accumulate more retirement savings. They will receive a yearly bonus of up to \$1,000 for as long as they work, with more going to those who earn lower incomes.
- b. **Second**, I will provide a one-time **Retirement Savings Bonus** of between \$1,000 and \$1,500 to seniors with retirement savings below the Basic Retirement Sum.

- c. Both these bonuses will be for seniors who live in a property with Annual Value of \$25,000 or less, and own no more than one property.
- d. **Third**, I will provide a one-time **MediSave Bonus** to all seniors born in 1973 or earlier. Young Seniors with less means will be given the higher tier of \$1,500; and all other seniors will receive \$750.

111. The Minister for Manpower will share more details at the COS.

112. In all, the Majulah Package will benefit about 1.6 million Singaporeans, at a total lifetime cost of \$8.2 billion. To honour this commitment without burdening future generations, I will set aside \$7.5 billion in a new Fund – the **Majulah Package Fund**. And this will be sufficient to cover the lifetime cost of the Package, after accounting for investment income of the Fund.

Keeping Healthcare Affordable and Accessible for All

113. Another significant undertaking is healthcare. Over the years, we have invested heavily to ensure healthcare remains affordable and accessible for all.

- a. MOH's annual budget has tripled within a decade.
- b. And we have put the additional spending to good use. We are devoting more resources to areas of growing importance, like preventive health, support for our seniors, and mental health and well-being, as recently affirmed by this House. We also continue to enjoy improvements in health outcomes, with Singaporeans living longer and healthier lives.

114. But with a rapidly ageing population, the fiscal pressures of healthcare will only grow. As a responsible Government, we have to plan ahead and set aside sufficient resources to keep healthcare affordable for all.

- a. The GST increase was meant for this purpose.
- b. Essentially, we are pre-funding the rising healthcare expenditure by increasing GST now, instead of waiting to do so in the future. Because if we wait, we will end up imposing a heavier burden on our future selves and our children.

115. Of course, individuals have a part to play too. That's why we launched Healthier SG to empower all Singaporeans to take charge of our own health. While it is still early days, the momentum is very encouraging. More than 700,000 Singapore residents have enrolled in Healthier SG.

- a. One of them is Mdm Rubiah, who turns 69 this year. She credits her Healthier SG consultation for timely advice on how best to manage her health. Today, she is monitoring her blood pressure daily, cutting down on ice cream and *keropok* in her diet, and staying active through exercise classes and nature walks. She has also helped to spread the word, by volunteering at a Healthier SG roadshow.
- b. Sir, I urge all seniors to follow in the footsteps of Mdm Rubiah. Heed your doctor's advice, participate in programmes that help you stay healthy, and even pass it on by contributing as a senior volunteer.

116. Even with healthier lifestyles, all of us will still need some form of medical care as we get older, and especially nearer to the end of life. We must expect healthcare costs, including medical insurance premiums, to rise, even after generous Government subsidies.

117. We want to ensure that all Singaporeans, including the self-employed and those who are not working, are able to build up their medical savings in anticipation of these rising costs. I will therefore provide all adult Singaporeans aged 21 to 50 a **one-time MediSave Bonus of up to \$300**.

- a. This will benefit about 1.4 million Singaporeans, and help them to cover their smaller medical bills and insurance premiums. (See Annex F-3.)
- b. And coupled with the Majulah Package for older cohorts, we will collectively provide a MediSave Bonus for about 3 million Singaporeans this year.

118. To provide more support for healthcare costs, I will also **update the per capita household income thresholds for our healthcare and associated social support subsidy schemes**.

- a. Such schemes include the MediShield Life premium subsidies, the Community Health Assist Scheme (or CHAS) subsidies for primary care, and subsidies for outpatient and inpatient treatments at our public hospitals.

