

# SINGAPORE BUDGET 2014: AT A GLANCE

## Transforming our Economy and Building a Fair and Equitable Society



Quality growth and building a fair and equitable society are the key thrusts of Budget 2014 announced by Deputy Prime Minister and Finance Minister Tharman Shanmugaratnam on 21 February 2014. On strengthening social support, a \$8 billion fund will be set up for the Pioneer Generation Package to provide life-long health-care benefits for 450,000 pioneers. There are also measures to help older workers and elderly Singaporeans for health-care, and the young for pre-school and tertiary education. On transforming the economy, there are incentives to foster growth based on innovation and deeper capabilities, create higher-value industries and quality jobs, and sustain higher incomes for Singaporeans.

### BUDGET 2014 HIGHLIGHTS

#### Transforming our Economy

##### Innovation, Skills and Technology

###### Innovation and Productivity

- Extend Productivity and Innovation Credit (PIC) scheme till YA 2018
- Introduce new PIC+ scheme for Small and Medium Sized Enterprises (SMEs), by raising expenditure cap to \$600,000 per qualifying activity per YA or up to \$1.8 million combined expenditure cap per qualifying activity for YA2016 to YA2018
- Extend 50% additional tax deduction on qualifying R&D expenditure till YA2025, and further tax deduction administered by the EDB till March 2020
- Extend write-down allowance for cost incurred to acquire qualifying Intellectual Property Rights till YA2020
- Create new industrial spaces that cluster companies within same industry to lower cost through pooling resources
- Renew Land Intensification Allowance (LIA) to June 2020, extend LIA to logistics sector and others

###### Skills and Technology

- Undertake major review of Continuing Education and Training (CET) system to support workers' up-skilling, with a top-up of the Lifelong Learning Endowment Fund by \$500m
- Extend reach of sector-specific proven Info-Comm Technology (ICT) solutions with subsidy of 70% of the costs of ICT products and services
- Fund 80% of qualifying costs for piloting emerging technology solutions, up to \$1 million per participating firm
- Subsidise 50% of SMEs' subscription of fibre broadband plans of at least 100 Mbps, capped at \$120/month up to 24 months, or \$2,880 per SME
- Up to 80% of building owners' costs of new in-building infrastructures, capped at \$200,000 per building

##### Growth - Financing and Internationalisation

###### Financing to promote industry transformation

- Launch SME Co-Investment Programme Phase II, with Government providing an additional \$150 million to match private sector investments
- Raise government risk-share in SPRING's Micro-Loan Programme (MLP) for young SMEs from 50% to 70%

###### Seizing growth opportunities overseas

- Raise maximum loan quantum under IE Singapore's Internationalisation Finance Scheme (IFS) from \$15 million to \$30 million
- Enhance Global Company Partnership (GCP) Programme by raising support level for pilot and test-bedding projects from 50% to 70%, and expand support for staff attachments overseas

##### CPF

- Raise CPF employer contribution for all workers by 1%, which will be channelled to Medisave Account. To help employers adjust, a 50% offset through a one-year Temporary Employment Credit (TEC) of 0.5% of wages, up to a CPF salary ceiling of \$5,000, will be provided
- Further raise CPF contribution for older workers, by 1.5% (1% from employer and 0.5% from employee) for those aged 50 to 55, and 0.5% from employer for those aged 55 to 65. To help employers adjust, a one-year increase in Special Employment Credit (SEC) of up to 0.5% will be provided, on top of existing SEC of up to 8% of wages

##### Specific Industry

###### Upgrading the Construction Sector

- Mandate use of productive technologies for selected Government Land Sales (GLS) sites and stipulate minimum percentage level of prefabrication for tender of Industrial Government Land Sales (iGLS) sites;
- Incentivise developers to adopt productive technologies in development of non-GLS sites by increasing the legislated buildability and constructability scores for private projects
- Public sector will take lead by using productive technologies more aggressively; tender evaluation for government projects will favour firms with good track records in adopting productive construction designs and methods;
- Increase levy for Basic Skilled or R2 Work Permit Holders from \$600 to \$700 in July 2016
- Introduce a new Market-Based Skills Recognition Framework to retain better skilled workers
- Extend maximum period of employment from 18 to 22 years for higher-skilled workers

