Budget 2017

Moving Forward Together

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A. Introduction – Moving Forward Together


A Time of Change

A.2. When I presented the last Budget, Brexit seemed remote and the US had just started the process of electing their new President. Events since then are a stark reminder of how quick and unpredictable change can be.

A.3. There is an inward-looking mood in several of the most advanced economies. Should this translate into protectionist actions, it will slow global trade and investments.

A.4. Meanwhile, advances in technology are picking up pace, disrupting traditional businesses and jobs. But they also present opportunities for countries and people who can learn and adapt quickly.

A.5. These deep shifts around the world will create new challenges but also open up new opportunities for many years to come. We must understand these shifts and do our best to adapt and thrive.

A.6. Singapore is also undergoing a key transition as our economy matures. With falling birth rates and a rapidly ageing population, labour force growth will eventually fall to zero. Many developed economies going through this same experience have seen their annual GDP growth decelerate to 1% or lower. We can aim for quality growth of 2% to 3%, if we press on in our drive for higher productivity and work hard to help everyone who wishes to work find a place in the labour force.
Building Capabilities and Partnerships

A.7. Singapore should develop strong capabilities in our firms and workers, so they can adapt to the changes in economic structures and technology. Digitalisation, innovation and highly skilled workers will enable cities and regions to prosper while staying open and connected to the world.

A.8. In addition, we must forge deep partnerships in our economy. The Government's role is not to plan every move, but to forge a common understanding of the changes, and foster partnerships with businesses, unions, firms and workers, with each playing a key role. We need to pool our resources and ideas, and solve problems together. Such networks of trust will allow us to seize opportunities and respond to unexpected challenges.

A.9. Similarly, we need to foster partnerships in the wider society so we can maintain a good balance between state action and community initiative. Government can do good in many instances, but so can individual citizens. When friends, neighbours and fellow citizens come together in support of a cause, or one another, we forge deep bonds and grow our social capital.

A.10. It is critical that we take decisive action to re-position ourselves for the future. Budget 2017 will outline measures for our economy and our society, together with our fiscal policies. We will take a learning and adaptive approach, try new methods, continue with them when they work well, cut losses when they do not, and draw on feedback and experience to adjust and refine our plans. That is the Singapore way.
B. An Innovative and Connected Economy

Economy and Labour Market – Performance and Outlook

B.1. Let me start with the economy and jobs.

B.2. Last year, we achieved GDP growth of 2.0%.\(^1\) This is similar to the 1.9% achieved in 2015. This is within range, but at the lower end of our potential growth over the medium term.

B.3. But this aggregate growth figure belies the uneven performance across sectors. Sectors such as Electronics, Information & Communications, and Education, Health & Social Services, did well. Some sectors have been harder hit by cyclical weaknesses, including Marine & Offshore, and to some extent, Construction. Other sectors like retail are facing structural shifts.

B.4. The picture of the labour market is similarly mixed. Overall, unemployment rate remained low at 2.1% \(^2\) in 2016, but redundancies have been increasing and more workers are taking longer to find jobs. Sectors such as healthcare and education offered more jobs, while others shed them. In 2016, resident employment increased while foreign employment contracted.\(^3\)

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\(^1\) Based on the Economic Survey of Singapore 2016.
\(^2\) Based on MOM’s Labour Market Advance Release 2016.
\(^3\) Contraction in foreign employment excludes Foreign Domestic Workers.
Managing the Transition

B.5. Given the uneven performance across different sectors, we need to go beyond general stimulus, and target the specific issues faced by different sectors.

B.6. **For firms and sectors that are doing well, we must focus on the long term and build on the momentum to seize new opportunities.** For example, firms in the manufacturing sector should adopt advanced manufacturing technologies to build competitive advantage. In last year’s Budget, I announced the $450 million National Robotics Programme. This year, I will be announcing measures to help firms with good prospects scale up and internationalise. I will talk about these measures later.

B.7. **For sectors facing cyclical weaknesses, we have introduced specific support measures** like the Bridging Loan for Marine and Offshore Engineering companies, which provides access to working capital to help them bridge short-term cash flow gaps. I will introduce specific measures to address continued cyclical weaknesses in the Marine and Process sectors, and the Construction sector.

Deferring Foreign Worker Levy (FWL) Increases

B.8. Last year, we deferred foreign worker levy increases in the Marine and Process sectors. In view of continued weakness, we will defer the earlier announced levy increases in these two sectors by one more year. (Refer to Annex A-1).
Accelerating Infrastructure Projects

B.9. To support the Construction sector, we will also bring forward $700 million worth of public sector infrastructure projects to start in FY2017 and FY2018. Our construction firms will be able to bid for and participate in these projects, which include the upgrading of community clubs and sports facilities. To sustain the momentum for productivity improvement, we will proceed with the foreign worker levy increases for Construction announced in 2015.

B.10. Firms in sectors that are facing structural shifts will need to dig deep to change their business models to stay viable. For example, firms and workers in Retail will need to embrace digital capabilities to access new markets through online-marketing, and e-commerce platforms.

Enhance “Adapt and Grow”

B.11. The Government will help workers adapt to structural shifts in the economy, especially those who seek to move to a different sector or industry. Last year, the Ministry of Manpower (MOM) launched the “Adapt and Grow” initiative to help workers looking to take on new jobs. We will strengthen the support this year.

a. We will increase wage and training support provided under the Career Support Programme, the Professional Conversion Programme, and the Work Trial Programme.

b. We will introduce an “Attach and Train” initiative for sectors that have good growth prospects, but where companies may not be ready to hire yet. Instead, industry partners can send participants for training and work attachments. This will increase the chances of these workers to find a job in the sector later.
B.12. An **additional sum of up to $26 million a year** will be committed from the Lifelong Learning Endowment Fund and the Skills Development Fund to support these initiatives.

B.13. The Minister for Manpower will elaborate on the initiatives at the Committee of Supply (COS). (Refer to Annex A-2).

**Continuation of Measures to Support Businesses**

B.14. Over the next two to three years, the different sectors of our economy will be in transition, repositioning themselves for the future economy. Some firms may need help to manage cost or cash flow. They will continue to receive support from schemes announced previously. Let me mention three.

B.15. The **Wage Credit Scheme** will continue to help firms cope with rising wages. We expect to pay over $600 million to businesses this March. Roughly 70% of this amount will be to SMEs.

B.16. The **Special Employment Credit** will continue to provide employers with support for the wages of older workers till 2019. Over $300 million, which will benefit 370,000 workers, will be paid out in FY2017.

B.17. The **SME Working Capital Loan** will continue to be available for the next two years. This is where Government co-shares 50% of the default risk for loans of up to $300,000 per SME. There has been good take-up for this scheme. Since its launch in June 2016, the scheme has catalysed more than $700 million of loans.

