

A. Performance and Outlook

Mr Speaker, Sir

1. I beg to move that Parliament approve the financial policy of the Government for the financial year 1 April 2023 to 31 March 2024.

Looking Back at 2022

2. Sir, we have been fighting COVID-19 for more than three years.

a. It has been a long, hard slog, full of unexpected twists and turns, and I thank everyone for your cooperation, hard work, and sacrifices.

b. Through our collective efforts, we have found our way through this pandemic.

c. Yesterday we reached a new milestone and moved to DORSCON green.

3. In parallel, industries that were hardest hit by COVID-19 are seeing continued recovery.

a. Demand has picked up for sectors like F&B and retail.

- b. Construction activities are back in full swing.
 - c. Air travel has resumed, and Singaporeans are travelling again. SQ flights are filling up, pilots and cabin crew are busy flying, and Changi Airport is buzzing with life.
4. All in all, amidst a very challenging external backdrop, our economy grew by 3.6% in 2022. The resident unemployment rate, at 2.8% in December last year, is below pre-pandemic levels.
5. At the start of 2022, we had anticipated tightness in energy markets and supply chain bottlenecks.
- a. But the outbreak of the Ukraine war caught many by surprise.
 - b. Despite it happening halfway across the world, the war set off a chain reaction of shockwaves throughout the global economy.
 - c. Oil and gas prices shot up; we experienced a global shortage of grain and other food items.
 - d. Some countries also imposed export bans to secure their own domestic needs, worsening global supply bottlenecks.

- e. Inflation was further fuelled by tight labour markets across many countries, partly because those who left the workforce when COVID-19 hit have not all returned. And companies had to pay higher wages to attract workers, adding to inflationary momentum.

6. So as many have observed, 2022 was a year of brutal inflation worldwide.¹

- a. By the end of last year, global inflation was around 9%.²
- b. Inflation reached historic levels in many advanced economies – in the US, consumer prices were the highest in four decades; in Germany, they were the highest in nearly half a century.

7. Singapore, too, had to contend with these inflationary pressures.

- a. MAS tightened our monetary policy five times since October 2021.

¹ “2022 has been a year of brutal inflation”, *The Economist*, 21 December 2022

² Source: IMF World Economic Outlook

- b. While this has helped ease the pressure on headline inflation, it is still higher than what Singaporeans are used to.
- c. So to address cost-of-living concerns, I rolled out three packages last year, totalling more than \$3.5 billion, extending comprehensive support to Singaporeans, especially the lower- and middle-income families.

FY2022 Fiscal Position

- 8. We were able to fund these support packages from stronger-than-expected revenues, especially from corporate income tax and asset-related taxes in FY2022.
- 9. This additional revenue will also help to cover higher spending in other areas.
 - a. In particular, HDB has ramped up its BTO supply to catch up with the backlog that had arisen from the COVID-19 delays.
 - b. This means building more flats at a time when construction and land costs have increased, which in turn requires more funding resources.

10. In FY2022, we also drew on Past Reserves to fund our emergency COVID-19 public health expenditures.

a. The President had earlier concurred with a draw of up to \$6 billion from Past Reserves specifically for this purpose.

b. Because the public health situation has since stabilised, we now expect to draw a lower amount of up to \$3.1 billion from Past Reserves.

11. This brings the total expected draw on Past Reserves from FY2020 to FY2022 to \$40 billion. (See Annex A-1.)

a. This is lower than the initial draw of \$52 billion that the Government had sought the President's agreement for.

b. It reflects our prudent approach in using our reserves – drawing on them judiciously, only when there are compelling reasons to do so.

12. So all in all, putting together our revenue upside with our higher spending, we expect a slight deficit of \$2 billion, or 0.3% of GDP, for FY2022. (See Annex A-2.)

- a. We last drew on Past Reserves during the Global Financial Crisis in 2008. We spent \$4 billion in FY2009 and were able to put back what we drew two years later due to the sharp recovery in the economy and in our fiscal position.
- b. This time, we are in a different position.
- c. Our economy has recovered back to pre-COVID levels. But we continue to be in a tight fiscal position.
- d. It is therefore highly unlikely that we will be able to put back what we have drawn from Past Reserves.

13. But we will not waver from our commitment to safeguard our reserves as a key strategic asset. They have helped Singapore to weather major global shocks, prevent high unemployment rates, and build up our capabilities even in the midst of economic downturns. Other governments spent more during this pandemic too. But they largely financed their additional spending by borrowing, which will eventually have to be repaid by future generations. In contrast, our reserves allowed Singapore to respond quickly without falling into debt, or burdening either current or future generations of Singaporeans.

14. So we will continue to uphold our practice of fiscal prudence and the principles that underpin the protection of our reserves.

- a. And this is why it was necessary to raise the GST rate – to ensure we have the resources to take good care of our seniors, and to keep a balanced budget over the medium term.
- b. I thank Singaporeans for your understanding of why we must continue to live within our means and contribute our fair share of revenues, and be good stewards of our reserves for the benefit of all Singaporeans – both now and in the future.

Outlook for 2023

15. For 2023, the key factor that will shape our growth is the global economy.

- a. For now, the picture is mixed and uneven, because while there are weaknesses in many parts of the world, the IMF and other economists do not expect a global recession this year.
- b. The EU is amongst the hardest-hit due to the economic consequences of its exposure to the war in Ukraine.

- c. The US is seeing slower growth, and may enter a recession, as the Federal Reserve continues to raise interest rates to combat elevated inflation. Even so, many economists expect any contraction to be mild.
- d. Asia is expected to continue growing this year. In particular, the COVID-19 infection wave in China has probably peaked. As China's COVID-19 situation stabilises, and it continues to re-open its economy, the pickup in demand should provide a boost to the global economy.

16. Overall, based on current indications of global conditions, we expect positive but slower economic growth in Singapore of 0.5% to 2.5% this year.

17. But our economic fundamentals remain strong. Our handling of the pandemic over the past three years has enhanced our reputation as a reliable and trusted node in global supply chains. Our deep relationships with both the US and China, as well as partners in ASEAN and the wider region, make us a neutral and increasingly important place for global and regional businesses. We will take full advantage of these opportunities to attract new flows of investments, capital, talent, and ideas. All these will add vibrancy to our economy and create more good jobs for Singaporeans.

18. But there are major uncertainties and downside risks to this year's forecast.

- a. A greater-than-expected decline in the US and EU economies could tip the world into recession.
- b. We may see an escalation of the Ukraine war or a prolonged conflict and stalemate, leading to new waves of disruptions that further weigh on global trade, as well as consumer and business confidence.
- c. We also cannot rule out a new COVID-19 variant that could be more dangerous and virulent.

19. Whether or when these events will happen cannot be predicted with certainty.

- a. But we must prepare ourselves for these risks and be ready to respond to them.
- b.** We will therefore develop drawer plans, so that we have the ability and resources to take swift action should these downside scenarios materialise.

B. Dealing with Inflation

20. Inflation is the other major uncertainty in the global economy and a major concern for the world, and for Singapore.

21. And there are some early signs that global headline inflation rates are softening. But it is premature to declare victory.

- a. China's re-opening will mean more demand for commodities, especially oil and gas, pushing up prices. And this will come at a time when Europe is still trying to secure more energy supplies.

- b. There are also signs of more persistent underlying inflationary pressures, especially with tight labour markets around the world.

22. We therefore have to brace ourselves for a period of relatively higher inflation, both globally and also in Singapore. We cannot say how long this will last, but we expect Singapore's headline inflation to remain high, at least for the first half of this year.

23. The Government will therefore do more to help Singaporeans through this difficult period.

24. We will help businesses weather the immediate challenges of tighter financial conditions and higher energy prices.

25. I will extend the current enhancements to the **Enterprise Financing Scheme** for another year till 31 March 2024. This includes the 70% Government risk-share for trade loans, the enhanced maximum quantum for trade and working capital loans, and support for domestic construction projects via project loans. I hope this will also encourage financial institutions to continue extending credit to viable enterprises.

26. I will also extend the **Energy Efficiency Grant** for one year until 31 March 2024. This will provide continued support for businesses in the Food Services, Food Manufacturing, and Retail sectors to invest in energy efficiency, and thereby reduce the impact of higher electricity prices.

Enhancement of Support Measures for Singaporeans

27. We will also help Singaporeans tide through this period of higher inflation, and cushion the impact of the new GST rates.

28. There are two prongs to the support we provide for Singaporeans.

- a. One is the permanent GST Voucher, or GSTV scheme, which helps to permanently defray GST expenses for lower- to middle-income Singaporeans.
- b. The second is the Assurance Package, which provides transitional support to all Singaporeans to cushion the impact of the higher GST rate.