## Finance Sector

- Provide tax certainty by treating Singapore-incorporated banks Basel III Additional Tier 1 instruments, other than shares, as debt for tax purposes
- Extend and refine tax incentives for qualifying funds, for example, extension of GST recovery by qualifying funds

## A Fair and Equitable Society

### Education

- Increase fee assistance under Kindergarten Fee Assistance Scheme (KiFAS), extend scheme to middle income families, and make scheme available to all Anchor Operators and MOE Kindergartens
- Raise per capita monthly household income threshold from \$1,700 to \$1,900 to qualify for bursaries at Institutes of Higher Learning (IHLs)
- Increase bursaries for undergraduates, polytechnic and ITE students from lower and middle-income families

### Pioneer Generation

- Create a Pioneer Generation Fund of \$8 billion to meet lifelong health-care cost of Pioneer Generation Package for Singaporeans aged 65 and above this year and who became citizens before 1987, regardless of income
- Extend further 50% discount on their subsidised bills at Specialist Outpatient Clinics (SOCs) and polyclinics
- Extend additional Community Health Assist Scheme (CHAS) benefits for those already qualified and to qualify those who are now not on the scheme
- Introduce Pioneer Generation Disability Assistance scheme to provide cash assistance of \$1,200 annually for those with moderate to severe functional disabilities
- Provide annual Medisave top-ups of \$200 to \$800
- Provide subsidies for MediShield Life premium, rising from 40% to 60% with increase in age

### Healthcare

- Increase subsidies for lower and middle-income patients of SOC's from 50% to 60% and 70% respectively
- Provide CPF Medisave top-up of \$100-\$200 annually over next 5 years for those aged 55-64 in 2014, in addition to increased CPF contribution to Medisave mentioned earlier

### Household Reliefs

- Increase parent relief and handicapped parent relief by up to \$3,000, with those individuals staying with their elderly dependants enjoying a higher relief quantum, and allow sharing of parent relief
- Enhance subsidies for children with special needs under Early Intervention Programme for Infants and Children (EIPIIC) so that more middle-income households can benefit, with a further 20% to 50% subsidy on top of \$500 base subsidy for all children enrolled in EIPIIC
- Introduce subsidies of up to 80% for persons with disabilities from lower income households who require dedicated transport services to access special education and care services
- Increase relief for those caring for handicapped dependents by \$2,000
- Provide one-off GST Vouchers for Seniors' Bonus of up to \$250 and U-Save Special Payment of up to \$260, and one-off Service & Conservancy Charges rebates of up to 3 months

## Viewpoint

The Pioneer Generation Package is the major initiative of the Budget, acknowledging the role our pioneers played in building up Singapore. The package reinforces the focus of the Budget on addressing healthcare costs concerns, especially for the lower and middle income families and the elderly. The Budget is positive towards building a fair and equitable society.

The Budget revealed the continued emphasis on transforming the economy, with enhanced measures targeted at innovation, growth enterprises and overseas opportunities. It is imperative for companies, particularly SMEs, to focus on the critical need to transform capabilities, create higher value and sustain long-term growth. There is a short window to do so. At the individual firm level, those unable to do so will find it difficult to cope with continued pressures of a tight labour market and higher business costs. Worse, they could become less competitive, especially compared to those who up-skill their workers, raise productivity, re-structure and grow their businesses.

Interestingly, a number of business issues covered in the Budget, had been raised in the ISCA Pre-Budget Roundtable 2014 held in January 2014. The points raised by the Roundtable were conveyed to the Ministry of Finance. Key points raised included the concern over businesses' focus on costs rather than innovation and transforming capabilities; the need to further incentivise R&D; greater financing for SMEs, including crowd funding and more risk-sharing; and encouraging businesses to further seize growth opportunities overseas. Please see the ISCA Pre-Budget Roundtable and Survey reports for more details via: <http://research.isca.org.sg/>.