- b. The changes to the per capita household income thresholds will mean additional Government spending in healthcare and other related areas of around \$300 million per year. More than 1 million Singaporeans can expect to benefit from higher subsidies. This will provide greater assurance for healthcare costs, which will also reduce the financial pressures on caregivers. (See Annex F-4.)

119. Preventive care is especially important for seniors. Loneliness can do great harm to a senior. They need to stay active and socially connected. This is why we have **Age Well SG** – it is a new national programme to support seniors to age actively, stay socially connected, and be cared for within their own communities.

120. I will set aside **\$3.5 billion for Age Well SG initiatives over the next decade**. And this includes several components.

- a. **First**, an expanded network of Active Ageing Centres, so that all seniors can look forward to a wider range of programmes at these centres, from physical exercises to volunteering opportunities.
- b. **Second**, for seniors with care needs, we will develop more assisted living options, such as Community Care

Apartments and better home care arrangements, to empower them to age confidently in their homes and community.

- c. **Third**, “silver upgrades” to our residential estates, to enable seniors to live more independently and safely in the community. And this will cover amenities like therapeutic gardens and barrier-free ramps, and senior-friendly home fittings such as wider toilet entrances and shower seats.

- d. **Fourth**, improvements to our commuter infrastructure for seniors’ mobility and safety. This means more sheltered linkways, bus stops with senior-friendly features, as well as safer and more pedestrian-friendly roads.

121. Sir, when you combine of all these efforts, the suite of investments we are making – in education, housing, retirement, and healthcare – they speak to our steadfast commitment to address the needs of our families and seniors, through every stage of life.

Through these investments, we will provide more assurance to all Singaporeans – to set minds at ease, improve lives and well-being, and ensure Singapore remains home truly for all of us.

G. Forging a Stronger and More United Nation

122. Alongside our investments to strengthen our economy and society, we will also make the investments needed to forge a stronger and more united nation. We will safeguard what makes Singapore special and resilient – our commitment to take care of and defend one another, sustain the trust we have in each other and our institutions, and build our strong sense of national pride and identity.

A Safe and Secure Singapore

123. Since independence, we have invested steadily to safeguard our peace and security.

- a. Over the last two decades, we have allocated around 3% to 4% of our GDP annually to MINDEF's budget.
- b. At the same time, over the past decade, our spending on domestic security has doubled to more than \$8 billion, or about 1.3% of our GDP.
- c. We will continue to build and maintain a strong and effective SAF and Home Team. We will invest in them,

upgrade their capabilities year by year, to protect ourselves from potential aggressors and security threats.

124. The backbone of our defence and security remains National Service. We owe a huge debt to our national servicemen, who have served faithfully, and made immeasurable sacrifices for our peace and security.

- a. I will therefore provide \$200 in the form of LifeSG credits to all past and present national servicemen, including those enlisting this year. (See Annex G-1.)
- b. It is a small gesture, but when you add it all up, it will cost us \$240 million and benefit 1.2 million national servicemen. I hope this will go some way in expressing our appreciation and gratitude to our national servicemen as well as their families for all that they have done, and will continue to do for our country.

125. In today's world, defence and security apply not just in the physical environment, but also in the digital domain. Scams, ransomware, data breaches, denial of service, and other cyber threats have become increasingly commonplace. The development and adoption of new technologies like AI and quantum computing

also change the threat landscape. Cyberattacks will increase in speed, scale, and sophistication.

126. We have taken steps to strengthen our cyber defence. We established the Digital and Intelligence Service in the SAF. We will establish a new **National Cybersecurity Command Centre** at the Punggol Digital District to better coordinate cyber defence operations, improve collaboration with industry and academia, and spur innovation in cybersecurity. This will improve our capabilities to monitor, detect, and coordinate our defences against cyber threats.

Safeguarding Energy Security Amidst the Energy Transition

127. Besides the conventional areas of security, we need to address an emerging security challenge – and that is energy, and more specifically the transition to cleaner energy.

