

Budget 2018

Together, A Better Future

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A. INTRODUCTION

A1. Mr Speaker, Sir, I beg to move, that Parliament approves the financial policy of the Government for the Financial Year from 1 April 2018 to 31 March 2019.

Economic Performance in 2017

A2. Riding on the global upturn, Singapore's economy picked up last year.

a. Our GDP grew by 3.6%¹, up from 2.4% in 2016. This exceeded the Government's forecast of 1% to 3% at the start of 2017.

b. Our productivity growth was 4.5% as measured by real value-added per actual hour worked, and 3.8% as measured by real value-added per worker. These are the highest figures since 2010.

A3. The good productivity growth has enabled firms to pay higher wages while staying competitive.

a. Real median income² for Singapore citizens rose by 5.3%³ last year.

A4. For 2018, the Ministry of Trade and Industry (MTI) expects growth to be more broad-based across sectors, but moderated from the high of 2017.

A5. The positive near-term outlook shows that the hard work of employers, workers and the Government is paying off.

a. With the support of businesses, Trade Associations and Chambers (TACs) and unions, we have launched 21 out of the proposed 23 Industry Transformation Maps (ITMs). The remaining two will be launched by the end of March. The tripartite Future Economy Council (FEC) is now overseeing the implementation of these ITMs and the strategies laid out by the Committee on the Future Economy (CFE).

b. Though new, the ITMs are helping to prepare our companies for a new phase of growth. For instance, as part of the Precision Engineering ITM, several companies in the sector, like Univac Precision Engineering and Globaltronic Precision, have undertaken projects to make better use of digital technologies in their manufacturing processes. This has enabled them to stay competitive and take advantage of the global economic recovery.

A6. We recognise, however, that some sectors, such as construction and marine & offshore engineering, continue to face headwinds.

¹ Source: MTI's Economic Survey of Singapore 2017.

² Median gross monthly income of full-time employed Singapore citizens.

³ Source: MOM's Labour Market Advance Release 2017.

Major Shifts in the Longer Term

- A7. While we address such near-term concerns, the Budget must be a strategic and integrated plan to position Singapore for the future.
- a. Strategic because it should identify future needs and issues, and propose early preparations to meet them.
 - b. And integrated because it should pull together resources and integrate efforts across all stakeholders – workers, businesses, VWOs, Government and our citizens – to build a better Singapore for everyone.
- A8. We must prepare for **three major shifts** in the coming decade.
- A9. First is the **shift in global economic weight** towards Asia. This will be accompanied by broader shifts in the global order.
- a. In recent years, several advanced economies have turned their attention inward in reaction to domestic pressures.
 - i. For example, Brexit has put a cloud of uncertainty over the UK and its trade with the EU and the world.
 - ii. And the US' recent tax changes and review of trade pacts will intensify competition and economic nationalism, fuelling anxieties worldwide.
 - b. Meanwhile, Asia will play a larger role in global trade and investment flows.
 - i. China has set up a regional infrastructure bank and laid out bold plans under the Belt and Road Initiative.
 - ii. India is reforming its economy, easing restrictions on foreign investments.
 - iii. Closer to home, ASEAN countries are moving up the value chain and their middle-class population is growing rapidly.
 - iv. All these developments represent significant opportunities for our firms and people. Our economy must be geared to ride on and contribute to Asia's growth.
 - c. However, there are also potential threats to the stability and growth of our region.
 - i. Tensions on the Korean peninsula and in the South China Sea can dampen investor confidence, while the threat of terrorism across the region remains very real.

A10. The second shift is the **emergence of new technologies**.

- a. Robotics and digital technologies are changing the way we live, work and play.
- b. They have already enabled the shift to Industry 4.0, and the rapid rise of e-commerce and a sharing economy.
 - i. These are interacting with traditional businesses in different ways – sometimes as competing substitutes, sometimes as complementary enablers⁴.
- c. New technologies are reshaping the economy and jobs.
 - i. Firms will compete increasingly not on physical assets, but on intangible assets, such as intellectual property (IP), data, and user networks. First-mover advantage and time to market will be key.
 - ii. Securing better jobs and higher wages will not be just about how well we did in school, but how well we continue to learn, relearn, adapt and grow throughout our lives.

A11. The third shift is **ageing**.

- a. We are well-placed in Singapore to make the most of the collective wisdom of our seniors, but we must also be prepared for the challenges of an ageing society.
- b. There will be a significant increase in healthcare and social expenditure, placing greater demands on families and the Government.
- c. Also, our resident workforce will shrink, tightening our labour market and slowing economic growth further – unless we remain dynamic in our outlook, are increasingly productive in the way we work, and supplement our workforce with a calibrated inflow of workers from abroad.
- d. In addition to an ageing population, there are other forces that can strain our social fabric. We need to keep a close watch on income inequality and social mobility. We want growth to uplift all Singaporeans and deepen our social compact.
 - i. That is why we will continue to invest in education and skills upgrading, to give every Singaporean the best chance to realise his or her potential.
 - ii. We will also promote sports, arts and heritage, and volunteerism and philanthropy, to build common interests and shared activities.

⁴ For instance, food delivery firms like Food Panda, Deliveroo and Uber Eats have allowed our brick-and-mortar restaurants to go beyond their catchment areas and seating capacity.

Preparing for a Better Future

A12. These three shifts will not operate in isolation, but interact together to affect us in profound ways. Some of these interactions will bring **new opportunities**.

- a. For instance, technology will help our older workers to stay productive, and assist our caregivers to care for seniors.
- b. With many Asian consumers at the frontier of technology adoption, there are also many opportunities for companies to meet the demands of these tech-savvy consumers.

A13. But these shifts can also bring **new challenges**.

- a. The rapid pace of technological change may lead to older workers feeling marginalised.
- b. In some advanced economies, there is rising discontent over globalisation and technological disruptions.
- c. And as technology becomes more pervasive, the risk of cyber-attacks and online radicalisation will also increase.

A14. Singapore is in a good position to guard against such challenges and capture the opportunities.

- a. Geographically, we are well-connected to the world, with flights to over 400 cities and shipping routes to over 600 ports globally. Within Asia, we have extensive connectivity to over 100 Asian cities by air and more than 250 Asian ports by sea.
- b. Digitally, we are connected to the world with over 500 terabits per second of potential capacity. And we will continue to enhance our connectivity by investing in digital infrastructure, as well as land links such as the KL-Singapore High Speed Rail.
- c. As an economy, we are open and free, with strong trade links and free trade agreements with many economies in the region and beyond.
- d. As a society, we are multi-racial with an international outlook, enabling us to operate in the culturally-diverse Asian and global environments. And our people are also well-educated and tech-savvy.

A15. Budget 2018 will build on this strong position.

- a. First, we will develop a more **vibrant and innovative economy**.

- i. We must anchor Singapore as a Global-Asia node of technology, innovation and enterprise, welcome investments, talent and ideas to Singapore, and be bold in venturing out into new markets.
 - ii. To do this, we must make innovation pervasive in our economy, develop deep capabilities in our firms and workers, and establish strong partnerships locally and abroad.
 - iii. The shifts in the global economy and the emergence of new technologies are to our advantage, because they allow us to seize opportunities beyond our borders.
- b. Second, we will build a **smart, green and liveable city**.
 - i. We should take full advantage of the latest technology to improve Singaporeans' quality of life. That is what our Smart Nation movement seeks to achieve.
 - ii. To improve our liveability as a city, we must also enhance our urban sustainability and enable our economy to be more carbon-efficient.
- c. Third, we will continue to foster a **caring and cohesive society**.
 - i. This requires our collective effort.
 - ii. The Government will continue to strengthen our social safety nets and supports, especially in the face of demographic challenges like ageing.
 - iii. We must also remain a society where all of us – as individuals, members of families, and citizens – take pride in caring for ourselves, our children and seniors, and one another.
- d. Finally, we will continue to plan ahead for a **fiscally sustainable and secure future**.
 - i. Preparing for the longer-term shifts will require more resources – to take care of our families, keep our people safe, invest in capabilities, and develop new infrastructure.
 - ii. And we must do this amidst a period of greater geo-political uncertainty and increasing tax competition.
 - iii. It is therefore our duty and responsibility to plan ahead and ensure that we have enough resources to do all that we need to do.

B. A VIBRANT AND INNOVATIVE ECONOMY

- B1. Let me start with building a **vibrant and innovative economy**.
- B2. We must support our firms and workers to **overcome near-term challenges**, as well as prepare them to **capture future opportunities**. I will address each of these in turn.

Overcoming Near-Term Challenges

- B3. First, overcoming near-term challenges.
- B4. Though our economy picked up last year, some firms remain concerned about business costs.
 - a. A key driver of this is wage growth.
 - b. But **wage growth is good for Singaporeans**.
 - c. To sustain wage growth and keep business costs manageable, our firms must continue to improve productivity and achieve quality growth.
- B5. We will support our firms to cope with near-term cost pressures by extending two measures.
 - a. First, I will **extend the Wage Credit Scheme (WCS)**.
 - i. This scheme co-funds wage increases for Singaporean employees, up to a gross monthly wage of \$4,000.
 - ii. For 2017, we expect to pay out more than \$800 million to more than 90,000 firms, for wage increases given to more than 600,000 employees.
 - iii. I will extend the WCS for three more years. The WCS will provide 20% co-funding for 2018, 15% for 2019 and 10% for 2020.
 - iv. This will cost about \$1.8 billion over the next three years. (Refer to Annex A-1.)
 - b. Second, I will **enhance and extend the Corporate Income Tax (CIT) rebate**.
 - i. For Year of Assessment (YA) 2018, I will raise the CIT rebate to 40% of tax payable, capped at \$15,000.
 - ii. I will also extend the CIT rebate to YA2019, at a rate of 20% of tax payable, capped at \$10,000.