B.18. I will introduce two more measures to support firms.
**Enhancement of Corporate Income Tax Rebate**

B.19. First, I will **enhance the Corporate Income Tax (CIT) Rebate**. Last year, I enhanced the CIT rebate from 30% to 50% of tax payable, capped at $20,000 each year for Year of Assessment (YA) 2016 and YA2017.

B.20. This year, I will further enhance the CIT rebate by raising the cap from $20,000 to $25,000 for YA2017. The rebate will remain at 50% of tax payable.

B.21. I will also **extend the CIT rebate** for another year to YA2018, at a reduced rate of 20% of tax payable, capped at $10,000. The enhancement and extension will cost an additional **$310 million** over YA2017 and YA2018.

**Extension of Additional Special Employment Credit**

B.22. Second, we will provide more support for firms hiring older workers. MOM will raise the re-employment age from 65 to 67 years, with effect from 01 July 2017. This will apply to workers younger than 65 on that day.

B.23. To encourage employers to continue hiring workers who are not covered, we will **extend the Additional Special Employment Credit** till end-2019. Under this scheme, employers will receive wage offsets of up to 3% for workers who earn under $4,000 per month, and who are not covered by the new re-employment age of 67 years old. Taken together with the Special Employment Credit, employers will receive support of up to 11% for the wages of their eligible older workers.
B.24. The extension of the Additional Special Employment Credit will benefit about 120,000 workers and 55,000 employers, and will cost about $160 million. This helps to extend the employability of older Singaporeans. Details are in the Annex. (Refer to Annex A-3).

B.25. These additional near term support measures, with the existing Wage Credit Scheme and Special Employment Credit, will give businesses support of over $1.4 billion over the next year.

The Future Economy – Building Agility through Capabilities and Partnerships

B.26. The measures I have described will help our firms and workers, especially in sectors that are facing cyclical or structural weaknesses. Even more important is how we increase our growth in the medium to long term, so as to sustain our potential growth of 2% to 3%. Let me now speak about measures to build our capacity for the future economy. These measures largely respond to the ideas put forth by the Committee on the Future Economy, or CFE.

B.27. The CFE has laid out seven mutually reinforcing strategies to tackle the challenges ahead. These strategies are not prescriptive blueprints but focus on developing adaptability and resilience. These qualities will keep Singapore relevant even as the world changes.

B.28. Emerging economies are now able to produce rather than import higher value components. There is also a growing consumer class in many Asian cities. Even as we stay open and connected, we have to understand our global partners and customers much
better and more deeply. Our enterprises and people will need to venture overseas and to immerse themselves in these markets to gain deep insights.

B.29. Technology is reshaping businesses, jobs and lifestyles across the world. We must spot the opportunities in the digital economy, and make the most of our strengths as a nimble, well-educated, tech-savvy society.

B.30. As we mature as an economy, we must compete on the quality and novelty of our ideas, and our ability to create value. We need to build a strong innovation and enterprise engine, to complement our traditional strengths in efficiency and speed.

B.31. These moves will entail building capabilities of our enterprises, the capabilities of our people, and bringing all parts together in partnership to act as one agile, adaptable whole. This, in essence, is the key thrust of the CFE recommendations.

Strengthening Capabilities in Our Enterprises

B.32. Let me start with enterprise development.

B.33. Enterprises are the heart of vibrant economies. For our enterprises to stay competitive and grow, they will need to develop deep capabilities. Which capabilities matter – this depends on the industry that the firm is in, and the firm’s own stage of growth. But there are three capabilities that many firms will need in common – being able to use digital technology, embrace innovation, and scale up.
Digitalisation

B.34. Digital technology has unique potential to transform businesses, large and small, across the economy. The first way to strengthen our enterprises, especially SMEs, is to help them adopt digital solutions.

SMEs Go Digital Programme

B.35. We will introduce the **SMEs Go Digital Programme** to help SMEs build digital capabilities. The Info-communications Media Development Authority (IMDA) will work with SPRING and other sector lead agencies in this effort. The SMEs Go Digital Programme will have three components:

a. First, SMEs will get step-by-step advice on the technologies to use at each stage of their growth through the sectoral Industry Digital Plans. We will start with sectors where digital technology can significantly improve productivity. These include Retail, Food Services, Wholesale Trade, Logistics, Cleaning and Security.

b. Second, SMEs will get in-person help at SME Centres and a new SME Technology Hub to be set up by IMDA. SMEs can approach business advisors at SME Centres for advice on off-the-shelf technology solutions that are pre-approved for funding support, or connect to Info-communications and Technology (ICT) vendors and consultants. The more digitally advanced firms can get specialist advice from the SME Technology Hub.

c. Third, SMEs that are ready to pilot emerging ICT solutions can receive advice and funding support. We will work with consortiums of large and small firms to help them adopt impactful, interoperable ICT solutions, to level up whole sectors.
B.36. We will also **strengthen our capabilities in data and cybersecurity**. With increased digitalisation, data will become an important asset for firms, and strong cybersecurity is needed for our networks to function smoothly. The Cyber Security Agency (CSA) of Singapore will work with professional bodies to train cybersecurity professionals.

B.37. I will make available more than **$80 million for these programmes**. The Minister for Communications and Information will elaborate at the COS.

**Innovation**

B.38. The second way to strengthen our enterprises is to support firms in their broader efforts to tap on innovation and technology. With our consistent investment in R&D, we have built up excellent research institutes. We want to help companies better tap on these resources.

**A*STAR Operation and Technology Road-mapping**

B.39. A*STAR currently works with firms to conduct **operation and technology road-mapping**, to identify how technology can help them innovate and compete. A*STAR will expand its efforts to support 400 companies over the next four years.

**Improving Access to Intellectual Property (IP)**

B.40. For companies seeking access to intellectual property, **Intellectual Property Intermediary**, a SPRING affiliate, matches them with IP that meets their needs. It will work with the Intellectual Property Office of Singapore (IPOS) to analyse and bundle complementary IP from Singapore and overseas. A*STAR also partners SMEs
through the Headstart Programme. The Headstart programme allows SMEs that co-develop IP with A*STAR to enjoy royalty-free and exclusive licences for 18 months in the first instance. In response to industry feedback, this will be extended to 36 months.

**Tech Access Initiative**

B.41. We will also support companies in the use of advanced machine tools for prototyping and testing, which may require costly specialised equipment. A*STAR will provide access to such equipment, user training and advice under a new **Tech Access Initiative**.

B.42. The Ministers for Trade and Industry will elaborate at the COS.

**Scaling Up Globally**

B.43. The third way to strengthen our enterprises is to help them scale up globally. Many Singapore-based firms already have a presence in other markets, often with support from IE Singapore. In 2016, IE Singapore supported companies in over 37,000 cases, a 9% increase from 2015.

