

TWELFTH PARLIAMENT OF SINGAPORE

First Session

REPORT OF THE ESTIMATES COMMITTEE

Parl. 1 of 2013

Presented to Parliament on

31st January 2013

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ESTIMATES COMMITTEE

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REPORT OF THE ESTIMATES COMMITTEE

The Estimates Committee, appointed in pursuance of Standing Order No. 100 (3), has agreed to the following Report:

1. The Estimates Committee considered the Budget for the Financial Year (FY) 2012/2013 (Paper Cmd. 2 of 2012) and enquired into certain matters, including measures taken to control inflation and rising costs of living; programmes to assist low-income families; controlling rising business and manpower costs; the utilisation rate of Budget initiatives; and the efforts taken by the Government to communicate the Budget initiatives and relief measures to Singaporeans.

2. In the course of its enquiry, the Committee received two memoranda from the Ministry of Finance (MOF) on 6 July 2012 and 12 October 2012.

MEASURES TO COPE WITH RISING INFLATION

3. The Committee expressed concern with the increased costs of living, in particular, the rising rate of inflation in the first half of 2012. In this regard, the Committee enquired whether MOF expected the inflation rate to gradually ease in the second half of 2012 and the projected rate of inflation.

4. In a memorandum submitted to the Committee, MOF reported that Singapore's year-on-year "Consumer Price Index (CPI) – All Items" inflation for the first half of 2012 averaged 5.1%. This rate was higher than what was experienced historically.

5. MOF informed the Committee that imputed rentals on owner-occupied accommodation and car prices had been the two largest contributors to CPI

inflation in the first half of 2012. However, imputed rental and the prices of oil, food and services were expected to moderate in the second half and the inflation rate was expected to be at 4% or less. This would bring the whole year inflation rate to a range of 4% to 4.5% as at October 2012.

6. The Committee further enquired about the relief measures that the Government would be implementing to control and cushion the effects of rising inflation.

7. MOF stated that the Government was committed to keeping inflation in check. The approach would be multi-pronged, comprising monetary policy, supply-side measures, monitoring and regulation, as well as Government transfers and subsidies. MOF elaborated on the measures:

Monetary Policy

(a) In April 2012, the Monetary Authority of Singapore (MAS) tightened the monetary policy stance further by allowing for a gradual appreciation of the Singapore dollar. This kept imported inflation in check and also moderated the external demand for Singapore's exports, thereby reducing demand-led pressures on inflation.

Supply-side Measures

(b) For the property sector, the Government increased supply and moderated supply constraints to relieve cost pressures in the housing, industrial and other property segments. Five rounds of cooling measures were implemented, aimed at eliminating speculative demand, encouraging financial prudence and moderating investment. The Government would continue its efforts to release sufficient land through the Government Land Sales programme.

(c) For housing land, the Government had placed 13 sites for private residential development on the Confirmed List of the Government Land Sales programme for the second half of 2012. The sites could yield about 7,100 residential units. This is in addition to the large supply of about 86,000 private housing units in the pipeline, of which about 38,000 units were still unsold as reported in June 2012. For public housing, the Government had ramped up the supply of Build-to-Order (BTO) units, and had the resources and the capacity to build more than 100,000 HDB flats during this term of Government, if necessary. For industrial land, about 48 ha of land would be released in 2012, which was 1.4 times more than that in 2011.

(d) To maintain a more stable supply of Certificates of Entitlement (COEs), the Land Transport Authority (LTA) had decided in the first half of 2012 to reduce vehicle growth rate at a more gradual pace and to defer the claw back of the past over-supply of COEs. These two measures would bring about a smoother transition to a lower vehicle growth rate, as the Government continued to manage the growth of the vehicle population at a sustainable pace.