- iii. The enhancement and extension will benefit all tax-paying companies, especially smaller ones.
 - iv. These changes are projected to cost an additional \$475 million over the next two years. (Refer to Annex A-1.)
- B6. For the Marine Shipyard and Process sectors that still face weakness, I will **defer the earlier-announced increases in Foreign Worker Levy rates** for another year. (Refer to Annex A-1.)
- B7. We will also **strengthen support for our workers**.
 - a. We have been supporting those facing career transitions to stay employed and employable, through the **Adapt and Grow** initiative.
 - i. For example, the Professional Conversion Programmes have helped more than 3,700 mid-career individuals take up new jobs last year.
 - b. This year, we will strengthen employment support for lower- to middle-income workers in various ways.
 - i. This includes upgrading the current Work Trial scheme into a **Career Trial** scheme, with higher funding support for workers to try out new careers. (Refer to Annex A-4.)
- B8. The Minister for Manpower will elaborate on this and other measures at the Committee of Supply (COS).

Capturing Future Opportunities

- B9. Let me now move on to our longer-term transformation strategies.
- B10. To capture future opportunities, our economy must **transform in response to the three major shifts** I mentioned earlier – the shift in global economic weight to Asia, the emergence of new technologies, and our demographic transition. And what changes do we have to make?
 - a. New technologies mean that the ways in which companies do business, create value and organise themselves will change, and change quickly. Our companies must keep up, and our workers must adapt as the nature of jobs and the skills required evolve.
 - b. Asia’s growth means new markets, with new needs to be met. Changing global patterns of production and consumption, together with new technologies, will bring new opportunities, but also greater competition. Our businesses and workers must differentiate themselves, and continue to venture abroad.

- c. And with an ageing population, we need to find ways to reduce manpower demand, while enabling our older workers to continue contributing.

B11. We have made a good start through the ITMs.

- a. In the next phase of our ITM journey, we will take a more **cluster-based approach** – to reap synergies and strengthen linkages across multiple industries, and explore new opportunities.

B12. And we must strengthen the **three key enablers that lay the foundation for all the ITMs** – innovation, capabilities and partnerships.

- a. First, we must **foster pervasive innovation** throughout our economy,
 - i. So that we can make the best use of technology, adapt quickly, and create new value to differentiate ourselves.
- b. Second, we must **build deep capabilities** in our firms and our people,
 - i. So that we can compete not on costs, but on the value and skills we bring.
- c. Third, we must **forge strong partnerships** both locally and abroad,
 - i. So that our firms and people can work together to address common challenges and access new opportunities in our region and beyond.

B13. By strengthening these three enablers, we can anchor Singapore as a **Global-Asia node of technology, innovation and enterprise**.

Fostering Pervasive Innovation

B14. Let me start with the first enabler – **innovation**.

Supporting Firms in their Innovation Journeys

B15. With the rapid pace of change and greater competition, we must **make innovation pervasive** throughout our economy. Firms in every sector and of every size need to embrace innovation, and make the best use of new technologies as a competitive advantage.

- a. Take **Pan-United**, a local concrete and cement company.
 - i. It has invested significantly in R&D, innovating new products to meet customer needs.
 - 1. For example, it has developed a new type of flexible concrete that can cushion the landing impact of aircraft, reducing wear and tear of

airport runways. This concrete complies with the latest specifications set by the US Federal Aviation Administration.

2. Pan-United also has a range of concrete varieties catering to different specifications, including one that shields against proton radiation.

ii. Such product innovations have helped Pan-United expand into regional and global markets.

iii. Pan-United, you might say, is a concrete example of how innovation can help a firm cement its position as a market leader.

B16. This Budget, we will **support more firms to innovate across the entire value chain** – whether they buy new solutions, build their own, or partner others to co-innovate.

B17. Industry partners, like the Singapore International Chamber of Commerce and the Big Four accounting firms, have given us useful suggestions. We have studied and will implement some of them.

B18. First, we will support businesses to **buy and use new solutions**.

a. We will streamline existing grants supporting the adoption of pre-scoped, off-the-shelf technologies into a single **Productivity Solutions Grant (PSG)**. (Refer to Annex A-3.)

b. In addition, I will raise the **tax deduction on licensing payments** for the commercial use of intellectual property (IP).

i. With the expiry of the Productivity and Innovation Credit (PIC) scheme, the tax deduction on licensing payments has reverted to 100% for YA2019 and beyond. I will raise this to 200%, capped at \$100,000 of licensing payments per year.

ii. This cap ensures that smaller businesses will benefit more from this measure. (Refer to Annex A-5.)

B19. Next, to support businesses to **build their own innovations**,

a. I will raise the **tax deduction for IP registration fees** from 100% to 200%, to help firms protect their intangible assets. This will be capped at \$100,000 of IP registration fees per year. (Refer to Annex A-5.)

b. I will also raise the **tax deduction for qualifying expenses incurred on R&D** done in Singapore, from 150% to 250%. (Refer to Annex A-5.)

B20. Finally, to help businesses **find partners to co-create solutions**,

- a. We will pilot the **Open Innovation Platform** this year.
 - i. This is a virtual crowd-sourcing platform, where companies can list specific challenges that can be addressed by digital solutions. They will then be matched with info-communications and technology (ICT) firms and research institutes, to co-develop solutions. (Refer to Annex A-2.)

Harnessing National Research Efforts

- B21. Besides supporting our firms to innovate, we will do more to **harness our national research capabilities, to enhance our economic competitiveness.**
- a. We have built a **strong research and knowledge base** in our universities and A*STAR institutes, which provides a solid foundation for an innovative economy.
 - b. To maintain this competitive edge, we have sustained our public sector R&D spending at 1% of GDP annually.
- B22. We have various programmes to **translate our public sector research efforts into commercially viable applications**, and we will build on these.
- B23. This year, the National Research Foundation (NRF) and Temasek will launch an **NRF-Temasek IP Commercialisation Vehicle.**
- a. This new investment venture will bring together Temasek's global investment networks and NRF's connections with the Singapore R&D community, to grow companies that draw on IP from publicly-funded research.
 - b. At least \$100 million will go into this joint venture – \$50 million from the Government, and at least \$50 million from Temasek. (Refer to Annex A-2.)
- B24. We will also continue to harness our R&D resources, to **drive greater adoption of digital technologies, automation and robotics.**
- a. To strengthen our status as an air and sea hub, we will launch an **Aviation Transformation Programme (ATP)** and a **Maritime Transformation Programme (MTP)** this year.
 - i. Through these programmes, our airport and seaport will become platforms for companies to develop, test and use new technologies.
 - ii. The solutions that emerge can be rapidly adopted in other parts of Singapore, or even exported overseas. We will provide support of up to \$500 million for the two programmes, with additional matching investments expected from industry partners. (Refer to Annex A-2.)

B25. To improve our labour productivity, we will also expand the **National Robotics Programme (NRP)**, to encourage wider use of robotics in the built environment sector, particularly in construction. (Refer to Annex A-2.)

Building Deep Capabilities

B26. Let me move on to the second key enabler – **building deep capabilities** in our firms and workers.

B27. In particular, capabilities to internationalise, digitalise and be more productive will be critical.

Enterprise Capabilities

B28. For our firms, we will provide **more targeted support** to help them build capabilities to meet their needs.

- a. Broad-based measures such as the PIC scheme have been useful in kick-starting a wider movement to improve productivity and to innovate.
- b. I am heartened that many firms have embarked on this journey. We will now build on this base and take a more targeted approach, to help firms deepen the capabilities they need to continue growing.

B29. In April, we will merge SPRING and IE Singapore into **Enterprise Singapore**.

- a. Enterprise Singapore will provide integrated support to companies, for internationalisation as well as the development of other capabilities, so as to help them compete better both locally and abroad.
- b. We will combine IE's Global Company Partnership grant with SPRING's Capability Development Grant, to form an integrated **Enterprise Development Grant (EDG)**.
 - i. The EDG will provide up to 70% co-funding for companies to develop a range of capabilities. (Refer to Annex A-3.)

B30. To further support firms to internationalise, I will **enhance the Double Tax Deduction for Internationalisation (DTD_i)**.

- a. I will raise the amount of expenses that can qualify for the DTD_i without prior approval, from \$100,000 to \$150,000 per year of assessment. This will take effect from YA2019. (Refer to Annex A-5.)

B31. As we strengthen support for firms to build capabilities, I will **make adjustments to two broad-based tax schemes** – the Start-up Tax Exemption and the Partial Tax Exemption.