**International Partnership Fund**

B.44. To further support our firms to grow, we will continue to develop a smart financing ecosystem. We will commit up to $600 million in Government capital for a new **International Partnership Fund**. The Fund will co-invest with Singapore-based firms to help them scale-up and internationalise.

**Enhancement of Internationalisation Finance Scheme**

B.45. An important opportunity for our companies is the growing market for infrastructure development in emerging economies, especially
in Asia. However, there remain gaps in financial markets for project finance in the region. The Government will enhance its schemes to bridge these gaps, by catalysing private finance and sharing risks with financial institutions.

B.46. We set up Clifford Capital in 2012 to finance overseas projects by Singapore companies. To date, over $2.4 billion have been committed.⁴

B.47. We will enhance IE Singapore’s Internationalisation Finance Scheme to further support growth in this sector. We will catalyse private cross-border project financing to smaller Singapore-based infrastructure developers, by co-sharing the default risk of lower quantum non-recourse loans. We will also catalyse financing for projects undertaken by larger firms in higher-risk developing markets, by providing a share of the needed sovereign risk insurance coverage. Overall, these enhancements will enable more companies to take on more overseas projects. The Ministers for Trade and Industry will provide more details at the COS.

B.48. To sum up, these are the measures to help enterprises build capabilities to go international, go digital, and to innovate. (Refer to Annex A-4).

Deepening Our People’s Capabilities

B.49. Next, I will speak on how we will help our people deepen their capabilities.

⁴ US$1.7 billion, converted at an exchange rate of US$1 = S$1.42 as at 17 February 2017.
B.50. Our people are valued for their skills and adaptability, and have enjoyed high employment rates and rising wages. We must build on these strengths. As the pace of change quickens, we will do more to help them stay ahead. I spoke earlier about how we will support those affected by economic restructuring, to re-skill to find new jobs. I will now touch on two areas: **new skills to operate overseas**; and **deepening skillsets to remain relevant in jobs**.

**Building Capabilities to Operate Overseas**

**Global Innovation Alliance**

B.51. We will set up a **Global Innovation Alliance** for Singaporeans to gain overseas experience, build networks, and collaborate with their counterparts in other innovative cities. The Global Innovation Alliance will have three programmes.

B.52. First, the **Innovators Academy** will enable our tertiary students to build connections and capabilities overseas. We will build on the NUS Overseas College programme, which connects students to start-ups overseas. Many of these students have gone on to start companies or pursue interesting careers. The Innovators Academy will go further by making these opportunities available to students from other Singapore universities. We aim to grow the annual intake of students from 300 to 500 over the next five years.

B.53. Second, we will establish **Innovation Launchpads** in selected overseas markets. These create opportunities for our entrepreneurs and business owners to connect with mentors, investors and service providers.
B.54. Third, through **Welcome Centres**, innovative foreign companies can also link up with Singapore partners to co-innovate, test new products in Singapore, and expand in the region.

B.55. The Global Innovation Alliance is a novel collaboration among our educational institutions, economic agencies and businesses. In the initial phase, we will launch the Alliance in Beijing, San Francisco and various ASEAN cities. The Ministers for Trade and Industry will share more details at the COS.

**SkillsFuture Leadership Development Initiative**

B.56. Firms that want to expand overseas need capable leaders who have spent time in these markets, with insights and connections that can help their businesses scale up globally. The **SkillsFuture Leadership Development Initiative** will support companies to groom Singaporean leaders by expanding leadership development programmes. This includes sending promising individuals on specialised courses and overseas postings. For a start, the programme will target to develop 800 potential leaders over the next three years.

B.57. I will set aside over **$100 million to build capabilities under the Global Innovation Alliance and Leadership Development Initiative.**

**Acquiring and Using Deep Skills in Jobs**

B.58. As our companies innovate and digitalise, we will also help our people acquire and use deep skills, taking the SkillsFuture movement further.
Increasing Accessibility of Training for all Singaporeans

B.59. To enhance training and make it more accessible, we will offer more short, modular courses, and expand the use of e-learning. Our universities, polytechnics and ITE have started offering such modular courses.

B.60. Funding support for Singaporeans to take approved courses will continue to be available through SkillsFuture. In addition, union members can get subsidies for selected courses through the NTUC-Education and Training Fund. We have set aside $150 million to match donations to the Fund.

Strengthening On-the-Job Skills Utilisation

B.61. Besides learning new skills, our people must also apply and use these skills on their jobs. This requires employers, Trade Associations and Chambers, or TACs, unions and the Government to work together.

B.62. First, we must make sure that skilled workers are matched to where they can best use their skills. We will make the National Jobs Bank more useful for jobseekers and employers, and work with private placement firms to deliver better job matching services for professionals.

B.63. Second, employers, TACs, and unions should play an active role in structuring training for workers. Some have been successful in this effort. For example, SHATEC\(^5\) was set up by the Singapore Hotel Association over 30 years ago to provide hands-on training

\(^5\) SHATEC stands for the Singapore Hotel and Tourism Education Centre.
and certified courses. It has since helped to build up a skilled hospitality workforce, with its alumni winning accolades worldwide.

B.64. We hope more employers and TACs can do likewise. Employers and TACs who develop training programmes for their workers and the industry can receive funding support from SkillsFuture Singapore.

**Partnerships for Shared Success**

B.65. I have spoken about how we will support the development of our enterprises and our people. Beyond developing individual capabilities, we must also come together in partnerships - share expertise, tackle common challenges and reinforce our mutual efforts.

**Industry Transformation Maps**

B.66. To systematically facilitate such partnerships, I announced in last year's Budget a major initiative, the Industry Transformation Maps, or ITMs. The ITMs are integrative platforms, bringing together various stakeholders – TACs, unions, and Government – so as to align our efforts around a common plan to transform each sector. We will develop ITMs for 23 sectors, covering about 80% of our economy. Six have already been launched. We will keep this going at a good pace, and launch the remaining 17 within FY2017.

B.67. The ITMs help us to identify key enablers, which involve different stakeholders, to transform sectors. For example, the Centre of Innovation for Supply Chain Management at Republic Polytechnic
works with companies to level up their capabilities\(^6\) and provides students with hands-on experience.

B.68. As I said last year, the ITMs are “live” plans that we will adjust along the way. Where we spot opportunities, including ones that do not fit any existing industry, we will adapt our ITMs to seize them. We must also maximise synergies between related ITMs, such as between the Food Services and Hotel industries.

B.69. Our companies, TACs and unions can play a key role in the success of our ITMs.

B.70. One example is Singtel. Singtel not only trains its IT services employees to transition into cyber security roles, it also works with CSA and the IMDA on the Cyber Security Associates and Technologists programme to develop mid-career talent for the broader cyber security industry. Singtel has also launched its Cyber Security Institute to train technical professionals, management and boards to better handle cyber breaches. It also engages students through internship programmes.

