

BUDGET 2020 ROUND-UP SPEECH

CONTENTS

A. INTRODUCTION: FACING CHALLENGES SQUARELY, TOGETHER.....	1
B. OVERCOMING PRESENT CHALLENGES	3
C. PROVIDING FOR OUR FUTURE	12
GST: Meeting People's Needs	14
Who Should Pay?	20
Helping Singaporeans Manage	23
Reserves: Safeguarding Future Generations	27
D. TURNING CONSTRAINTS INTO STRENGTHS.....	31
E. CREATING OPPORTUNITIES FOR ALL	34
Transforming Our Economy.....	35
Developing Our People.....	39
Strengthening our Social Compact	45
F. CONCLUSION	51

A. INTRODUCTION: FACING CHALLENGES SQUARELY, TOGETHER

- A1. Mr Speaker, I thank Members of this House for the thoughtful debate over the past two days. In particular, I would like to thank the 57 MPs (including all 9 NMPs) who rose to offer your perspectives and suggestions.
- A2. I have also learnt many new terms – including Mr Lim Swee Say’s H2P2 (happy and healthy, productive and purposeful), Professor Lim Sun Sun’s 3Ms (mobility, maturity, mentality), and Mr Ang Hin Kee’s “*woon woon jiak beehoon*” (steadily, we eat the *beehoon*).
- A3. Special thanks to Mr Liang Eng Hwa who opened the debate as Chairman of the Government Parliamentary Committee for Finance and Trade and Industry.
- A4. Beyond this House, I also appreciate the many helpful, constructive perspectives shared by fellow Singaporeans. They have enriched the national conversation on this Budget and the issues that it seeks to address.
- A5. This year’s Budget takes place under exceptional circumstances. It is a trying moment for businesses, workers, and households, having to deal with both the softening of the global economy, and the sudden COVID-19 outbreak.
- A6. How we respond to moments of challenge and crisis is a test of our individual resilience and the strength of our character. Even more, it is a test of our social cohesion and solidarity. It is a test of who we are as a people, and as a nation. Do we panic and become self-centred, or do we stay calm, band together, and look after one another?
- A7. Since I delivered the Budget Statement last week, some have asked why we call it “Our Unity Budget”. My answer is simple:
- a. It expresses our confidence that Singaporeans will rally together to meet our challenges head-on.
 - b. It expresses our conviction that we will emerge from this test, stronger, more resilient, and more united than ever before.

- c. It expresses the spirit shown by many Singaporeans – of staying united, as one people, through thick and thin.
- A8. Beyond fighting the COVID-19 outbreak, our unity will be the foundation for Singaporeans to press forward, and write the next chapter of the Singapore Story.
 - a. United, we can overcome the longer-term challenges of ageing, technological disruption, social inequality, and climate change.
 - b. United, we will make sure that the Singapore Story endures, and goes from strength to strength.
- A9. We should not take our unity for granted. Around the world and closer to home, we have seen societies torn by forces that foment polarisation, communal conflicts, and political turmoil.
- A10. These have weakened their social cohesion, and the sense of togetherness that is so essential for societies to meet the complex challenges of the day. We need, as many thoughtful commentators pointed out, a whole-of-society response.
- A11. I will round up this Budget by addressing Members' contributions along four key themes:
 - a. First, how we will overcome our immediate challenges and the COVID-19 outbreak together.
 - b. Second, how we should manage our finances collectively to provide for our future.
 - c. Third, how we should tackle the long-term challenge of climate change, and turn our constraints into strengths.
 - d. Finally, how we can create opportunities for all, and build better lives for Singaporeans in changing times.

B. OVERCOMING PRESENT CHALLENGES

- B1. First, let me speak on our present challenges.
- B2. Having gone through SARS 17 years ago, and other outbreaks such as the H1N1 since then, we are much better prepared for COVID-19 today. With systematic and long-term planning, we have developed new facilities like the National Centre for Infectious Diseases, deepened research capabilities in health and biomedical sciences, built up our global networks of experts, and honed our effectiveness in contact tracing and quarantine. Most importantly we have well-trained and dedicated people. These capabilities are now deployed to good effect to deal with the COVID-19 outbreak.
- B3. Although we have kept the outbreak contained so far, it has already had a significant effect.
- B4. In these challenging times, we have acted decisively to protect families and workers through the Care and Support Package and the Stabilisation and Support Package.
- B5. I have received a wide range of feedback about the support.
 - a. Many are relieved that we have a strong and decisive Budget, with both broad-based measures and targeted support.
 - b. Many Members of this House have asked if we are doing enough, particularly for businesses in the sectors directly affected and those feeling the knock-on effects.
 - c. On the other hand, some economists have wondered if we are doing too much.
- B6. We must not fight the current war simply based on the lessons of the last war. Every crisis and downturn is different. So we should, to the best of our ability, make a sound diagnosis of the current challenges, and apply a decisive course of action – or as one says in Chinese, 对症下药, fit the remedy to the case.

- B7. At the same time, we must bear in mind the caution that Ministers Gan Kim Yong and Lawrence Wong have given – this is a fast-moving, fluid situation. While the evidence is that the impact of the COVID-19 virus is more like H1N1 than SARS, its rapid spread through places like Iran, Italy, and South Korea demonstrates the fluidity of the situation.
- B8. We must maintain a state of dynamic vigilance, and be prepared to adjust course as new information comes in.
- B9. Let me address whether we are doing enough, and in a timely manner.
- a. The overall size of our spending in Budget 2020 is appropriate, for now. We have calibrated it to put sufficient purchasing power back into the economy, while injecting a boost of confidence.
 - b. In fact, our budget is higher than what most economists had expected. This took into account the context of the global slowdown and the wider uncertainties.
- B10. We are applying the support to where it matters most.
- B11. Our first priority is jobs.
- a. The two biggest items in the Stabilisation and Support Package – the Jobs Support Scheme (JSS) and the Wage Credit Scheme (WCS) – are focused on preserving and enhancing jobs.
 - b. With greater job assurance, workers are in a better frame of mind to go for training. It will also avoid them having to cut down too much on consumption.
 - c. SMEs, which employ the bulk of local workers, and whose concerns were raised by Ms Denise Phua and Mr Ong Teng Koon, are a key focus of these two schemes. As a percentage of revenue, SMEs will receive payouts that are on average five times as much as the average for all enterprises. This is on top of the help they will also receive through the Corporate Income Tax Rebate and other measures.

B12. Second, we are giving extra support to those sectors that are most impacted by COVID-19.

- a. Our sector-specific measures are calibrated according to the extent to which each sector has been affected.
- b. Tourism, accommodation, and aviation have been hit hardest, and are therefore given additional support.
- c. In total, these sectors will receive over \$400 million, in addition to the broad-based support that they will get through Jobs Support Scheme, Wage Support Scheme, and Corporate Income Tax Rebate.
- d. This will include enhanced absentee payroll support for workers, an issue that Mr Seah Kian Peng raised. Ministries will announce further details on this.

B13. Third, we have extended support to other groups who have felt the ripple effects, including Self-Employed Persons (SEPs).

- a. We have provided additional measures to support taxi and private hire car drivers, hawkers, tourist guides, and operators of F&B and retail outlets. This additional support totals over \$200 million, and is over and above the support from broad-based measures, which form the bulk of the support for them.
- b. Mr Desmond Choo, Ms Tin Pei Ling, and Mr Gan Thiam Poh asked if we could do more to take care of other groups of SEPs and freelancers who are more affected by the outbreak. Mr Pritam Singh raised the issue of private hire bus drivers.
- c. The relevant Ministries will announce details for these other groups subsequently.

B14. Fourth, we have designed our measures to be able to reach enterprises as quickly as possible.

- a. Mr Saktiandi Supaat, Mr Seah Kian Peng, and Mr Gan Thiam Poh asked if we could expedite the flow of the Jobs Support Scheme payout to businesses.
 - b. The disbursement of the JSS payout is operationally more complex due to the need to check and validate information on workers, employers, and payment mode. Hence, we had initially projected for the JSS payout to reach companies by the end of July.
 - c. In the last few weeks, the agencies involved have redoubled efforts, and are now targeting to bring forward the payment for JSS from end-July to end-May. Employers using bank crediting will get the payout about a week earlier. Enhancements to the Wage Credit Scheme will be provided in the second half of this year. This way, we can spread out our support for enterprises in a more sustained way.
 - d. These measures in the package also come on top of the existing support schemes for firms. For example, there will be a Wage Credit Scheme payout of more than \$600 million to firms next month, based on the parameters announced in Budget 2018.
 - e. We should also look at the measures in the Stabilisation and Support Package in totality. We are providing a Property Tax Rebate to qualifying commercial properties, for which property owners will receive their revised tax bills in April, and refunds of any excess property tax paid by the end of May.
 - f. We are also providing rental waivers for Government commercial tenants, the majority of which will apply to March and April rentals.
 - g. For the Corporate Income Tax Rebate, companies will receive their revised tax bills by the end of March. These will provide not just financial relief but also help with enterprises' shorter-term cash flow needs.
- B15. Many, including Mr Arasu Duraisamy, Ms Denise Phua, Dr Teo Ho Pin, Mr Chong Kee Hiong, and Mr Alex Yam have asked if we can do more for

businesses, and for a longer period of time. We hope that will not be necessary. But if it does, for example if the outbreak becomes a worldwide pandemic, and the global economic impact is deeper and longer, we have the fiscal resources to do so, and the will to act. But for now, let's go forth and make the fullest use of the support available out there, before we review what more needs to be done. As I said, this is a fluid and fast-moving situation.

- B16. There are many stories of businesses and workers who are not just making full use of the Government's support, but taking a step further to help each other and share the burden during this time of fear and uncertainty.
- a. Landlords, including CapitaLand and Frasers Property, have promised to pass on the Property Tax Rebate to affected tenants.
 - b. The taxi and private hire car companies have taken steps in partnership with NTUC, the National Taxi Association, National Private Hire Vehicles Association, and the Government to care for their drivers in their hour of need, even as they face challenges themselves. Sir, I thank Mr Ang Hin Kee for playing a key role in facilitating this.
- B17. Many businesses have also responded to the challenge with resilience and foresight, taking the opportunity to accelerate innovation and invest for the future.
- a. This is exemplified by PARKROYAL at Kitchener Road. I visited PARKROYAL this Tuesday. I was impressed by the measures they are taking during the downtime to renovate the hotel, redesign processes, retrain their workers, and redesign jobs.
 - b. They are able to do this because even before the COVID-19 outbreak, they had been making plans to transform their operations to cope with manpower constraints. Now they are accelerating their transformation efforts, fully utilising the support that we are extending to them.
- B18. Our labour movement has also been hard at work to help workers cope and emerge stronger from this difficult period. I thank Secretary-General Ng Chee

Meng, Mr Heng Chee How, and Dr Koh Poh Koon for NTUC's strong leadership and partnership in this period, and all his NTUC colleagues who are here in this House.