(e) On other supply-side measures, the National Environment Agency (NEA) had announced plans to build 10 more hawker centres. NTUC Foodfare Co-operative, a social enterprise, was appointed to run the upcoming Bukit Panjang Hawker Centre on a not-for-profit basis. NEA was open to exploring different management models for the other hawker centres as long as they met the objective of keeping food prices affordable. Together with the overall increase in the supply of hawker stalls, this was expected to stabilise food prices by exerting a downward pressure on rentals over time.

Monitoring and Regulation

(f) The Retail Price Watch Group (RPWG), headed by Senior Minister of State for Trade & Industry and National Development, Mr Lee Yi Shyan, would keep a close watch on excessive price increases of food and other daily necessities. The RPWG also included the Competition Commission of Singapore (CCS) and Consumer Association of Singapore (CASE) to deal with errant businesses that engaged in anti-competitive practices and unfair trading practices. The RPWG had been working with supermarkets, wholesalers, hawkers and food courts to promote the availability of cheaper alternatives and to educate consumers on how to shop smart. In addition, the RPWG's supermarket members – NTUC FairPrice, Giant and Sheng Siong – held constant the prices of their house-brand products for at least six months in 2011 to help consumers cope with the rising costs of living.

(g) The reduction of marginal income tax rates for the first \$120,000 of chargeable income from Year of Assessment (YA) 2012 would also ease the tax burden of middle-income earners. For needy families who required additional help due to their unique circumstances, financial assistance could be sought from ComCare and other schemes.

Transfers and Subsidies

(h) Beyond these, the Government would also help to cushion the impact of rising costs on lower and middle-income households, through the Goods and Services Tax (GST) Voucher scheme. This comprised three parts: cash, Medisave top-ups and U-Save rebates. For retiree households who were not well-off, the GST Vouchers should, in most cases, fully offset the total GST payments they make each year. GST Voucher-U-Save would be paid out in July 2012, while GST Voucher-Cash and GST Voucher-Medisave would be paid out in August 2012.

MEASURES TO ASSIST LOW-INCOME FAMILIES

8. The Committee was encouraged by the holistic measures that the Government would be taking to tackle rising costs. In view of expected food inflation, and higher utility and service and conservancy charges (S&CC), the Committee sought clarification on whether the GST Voucher scheme would be adequate to offset such increases for lower income Singaporeans and whether there would be additional measures to assist some lower income families who may find the GST Vouchers inadequate.

9. MOF informed the Committee that the GST Voucher scheme was introduced in 2012 to provide continuing assurance that the GST, on a net basis would not financially hurt the lower income groups. It would fully offset the GST paid by elderly households staying in 1- to 3-room HDB flats, and offset about half of the total GST bills for lower income families (who do not have elderly members). However, the extent to which the scheme reduced the cost of living would ultimately depend on individual expenditure patterns.

10. MOF explained that the GST Voucher scheme was only part of the Government's larger effort to uplift lower income Singaporean families. For instance, the household income cap for ComCare was increased in April 2012 to allow more lower-income families to qualify for assistance. To provide further support for larger low-income families, the Government had also introduced a new per capita household income criterion, instead of simply looking at total household income. In addition, to help children from lower income families with the cost of education, the Government had increased the income cap for the MOE Financial Assistance Scheme and provided top-ups to the School Advisory Committee / School Canteen Committee Funds.

11. The GST Voucher scheme and other direct assistance would provide lower income families immediate relief. However, the Government's fundamental approach to helping lower income Singaporeans with the rising costs of living was to enhance their employability and improve their ability to earn higher incomes. This is also the more sustainable approach. MOF indicated that the Government would press on with efforts to encourage low-wage workers to stay employed, as well as train and upgrade through Workfare and Continuing Education and Training schemes.

12. The Committee was informed that the Government would continue to monitor the cost of living situation closely and take further action, if necessary.

Utility and Electricity Tariffs

13. The Committee enquired whether Government charges such as utility and electricity tariffs had contributed to inflation and, if so, by how much.