- a. These schemes help lower costs for smaller firms and start-ups, but do not directly help firms develop capabilities.
- b. In addition, every profitable company should pay some taxes. This is sound and equitable.
- c. So, starting in YA2020, I will make **two changes to the schemes**.
 - i. First, I will restrict the tax exemptions under both schemes to the first \$200,000 of chargeable income.
 - ii. Second, for start-ups, I will exempt 75%, instead of 100% currently, of their first \$100,000 of chargeable income from corporate tax. (Refer to Annex A-5.)
- d. Even with these adjustments, **corporate tax will remain low for start-ups and smaller firms**. For a taxable income of \$100,000, the effective corporate tax rate is 4.3% for start-ups and 8.1% for older firms, as compared to the headline rate of 17%.
- e. In addition, companies, including start-ups and smaller firms, can tap on a **wide range of Government support measures** to build capabilities and grow their businesses.

Digital Capabilities

- B32. As digital technologies transform our economy, all firms must develop digital capabilities.
- a. Since we launched the **SMEs Go Digital Programme** last year to support companies to digitalise, more than 650 SMEs have benefitted.
- B33. This year, we are studying, with the Singapore Business Federation (SBF) and other industry partners, the development of a **nationwide e-invoicing framework**. This can help companies improve productivity and enhance cash flow.
- B34. Besides our firms, we must **train our people in digital skills**.
- a. Industry partners, like the Association of Small and Medium Enterprises, have brought this up.
 - b. Since we launched the **Tech Skills Accelerator (TeSA)** in 2016, over 27,000 training places have been taken up or committed.
 - i. Alvin is one of those who took up the training. Retrenched after 17 years as a systems engineer, he took up TeSA's programme for cybersecurity, which

equipped him with the skills needed to join ST Electronics as a white hat hacker – that is, someone who tests ICT systems for security loopholes.

- c. We will **expand TeSA into new sectors** like manufacturing and professional services, where digital technologies are increasingly important.
- d. TeSA will also **support more people to learn emerging digital skills**, such as in data analytics, artificial intelligence, the Internet of Things and cybersecurity.
- e. We will set aside an additional \$145 million for TeSA over the next three years. (Refer to Annex A-4.)
- f. The Minister for Communications and Information will speak more about this at the COS.

Human Capital

B35. Besides digital capabilities, we must also **build deep skills for workers of all ages**.

- a. There must be depth in whatever we do, because this gives us the foundation to innovate, and the ability to compete.
- b. This is the essence of SkillsFuture.

B36. **Industry partners have a big role to play here**. Ultimately, the capabilities of a firm depend on the capabilities of its people.

- a. I recently visited **Infineon**, a semiconductor manufacturer, which takes training very seriously.
 - i. Infineon plans its employee training and technology adoption in parallel, so that employees acquire relevant skills, and new technologies are used effectively.
 - ii. I was pleased to meet Madam Esah. Madam Esah started out doing manual work in the assembly line 42 years ago. As Infineon upgraded its production processes, it also redesigned her job, and trained her to use new machines.
 - iii. When I spoke to Madam Esah, she told me cheerfully, “I’m happy, I’m confident, I can do new things.”

B37. Madam Esah’s example shows that **enterprise capabilities and human capital must be developed in tandem**, and be integrated with a company’s overall growth strategy.

B38. We will continue to **work with industry partners**, to help the whole spectrum of our workforce develop deep skills. This will help our people to stay relevant and develop the cross-cultural skills needed to capture opportunities in the region and beyond.

- a. For the young, we have schemes like the **SkillsFuture Earn and Learn Programme**, a work-learn programme, as well as the **Go Southeast Asia Award**, which matches undergraduates with regional internships.
 - b. For those with more work experience, we have schemes like the **SkillsFuture Mid-Career Enhanced Subsidy** and the **Professional Conversion Programmes (PCPs)**.
 - i. In particular, the **PCP for Southeast Asia Ready Talent** will equip Singaporeans with the know-how to do well regionally.
 - c. For our corporate leaders, it is important that they have the skills needed to drive the transformation of their businesses and industries. To develop the next generation of corporate leaders,
 - i. We have the **SkillsFuture Leadership Development Initiative (LDI)**. Since it started last year, companies have committed to train almost 200 Singaporeans, with over 180 more in the pipeline.
 - ii. This year, we will launch a new **ASEAN Leadership Programme** under the LDI, to help our business leaders build networks and plan business expansions in Southeast Asian markets.
 - iii. I am also happy to hear that SBF and the Singapore Management University (SMU) will pilot the **SBF-SMU LEAD-CHARGE Initiative** this year, to help SME leaders transform their organisations.
- B39. Finally, as our workforce ages, firms must reconfigure how they operate, to harness the experience of their older workers and allow them to continue contributing meaningfully.
- a. To support our older workers, we have raised the re-employment age to 67, extended the Special Employment Credit, and enhanced WorkPro.
 - i. With the close cooperation of the tripartite partners, Singapore's employment rate for residents aged 65 and above rose from 14.4% in 2007 to 25.8% in 2017⁵.
 - ii. We will continue to encourage age-friendly workplaces, and review how we can better support our older workers.
- B40. As we develop our people's capabilities, we may find that skillsets in certain important fields are lacking.

⁵ Source: MOM's Comprehensive Labour Force Survey.

- a. To plug these gaps quickly, we are piloting the **Capability Transfer Programme (CTP)**, to support the transfer of skills from foreign specialists to Singaporean trainers and trainees.
- b. The Minister for Manpower will elaborate at the COS.

Forging Strong Partnerships

B41. Mr Speaker, Sir, I have spoken about our efforts to make innovation pervasive and to build deep capabilities.

B42. The third key enabler is to **forge strong partnerships**.

- a. Competition is not the only driving force in our economy. Cooperation is also key.
- b. Where synergies exist, **we can achieve more when we work together**, and draw on one another's strengths to address common challenges and capture bigger and better opportunities.
- c. For example, Ascendas-Singbridge, along with IE Singapore, brought together a group of Singaporean SMEs specialising in Industry 4.0 technology solutions, to set up the **Singapore Manufacturing Innovation Centre** in Guangzhou, China.
 - i. The Centre provides these SMEs with a platform to co-create advanced manufacturing solutions with prospective Chinese clients, allowing the SMEs to reach out to the large Chinese market.

B43. We will continue to encourage our companies to form **strong partnerships**, both locally and abroad.

- a. Industry partners, like the Singapore Chinese Chamber of Commerce and Industry (SCCCI), have made similar suggestions.
- b. We will integrate various partnership support measures into a single **PACT scheme**.
 - i. Under PACT, companies can receive up to 70% co-funding, for projects undertaken in partnership with others. (Refer to Annex A-3.)

B44. For the three schemes that I mentioned earlier – PACT, the Productivity Solutions Grant and the Enterprise Development Grant – I will set aside \$800 million over the next three years.

Partnerships in Technology, Innovation and Enterprise

B45. We will also strengthen our partnerships with overseas counterparts and **anchor Singapore as a Global-Asia node of technology, innovation and enterprise**.

- a. This way, our firms and people can remain plugged into the latest developments all over the world, and create new ideas by interacting with people from diverse backgrounds.
 - i. Industry partners, like the Singapore Malay Chamber of Commerce and Industry, have pointed out that as our region grows, there will be important needs to address – in infrastructure, healthcare, and other areas.
 - ii. We need to develop a good understanding of these needs, so that we can innovate meaningful solutions to contribute to our region’s development.
- B46. That is why we launched the **Global Innovation Alliance** (GIA) last year, for Singaporeans to gain experience and build networks overseas. We have made early progress.
- a. Our universities have expanded **overseas internship programmes** to eight new locations, including ASEAN countries.
 - b. We also launched **GIA Beijing** and established **BLOCK71 in Suzhou and Jakarta**.
 - c. Besides venturing abroad, we will also bring global innovation to Singapore through initiatives like the **Singapore Week of Innovation and Technology (SWITCH)**.
- B47. As ASEAN chairman this year, we hope to make a meaningful contribution by developing an **ASEAN Innovation Network**. We hope this will strengthen the linkages among the innovation ecosystems in the region, and spark new collaborations and solutions.
- a. The Minister for Trade and Industry (Trade) will speak more about our ASEAN plans at the COS.

Partnerships in Infrastructure Development

- B48. In particular, as Asia’s growth will raise infrastructure demand, we seek to forge stronger partnerships in **infrastructure development** and enhance connectivity in the region.
- a. China’s Belt and Road Initiative, Japan and India’s Asia-Africa Growth Corridor, and the World Bank’s Infrastructure and Urban Development Hub in Singapore are just some examples of efforts to promote infrastructure development in our region.
- B49. To contribute to Asia’s infrastructure agenda, we will set up an **Infrastructure Office**.
- a. This Office will bring together local and international firms from across the value chain – including infrastructure developers, institutional investors, multilaterals,

and legal, accounting and financial services providers – to develop, finance and execute infrastructure projects.

- b. The Office will enable infrastructure players to better tap on opportunities in the region, while supporting Asia's infrastructure development and economic growth. (Refer to Annex A-3.)
- c. The Minister for Trade and Industry (Industry) and the Senior Minister of State for Law and Finance will give more details at the COS.

Trade Associations and Chambers

B50. **Our Trade Associations and Chambers (TACs) play an important leadership role** in forging partnerships and driving industry-level advancements.