29. In last year's Budget, I enhanced the permanent GSTV scheme and increased the number of Singaporeans who benefit from it. I will further enhance the permanent GSTV scheme so that it continues to meaningfully defray GST expenses for eligible households.

- a. For those residing in homes with Annual Values of \$13,000 and below, I will increase the GSTV Cash quantum from \$500 to \$700 in 2023, and to a further \$850 from 2024 onwards.
- b. For those residing in homes with Annual Values of above \$13,000 and up to \$21,000, I will increase the GSTV Cash quantum from \$250 to \$350 in 2023, and then to \$450 from 2024 onwards.

30. These enhancements to the permanent GSTV scheme ensure that most retiree as well as lower-income households will not be

impacted by the GST rate increase. As I have emphasised previously, under our GST system – which means the GST and the GSTV combined – the more well-off consumers, as well as foreigners and tourists, will bear higher effective GST rates than lower-income Singaporeans. This ensures that those with greater means contribute their fair share of taxes, and will effectively lower the burden of taxes on lower- and middle-income Singaporeans.

31. On top of the GSTV, we have the Assurance Package, or the AP, to cushion the impact of the GST rate increase on Singaporeans. In November last year, I announced that I would review and update the package to account for higher inflation. We have completed the review and will make the following enhancements in this Budget:

- a. I will increase the AP Cash by between \$300 and \$650 for eligible Singaporeans over the remaining years of the Assurance Package. This will bring the total AP Cash payments received by adult Singaporeans to between \$700 and \$2,250 over five years.
- b. I will increase the CDC Vouchers by \$100 in 2024. So all Singaporean households can look forward to another \$300 of CDC vouchers in January next year.

32. These enhancements to the Assurance Package will enable us to maintain the commitments we had set out earlier, which is to offset additional GST expenses for at least five years for the majority of Singaporean households, and for about 10 years for the lower-income households.

33. But I recognise that many Singaporeans are still concerned about the immediate cost-of-living issues. I will therefore introduce additional one-off support measures this year under the Assurance Package.

- a. I will provide a Cost-of-Living Special Payment of between \$200 and \$400 for each eligible adult Singaporean.
- b. I will provide additional support for seniors and extend a Cost-of-Living Seniors' Bonus of between \$200 and \$300 for eligible Singaporeans aged 55 and above.
- c. I will also double the U-Save Rebates provided to households over the next three tranches of disbursement this year. In total, eligible households can expect to receive up to \$760 in U-Save Rebates this year.

- d. For households with children, I will provide each child aged six and below a top-up of \$400 to their Child Development Account, and each older child a top-up of \$300 to their Edusave account or Post-Secondary Education Account.

34. These enhancements to the Assurance Package, both the one-off and earlier ones, will cost \$3 billion. So the total amount of the Package will increase from \$6.6 billion to \$9.6 billion.

35. With the enhancements to the GSTV scheme and Assurance Package, I will have provided comprehensive help for the majority of Singaporean households this year. On average,

- a. For lower-income households, the enhancements will fully cover the increases in spending due to inflation and the GST rate increase.
- b. For middle-income households, the enhancements will substantially cover their increases in spending.

36. Let me illustrate what Singaporeans can expect from these measures:

- a. A lower-income family with two young children will receive about \$5,500 in benefits. This includes cash, Government top-ups to the CDA for their children, MediSave top-ups, U-Save and S&CC Rebates, and CDC Vouchers.
- b. Help will also be extended to middle-income households.
- c. And we have ensured that larger households, particularly those with seniors and children staying together, will receive more support. For example, a six-person middle-income household with two seniors and two school-going children will receive about \$8,400 in benefits.

37. The full details of the enhancements to the GSTV scheme and Assurance Package are in the Annex. (See Annex B-1.)

38. The updates to the Assurance Package reflect the commitment of this Government to help Singaporeans through this challenging period of higher prices. We provided comprehensive support last year, and we are doing so again this year.

39. But I hope all Singaporeans understand that it is not fiscally sustainable to rely so heavily on Government support year after year to cope with inflation.

40. The reality is that even after the current inflation surge moderates, inflation may stabilise at a higher trend level globally, and in Singapore, than what we were used to in the last few decades. The era of untrammelled globalisation that kept goods at highly competitive prices all over the world is over. Countries are now relooking and adjusting their supply chains. Instead of buying from the cheapest, they are prepared to accept lower efficiency and higher costs to prioritise diversification and strategic resilience. These trends are pushing up inflation everywhere, including Singapore.

41. We do not have much influence over this global inflation picture. But our best strategy to cope with inflation is to make ourselves more productive and competitive – so that our workers earn more, and the increase in earnings can more than make up for the higher prices. Indeed, this was what happened last year – real incomes grew by 2.0% for the median worker, and by a higher 4.7% for a worker in the 20th percentile.³ So despite higher prices, we are still better off in real terms.

³ Based on latest figures in the Ministry of Manpower's Labour Force in Singapore 2022 report.

42. We must therefore press on with economic restructuring and transformation, help businesses raise their productivity, and help workers upgrade their skills at every opportunity.

C. Moving Forward in a New Era

43. Sir, this Budget is about building our capabilities and seizing new opportunities in a new era of global development.

44. The geopolitical context has shifted significantly. Great power contestation has intensified, most notably between the US and China. And this has profound implications for the world.

45. For the last three decades since the end of the Cold War, the world has benefited from global economic integration. Countries everywhere embraced openness in global commerce. Multinational Enterprises, or MNEs, developed their supply chains based on the most cost-efficient configurations around the world.

- a. But now, businesses are re-organising themselves to account for once-unimaginable tail risks, including geopolitical risks.
- b. More and more MNEs are looking to re-shore, on-shore, or near-shore – that is, relocating factories and offices to places where they are less likely to get caught up in geo-strategic crossfires.

46. Governments in the developed world are also embracing more muscular industrial policies. Despite their macro-economic policies being generally accommodative over the past decade, growth in many of these advanced economies has been sluggish. Incomes of middle-earners have stagnated and unemployment rates are high. They are therefore looking for ways to rebuild their manufacturing capabilities and create jobs for their people.

47. The US in particular is determined to establish a clear technological lead over China, especially in critical industries like semi-conductors and green energy. It has banned the flow of high-end chips and chipmaking to China, and is engaging its allies around the world to do the same. China in turn is investing in its own “little giants” to achieve technological self-reliance. We are seeing a huge contest for leadership in key technologies, which is likely to escalate with time.

48. All this is setting off a dangerous dynamic towards greater economic nationalism and protectionism around the world.

- a. Governments are stumping out more aggressive support, in the form of tax breaks and subsidies, to anchor “strategic” industries.

- b. The major powers increasingly view economic matters through the lens of national security. Sanctions, investment prohibitions, and export controls are just some of the tools that they are using to safeguard national security.

49. In short, we must expect to see greater contestation and fragmentation in the global economy. Countries are thinking less about mutual benefit and interdependence, and more about national gain and security. An era of zero-sum thinking has begun. It will be a world that is less hospitable to small economies like Singapore, which have long thrived on an open, rules-based multilateral system.

50. We therefore cannot assume that we can continue to be successful by doing the same things as we have in the past. We will need to adjust to this new era, reposition our economy, and refresh our social compact for the future.

51. This is not the first time that we have had to adapt to changes in the world. And it will certainly not be the last.

- a. We have done it many times before, through many crises.
- b. And each time, we emerged with a stronger economy and a more united people.

c. And I am confident we will do it again.

52. The key to our success is the trust we have in one another, and our solidarity and unity as a nation. This year marks the 100th anniversary of the birth of Mr Lee Kuan Yew. I remember reading what he had said in 1967, soon after the turbulent period of Singapore's independence. He said, and I quote: *"There is tranquillity, poise and confidence in Singapore. And it is a confidence born out of the knowledge that there are very few problems which we cannot overcome... [for] our people's natural industry and talent will continue to blossom and flourish and generate prosperity for all."*

53. Indeed, there are very few problems we cannot overcome when we apply ourselves as one people. It is up to us to overcome the problems we face, to improve on what we have today, and to build the Singapore we want for tomorrow. This is why I am glad that many Singaporeans have stepped forward to join us in the Forward Singapore exercise, sharing with us their aspirations and concerns, and joining hands and hearts to create our new social compact together.

54. Our engagements so far have affirmed the shared purpose and values that underpin our social compact. We aspire to be a fairer and

more inclusive society, and a kinder and more gracious Singapore – one where we value one another for who we are, share the responsibility of supporting each other, and uphold our sense of identity in a harmonious, multi-racial, and multi-religious nation.

