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**2018 Budget Debate Speech**

**27 February 2018**

**Topic: A strategic and long-term Budget which helps businesses grow sustainably**

Mr Speaker, Members of Parliament, good afternoon! Today, my topic is: A strategic and long-term Budget which helps businesses grow sustainably.

A key highlight of this year's Budget is that it materialises the framework promulgated by the Committee on the Future Economy, through the introduction of a series of targeted measures to assist businesses. Before announcing this year's Budget, with a view to better understand the situation on the ground, the government had widely sought views and feedback from trade associations and chambers. The various measures now introduced by the Budget has matched the expectations of the business community.

This year's Budget is a very far-sighted one, as it is making preparations for a better future. Going forward, Singapore will increase public expenditure in healthcare, security, long-term infrastructure, and education. We believe our people and businesses will benefit from public spending in these areas.

When I listened to the Minister for Finance as he delivered the Budget Statement, what I thought about the most was the question of how we can increase our revenue sources while curbing our expenditure (*kaiyuan jieliu* in Chinese). I am glad that the government will henceforth observe the principle of "*kaiyuan jieliu*" when constructing large-scale basic infrastructure. Because such investments are huge, the government is looking at allowing Statutory Boards and Government-owned companies which build infrastructure, such as the Land Transport Authority, to fund them by borrowing or issuance of bonds, in order to avoid tapping into the national reserves. The government is also considering providing guarantees for

long-term borrowings for such infrastructure. This is an excellent strategy. Our reserves are a financial linchpin that provides the country stability, and should not be tapped into so easily. Hence, mobilising resources from the society to continuously obtain funds to finance such construction is a wise decision.

The other manifestation of “*kaiyuan jieliu*” is to moderate the pace of ministries’ budget growth. From FY 2019, the rate of growth for the block budgets of ministries will be reduced from 0.4 times of GDP growth to 0.3 times. As Singapore is already an aging society, there will be more and more areas that will require spending in the future. We need to stringently control ministry spending, monitor closely the policy implementation process, plug loopholes in the abuse of government resources, raise the quality of public projects, and avoid the vicious cycle of problems arising from government spending and then having to spend more money to resolve problems – these are truly how “*kaiyuan jieliu*” could be meaningfully carried out.

As for the adjustment of the Goods and Services Tax, this had been widely speculated about earlier. It turned out that the government would not immediately raise the GST rate, but do so at least three years later, giving sufficient time to businesses and consumers to adapt. I would like to hereby convey the views of some smaller retailers, particularly those from the northern part of Singapore. They are worried that following the rise of the GST, many consumers will swarm into Malaysia, particularly Johor Baru, to shop for daily products. These retailers believe that this is very likely to happen because the Singapore-Johor Rapid Transit System Link will start operating in 2024. With the further ease of travelling, more convenient customs clearance, easier conveyance of goods, and the strength of the Singapore dollar vis-à-vis the Malaysian ringgit, the lure across the Causeway would only grow greater. Come 2026, the surge in north-bound traffic could be even higher, as the Singapore-Kuala Lumpur High Speed Rail is projected to be operational by then, and there will be many convenient places to shop along the route.

The government has also announced that in two years’ time, businesses that purchase imported services from overseas would also have to pay GST. To local businesses that provide similar services, this is a long-awaited equitable measure. According to the Department of Statistics, Singapore imported close to S\$225 billion worth of services in 2016. This is a significant figure. Such purchases include software applications, and a variety of Business-to-Business (B2B) services, including accounting and IT. On the other hand, once this GST is levied, many purchasers will face pressure arising from an increase in their operating cost.

However, the transaction of services over the digital web is itself a complex matter. Whether it is the provision of services through the B2B mode or B2C mode, there is a likelihood that parties from both ends may exploit technical or policy loopholes to gain an advantage in areas such as during the transaction itself, the computation of tax assessment and tax rebate. There is a need to strengthen supervision in these aspects.

In reality, the best approach to achieve “*kaiyuan jieliu*” is to assist our enterprises to grow. Only when our enterprises thrive and develop, they could then contribute more to the government revenue. The government has continuously been helping our enterprises to transform and upgrade. Next, enterprises themselves have to be more proactive to push the pace of transformation and innovation. Workers need to learn new knowledge and acquire new skills, while bosses must use a new mindset to develop new markets. Transformation and upgrading of enterprises is like stretching the body, where periodic pains are unavoidable. There is no guarantee that transformation will definitely succeed, but not transforming means certainty of elimination.

There is another Budget measure that is welcomed by businesses. Businesses passionate about charity have always enjoyed support through government policies. In the last two years, donations to Institutions of Public Character are entitled to enjoy 250 per cent of tax deduction. This deduction was originally supposed to cease at the end of this year. The government has now extended the deduction by another three years to continue to encourage businesses to give back to society. Some businesses hope the government could take a further step to raise the deduction to 300 per cent. This could encourage even more people to make generous donations, contributing both money and effort to build a more caring and united society.

At the start of the new year, the government has introduced a Budget that is strategic and with a long-term vision. Following this, it will require all the stakeholders in the society to proactively take action to execute all the measures that have been introduced.

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