2 FISCAL OUTLOOK FOR FINANCIAL YEAR 2013

2.1 Budget for FY2013

A basic surplus of $0.3 billion (or 0.1% of GDP) is expected for FY2013. After factoring in Top-ups to Endowment and Trust Funds and NIRC of $7.7 billion, the estimated outturn for FY2013 is an overall budget surplus of $2.4 billion (or 0.7% of GDP).

The FY2013 Budget is summarised in Table 2.1.

2.2 Operating Revenue

Operating Revenue for FY2013 is projected at $55.0 billion. This is a decrease of $0.2 billion (or 0.3%) over the revised FY2012 estimate. A comparison of FY2012 and FY2013 Operating Revenue is shown in Chart 2.1.

CIT collections are expected to increase by $0.2 billion (or 1.5%) from the revised FY2012 estimate to $12.9 billion in FY2013, after taking into account the CIT rebate for Year of Assessment (YA) 2013.

Personal Income Tax (PIT) collections are expected to decrease slightly by $0.1 billion (or 1.2%) from the revised FY2013 estimate to $7.6 billion, after factoring in the impact of the PIT rebate for YA2013.

Goods and Services Tax collections are estimated at $9.3 billion, $0.5 billion (or 5.5%) higher than the revised FY2012 estimate, in line with the expansion of private consumption expenditure.

Motor Vehicle Taxes are estimated to be $1.6 billion, a decrease of $0.2 billion (or 12.1%) from the revised FY2012 estimate after factoring in the impact of the new tiered Additional Registration Fee structure and the road tax rebate for goods vehicles, buses and taxis for 2013. Vehicle Quota Premiums are expected to decline by $0.3 billion (or 11.8%) to $2.4 billion in FY2013.

Stamp Duty collections are projected to decline by $1.1 billion (or 26.2%) to $3.1 billion in FY2013, with some expected cooling in the property market.

Other Taxes are estimated to be $5.1 billion in FY2013, $0.8 billion (or 19.8%) higher than the revised FY2012 estimate, mainly due to higher Foreign Worker Levy collections.

Historical data for the revenue items are provided in Tables 3.2a and 3.2b in the Statistical Annex.