- B19. This is a time for all of us do our part. As Mr Vikram Nair put it, the entire population needs to come together to weather the storm.
- B20. People from all walks of life have come together to help others, at a time when it is tempting to just look out for oneself.
- a. Some are pooling their money. Young leaders from six business families in the Singapore Business Federation's Young Business Leaders Network have set up a \$5 million fund – called the Helping Our Promising Enterprises or "SBF-YBLN HOPE Fund" – to provide financing help for local enterprises hit by COVID-19. In another example, The Majority Trust, a charity, is raising \$500,000 under the Singapore Strong Fund to fund ground-up projects that help the community stay strong amid the COVID-19 outbreak.
 - b. Many are also pooling their time. Mr Delane Lim started an initiative, #OpsHandsOn, to provide free masks and hand sanitisers to seniors and vulnerable residents in neighbourhoods across Singapore, in collaboration with the local Residents' Committees and Community Clubs.
 - c. Even our children are doing their part. Students and staff from Wellington Primary School and several other schools made personalised cards to show support and appreciation for our frontline healthcare workers.
- B21. Several Members of this House have shared heart-warming stories of how the community has banded together to cheer on our frontline workers as they combat the COVID-19 outbreak.
- a. Mr Alex Yam talked about how volunteers in Yew Tee baked cookies for our frontline heroes.
 - b. Ms Tin Pei Ling talked about Singaporeans who wrote messages and prepared gifts to express their support and cheer them on.

- c. Our frontline healthcare workers deserve our fullest support and encouragement.
- B22. Indeed, our frontline workers, especially healthcare workers in the restructured hospitals, have shown outstanding courage and dedication. They are out there making daily sacrifices to fight this war against the unknown. As Mr Seah Kian Peng put it, they act not because they have no fear, but in spite of it.
- a. Senior Nurse Manager Ziyadah Zainuddin has worked more than twelve-hour days at Singapore General Hospital's isolation ward. Despite missing her birthday celebration with her family, she did not let COVID-19 stop her from doing her job.
 - b. Dr Melissa Tien responded to NCID's call for volunteers at its 24-hour screening centre, even though it meant sleeping in a different room from her husband and foregoing time with their two children.
 - c. Dr Margaret Soon, the Director of Nursing at NCID, and a veteran of SARs, cancelled a family trip to work at the frontlines. But her family understood and supported her, including her daughter whom she was pregnant with during SARS 17 years ago.
- B23. The selflessness and commitment of our healthcare workers have shone through as they bravely care for those affected, and tirelessly work to contain the spread of the virus. They are an inspiration to all of us, and their spirit of excellence has been recognised around the world.
- B24. While we cannot thank them enough, we can show our appreciation and support in a tangible way.
- a. The Government will award public officers on the frontline, who are directly battling with the COVID-19 disease, up to one additional month of special bonus. These will include many healthcare officers in MOH and the restructured hospitals, and some officers in other frontline agencies who have been directly involved. Other public officers who have contributed significantly will be recognised in appropriate ways.

- b. We will also make a one-off COVID-19 grant to the Public Health Preparedness Clinics, to support them in their active role caring for patients with respiratory symptoms.
 - c. This gesture, plus the many words of encouragement and acts of consideration and kindness, is our way to express to you: "We salute you!"
- B25. We will win this war over the virus by fighting as one united people. Our citizens and institutions all play a part.
 - a. Enterprises and senior managements standing with unions and our workers.
 - b. Landlords supporting tenants.
 - c. Neighbours looking out for one another.
 - d. Political leaders working hand in hand with the public service and the people, to do everything that will help us see this problem through together.
- B26. Singapore has been able to respond strongly and effectively to COVID-19 because there is strong trust between the people and the Government, and the sense that we are all in this together.
 - a. The Government can make decisions quickly and carry them out effectively, because Singaporeans have confidence that those responsible know what they are doing, care about their health and safety, and share their worries and concerns.
 - b. We do not hide bad news, we do not flinch from doing the right thing, we will go the extra mile to help every one of us come through this together.
 - c. That is why people comply with stringent quarantine orders, people accept reassurances about masks, people feel safe and carry on with their lives.
 - d. The fundamental basis for this is trust and solidarity between the Government and the people.
- B27. The political leadership will do our part. To show solidarity with fellow Singaporeans,

- a. All political office holders will take a 1-month cut in their salary.
 - b. All Members of Parliament will also take a 1-month cut in their allowance.
 - c. The President has informed me that she will join in, to take a similar 1-month pay cut.
 - d. Senior public service officers will take a half-month pay cut.
- B28. In the weeks and months to come, we will need to draw deeply on Singapore's reserves of resilience, trust and solidarity. This unity of purpose across our whole society is what will see us through these challenging times. And if we conduct ourselves well in this crisis, we will replenish those reserves, and strengthen our resilience and unity for another generation. As Engineer Dr Lee Bee Wah said yesterday – in Singapore, “you'll never walk alone”.

C. PROVIDING FOR OUR FUTURE

- C1. Budget 2020 provides critical support to Singaporeans and businesses in this hour of need.
- C2. We are able to do so because we have managed our finances prudently, and planned ahead to make sure that we always have enough to meet our people's needs.
- C3. COVID-19 will not be the last challenge that we will face. When this passes, we will continue to face the longer-term structural challenges of an ageing population, technological disruption, social inequality, and climate change. We will continue to face sudden and unexpected situations – be it new virus outbreaks, threats to our security, or financial crises.
- C4. A responsible government must ensure that the nation has the resources to meet these challenges and unexpected events, so that present and future generations of Singaporeans have the wherewithal to survive and thrive. As Mr Sitoh Yih Pin put it so well, we must always be ready. We must always provide for our future.
- C5. Two years ago, I announced that we would need to raise the GST sometime from 2021 to 2025. Various parties have questioned this plan.
 - a. Some have called for the GST rate increase to be delayed or dropped completely, after I announced that it would not take effect in 2021, and that we had prepared a \$6 billion Assurance Package.
 - b. In place of the GST rate increase, some have suggested alternatives including raising income and wealth taxes, as well as spending our reserves and more of its investment returns.
- C6. Which path we choose, and how we decide to share the burden of providing public services and building our collective future, will define us.
 - a. Will Singaporeans stand together to share the responsibility of providing for our collective future?

- b. Or will we pass the cost to our own children and grandchildren?
- C7. In many societies, such tensions have divided communities and created fault lines between millennials and baby boomers.
- C8. So it is critical that we make a collective and informed decision to share the effort and cost fairly, with citizens appreciating the reasons and values behind this decision.
- C9. Many have been advocating I give out more sweets – more ‘M&M’ – ‘More and More’. Be a generous 财神爷 or God of Fortune. It would be easier if I could deliver every Budget with just more good news – more spending on everything, more subsidies, more universal handouts – and keep quiet about how we will pay for all of these.
 - a. But this would be irresponsible. It has never been the Singapore way, and I hope, will never be. Because Singaporeans deserve better.
- C10. So I will spend some time explaining the rationale, and the hard choices and trade-offs that we have to make.
 - a. I hope that you will understand and appreciate the care and concern behind the careful planning.
 - b. If we did not care as much for our collective future, we would not have thought so long and hard.
 - c. And expended so much political capital.
- C11. Let me speak on two sets of issues in turn.
 - a. First, I will explain why raising the GST remains the responsible way for all of us to meet our society’s future needs.
 - b. Second, I will explain why we should continue to steward our reserves well, to safeguard the interests of future generations of Singaporeans.

GST: Meeting People's Needs

C12. First, let me reiterate why we need to raise taxes.

C13. Nobody likes taxes, not even Ministers for Finance. As a government, our approach is to tax lightly, so that people can keep most of what they earn, and so that they can decide how best to spend it for themselves, for their families or to donate it.

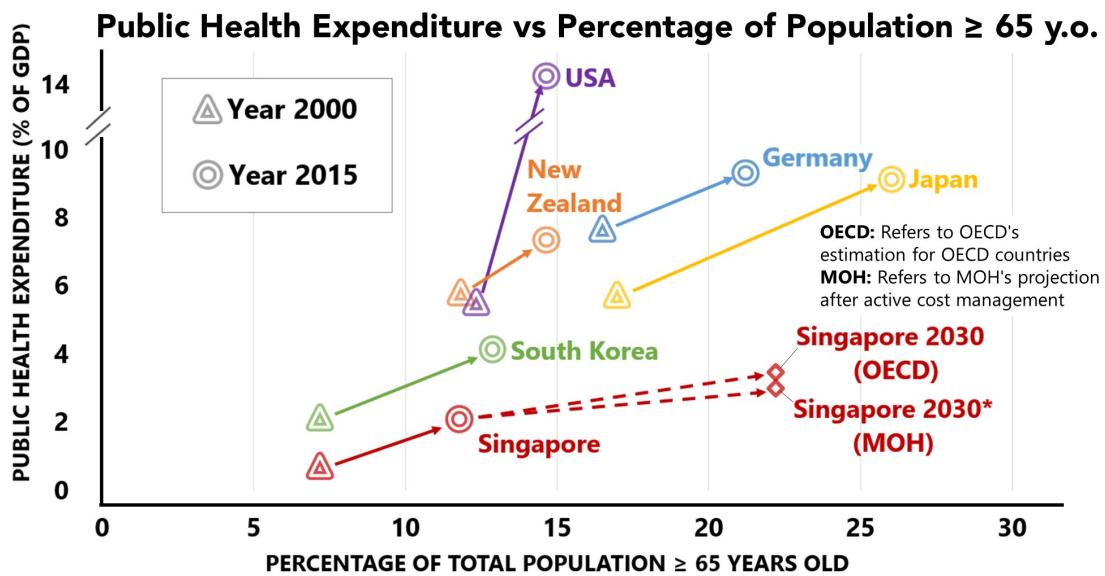
C14. But there are many critical national needs that are better met by government provision, through taxes.

- a. These include building up healthcare facilities and services, and providing subsidies to ensure that our healthcare needs are well taken care of.
- b. These include important priorities like mental health, which Ms Anthea Ong spoke about passionately, and which will be discussed further during the COS. I agree with her that good mental health is a foundation for well-being and resilience, and we have already started including this as part of our work on Human Potential that I have added to our national R&D efforts.
- c. These include developing good and affordable pre-school services and education, to give all children, including our children with special needs, a good start in life and the best chance for success, regardless of background.
- d. These include building up the SAF and Home Team to support our way of life in an era of emerging external, digital, and terrorist threats.
- e. These are all issues that many of us in this House care deeply about, and made eloquent pitches for the Government to spend more on.