- a. Through close interactions with their members, TACs understand their industries' challenges and opportunities better than the Government can.
- b. We have seen various examples of TAC leadership and partnerships, which have helped their members uplift capabilities and overcome resource constraints.
 - i. For instance, the SCCCI, with support from JTC and SPRING, has set up a **Trade Association Hub (TA Hub)** at Jurong Town Hall, where more than 30 TACs share facilities and resources. The TA Hub, along with the **Trade Association Committee** that SCCCI also set up, will encourage TACs to collaborate with and support one another.
 - ii. In logistics, four TACs, along with SPRING and the Centre of Innovation for Supply Chain Management at Republic Polytechnic, have come together to form the **Logistics Alliance**.
 - 1. Last year, it launched the **Transport Integrated Platform (TRIP)**, which integrates several existing systems into a single digital platform, to enable easier tracking of container trucks, and reduce idling time.

B51. The Government will continue to support such efforts, through the **Local Enterprise and Association Development (LEAD)** programme.

- a. In the last two years, about \$45 million has been committed through LEAD for some 50 projects. So I look forward to even more TACs and businesses coming on board.

Together, a Vibrant and Innovative Economy

B52. Mr Speaker, Sir, ultimately, **all our firms and workers face the same major shifts** in the global environment, which will bring greater competition and a faster pace of change.

- B53. The specific challenges and opportunities will differ from industry to industry, which is why we have taken a sectoral approach for the ITMs.
- B54. But the key enablers in every industry and ITM are the same – **innovation, capabilities and partnerships**.
- B55. By fostering pervasive innovation throughout our economy, building deep capabilities in our firms and people, and forging strong partnerships locally and abroad, we can succeed in our economic transformation. We can create and sustain a more **vibrant and innovative economy**.

C. A SMART, GREEN AND LIVEABLE CITY

- C1. Mr Speaker, Sir, a strong economy is not an end in itself;
- a. It is a means to build a better home and provide a better quality of life for all our people.
 - b. We will therefore continue to improve our living environment and make Singapore a **smart, green and liveable city**.
- C2. Our founding Prime Minister Mr Lee Kuan Yew once said, “a blighted urban jungle of concrete destroys the human spirit”.
- C3. Indeed, our urban planners recognised early on that with limited land, we had to build our city with foresight, so we could provide **a high quality living environment even in a dense urban landscape**.
- a. We designed our HDB estates with common spaces, parks and playgrounds, so that everyone has easy access to amenities and public spaces.
 - b. We planted thousands of trees and toiled to transform Singapore into a Garden City and now a City in a Garden. We may be highly urbanised, but we are not a concrete jungle. More than 40% of our island remains covered in greenery.
 - c. We also enacted laws against pollution and cleaned up the Singapore River.
 - d. Along the way, we became innovators in water treatment and waste management.
- C4. Today, Singaporeans enjoy the comforts of a modern city, along with clean air, clean water and verdant spaces.
- a. Our reputation as a clean and green city is a source of pride for Singaporeans, and attracts tourists and investment to our shores.
 - b. Even otters have returned to our waterways!
- C5. We must continue to improve our city and our environment, and make Singapore an even better home to live, work and play in. History has shown that the most enduring cities are those that are adaptable, flexible and innovative.

Building a Smart Nation

- C6. I spoke earlier about the emergence of new technologies as a major shift.

- C7. Our **Smart Nation movement** aims to make the best use of these new technologies to improve our city, uplift our quality of life, enhance our economic competitiveness, and promote social inclusion.
- a. This transformation will require a national effort by the Government, together with the private and people sectors.
- C8. The Government is embarking on several **strategic national projects** to lay the foundation for Smart Nation.
- a. We are building a Smart Nation Sensor Platform to deploy sensors and “Internet of Things” devices to enhance municipal service delivery.
 - b. We are developing a National Digital Identity system to enable citizens to authenticate their identities securely and easily when making online transactions.
 - c. We are also increasing the adoption of e-payments island-wide, to allow everyone to make simple, swift and seamless payments.
 - d. At the same time, we are opening up digital platforms for the private sector to build innovative services, and will share more data with the public to facilitate co-creation. (Refer to Annex B.)
- C9. The Minister-in-charge of the Smart Nation initiative will elaborate more at the COS.

Investing in Sustainability Research

- C10. Besides building a Smart Nation, we are also collaborating with academics and corporates **in research and innovation, to take Singapore’s sustainable development story to the next level.** One of the strategic domains in our Research, Innovation and Enterprise (RIE) 2020 plan is Urban Solutions and Sustainability.
- a. Last year, we launched the **Cities of Tomorrow** R&D programme, to drive innovation in urban development, such as ways to improve the sustainability, maintainability and reliability of buildings, raise construction productivity, and create new spaces that we can live in.
 - b. We also started the **Closing the Waste Loop** project, to use technology to minimise the environmental impact of the waste we generate.
 - c. This year, we will embark on **Energy Grid 2.0**, to develop next-generation grid architectures that can respond quickly and reliably to changes in energy demand and supply.
 - d. For these three programmes, we will set aside \$250 million. (Refer to Annex B.)

Reducing Emissions

- C11. To improve our living environment, we must also address one of the most pressing challenges the world faces – **climate change**.
- a. Climate change is more than just record-breaking temperatures, dry weather or more intense rain.
 - b. As a low-lying island, **Singapore is particularly vulnerable to rising sea levels**.
 - i. That is why the Government has invested significantly to improve our infrastructure, including protecting our coasts and critical assets, building a weather-resilient water supply, and redesigning our flood management system.
- C12. We must play our part to **address the underlying cause of climate change** – to make Singapore a more liveable and sustainable city, and as a responsible member of the international community.
- C13. Over the years, we have made various efforts to **manage our greenhouse gas emissions**.
- a. The Energy Conservation Act was enhanced last year to improve the energy efficiency of our industries.
 - b. We are investing in public transport to make Singapore car-lite, and green-certified buildings have become a hallmark of our urban landscape.
 - c. Our early measures to be a green city have **shown results**. Singapore produces less carbon emissions per dollar of GDP than most countries. We intend to **further reduce our emissions intensity**, to make a bigger effort to combat climate change.
- C14. To encourage companies to further reduce emissions, I announced last year that we intend to implement a **carbon tax** from 2019.
- a. I will proceed with a carbon tax on all facilities producing 25,000 tonnes or more of greenhouse gas emissions in a year.
 - i. It will be levied on the total emissions of each of these facilities.
 - ii. The first payment will be in 2020, based on emissions in 2019.
 - b. The carbon tax will be **\$5 per tonne of greenhouse gas emissions** in the first instance, **from 2019 to 2023**.
 - c. We will review the carbon tax rate by 2023. We intend to **increase it to a rate of between \$10 and \$15 per tonne of emissions by 2030**. In doing so, we will take

into account international climate change developments, the progress of our emissions mitigation efforts and our economic competitiveness. (Refer to Annex B.)

- C15. The carbon tax will apply uniformly to all sectors, without exemption. This is the **economically efficient way** – to maintain a transparent, fair and consistent carbon price across the economy to incentivise emissions reduction.
- a. This means our initial carbon tax rate of \$5 cannot be directly compared with that in other countries. Jurisdictions with higher headline carbon prices often also have significant exemptions for particular sectors, which lowers their effective carbon prices.
- C16. The carbon tax will be levied on major emitters, which account for about 80% of Singapore’s emissions. The remaining 20% is contributed by many other sources of varying sizes. We **will study how to account for these emissions**, and take action where necessary.
- C17. For **petrol, diesel and compressed natural gas (CNG)**, we have **excise duties**, which already encourage reduction of the use of these fuels, and therefore reduce greenhouse gas emissions.
- a. Hence, I will not levy an additional carbon tax on petrol, diesel and CNG.
 - b. I will also not increase their excise duties at this point in time, but we will continue to review and adjust them periodically.
- C18. The carbon tax will encourage businesses to take measures to reduce carbon emissions.
- a. **Companies that do so will be more competitive**, as more countries impose tighter limits on their carbon emissions, and international agreements on climate change like the Paris Agreement take effect.
 - b. There will also be **new opportunities** in areas like sustainable energy and clean technology.
 - c. We have to start preparing early so that industries have more time to adapt.
- C19. To give companies and households a strong push in the first five years when we introduce the carbon tax, we will provide more grants and support to help them enhance energy efficiency and reduce emissions.
- a. We expect to collect carbon tax revenue of nearly \$1 billion in the first five years.
 - b. To achieve our goal of reducing emissions intensity as soon as possible, I am prepared to spend more than this in the initial five years, to support worthwhile projects which deliver the necessary abatement in emissions.

- c. I urge companies to do their part, for a higher quality living environment for all, by putting in meritorious proposals for emissions abatement and energy efficiency. Our agencies will evaluate these rigorously.
 - d. I will set aside funds starting from 2019 to **enhance support for companies, including SMEs and power generation companies, to improve energy efficiency.**
 - i. The support for companies will be done through schemes like the Productivity Grant (Energy Efficiency) and the Energy Efficiency Fund. (Refer to Annex B.)
 - ii. More support will go to projects that achieve greater emissions abatement, beyond the basic enhancements.
 - iii. The Ministry of Trade and Industry (MTI) and the Ministry of the Environment and Water Resources (MEWR) will share more details at a later date.
- C20. For our households, the impact of the carbon tax will be small, at about 1% of total electricity and gas expenses on average.
- a. Still, to help households adjust, I will **provide additional U-Save for three years.** Eligible HDB households will each receive \$20 more per year, from 2019 to 2021.
 - b. The increase in U-Save will cover the expected average increase in electricity and gas expenses for HDB households arising from the carbon tax. (Refer to Annex B.)
 - c. MEWR will also **work with the community to help households save energy**, and will announce more details at a later date.
- C21. We have designated 2018 as the **Year of Climate Action**, to encourage all Singaporeans to fight climate change. The Minister for the Environment and Water Resources will speak more on our other plans to reduce energy use and carbon emissions at the COS.