55. To achieve these shared aspirations, the Government is pursuing new strategies in a few key areas:

- a. How we can continue to uplift the wages of those at the lower end of the income distribution, and sustain real income growth for workers in the broad middle.
- b. How we can support workers, especially those who are displaced, with a better system of reskilling and upskilling, so that they can be re-trained and placed into new jobs, and bounce back from setbacks in life.
- c. How we can give everyone opportunities throughout their lives to uplift themselves, so that the circumstances of birth will not determine how far they go, and we can keep social mobility alive and well in Singapore.
- d. And how we can better look after our growing number of seniors – not just their medical and retirement needs, but

also their care and living arrangements, so that they can age in place with grace, dignity, and security.

56. These are important but complex issues which require further exploration. We aim to complete the Forward Singapore exercise in the second half of this year. It is not just a matter of having the Government do more to provide greater assurance and support. We will make changes and intervene boldly where there is a need to do so. But government actions must reinforce the values of personal effort, responsibility for the family, and mutual support in the community. These are values that keep our society strong and enable our people to stand with pride and contribute to society. At the same time, we must ensure that any additional spending can be funded and sustained well into the future, so that we do what is right not just for today, but also for future generations.

57. That said, there are several pressing issues that have emerged in our conversations, which we will address in this Budget. We know that long wait times for new flats and rising resale home prices are key concerns for many young Singaporeans. We had a long discussion and debate on this in Parliament. We also want to help parents better balance their work and family commitments, and look after their children. So, we will move sooner on specific measures to support

young married couples, and create a more conducive environment for families.

58. The Budget this year is therefore part of a broader exercise to chart our new way forward together, and it is centred on three key thrusts to secure our future in a new era.

- a. We will grow our economy, equip our workers, and provide a fuller range of opportunities for everyone to advance in life.
- b. We will strengthen our social compact and provide better support for families, seniors, and vulnerable groups.
- c. And we will build up our collective resilience so that we are able to bounce back strengthened from external shocks and setbacks.

59. Let me go through each of these thrusts.

D. Growing Our Economy and Equipping Our Workers

60. Economic competition will get stiffer in this new era where countries compete for power and influence. Singapore will have to adapt quickly to these changes, to survive and prosper in a troubled world.

Building Capabilities and Anchoring Quality Investments

61. We will therefore redouble our efforts to attract high-quality investments. We will focus on growth sectors where we can be highly competitive. For example, we are a leading international financial centre in Asia. We are a global trading hub with strengths in transportation and logistics, anchored by our air and sea ports. We also have a vibrant manufacturing sector, supported by key segments like electronics, chemicals, and biomedical science.

62. These attributes and strengths will enable us to attract more MNEs to anchor their regional, or even their global operations and headquarters in Singapore. With more high-value activities and best-in-class facilities based here, we will be able to build new capabilities, develop key industries, and create good jobs for Singaporeans. We will also create spin-offs for our local enterprises as they serve the MNEs based here, plug into global networks, and eventually grow to become industry leaders in their own right.

63. But we must expect global competition for investments to get tougher. With the Base Erosion and Profit Shifting initiative, or BEPS 2.0, on the horizon, we will have less scope to use tax incentives to attract new investments. Meanwhile, the US and other countries are rolling out vast subsidies to build up their strategic industries. It will not be possible for us to outbid these countries with even bigger subsidies just to get their MNEs to invest here. But neither can we afford to be complacent, and simply take our competitive position for granted.

64. We will therefore have to work harder to enhance our overall productivity and workforce quality to stay competitive in this new environment. We currently have the National Productivity Fund, which supports a wide range of measures for productivity enhancement, and continuing education and training.

65. I will **top up the National Productivity Fund with \$4 billion**, and expand the scope of the Fund to include investment promotion as a supportable activity. We will use the fund to anchor more quality investments here. This includes supporting companies to build new capabilities, add greater value to our domestic ecosystems, and upskill our workers. And ultimately, these efforts will lead to better-paying jobs for Singaporeans.

Nurturing and Sustaining Innovation

66. Besides anchoring investments and deepening capabilities, we must nurture and sustain pervasive innovation across the economy. We have to push new frontiers, and differentiate ourselves in quality and value.

67. This is why the Government has consistently committed resources to R&D.

- a. We are investing \$25 billion from 2021 to 2025 to catalyse research, innovation, and enterprise.

- b. We are restructuring and raising our game, industry by industry, through the Industry Transformation Maps.

68. Our efforts are bearing fruit. But innovation is not without risk, which businesses may find difficult to undertake amidst slower growth and higher cost.

69. So to help our businesses press on with innovation, I will introduce a new **Enterprise Innovation Scheme**.

- a. This scheme will significantly enhance the tax deductions for five key activities in the innovation value chain:
- i. R&D conducted in Singapore;
 - ii. Registration of intellectual property, including patents, trademarks, and designs;
 - iii. Acquisition and licensing of intellectual property rights;
 - iv. Innovation carried out with Polytechnics and ITE;
 - v. And training via courses approved by SkillsFuture Singapore and aligned to the Skills Framework.

70. Today, businesses can enjoy tax deductions of up to 250% of qualifying expenditure on some of these activities. I will raise the tax deductions to 400% of qualifying expenditure on each of these five activities. The qualifying expenditure will be capped at \$400,000 for each activity, except for innovation carried out with Polytechnics and ITE, for which the expenditure will be capped at \$50,000. With these enhancements, businesses that make full use of the scheme could enjoy tax savings of nearly 70% of their investment.

71. Some firms have yet to turn profitable, or do not have sufficient profits to maximise the benefits from the tax deductions. To support these firms, I will allow businesses the option to convert 20% of their total qualifying expenditure per Year of Assessment into a cash

payout of up to \$20,000. This will help smaller firms defray the costs of their innovation activities, even if they pay little or no taxes. (See Annex D-1.)

Developing Local Enterprises

72. As our companies grow, we will support them in accessing capital to scale up and be globally competitive.

73. A key part of this effort is to strengthen our enterprise financing ecosystem, so that promising firms can tap on a wide range of private equity and venture capital funds, as well as financing from other financial institutions based here. The Government has also been mobilising investments in SMEs through Heliconia Capital, which deploys equity financing to SMEs and catalyses additional growth capital from the private sector.

- a. To date, we have committed \$1 billion to this effort, and invested in about 60 Singapore-based companies. This has in turn catalysed around \$2 billion of additional investments into these companies.
- b. The total revenue of this portfolio of companies has more than doubled after this investment, and over half of them

have developed new capabilities or expanded beyond Singapore.

- c. Given the positive outcomes, **I will set aside an additional \$150 million via the SME Co-Investment Fund.** We will use this to invest in promising SMEs, and we will also aim to catalyse an additional \$300 million of private investments to support our SMEs.

74. We are also developing a healthy pipeline of enterprises with a strong track record of international success and the potential to move to the next level.

75. One example is Mooreast, which I visited recently. The company provides specialised anchor and mooring solutions for the offshore and marine, or the O&M, sector. We all know what a floating rig is; we do not always see what lies under a floating rig. But good design, engineering, and manufacturing capabilities are needed to customise mooring solutions for very different seabed and offshore conditions. And Mooreast, a homegrown company, is now one of the top three global players in this niche area. But it also recognises the long-term challenges of the O&M industry. And so the company is now diversifying and applying its capabilities in the offshore renewable energy market. It has already secured contracts to provide the anchors

for offshore wind turbines in Japan and Europe. And there should be many more opportunities to come, with the growing global demand for offshore wind and other renewable energy projects. (See Annex D-2.)

76. We will do more to help promising companies like Mooreast grow into globally leading companies. In last year's Budget, I introduced the Singapore Global Enterprises initiative to provide such companies with more dedicated and customised support. **I will now set aside \$1 billion to provide a further boost to this initiative.**

- a. Promising companies will be offered specialised capability building programmes tailored to their needs. This could involve working with experts to strengthen the core leadership team, accelerate their internationalisation plans, and build a strong talent pipeline.
- b. Enterprise Singapore will also support them to secure resources to execute their growth plans, and to build sustained research and innovation capabilities so they can strengthen their value proposition and stay competitive.

77. The Enterprise Innovation Scheme, the boost to the SME Co-Investment Fund, and the Singapore Global Enterprises initiative

are part of a wider suite of government measures to help nurture and develop our enterprises. So I encourage all our companies, big and small, to make full use of these measures to innovate and grow.

Equipping and Empowering Our Workers

78. Ultimately, the value we create as an economy must benefit Singaporeans in the form of wage growth and job opportunities.