14. MOF informed the Committee that utility charges and electricity tariffs had contributed 0.4% to the year-on-year May 2012 CPI inflation. However, such charges did not form part of Government fees and charges. Government fees and charges which included S&CC, university fees, hospital and polyclinic fees, made up 6.4% of the CPI basket. Changes in Government fees and charges (excluding COE premiums) accounted for 0.1% of the year-on-year CPI inflation for the month of May 2012.

MEASURES TO ENSURE HEALTHCARE COSTS REMAIN AFFORDABLE

15. In view of the ageing population, the Committee further enquired whether any measures would be taken to ensure healthcare costs remained affordable for Singaporeans.

16. MOF reported that Singapore had a strong healthcare financing system. Heavy Government subsidies as well as the 3Ms (Medisave, MediShield and Medifund) had ensured that the vast majority of healthcare bills remained affordable for Singaporeans.

17. In FY2011/2012, the Ministry of Health (MOH) had broadened financial aid to benefit the middle-income, so that they could receive subsidised care at General Practitioner(GP) and dental clinics under the Community Health Assist Scheme (CHAS). Likewise, in FY 2012/2013, the Government would extend assistance to families who took care of their frail parents at home, through higher subsidies for home and community-based services, as well as a monthly grant of \$120 for the employment of a Foreign Domestic Worker (FDW).

18. MOH was also making outpatient and intermediate and long-term care (ILTC) more accessible and affordable. MOH would significantly expand subsidies in the ILTC sector, at community hospitals and other residential care venues in FY2012/2013. MOH would also absorb GST charges for healthcare services provided to all subsidised ILTC patients. To assist the disabled elderly, MOH would increase the payouts and raise the income criteria under the Interim Disability Assistance Programme for the Elderly (IDAPE).

19. MOH would also enhance Medifund in FY2012/2013 to help the needy, including middle-income Singaporeans with high bills, and to cover patients using non-residential ILTC services.

Committee's Observations

20. The Committee expressed its support for the various measures implemented to control inflation and to help Singaporeans cope with the rising costs of living.

21. The Committee noted that the Government was monitoring the cost of living closely and was assured that the Government is prepared to do more to cushion the effects of inflation, especially for low income families.

22. The Committee noted that measures are put in place by LTA with respect to vehicle growth. However, the Committee is concerned that the effects may be uncertain and urges the Government to monitor the COE prices and re-calibrate such policies accordingly.

23. The Committee endorsed the long term efforts of the Government to assist lower income Singaporeans by upgrading their skills and improving their ability to earn higher incomes. The Committee further urged the Government to monitor the progress of the various schemes to ensure that the training and upgrading of skills do translate to better paying jobs for Singaporeans and that low income families will become more resilient to future increases in costs of living.

24. The Committee also urged the Government to monitor the costs of healthcare and other essential services closely so that such costs do not overtake

the benefits that lower income Singaporeans receive from the hard work and efforts taken in upgrading and reskilling themselves.

MEANS TESTING FOR RELIEF MEASURES

25. The Committee highlighted the changing demographics of the local population, and enquired whether the Government would further refine the current proxy for means testing such that it would be more equitable and representative, and would facilitate more effective distribution of relief measure and schemes.

26. MOF noted that means-tested benefits were generally more cost-effective than universal benefits, since benefits were targeted at those most in need. However, a means-testing system that was too finely calibrated may lead to higher complexity, difficulty in public communications and administrative burden. At some point, the increase in complexity and administrative cost could even outweigh the cost-effectiveness of targeting benefits.

27. The Committee was informed that for large-scale special transfer schemes (e.g. GST Voucher, CPF top-ups), the main criteria for means-testing - Assessable Income (AI) and Annual Value (AV) of residence - were kept simple. These indicators also did not require Singaporeans to provide any information specifically to receive benefits from the special transfer schemes. MOF explained that while the use of AI and AV was not perfect, it provided Government with a fair basis to take a person's income and wealth into consideration. Among Singaporeans with the same incomes, those who lived in private homes were generally better off than those who lived in HDB homes. Likewise, those with no income (such as retirees and housewives) living in higher-end homes were generally better off than those with no income living in HDB homes.