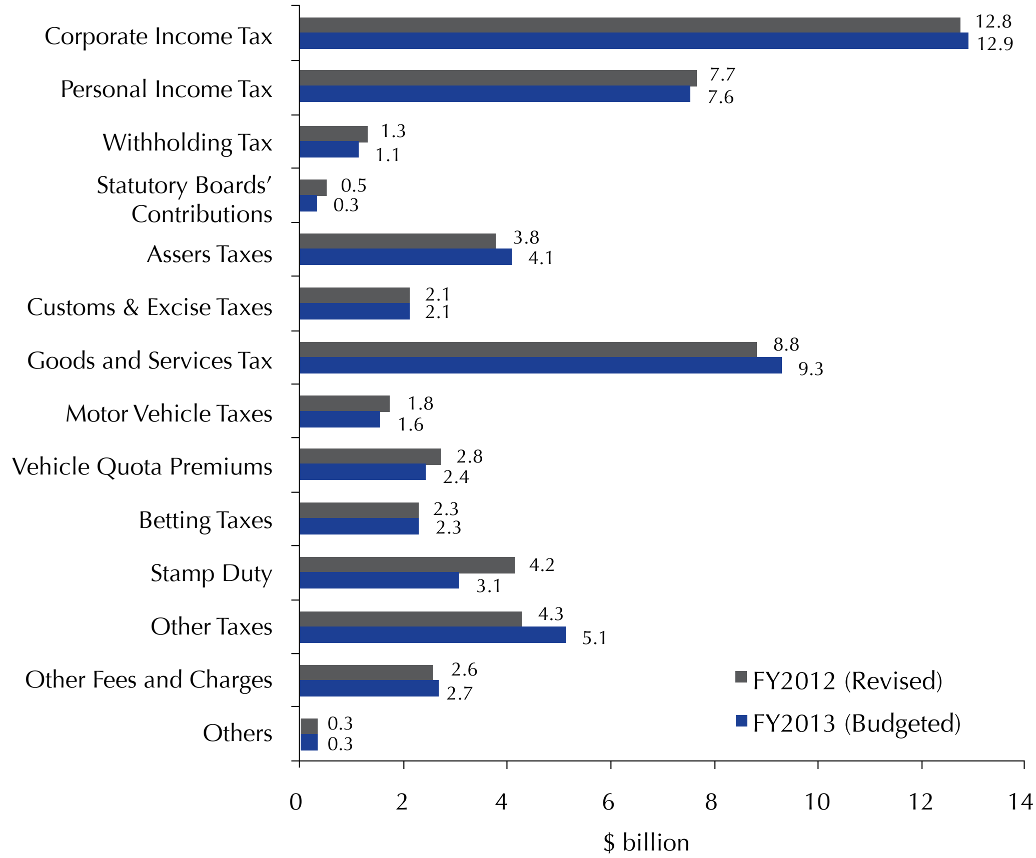
Table 2.1: Fiscal Position in FY2013

	Revised FY2012	Estimated FY2013	Change over Revised FY2012	
	$billion	$billion	$billion	% change
OPERATING REVENUE	55.18	55.03	(0.15)	(0.3)
Corporate Income Tax	12.75	12.94	0.19	1.5
Personal Income Tax	7.65	7.56	(0.09)	(1.2)
Withholding Tax	1.27	1.14	(0.13)	(10.4)
Statutory Boards' Contributions	0.54	0.33	(0.21)	(38.2)
Assets Taxes	3.79	4.09	0.30	7.9
Customs and Excise Taxes	2.13	2.13	0.00	0.2
Goods and Services Tax	8.82	9.31	0.49	5.5
Motor Vehicle Taxes	1.76	1.55	(0.21)	(12.1)
Vehicle Quota Premiums	2.76	2.44	(0.32)	(11.8)
Betting Taxes	2.30	2.30	(0.00)	(0.2)
Stamp Duty	4.18	3.08	(1.09)	(26.2)
Other Taxes	4.29	5.14	0.85	19.8
Other Fees and Charges	2.60	2.69	0.08	3.2
Others	0.33	0.33	0.00	1.5
Less:				
TOTAL EXPENDITURE	**50.11**	**53.41**	**3.30**	**6.6**
Operating Expenditure	37.21	40.63	3.42	9.2
Development Expenditure	12.90	12.78	(0.12)	(0.9)
PRIMARY SURPLUS / DEFICIT[1]	**5.07**	**1.62**		
Less:				
SPECIAL TRANSFERS[2]	**8.87**	**6.90**	**(1.97)**	**(22.2)**
Special Transfers Excluding Top-ups to Endowment and Trust Funds	**1.47**	**1.30**		
Growth Dividends	0.00	0.00		
GST Credits	0.00	0.00		
GST Voucher and GST Voucher Special Payment[3]	0.68	0.68		
Utilities-Save Rebates/Service and Conservancy Charges Rebates	0.00	0.08		
CPF Medisave Top-ups	0.40	0.31		
Transfers to Young Singaporeans[4]	0.00	0.00		
Transfers to Seniors and the Needy[5]	0.01	0.01		
Transfers to Businesses[6]	0.37	0.23		
BASIC SURPLUS / DEFICIT[7]	**3.61**	**0.32**		
Top-ups to Endowment and Trust Funds	**7.40**	**5.59**		
Top-ups to Endowment Funds[8]	1.00	2.32		
GST Voucher Fund	2.95	3.00		
Bus Service Enhancement Fund	1.10	–		
Special Employment Credit Fund	2.35	–		
Cultural Donation Matching Fund	–	0.20		
National Youth Fund	–	0.07		
Add:				
NET INVESTMENT RETURNS CONTRIBUTION	**7.65**	**7.70**	**0.05**	**0.7**
OVERALL BUDGET SURPLUS / DEFICIT	**3.86**	**2.42**		

Note: Due to rounding, figures may not add up. Negative figures are shown in parentheses.

1 Surplus / Deficit before Special Transfers and Net Investment Returns Contribution.
2 Special Transfers include Top-ups to Endowment and Trust Funds.
3 Consists of a cash component, Utilities-Save Rebates and CPF Medisave Top-ups.
4 Consists of Child Development Credits and Top-ups to Post-Secondary Education Accounts.
5 Consists of public transport vouchers and assistance through Citizens' Consultative Committees and funds set aside for Self-Help Groups and Voluntary Welfare Organisations.
6 Consists of the Productivity and Innovation Credit, Productivity and Innovation Credit Bonus and SME Cash Grant.
7 Surplus / Deficit before Top-ups to Endowment and Trust Funds and Net Investment Returns Contribution.
8 Consists of the Community Care Endowment Fund, Edusave Endowment Fund, ElderCare Fund, Lifelong Learning Endowment Fund and Medical Endowment Fund.