C15. There must be a role for the Government to redistribute resources, in the right way, so that everyone shares in the fruits of progress. Our way is to do this is through schemes that enhance the capability of our people – through investments in education, healthcare, and the provision of housing, as well as schemes to mitigate inequality, like Workfare and Silver Support.

C16. Mr Pritam Singh asked earlier whether I could provide more details about our expenditure. In fact, I noticed that several MPs have gone through my Budget Annexes, and looked at how much spending has increased for various Ministries.

C17. So, let me just take this occasion to cover one important area. An important area because the big shift in public expenditure in the next decade will be in healthcare spending. It will grow significantly as our population ages, and as medical technology improves.



Sources: OECD, World Bank (World Development Indicators), MOF

*Data for Singapore is proxied using MOH total expenditure and resident population.

- Let me show you a chart that shows Singapore's and other countries' public health expenditure as a percentage of GDP, against the share of the total population that is over 65 years old. As the share of seniors increases over time, public health expenditure has simply increased. And medical technologies will continue to improve. This trend has played out in Singapore and the other countries shown in the chart.
- Over the past two decades, our healthcare expenditure has grown rapidly. In 2000, Government spending on healthcare was about 0.7% of our GDP. By 2015, it had tripled to about 2.1% of our GDP.
- This additional spending has gone towards significant improvements in healthcare accessibility and affordability.

- i. We have introduced new schemes such as MediShield Life, and expanded CHAS to cover all Singaporeans for many chronic conditions.
 - ii. Since 2010, we have opened or expanded eight hospitals. We have built two new polyclinics and redeveloped three existing ones.
 - iii. The spending is not just on the infrastructure. For every hospital that we build, the operating expenditure is even more. So it just tells you the trend that we are heading towards.
- d. Healthcare spending is not just about treating the sick. It is also about giving our seniors a better quality of life.
- i. The number of cataract operations per year on seniors increased from around 10,000 in 2000, to almost 30,000 last year.
 - ii. Such procedures were less common in the past, because people did not live as long as they do today to need them.
 - iii. And because of advances in medical sciences, previously incurable diseases, like cancer, can be better managed, and patients can continue to live for more years with good quality of life.
 - iv. The number of citizens aged 80 and above has almost doubled, from 63,000 in 2009 to 112,000 in 2019, and will increase further.
- e. Going forward, healthcare spending will continue to grow significantly. So while it is a very good thing that our people are living longer, we must be prepared that we have to spend more on healthcare.

- f. We expect public healthcare spending to grow by around 1%-point of GDP over the fifteen years from 2015 to 2030¹.
- g. This is in fact less than the average increase projected in the OECD countries², partly because of our efforts to keep healthcare costs sustainable, and because Singaporeans have increasingly adopted healthier lifestyles. But our healthcare spending may rise by more than this 1%-point, if medical costs rise throughout the world, and we do not bring problems like obesity and diabetes under control.

C18. As Mr Lim Biow Chuan said, Singaporeans must understand that increased spending on healthcare must come from somewhere.

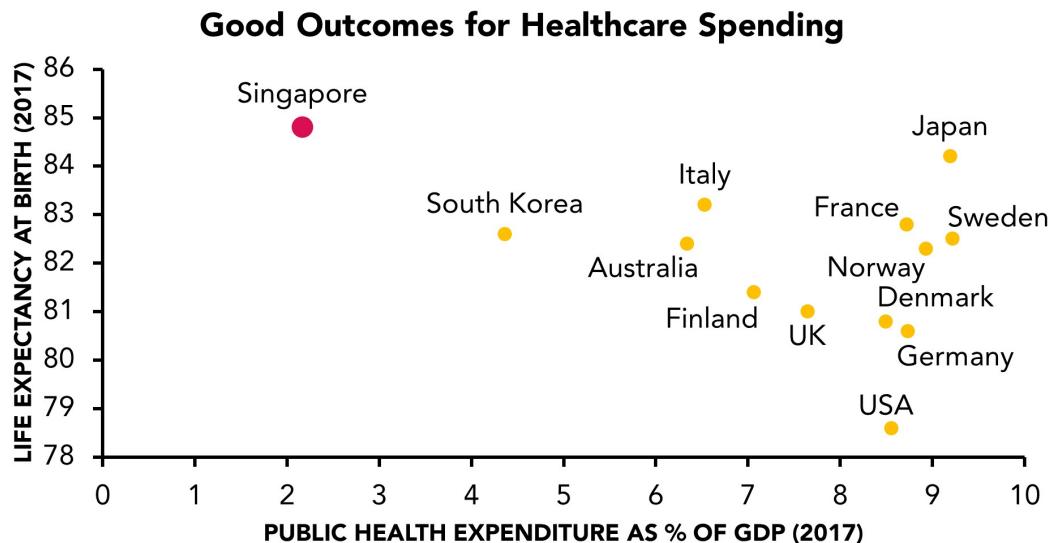
C19. Some have wondered if we can spend less, or spend more efficiently.

C20. And indeed, it is not just about how much we spend, but how well we spend. Today, we achieve good outcomes at a lower cost than many other countries.

- a. In health, we have the highest life expectancy in the world – almost 85 years – but still spend less of our GDP compared to other countries. As you can see this in this chart, our life expectancy compared against public health expenditure as a percentage of GDP of various countries.

¹ This refers to spending growth between 2015 and 2030. It is higher than the estimate of 0.8% of GDP mentioned in the Budget Debate Round-Up Speech in 2018, which referred to healthcare expenditure growth from 2017 to 2030.

² Lorenzoni, Marino, Morgan and James, OECD Health Working Paper No. 110: Health Spending Projections to 2030, New Results Based on a Revised OECD Methodology, May 2019



Sources: Global Burden of Disease Study, World Health Organisation, MOF
Data for Singapore is proxied using MOH total expenditure.

- b. In fact, former World Bank President Jim Yong Kim said that it was “stunning” that Singapore had achieved its current outcomes despite relatively low spending. So thank you to our people and our healthcare workers for taking care of your health and doing such a good job.
- c. Similarly, for education, our 15-year-olds do well in international indices of educational achievement, like the PISA test, despite Singapore spending less than other countries.
- d. We are able to achieve this only because of a whole-of-society effort.
 - i. On the Government’s part, we have carefully designed our education and healthcare systems, to deliver good services, in a cost-effective manner.
 - ii. We have dedicated and passionate educators who believe in developing every child to their fullest potential. We have committed healthcare professionals who believe in delivering the best care to all Singaporeans.
 - iii. There is strong support for Singaporean families from community groups and social service agencies.

- iv. And Singaporeans themselves play an important role, in taking responsibility for their own learning and health.
- e. We are always looking for ways to improve outcomes in a cost-effective manner. Minister Lawrence Wong will elaborate on some of these efforts during MOF's COS.
- f. But efficiency savings will never be enough to fully offset the growth in healthcare spending as the population ages and medical sciences improve. Efficiency savings can only mitigate it. To believe otherwise is wishful thinking.

C21. Ms Foo Mee Har shared that some Singaporeans have questioned the need to raise revenues to meet the expenditures I mentioned, pointing at surpluses seen in this term of government.

- a. But our healthcare spending needs are not one-off needs. They are recurrent needs – meaning that these needs will be there year after year. In fact, growing year after year.
- b. So we need to fund them using recurrent revenues, not one-off surpluses seen in this term of Government, which arose from an unexpected rally in global financial markets, and the unexpected buoyancy in the property market.
- c. We cannot hope to keep on being so pleasantly surprised. Things can very quickly swing in the opposite direction, as we have seen from the COVID-19 outbreak.
- d. The outbreak reminds us why we need to plan ahead to raise revenues. We must ensure that we have enough resources to meet our people's needs, driven by structural factors. Otherwise, we will find ourselves short and have to raise taxes or cut spending in difficult times, precisely when businesses and people need a boost.

C22. Planning ahead entails being honest with ourselves and with citizens, and having the discipline to raise revenues in a timely manner.

Who Should Pay?

C23. Yet among those who agree in principle on the need to raise taxes, some have asked: “Why GST”?

C24. As I have explained before, a broad-based tax like the GST is an appropriate and responsible way to pay for major societal needs like healthcare spending.

- a. Such spending benefits all Singaporeans, and so it is fair for everyone to bear some part of the costs.
- b. This is about all of us taking shared responsibility to pay for our needs and our society’s needs, and sharing in the effort to provide for them.
- c. It is at the same time a Singapore-style GST that comes with offsets to ensure that those with lower incomes pay much less than those who are well-off.

C25. In fact, at the individual level, many Singaporeans are willing to chip in to meet these needs.

- a. In my conversations with my constituents, I have asked if they would be willing to contribute just 20 cents more out of \$10 that they spend a day, if this would help to ensure that their healthcare needs and those of their parents were adequately taken care of. Many were willing to accept this small cost for the peace of mind.
- b. The compact does not change when we project it to the national level. This is ultimately about us collectively chipping in to look after the healthcare needs of our families. Each generation must pay for its own spending.

C26. Ms Foo Mee Har and some others have asked if we should raise income and wealth taxes, instead of GST.

- a. In fact, we have been doing so in recent years.
- b. In 2010, we made our property tax regime progressive, by introducing higher tax rates on owner-occupied residential properties with higher Annual

Values. We enhanced the progressivity of our property tax system in 2013, with higher property tax rates for higher-value homes and non-owner-occupied residential properties.

- c. In 2015, we raised the top marginal personal income tax rate from 20% to 22%. The following year, we introduced a new cap on personal income tax relief to make our regime more progressive.

- d. In 2018, we raised the Buyer's Stamp Duty rate for residential properties in excess of \$1 million in value.

C27. In all this time, when we were raising income and wealth taxes to support the country's growing expenditure, the GST rate remained at 7%. The last time we raised it was in 2007, more than 10 years ago.

C28. But we should bear in mind that there is a limit to raising income taxes.

- a. If we keep raising income taxes, it will eventually hurt middle-class Singaporeans, who presently pay very light income taxes.
- b. It will also risk losing our ability to attract talent and keep our own talents.
- c. As Ms Tin Pei Ling said, "talents beget talents, there is a virtuous cycle to this." It is important to have a critical mass of talent in Singapore to create jobs and economic vibrancy, which will benefit Singaporeans.

C29. That said, as important as raising the GST is, it is only one way to meet our revenue needs.

- a. An increase of 2%-points in the GST rate will provide us with additional revenue of almost 0.7% of GDP per year.
- b. But the increase in annual government healthcare spending alone that I mentioned already exceeds this amount of additional revenue.