79. And this is why we have invested, and will continue to invest heavily in our people. Through SkillsFuture, we are providing strong support for both employers and individuals to invest in upskilling. The results so far have been encouraging. But we have to do more, and shift our efforts into higher gear, as we enter an era of greater volatility and economic disruptions.

80. As part of the Forward Singapore exercise, we are studying several policy moves to further strengthen our SkillsFuture ecosystem and to enhance support for displaced workers, and improve pathways to better jobs. In this Budget, I will focus on ensuring that training translates into good employment outcomes.

81. We all know that it is good to have more skills training. But training programmes can vary in quality. Some lead to recognised

certifications, or help workers gain specialised skills that are sought after by industry. But others may not be so relevant to industry needs.

- a. Workers themselves may not know what training programmes to go for, or what competencies and skills they need to secure better jobs.
- b. Employers, especially amongst the SMEs, may also be unfamiliar with the training landscape, and often struggle to fill job vacancies despite available jobseeker pools.

82. There is therefore a need to develop labour market intermediaries who can work with industry, training, and employment facilitation partners to optimise training and job placement. So we will appoint and equip **Jobs-Skills Integrators** to do this work. The Integrators can be existing institutions. But they will have new responsibilities and outcomes to deliver.

- a. For example, the Jobs-Skills Integrators will have to engage enterprises to understand the manpower and skills gap in the industry.

- b. They will have to work with training providers to update existing training programmes, or develop new ones that will close the skills gap.

- c. They will also have to work closely with employment facilitation agencies, get buy-in from industry partners and unions, and identify individuals with the right aptitude and fit for training. Most importantly, they must ensure that training translates into better employment and earnings prospects.

83. We will pilot the Jobs-Skills Integrators in the Precision Engineering, Retail, and Wholesale Trade sectors, where there are higher concentrations of mature workers and SMEs. And the Minister for Education will share more about this at the COS.

84. We will also continue to provide additional employment support for senior workers who wish to continue working.

- a. We have made several moves in this area, for example raising the retirement and re-employment ages, providing wage support through the Senior Employment Credit, and supporting employers who offer part-time work. Many seniors have benefited from these schemes.

b. One example is Mr Rahmat Hamid, who is 62 this year. He retired after nearly 40 years in the hotel and F&B industries, as his children were all grown up. But he soon found that he wanted to continue working, and importantly, to contribute to society. He tried out initially as a security officer, but decided he really wanted to do something to help the elderly. So he applied for a job as a cleaner at All Saints Home, which is a senior daycare facility. And When All Saints Home saw that Mr Rahmat had valuable people management skills, they offered him a role instead as a community care associate, different from what he had applied for. This is a much better fit for Mr Rahmat. He is now able to put his skills to good use, and he continues to learn new skills to interact with and take care of his clients. (See Annex D-2.)

85. We want to encourage and support employers who recognise the value that seniors like Mr Rahmat offer, invest in them, and enable them to keep earning a good living. I will therefore **extend the Senior Employment Credit till 2025**, to continue providing wage offsets to employers that hire senior workers. I will also **extend the Part-time Re-employment Grant till 2025**, to encourage employers to offer part-time re-employment, other flexible work arrangements, and structured career planning to senior workers. The Minister for Manpower will share more details at the COS.

86. At the same time, we will continue to help lower-wage workers achieve better career progression and wages.

a. We made several major moves last year: we expanded the Progressive Wage Model to more sectors and occupations, and we required companies that employ foreign workers to pay all local employees at least the Local Qualifying Salary.

b. Taken together, these moves cover the vast majority of lower-wage workers, and will help to uplift their wages.

87. To provide transitional support for businesses, I introduced the Progressive Wage Credit Scheme, or PWCS, at last year's Budget. And last June, I raised the Government's co-funding share for the 2022 PWCS. **I will maintain the increase for this year, and top up the PWCS fund by \$2.4 billion for this purpose.** (See Annex D-3.)

88. I will also do more for specific groups of workers who may need more help to secure employment. To support employers to hire persons with disabilities, or PwDs, I will **enhance the Enabling Employment Credit** to cover a larger proportion of wages and a longer duration for PwDs who have not been working for at least six months.

89. We know many PwDs want to work, and if given the chance, have valuable skills to offer. As a society, we should give them the opportunity to do so.

90. I will also introduce a new **Uplifting Employment Credit** in the form of a time-limited wage offset to encourage firms to employ ex-offenders.

91. More details on these schemes will be shared by the Minister for Manpower at the COS, and we will review the outcomes in 2025.

92. In the end, financial incentives are just one way we support PwDs and ex-offenders. We also need dedicated efforts on the ground, through organisations like SG Enable, Yellow Ribbon Singapore, and their community partners, as well as close cooperation with employers to provide meaningful job opportunities for PwDs and ex-offenders.

93. The moves I have outlined represent a major investment in our enterprises and people – from SMEs to large companies, and workers across various life stages and different forms of employment. We are doing all this so that our workers and businesses can be well prepared for the future, with all its uncertainties, challenges, and opportunities.

94. I encourage employers and workers to make the most of the support that the Government is offering. Upgrade your businesses. Invest in innovation and training. Reskill and upskill to stay competitive and seize new opportunities. This is how we will continue to achieve quality growth in an economy that works for all.

E. Strengthening our Social Compact

95. Even as we grow our economy and equip our workers, we will also invest significant resources to strengthen our social compact. We will do so in three key areas: strengthening families, tackling the related issues of inequality and social mobility, and providing better care for a rapidly ageing population.

Building a Singapore Made For Families

96. I will start with families, which form the bedrock of our society, and are the anchors of emotional, social, and financial support for all of us.

97. Many young Singaporeans aspire to get married and have children. One such couple is Mr Prab Nathan and Ms Saraswathy Arumugam. They have a two-and-a-half-year-old daughter, and recently welcomed a new addition to their family. As young parents, they have many exciting plans for their family, but they also have their share of concerns and stresses. So in this Budget, we will step up support for young couples like them, and help them realise their aspirations in a “Singapore Made For Families”.

98. **First**, we will do more to support the housing aspirations of young Singaporeans.

99. HDB already sets aside the bulk of its BTO flat supply for First-Timer families, who are given priority for their flat applications. But the First-Timer category today covers a wide range of applicants. For example, those who already have their own homes, but have not received housing subsidies before, are also considered First-Timers.

100. Given this wide range of First-Timer applicants, and the current tightness in BTO supply, we should identify and provide more support to specific groups. We will therefore focus on First-Timer families with children, as well as young married couples aged 40 years old and below, who are buying their first home. We will do more to help such families secure their BTO flats in a timely manner, including by giving them an additional ballot for their BTO flat applications. This will be implemented later this year. More details will be provided by the Minister for National Development at the COS.

101. Some Singaporeans are prepared to buy resale flats for their first homes, but they find the resale prices today too expensive. We have implemented cooling measures to moderate demand in the resale market. And the launch and completion of more BTO projects over the next few years will further ease demand and prices of resale flats.

102. I will also provide more support for First-Timer families to purchase resale flats. I will increase the CPF Housing Grant by \$30,000 for eligible First-Timer families purchasing 4-room or smaller resale flats, and by \$10,000 for those purchasing 5-room or larger flats. Eligible First-Timer families purchasing resale flats will qualify for this increased CPF Housing Grant with immediate effect. The additional grant amount will be credited into their CPF account from April this year onwards. Together with the Enhanced CPF Housing Grant and the Proximity Housing Grant, eligible families can receive up to \$190,000 in grants when buying a resale flat. (See Annex E-1.)

103. **Second**, I will do more to support parents with the costs of raising their children. The Government already has a generous set of measures including the Baby Bonus Scheme, significant preschool and education subsidies, and tax benefits like the Parenthood Tax Rebate and Working Mother's Child Relief.

104. Some of these schemes need to be adjusted, to ensure that more support is given to those with greater needs.

105. For Singaporean children born or adopted on or after 1 January 2024, I will change the **Working Mother's Child Relief, or WMCR**. I will change it from a percentage of the mother's earned income to a fixed dollar relief. This will take effect from the Year of Assessment 2025. So

for Singaporean children born or adopted before 1 January 2024, there is no change to the WMCR that their eligible working mothers can claim.

- a. With this change, eligible working mothers in the future will claim the same amount of tax relief for a child in the same child order: \$8,000 in tax relief for her first child, \$10,000 for her second child, and \$12,000 each for her third and subsequent child.
- b. Effectively, this will provide more Government support for eligible lower- to middle-income working mothers.