Chart 2.1: Breakdown of Government Operating Revenue (FY2012 and FY2013)



2.3 Total Expenditure

FY2013 Total Expenditure is estimated to be $53.4 billion (or 14.5% of GDP). This is an increase of $3.3 billion (or 6.6%) from the revised FY2012 estimate of $50.1 billion. The main increases in expenditure over FY2012 are in Education and Health (see Chart 2.2).

FY2013 Education expenditure is projected to increase by $1.1 billion (or 10.5%) due to the expansion in publicly-funded university places, as well as salary adjustments for education officers.

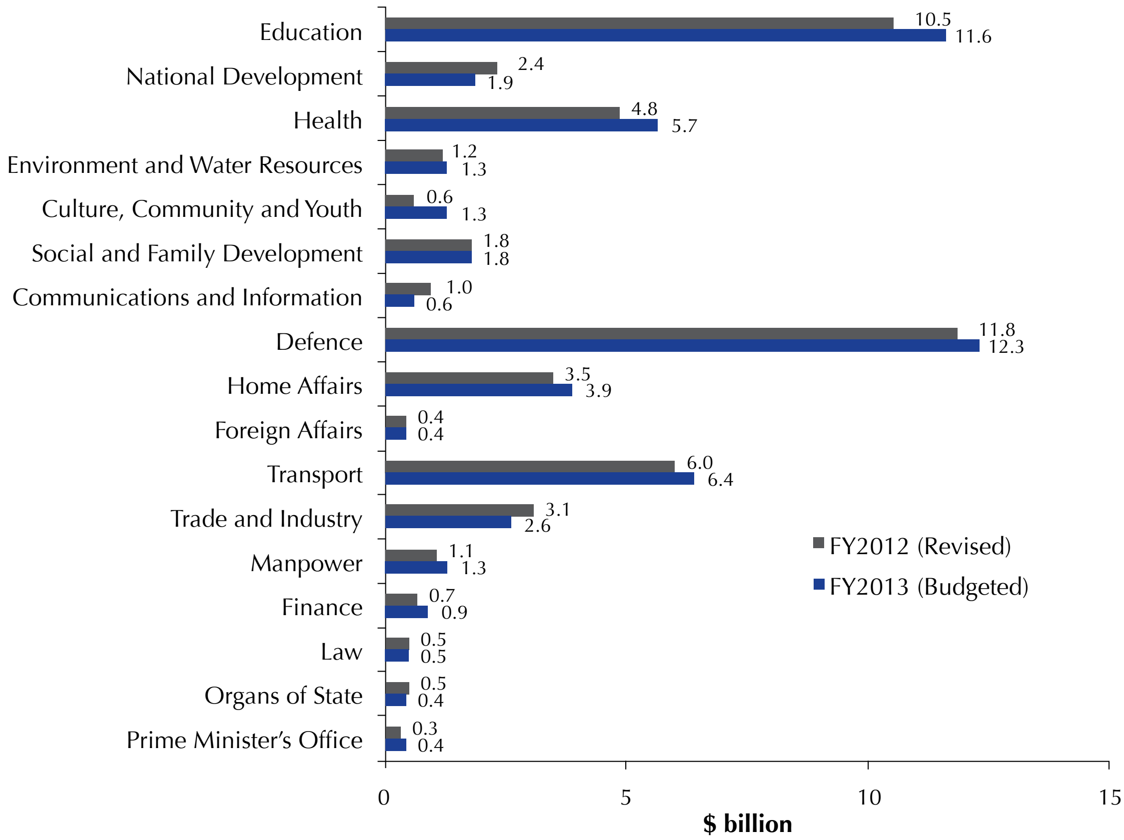
Health expenditure is expected to increase by $0.9 billion (or 18.2%). This is mainly due to the expansion of clinical services and higher remuneration for healthcare professionals and workers, as well as enhancements in the mental health sector. The increase in expenditure will also fund the ramp-up of major healthcare infrastructure projects, such as the Ng Teng Fong General Hospital, and other healthcare facilities.

