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A bespoke Budget that is inclusive and futuristic

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The skyline of the Singapore's Central Business District (CBD). -- PHOTO: BT FILE

BY SIMON POH

Budget 2015 can be hailed as a bespoke budget that is unprecedented in many ways.

Unveiling it immediately after the Lunar New Year long weekend, Finance Minister Tharman Shanmugaratnam assumed the role of the 'God of Fortune' when he dished out hongbao goodies that are particularly targeted at the low and middle income groups as well as small and medium enterprises (SMEs) - very much in line with the entrenched 'inclusivity' theme set in recent years' Budgets.

As part of Jubilee year celebrations, Mr Tharman also threw in an enhanced 300 per cent tax deduction for donations made this year, a one-off 50 per cent personal income tax rebate for individuals and improved Goods and Services Tax (GST) vouchers for the lower income group and elderly.

But undoubtedly, the introduction of the SkillsFuture initiatives and Silver Support Scheme stand out amongst the benefits for individuals, even though these were already expected in the run-up to this year's Budget.

It is heartening to note that in the case of the SkillsFuture, in addition to giving a decent $500 initial credit to all Singaporeans aged 25 and above from 2016 to spend on future lifelong learning, infrastructure will be created to develop a professional core of education and career counsellors, enhance internships, facilitate job placements and match mentors with SMEs.

The Silver Support Scheme also did not disappoint when it was announced as a permanent scheme to benefit current and future lower income groups of Singaporeans when they retire. Although modest in quantum ranging from $300 to $750 per quarter, this sum is meant to supplement the bottom 20 per cent to 30 per cent of Singapore wage-earners.

What is noteworthy is that eligibility is based on a combination of lifetime wages, level of household support and the type of housing lived in. This is a great departure - and hence improvement - from past government transfers which are often based on income and housing alone.

Following the acceptance of the CPF Advisory Panel's recent recommendations by the government, Budget 2015 also endorsed the proposed increase in CPF contribution rates to benefit older workers aged 50 to 60. It acceded to the request for an increase in the CPF monthly salary ceiling, from $5,000 to $6,000. This, together with the extra interest for CPF balances of older workers, will largely benefit the sandwiched class to enable them to build up their nest egg.

But the announcement of an increase in the personal tax rates for tax residents with chargeable income above $160,000 from the Year of Assessment 2017 did surprise. Despite the fact that the move may slightly dent Singapore's ability to attract top talent to work here, it appears that the Government feels the timing is right to introduce these higher progressive rates.

On the SME front, those struggling with a tight labour market and high business costs may take some comfort from the SkillsFuture initiatives, which will come in handy given their often negligible training budgets.

While the absence of new measures to further enhance the Productivity and Innovation Credit (PIC) scheme as well as the removal of the PIC bonus will certainly disappoint a number of smaller firms, the simplified application process for the Capability Development Grant for projects below $30,000 will benefit more deserving companies. They should also gain from the two-year extension of the Wage Credit Scheme and the 30 per cent corporate income tax rebate, although they have to accept reduced benefits for these two measures as part of the plan to phase out the transition support package.

For companies which embark on internationalisation, the good news is that the double tax deduction for internationalisation will, in future, cover qualifying manpower costs. In addition, they stand to benefit from a concessionary 10 per cent tax rate for incremental income from qualifying internationalisation activities.

Another bright spot - Companies lobbying for an extension of the mergers and acquisition (M&A) scheme received more than what they asked for. In addition to an extension of another five years until 31 March 2020, the improved 25 per cent tax allowance, as well as the reduced 20 per cent shareholding qualifying criteria, should be particularly pleasing.

All in, this Budget has lived up to its hype of being forward looking whilst laying the foundation for a strong and inclusive social security system for Singapore.

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