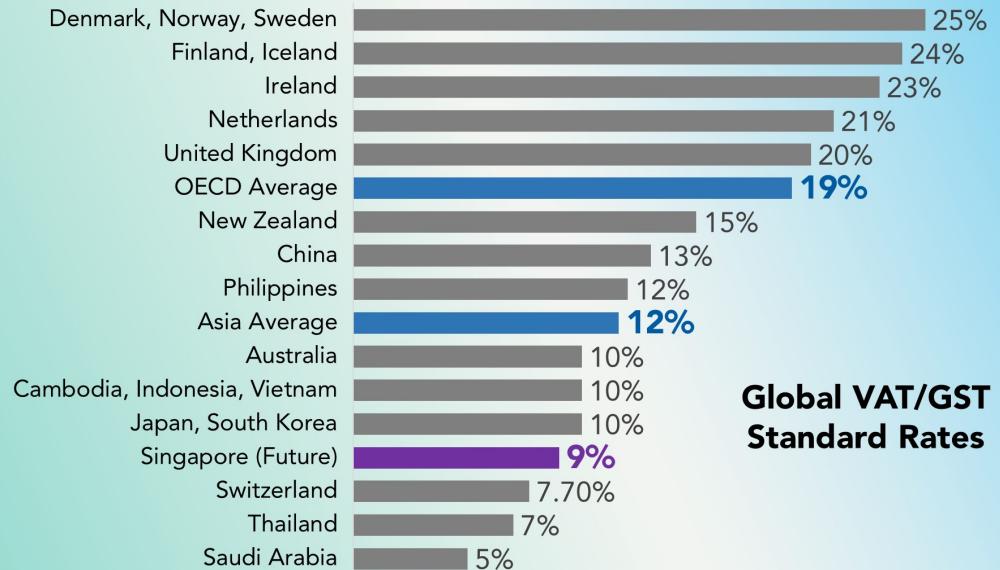
C30. So we will continue to adjust our income and wealth taxes, to raise revenue in a progressive and fair manner.

C31. We should also keep international tax developments in mind as we review these taxes. Both personal income tax as well as corporate income tax.

- a. As Mr Cedric Foo and Mr Henry Kwek noted, there are ongoing international discussions to revise tax rules under the Base Erosion and Profit Shifting project.
- b. Hub economies with small markets like Singapore stand to lose corporate income tax revenue if new rules are adopted. This is because the new rules allocate taxes to where the customers are, rather than where the underlying economic activity is conducted.
- c. Businesses are highly mobile in today's global economy. Companies, especially multinationals, have the flexibility to relocate their businesses out of Singapore to elsewhere. Singaporeans may lose their jobs.
- d. Mr Pritam Singh asked me earlier about the status of BEPS. I am glad that the Ministry of Finance officials have been very involved in these international discussions. Some of these discussions are confidential in nature. Some of them have been made public. But I assure Mr Singh that hub economies would have to bear some negative impact from this exercise, for the reasons I mentioned. Where do you tax the activity – where the consumers are? Or where the underlying economic activities are? With that change in principle alone, you can work out what the effects will be for us as a hub economy.

C32. We therefore need to strike a fine balance between our corporate income tax rate and economic competitiveness.

C33. Ultimately, how much we spend determines how much we collectively have to pay in the form of taxes. This chart shows the standard GST or value added tax rates that other jurisdictions adopt, compared with our future rate of 9%.



Source: KPMG, 2019

- a. Among the Nordics, for example, the Value Added Tax rates are as high as 25%. They also have top personal income tax rates as high as over 50%. They have accepted higher taxes as the price for their higher social spending.
- b. Even as we seek to keep the GST rate low, we have to make trade-offs as we increase our spending for our healthcare and other needs.
- c. After raising the GST to 9%, it will still be lower than the average rate in Asia, and less than half of the average rate in OECD countries today.
- d. Many countries in the region and elsewhere have standard GST rates that exceed 9%.
- e. Even Saudi Arabia, a country with huge oil reserves, is carefully planning ahead, and introduced a 5% Value Added Tax from 2018.
- f. Do we have oil? No!

Helping Singaporeans Manage

C34. Now let me address concerns raised about the impact of the GST hike on the lower-income, and its impact on cost of living.

C35. In designing our fiscal system, we have always sought to achieve a fair and progressive balance, where the better-off contribute more, and the lower-income receive more support.

C36. This overall philosophy is a key consideration in how we design the GST, and how we will implement the GST hike.

C37. This is why I have announced an Assurance Package to cushion the increase for all Singaporeans, when the revised GST rate kicks in by 2025.

- a. This provides a bigger and thicker cushion to the lower- and middle-income, including many seniors.
- b. This package effectively delays the impact of the GST increase for the majority of Singaporean households for at least five years. For lower-income Singaporeans, the offset will be even higher – and hence, there is effectively no increase for them for 10 years.

C38. There have been questions over the logic of raising GST and providing a \$6 billion Assurance Package for GST, and whether we can just delay or not even increase the GST rate at all.

C39. Now, delaying the GST increase is not the same as raising the GST and providing offsets. This is because of the design of our system, and the resulting incidence of the GST burden.

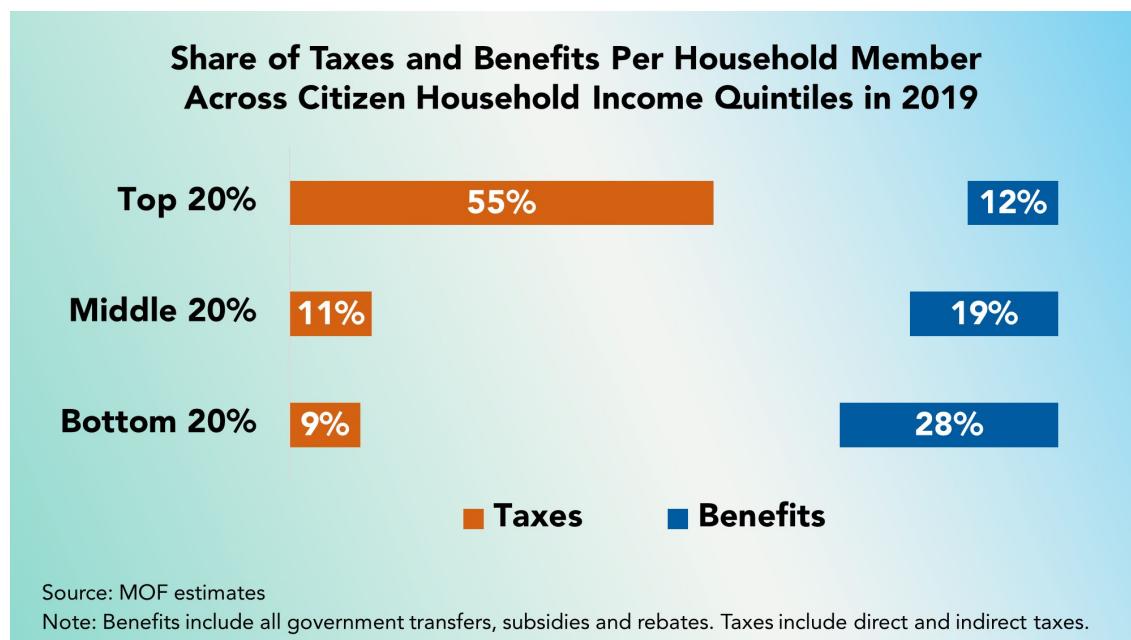
- a. Today, we flow part of the GST revenue back in the form of a GST Voucher that gives more to those who need it most, particularly the lower-income and retiree households. This is a permanent part of our system, and will be enhanced when the GST hike takes place.
- b. The GST Voucher reduces the net GST borne by lower- and middle-income households. Net GST is the amount of GST borne by each household, after accounting for the GST Voucher they receive.

- c. With the GST Voucher, the bottom 40% of resident households are estimated to account for less than 10% of the net GST borne by all households and individuals.
- d. On the other hand, a significant part of the net GST is borne by foreigners and higher-income households.
 - i. Mr Liang Eng Hwa asked what proportion of the GST is borne by this group.
 - ii. Foreigners residing in Singapore, tourists, and the top 20% of resident households are estimated to account for over 60% of the net GST borne by all households and individuals. This is after taking into account GST refunded under the Tourist Refund Scheme for goods bought here for consumption abroad.
 - iii. This is partly because foreigners do not benefit from the GST Voucher and offsets, which are available to Singaporean households.
- e. When we eventually increase the GST rate to 9%, foreigners pay the higher rate immediately.
- f. In contrast, Singaporeans receive offsets to cushion the impact, through both the permanent GST Voucher and the Assurance Package.
- g. And as I said, for most households it is equivalent to not having the GST increase for at least five years, and for some even 10 years.
- h. All in, the GST increase, implemented together with the Assurance Package will achieve different objectives.
 - i. Most importantly, we delay the impact of the increase on most Singaporeans, by five years or more, and even longer for the lower-income.

- ii. We can start collecting revenue from foreigners residing in Singapore and tourists.
- iii. And our businesses make the changes to their IT systems only once.

C40. The GST is only one part of our fiscal system. When you look at the system of taxes and benefits as a whole, it is a progressive one.

- a. Those who are better off contribute more. The top 10% of taxpayers pay about 80% of personal income tax revenue.
- b. As shown in this chart, lower- and middle-income households receive proportionately more benefits than the taxes they pay, whereas higher income groups contribute a far higher share of taxes than the share of benefits they receive.³ As you can see, the top 20% pay 55% of the taxes and receive 12% of the benefit. The bottom 20% pay 9% of the taxes and receive 28% of the benefits.



³ Notes: Citizen households are ranked based on monthly income from work per household member (including employer CPF contributions). Transfers and taxes data are based on citizen households on a per household member basis. “Lowest 20%” refers to citizen households in the 1st and 2nd deciles; “Middle 20%” refers to citizen households in the 5th and 6th deciles; “Top 20%” refers to citizen households in the 9th and 10th deciles.

C41. Let me summarise what I have explained in three points:

- a. First, we care for fellow Singaporeans and want to support them, especially in healthcare. To fund this spending, we need to raise the GST.
- b. Second, we will take collective responsibility to look after one another. Raising the GST, a broad-based tax, to meet a broad-based need is a sustainable approach.
- c. Third, we ensure that we are fair when the GST is raised:
 - i. Through the Assurance Package, we will effectively delay the increase for almost all Singaporeans by at least five years; and
 - ii. Over and above the transitional support, the **permanent GST Voucher will further help the lower- and middle-income**.