28. MOF recognized that as the local population aged, there would be an increasing proportion of retirees, and it would become increasingly difficult to distinguish the genuinely needy among a growing pool of retirees based on AI alone. The use of AV, therefore, ensured that benefits remain targeted at the less well-off. The Government would constantly review the AI and AV criteria of assistance schemes to ensure that they remained relevant as wages increased, and would continue to study, from time to time, other possible criteria to enhance the means-testing systems.

29. MOF further explained that for targeted assistance in areas such as healthcare, housing and education, the Government would align means-testing with the principle that the family should be the first line of support when an individual was in need. Therefore, the Government would take into account the household income of the individual needing assistance. The Government would also constantly seek to streamline the means-testing process and reduce administrative burden. MOF provided the following examples of means-testing criteria for targeted assistance schemes:

(a) For education, the Government introduced a per-capita income criterion in Budget 2012 for the MOE Financial Assistance Scheme (FAS), Independent School Bursary (ISB) scheme, Centre-based Financial Assistance Scheme for Childcare (CFAC) and Kindergarten Financial Assistance Scheme (KiFAS). This enhancement would help to benefit children from larger families.

(b) For healthcare, from the third quarter of 2012, means-testing of ILTC subsidies for the elderly would change from per-capita family income (which included all immediate family members) to per capita household income (which included only those family members that the elderly is living with). This would

more accurately reflect the extent of financial support for the elderly, and would simplify the means-testing process.

Committee's Observations

30. The Committee appreciated and agreed that any means test adopted by the Government should not be too complex and costly to administer. However, in view of the ageing population, it urged the Government to be prepared to refine its means testing methods to cater to a growing segment of Singaporeans who may be asset rich but cash poor.

COMPILATION AND REPORTING OF CPI INDICES

31. In the Committee's earlier Report of Parl.2 of 2011, it had recommended that the Ministry of Trade and Industry (MTI) consider compiling CPI statistics based on households, for example a typical middle income 4-room flat household. The Committee requested for an update on this recommendation.

32. MOF reported that MTI and the Department of Statistics (DOS) were working out some experimental series on CPI for "households with at least one elderly member and households headed by an elderly member." The data would need to be compiled and analysed for an appropriate period of time. MTI and DOS would provide an update once the analysis was finalised.

33. For "households in the middle 60% income group staying in HDB 4-room flats", DOS had worked out some CPI estimates and noted that the weights in the consumer basket for this group were close to those for households in the middle 60% income group (residing in all house types). With this, it may not be necessary to compile an additional series for "households in middle 60% income group residing in HDB 4-room flats".

34. To get a better understanding of the impact of the cost of living on different groups so that assistance measures could be more targeted, the Committee suggested that MTI and DOS could also consider compiling data on CPI for “young couples with at least one child below 6 years old”.

35. MOF indicated that MTI and DOS would explore the feasibility of compiling an experimental CPI for households with “young couples with at least one child below 6 years old” taking into consideration factors such as the availability of data from the Household Expenditure Survey. MTI and DOS would also need to collect and compile the data over an appropriate period of time to assess the quality and relevance of such an index before providing further updates.

Committee’s Observations

36. The Committee was encouraged by MTI’s and DOS’s efforts to continue refining its collection and analysis of data and CPI indices to help the Government in fine tuning and calibrating its assistance schemes and measures.

MEASURES TO ADDRESS RISING BUSINESS AND MANPOWER COSTS

37. The Committee noted that business and manpower costs were rising and enquired what measures the Government was taking to ensure that such costs remained competitive, especially for local Small and Medium Enterprises (SMEs).