106. We will also lapse the **Foreign Domestic Worker Levy Tax Relief** for all taxpayers from the Year of Assessment 2025. This is because we already have a migrant domestic worker levy concession, which provides more targeted support for families who need help caring for their dependants, including young children below 16 years old.

107. While we make these adjustments, I will at the same time significantly increase financial support in the child's early years.

108. I will increase the **Baby Bonus Cash Gift** by \$3,000 for all eligible Singaporean children born from today onwards. Eligible first- and

second-born children will receive \$11,000 instead of \$8,000. And for the third child onwards, the Baby Bonus Cash Gift will be increased from \$10,000 to \$13,000.

- a. Currently, the Baby Bonus Cash Gift is disbursed in five instalments over the child's first 18 months, to help defray child-raising costs during infancy.
- b. I will restructure the disbursements, so that they are paid out over a longer period.
- c. Eligible parents can expect up to \$9,000 in payouts in the first 18 months of a child's life, as well as \$400 every six months starting from when the child is two until the child turns six-and-a-half years old.
- d. In this way, parents can receive continuous support all the way until their child enters primary school.

109. For eligible Singaporean children born from today, I will also increase the Government contributions to the **Child Development Account**, or CDA, which their parents can use to directly offset preschool and healthcare expenses.

- a. I will increase the First Step Grant from \$3,000 to \$5,000. This is automatically credited into the CDA, and parents can immediately benefit from it once they open the account.
- b. I will also increase the Government co-matching cap for the CDA. Today, the Government co-matches every dollar that parents save in the CDA, up to a cap of \$3,000 and \$6,000 for the couple's first and second child, respectively. I will increase these co-matching caps by \$1,000 each, to \$4,000 for the first child and \$7,000 for the second child.

110. To cater sufficient time for the required legislative and system changes, the enhancements to the Baby Bonus Cash Gift, CDA First Step Grant, and CDA co-matching caps will be made available from early next year. We will notify parents when they can make the additional deposits into their child's CDA to enjoy the enhanced Government co-matching.

111. The changes I have just described apply to eligible Singaporean children born from today. Some may ask – how about those born earlier? In fact, at the height of the pandemic, the Government had also provided a one-off Baby Support Grant of \$3,000. This was for children born from 1 October 2020 to 30 September 2022. To ensure

that we do not miss out some new parents, I will extend this Grant to babies born from 1 October 2022 to 13 February 2023.

112. So to all young married couples: whether you already have a newborn, or you are expecting a baby, or plan to have a baby, we have something to help you in your parenthood journey.

113. **Third**, we will better support parents in managing their work and family commitments.

114. Here, a key component is flexible work arrangements.

- a. We have been encouraging employers to adopt the voluntary Tripartite Standard on Flexi-Work Arrangements and to make these arrangements more pervasive.
- b. We will implement these Tripartite Guidelines by next year, which means that employers will be required to consider staff requests for such flexi-work arrangements fairly and properly.

115. We will also strengthen our leave provisions for parents of infants. Currently, eligible working fathers of Singaporean children are entitled to two weeks of Government-Paid Paternity Leave. When we introduced this 10 years ago, take-up rates were low. But over time,

the situation has changed. Today, more than half of our fathers take paternity leave.

116. I am heartened by this trend. Because many studies, internationally and in Singapore, have shown that children with more involved fathers have better physical, cognitive, and emotional developmental outcomes.

117. I will therefore **double the Government-Paid Paternity Leave** from two weeks to four weeks for eligible working fathers of Singaporean children born on or after 1 January 2024.

- a. For a start, the extra two weeks will be given on a voluntary basis, so that employers who are ready to grant the additional leave will be reimbursed by the Government.
- b. This is also to give more time for employers to adjust, especially taking into account the existing economic conditions and manpower and operational challenges that many employers face.
- c. But we will review this and intend to make this mandatory in due course.

- d. With the doubling of paternity leave, I hope the message is clear: we want paternal involvement to be the norm in our society, and we will stand behind all our fathers who want to play a bigger role in raising our children.

118. I will also increase **Unpaid Infant Care Leave** for each parent in the child's first two years, from the current six days per year to 12 days per year.

- a. This will give parents more time to bond with and care for their newborn, or to settle caregiving arrangements.
- b. All parents of Singaporean children will be eligible for this additional time off if they have worked with their employer for a continuous period of at least three months.
- c. And this, too, will apply from 1 January 2024 onwards for eligible working parents with Singaporean children aged under two years old.

119. Taken together, these enhancements will increase parental leave for a working couple from 22 weeks to up to 26 weeks in their child's first year.

120. The enhancements to the Baby Bonus Cash Gift, CDA, and leave provisions will cost the Government an additional \$240 million per birth cohort of children. I hope this will provide greater assurance to parents and parents-to-be as they think about starting and growing their families. (See Annex E-2.)

Additional Support for Lower-Income Families

121. On top of broad-based support for families, we prioritise additional support for lower-income families – to help them achieve stability, self-reliance, and social mobility, so that they can have dignity and aspire to a good future in Singapore.

122. We are making progress on these fronts. Our income inequality, as measured by the Gini coefficient, has been steadily declining, as a result of deliberate policy moves like the Workfare Income Supplement, Progressive Wage Model, and Silver Support Scheme.

123. But helping lower-wage workers get better incomes is just one part of the equation. We know that the issues that lower-income individuals and families face are complex and multifaceted. We therefore need a family-centric approach to provide these families with holistic and comprehensive support, and to help them make lasting changes in their lives.

124. Last year, I spoke about taking such an integrated family-centric approach through ComLink. We have since rolled out ComLink as a nationwide platform to serve 14,000 families with children living in rental housing. We also have volunteer befrienders journeying together with the ComLink families to encourage and support them in achieving their goals. The befrienders work closely with officers from the Social Service Offices, or SSOs, which coordinate family interventions at the backend, such as access to programmes and schemes.

125. We will now take a further step to **better integrate the common functions across the different programmes in Government that support lower-income families**. The SSOs will deliver these functions, and bring partners together to work in tandem, coordinating and integrating all the efforts for maximum impact. The Minister for Social and Family Development will share more at the COS.

126. A critical source of support for many lower-income families is delivered through our social assistance schemes like ComCare, which help families meet their basic living expenses and work towards achieving stability and self-reliance.

- a. Part of the monies that fund ComCare come from the investment income from the ComCare Endowment Fund.

- b. To ensure that the Fund is able to provide the necessary support to our lower-income families in this high-inflation environment, I will **top up the Fund by \$300 million**.

127. Beyond inequality, we must also sustain social mobility across generations. In particular, we know that the first few years matter greatly in shaping a child's potential in life. So we must do more to close the early gaps in our children's lives.

128. We have made some progress through initiatives like KidSTART, which provides upstream support for pregnant mothers and young children in lower-income families.

- a. KidSTART's preliminary outcomes are encouraging. There are some early indications that KidSTART children had better preschool attendance than their peers of similar socio-economic backgrounds. Parents and caregivers on the programme also said that they were better supported in their parenting journey.
- b. So to support more lower-income families with their children's early development, we will **scale up KidSTART nationwide**. And we expect to support 80% of eligible

children in lower-income families, starting from the children born this year.

129. We have also made significant investments in the early childhood sector.

- a. Over the last decade, our spending on the early childhood sector has grown to six times its original size, from \$320 million in FY2013 to about \$1.9 billion in FY2022.
- b. Lower-income families now pay as little as \$3 a month for full-day childcare in an Anchor Operator preschool.
- c. These investments have had an impact. The preschool enrolment rate of children aged five to six years old residing in public rental flats is now comparable to the national average. But for children aged three to four years old residing in public rental flats, the preschool enrolment rate is 80%, lower than the national average of about 88%.

130. So we will continue to provide additional assistance to lower-income families and reach out to them to facilitate their children's preschool enrolment. At the same time, over the next two years, we will work with Anchor Operators to create 22,000 more full-day

childcare places and expand the number of MOE Kindergartens. This will help support higher preschool participation rates across the board, and especially amongst lower-income families.

Providing Assurance in Our Silver Years

131. At the other end of the demographic spectrum, Singapore is one of the fastest-ageing nations in the world. By 2030, one in four Singaporeans will be aged 65 and above, up from one in six today. While many are living longer, some do spend their final years in ill health. This, coupled with smaller household sizes, will mean an increased burden of care for families.

132. Nursing homes are suitable for the elderly with high care needs and little to no family support, but we cannot rely on nursing homes as the mainstream solution. In fact, many seniors themselves prefer to be cared for in the community and to grow old in an environment that is familiar to them, surrounded by their loved ones.