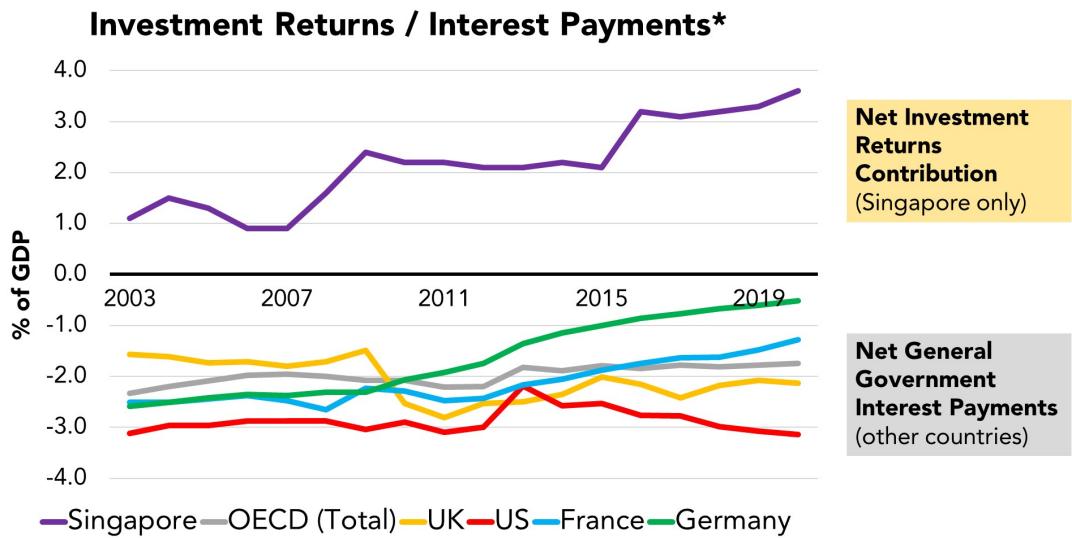
Reserves: Safeguarding Future Generations

C42. Now let me address questions that have been raised over the use of our reserves, and suggestions that it should be used to fund our needs instead of GST.

C43. The reserves are our nest egg, borne of hard work and discipline.

- a. During the earlier years of economic catch-up, Singapore experienced fast growth and had a young working population. Our founding fathers made the decision to save the country's surpluses and invest it for the long term to build up Singapore's nest egg.
- b. They could have just spent it to gain immediate political advantage. But they were principled and had the long-term interests of our people and our nation at heart.

C44. In FY2019, our Net Investment Returns Contribution (NIRC) was \$17 billion (or 3.3% of GDP), the largest single contributor to the budget. This is highly unusual and a very fortunate position.



- Most advanced countries, shown at the lower half of this chart, pay about 2% of their GDP in debt servicing of accumulated debt. They collect taxes to pay off the debts of previous generations.
- In Singapore, as shown in the top half of the chart, it is the opposite – our reserves generate substantial returns, which help to keep our taxes low.
- In other words, in most advanced countries, citizens today pay for the spending of the past generations. In Singapore, it is the reverse. Citizens today enjoy the benefits of the savings from the past, thanks to the foresight and policies of our founding generation of leaders and people.
- You can work out the sums simply. Today, NIRC at \$17 billion is more than personal income tax collections at \$12 billion, and GST collections at \$11 billion. So if we did not have the NIRC, even doubling personal income tax, or doubling the GST rate to 14%, would still not be enough.
- Tell me – in which other country are citizens able to reap the benefits of past savings in this way? So let us never forget that what we have inherited is very unusual, and very precious. Let us be responsible, and steward this properly for our future generations.

C45. Mr Leon Perera asked if we can slow the rate of growth of our reserves, and release more funds to invest in our people and companies.

- a. I am sure he is aware that in 2008, we introduced the Net Investment Returns framework, and in 2015, we passed a constitutional amendment to add Temasek in the framework.
- b. This has resulted in a significant increase in NIRC that has gone towards various spending, including investments in our capabilities to generate future growth.
- c. Put another way, today, at \$17 billion, the NIRC is able to cover almost the combined budget of MOE and MTI.

C46. More importantly, our reserves gives us the confidence – as a small country with no natural resources of any kind – to deal with the ups and downs in the world.

- a. This is why we have a robust set of rules to safeguard and manage the use of reserves. The President plays a critical role in guarding against profligate spending, and to ensure proper use of our past reserves to safeguard Singapore's interest when needed.
- b. During the Global Financial Crisis more than a decade ago, with global financial markets in turmoil and governments around the world scrambling to protect bank deposits, then-President S R Nathan approved the provision of \$150 billion from our past reserves to guarantee bank deposits in Singapore, from October 2008 to December 2010. That calmed our depositors. I was the Managing Director of MAS at that point – I can tell you that our officers in MAS worked day and night to safeguard the stability of the banking system. We were totally conscious that we were using our past reserves as a guarantee, while we were also confident that the guarantee would be put to good use because it was to stabilise the confidence of depositors. Throughout that period, we had a very difficult time, but towards the end of it, we did not have a single bank run. The \$150 billion remained untouched and was returned to past reserves. Singaporeans' money was safe.

- c. In 2009, then-President Nathan approved a draw of \$4.9 billion from our past reserves to fund the Resilience Package to help us overcome the Global Financial Crisis.
- d. A year later, after the economy rebounded sharply, the Government decided to return the money used to our past reserves. It did not have to, but did so, to maintain the discipline that has allowed this unusual move in the first place.
- e. This year, we have not had to tap on our past reserves. But it was the same spirit of prudence that allowed us to have enough surplus this term to provide the fiscal support for our economy and our people. But if the situation deteriorates significantly and calls for us to tap on our past reserves, I will make a case to the President to seek her approval to do so.

C47. Now, we can all do the easy thing and avoid the pain for ourselves today. We can decide not to raise GST to pay for our own spending, but to tap on our reserves and its investment returns instead.

C48. But by doing so, we will soon deprive future generations of the benefits that we enjoy today. What would that, then, say about us?

C49. During a Parliamentary hearing in 2001 on the Bill to allow the Government to use part of the returns of investment from our reserves, our founding Prime Minister Mr Lee Kuan Yew said, and I quote: *“What is the deepest obligation of any government? It is not to the present, and certainly not the past, but to the future.”*

C50. We have a duty not just to those who make their views known today, but also to the young and the future Singaporeans.

- a. They are not here today to represent their interests – because they are not born yet! But we have a responsibility to them, and have to take decisions which are difficult for us, but which will safeguard their interests.

C51. So let us continue to keep the discipline, and keep the faith and promise to future generations of Singaporeans, by stewarding our reserves well in our time.

D. TURNING CONSTRAINTS INTO STRENGTHS

- D1. Climate change is another area where we may not live to reap the benefits of our decisions, but our children will.
 - a. In this Budget, I have set aside \$5 billion for a Coastal and Flood Protection Fund.
 - b. I could have chosen instead to spend it on more ‘hong-baos’ or red packets, to make myself more popular. But by making the commitment today, these resources will go towards pumps, tidal gates, and infrastructure that will keep our children, and their children, safe from rising sea levels in decades to come.
- D2. Climate change threatens our very existence, as a small, low-lying island state.
- D3. But Singapore has always risen to the challenge in the face of adversity. We have never accepted our fate or our starting circumstances meekly – instead, we adapt, innovate, mitigate, and overcome. **We turn constraints into opportunities and strengths.**
 - a. Dealing with our water and land constraints has made us leaders in water technology and urban planning.
 - b. Our manpower constraints constantly push us to automate, digitalise, and be more productive.
 - c. Now, we have a plan to address our carbon and energy constraints.
- D4. We are meeting the challenge head-on, with an ambitious plan to tackle climate change. We are not only securing our coasts, but also transforming our sources of food and water, and remaking our entire economy and city for a green and sustainable future.
- D5. Several agencies are working in concert to execute this, coordinated by the National Climate Change Secretariat.

- a. This year, we will update our commitment to the Paris Agreement, and submit our Long-Term Low Emissions Development Strategy to contribute efforts to mitigate climate change.
 - b. MTI and MEWR will prepare our economy and society for the low-carbon transition by working with various stakeholders and partners to reduce our greenhouse gas emissions, and seize opportunities in the circular economy.
 - c. Just as it had done with water, MEWR is embarking on ambitious plans to develop our own food production capabilities, with its “30 by 30” target.
 - d. MOT is working on our vision to phase out internal combustion engine vehicles and have all vehicles run on cleaner energy by 2040.
 - e. MND is making efforts to make our towns greener and more sustainable, and transform Singapore into a City in Nature.
- D6. These are ambitious plans, and we are bringing our R&D investments in urban solutions and sustainability to bear to realise this vision.
- D7. The respective Ministers will speak more on these efforts.
- a. I hope their explanations will give Mr Dennis Tan a fuller picture of all that we are doing to tackle this serious challenge.
 - b. He and Mr Yee Chia Hsing, Mr Ang Wei Neng, and Mr Murali Pillai gave their perspectives on the adoption of Electric Vehicles.
 - i. The Government is playing our part. We already have the Vehicular Emissions Scheme, and in this Budget, I announced the EV Early Adoption Incentive. This will help to close the cost premiums between EVs and internal combustion engine vehicles. Over time, as technology improves, we expect the cost differential to close further.
 - ii. However, while we want to encourage drivers to replace their internal combustion engine vehicles with EVs, we should bear in mind that the cleanest, and most efficient mode of transport remains public

transport. A car-lite vision that Minister Khaw Boon Wan has articulated continues to be the main focus of our transport policy.

iii. The Minister for Transport will provide further comments later.

D8. This is a whole-of-society, multi-generational effort, and its success will depend on all Singaporeans taking action. I am very happy that many young Singaporeans are passionate about this cause, and want to be part of the solution.

D9. We are in for the long haul, and our journey to tackle climate change will span 50, even 100 years. It is, as one commentator pointed out, a big audacious goal. But if we do not have the courage and determination to tackle challenges that threaten our very existence, what is our ambition for?

D10. Such long-term investments, together with our reserves, represent our commitment to future generations of Singaporeans.

D11. If we take the long-term view, and each generation plays its part, Singapore can face the future with confidence:

- a. Confidence that we will always have the capacity to overcome every challenge – be it a virus outbreak, recession, or rising sea levels.
- b. Confidence that we will be able to provide for our families and our community.
- c. And confidence that our children will have the best chance of a better life, come what may.