**Government Enabling Growth and Innovation**

B.71. With the emphasis on innovation, Government agencies need to play enabling roles, to help realise new ideas.

**Forward-Looking Regulations**

B.72. Our regulatory agencies must balance managing risk and creating the space to test innovations.

\(^6\) The Centre of Innovation for Supply Chain Management has completed more than 250 projects to help Singapore-based companies strengthen logistics capabilities. The Centre also develops new solutions, such as a last-mile urban transport planning system that generates delivery routes within seconds.
B.73. For example, the Monetary Authority of Singapore (MAS) has just announced a simplified regulatory framework tailored to the needs of venture capital firms. This will give them greater flexibility, making Singapore more conducive to venture capital investment, thereby enhancing the supply of financing for start-ups.

B.74. We can also create more space for innovation through regulatory sandboxes. This involves setting boundaries within which some rules can be suspended, to allow greater experimentation.

B.75. The Land Transport Authority (LTA) has done this with self-driving vehicles, setting out specific zones where they can be tested on roads. Likewise, MAS has set up a regulatory sandbox for FinTech.

B.76. Regulatory agencies will further explore how we can facilitate innovation. For instance, our regulators can make their risk assessments for new products and services more swift and effective. A good example is the Health Sciences Authority (HSA), which will be setting up a priority review scheme to evaluate new and innovative medical devices. This will accelerate the commercialisation process and make Singapore a preferred location to launch these devices.

Public Sector Construction Productivity Fund

B.77. We will also support our agencies to procure products and services in a way that builds capabilities in the economy and supports innovation.

B.78. For example, in the Construction sector, we will introduce the Public Sector Construction Productivity Fund, with about $150 million. It will allow Government agencies to procure innovative
and productive construction solutions, which may have higher costs as these solutions may be nascent and lack scale. The fund will allow these solutions to enter and gain traction in the market.

Total Funding Support

B.79. In addition to the funding for the measures mentioned earlier, I will top up the National Research Fund by $500 million, to support innovation efforts, and the National Productivity Fund by another $1 billion, to support industry transformation.

B.80. All in, we are putting aside $2.4 billion over the next four years to implement the CFE strategies. This will be over and above the $4.5 billion set aside last year for the Industry Transformation Programme.

B.81. Madam Speaker, may I have your permission to distribute materials to the Members in this House?
C. A Quality Living Environment

Developing a Vibrant and Connected City

C.1. Even as the voices against globalisation rise, we must strive to remain a vibrant and well-connected city that is highly liveable for our people and businesses. In this way, our people will be constantly in touch with and be energised by new ideas, concepts, people, services and products from all over the world. We will continue to make **significant investments in critical economic infrastructure** such as the new Changi Airport Terminal 5, the Kuala Lumpur-Singapore High Speed Rail and the Tuas Terminal to deepen Singapore’s connectivity to global markets.

C.2. We will also invest in **shared infrastructure for economic clusters**, so that industry players can network, pool resources and share knowledge. Last year, I spoke about how the Jurong Innovation District would be an exciting development to live, work and innovate in. The upcoming growth cluster in Punggol will co-locate cyber security and digital industries, with industry collaborating closely with the nearby Singapore Institute of Technology.

C.3. A vibrant city must also have **diverse social spaces** where people can come together, create shared experiences, and forge stronger bonds. We are currently working with the community to design the new Jurong Lake Gardens as our new national gardens in the heartlands. We will also continue to invest in more sports and arts facilities around the island. Beyond physical infrastructure, we are
also enhancing sports and arts programmes. I will share more on these efforts later.

**Sustaining a Quality Environment for the Future**

C.4. Our vibrant and connected city must also be sustainable and resilient. A high-quality living environment endears the city to its residents and visitors.

C.5. Around the world, the effects of climate change, and air and water pollution are worsening public health and quality of life. These harmful effects transcend national boundaries. As an island, Singapore is vulnerable to rises in sea level due to climate change. Together with the international community, we have to play our part to protect our living environment. In doing so, we secure a better future not only for ourselves, but for generations to come.

**Carbon Tax**

C.6. Singapore has joined more than 130 countries, including China, Japan and South Korea, in having ratified the Paris Agreement, re-affirming our commitment to address climate change and reduce emissions. It is in our own interest to support the international coordination required to deal with an issue that affects all countries, and in particular, small island states like ours.

C.7. There are different ways to reduce emissions. One is to ensure consumers understand the effects of their actions. So we have energy efficiency labels, like ticks on air-conditioners or refrigerators. Another is to regulate for higher standards. Singapore has good environmental protection standards and the Ministry of the Environment and Water Resources continues to ensure that
our regulations are up-to-date. But the most economically efficient and fair way to reduce greenhouse gas emissions is to set a **carbon tax**, so that emitters will take the necessary actions.

C.8. Singapore has studied this option for several years. We intend to **implement a carbon tax on the emission of greenhouse gases**. We will consult widely with stakeholders, and aim to implement the carbon tax **from 2019**. The tax will generally be applied upstream, for example, on power stations and other large direct emitters, rather than electricity users.

C.9. We are looking at a tax rate of **between $10 and $20 per tonne of greenhouse gas emissions**. This is in the range of what other jurisdictions have implemented. It will create a price signal to incentivise industries to reduce their emissions, complementing the regulatory measures which we are also introducing. It will help us to achieve our commitments to reduce emissions under the Paris Agreement, do so efficiently and at as low a cost to the economy as possible. This may also spur the creation of new opportunities in green growth industries such as clean energy. Revenue from the carbon tax will help to fund measures by industries to reduce emissions. The impact of the carbon tax on most businesses and households should be modest.

C.10. The Government has started industry consultations and will continue to reach out. Public consultations will begin in March. The final carbon tax and exact implementation schedule will be decided after our consultations and further studies. We will take into consideration the lessons from other countries and prevailing
economic conditions in Singapore in implementation. We will also provide appropriate measures to ease the transition.

Restructuring Diesel Taxes

C.11. Let me turn now to another source of environmental pollution – diesel. Apart from carbon emissions, diesel emits highly pollutive particulate matter and nitrogen oxides which are associated with an increased risk of lung cancer and respiratory infection\textsuperscript{7}. The over-use of diesel vehicles has resulted in cities like London, Paris and Rome being enveloped in smog in recent years. Many of these cities have started taking action to reduce these harmful emissions. Athens, Madrid, Mexico City and Paris have announced plans to ban diesel vehicles from their city centres by 2025. Singapore must learn from these hard lessons.

C.12. Today, motor fuels such as petrol and compressed natural gas are taxed based on how much is used. This approach incentivises users to reduce consumption and manufacturers to develop more energy-efficient vehicles. However, for diesel, we levy a lump sum Special Tax on diesel cars and taxis, regardless of the amount of diesel used.