Together, a Smart, Green and Liveable City

- C22. Ultimately, measures like the carbon tax, along with our R&D programmes and Smart Nation investments, are to make Singapore **a more liveable and sustainable city**. In this effort, everyone has a role to play.
- C23. I am heartened to see various **community efforts** in this area.
- a. For instance, the **Community in Bloom** movement has brought together 36,000 gardening enthusiasts to cultivate more than 1,300 gardens all over Singapore, beautifying our landscape and fostering community spirit.

- b. And the **Kayak Waterway Clean-Up Programme**, run by the non-profit Waterways Watch Society, brings volunteers together to remove debris from our rivers and reservoirs while raising environmental awareness.
- C24. In ways big and small, we can all contribute to building a **smarter, greener and more liveable city** for all Singaporeans to enjoy.
- C25. Mr Speaker, Sir, with your permission I will continue later with the measures we will implement to foster a caring and cohesive society, and ensure a fiscally sustainable and secure future for Singapore.

D. A CARING AND COHESIVE SOCIETY

- D1. Mr Speaker, Sir, I earlier spoke about how we will grow our economy and improve our city.
- D2. What ultimately matters is having a united people with a common purpose – to build the kind of society we want to live in and pass on to our children to improve.
- D3. When I first entered politics, one of my first projects was Our Singapore Conversation. It gave me and my colleagues a unique opportunity to converse with Singaporeans about their aspirations for themselves and for Singapore.
- D4. One of the things that struck me was the deep sense of responsibility that Singaporeans felt and shared – a responsibility towards the future of their family, community and country.
- D5. As Singapore undergoes demographic and societal changes that place greater demands on families, the community and the Government, we must face these changes together, and respond collectively as one.
- a. Over the past decade, the Government has increased support for our citizens, providing greater assurance through schemes like MediShield Life and the Pioneer Generation Package, while giving extra help to those with less through Workfare and Silver Support.
 - b. The Government will continue to strengthen social safety nets for those in need.
 - c. At the same time, individuals, families and the community play an important role in looking out for and supporting one another.
- D6. That is why we launched the **SG Cares movement**:
- a. To bring together the public, private and people sectors;
 - b. Create greater collective impact;
 - c. And build a more **caring and cohesive society** for ourselves and future generations.
- D7. Budget 2018 will build on the SG Cares movement in three ways.
- a. First, we will **support individuals and families** to better prepare for the future and care for one another.
 - b. Second, we will **strengthen partnerships between the Government and the community to support our seniors and those in need**.

- c. And third, we will **encourage a spirit of giving** in our people.

Supporting Individuals and Families

D8. I will first talk about how we will better support Singaporeans and their families.

Increased Support for Education

D9. Education helps our children realise their full potential. We invest heavily in every child, to ensure that everyone, regardless of background, has access to a quality education.

D10. This Budget, we will increase support for education in three ways.

D11. First, we will **increase the annual Edusave contributions** provided by the Government from \$200 to \$230 for each primary school student, and from \$240 to \$290 for each secondary school student.

- a. This will take effect from January 2019.

D12. Second, we will **update the income eligibility criteria** for the Edusave Merit Bursary and the Independent School Bursary, to benefit more students from lower- to middle-income families. (Refer to Annex C-1.)

D13. Third, we will **increase the support to students from lower-income families**.

- a. We will enhance the MOE Financial Assistance Scheme by raising the annual bursary quantum for pre-university students, from \$750 to \$900, and updating the income eligibility criteria.
- b. We will also cover more meals for secondary school students under the School Meals Programme.

D14. Students in special education schools will also benefit from these enhancements.

D15. Overall, these schemes will cost close to \$200 million per year. The Minister for Education (Schools) will provide more details at the COS.

Support for Financial Planning

D16. Besides education, we will support our people to prepare for their financial needs at key stages of their lives.

- a. This starts from giving our youth a good foundation in financial literacy. We will pilot a new **financial education curriculum** at our polytechnics and ITE.

- b. We will also **enhance existing services** to Singaporeans at HDB, when they buy a flat, and at CPF Board, when they approach retirement, to enable them to make better-informed decisions at these major milestones.

Review of ElderShield

D17. We will support Singaporeans to prepare for their healthcare needs in old age.

- a. We are reviewing **ElderShield**, an insurance scheme that helps those with severe disabilities cope with the financial demands of their daily care.
- b. To ensure that the enhanced scheme remains affordable, we will provide premium subsidies for lower- and middle-income Singaporeans.
- c. We will provide an update later in the year, after the ElderShield Review Committee delivers its final recommendations.

Enhanced Proximity Housing Grant

D18. This Budget, we will also strengthen support for family members to live with or near each other.

D19. We will **enhance the Proximity Housing Grant (PHG)**.

- a. First, we will increase the PHG for families buying a resale flat to live with their parents or children to \$30,000.
 - i. Those buying a resale flat near their parents or children will continue to receive a PHG of \$20,000.
- b. Second, we will enhance the PHG for singles, who are often a key source of caregiving support within their families.
 - i. Singles who buy a resale flat to live with their parents will now receive an enhanced PHG of \$15,000.
 - ii. Those who buy a resale flat near their parents will also now receive a PHG of \$10,000.
- c. Third, we will simplify the criterion for determining what is “near”. Currently, it is defined as living in the same town or within 2km.
 - i. To give applicants more choices when choosing a resale flat to live near their loved ones, including flats in nearby towns, we will revise this criterion to simply “within 4km”.

- d. These enhancements will take immediate effect and cost an additional \$80 million per year.

D20. Together with the recently-enhanced CPF Housing Grant, and the Additional CPF Housing Grant, a first-timer applicant can now receive up to \$120,000 in housing grants when buying a resale flat to live with their parents, a 50% increase compared to three years ago.

Extension of Service and Conservancy Charges Rebate

D21. We will also **support households with their expenses**.

- a. Last year, eligible HDB households received 1.5 to 3.5 months of rebate on their Service and Conservancy Charges (S&CC).
- b. We will extend these rebates for another year. This will cost \$126 million and benefit about 900,000 households. (Refer to Annex C-2.)

Table 1: S&CC Rebate for FY2018

HDB Flat Type	FY2018 S&CC Rebate (Number of Months)
1- and 2-Room	3.5
3- and 4-Room	2.5
5-Room	2
Executive / Multi-Generation	1.5

Foreign Domestic Worker Levy

D22. Finally, we will make **adjustments to the foreign domestic worker (FDW) levy framework**.

- a. Over the past 10 years, the number of FDWs in Singapore has increased by about 40%, to 240,000 in 2017.
- b. We must ensure that FDW demand is commensurate with need and avoid an over-dependency on FDWs.

D23. At the same time, we recognise that some families may need help caring for young children, the elderly, or family members with disabilities.

- a. Today, such families enjoy a monthly concessionary FDW levy of \$60. About 80% of Singaporean FDW employers benefit from this concession.
- b. We will retain this monthly concessionary levy rate of \$60.

- D24. In light of the improving life expectancy and health of Singaporeans, we will raise the qualifying age for the levy concession under the aged person scheme from 65 to 67 years.
- a. All households with persons aged 65 and 66, which are enjoying or have enjoyed the levy concession under the aged person scheme before 1 April 2019, will continue to pay the monthly levy rate of \$60.
- D25. For employers who do not qualify for the levy concession or employ multiple FDWs, we will raise the FDW levy. For the first and second FDW employed without levy concession, the monthly levy will be raised from \$265 today to \$300 and \$450 respectively.
- D26. These changes will take effect from 1 April 2019, to give employers time to adjust. To help meet demand for part-time household services, the Ministry of Manpower (MOM) is also piloting the Household Services Scheme. (Refer to Annex C-3.)

Strengthening Partnerships between the Government and the Community to Support our Seniors and Those in Need

- D27. I just spoke about how the Government will support our people to prepare for their future and care for one another.
- D28. Let me now speak about how we will **strengthen the Government's partnership with the community to better care for our seniors and those in need.**
- D29. Our community partners play an important role in this.
- a. Being on the ground, they are more attuned to the specific needs of local communities, and can respond more nimbly and quickly.
- D30. At the same time, the efforts of the Government and our community partners need to be well coordinated. Our "many helping hands" need to work "hand-in-hand".

Community Networks for Seniors

- D31. In 2016, I announced the pilot of the **Community Networks for Seniors (CNS)**. CNS brings together Government agencies and community partners to do ABC.
- a. A is for Active Ageing, to encourage seniors to remain active and stay healthy.
 - b. B is for Befriending, to link up lonely seniors with new friends.
 - c. And C is for Care, for frail and vulnerable seniors.
- D32. The CNS has helped many seniors, including Mr Willie Fox and Mrs Lena Fox.
- a. Mr and Mrs Fox, who are in their 80s, told our Pioneer Generation (PG) Ambassadors that Mr Fox tired easily and had to use a wheelchair frequently.

