

COMMENTARY

A well thought-through 'UNITY' Budget

By **Simon Poh**

DEPUTY Prime Minister and Minister for Finance Heng Swee Keat has unveiled a highly anticipated "UNITY" Budget.

Budget 2020 is:

- Unprecedented in its emphasis on near-term support compared to long-term measures;
- Nothing short of generous in its outreach to help businesses, employees and households affected by Covid-19;
- Interesting in introducing top-ups to SkillsFuture Credit that come with an expiry condition;
- Timely in providing details of the GST Assurance Package ahead of an impending GST hike without committing on a timeframe; and
- Yarning in building up a collective "Singapore Together" spirit among Singaporeans to face future challenges.

I wrote last week on seven measures to expect from Budget 2020. It may now be timely to take stock of the proposals.

Building on a long-term foundation for businesses and workers

Continuing on the transformation journey, Mr Heng introduced new initiatives such as GoBusiness and Asia-Ready Exposure Programmes while enhancing existing programmes such as SMEs Go Digital and Market Ready Assurance.

The emphasis again is to help startups spring-bound their ventures on a firm footing while assisting existing promising companies to beef up their growth strategy and strengthen their international competitiveness.

Addressing near-term economic difficulties

It was unprecedented when the minister delved straight into announcing near-term support measures soon after starting his speech. The temporary relief measures released as part of the S\$4 billion Stabilisation and Support Package was comprehensively tailored to help targeted industries severely impacted by the Covid-19 out-

break. Also assuring is the additional S\$800 million set aside in this Budget to support the various efforts to cope with this challenging situation. No doubt this move will be well-received by businesses, households and individuals.

No change to corporate income tax (CIT) rate but CIT rebate reintroduced

As expected, there is no rate change for the corporate income tax. It was thought that the CIT rebates will come to an end. Hence, the announcement of a 25 per cent CIT rebate for the Year of Assessment 2020 as part of the Stabilisation and Support Package is welcome news.

A cap of S\$15,000 means that companies with tax payable of at least S\$60,000 in the 2019 financial year will enjoy this maximum tax savings. Loss-making firms do not benefit from this measure at all.

No change in personal income tax rates and personal reliefs

It came as no surprise that the minister did not attempt to tamper with the personal income tax rate structure, last revised in 2017. He also decided that it is not time to revise any of the personal reliefs although I would have thought that some of these reliefs should be tweaked. For example, the ever-increasing cost of raising a child should justify an increase in the qualifying child relief from S\$4,000 to S\$5,000.

The most notable announcement is the decision to allow the angel investors tax deduction scheme to lapse after March 31, 2020. Angel investors would have to turn to non-tax perks such as grants to continue to be incentivised.

GST rates and taxing low-value imported goods

The minister decided that it is not time to increase the GST rate to 9 per cent from 7 per cent in 2021. But he made a prudent decision not to announce the exact date of the increase. However, his outline of the GST Assurance Package

did not disappoint. The extensive relief measures targeted at Singaporeans should amply address the concerns of lower-income citizens.

Meanwhile, the government has not decided to implement GST on low-value imported goods presumably because more time is needed to iron out implementation details.

Taking care of lower-income citizens

A slew of initiatives was announced as part of a Senior Worker Support Package. For example, companies stand to benefit from wage offsets when they employ older Singapore workers aged 55 and above. They will also receive CPF Transition offsets to subsidise the anticipated increase in CPF contribution in 2021.

Disappointingly, there were no concrete measures to help senior citizens, apart from the increase in both the retirement age and re-employment age and the increase in CPF rates already announced before the Budget.

An increase in the earned income relief for senior citizens would have encouraged them to carry on working after reaching retirement, but the minister has other ideas.

Lifelong learning

Lifelong learning continues to be an important theme in this year's Budget. The minister finally decided that it is time to top up the SkillsFuture Credits of all Singaporeans. Not only did he decide to top up S\$500 for every Singaporean aged 25 and above, those aged 40 to 60 will receive an additional top-up of S\$500. It is interesting that these top-ups now come with an expiry period, which will certainly prod citizens into action in signing up for suitable courses. But I ponder the decision to exclude those above 60 from the further top-up.

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