National Development expenditure is expected to decrease by $0.5 billion (or 21.7%), mainly due to major development projects coming to a close. These include the Lift Upgrading Programme and the Common Services Tunnel at Marina Bay. Lower expenditure for the Selective En-Bloc Redevelopment Scheme (SERS) is also expected as fewer SERS replacement flats will be completed in FY2013.

Trade and Industry expenditure is estimated to decrease by $0.4 billion (or 13.5%) due to the tailing off of infrastructure works spending for projects like the Jurong Rock Cavern.

A detailed breakdown of government expenditure by sector is provided in Table 3.5 to Table 3.6a in the Statistical Annex.

Chart 2.2: Breakdown of Total Expenditure by Sector (FY2012 and FY2013)



2.4 Special Transfers

Special Transfers to Households ($1.1 billion)

Budget 2013 will provide some direct assistance to households to help them cope with recent increases in the cost of living. Benefits to households will total $1.1 billion (details in Table 2.2).

Special Transfers to Businesses ($0.2 billion)

As part of the Transition Support Package, $0.2 billion will be set aside to help businesses restructure towards quality growth (details in Table 2.3). This excludes the cost of the Wage Credit Scheme, as disbursements will start only in FY2014.

Top-ups to Funds to Support Longer-term Commitments ($5.6 billion)

In Budget 2013, the Government will top up the GST Voucher Fund by an additional $3.0 billion. This will ensure sufficient funds for the Government to make the yearly GST Voucher payouts up to FY2020.

We will also make further top-ups to the Medical Endowment Fund, ElderCare Fund, Edusave Endowment Fund, Community Care Endowment Fund and Lifelong Learning Endowment Fund, to support our long-term commitments in healthcare, education, social assistance and enhancing the employability of our workforce. We will also set up the Cultural Donation Matching Fund and National Youth Fund.

In total, $5.6 billion will be transferred to both new and existing funds (details in Table 2.4).

Table 2.2: Special Transfers to Households

Measures	Total Cost in FY2013 ($ million)
GST Voucher Special Payment comprising: i. Cash for lower-income Singaporeans ii. CPF Medisave Top-ups for elderly Singaporeans iii. Utilities-Save Rebates for lower and middle income households	680
CPF Medisave Top-ups	308
Service and Conservancy Charges Rebates	77
Others#	5
Total	**1,070**

Consists of funds set aside for Self-Help Groups and Voluntary Welfare Organisations and previously committed Special Transfers from past Budgets.

Table 2.3: Special Transfers to Businesses

Measures	Total Cost in FY2013 ($ million)
Productivity and Innovation Credit Bonus	150
Productivity and Innovation Credit*	72
SME Cash Grant*	10
Total	**232**

* Special Transfers committed in past Budgets.

Table 2.4: Top-ups to Funds to Support Longer-term Commitments

Measures	Top up Amount in FY2013 ($ million)
New Funds	
Cultural Donation Matching Fund	200
National Youth Fund	72
Existing Funds	
GST Voucher Fund	3,000
Medical Endowment Fund	1,000
Lifelong Learning Endowment Fund	500
Edusave Endowment Fund^	372
Community Care Endowment Fund	200
ElderCare Fund	250
Total	**5,594**

^ Includes the $72 million top-up to the Opportunity Fund.

2.5 Macroeconomic Stability

Global macroeconomic conditions have stabilised in recent months as financial market conditions improved. Nevertheless, global economic growth is likely to remain subdued. Against this macroeconomic backdrop, the outlook for the Singapore economy remains cautiously positive. The Ministry of Trade and Industry is projecting economic growth of 1 % to 3% for 2013.

While economic growth has and will be relatively subdued in 2012 and 2013, the exceptional growth in 2010 means that the economy has been operating at above potential since recovering from the global financial crisis. Nevertheless, the output gap has receded significantly although it is expected to remain positive in FY2013.

The fiscal impulse is expected to be positive in FY2013 (see Chart 2.4). This is mainly due to tax rebates and increases in transfers to businesses and households to support economic restructuring and provide assistance with the cost of living. A successful restructuring of the economy would increase the potential of the economy and reduce inflationary pressures over time.

Chart 2.4: Fiscal Impulse and Output Gap