128. In the near to medium term, natural gas, which currently generates almost all of our electricity, will remain critical.

- a. Our natural gas supplies come through pipelines from Malaysia and Indonesia, and in the form of liquefied natural gas (or LNG) from a range of sources.

- b. We are now planning to build a **second LNG terminal** to meet our growing electricity needs.

129. Natural gas is the cleanest of all fossil fuels. But we will not be able to achieve net zero if we continue to rely solely on natural gas. Unfortunately, we do not have many options for clean energy – we have no tidal power, no wind power, and not enough land for mass deployment of solar. So, what do we do?

- a. One way is to import low-carbon electricity.
- b. And we are making progress on this front.
- c. But there is a limit to importing electricity without compromising security. So we will need other options to decarbonise the rest of our energy supply.

130. And that is why we are actively exploring other options.

- a. Hydrogen has the potential as a clean fuel. For now, it is still technologically nascent, costly, and risky. Nevertheless, we have set out a National Hydrogen Strategy to take purposeful steps forward. We will start by testing and deploying ammonia, which is a hydrogen

carrier, for power generation and bunkering on Jurong Island.

- b. We are also exploring other energy sources. We are actively studying the possibilities for geothermal power. After all, we do have a hot spring in Sembawang. But we will need very deep drilling to assess the potential, and it really remains to be seen if this will be viable.
- c. Further out in the future, we do not rule out nuclear power. Nuclear technologies are advancing rapidly, with smaller, safer, and more fuel-efficient designs. We will build up our capabilities, so that we can critically assess the evolving technologies in this space and decide on the feasibility of nuclear deployment one day in the future.

131. There is considerable uncertainty as to how all these energy pathways will work out. What is clear, however, is that significant effort and costs will be needed to transit from a system powered almost entirely by natural gas to one powered largely by clean energy.

- a. We say this is an “energy transition”. Transition is a rather innocuous word. But the scale of this so-called transition

is massive, and we will need to get it done over the next two decades or so, which is not a lot of time, when you think about the enormity of the task.

- b. For example, to import low-carbon electricity, we will need to invest in submarine cables and upgrade our existing power grid. Or if we decide to scale up the use of hydrogen, we will need to put in place new infrastructure for generation, storage, and delivery. All of these investments will be costly. They cannot be done by the private sector alone, and will likely need some catalytic funding from the Government.
- c. I will therefore set up a **Future Energy Fund** with an initial injection of \$5 billion. This will give us the confidence to invest in good time, put us in a better position to move quickly on critical infrastructure, and enhance our security in clean energy.

Building a United Nation

132. The resilience of our nation of course is not only measured by what we spend, or by our infrastructure and hardware. Rather, our true resilience lies within – in the strong bonds Singaporeans have

forged among ourselves and in our collective willingness to take care of one another. Every Singaporean man, woman, and child knows he or she belongs to this island nation, everyone has a place in our society, each has a role to play in our unfolding Singapore story. That is the essence of Total Defence, which we commemorated for the 40th time yesterday.

133. We nurture these bonds between Singaporeans by strengthening our culture of giving.

- a. There are many who have done well in Singapore and they want to give back, but they may not know how or where to start.
- b. We will do more to help these donors better appreciate the needs of our society and advise them on how to more effectively direct their resources – financial or non-financial – to support lower-income families. This effort will be led by the Community Foundation of Singapore, in partnership with MSF and the Community Chest.
- c. In the same spirit, we want to encourage charities to work together to uplift each other and better meet the needs of their beneficiaries. I will do so by **extending the Charities**

Capability Fund Collaboration Grant for three years till end-FY2026. This will support collaborative projects among charities to enhance their governance, efficiency, and capabilities.

134. Doing good also extends beyond our shores. Many Singaporeans readily step forward to support those affected by humanitarian crises overseas.