133. We will therefore need to review and update our approaches to aged care – to ensure seniors live as much of their lives in good health as possible, and have ample options to age in the community.

134. Our first line of defence is that of preventive care. And that is why our priority is to support seniors to take care of their own health,

including by remaining physically and mentally active, and staying engaged in their communities.

- a. We have introduced Healthier SG, as an empowering strategy, so that seniors can take preventive care steps together with their doctors and community partners to improve their health.
- b. This will enable seniors to keep chronic illnesses at bay, or if they do contract them, to detect the diseases early so that these can be kept under control.
- c. The refreshed Action Plan for Successful Ageing, launched last month, supports Healthier SG by setting out a comprehensive set of initiatives for seniors to better care for themselves, continue contributing, and stay connected.

135. But for seniors to stay active and healthy, or to better manage their existing chronic illnesses, they will need stronger support in the community, outside of hospitals and clinics. So as part of the Forward Singapore exercise, we are studying how we can enhance the range of care and support options within the community. This includes reviewing the operating model of Active Ageing Centres and examining how we can better strengthen and coordinate the providers in the aged care sector, which is highly fragmented today.

136. In the meantime, we will increase the resources dedicated to supporting seniors, especially lower-income seniors, with their long-term care and healthcare needs.

- a. I will **top up the ElderCare Fund by \$500 million** to support means-tested subsidies for seniors who need home-based, centre-based, or institutional care.
- b. I will also **top up the MediFund by \$1.5 billion** to strengthen the safety net for lower-income individuals and seniors facing financial difficulties with their medical bills, even after Government subsidies, MediShield Life, and MediSave.

137. As our population ages, we will also have to address the retirement needs of Singaporeans.

- a. We have enhanced the CPF system over the years, such as through Workfare and extra interest on lower CPF balances.
- b. We now have Silver Support to supplement the retirement income of seniors who had low incomes in their working years.

- c. And we also encourage family members with more means to top up their loved ones' CPF through tax reliefs and matching grants.

138. We are considering what more we can do to enhance retirement adequacy in our Forward Singapore deliberations. Meanwhile, in this Budget, I will make several moves to help specific segments.

139. In particular, the Government had earlier convened the Advisory Committee on Platform Workers to look into strengthening protections for Platform Workers, including improving their housing and retirement adequacy.

140. The Government has accepted the Committee's recommendations, one of which was to align the CPF contribution rates of Platform Workers and Companies with those of employees and employers over a period of five years. Platform Workers who are below 30 years old when the changes are implemented will be required to make increased CPF contributions. Platform Companies will also be required to pay CPF contributions for these Platform Workers.

141. These changes will help Platform Workers raise their total earnings and strengthen their housing and retirement adequacy. But

in the short term, they will affect the take-home pay of these workers. I will therefore introduce **additional support to help lower-income Platform Workers** cushion this impact.

- a. For the first four years after implementation, I will provide a CPF Transition Support to lower-income Platform Workers who see an increase in their CPF contribution rates.
- b. More information on this Transition Support is in the Annex and the Minister for Manpower will also share more at the COS. (See Annex-E3.)

142. We will also make some CPF adjustments for older workers, in line with the recommendations of the Tripartite Workgroup on Older Workers. We implemented the first increase in CPF contribution rates for senior workers in 2022, and the second increase earlier this year. For these two increases, the Government had provided employers with a CPF Transition Offset to alleviate the increase in business cost. We will continue with the **next increase in CPF contribution rates in 2024**, and likewise provide employers with a similar offset.

143. In addition, I will **increase the minimum CPF monthly payout for seniors on the Retirement Sum Scheme** to \$350 a month.

144. I will also help middle-income Singaporeans save more for their retirement by **raising the CPF monthly salary ceiling**.

- a. The CPF salary ceilings were last raised in 2016.
- b. To keep pace with rising salaries, we will raise the monthly salary ceiling from \$6,000 to \$8,000 in 2026.
- c. We will phase in the increases over four years, starting from this year, to allow employers and employees to adjust to the changes. (See Annex E-4.)

145. Mr Speaker Sir, the measures in this Budget are one step in our overall efforts to strengthen our social compact, and to build a fairer and more inclusive society. We still have more to do, and we will continue this important work as part of Forward Singapore.

F. Building a Resilient Nation

146. In a world characterised by greater uncertainties and volatility, we need to build a more resilient Singapore.

147. We have kept an eye on resilience throughout our nation-building journey. But we are entering a new era where disruptions will likely happen more frequently. So we will have to consider additional redundancies and safety buffers that we can fall back on during a crisis. Having such buffers does not mean that we will not suffer damage when hit by a shock. But it will enhance our ability to absorb the shock, rebound from the crisis, and emerge stronger from it.

148. At the same time, we should recognise that building resilience comes at a price.

- a. For example, diversification means buying from multiple sources. But this also makes things more expensive, because we are no longer buying only from the cheapest source.
- b. The stockpiles of food and essential items will require space and will need to be maintained. Even if a crisis does not materialise or is less severe than expected, such costs still need to be funded.

149. The Government will spend more on resilience, but we also need to be judicious in how we use public monies to secure effective and enduring improvements in our national resilience.

Building Organisational Capabilities

150. One key strategy is to build strong organisational capabilities to respond quickly and effectively during crises. For example, learning from the experience in SARS, we set up the National Public Health Laboratory and the National Centre for Infectious Diseases. These new capabilities proved critical in treating, managing, and fighting the COVID-19 pandemic.

151. During this pandemic, the outbreak in the migrant worker dormitories was a major challenge. We had to draw on resources from the SAF, the Home Team, and other Government agencies. Learning from this, we have set up the Assurance, Care and Engagement Group, or the ACE Group, under MOM, and we have built up its capabilities to monitor the situation in our migrant worker dormitories and provide better care and support for our migrant workers. This is just one example of how we continue to build up organisational capabilities within the public service to deal with crises and emergencies.

152. But there are also limits to how much we can grow headcount in the public service, especially with slower growth in our resident labour force.

- a. And that is why we will continue to adjust our resources and manpower – to do less in some existing areas where the needs have come down, and to re-allocate the funds and headcount to new priority areas.
- b. During the pandemic, we also had to mobilise and cross-deploy public servants for various crisis roles, for example, to help with contact tracing or the manning of call centres. We are therefore looking at how we can put in place a more comprehensive system for such training and cross-deployment, based on the expertise and skillsets of our officers.

153. Beyond the public service, we will need to tap on the capabilities of the private and people sectors.

154. Indeed, we saw many excellent examples of such partnerships in our fight against COVID-19. In healthcare, we were able to leverage the capabilities of our private hospitals and private GP clinics. Outside of healthcare, our companies, and NGO groups stepped up in many

different ways – housing and taking care of migrant workers, setting up and manning the community care facilities at Changi Expo and Changi Exhibition Centre, ensuring continued access to vital supply chains, and facilitating our crucial nationwide vaccine operations.

155. We will learn from these experiences and put in place structures that will enable us to better harness our resources more effectively, and strengthen the complementary roles that the public, private, and people sectors can play during peacetime and in crisis.

Ensuring Economic and Infrastructure Resilience

156. Another important aspect of resilience is in our economy and supply chains. For some time now, we have been diversifying import sources, stockpiling food and essential items, and where possible, building up local production, like our “30 by 30” plan to produce 30% of our nutritional needs locally by 2030.

157. These efforts have enabled us to weather through the disruptions of the last three years. We quickly stood up a Standby LNG Facility when the world scrambled for gas after the Russian invasion of Ukraine. We had ample stock of frozen chicken when Malaysia banned the export of live chickens. We will continue to review our stockpiling strategies and improve the diversification of critical supplies. We will weigh the costs of such insurance carefully, and

ensure that the benefits we reap in terms of greater resilience are worth the additional costs.

158. Likewise, we have built resilience in our infrastructure. We have designed our buildings to serve both peacetime and crisis functions where possible, given our land scarcity.

- a. For example, our MRT stations are designed to function as public shelters and provide protection during wartime emergencies.
- b. In this pandemic, we had to convert at short notice several existing spaces – vacant schools were used to house recovering migrant workers; community centres became vaccination centres; hotels became quarantine facilities; and exhibition halls became additional healthcare facilities to augment hospital bed capacity.

159. All this reinforces the importance of having adaptable, multi-use facilities. We will therefore study how we can further enhance the resilience of our infrastructure, especially for major new projects like the Tuas Mega Port and Changi Airport Terminal 5.

Safeguarding our Climate Resilience

160. The lessons from COVID-19 will also help us in strengthening our resilience against the larger existential threat of global warming and climate change.