38. MOF informed the Committee that the Government had provided various measures to help businesses upgrade productivity and reduce costs. In Budget 2012, the Government enhanced the Productivity and Innovation Credit (PIC) Scheme, provided more help to support SME upgrading and productivity

enhancements, significantly enhanced the Special Employment Credit (SEC) for hiring of older Singaporean workers, and provided a SME Cash Grant to help companies, especially SMEs.¹

39. For businesses, one driver of cost increases had been the increases in the foreign worker levy (FWL). However, the FWL increases were necessary to manage Singapore's dependence on foreign workers and to promote productivity-driven economic growth. In the short term, this may translate into domestic cost pressures, while the effects of productivity and real wage improvements would be realised over the medium to longer term. This was one of the reasons why the Government was increasing the FWL gradually, and in steps. More importantly, the additional amount the Government had committed to supporting businesses this year (e.g. through the enhanced PIC and SEC schemes) would more than offset the additional amount they would pay due to increased FWL.

40. In view of rising inflation, the Committee expressed concern about whether the Government's aim to increase real wage by 30% over the next 10 years was still sustainable and if this objective would result in another round of inflation.

41. MOF stated that the Government was committed to increasing real wages by 30% as a long-term target. However, MOF explained that the only sustainable way of raising wages was through raising productivity by the same 30% quantum over the decade, or 2-3% growth per annum. Most developed countries enjoyed productivity growth of about 1-2% per annum, in a steady state. Singapore had the capacity to improve its productivity, as productivity growth in the last decade

¹ The SME Cash Grant is calculated based on 5% of the company's YA2012 revenue, subject to a cap of \$5,000. It is available to companies (including Registered Business Trusts ("RBTs")).

was relatively slow and most industries were operating well below the levels of productivity seen in the most developed economies. With higher productivity, businesses would be able to pay higher wages without pushing up prices further.

Committee's Observations

42. The Committee supported the Government's medium to long term efforts at improving productivity and reducing dependence on foreign manpower. However, it urged the Government to monitor and to take pro-active steps to mitigate the short term effects of its policies on local SMEs in particular and to be prepared to fine tune such policies to ensure that companies have sufficient time and resources to restructure their operations and business. This is especially important as most of the SMEs are local businesses that hire many Singaporeans.

BUDGET INITIATIVES FOR SMALL AND MEDIUM ENTERPRISES (SMES)

43. In respect of the schemes introduced in Budget 2011, in particular, the Productivity and Innovation Credit Scheme (PIC), SME Cash Grant and other schemes targeted at SMEs, the Committee enquired on the original budgeted amounts and the schemes' utilisation rates.

44. MOF informed the Committee that the PIC Scheme introduced in Budget 2010 was estimated to cost \$480 million a year, including the cash payouts and enhanced tax deductions. For the first year of claims, which was the YA2011, the revenue impact of PIC was approximately \$334 million as at January 2012, comprising \$4 million from cash payouts and \$330 million from enhanced tax deductions² given to companies. Based on statistics provided by the Inland

² As at January 2012, the \$330 million arises from a total of \$2.4 billion of enhanced tax deduction/allowance which were fully utilised by companies in YA2011.

Revenue Authority of Singapore (IRAS), one in three active small companies claimed PIC.

45. The CIT rebate or SME Cash Grant introduced in Budget 2011 was estimated to cost \$560 million. As of December 2011, 67% of companies have been assessed on their YA2011 tax returns. 60% of these companies benefitted from the \$282 million that was paid out in the form of the CIT rebate or SME Cash Grant. The remaining 40% of companies were not eligible for the CIT rebate or SME Cash Grant mainly because they were either not taxable and did not make CPF contributions to at least one employee in YA2011, or they had no revenue in YA2011.

Disbursement of PIC among SMEs

46. The Committee further enquired, of the \$334 million disbursed for the PIC Scheme, what was the percentage disbursed to very small companies (turnover of \$2 million or less), small companies (turnover of \$10 million or less), small-medium companies (turnover of between \$10 million and \$50 million), medium companies (turnover of between \$50 million and \$100 million), and larger companies.