C.13. I will therefore restructure diesel taxes. I will introduce a volume-based duty at $0.10 per litre on automotive diesel, industrial diesel and the diesel component in biodiesel. Taxing diesel according to usage incentivises users to reduce diesel consumption. At the same time, I will permanently reduce the annual Special Tax on

\textsuperscript{7} The International Agency for Research on Cancer (IARC) in the World Health Organisation (WHO) has found that exposure to particulate matter in diesel emissions is associated with an increased risk of lung cancer. Exposure to nitrogen oxides also increases the risk of respiratory infection and impairs lung functions in asthmatics.
diesel cars and taxis by $100 and $850 respectively. In this way, we shift from an annual amount of tax to one which is related to usage. These changes will take effect today.

C.14. The Special Tax reduction will offset the impact of diesel duty for the majority of drivers. I strongly urge taxi companies to pass on the Special Tax reduction to taxi drivers.

C.15. To help businesses adjust, I will provide 100% road tax rebate for one year, and partial road tax rebate for another two years, for commercial diesel vehicles. There will be additional cash rebates for diesel buses ferrying school children. For the large majority of vehicles, the first year’s rebates will more than offset the diesel duty incurred in the same period. Details of the duty changes and offset measures are in the Annex. (Refer to Annex A-5).

**Vehicular Emissions Scheme**

C.16. I will also adjust two vehicle incentive schemes to encourage the use of cleaner vehicles.

C.17. The current Carbon Emissions-based Vehicle Scheme, CEVS, was implemented in 2013 to encourage take-up of cars and taxis with low carbon emissions. We will replace this with a new Vehicular Emissions Scheme, which will consider four other pollutants on top of carbon dioxide, so as to account more holistically for the health and environmental impact of vehicular emissions. With this scheme, we hope to nudge car buyers towards cleaner and environmentally-friendly models.

C.18. The new Vehicular Emissions Scheme will run for two years, starting from 1 January 2018. We will review it before it expires. In
the interim, we will extend the current CEVS until 31 December 2017\textsuperscript{8}.

**Early Turnover Scheme**

C.19. We will also enhance and extend the Early Turnover Scheme for commercial diesel vehicles. This Scheme was first introduced in 2013 to encourage the early replacement of older and more pollutive commercial diesel vehicles. Since then, vehicle owners have switched 27,000 vehicles to cleaner models.

C.20. As the Scheme is due to expire on 31 July 2017, we will extend the scheme for vehicle owners who turn over their existing Euro II and III commercial diesel vehicles for Euro VI vehicles until 31 July 2019, and further enhance the Certificate of Entitlement (COE) bonus period for Light Goods Vehicles.

C.21. The Minister for Transport and the Minister for the Environment and Water Resources will share more details at the COS.

**Water Price Changes**

C.22. Let me now speak about water. Water sufficiency is a matter of national survival. Imported water and local catchment water currently meet more than half of our water demand, but both sources depend heavily on weather conditions. To meet increasing water demand and strengthen the resilience of our water supply, we have invested in desalination and NEWater plants. These are costly but necessary investments which we must continue to make.

\textsuperscript{8} The current CEVS is due to expire on 30 June 2017.
C.23. We have priced water to reflect the higher costs of desalination and NEWater production because every additional drop of water has to come from these two sources. The cost of water production and transmission has increased as we build more desalination and NEWater plants, and lay deeper pipes through an urbanised environment. Water prices were last revised in 2000, almost 20 years ago. We need to update our water prices to reflect the latest costs of water supply.

C.24. We will increase water prices by 30% in two phases, starting from 1 July 2017. As part of the exercise, we will be restructuring the Sanitary Appliance Fee and the Waterborne Fee into a single, volume-based fee. This is more reflective of the volume of used water discharged. The details are in the Annex. (Refer to Annex B).

C.25. For three-quarters of our businesses, the increase will be less than $25 per month, once the increase is fully phased in on 1 July 2018. For 75% of households, the increase in monthly water bills will be less than $18. We will have measures to help lower- and middle-income households manage this increase. I will give details later.

C.26. Today, we impose a Water Conservation Tax on potable water, to promote conservation. To encourage the conservation of NEWater among industrial users, we will also impose a Water Conservation Tax on NEWater, which will be 10% of the NEWater tariff, starting from 1 July 2017.

C.27. The various emissions and water-related measures in Budget 2017 are necessary to protect our living environment. These will help keep our home in good shape for future generations. It is the right thing to do, even though some of these measures will lead to
increases in household costs. The Government will help households, especially low income ones.

C.28. Before I speak on these household support measures, let me first speak on our measures to build a caring and inclusive society.
D. A Caring and Inclusive Society

Introduction

D.1. We are building an inclusive and caring society – one where Singaporeans of all backgrounds can improve their lives, where the vulnerable are uplifted, and where people of all ages can look to the future with optimism.

D.2. The Government will continue to support families, help the needy and catalyse community efforts. In the last decade, we have significantly increased our social spending and strengthened safety nets. Many Singaporeans are also stepping forward to help others in need.

D.3. However, our needs are growing. Our population is ageing, families are smaller and our social needs are more complex. Even as the Government strengthens direct support, more people need to help out. In many areas, the human connection is critical – taking care of loved ones and neighbours, volunteering for worthy causes, organising community events or raising donations. We must strengthen the *gotong-royong* spirit where each one of us does our part to help one another.

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9 Education, healthcare and housing subsidies were enhanced. Schemes such as the Silver Support Scheme, the GST Voucher, Workfare and MediShield Life were introduced. Families with children benefitted from enhancements to the pre-school sector, and additional support for the costs of raising children. Social safety nets, such as ComCare, were also strengthened.
Supporting Families

D.4. Let me first speak about what we will do to keep Singapore a Great Place for Families. In the past two years, we enhanced parental leave\(^{10}\) and grants for new-borns\(^{11}\).

D.5. In this Budget, we will provide additional support for families, in the areas of housing, pre-school and post-secondary education.

Increase in CPF Housing Grant

D.6. Many couples start their lives together by applying for a BTO flat\(^{12}\) which is highly subsidised.

D.7. For others, a resale flat may better meet their needs. Some may wish to live near their parents. Some may prefer to move earlier into their own home. To help them, we will increase subsidies for those who buy their first HDB home from the resale market.

D.8. With immediate effect, we will increase the CPF Housing Grant from $30,000 to $50,000 for couples who purchase 4-room or smaller resale flats, and from $30,000 to $40,000 for couples who purchase 5-room or bigger resale flats. Together with the Additional CPF Housing Grant and Proximity Housing Grant\(^{13}\), a couple can now receive a total of up to $110,000 in housing grants when buying a resale flat, depending on the flat location, flat type

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\(^{10}\) Fathers of Singapore citizen children born from 1 January 2017 are already eligible for the extra week of paternity leave. Parents of Singaporean citizen children born from 1 July 2017 will also benefit from the increased shared parental leave.