E. CREATING OPPORTUNITIES FOR ALL

- E1. Now, let me touch on how we will strengthen our social compact, and continue to fulfil the promise of opportunities for all in changing times.
- E2. Ms Denise Phua, Associate Professor Walter Theseira and others, spoke on the need to tackle inequality and preserve social mobility.
- E3. Singapore was founded on a vision of a ‘just and equal society’ – broad-based prosperity and equal opportunities for all – a society where every Singaporean, regardless of background and starting point, has a good chance to do better.
- E4. Today, this remains this Government’s mission, to enable all Singaporeans to enjoy the fruits of growth.
- E5. Over the years, we have made good progress in fulfilling this goal. But we will confront complex new challenges ahead, including the pressures of technological and demographic change, and the growing inequality of starting points, as our society matures.
- E6. Our response to these challenges will define us.
- E7. A growing number of societies have responded by turning inwards from the world, even as they grow more polarised and divided within.
- E8. For Singapore to stay successful, we must have the courage to take a different path.
 - a. We must continue to anticipate and respond to change, plan for the long term, and find practical solutions to create better lives for Singaporeans.
 - b. We must continue to stay open and connected to the world. A Singapore turned inwards cannot survive.
 - c. We must continue to foster trust in society, a point which Professor Yaacob Ibrahim spoke about yesterday.
 - d. Above all, we must stay united as one people. Our unity is what makes Singapore’s story exceptional.

E9. Mr Lim Swee Say, in his trademark pithy way, said we need “Glocalization” – both a globally competitive economy, and a locally cohesive society. This calls for us to do three things:

- a. To **transform our economy** to be globally competitive.
- b. To **develop our people** to seize these opportunities.
- c. And to **strengthen our social compact** by ensuring that all benefit from the fruits of progress, and no one is left behind.

E10. This will require us to put in place synergistic fiscal, monetary and structural policies:

- a. With sensible and prudent fiscal policies that promote growth and social equity;
- b. Appropriate monetary policy to promote macroeconomic stability to maintain price stability and promote steady growth;
- c. And structural policies that expand the capacity of our firms and labour force for growth.

E11. Now let me touch on the actions that we are taking in our structural policies – starting with how we will transform our economy to keep it globally competitive.

Transforming Our Economy

E12. The global economy is undergoing tectonic shifts today, and many countries face a new economic landscape. Singapore must move fast to secure growth and jobs in the next bound, or face irrelevance.

E13. We have therefore embarked on an urgent journey to transform Singapore’s economy. We started our work four years ago, in 2016, when the Committee on the Future Economy was formed.

E14. First, we are moving quickly to secure our external economic space, to create new opportunities and room for manoeuvre in an increasingly fragmented economic order.

- a. To ride on Asia's growth, we are working to position Singapore as a Global-Asia Node of Technology, Innovation, and Enterprise – as a trusted and valuable part of the network of global cities that are driving innovation and growth globally.
- b. We have enhanced our economic connectivity through our network of trade agreements and avoidance of double taxation agreements. We have also created new linkages with other economies through digital agreements, and new platforms and networks, such as our Networked Trade Platform and Global Innovation Alliance.
- c. These moves diversify our markets and supply chains, and have made us more resilient in times of rising protectionism.

E15. Second, we are increasing the capacity of our enterprises and industries to innovate, grow, and transform.

- a. As Mr Ong Teng Koon pointed out, building up strong local capabilities and ecosystems for innovation is critical to our economic success and resilience. We are therefore helping enterprises to deepen their capabilities at every stage of their growth. So I am very happy to hear Mr Teo Ser Luck sharing his personal entrepreneurship journey, making use of grants, but cautioning not to overdo it or you will destroy the spirit of enterprise.
- b. To strengthen our competitive advantages, we have expanded our R&D investments into new areas and technologies. Through these investments, we are harnessing the latest technologies to transform our manufacturing and services sectors, and creating new growth clusters in areas such as urban solutions and sustainability, health and human potential, and agri-food tech.

- c. And we have brought industry and the research community together to experiment and collaborate with the Government in test-bedding solutions in areas like urban mobility.

E16. Third, we are mobilising and partnering our industries and enterprises to take ownership of their own economic transformation.

- a. We have brought industry stakeholders together via Industry Transformation Maps across 23 sectors. But the success of each ITM comes down to the strength of leadership in our enterprises. Business leaders must have the mental agility and dynamism to experiment, and the resourcefulness to overcome constraints.
- b. That is why in this Budget, we are supporting business leaders through the Enterprise Leadership for Transformation or “ELT” programme. Our Institutes of Higher Learning, such as SMU, have joined hands with Enterprise Singapore to support this effort. Enterprise Singapore will bring more partners on board the ELT programme in the coming months.
- c. At the industry level, partnership among businesses is key. Even as businesses compete with one another and seek to differentiate themselves, cooperation can help them do better, such as by forming alliances to capture opportunities overseas or collaborating to test-bed sector-wide solutions.
- d. This is exemplified by the Singapore Manufacturing Federation, which, under Mr Douglas Foo’s leadership, is making a concerted effort to transform the manufacturing sector.
- e. The Singapore Poultry Hub is another example. A joint venture between five poultry producers and processors, the Hub’s smart factory will deploy emerging technologies to increase productivity by 26% and production capacity by 70%. By working together, these poultry producers were able to achieve the scale needed to transform a labour-intensive process. So though they remain competitors, they certainly didn’t chicken out from working together!

E17. As Minister Josephine Teo reminded us, economic transformation is not painless. Businesses must be willing to bear the transitional pains, to be creative and resourceful, and to seize opportunities where others see challenges.

E18. Encouragingly, we are starting to see the fruits of our moves to transform the economy.

- a. Productivity has grown in the last three years, and our enterprises are entering new markets.
- b. We are seeing continued confidence and investment in Singapore despite economic headwinds. Investment commitments attracted by EDB in 2019 amounted to \$15.2 billion in Fixed Asset Investments and \$9 billion in Total Business Expenditure per year.
- c. These show that we are taking steps in the right direction.

E19. Most importantly, our efforts are creating more and better jobs for all.

- a. Over the last ten years, local employment has grown steadily, adding more than 41,000 jobs each year on average.
- b. Local unemployment has stayed low, at about 3.2% of the resident labour force in December 2019, on a seasonally-adjusted basis.
- c. Above all, locals are benefiting from the jobs created.
 - i. Earnings have increased. Since 2010, real incomes⁴ have risen by about 3% each year for the median full-time employed local worker.
 - ii. And more locals are employed in higher-paying jobs. In 2010, 37% of full-time employed local workers earned a gross monthly income (excluding employer CPF) of at least \$4,000 in today's dollars, adjusting for inflation. In 2019, 51% of local workers earned at least \$4,000. So 51% in 2019, and 37% in 2010.

⁴ Deflated by Consumer Price Index for all items at 2014 prices (2014 = 100)

E20. At its heart, economic transformation involves the courage to brave transitional pains as we change the way we do things.

E21. If we can all move forward with the can-do spirit of initiative and partnership that we have shown in the past weeks, I am confident that we will build strong firms that can grow and compete in the global arena, and create good jobs for all Singaporeans.

Developing Our People

E22. As our economy undergoes structural changes, our labour market is also facing profound structural changes.

- a. As our population ages, our resident workforce will shrink rapidly, tightening our labour market.
- b. People are living longer, and expect to have longer, even multiple, careers.
- c. And rapid advances in technology and business models will bring more frequent and disruptive changes to skills required at jobs.
 - i. As Professor Lim Sun Sun and Mr Christopher de Souza put it, change is the only constant, and we cannot run away from it. Our collective mentality towards upskilling must change, from nice-to-have, to must-do, a point that Mr Teo Ser Luck also mentioned earlier.

E23. We are responding to these changes by taking a three-prong tripartite approach, with the Government, workers, and enterprises working in close concert to deal with these structural changes in our labour market.

E24. The first prong is for Government to invest in critical enablers of skills upgrading and in career support.

- a. We have shifted our approach to education to one that enables learning throughout life.

- i. We are investing heavily in Institutes of Higher Learning, or IHLs, to build up a future-ready ecosystem. Together with other training providers, our IHLs offer a large suite of Continuing Education and Training (CET) courses, many of which are industry-relevant.
 - ii. Together with those provided by other training providers, our IHLs' CET courses provide a key pathway for individuals to gain the skills and confidence to make career transitions, and to realise their aspirations.
 - iii. The Government subsidises these courses heavily, with subsidy rates as high as 90% of course fees.
- b. Beyond education, we are enhancing our support to help workers make job transitions smoothly. This is especially important for our mid-career workers. Ms Sylvia Lim spoke about their anxieties. We must turn these anxieties into actions that improve lives.
- i. Our Adapt and Grow initiative helps workers find opportunities, refresh their skills, and transition to new roles faster. Professional Conversion Programmes, or "PCPs", help workers take on new job roles. Our career coaches give career guidance and help job seekers secure new jobs.
 - ii. When I visited Workforce Singapore's Careers Connect last September, I met Mr Lam Kong Chai, 58 years old. Mr Lam had been job hunting for two years. With WSG's help, he was hired as Finance Director at Asia-Europe Foundation. His hiring manager herself had previously received career advice from WSG and approached WSG to fill the role that Mr Lam took on. And in turn, Mr Lam worked with WSG to fill a vacancy in his team. So all three individuals ended up getting jobs.
 - iii. The outcomes of our Adapt and Grow initiative are encouraging. About nine in 10 of those who went through our PCPs remained in employment 24 months after placement. About seven in 10 also

earned higher wages after starting their new jobs. Our coaches work with about 27,000 jobseekers every year. In 2018, they managed to place about seven in 10 jobseekers into new jobs within six months.

- iv. In this Budget, we have built on these initiatives, paying special attention to the needs of mid-career workers in their 40s and 50s, by introducing the SkillsFuture Mid-Career Support Package. We are increasing the capacity of our reskilling programmes, providing a hiring incentive to employers, and providing a special SkillsFuture Credit top-up of \$500 to every Singaporean aged 40 to 60 in 2020.
- c. I would like to thank Mr Patrick Tay, Mr Melvin Yong, and Mr Liang Eng Hwa for their suggestions on how we can help our mid-career workers and improve SkillsFuture. These will be discussed further during the COS.

E25. The second prong of this approach is to enable our workers to take ownership of their own learning and growth through the SkillsFuture movement.

- a. Initiatives such as the SkillsFuture Credit encourage each individual to take charge of their learning throughout life.
 - i. Together with Government subsidies for CET courses, our workers can access quality programmes with low or zero out-of-pocket payment.
 - ii. Take, for example, a Big Data Engineering for Analytics course which costs about \$4,500 before Government subsidies at a SkillsFuture Singapore-appointed CET centre.
 - iii. A Singaporean worker aged 40 or older enjoys a 90% course subsidy. The remaining \$450 can be fully met from the worker's existing SkillsFuture Credit, or the top-up this worker will get in this Budget.
 - iv. So the SkillsFuture Credit works in conjunction with the broader CET ecosystem of support that we have built up. So I hope this

assures members like Mr Arasu Duraisamy and Ms Irene Quay, who raised concerns on the credit, and concerns about whether it can really make a difference.