161. We have started to prepare for this. We have accelerated the low-carbon transition for Singapore to achieve net zero emissions by 2050.

- a. We are raising the carbon tax progressively over the next few years to provide a stronger price signal and impetus to reduce our carbon footprint.
- b. We are supporting our enterprises and households to become more energy efficient.
- c. We are greening our buildings and going for cleaner vehicles.
- d. We are harvesting solar energy, transiting to cleaner energy sources like hydrogen, and working with our neighbours to develop regional power grids.

162. In short, we are doing everything we can to fight climate change. But we also know that our efforts alone will not be enough. The rest

of the world must also do their part. Unfortunately, in the short term, many countries are increasing their reliance on fossil fuels to prevent the lights from going out, and to provide for energy security. This means the world will have to redouble its efforts to get back on track with the plans to keep global temperatures from rising beyond a threshold that will result in irreversible damage.

163. While we will do our best to shape and drive this international agenda, we must also prepare for the worst. And that means taking steps to adapt to global warming, and especially to rising sea levels. We are now building a polder at Pulau Tekong – it is already more than halfway complete and is set to finish by end-2024. The experience gained from this project will give us more options to protect our coastline against rising sea levels.

164. We have also set up a Coastal and Flood Protection Fund with an initial injection of \$5 billion to support the construction of coastal and drainage infrastructure. And since then, the teams have been conducting site-specific studies for drainage enhancements and coastal protection, starting with the stretch from the city to East Coast.

165. We expect climate-related spending to go up significantly in the medium term, and we will commit more resources as we progressively implement these extensive infrastructure plans.

Reserves as our Greatest Insurance

166. Be it a pandemic, an economic crisis, or rising sea levels, we have been systematically planning forward, to give ourselves more options and solutions to cope with future shocks.

167. But we will not be able to anticipate and cater for every scenario. Furthermore, no amount of buffers or redundancies in our system can mitigate the extreme scenarios of blockades, conflict, wars, or climate disasters. Just look at the extent of destruction and damage that has happened in Ukraine. The cost of rebuilding the country has been estimated at several hundreds of billions of dollars, and that figure is only expected to grow as the war continues.

168. So, our best safeguard in any crisis remains having access to the financial reserves we have accumulated over decades of prudent government.

169. Ultimately, our reserves are our greatest insurance. They allow us to respond quickly to immediate needs in an emergency, without compromising the focus on the longer term. They enable us to bounce back stronger, as has happened during the Global Financial Crisis in 2008 and most recently in this COVID-19 pandemic. And if we were

ever to be hit by a bigger calamity or disaster, our reserves will provide us the resources to rebuild Singapore.

Our Resilience as a People

170. Aside from financial reserves, the most critical ingredient of national resilience is our people. When there is a high level of solidarity and trust amongst our citizens, and when Singaporeans feel a strong sense of collective ownership and responsibility for each other, we will be able to withstand any shocks together.

171. This is why we are continually reviewing and updating our policies to keep our social fabric strong and resilient. And we do so from a position of strength. Over decades of engagement and hard work, we have expanded the common stakes we have in each other. We have kept faith with each other and avoided the fissures that have divided so many other countries. In the last three years of the pandemic, we have seen many ground-up initiatives by diverse groups, looking after the more vulnerable among us, regardless of race or religion.

172. Singaporeans have also donated generously. Despite the economic downturn due to COVID-19, the donations received through Giving.sg were about three times higher than pre-pandemic levels, and have remained at around \$100 million in the last three years.

173. We must sustain this spirit of giving. The Government will continue to do our part to foster this.

- a. One way is through tax deductible donations to Institutions of a Public Character, or IPCs, and eligible institutions.
- b. Our tax deduction for donations at 250% is in fact already very high, compared to other jurisdictions.
- c. Nevertheless we will extend this tax deduction rate **for another three years till end-2026**, and we will review thereafter what would be a more sustainable level of tax deduction for the longer term. (See Annex F-1.)

174. We will also continue to encourage businesses to do their part in corporate giving. Many are already doing so, going beyond cash donations to skills-based volunteering and inclusive hiring.

175. We will enhance the existing Business and IPC Partnership Scheme into a broader **Corporate Volunteer Scheme**, which will be rolled out for three years.

- a. The scope of eligible activities for tax incentives under this Scheme will be expanded.
- b. And we will also double the qualifying per-IPC cap to \$100,000 per calendar year to facilitate deeper partnerships between businesses and IPCs. (See Annex F-1.)

176. Our charities, social service agencies, or SSAs, and community organisations play critical roles in looking after the vulnerable, and mobilising Singaporeans to support those who are in greater need. We will continue to strengthen their capabilities and support their services.

177. We have completed a review of social service sector salary benchmarks, and will work with the SSAs to raise salaries so as to better attract and retain talent in the social service sector. The Minister for Social and Family Development will share more at the COS.

178. In this Budget, I will **top up the Community Silver Trust by \$1 billion** to support our SSAs that deliver community care services for our seniors. The Community Silver Trust provides dollar-for-dollar donation matching grants for the SSAs, and will enable them to enhance the quality and accessibility of community care, especially for the more vulnerable seniors. Charities and SSAs can also continue to

tap on the Charities Capability Fund and the Community Capability Trust to drive innovation and transform their operations.

179. I will also **provide a \$10 million top-up to the Self-Help Groups over the next three years**. They are doing good work on the ground, and are well placed to provide assistance to members of their respective communities who need help.

180. Sir, tomorrow is Total Defence Day. We are reminded that every citizen and every sector of society has a part to play in ensuring Singapore's security, and defending our way of life. Indeed, our efforts to strengthen our overall resilience must reflect the values that motivate us as a people and as a nation. We want a Singapore where we not only do the best for ourselves, but also help our fellow citizens succeed. And that is how we keep Singapore strong, resilient, and united.

181. Mr Speaker, with your permission, please allow me to say a few words in Mandarin.

182. 今年的财政预算案是在外部环境复杂多变的情况下出炉的。在这充满挑战的世界里，我们必须全力以赴，维持新加坡的稳定与繁荣。

183. 我理解国人对生活费上涨的担忧。因此，这次的财政预算案会提供更多援助，协助国人渡过难关。

184. 退休人士和低收入家庭将获得最多的援助。例如，一对住在三房式组屋的退休年长夫妇，今年可以得到六千五百元的补助。这些援助足以让他们应付消费税上调和通胀导致的额外开销。

185. 中等收入家庭也将受惠，而大家庭会获得更多援助。例如，一户住在五房式组屋、家有两老，并有两个孩子的中等收入家庭，这一家六口今年总共能够获得八千四百元的补助。中等收入家庭所获得的援助，也能抵消大部分消费税上调和通胀导致的额外开销。

186. 除了这些暂时性的援助措施，我也将加强永久性消费税补助券计划。这将确保大多数退休人士和低收入家庭不会受到消费税上调的影响。在我国的消费税制度下，比较富裕的消费者，以及外国人和游客，将比低收入的国人承担更多消费税。

187. 除了协助国人应付生活费上涨，我们还会协助企业和员工做好准备，在新时代抓住机遇。

188. 因此，我们将支持本地企业，尤其是中小企业，投资创新项目和领域。这样，我国企业能通过创新，拓展业务。我们也会进一步协助有潜力的中小企业走出国门，开拓海外市场，具备国际竞争力。我希望一些本地企业能够成为全球顶尖企业，在国际舞台上占有一席之地。

189. 此外，我们将加大力度协助员工提升和更新技能。我们也会加强对家长的援助，减轻他们生儿育女的负担，帮助他们更好地兼顾工作和家庭。

190. 今年适逢建国总理李光耀先生的百年冥诞。我们在缅怀李先生的同时，也应该继续秉持他毕生坚守的信念和价值观，要深谋远虑，未雨绸缪，并且掌握新加坡的命运，为一代代的国人打造美好的未来。

191. 新加坡的建国之路并不是一帆风顺的，而是经历了许多风风雨雨。我们在逆境中发挥坚韧、团结的精神，克服了一个又一个的严峻挑战，从而变得更加坚强。

192. 过去三年，国人携手对抗疫情的经历，也再次证明了这一点。这个兔年呢，将会是挑战和机遇并存的一年。我们不能守株待兔，而必须动如脱兔，积极做好准备，牢牢地抓住机遇，勇往

直前。只要我们团结一心，携手前进，我相信我们一定能够建造一个更加繁荣、更加强韧的新加坡。

G. Fortifying our Fiscal Position

193. Sir, our efforts to grow the economy, strengthen social safety nets, and enhance national resilience will require the Government to spend more.

