SINGAPORE BUDGET 2013: AT A GLANCE

A BETTER SINGAPORE: QUALITY GROWTH, INCLUSIVE SOCIETY

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The Singapore Budget 2013 revealed the Government's two key pillars for a better Singapore. They are restructuring for quality growth and building a more inclusive society. The Government has remained steadfast in its pursuit of productivity and, at the same time, will enhance assistance to businesses. For a more inclusive society, the Government will enhance social mobility, adopt more progressive taxation and enhance help to the needy.

BUDGET 2013 HIGHLIGHTS

PRODUCTIVITY

PRODUCTIVITY AND INNOVATION CREDIT (PIC) BONUS

- Cash bonus for businesses investing a minimum of $5,000 in PIC qualifying expenditure per year, up to $15,000 over YA2013 to YA2015

ENHANCEMENTS TO THE PIC SCHEME

- Update prescribed equipment list and liberalise conditions for equipment not in list
- Intellectual property (IP) rights under licensing agreements to qualify under scheme

LAND PRODUCTIVITY GRANT

- Grant to companies that intensify land use or save land and help for companies which relocate offshore while retaining core functions in Singapore

INDUSTRY-WIDE COLLABORATIONS

- Co-fund development and adoption of solutions through Collaborative Industry Projects
- Expand Partnerships for Capability Transformation (PACT) beyond the manufacturing sector
- Link SMEs with research institutes and technology providers to develop productivity solutions

MANPOWER

CO-FUND WAGE INCREASE THROUGH WAGE CREDIT SCHEME (WCS)

- Co-fund 40% of gross monthly wage increases for Singaporeans earning up to $4,000 over next three years

TIGHTENING OF FOREIGN LABOUR

- Higher levies on foreign workers, varying by sector and skill-levels, in July 2014 and July 2015
- Cut Dependency Ratio Ceiling (DRC) for services work permits to 40% from 45% and S-Pass to 15% from 20% from 1 July 2013
- Cut DRC in marine sector to around one-third over 2 phases in 1 Jan 2016 and 1 Jan 2018
- Increase S Pass qualifying salary criteria to $2,200 from $2,000
- Tighten eligibility for Employment Pass (EP) workforce, especially for Q1 pass holders

HELPING BUSINESSES TO COPE WITH COST PRESSURES

- Corporate Income Tax (CIT) Rebate of 30% capped at $30,000 per YA from YA 2013 to YA 2015
- Commercial vehicles, beyond ten-year COE, allowed to renew COE for 2 five-year periods
- 30% road tax rebate for goods vehicles, buses and taxis for one year

STRATEGIC INITIATIVES

SATELLITE AND DATA ANALYTICS

- Support emerging satellite industry through $90 million development fund and develop a pool of 2,500 analytics professionals over next five years

MANUFACTURING RELATED

- A Future of Manufacturing plan, with $500 million over five years, to facilitate commercialisation of technologies and applications

INFRASTRUCTURE RELATED

- Promote prefabrication in construction sector with grants of $10 million over two years

SOCIAL AND HOUSEHOLD

PROMOTING SOCIAL MOBILITY

- Establish Early Childhood Development Agency and more pre-school operators
- Extend learning support programme beyond early Primary School years and expand number of school-based student care centres
- Top-up for Opportunity Fund ($72 million), with extension to polytechnics, and for Edusave Endowment Fund ($300 million)

STRENGTHENING WORKFARE FOR LOW INCOME WORKERS

- Raise Workfare Income Supplement (WIS) ceiling from monthly wage of $1,700 to $1,900, with increased cash payout
- Restore employer and employee CPF contribution rates for low-wage workers to full contribution rates

PROGRESSIVE TAXES

- For owner-occupied residential properties, widen 0% property tax band to first $8,000 of annual value and introduce new tax rates of 8% to 16%, in addition to current rates of 4% and 6%
- For non-owner-occupied residential properties, introduce new marginal property tax rates of 12% to 20%, in addition to current rate of 10%
- Additional Registration Fee (ARF) for car models with Open Market Values (OMVs) up to $20,000 to remain at 100%. Next $30,000 of OMV will attract an ARF rate of 140% and any value beyond $50,000 will attract a rate of 180%

STRONGER SAFETY NETS AND SOCIAL RELIEF

- Top-up of Medifund ($1 billion) and ElderCare Fund ($250 million)
- Improve and review social service delivery and healthcare financing
- One-off GST Voucher and up to 3 months of Services & Conservancy Charges rebate
- Top-up $200 CPF Medisave Account top-up for Singaporeans aged 45 and above
- Reduce concessionary levy for domestic foreign worker from $170 to $120 per month

RESTRUCTURING FOR QUALITY GROWTH

In order to achieve quality growth, the Government continues to push ahead with economic restructuring. Businesses which invest in productivity and innovation activities will be given a boost in their efforts. The Government will help defray business costs through the $5.35 billion three-year Transition Support Package consisting of the Wage Credit Scheme (WCS), PIC Bonus and the Corporate Income Tax rebate.

To wean less productive businesses off foreign labour, the Dependency Ratio Ceiling (DRC) for the services and marine sectors will be further reduced. Higher levies will also be imposed on foreign workers, with these targeted at sectors which are most dependent on foreign workers and furthest behind international productivity standards, such as construction. The approach is one of incentivising productivity while tightening labour so that firms would act without delay.

The Budget will help businesses address rising costs through the Corporate Income Tax Rebate and co-funding wage increases under the WCS. It will also help owners of commercial vehicles to ease their cash flows via shorter COE renewals. Further, the Government will introduce the Land Productivity Grant to support companies to intensify the use of land.

The Budget also aims to position Singapore's economy with future competitive strengths through the support of new sectors and a shift towards high-value add in other existing areas. New sectors such as the satellite and data analytics industries will increase the high value-add nature in the composition of Singapore's economy. There is also an aim to shift towards advanced manufacturing and infrastructure sectors, as seen by the sizable $500 million set aside over five years for a Future of Manufacturing plan and also $10 million over two years for prefabrication manufacturing in the construction sector.

BUILDING A MORE INCLUSIVE SOCIETY

Economic growth and an inclusive society are tightly intertwined. The government will continue to invest in education, with at least $3 billion, planned over 5 years. For individuals or families in need, help will be enhanced through many channels such as WIS, Medifund and ElderCare.

There is a clear move towards more progressive taxation to ameliorate the growing income inequality between the well-off and the rest of society. This is evidenced by greater taxation for ownership of higher end properties or passenger cars. The more pronounced emphasis of this year's budget on the social aspect, compared to previous years, is also evidenced by measures to improve social mobility through education and enhance help to those disadvantaged or in need.