

# Seven measures to expect from Budget 2020

These measures will be aimed at growing the economy, helping Singapore face its external challenges and ensuring its long-term success. **BY SIMON POH**

**O**N FEB 18, Deputy Prime Minister and Minister for Finance Heng Swee Keat is expected to unveil a strong expansionary Budget. Incorporating ideas from Singaporeans as part of the "Singapore Together" movement, the Budget will aim to grow the economy, help Singapore face its external challenges and ensure the nation's long-term success.

Here are seven things we may expect from his announcement.

## ■ Building on a long-term foundation for businesses and workers

The minister is expected to emphasise that the current Budget builds on the foundation of previous Budgets. Given that our economic restructuring efforts to transform businesses are still very much a work-in-progress, more targeted measures to help Singapore businesses build lasting capabilities are likely to be unveiled.

This includes more initiatives to foster innovation and productivity using digital solutions, give startups a helping hand, as well as aid high-growth companies to strengthen their international competitiveness so as to internationalise and scale up rapidly. For workers, particularly those aged 40 and above, there will be measures to help them to upskill, reskill and capitalise on opportunities presented by rapid technological changes.

## ■ Addressing near-term economic difficulties

Although the minister's priority has always been to address long-term issues, there will be measures to help struggling companies cope with pressing near-term issues. With the prospect of a rapidly slowing global macro economy, help may come in the form of a 20 per cent corporate income tax rebate capped at S\$10,000, similar to last year.

The world has been grappling with the outbreak of the novel coronavirus since it was detected last December. This epidemic is a serious threat to the growth and survival of all companies, in particular those in the transport and tourism sectors. Expect a special relief package that may take the form of property tax rebates, training grants, SkillsFuture enhancements and temporary reductions in foreign worker levies.

## ■ No changes to corporate income tax rate

Our corporate income tax rate has been maintained at 17 per cent for the past decade (from Year of Assessment 2010 to 2019). Looking ahead to the next decade, I do not expect any announcement of a change in this rate. There is little scope for the rate to be reduced, even though countries worldwide have reduced their rates in recent years. This is because this rate is still very competitive by international standards.

There is also no compelling case for the minister to reverse the trend of reducing rates, even if the intention is to get highly profitable companies to play their part in addressing the issue of inequality for businesses. Doing so may potentially lead to the exodus of companies to other countries. A reduction is also less palatable given the impending rise in the GST rate.

## ■ No change in personal income tax rates, but maybe some tweaks to personal reliefs

By international standards, our personal income tax rates are also very competitive. The scope for reducing them is thus also limited.



Singapore has kept its corporate tax rate at 17 per cent since Year of Assessment 2010. There is neither a compelling reason to raise or lower it this year. **BT FILE PHOTO**

But unlike corporate income taxes, there is a greater pressure for governments to address inequalities in income.

Hence, there is a chance that the Minister may soon introduce an income tax rate higher than 22 per cent for ultra-rich individuals to make the system more progressive. Even if the government feels that it is too soon to revisit our personal income tax structure – last revised in 2017 – there is a possibility he may announce an impending change to take place in one to two years.

To increase tax revenue collection, certain personal reliefs that appear to run contrary to the spirit of a progressive tax system may be scaled down. For example, working mother child reliefs may be adjusted downwards.

On the other hand, to recognise the ever-increasing costs of raising a child, the qualifying child relief may be increased to S\$5,000 from S\$4,000. At the same time, the income ceiling for claiming child relief can possibly be increased to S\$5,000 from S\$4,000 in parallel.

## ■ GST rates and taxing imported services and low-value imported goods

The minister announced in Budget 2018 that the GST rate will go up to 9 per cent from 7 per cent between 2021 and 2025. More details of an offset package will be announced in this year's Budget, with a possible decision on the implementation date, which is likely to be in 2022.

To counter the inherently regressive nature of the tax, I expect a generous support package that will be targeted to benefit the lower- and middle-income groups. It will take the form of cash payouts, rebates for utilities and conservancy charges and top-ups to Medisave and the Public Transport Fund.

With GST on import of digital services already effective from Jan 1, 2020, the attention has now shifted to the collection of GST on low-value goods imports. Drawing on the experiences of Australia and New Zealand, which have just successfully implemented this, my guess is that the minister may give an advance announcement of the implementation, which will likely take place in 2022.

This will give the government time to iron out the details, and at the same time cushion any negative impact on affected businesses.

## ■ Taking care of lower-income senior citizens

In line with the inclusivity theme that has consistently run through the past Budgets, the minister will likely announce some initiatives to help lower-income Singaporeans meet their retirement needs in a sustainable way.

For the group of low-income elderly individuals who are currently working beyond their retirement age, an increase in the maximum earned income relief, currently at S\$8,000, will be welcome. This can apply to those, say, aged 65 and above.

I hope measures will also extend to the sandwich generation, which may be struggling to support their children's education while also taking care of aged parents.

## ■ Life-long learning

Lifelong learning for workers is crucial to the survival of a small, open city-state like Singapore, as it copes with the rigours and demands of international geopolitics.

To this end, companies should be incentivised to encourage employee training with further deductions for qualifying training expenses. This could be a deduction of up to 200 per cent, for example.

To encourage individuals to upgrade themselves by attending relevant training courses without the support of their employers, the minister can consider raising the relief cap from the current S\$5,500 limit to, say, \$8,000.

Lastly, it is probably time to top up the SkillsFuture Credits of all Singaporeans in Budget 2020. Some may have exhausted the initial S\$500; others may need more support to sign up for costlier courses. Those who were below the qualifying age of 25 when the scheme was launched have also yet to reap its benefits.

In addition to topping up another S\$500, I propose refining the rules to provide for further top-ups for individuals who have lost their jobs and are unemployed for a prolonged but defined period of time (say, one year), and bringing down the minimum qualifying age from 25 to 21.

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