- b. Our labour movement is innovating and exercising collective leadership to strengthen individual workers' efforts. The Job Security Council initiated by Secretary-General Ng Chee Meng as well as the Company Training Committees.

E26. The third prong of our tripartite approach is to get our enterprises to step up their own enterprise transformation, and in tandem to redesign jobs and upgrade their workers. With this synergy, we can achieve more.

- a. As Ms Jessica Tan pointed out, leadership must come from employers.
- b. The Next Bound of SkillsFuture announced in this Budget therefore mobilises businesses to upskill their workers and redesign jobs, through the SkillsFuture Enterprise Credit, and the expansion of the Productivity Solutions Grant for job redesign consultancy services. Enterprises who hire local workers aged 40 and above – with no upper age limit – through reskilling programmes also get hiring incentives.
- c. Mr Ong Teng Koon was concerned that it may be difficult for SMEs to take workers away from the day-to-day business needs. In fact, there is no better time than now to do so. Many businesses are already making use of the downtime to accelerate change.

E27. This three-prong approach, building on our tripartite framework, is our structural response to the structural changes in the labour market. We are able to do this because we have been investing significantly in our education, upstream, to build a strong foundation to enable our people's success.

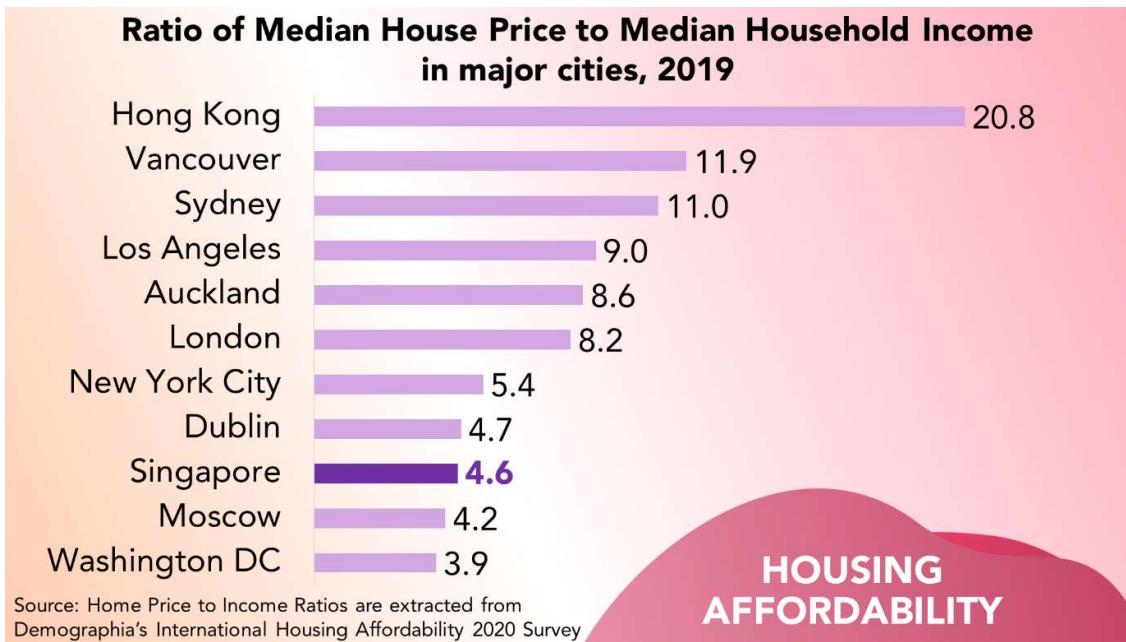
E28. Investing upstream means supporting every child to reach their fullest potential.

- a. Today, over 90% of the total cost of educating our children from primary to pre-university level is subsidised by the Government.

- b. In all, by the time a Singaporean child reaches 16, he or she would have received more than \$180,000 in education subsidies, including pre-school subsidies. Then when they go on to an Institute of Higher Learning, which most students do, they get an additional \$15,000 to \$22,000 in subsidies per year.
- c. Students from lower- to middle-income households receive additional bursaries and subsidies on top of this, which I have enhanced in this Budget.
- d. We are now investing significantly more in affordable, quality pre-school education, while giving low-income families additional support for early childhood development through KidSTART.
- e. We are also equipping young Singaporeans with the skills they need for the new economy, including cross-cultural skills. In this Budget, I announced our “70-70” target, Asia-Ready Exposure Programme, and enhancements to the Global Ready Talent Programme.

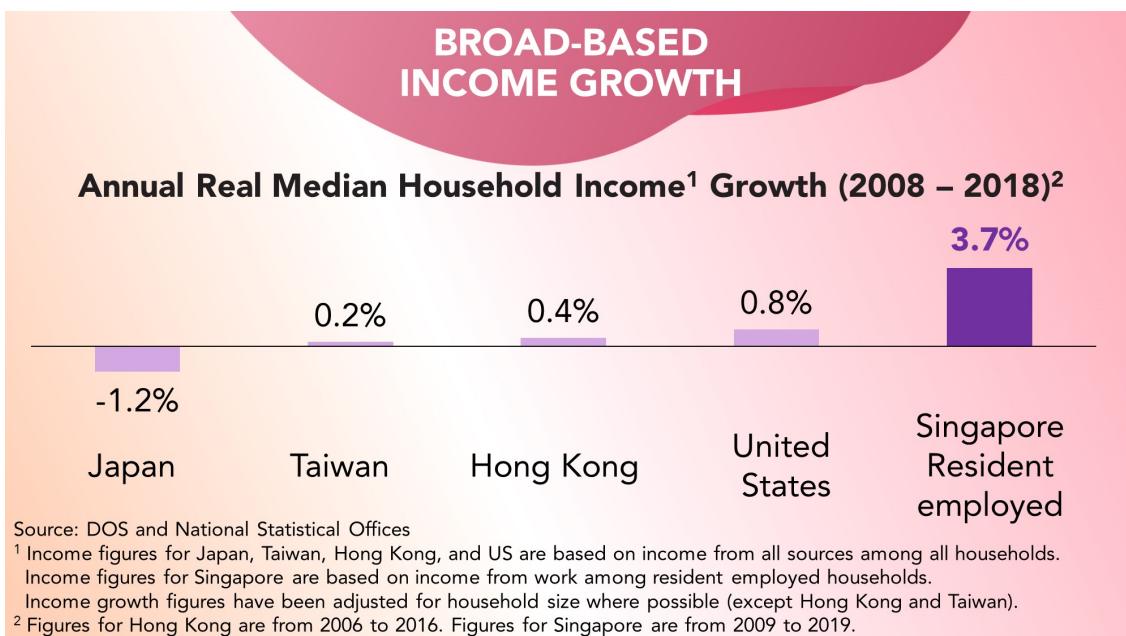
E29. Another key area where we invest upstream is housing, so that everyone has a home.

- a. We provide generous housing subsidies to keep HDB flats affordable. New HDB flats are sold at prices below their market rate. Over and above subsidies, we provide substantial housing grants depending on the income of the buyers. Eligible first-time buyers who buy resale flats get grants of up to \$160,000.
- b. Today, a resale flat can cost less than five times the annual income of a median-income household. This is much lower than international cities like Hong Kong, Sydney, London, or New York. This chart compares the median house price as a ratio of the median annual household income in major cities, before accounting for grants. The ratio will be lower with grants. You can see the numbers yourself.



E30. By intervening upstream in these areas, we provide a foundation of broad-based opportunities that enables everyone to earn their own success.

E31. As a result, Singaporeans have been able to enjoy the fruits of progress.



- a. Now I will show you another chart that shows that resident employed households have experienced sustained real income growth at the median,

growing by 3.7% per year over the last decade. And you can see the numbers for yourself, versus other developed economies.

- b. While the data are not perfectly comparable internationally, the growth that we have experienced is higher than that of many other advanced economies.

E32. In short, our approach in these changing times is to take structural measures to strengthen opportunity at every stage of life, with all – individuals, employers, unions – doing their part.

E33. For this to succeed, the change must come from within. For all the programmes that the Government puts in place, each individual will have to take responsibility for their own growth and learning.

E34. If we can all take on a mind-set of growth, and a spirit of resilience, we can be assured that we will emerge stronger and better to face the future ahead.

Strengthening our Social Compact

E35. I have spoken on our first two strategies of transforming our economy and developing our people, to enable opportunities for all. But for all our efforts to maximise opportunities for everyone, there will be some who will continue to face difficulties.

E36. So our third strategy is to strengthen our social compact, by ensuring that all benefit from the fruits of progress. This Budget provides further support for those who may face greater pressures.

E37. First, some face difficulties with employment and ensuring that growth in their income keeps pace with inflation, despite their best efforts. Associate Professor Walter Theseira, Mr Zainal Sapari, and Mr Png Eng Huat have spoken on the vulnerabilities of low-wage workers.

- a. The Care and Support Package, which includes Grocery Vouchers to provide help with daily necessities, will help them and their families.

- b. It builds on our efforts in recent years to strengthen social support and safety nets for low-income workers and their families, through enhancements to Workfare, the Progressive Wage Model, and ComCare.
- c. The mayors and the five CDCs have local assistance schemes to support the heartlands, as pointed out by Mayor Low Yen Ling. These local efforts, done in partnership with community partners, local merchants, and many others, bring warmth and support from fellow Singaporeans and business owners who are also our neighbours.

E38. Second, there are retired seniors who had low incomes in their working years, and little or no family support.

- a. We have announced substantial enhancements to Silver Support to benefit 100,000 more seniors, and raised payouts by 20%. These enhancements go beyond inflation growth, to provide stronger support.

E39. Third, Mr Melvin Yong and Mr Saktiandi Sapaat spoke about the stresses faced by middle-class families that are “sandwiched” financially, because they have to care for both their children and their elderly parents. Mr Louis Ng, Ms Yip Pin Xiu, Mr Desmond Choo, and Mr Darryl David also pointed out that they may face pressures in terms of time, from balancing their caregiving responsibilities and work.

- a. Financially, we have given additional help for such families in this Budget, by providing those with young or school-going children an extra \$100 cash payout per parent, more GST Voucher – U-Save rebates for larger households, and PAssion Card top-ups for their parents.
- b. Last year, we also announced measures to support parenthood and caregiving, including enhancements to pre-school subsidies, and the Home Caregiving Grant under MOH’s Caregiver Support Action Plan.
- c. Supporting and strengthening families will always be a priority for us, and we will continue to look at how we can do so effectively. I thank Members for their suggestions, and these issues will be discussed further at the COS.