194. The Ministry of Finance recently published an Occasional Paper on our medium-term fiscal projections. Our expenditure projections have not taken into account additional policy moves that the Government may make in the future. If there are any such further increases in spending, they will need to be funded by additional revenues to ensure a balanced budget over the medium term.

195. But even if we have to look at ways to raise revenues in future, the Government will keep our overall system of taxes and benefits fair and progressive. Our system is based on collective responsibility. Every citizen has a part to play in nation building. Everyone contributes something, but those who are better off contribute more. Likewise, everyone benefits from the State's spending, with the vulnerable benefiting more. This is a fair and inclusive approach.

196. Last year, besides the GST rate increase, I made major changes to strengthen our tax structure, including raising the Personal Income Tax rates for top income-earners, as well as the property tax rates for

higher-value owner-occupied residential properties and all non-owner-occupied residential properties.

197. This year, I will make further adjustments to our tax system.

198. **I will adjust the Buyer's Stamp Duty regime**, which applies to all purchases or receipt of gifts of immovable properties in Singapore.

199. I will **introduce higher marginal Buyer Stamp Duty rates for higher-value residential and non-residential properties**.

200. For residential properties,

a. The portion of the value of the property in excess of \$1.5 million and up to \$3 million will be taxed at 5%, while that in excess of \$3 million will be taxed at 6%; up from the current rate of 4%.

b. The changes are expected to affect 15% of residential properties.

201. The Additional Conveyance Duties regime will also be adjusted accordingly.

202. For non-residential properties,

- a. The portion of the value of the property in excess of \$1 million and up to \$1.5 million will be taxed at 4%, while that in excess of \$1.5 million will be taxed at 5%; up from the current rate of 3%.
- b. And these changes are expected to affect 60% of non-residential properties.

203. The changes to the Buyer's Stamp Duty regime will apply to all properties acquired from tomorrow. This is expected to generate an additional \$500 million in revenue per year. But the actual amount will depend on the state of the property market. (See Annex G-1.)

204. I had adjusted vehicle taxes last year, but there is still scope to make them more progressive.

- a. I will **adjust the Additional Registration Fee, or ARF, rates to better differentiate between the higher-end cars, and also tax luxury cars at a higher rate.** Buyers of cars with Open Market Value, or OMV, of more than \$40,000 will pay higher marginal ARF rates than they do today. And in particular, for

the highest OMV tier, the revised ARF rates will be 320%, up from 220% today.

- b. Currently, the Preferential ARF rebates are sized as a percentage of the payable ARF. I will **cap the Preferential ARF rebates at \$60,000 to avoid providing excessive rebates to more expensive cars when they are deregistered.**

205. These changes are expected to affect the top one-third of cars by OMV. Buyers of cars with an OMV of \$40,000 or less will be not be affected.

206. The new ARF structure and the Preferential ARF cap will apply to all cars registered with COEs obtained from the next round of COE bidding. The ARF change is expected to generate about \$200 million in additional revenue per year, but again the actual amount will depend on the state of the vehicle market. (See Annex G-2.)

Other taxes

207. To discourage the consumption of tobacco products, I will implement a **15% increase in tobacco excise duty** across all tobacco products with effect from today. The increase is expected to generate about \$100 million in additional revenue per year. (See Annex G-1.)

208. I will also make some tax adjustments to support businesses and strengthen our competitiveness, as well as to enhance the fairness and resilience of our tax system. And the details of these tax changes are in the Annex to the Budget. (See Annex G-1.)

Corporate Tax

209. Our corporate tax system will be affected by BEPS 2.0. Pillar 2 of BEPS will introduce a global minimum effective tax rate of 15% for large MNE groups. However, many jurisdictions have not announced their implementation plans. Some key parameters of Pillar 2 have only been finalised this year while others remain under discussion at the international level.

210. The EU recently announced its plans to implement Pillar 2 in phases starting effectively from 2024. Other jurisdictions like the UK and Switzerland have announced their intention to do the same. As the rules will be implemented progressively, the full effects will only be felt in 2025 or later.

211. Given these developments, I intend to implement Pillar 2 from 2025, as part of the broader international move to align minimum global corporate tax rates for large MNE groups. When we do so, we will implement a Domestic Top-up Tax, which will top up the MNE groups' effective tax rate in Singapore to 15%. At the same time, we

will review and update our broader suite of industry development schemes to ensure that Singapore remains competitive in attracting and retaining investments.

212. That said, the developments on BEPS 2.0 are fluid, and we will continue to monitor international developments. If there are additional delays, we will adjust our implementation timeline. We will continue to engage companies and give them sufficient notice, well ahead of any changes to our tax rules or schemes. (See Annex G-1.)

FY2023 Fiscal Position

213. Sir, let me now summarise our overall fiscal position. For FY2022, as I mentioned just now, I expect an **overall deficit of \$2 billion, or 0.3% of GDP.**

214. For FY2023, I expect an overall slight deficit of \$0.4 billion, or 0.1% of GDP. This is appropriate for the projected economic conditions this year. Nonetheless, we will have drawer plans in place to take swift action, should downside economic scenarios materialise. (See Annex A-2.)

215. For the last three financial years, we have had to draw on the Past Reserves to cope with the unexpected shocks and disruptions of

the pandemic. As things return to normal, we will not need to make any draw on the Past Reserves in this year's Budget.

216. In May 2020, the Government raised the Contingencies Funds balance from \$3 billion to \$16 billion to ensure we could respond quickly to urgent and unforeseen cashflow needs arising from the fast-evolving pandemic. With the return to normalcy, I will reduce the balance of the Contingencies Funds from \$16 billion to \$6 billion. This will ensure adequate resources for unforeseen circumstances, while retaining discipline in how we manage our finances.

217. Today, we can increase the balances in the Contingencies Funds, but there is no legal mechanism to make a reduction. We will hence amend the Constitution for this purpose. The Government will be tabling a Bill for its First Reading later this month.

H. Conclusion

218. Mr Speaker, this Budget is about moving forward in a new era – a period of great uncertainty and troubles in the external environment, which will pose formidable challenges for all of us.

219. We are taking comprehensive measures to help Singaporeans tide through the immediate cost-of-living pressures. Importantly, we are making decisive moves to secure Singapore's prospects – by growing our economy, equipping our workers, strengthening our social compact, and building a more resilient nation. These moves are part of the broader strategy for our next bound of development, which we are co-creating with Singaporeans through the Forward Singapore exercise.

220. The road ahead will not be easy. But it has never been and will never be that easy for us. We are a little red dot – a country that was never meant to be. We are more exposed and vulnerable than others to external forces beyond our control. And in our short history since independence, we have repeatedly faced crises, and will continue to do so.

221. But we have never shied away from adversity and challenges. Mr Lee Kuan Yew and our Pioneer Generation set the tone for how we

should respond – with grit and tenacity, and with the courage to dream big and turn these dreams into reality. And since then, successive generations have sustained the hard work to take Singapore forward. This is why we are in a much stronger position today.

222. We have also emerged from the last three years of COVID-19 more united than before. There is a high regard around the world for the Singapore brand – our honesty, integrity, and reliability. Investors trust us – they see advantage in our tripartite system, our open economy, and our cohesive society. These are fundamentals that will set us apart.

223. But our real strength is in our people – who we are and what we stand for. We are a people with an indomitable and never-say-die spirit. We are quick in adapting and responding to changes in the world. We believe in stretching ourselves, pursuing excellence, and striving to do better. And we strive, not just for ourselves and our families, but also for those around us. Because we are also a caring, gracious, and generous people – we treat each other as equals, we respect and look out for one another, and we are ever ready to extend a helping hand to those in need.

224. We see this spirit in Singaporeans like Ms Emily Yap, who is a registered nurse at Alexandra Hospital. Emily has been hard at work at the COVID frontlines. Despite this heavy workload, she still volunteers on her off-days to care for the wider community.

- a. She draws inspiration from her grandmother who also worked as a nurse her whole life.
- b. So, Emily started a ground-up initiative with other like-minded young people. During the pandemic, she and her fellow volunteers helped to deliver grocery packs to the elderly and lower-income families in the community. She also used her CDC vouchers, not for herself, but to buy *kueh bangkit* from her neighbourhood bakery and share them with vulnerable families over the Lunar New Year. (See Annex D-2.)

225. Sir, that is what the Singapore spirit is about. We have seen it in action, and experienced it in abundance over the last three years – how we are responsible for one another, keep an eye out for our fellow citizens, and always band together as a team. And as one united people, we can move forward with confidence in this new era, and shape a brighter future and a better Singapore together.

226. Mr Speaker, I beg to move.