- b. Our PG Ambassadors referred them to CNS, which enrolled them in the Care Line, a 24-hour tele-befriending service launched by the Eastern Health Alliance.
- c. CNS also referred Mr Fox to the Evergreen Circle Senior Activity Centre, where he now participates in weekly exercises and enjoys healthy soups cooked by volunteers!
- d. Mr Fox now feels stronger and healthier, and has almost stopped relying on his wheelchair. He and Mrs Fox are also enjoying making new friends.

D33. I believe that the CNS model can meaningfully improve the lives of many other seniors. To reach out to and serve more seniors, **we will expand CNS nationwide** by 2020.

Integrating Health and Social Support for Seniors

D34. The CNS pilot also showed us how we can streamline and improve the delivery of services to our seniors. Social- and healthcare needs are closely inter-related and both have an impact on the well-being of our seniors.

D35. To enable these services to be planned and delivered holistically, we will **consolidate social- and health-related services for seniors under the Ministry of Health (MOH)**.

- a. From 1 April this year, the Ministry of Social and Family Development (MSF) will transfer its social aged care functions under the Senior Cluster Network and other programmes to MOH.

D36. With this transfer, the **Agency for Integrated Care (AIC) will be designated the central implementation agency** to coordinate such services for seniors and their caregivers.

D37. In addition, to support the expansion of CNS nationwide, we will merge the Pioneer Generation Office (PGO) with AIC.

- a. PGO will serve as AIC's outreach arm in implementing CNS.
 - i. It will reach out not only to Pioneers, but to all seniors aged 65 and above.
- b. **To reflect its enhanced role, PGO will be renamed "Silver Generation Office"**. Our friendly Ambassadors will continue to knock on doors wearing their familiar shirts, only they will now be called the Silver Generation or SG Ambassadors. I am certain seniors will continue to welcome them warmly.

Community Silver Trust and Seniors' Mobility and Enabling Fund

D38. This Budget, I will also top up two funds that support our seniors to age confidently in the community.

- D39. First, I will provide a \$300 million top-up to the **Community Silver Trust (CST)**, which provides dollar-for-dollar matching for donations to eligible VWOs providing long-term care services.
- a. Since 2011, the CST has matched around \$500 million in donations raised by more than 80 VWOs.
 - b. To support more programmes, we will also expand the CST to match donations raised for active ageing programmes. (Refer to Annex C-4.)
- D40. Second, I will provide a \$100 million top-up to the **Seniors' Mobility and Enabling Fund (SMF)**, which provides subsidies for assistive devices and consumables for seniors. Another \$150 million will be spent over the next five years for transport to subsidised eldercare and dialysis centres.
- a. We will review SMF in the coming years, to ensure that subsidies remain targeted.

Strengthening Social Service Offices

- D41. Besides improving support for our seniors, we will also improve the delivery of social services to other groups in society.
- D42. Over the next five years, we will **strengthen the role and capabilities of our Social Service Offices (SSOs)** to better coordinate the efforts of Government agencies, VWOs and community partners in providing more holistic and citizen-centred support to those in need.
- a. Our SSOs will work with these partners to harness and optimise community resources, and identify areas where volunteers can complement service delivery.
 - b. Our SSOs will also improve work processes and the sharing of information among organisations for better coordination.
- D43. These efforts will bring quicker and more effective assistance to our citizens, to help them get back on their feet. The Minister for Social and Family Development will elaborate at the COS.

Encouraging a Spirit of Giving

- D44. Even as we strengthen support for our seniors and vulnerable, at the core of a caring and cohesive society are people who have the heart to give back to the community and make a difference to the lives of others.
- a. Take Madam Patma for example.

- i. Madam Patma has been a member of the Choa Chu Kang Residents' Committee for almost two decades. She also volunteers as a befriender with Fei Yue Community Services.
- ii. Madam Patma looks out for her neighbours, cares for sick and lonely seniors, and organises activities that bring the community together. Many of her neighbours look forward to the delicious home-cooked food she brings to the Cosy Corner at her HDB block.
- iii. In the process of helping others, Madam Patma has found a stronger sense of fulfilment and purpose in life.

D45. Many of us share Madam Patma's spirit, and are actively giving back to the community.

- a. I am heartened that over the last decade, our volunteerism rate has doubled, from around 17% to 35%⁶.
- b. At the same time, total donations have increased from around \$2.0 billion in 2011 to \$2.7 billion in 2015⁷.

Encouraging our People to Give Back

D46. To foster this spirit of giving in our people, we will enhance support for measures that encourage everyone to contribute to the community.

- a. I will **extend the 250% tax deduction** for donations made to Institutions of a Public Character (IPCs) for another three years, until 31 December 2021. (Refer to Annex C-4.)
- b. We will also **enhance our one-stop platform, Giving.sg**, to better match donors and volunteers with charities that need support. (Refer to Annex C-4.)
- c. In addition, I will **increase support to our five Community Development Councils (CDCs)**.
 - i. Today, the Government matches \$3 for every \$1 that the CDCs raise, up to an annual cap of \$24 million.
 - ii. From FY2018 onwards, I will increase the current annual matching grant cap for CDCs from \$24 million to \$40 million. (Refer to Annex C-4.)

⁶ Source: National Volunteer & Philanthropy Centre's Individual Giving Survey 2016. Additionally, total volunteer hours have more than doubled, from around 45 million hours in 2008 to 121 million hours in 2016.

⁷ Source: Commissioner of Charities Annual Report 2016.

Encouraging Corporate Giving

D47. At the same time, we will **encourage corporates** to support their staff to volunteer or donate.

D48. In 2016, we piloted the **Business and IPC Partnership Scheme (BIPS)**.

- a. Businesses that support their staff to volunteer and provide services to IPCs receive a 250% tax deduction on associated costs incurred.
- b. An example of an IPC that has benefited is the Shared Services for Charities (SSC).
 - i. So, through SSC, accounting firms provide pro bono services, such as reviews of internal controls, risk assessment and audits, to charities. These firms receive tax deductions, while enabling their staff to volunteer meaningfully.
- c. I will extend BIPS for another three more years, until 31 December 2021. (Refer to Annex C-4.)

D49. Corporates can also support their staff to donate regularly to the Community Chest through **SHARE**.

D50. Since we launched SHARE as One at Budget 2016, which provides dollar-for-dollar matching on donations to SHARE, more than 440 new companies have come on board.

D51. To encourage more companies to support SHARE, I will extend the SHARE as One scheme until FY2021. (Refer to Annex C-4.)

Empowering for Life Fund

D52. Finally, I will provide dollar-for-dollar matching on donations received by the **Empowering for Life Fund (ELF)** under the President's Challenge, for the next five years.

- a. This will support the ELF's work to fund programmes in skills upgrading and employment for the most vulnerable in society.

D53. In total, we will set aside around \$190 million per year to support these enhancements to encourage philanthropy and volunteerism. (Refer to Annex C-4.)

Together, a Caring and Cohesive Society

D54. Mr Speaker, Sir, I have spoken about how this Budget will:

- a. Support individuals and families;

- b. Strengthen the partnership between the Government and the community to support our seniors and those in need; and
- c. Encourage a spirit of giving in our people.

D55. It is this shared responsibility – with individuals, families, community, and the Government all playing their part and supporting one another – that has made our society what it is today, and that will keep our society thriving in the years ahead.

D56. This Budget will support all of us to stay true to this SG Cares spirit and to work together to build a **caring and cohesive society**.

E. A FISCALLY SUSTAINABLE AND SECURE FUTURE

- E1. Mr Speaker, Sir, to secure a better Singapore for Singaporeans, we must ensure that we have the revenues and resources to do so.
- a. That is why I stated at the outset that our Budget is a strategic and integrated plan, taking a longer-term view, and setting out our strategic challenges clearly and plainly.
 - b. This way, we can ensure a **fiscally sustainable and secure future** for Singapore.

Starting from a Position of Strength

- E2. For this decade, from 2011 to 2020, we are on a **sound fiscal footing**. That is because we planned ahead early, and made the necessary moves well before the decade began.
- a. We raised GST from 5% to 7% as early as 2007, and introduced the Net Investment Returns (NIR) framework in 2008.
 - i. These changes allowed us to enhance our healthcare, transport and social support systems, in the first half of the decade, from 2011 to 2015.
 - ii. During this period, we introduced MediShield Life and the Pioneer Generation Package, and enhanced Workfare.
 - b. In 2015, we made further revenue moves to include Temasek in the NIR framework, and raise personal income tax rates for the top income brackets. These changes enabled us to sustain our spending for the second half of the decade, from 2016 to 2020.
 - c. All in all, we were able to fund a significant increase in overall Government expenditures from \$55.0 billion in FY2011 to an estimated \$89.1 billion in FY2018.
 - i. As the Government has stated before, we have ensured that we have sufficient resources to meet our spending needs till 2020. This is a result of careful and prudent planning.

Preparing for our Future Expenditure

- E3. But in the next decade, between 2021 and 2030, if we do not take measures early, we will **not have enough revenues** to meet our growing needs.
- E4. We expect our spending needs to continue growing across all sectors, with some rising faster and more than others. Let me highlight a few:
- a. One of the key areas of expenditure growth will be **healthcare**.