- a. We saw this in the relief efforts following the devastating earthquake in Türkiye and Syria last year; and also in the generous donations in response to the human tragedy arising from the Israel-Hamas conflict.
- b. To encourage Singaporeans to support those in need overseas, I will introduce an **Overseas Humanitarian Assistance Tax Deduction Scheme**. This will provide 100% tax deductions for cash donations made towards overseas emergency humanitarian assistance causes through designated charities. This will run for four years as a pilot scheme. (See Annex G-2.)

135. A stronger culture of giving will bind us closer together, and make us a more caring and gracious society.

136. Another way to strengthen our solidarity is through the common experiences we all partake in. And the arts and sports provide us with the platforms to do so.

137. Let me start with the arts. The arts help to express our unique Singaporean culture, strengthen our shared bonds, and make Singapore a distinctive home.

- a. The National Arts Council has refreshed **Our SG Arts Plan** to drive transformation efforts in the arts sector. We will support this plan by investing \$100 million over the next four years.
- b. As part of this plan, we aim to make the arts more accessible to all Singaporeans. We will unlock more opportunities and touchpoints for our artists to infuse the arts everywhere in our city, and in our communities.
- c. The additional investments will also strengthen the foundation for a more vibrant arts industry. NAC will support arts groups to develop and showcase their diverse offerings as well as to strengthen our talent pool. Self-employed artists will also benefit from more

development opportunities to broaden and deepen their skills.

138. Apart from the arts, there are few endeavours that can rally the country and ignite the Singapore spirit like sports. From the grassroots to the global stage, from community participation to high-performance, sports bring Singaporeans from all walks of life together.

139. At the grassroots level, we will enable more Singaporeans to participate in sports by continuing to support the **Sports Facilities Master Plan**. With this, Singaporeans can look forward to new and rejuvenated sports centres in Toa Payoh, Punggol, and Clementi, as well as more sports and recreational facilities in our neighbourhoods.

140. Many Singaporeans want to support our national athletes, and we will provide them with more platforms to do so.

141. We will anchor more major sports events in Singapore, so that our athletes can compete in top-tier competitions against the world's best on home ground, and this will also allow more Singaporeans to cheer for Team Singapore.

142. We now have the One Team Singapore Fund, which provides dollar-for-dollar matching for donations towards Team Singapore athletes.

- a. I will provide a **\$20 million top-up for the One Team Singapore Fund and extend it till end-FY2027.**
- b. In addition, I will broaden the scope of donations eligible for matching to cover athletes in emerging sports, like pickleball, tchoukball, and powerlifting. I will also include SportCares, which provides opportunities for vulnerable children and youth, persons with disabilities, and seniors to participate in sporting programmes.

143. The Minister for Culture, Community, and Youth will share more about our arts and sports initiatives at the COS.

144. Sir, everywhere in the world, we see societies becoming increasingly divided, and nations becoming more and more fragile. Economic growth or social transfers alone cannot guarantee that we succeed.

145. This Budget therefore invests in our national resilience – from ensuring the effectiveness of our military and domestic security, to

safeguarding our energy security and building a stronger national identity. These will shield us from external threats and the forces that threaten to pull us apart. Only then can we be confident that Singapore will endure.

H. Securing Our Fiscal Position

146. Our ability to invest in our economy, our society, and our resilience has to be anchored on a strong fiscal position.

147. Fiscal responsibility has always been a key part of the Singapore DNA. We spend our resources wisely, and we take great care to provide for our children and grandchildren. This is why I made major revenue moves in the last two Budgets. These moves have put us on a stronger fiscal footing for the next decade, while ensuring that our overall system of public finances remains fair and progressive.

Tax Changes

148. This year, in light of concerns over cost of living, I will provide a **Personal Income Tax Rebate** of 50% for the Year of Assessment 2024.

- a. This will be capped at \$200 so that the benefits go mostly to our middle-income workers.
- b. The rebate will cost the Government \$350 million.