47. MOF explained that PIC was disbursed to the claimants as tax savings when the taxpayers fully utilised the further tax deduction for qualifying PIC expenditure, or were granted cash conversion payouts. Based on data available for the YA2011, about 34,700 companies or 30% of active companies that had filed their tax returns had claimed PIC. MOF also updated that as at October

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2012, the total amount of PIC disbursed for YA2011 was \$363 million. This comprised \$342 million³ in tax savings, and \$21 million in cash payouts.

48. MOF revealed that, of the \$363 million disbursed, companies with an annual turnover below \$10 million accounted for about 12% of the amount of PIC disbursed, while companies with an annual turnover below \$100 million accounted for slightly more than half of the amount of PIC disbursed. See Table 1 below.

Table 1: Percentage of PIC Disbursed By Annual Turnover of Companies (for YA 2011 as at October 2012)

Turnover Range (Companies)	Estimated Proportion of Tax Savings from PIC Disbursed
\$2 million or less	3%
\$2 million to \$10 million	9%
\$10 million to \$50 million	25%
\$50 million to \$100 million	14%
More than \$100 million	49%

49. Among active and small companies with annual turnover of \$10 million or less, 27% or more than one in four have claimed PIC. Of the six categories of investment eligible for PIC claims, automation equipment was the most popular, followed by training.

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³ The \$342 million arises from a total of \$2.5 billion of enhanced tax deduction/allowance which were fully utilised by companies in YA2011.

50. MOF indicated that the Government was making significant efforts to help smaller companies take advantage of PIC. Several enhancements had been made to the scheme in Budget 2012. For example, the cash payout rate had been increased from 30% to 60% for up to \$100,000 of firms' PIC expenditures. This would benefit smaller companies, in particular, those with lower taxable income and were unable to benefit fully from PIC tax deduction.

Encouraging More Small Companies to Participate in the PIC Scheme

51. The Committee was encouraged by the participation rate by SMEs, and enquired whether the Ministry would be taking any steps to find out why some small companies (turnover of \$10 million or less) were not claiming for PIC and whether the Ministry would be making further efforts to encourage more small companies to participate in the PIC Scheme.

52. The Committee was informed that MOF and IRAS had taken further steps to reach out to companies, especially the smaller ones, and to understand the impediments they encountered in claiming the PIC. These measures are set out below:

PIC Seminars in Partnership with Trade and Business Associations

(a) IRAS had been pro-actively conducting PIC seminars to help businesses, particularly the SMEs, understand the scheme. Besides conducting in-house seminars, IRAS also partnered the Taxpayer Feedback Panel members and collaborated with major trade associations and chambers of commerce, such as the Singapore Chinese Chamber of Commerce & Industry, Singapore Indian Chamber of Commerce & Industry and Singapore Food Manufacturers Association, to promote the PIC Scheme. As at 5 September 2012, close to 230 seminars had been conducted reaching out to about 30,000 participants/company representatives.

(b) In 2012, IRAS and SPRING had been collaborating to reach out to more SMEs through the Group Representation Constituencies (GRCs). During these sessions, SPRING shared on the productivity and Government assistance schemes while IRAS shared on PIC, SME Cash Grant and deductions for renovation and refurbishment works. Such briefings were usually conducted in Mandarin, as requested by the business community in the GRCs. To ensure that the tax intermediaries were aware of the PIC Scheme, the Government continued to engage small and medium tax practices through events organised by the Institute of Certified Public Accountants of Singapore and tax agent seminars. IRAS also partnered the Singapore Business Federation and Institutes of Technical Education to conduct PIC presentations for training providers so that they could help inform their customers about PIC benefits. To reach out to the IT and software vendors, IRAS partnered the Infocomm Development Authority of Singapore (IDA) to conduct presentations on iSPRINT Grant and PIC schemes.