- i. Since the start of this decade, we have more than doubled our healthcare spending, from \$3.9 billion in FY2011 to an estimated \$10.2 billion in FY2018. This increase went into building and operating more hospitals and other healthcare facilities, and enhancing healthcare subsidies.
 - ii. In the coming decade, with an ageing population and an increasing chronic disease burden, the demands on families and Government will rise. We will need to spend even more on healthcare.
 - 1. Today, the average annual Government healthcare subsidies received by an elderly person is more than six times that of a younger person, or about \$4,500 more.
 - 2. By 2030, the total number of elderly will increase by about 450,000, to 900,000.
 - iii. We will have to build new healthcare capacity to meet the rising demand, and also invest in new medical technologies to improve care quality.
 - 1. Within the next five years, we will build six more general and community hospitals, four new polyclinics, and more nursing homes and eldercare centres around the island.
 - iv. All in all, we expect our average annual healthcare spending to rise from 2.2% of GDP today to almost 3% of GDP over the next decade. This is an increase of nearly 0.8 percentage point of GDP, or about \$3.6 billion in today's dollars. Within the next decade, healthcare spending is expected to overtake education.
 - v. The Government will do its part to spend wisely and ensure greater value-for-money in our healthcare spending. Everyone has a role to play too, by taking care of our health, and saving up for our own and our families' healthcare needs.
- b. Another key area of expenditure increase will be **infrastructure**.
- i. We have increased our infrastructure spending⁸ from \$8.5 billion in FY2011 to an estimated \$20.0 billion in FY2018.
 - 1. We are building and upgrading flats, expanding and maintaining our rail and bus networks, and keeping public transport fares low for Singaporeans.

⁸ Expenditures of the Ministry of Transport, the Ministry of National Development, and the Ministry of the Environment and Water Resources.

2. Over the next five years, the annual subsidies for keeping our buses and trains running will be comparable to the amount we spend on pre-employment training in polytechnics and ITE. And this does not even include the cost of building public transport infrastructure.
 - ii. Over the next decade, we will need to spend more to develop new infrastructure:
 1. We will expand our rail network by over 100km;
 2. Redevelop different parts of Singapore – Jurong Lake District, Punggol Digital District and Woodlands North Coast; and
 3. Rejuvenate our ageing infrastructure such as water pipes, and HDB flats and lifts.
 4. We will also build Changi Airport Terminal 5 (Changi T5), Tuas Port and the KL-Singapore High Speed Rail so as to ready ourselves for long-term economic trends.
 - iii. These are massive investments to anchor Singapore as the centre for economic activity in the region, create jobs, enhance liveability, and serve as a foundation for future growth.
 - iv. As my colleague, the Minister for National Development has said, “we are not done building Singapore yet.”
- c. Third, we will also have to invest more in **security** to keep Singapore safe:
 - i. The terrorism threat to Singapore is at its highest in recent years. The range of threats we face is also wider, from major cyber-attacks, to online self-radicalisation.
 - ii. To counter these threats, we will need to:
 1. Enhance the operational readiness of our officers;
 2. Leverage technologies to enhance our response; and
 3. Partner the community, so that we are all well-equipped to respond in emergencies.
- d. Besides healthcare, infrastructure and security, we will also have to sustain our investments in **education** to give our young a good start.

- i. Even though our student cohorts are falling, we are spending more per child, and dedicating more resources to help everyone reach his or her potential. In FY2018, our education spending⁹ is estimated at \$12.8 billion.
 - ii. We are investing more in pre-school education, to give every child a good foundation, from a younger age. As the Prime Minister announced last year, we will spend \$1.7 billion per year on the pre-school sector by 2022 – double of our annual spending now.
 - iii. We will continue to invest in lifelong learning, to help Singaporeans reskill and upskill so that they can access good jobs and thrive in the new economy.
- E5. Hence, there is a need to **strengthen our fiscal footing** to meet these growing expenditure needs and to prepare for any unforeseen ones.
- a. I have already spoken about this at last year’s Budget, and said that we would study various options.
 - b. The Prime Minister also mentioned this in November last year.

Fostering Prudent Spending

- E6. Our fundamental strategy is to grow our economy. With a strong economy, we will have more resources with which we can meet the needs and aspirations of our people. The work of the FEC and the strategies I laid out earlier are therefore critical.
- E7. At the same time, we must **continue to manage our expenditure growth carefully and get the best value for every dollar we spend**.
- a. At 19.0% of GDP, our estimated overall Government expenditure¹⁰ in FY2018 is leaner than most developed economies.
 - i. And we have been able to get good value for our money, delivering good outcomes in areas like healthcare and education, which are highly ranked internationally.
 - b. Even so, to emphasise the need to be more prudent, I announced a permanent 2% downward adjustment to the budget caps of Ministries and Organs of State last year.
 - c. This year, I will further **moderate the pace of Ministries’ budget growth**.

⁹ Estimated FY2018 Expenditures of the Ministry of Education.

¹⁰ Comprising Total Ministry Expenditures and Special Transfers including Top-ups to Endowment and Trust Funds.

- i. Currently, Ministries' block budgets are allowed to grow at 0.4 times of GDP growth. I will reduce this rate to 0.3 times from FY2019.
- d. Our agencies are also on the **lookout for ways to be more efficient and effective**.
 - i. My earlier announcement to merge PGO with AIC and make AIC the central implementation agency for seniors is one example.
 - ii. Another is the Land Transport Authority (LTA), which has designed a four-in-one facility, integrating one bus and three rail depots in a single development. This achieved significant cost savings and freed up about 44 hectares of land. And this is larger than our Singapore Zoo and River Safari put together!
 - iii. Other agencies are tapping on emerging technologies to improve productivity. JTC Corporation, for instance, has co-developed a robot with the Nanyang Technological University (NTU) to facilitate building inspection works, reducing manpower and time required by 50%.

Infrastructure Investments – Save and Borrow

- E8. For our infrastructure investments, the key challenge is that certain expenditures can be very lumpy, with hefty upfront investments. Yet, the benefits are enjoyed many years down the road.
- E9. To address this challenge, we will do two things.
- E10. First, where possible, we will **save ahead in preparation for these lumpy investments**. This will help reduce the burden in future years.
- a. In 2015, we set up the Changi Airport Development Fund to start saving for Changi T5. We now have \$4 billion in the fund.
 - b. This year, we will set up a new **Rail Infrastructure Fund** to save up for major rail lines ahead.
 - i. We will start with an injection of \$5 billion in FY2018.
 - ii. This can be topped up in future years when our fiscal position allows.
- E11. Second, we are looking at **borrowing by Statutory Boards and Government-owned companies which build infrastructure. This will help spread the cost of certain larger investments over more years**. These infrastructure projects, once completed, will generate economic returns over many years. The borrowing arrangements for these projects will hence help distribute the share of funding more equitably across generations.

- a. For example, the National Environment Agency will look at borrowing to finance the upcoming Integrated Waste Management Facility. LTA will also look at borrowing for upcoming projects such as the KL-Singapore High Speed Rail and the JB-Singapore Rapid Transit System Link. The Changi Airport Group, too, will look at borrowing for Changi T5.
 - b. Besides spreading out the costs to better match when the benefits of the investments accrue, such long-term borrowings will also help to develop our bond market.
- E12. To help lower the financing cost, the Government will consider **providing guarantees for some of these long-term borrowings for critical national infrastructure**.
- a. A Government guarantee will enhance the confidence of creditors.
 - b. This is another way to use the strength of our reserves to back our infrastructure projects, without directly drawing on the reserves. The reserves can then remain invested to generate returns.
 - c. We are studying this carefully and discussing it with the President and the Council of Presidential Advisers.
- E13. Through both saving ahead and borrowing, we expect to smooth out and be able to meet our major infrastructure needs.

Future Needs – Strengthen our Revenues

- E14. For healthcare, security and other social spending, the increases will be recurrent, will benefit Singaporeans broadly, and will directly benefit current generations. The responsible way to pay for them is through taxation so that every generation pays its share.
- a. We should not borrow for recurrent spending, because that will put the burden of recurrent spending on future generations.
- E15. Therefore, to support these recurrent needs, the Government plans to **raise GST by two percentage points, from 7% to 9%, sometime in the period from 2021 to 2025**. The exact timing will depend on the state of the economy, how much our expenditures grow, and how buoyant our existing taxes are. But I expect that we will need to do so earlier rather than later in the period.
- a. This GST increase is necessary because even after exploring various options to manage our future expenditures through prudent spending, saving and borrowing for infrastructure, there is still a gap.
 - b. Increasing GST by two percentage points will provide us with revenue of almost 0.7% of GDP per year.

- c. This boost in revenue will be vital in closing this gap. We will continue to manage our expenditures and the need for other future revenue measures carefully, and plan ahead early for our overall revenue and expenditure needs.
- E16. We will implement the GST increase in a progressive manner, as we have always done in the past.
- a. First, we will continue to **absorb GST** on publicly-subsidised education and healthcare.
 - b. Second, we will enhance the **permanent GST Voucher (GSTV)** scheme when the GST is increased, so as to provide more help to lower-income households and seniors. Today, we already disburse about \$800 million per year from the GSTV Fund. This year, we will make a \$2 billion top-up to the GSTV Fund to support these payments.
 - c. Third, we will also implement an **offset package** for a period to help Singaporeans adjust to the GST increase. Lower- and middle-income households will receive more support.
- E17. We will provide more details once we have determined the timing of the GST increase.