149. Currently, taxpayers may claim a range of dependant-related reliefs, if their dependants have an annual income of \$4,000 or less.

We have received feedback from members of public, tax practitioners, as well as Labour MPs, to consider increasing the dependant income threshold in view of rising cost of living and wage levels. So with effect from the Year of Assessment 2025, I will increase the annual income threshold for dependant-related reliefs from \$4,000 to \$8,000.

150. In Budget 2022, I announced a two-step increase in Property Tax rates for residential properties. This was meant as a wealth tax, targeted at all investment properties, as well as the higher-end segment of owner-occupied properties.

151. Prior to that Budget announcement, market rents had been relatively flat for the preceding five years. But from 2022 onwards, market rents increased significantly due to the combination of strong demand and Covid-related supply constraints. As a result, the Annual Values (or the AVs) also increased sharply. We had originally expected the Property Tax changes to impact mainly the top 7% of owner-occupied residential properties. But the AV increases resulted in the proportion of affected owner-occupied properties nearly doubling to 13%.

152. In light of these market trends, I will raise all the AV bands of the owner-occupier residential Property Tax rates with effect from 1

January 2025. Currently, Property Tax is charged on the bands of AV from \$8,000 to over \$100,000. I will raise the lower threshold from \$8,000 to \$12,000 and the highest band from over \$100,000 to over \$140,000, and corresponding adjustments will be made to the bands in between. This will still uphold the intent of the Property Tax changes, and ensure that those residing in higher-value properties continue to pay their fair share of taxes.

153. And the Government had provided a rebate to cushion the impact of the Property Tax changes this year. We will continue to closely monitor the property market, and will provide another rebate in 2025 if needed.

154. We recognise that there are retirees living in higher-end residential homes, who face cash flow issues when paying their Property Tax bills. To help them, IRAS will offer a 24-month instalment plan without any interest. They can apply for this via IRAS' website or contact IRAS for more details.

155. Next, I will adjust the Additional Buyer's Stamp Duty (or the ABSD) for the purchase of residential properties.

- a. Today, married couples with an existing residential property can enjoy an ABSD refund on their replacement

private property under the ABSD concession for Singaporean married couples.

- b. To better support seniors who wish to right-size, I will **extend the concession to single Singapore Citizens aged 55 and above**. In other words, these seniors will be able to claim a refund of ABSD paid on their replacement private property, if they sell their first property within six months after purchasing a lower-value replacement private property. This extension will take effect from today.

156. I will also introduce some flexibility to the ABSD regime for housing developers.

- a. Housing developers are now granted an ABSD remission, provided they sell all the units in their development within a prescribed sale timeline.
- b. But despite their best efforts, the developers sometimes face difficulties in meeting this timeline requirement. They are then subject to a full clawback of the ABSD.

- c. I will **lower the ABSD clawback rate, should developers sell at least 90% of each development within the prescribed sale timeline.** This ensures that housing supply continues to be released promptly, while providing some flexibility to the developers. The details of this change will be released in a statement later today.

BEPS 2.0

157. Next: Corporate Income Tax – I will make significant adjustments to our tax system to take into consideration the international Base Erosion and Profit Shifting (or BEPS) 2.0 initiative.

158. To recap, BEPS comprises two pillars:

- a. Pillar One aims to reallocate taxing rights on profits to market jurisdictions. When implemented, it will result in revenue losses for Singapore.
- b. Pillar One has been delayed for now, and the implementation date remains unclear.
- c. Pillar Two will introduce a global minimum effective tax rate of 15% for large MNE groups.

- d. Last Budget, I announced our intention to implement Pillar Two from 2025, and that we would monitor and adjust the timeline if needed.
- e. Since then, several jurisdictions have moved. The EU, the UK, Switzerland, Japan, and Korea are implementing Pillar Two rules from 2024. Others, like Hong Kong and Malaysia, have announced their plans to do so from 2025.