\(^{11}\) Such as the Baby Bonus Cash Gift and the Child Development Account First Step Grant.

\(^{12}\) This refers to Build-to-Order HDB flat.

\(^{13}\) Lower-and middle-income couples can receive the Additional CPF Housing Grant of up to $40,000. Those who choose to live with or near their parents can receive a further $20,000 in the Proximity Housing Grant.
and their income. Other eligible first-timers will also benefit from some grant enhancement.

D.9. This measure will cost an **additional $110 million per year**. The Minister for National Development will announce other measures to help young families get their first home at the COS.

**Enhancements to the Preschool Sector**

D.10. We will improve the accessibility of pre-school.

D.11. Over the last five years, we increased childcare places by over 40%, to about 140,000. Now, there are enough places for more than half of all children between 18 months and six years of age. All receive Government subsidies.

D.12. We will provide more support for those with infants, that is, children under 18 months of age. At present, about 4,000, or 8% of all infants are enrolled in centre-based infant care. To meet growing demand, we will increase the capacity of centre-based infant care to over 8,000 places by 2020.

D.13. The Minister for Social and Family Development will give more details at the COS. The Senior Minister of State in charge of Population issues at the Prime Minister’s Office will also speak about our efforts to keep Singapore a Great Place for Families.

**Enhancement of Bursaries for Post-Secondary Education Institutions**

D.14. We will **increase annual bursary amounts for those attending Post-Secondary Education Institutions, or PSEIs**. The amount of increase will be up to $400 for undergraduate students, up to $350 for diploma students, and up to $200 for ITE students. For
ITE students, existing bursaries already more than cover their course fees.

D.15. Next, we will extend PSEI bursaries to more families, by revising the income eligibility criteria. About 12,000 more Singaporean students are expected to benefit, bringing the total number of beneficiaries to 71,000.

D.16. In total, PSEI bursaries will increase from about $100 million to $150 million per year. The Minister for Education (Higher Education and Skills) will provide more details at the COS.

**Household Support Measures**

D.17. Let me now speak of how we will assist households with their expenses.

**Increase in GST Voucher – U-Save**

D.18. Earlier, I said that we would help households offset some of the increase in water prices. We will increase the GST Voucher – U-Save Rebate for eligible HDB households, by an amount ranging from $40 to $120, depending on flat type, as seen in the table. This increase will be permanent.

D.19. Families living in 1- and 2-room HDB flats will receive $380 of U-Save rebates each year compared to $260, while families living in 3- and 4-room HDB flats will receive $340 and $300 per year respectively, compared to $240 and $220.

D.20. Taking into account these higher U-Save rebates, 75% of all HDB households will see an average increase of less than $12 in their monthly water expenses. 1- and 2-room HDB households will on average have no increase in their water expenses.
D.21. About 880,000 HDB households will benefit. This will **cost an additional $71 million each year**.

**Table 2** Permanent Increase in GST Voucher – U-Save

<table>
<thead>
<tr>
<th>HDB Flat Type</th>
<th>Current Annual Rebate ($)</th>
<th>Increase in Annual Rebate ($)</th>
<th>Revised Annual Rebate ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1- and 2-room</td>
<td>260</td>
<td>120</td>
<td>380</td>
</tr>
<tr>
<td>3-room</td>
<td>240</td>
<td>100</td>
<td>340</td>
</tr>
<tr>
<td>4-room</td>
<td>220</td>
<td>80</td>
<td>300</td>
</tr>
<tr>
<td>5-room</td>
<td>200</td>
<td>60</td>
<td>260</td>
</tr>
<tr>
<td>Exec/Multi-gen</td>
<td>180</td>
<td>40</td>
<td>220</td>
</tr>
</tbody>
</table>

D.22. The U-Save rebate will soften the impact of the water price increase. Even as we provide this assistance, we should not lose sight of the scarcity of water, and thus should conserve it.

**One-off GST Voucher – Cash Special Payment**

D.23. To help lower income households with expenses, we will provide a **one-off GST Voucher – Cash Special Payment** of up to $200 for eligible GST Voucher – Cash recipients. This is in addition to the regular GST Voucher – Cash. In total, eligible Singaporeans can receive up to $500 in cash for 2017, as seen in the table.

D.24. The one-off Special Payment will **cost about $280 million** and benefit more than 1.3 million Singaporeans.
Table 3 GST Voucher Cash Special Payment

<table>
<thead>
<tr>
<th>Assessable Income for YA2016 ≤ $28,000</th>
<th>Annual Value of Home as at 31 December 2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Aged 21 years and above</td>
<td>Up to $13,000</td>
</tr>
<tr>
<td></td>
<td>$13,001 to $21,000</td>
</tr>
<tr>
<td>GSTV – Cash (Regular) ($)</td>
<td>300</td>
</tr>
<tr>
<td></td>
<td>150</td>
</tr>
<tr>
<td>GSTV – Cash Special Payment ($)</td>
<td>200</td>
</tr>
<tr>
<td></td>
<td>100</td>
</tr>
<tr>
<td>Total ($)</td>
<td>500</td>
</tr>
<tr>
<td></td>
<td>250</td>
</tr>
</tbody>
</table>

Extension and Increase of S&CC Rebate

D.25. We will also extend the Service and Conservancy Charges (S&CC) rebate, and raise it by 0.5 months for FY2017. As seen in the table, this year, we will provide 1.5 to 3.5 months of S&CC rebate to eligible HDB households. 1- and 2-room HDB households will receive a total of 3.5 months of rebates, while 3- and 4-room households will receive 2.5 months of rebates.

D.26. This will cost the Government $120 million and benefit about 880,000 HDB households.

Table 4 S&CC Rebate for FY2017

<table>
<thead>
<tr>
<th>HDB Flat Type</th>
<th>FY2017 S&amp;CC Rebate (Number of Months)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1- and 2-Room</td>
<td>3.5</td>
</tr>
<tr>
<td>3- and 4-Room</td>
<td>2.5</td>
</tr>
<tr>
<td>5-Room</td>
<td>2</td>
</tr>
<tr>
<td>Executive / Multi-Generation</td>
<td>1.5</td>
</tr>
</tbody>
</table>
Personal Income Tax Rebate

D.27. Finally, I will give a Personal Income Tax Rebate of 20% of tax payable, capped at $500, for tax residents for YA2017 (i.e. for income earned in 2016). This will give households a reduction in their tax bills for this year. The rebate will cost the Government $385 million.

Total Household Support

D.28. In total, we will provide additional support of over $850 million this year to help households with their expenses. (Refer to Annex C).

Top-ups to Funds

D.29. To support the increase in U-Save I announced earlier and other future GST Voucher payments, I will make a $1.5 billion top up to the GST Voucher Fund.