Reserves – Ensure Sustainable Use

- E18. When we mention the need to raise taxes, a natural question is: Why don't we tap more on our reserves instead?
- a. Indeed, we have been doing so over the last decade.
 - i. I mentioned earlier that we introduced the NIR framework in 2008. This started out with the reserves managed by GIC and Monetary Authority of Singapore (MAS). Temasek was then included in the framework in 2015.
 - ii. Through this framework, we now spend on the basis of total returns on our reserves, including both realised and unrealised capital gains.
- E19. Over the last 10 years since the implementation of the NIR framework, **the NIR contribution (NIRC) has more than doubled** from \$7.0 billion in FY2009 to an estimated \$15.9 billion in FY2018.
- a. The NIRC is now the **largest contributor to our revenues**, larger than any single tax, including GST, and corporate and personal income taxes.
- E20. We are able to supplement our revenues with the NIRC today because our predecessors judiciously set aside the savings from the strong growth during Singapore's earlier stage of economic development.

- E21. Now that our economy is maturing, and our population is ageing, we must husband this resource carefully, prudently and responsibly.
- a. Currently, we spend up to 50% of expected net investment returns, and keep the remainder in our reserves. This allows our reserves to grow with our economy.
 - b. If instead, we used 100% of the returns, the principal sum of the reserves will stagnate over time, and the NIRC as a share of GDP will consequently fall as our economy grows. The impact of this will not be trivial given that our budget now relies on the NIRC as our largest source of revenue.
 - c. In a more extreme scenario, if we spent more than our investment returns, we will eat into our nest egg. Doing so would mean that our reserves will shrink over time, generating a progressively smaller stream of income in the years that follow, till eventually our reserves are exhausted.
 - d. Mr Speaker, Sir, this is not the Singapore way.
- E22. We must also never forget that as an island nation with no hinterland and no natural resources, our reserves lend long-term stability to our economy and afford us the means to weather crises.
- a. During the 1997 Asian Financial Crisis, our reserves and strong economic fundamentals kept the Singapore dollar stable even as currency speculators were attacking other regional currencies.
 - b. During the 2008 Global Financial Crisis, our reserves anchored our economy against the storm by backing a \$150 billion guarantee for all bank deposits in Singapore.
 - c. And during the recession in 2009, our reserves funded a total of \$4 billion for the Jobs Credit Scheme and Special Risk-Sharing Initiative to help employers and employees tide over the difficult period.
- E23. As a small and open economy, we will always be vulnerable to fluctuations in the global economy and financial markets. We can never predict where or when the next crisis will come. But we know, when the next crisis hits, we will be able to weather the storm because we have our reserves.

Enhancing Progressivity, Fairness and Resilience of our Tax System

- E24. I will now introduce other changes to make our tax system more progressive, fair and resilient.

Enhancing Progressivity

- E25. First, I will enhance progressivity. One common suggestion is to tax the rich and higher-income more, or introduce wealth taxes like a capital gains tax.
- a. This reflects a desire for a progressive system, with those with more contributing back to society.
 - b. This is fair, and is precisely what we have done over the years.
 - i. We increased personal income tax rates for our top income brackets in 2015, and imposed a cap on personal income tax reliefs in 2016.
 - ii. We also introduced a progressive property tax system for residential properties in 2010, and made it more progressive in 2013.
 - c. This year, I will raise the top marginal Buyer's Stamp Duty (BSD) rate for residential properties from 3% to 4%.
 - i. Today, our BSD rates for residential properties range between 1% and 3%, and have remained unchanged since 1996.
 - ii. The new top marginal rate of 4% will apply to the portion of residential property value which is in excess of \$1 million. This change will apply to all residential properties acquired from tomorrow.
 - iii. The BSD rates for non-residential properties remain unchanged at 1% to 3%. (Refer to Annex A-5.)
 - d. Moving forward, we will continue to study options to ensure that our tax system remains progressive.

Enhancing Fairness and Resilience

- E26. Next, to make sure that our tax system remains fair and resilient in a digital economy, I will introduce GST on imported services with effect from 1 January 2020.
- a. Today, services such as consultancy and marketing purchased from overseas suppliers are not subject to GST. Local consumers also do not pay GST when they download apps and music from overseas. This change will ensure that imported and local services are accorded the same treatment. (Refer to Annex A-5.)
 - b. For the import of goods, there are international discussions on how GST can apply. We will review this before deciding on the measure to take.

Other Tax Changes

- E27. Finally, to discourage consumption of tobacco products, I will implement a 10% increase in tobacco excise duty across all tobacco products with effect from today. (Refer to Annex A-5.)
- E28. I will also be extending and strengthening other tax incentives to enhance our business competitiveness in this Budget. The details of these changes are in the Annex. (Refer to Annex A-5.)

Together, a Fiscally Sustainable and Secure Future

- E29. Mr Speaker, Sir, I have just laid out the plans for our expenditures and revenues in the coming decade.
- a. Expenditure in many areas will rise, especially in healthcare, infrastructure and security.
 - b. To meet these needs, we must plan ahead and prepare early. We need to remain prudent in our spending, save up where possible, and raise revenues, but in a fair and progressive way.
 - c. This way, we can ensure a **fiscally sustainable and secure future** for ourselves and our children.

F. CONCLUSION

Summary of Budget Position (FY2017 and FY2018)

- F1. Having laid out our plans to prepare for the next decade, let me now cover our overall budget position for the near term.
- F2. For FY2017, we expect an overall budget surplus of \$9.6 billion or 2.1% of GDP.
- This is higher than the \$1.9 billion or 0.4% of GDP forecasted a year ago. This increase of \$7.7 billion is mainly due to exceptional Statutory Board contributions of \$4.6 billion, primarily from MAS, and increased stamp duty collections of \$2.0 billion due to the recent property market pick-up.
 - We do not expect either to occur every year. It is not a structural surplus.
 - We cannot base our long-term fiscal planning on the basis of exceptional factors being positive, year after year.
- F3. I will therefore **use some of this year's exceptional surplus to save ahead for future spending.**
- First, I will set aside \$5 billion in the **Rail Infrastructure Fund** that I spoke about earlier. This will help to pay for the new rail lines that we are building.
 - Next, I will set aside \$2 billion for premium subsidies and other forms of support for Singaporeans when the **ElderShield** review is complete.
 - Finally, I will share some of this year's surplus with Singaporeans. I will declare a **one-off SG Bonus.**
 - All Singaporeans aged 21 and above in 2018 will enjoy a "hongbao" of \$300, \$200 or \$100, depending on their income. The SG Bonus will cost the Government \$700 million. (Refer to Annex C-2.)
 - It reflects the Government's long-standing commitment to share the fruits of Singapore's development with Singaporeans.

Table 2: SG Bonus for FY2018

Singaporeans aged 21 years and above in 2018 Assessable Income* for YA2017		
Up to \$28,000	\$28,001 to \$100,000	Above \$100,000
\$300	\$200	\$100

* Adult Singaporeans who own more than one property are eligible for SG Bonus of \$100.

- F4. Notwithstanding the overall budget surplus, FY2017 budget remains expansionary for the domestic economy. When we exclude NIRC and top-ups to funds, we expect a basic deficit of \$1.0 billion, or 0.2% of GDP.
- F5. In FY2018, our budget position will remain expansionary. Ministries' total expenditures are expected to be \$80.0 billion, or 8.3% higher than in FY2017. On the whole, we expect a slight overall budget deficit of \$0.6 billion, or 0.1% of GDP. (Refer to Annex D.)

Together, a Better Future

- F6. Mr Speaker, Sir, I will now conclude.
- a. To prepare for this Budget, I spoke to many businesses, organisations, community partners, and Singaporeans. They gave me useful feedback, which helped refine our policies, and set our priorities for the years ahead.
 - b. I would like to thank them for their contributions, and also thank the students from Nanyang Polytechnic for helping to draw the beautiful sketches that you see in my slides today.
- F7. Budget 2018 is about **laying the foundation for our nation's development** in the next decade.
- a. It seeks to support our transformation into a **vibrant and innovative economy**, by fostering pervasive innovation, building deep capabilities, and forging strong partnerships.
 - b. It seeks to build a **smart, green and liveable city**, so that Singaporeans can enjoy a high quality living environment.
 - c. It also seeks to further our collective efforts to foster a **caring and cohesive society**, by harnessing the sense of community and the spirit of giving in our people.
 - d. And finally, it lays out plans for our expenditures and revenues in the next decade, to ensure a **fiscally sustainable and secure future** for Singapore.
- F8. At its heart, the Budget is a strategic and integrated financial plan to position Singapore for the future. It is a means for us to achieve the aspirations of our people, a roadmap for us to achieve our vision for Singapore.
- F9. Our path ahead will not be easy, especially in the light of the major shifts happening around us – a changing global economic landscape, the emergence of new technologies, and our own demographic transition.

- F10. But we have confronted graver challenges in the past, and have always been able to overcome them, using our wits and relying on the solidarity of our people.
- F11. We are now in a much stronger position than we have been in the past. We have a diversified and well-connected economy, a highly motivated and educated workforce, a cohesive and resilient society.
- F12. Together, we will marshal our resources and chart our course – to come together, to work together, to make our aspirations today, the reality tomorrow.
- F13. This way, we can build a better Singapore for everyone. Together, we can make a better future for all of us.
- F14. Mr Speaker, Sir, I beg to move.