159. We will therefore move ahead with two components of Pillar Two, as planned.

- a. The first is the **Income Inclusion Rule (or IIR)**. A jurisdiction that introduces this will subject the overseas profits of MNE groups parented in that jurisdiction to a minimum effective tax rate of 15%.
- b. So we will implement the IIR. In other words, MNE groups that are parented in Singapore will have to pay a minimum effective tax rate of 15% on their groups' overseas profits, regardless of where they operate.

- c. The second component is the **Domestic Top-up Tax (or the DTT)**. This applies to the Singapore profits of MNE groups operating here. Without this tax, these MNE groups would have had to pay their parent jurisdictions the effective tax rate of 15% on their Singapore profits. Therefore, it is in our interest to implement the DTT, so that we collect the tax, rather than have it go somewhere else.

- d. The IIR and the DTT will take effect for businesses' financial years starting on or after 1 January 2025, and will apply to large MNE groups with global revenue of at least 750 million euros annually.

160. There is another component of Pillar Two: the **Undertaxed Profits Rule**.

- a. This is effectively a backstop, as it will allow Singapore to collect a share of the top-up tax on any MNE with operations here, if any portion of its income overseas has not been subject to the minimum tax.

- b. We will consider this at a later stage. Because with the DTT and IIR, we are already making major changes to our

corporate tax regime. So we will focus on implementing these changes first, and ensure a smooth rollout for the affected companies.

161. In the short term, the implementation of Pillar Two will provide additional revenues. But it is uncertain how much this will be or how long it will last. We may even see a reduction in our tax base, should MNEs shift some of their activities to other jurisdictions in response to the new business environment.

162. In any case, whatever additional revenues we obtain from Pillar Two will need to be reinvested for Singapore to stay competitive in a post-BEPS world.

- a. MNEs are now re-evaluating their plans and strategies. Other governments are also enhancing and refreshing their investment promotion toolkits.

- b. That is why we are introducing the Refundable Investment Credit, which I mentioned earlier. We will also have to spend more to support new investments, research and innovation activities, and sustain our economic competitiveness.

- c. Overall, given the significant spending required to stay competitive, at this point, I do not expect the new moves to generate net revenue gains for Singapore on a sustained basis.

163. I will also make some further tax adjustments, to ensure our tax system remains fair and competitive. And details of the tax changes are in the Annex to the Budget. (See Annex H-1.)

Medium-Term Outlook

164. Sir, last year, the Ministry of Finance released a set of projections of our medium-term fiscal outlook.

- a. These showed that Government spending has been rising steadily over the years.
- b. Our spending in the late 2000s was around 15% of GDP. And over the span of ten years, it has grown by 3 percentage points of GDP, to around 18% of GDP.
- c. We expect spending to continue rising in this decade. Healthcare is one key driver for the increase. But there are additional spending needs fuelling the increase.

- d. We will have to spend more for the major moves to decarbonise our economy, as I explained earlier.
- e. As part of Forward Singapore, we are making significant policy shifts to strengthen our social safety nets, and provide more assurance to Singaporeans. I have just introduced some of these measures in this year's Budget. We will spend around \$5 billion on Forward Singapore policy moves in FY2024, and close to \$40 billion in total by the end of this decade.

165. In our projections, MOF had assessed that Government spending will increase to around 20% of GDP by 2030. For now, that remains our assessment. Assuming we stay within this range of spending increase, we should have sufficient revenues to maintain a balanced budget over the coming years.

166. But the medium-term fiscal position is tight. Because there are so many pressures for us to spend more, be it on healthcare, social needs, or the energy transition, and these are all big-ticket items. We will have to manage these expenditures carefully, or we will end up with a significant funding gap.

167. We can already see this happening in many other advanced economies where public finances are on an unsustainable path, and fiscal systems are at risk of breaking. We must never allow this to happen in Singapore. Instead, let us uphold the ethos of fiscal discipline and responsibility that has served us well, and ensure that our fiscal position always remains balanced, sound, and sustainable.