D.30. Since the last top-up in FY2013, Medifund utilisation has increased by an average of 9% per year from FY2013 to FY2015. I will therefore also top up Medifund by $500 million, bringing the total fund size to $4.5 billion.

D.31. In addition, I will top up the ComCare Fund by $200 million. This fund supports families and individuals in need.

Building an Inclusive Society

D.32. I will now speak on measures to foster a caring and inclusive society.

D.33. All of us can play a part in our communities. All of us have something to offer, be it time, expertise or the extra attention, to
care for each other. It takes all of us to build an inclusive society. Let me first touch on how we will increase support for Persons with Disabilities and people with mental health conditions.

**Enabling Masterplan 3**

D.34. The Enabling Masterplans are 5-year national plans to support persons with disabilities and their caregivers. Under the two previous Masterplans, we increased support in areas such as early intervention and education, employment, care services, assistive technologies and accessibility.

D.35. We will launch the **Third Enabling Masterplan**, which was put together by a committee of private and public sector representatives. The Masterplan calls for the Government and the community to better integrate Persons with Disabilities into the workforce, and to give more support to their caregivers.

D.36. Today, higher-functioning graduands from Special Education schools who can work are matched to special training programmes, to prepare them for employment. We will make these training programmes available to not only graduands with mild intellectual disability and autism, but also those with moderate intellectual and multiple disabilities.

D.37. To support caregivers, we will set up a Disability Caregiver Support Centre to provide information, planned respite, training and peer support groups. The Centre will also work with VWOs to pilot programmes catering to caregivers of newly-diagnosed Persons with Disabilities.
D.38. Including existing initiatives, we expect to spend around $400 million per year on initiatives supporting Persons with Disabilities. The Minister for Social and Family Development will elaborate at the COS.

Community Mental Health

D.39. We must also rally around those with mental health conditions, including dementia. Mental health issues may not be easy to talk about, but we can make good progress when the community comes together.

D.40. Since 2012, MOH has partnered VWOs to set up 36 teams that provide outreach and allied health support in the community. Last year, MOH also launched Dementia Friendly Communities in Hong Kah North, MacPherson and Yishun. These communities are networks of residents, businesses and services trained to look out for and help those with symptoms of dementia.

D.41. We will resource VWOs to set up more community-based teams to support those in need, as well as educate the public on mental health issues. MOH will provide mental health care services in polyclinics, as part of its broader effort to improve the delivery of care within the community.

D.42. We will also involve the wider community, and expand the number of Dementia Friendly Communities. The National Council for Social Services will also lead efforts to integrate persons with mental health issues at the workplace and in wider society.
D.43. As part of our Community Mental Health efforts, we will spend an additional **$160 million in the next five years**. The Minister for Health will elaborate during the COS.

**Strengthening Community Bonds**

D.44. Beyond supporting families and those with greater needs, this Budget also aims to **strengthen community bonds**.

**VWOs-Charities Capability Fund**

D.45. Since 2002, the VWOs-Charities Capability Fund has helped VWOs and charities train their staff, expand their reach, and serve people better. So far, we have committed over $180 million of funding. This has helped around 400 VWOs and charities. Over the **next five years**, we will provide additional funding, **up to $100 million in total**, to further develop the capabilities of our VWOs and charities. The Minister for Social and Family Development will provide further details at the COS.

**Grants to Self-Help Groups**

D.46. Our Self-Help Groups have also been doing good work, working closely with the community to help needy families and children. To enable them to do more, I will provide an additional **$6 million** grant to the Self-Help Groups over the **next two years**.

**Community Sports and Sports Excellence**

D.47. One way we bring our society together is through sports – be it playing sports with friends and neighbours, or cheering on our sportsmen and women. Last year, we cheered our Olympic and Paralympics athletes who gave their very best, and did us proud. It was Team Singapore at its finest!
D.48. We will do more to make it easier for all Singaporeans to participate in sports. Over $50 million has been set aside to support community sports. We will expand the Sports-In-Precinct Programme, so that more Singaporeans can play sports near their homes. We will also expand the SportCares Programme, which encourages disadvantaged youth to discover their strengths through sports.

D.49. To help aspiring athletes reach their full potential, we will commit an additional $50 million in grants over five years. On top of that, we will provide up to $50 million to match sports donations dollar-for-dollar. This will build a wider base of support for Team Singapore. The Minister for Culture, Community and Youth will provide more details at the COS.

Cultural Matching Fund

D.50. Like sports, cultural activities build bonds among our people. Increasingly, many people not only visit museums and attend performances, but also participate actively as docents and donors. The Cultural Matching Fund currently provides dollar-for-dollar matching for donations to cultural institutions. Since the Fund was implemented in 2014, about $150 million has been committed, and donations to arts and heritage causes have more than doubled.

D.51. To sustain this momentum, I will top up the Cultural Matching Fund by $150 million.
E. A Sustainable Fiscal System

Starting from a Strong Base

E.1. Budget 2017 is an investment in our economic transformation and social resilience. We will continue to invest in security measures to keep Singaporeans safe, and in infrastructure to support economic growth and improve quality of life.

E.2. We have been able to commit to these medium-term investments, because we have a sustainable fiscal system. Previous generations planned ahead and set aside savings when our economy was growing rapidly. We now benefit from the returns on our reserves.

E.3. At the same time, our pro-growth and progressive tax system has given us a steady revenue stream. Together, these have allowed us to fund new priorities without cutting back in essential areas.

Preparing for the Future

Managing our Expenditure Needs

E.4. In the coming years, we expect expenditure needs to rise rapidly, particularly in healthcare and infrastructure.

E.5. Over the last five years, our annual healthcare spending has more than doubled to around $10 billion in FY2016 as we enhanced subsidies, and expanded healthcare services. Healthcare spending will continue to rise as our population ages.

E.6. We will also continue to enhance our public transport infrastructure, almost doubling the MRT network by 2030. This will put 8 in 10 households within a 10-minute walk of a rail station.
expected to cost the Government more than $20 billion over the next five years.

E.7. The new Changi Terminal 5 is another critical national infrastructure that will cost tens of billions of dollars. Changi Airport is our gateway to the world. By enhancing our connectivity, we expand opportunities for our people.

E.8. In the longer term, we must also prepare to upgrade and renew existing infrastructure, to keep Singapore a good home. As these projects are costly, we have to plan ahead.

**Prudent and Effective Public Spending**

E.9. With our spending needs increasing, the Government must continue to spend judiciously, emphasise value-for-money and drive innovation in delivery. We can do better – and more – with less.

E.10. We will apply a **permanent 2% downward adjustment to the budget caps** of all Ministries and Organs of State from FY2017 onwards, to emphasise the need to stay prudent and effective. For four ministries that are serving security needs, or significantly expanding their services – namely Home Affairs, Defence, Health and Transport – the 2% adjustment will be phased in over FY2017 and FY2018.