E40. These measures come on top of the extensive subsidies that I mentioned earlier, in education, healthcare and public housing. These benefit all Singaporeans, including the middle-class.

- a. Middle-income households – those in the middle 20% by household income – benefit substantially from this system.
- b. In 2019, they received two dollars in benefits for every one dollar in tax paid.

E41. Overall, the measures that we have put in place over the past decade to provide good jobs for our people, develop them at all stages of life, and support the vulnerable, have made a decisive impact in narrowing the income gap.

- a. The Gini co-efficient, after taxes and transfers, fell to 0.398 last year, the lowest since 2001.

E42. This is encouraging, but our work is not done. We will always continue to look at practical, effective moves to tackle inequality and ensure that all Singaporeans progress together.

E43. Critically, business and community have growing roles to play.

- a. A caring and cohesive society begins with everyday acts of kindness, of philanthropy and volunteerism. These are better antidotes to inequality than the politics of class warfare that we have seen around the world.
- b. As Ms Cheng Li Hui put it, graciousness and kindness are indeed part of our Singapore spirit. There is much we can do to build an inclusive society for all, including those with special needs and persons with disabilities, which Ms Cheryl Chan, Dr Intan Mokhtar, and Ms Rahayu Mahzam reminded us.

E44. This is why it has been my priority to support, enable, and amplify the efforts of citizens and businesses to help those in need, through Singapore Together.

E45. These efforts are growing. In 2018, individuals collectively donated \$2.1 billion through registered organisations, more than double the \$960 million donated in 2008. Each donor gave on average about \$660, which is more than twice the

amount in 2008. In addition, one in two businesses in Singapore gives back through philanthropy and volunteering.

- a. Our social service agencies have been doing good work for the community. They too have been going through their own transformation journeys, building up technological capabilities to be more effective in helping those in need.
 - i. For example, the Cerebral Palsy Alliance Singapore has invested in an anti-gravity treadmill, so that clients can practice moving and walking in a fall-free environment. Going forward, we will partner the community to support more of such capability-development efforts, through the Community Capability Trust that I announced in this Budget.
 - ii. Such investments and partnerships will help social service agencies to overcome the manpower constraints that Ms Joan Pereira spoke on.
- b. This work is not just confined to organised sectors. Our democracy of deeds permeates every level.
- c. Many MPs have also shared stories embodying the spirit of SG Together.
 - i. Mr Liang Eng Hwa and many others shared about the spontaneous and thoughtful acts in many housing estates, such as fellow residents coming together to bottle hand sanitisers and placing them at lifts for residents to use.
 - ii. Ms Rahayu Mahzam shared about the passion among young people for a more inclusive, more compassionate society, and reminded us of the importance of engaging young people as we build this nation.
 - iii. I thank Mr Pritam Singh for your support for the Singapore Together movement, in your comment about MPs giving diverse views in this house. And I would say that we can go a step further – that a

democracy of deeds means each of us taking action to realise the good.

- d. It is also very inspiring to hear how several Members of this House are taking the lead to serve our community in their own, diverse ways. And let me just highlight some of our NMPs.
 - i. Associate Professor Walter Theseira, an economist, has been doing a lot of work on the labour market.
 - ii. Mr Douglas Foo, leading the SMF effort.
 - iii. Mr Terence Ho, using the arts to enable and empower individuals from underprivileged backgrounds.
 - iv. Ms Anthea Ong, who is fighting to raise awareness of mental illness among us, and to promote mental wellness.
 - v. Ms Irene Quay, who has served the public passionately in healthcare, volunteering in a hospice despite her many commitments.
 - vi. Ms Yip Pin Xiu, who is an inspiring young athlete and showing Singaporeans and the world what it truly means to be resilient.
 - vii. Mr Mohamed Irshad, who is fostering religious harmony, and helping to build a more caring society.
 - viii. Professor Lim Sun Sun, for your work to educate our young better.
- e. They embody the spirit of Singapore Together. And as Ms Denise Phua said, there are so many other areas where we can work together, to take action to build a better society and improve lives. And she herself has taken so much action and devoted so much effort in uplifting people with special needs.

E46. This is how we should rise to the challenge of inequality in this day and age – by coming together as one people to uplift the less privileged amongst us, with the state providing strong foundations of opportunity and support.

F. CONCLUSION

- F1. Mr Speaker, Sir, let me now say a few words in Mandarin before I conclude in English.
- F2. 所谓“前人种树，后人乘凉”。
 - 我们的国家储备金就有如先辈们为我们栽种的树。
 - 现在，这棵树可说是枝叶繁茂，让我们遮荫，能为国家带来稳定的收入。
- F3. 国家储备净投资回报贡献已是国家最大的收入来源。
 - 比公司税、个人所得税或消费税的税收还来得高。
 - 如果没有国家储备净投资回报贡献，即使我们把消费税提高一倍，至百分之十四，也不足以应付我们的开支需求。
- F4. 可是，如果我们动用储备金，或过度依赖投资回报来应付经常性支出，那就有如破坏，甚至砍伐这棵树。
- F5. 我国的经常性支出在增长，尤其是医疗支出。
 - 我们需要不断发展医疗保健设施和提供医疗服务，确保年长国人得到充分照顾。
- F6. 政府的这些支出将让全体国人受益。所以，让每个人承担部分费用是公平的做法。
 - 我已经宣布消费税在 2021 年将保持在百分之七。
 - 不过，政府还是需要在 2025 年或之前调高消费税。
 - 这不仅能让我们以可持续的有效方式增加收入，也体现了我们发挥集体责任的价值观。
- F7. 在提高消费税的同时，我们会确保税收公平。
 - 永久性消费税补助券计划能减轻消费税对中低收入国人所造成的负担。

- b. 此外，定心与援助配套可帮助大部分的新加坡家庭抵消相当于至少五年的额外消费税支出。对低收入国人来说，这个配套能为他们抵消十年的额外消费税支出。
- c. 消费税一旦上调，外国游客和居住在新加坡的外国人则必须立刻缴付百分之九的消费税。
- d. 其实，消费税净收大部分来自外国人和收入较高的家庭。所承担的消费税，占了来自所有家庭和个人的消费税净收百分之六十以上。

F8. 另外，政府也致力于确保我们的子孙后代继续享有可持续发展的生活环境。这是我们对国人的承诺。

- a. 其中，气候变化所带来的威胁是我们必须面对的。作为一个岛国，新加坡很容易受到海平面上升和洪水的影响。
- b. 除了应对气候变化所带来的影响，我们也必须继续打造一个宜居、温馨和富有活力的家园。

F9. 2020 年财政预算案是一个齐心共进的预算案。

- a. 对抗 2019 冠状病毒，我们必须万众一心。
- b. 我要特别感谢我们的前线工作人员。他们无私奉献，并以专业的精神，坚守岗位。
 - i. 为表达我们由衷的敬意和感谢，政府将给予照顾病患和面对较高风险的前线医疗人员以及公共服务人员高达一个月的额外花红。
 - ii. 此外，我们也将为公共卫生防范诊所提供一笔一次性的津贴。
- c. 在这个艰难时期，我国政治领导人与国人同舟共济。
 - i. 今年，担任政治职务者将少领取一个月的薪水。议员也将少领取一个月的津贴。
- d. 我国哈莉玛总统也表示支持，自愿减薪一个月。

e. 同样的，高级公务员也会少领取半个月的薪水。

F10. 在我们前进的道路上，我们会面对不少挑战。有的较长期，有的则较为紧迫。

a. 国人担心 2019 冠状病毒所带来的影响，我可以理解。

b. 但在面对眼前挑战的同时，我们也必须放眼未来。

c. 早报特约评论员严孟达，把这次的预算案贴切地比喻为三帖药方，分别是“定心丸”、“润肺散”和“提神三味汤”。

d. “定心与援助配套”，“经济稳定与支援配套”，“关怀与援助配套”以及“转型与发展策略”将多管齐下，确保新加坡在面对眼前挑战的同时，不失我们前行的大方向。这也让国人及企业在面对经济放缓的同时，养精蓄锐，为经济复苏时做好准备。

e. 我们能做到这一点，是因为我们多年来谨慎理财，未雨绸缪，预留了足够的资金。与此同时，我们也以负责任的态度善用我们的储备金。

f. “前人种树，后人乘凉”是我国长期规划财政的重要理念之一。我们要继续保护并培育先辈们所栽种的树，心系后代，确保我们的子子孙孙有足够的资源面对未来的挑战，并把握机遇，创造更美好的新加坡。

F11. Mr Speaker, Sir, I will now conclude in English.

F12. Mr Speaker, Sir, I have spoken on the vision and mission of this Government, on the shifts we need to make to thrive in the world ahead, and how we need to work together to reach our goals.

F13. We began our journey as a nation with a mission – seeking the welfare and happiness of Singaporeans, in a more just and equal society. Through rain or shine, we have never wavered from this mission.

F14. We live in a time of change and uncertainty today. But it is precisely in such times that our strength and resolve as a nation shines most brightly.

F15. Let us not be paralysed and divided by anxiety and fear, but let us be energised and united by optimism and a common vision for tomorrow.

- a. Let us rise to the occasion and overcome the COVID-19 outbreak together, stepping up to take care of one another in these trying times.
- b. Let us share the effort to build our future and nation together.
- c. Let us build a sustainable Singapore, where we and our children can live our best lives in a safe, green, and liveable environment, for all time and seasons to come.
- d. Let us grow as a city of possibilities – an open, globally-connected city, where each Singaporean can live to the fullest, and bring our aspirations, hopes and potential to life.
- e. Let us continue to build a society of opportunity for all – where we have the freedom to determine our own destiny, based not on our starting points, but through our own choices and efforts.
- f. And let us continue to foster a caring and cohesive community, living as equals, uplifting the most vulnerable among us, and taking care of our fellow men and women.

F16. All of this is within our reach, if we work as One Singapore.

- a. With collective action and leadership at all levels of society, and with our diverse strengths and passions combined, we can build a society that we can all be proud of.
- b. This is the spirit of Singapore Together, and it is alive today, as shown by many Singaporeans, including members of this House, who are leading change in diverse ways.

F17. Above all, let us never stop thinking for tomorrow. In the long and never-ending journey of nation-building, each generation of Singaporeans are relay runners. May we always take good care of what we have inherited, run our best race, and pass on a better future to those who come after us.

F18. This Budget is but one step in this long race, building upon the sweat and toil of generations who have run the race before us. It seeks to do right by Singaporeans, both present and future, through the financial plans and provisions that we make today.

F19. I thank all Members of this House for your support for this Budget. Let us unite and forge ahead as One Singapore, to build a better Singapore for tomorrow.

F20. "Singapore Together, Majulah Forever!"

F21. Thank you.