FY2023 and FY2024 Fiscal Position

168. Sir, let me now summarise our fiscal position for both FY2023 and FY2024.

169. For FY2023, our revenue collections were better than expected. And this was mainly due to higher Corporate Income Tax collections.

170. The additional revenue will allow us to pay for new spending, including the \$7.5 billion injection to the Majulah Package Fund.

171. Accounting for both our revenue upside and higher spending, we expect to end FY2023 with a deficit of \$3.6 billion, or 0.5% of GDP.

172. For FY2024, we are budgeting a small surplus of \$0.8 billion, or 0.1% of GDP, which is essentially a balanced fiscal position. The overall stance is appropriate, as we are providing targeted support

for households and businesses, even as the economy is projected to operate at around potential. (See Annex H-2.)

I. Conclusion

173. Mr Speaker, let me conclude.

174. We are living in a world which will become more violent, more fragmented, and more unpredictable in the years to come.

- a. We wish this were not so.
- b. We will try our best, working with others in the international community, to shape better global outcomes.
- c. But we also have to be realistic. Great catastrophes often seem unthinkable until they happen. Things may well get worse before they get better. So let us be mentally prepared, and take steps now to adapt to this messy world.

175. This is not the first time that we've found ourselves in such a situation.

- a. Since our independence, we've had to adjust to all sorts of external disruptions and shocks.

- b. The British deciding to withdraw troops from Singapore in 1967; the global oil crises in 1973 and 1979; the Asian Financial Crisis in 1997; the dot-com bust in the early 2000s; 9/11; SARS; the Global Financial Crisis of 2008; and of course, more recently the Covid-19 pandemic.
- c. Each time, we were able to weather the storms, and emerge stronger.
- d. I believe we can do so again in our road ahead – so long as we stay united, work together, and continue to keep faith in each other.

176. Budget 2024 is about acting on this belief. We are helping Singaporeans with their cost-of-living concerns. We are taking major steps to advance our Forward Singapore agenda.

- a. We will grow the economy. We must. For growth is the pre-requisite to create better jobs and raise living standards for all.
- b. We will equip everyone to realise their full potential, and ensure that everyone benefits from our nation's progress.

- c. We will strengthen our system of risk pooling and social support, so that Singaporeans can be better assured through every life stage, and better equipped to bounce back from every setback.
- d. We will fortify our resilience, solidarity, and unity, so that we remain strong and effective against any challenges or threats.

177. We are not the only country adapting to a different world. Countries everywhere are searching for solutions too. Many find it hard to implement bold and long-term plans.

178. But we can make it happen in Singapore.

179. We are able to do so because:

- a. Our fiscal position is healthy and sustainable.
- b. Our Government has the trust of Singaporeans.
- c. Our people are united, and our social compact is strong.

180. These are the critical ingredients behind the Singapore story.

- a. What we have today is rare, remarkable, and unique.
- b. Let us cherish it, treasure it, and harness these strengths to remain a shining red dot in a troubled world.

181. During the dark days of Covid-19, which feels like a bad dream to all of us now, I remember visiting Riverside Secondary School. The teacher had asked the students to imagine what they would be doing in ten years' time, and to write a letter to their future selves.

- a. One student – Levin Ong – wrote, and I quote: “Dear future Levin, I hope you have been well in these past ten years. I am grateful for how Singapore is dealing with Covid-19... the challenges I face are small compared to others during this difficult time. I want the world to be a better place and contribute back to society to the best of my ability. I hope, by 2030, I have made a better world for everyone.”
- b. Hope for the future. Giving back to society. Each one of us doing our best to make this a better place for all.

182. Mr Speaker, let us draw inspiration from young Singaporeans like Levin, move forward with confidence, and build our shared future together.

183. Sir, I beg to move.