E.11. Some of the funds will be used for cross-agency projects that deliver value to citizens and businesses. Examples include initiatives by the Municipal Services Office.
Maintaining a Pro-growth and Progressive Revenue Base

E.12. Madam Speaker, apart from managing our resources prudently, we must grow our revenues to finance our growing expenditures.

E.13. Growing our economy is the first and most important step to increasing our revenues sustainably. We need to achieve this growth by implementing the strategies set out in the CFE.

E.14. Next, we need to strengthen our revenue base in a pro-growth and progressive manner. Over the past five years, we have revised our tax structure as well as the Net Investment Returns framework to ensure that we have sufficient revenue for our increased spending needs till 2020.

E.15. Like all Finance Ministers before me, it is my duty to take the long view. Our domestic needs will grow over time, and the global environment will shift. We must study the implications and prepare our options early.

Base Erosion and Profit Shifting Project

E.16. One international development affecting tax systems worldwide is the Base Erosion and Profit Shifting, or BEPS, project. The BEPS project seeks to ensure that companies are taxed where substantive economic activities are performed. Singapore supports this principle. We are, in consultation with businesses, refining our schemes and implementing the relevant standards.

E.17. Countries, large and small, are also reviewing their corporate tax regimes to keep them competitive. With increasing digital transactions and cross-border trade, some countries have taken steps to adjust their GST system, to ensure a level playing field
between their local businesses which are GST-registered, and foreign-based ones which are not. We are studying how we can do likewise.

**Preparing for Rising Domestic Needs**

E.18. Domestically, we will also face rising expenditures over the longer term, as we invest more in healthcare and infrastructure. We will have to raise revenues through new taxes or raise tax rates. We are studying the options carefully. We must make these decisions in good time, to ensure that our future generations remain on a sustainable fiscal footing. As the Chinese idiom goes, 未雨綢繆, let us thatch the roof before it rains.

**Other Tax Measures to Help Businesses**

E.19. Finally, let me move on to the remaining tax measures in this Budget.

E.20. I will extend and strengthen tax incentives to enhance our business competitiveness, such as in the financial and global trading sectors. The details are in the [Annex](#). (Refer to Annex A-5).

**Tiered Additional Registration Fees for Motorcycles**

E.21. I shall introduce refinements to vehicle taxes for motorcycles. Today, all motorcycles incur the same [Additional Registration Fee](#), or ARF, at 15% of their Open Market Value (OMV). A small but rising number of buyers are buying expensive motorcycles – their motorcycles have OMVs similar to those of small cars. Just as we introduced tiers to the ARF for cars in 2013 to improve progressivity, I will introduce two more tiers for more expensive motorcycles. The ARF for motorcycles with OMV up to $5,000 will
remain at the current 15%. The next $5,000 of motorcycle OMV will be subject to an ARF rate of 50%. The remaining motorcycle OMV beyond $10,000 will be subject to an ARF rate of 100%.

E.22. Based on today’s registration trends, we expect that more than half of new motorcycle buyers will continue to pay the current ARF rate of 15%.

E.23. The tiered ARF will apply to motorcycles registered with COEs obtained from the second February COE bidding exercise onwards. Details are in the Annex. (Refer to Annex A5).

E.24. As a complementary measure, the Ministry of Transport will cease the contribution of motorcycle COE quota to open category COE quota. This will help address the gradual decline in motorcycle population, as very few open category COEs have been used to register motorcycles.
F. **Budget Position**

**FY2016 Budget Position**

F.1. Let me now summarise our overall budget position. For FY2016, we expect a budget surplus of $5.2 billion, or 1.3% of GDP. This is higher than the surplus of $3.4 billion, or 0.8% of GDP, budgeted a year ago.

F.2. Nevertheless, when we exclude Government’s top-ups to funds and Net Investment Returns Contribution from past reserves, we expect a basic deficit of $5.6 billion, or 1.4% of GDP. FY2016 was hence an expansionary budget.

**FY2017 Budget Position**

F.3. In FY2017, the Government’s budget remains expansionary. Ministries’ expenditures are expected to be $3.7 billion, or 5.2%, higher than in FY2016.

F.4. Overall, a smaller budget surplus of $1.9 billion, or 0.4% of GDP, is expected in FY2017. As we expect expenditures to continue rising in the long term, this budget position is prudent, while supporting firms and households in the midst of continued economic restructuring. (Refer to Annex D).
G. **Conclusion**

G.1. Madam Speaker, let me conclude. Budget 2017 outlines how we can thrive in an uncertain and rapidly changing world. It is a call for us to pull together – the Government, firms, unions, community organisations and individuals, with everyone doing his part. Our bonds will help us develop greater resilience in the face of unexpected shifts and improve our ability to adapt.

G.2. On the economic front, Budget 2017 sets out some support measures to address near-term concerns, particularly for sectors currently facing cyclical headwinds. It also sets out how we will implement our medium-term economic strategies to create new opportunities and jobs. We will build capabilities in our firms and workers – so they can operate well internationally, use digital technology and innovate. We will strengthen partnerships across the economy, with Government playing an enabling role and drawing different stakeholders together to align efforts.

G.3. Budget 2017 also reaffirms our commitment to keep Singapore a vibrant city with a quality living environment. We will study a carbon tax, change the tax structure for diesel, and adjust vehicle incentive schemes. We will also increase the price of water to reflect the latest costs of water supply. At the same time, we will provide support to lower income households.

G.4. On the social front, Budget 2017 supports families who wish to buy a home, enjoy the joys of parenthood and help their children through post-secondary education. It also takes further steps towards building an inclusive society, for Persons with Disabilities and those with mental health conditions. Just as importantly, this
Budget will strengthen community bonds and partnerships among Government, community organisations and individuals, to build a better society together.

G.5. I want to take a moment to applaud the good work done by the thousands of volunteers, working in partnership with Government agencies. Government schemes and funding can play a supporting role, but it is ultimately human relationships and community bonds that build a society. Only through concerted partnership between Government and people can we realise our vision of a caring and inclusive society.

G.6. We will do all this while maintaining fiscal discipline. This will lay a sustainable foundation for future generations to thrive.

G.7. Our future is full of promise. Singaporeans are chasing their dreams in various fields and are excelling on the international stage.

- Mathew Tham topped the Young Chef Olympiad.
- Ding Eu-Wen won an international design award for his smart bicycle helmet.
- Nathan Hartono did us proud at the Sing! China competition.
- Nur Syahidah Alim won double gold medals in archery at the ASEAN Para Games.
- Yip Pin Xiu won multiple medals at the Paralympics, and
- Joseph Schooling, was our first Olympic gold medallist.

This strong, can-do spirit will serve us well in the years ahead.

G.8. Let us go forward together.
G.9. Madam Speaker, I beg to move.