PIC Clinics

(c) To further help SMEs who required advice on the PIC Scheme, IRAS partnered SPRING and the Enterprise Development Centres (EDC) again for another series of PIC Clinic sessions from May 2012 to October 2012. At these sessions, tax officers from IRAS and EDC provided one-to-one consultation of up to 45 minutes for each SME. As at 18 September 2012, 18 PIC Clinic sessions had been conducted for about 320 SMEs. SMEs found these sessions useful. IRAS and SPRING will continue with PIC clinics in 2013.

Media Publicity

(d) Efforts to promote PIC had also been enhanced through media publicity. For example, IRAS worked with the local newspapers to publish a series of PIC media stories to remind businesses to make their PIC claims when they filed their

tax returns and encouraged businesses to tap on the scheme by including examples to show how businesses had benefited.

Processing PIC Claims and Informing Businesses

53. The Committee commended the agencies for the comprehensive efforts taken and further enquired on the length of time the agencies took to process and inform businesses of the outcome of their PIC Scheme claims.

54. MOF explained that claims on PIC could be categorised into two main groups: (a) PIC cash payout and (b) PIC-enhanced tax deduction and allowances.

(a) For PIC cash payouts, IRAS was committed to administering the payouts within three months of receipt of complete applications. Thus far, IRAS had succeeded in meeting this commitment.

(b) For PIC-enhanced tax deduction and allowances, businesses claimed them via their annual income tax returns, i.e. corporate income tax returns for companies, and individual income tax returns for sole proprietors and partnerships. For corporate income tax returns, IRAS service standards was to process 95% of the tax returns within one year of the filing due date. In practice, IRAS had been able to assess more than 90% of the tax returns within four months. For individual income tax returns, the service standard was to process 100% of the tax returns within one year from the filing due date. In fact, more than 90% of returns were assessed within four months.

Committee's Observations National Archives of Singapore

55. The Committee noted that SMEs had created many business and job opportunities for Singaporeans and remained an important sector in the Singapore

economy. The Committee further noted that it was the smaller companies that required the most assistance in this restructuring exercise.

56. In view of the above, the Committee commended MOF and IRAS for their efforts in reaching out to companies, especially smaller SMEs and to understand the problems they faced in claiming PIC. The Committee was encouraged that at least a quarter of companies with a turnover of \$10 million or less had claimed PIC, but urged MOF and IRAS to continue with their efforts to reach out to the remaining companies which did qualify and yet had not claimed PIC.

BUDGET OUTREACH MEASURES

57. The Committee enquired on the initiatives taken by the Government to ensure that the various initiatives contained in Budget 2011 and Budget 2012 were effectively communicated and understood by the intended target groups.

58. MOF informed the Committee that the Government had carried out a wide range of publicity and engagement efforts to promote greater awareness and understanding of Budget measures amongst all groups of Singaporeans. These efforts, apart from creating greater awareness and understanding of Budget measures, were also aimed at educating Singaporeans on the challenges and considerations in the management and allocation of finite fiscal resources.

59. In recent years, MOF revealed that they had worked together with REACH (Reaching Everyone for Active Citizenry@Home) to engage Singaporeans on the Budget measures, by gathering feedback and suggestions from the public three months prior to the delivery of the annual Budget Statement and in the two weeks following the delivery of the Budget Statement and

Committee of Supply Debates. Members of the public were encouraged to give feedback through multiple platforms, such as a dedicated Budget website, REACH discussion forum and Facebook page, email, SMS, mail, phone or facsimile. A public dialogue session was also organised in the months prior to the delivery of the Budget Statement, as well as a few days following the delivery of the Budget statement, with key MOF office-holders. This enabled the public to give their views directly to MOF on possible Budget initiatives ahead of Budget Day, as well as to provide immediate feedback on the various measures announced in the Budget Statement. The dialogues were well-received, each attracting a turnout of over 100 attendees.

60. In addition, MOF organised dialogue sessions with various stakeholders, including parliamentarians (specifically through the Government Parliamentary Committee for Finance and Trade & Industry), the business community, unions and social sectors. These had been well-received, and more than 300 people attended these dialogues. The inputs from these dialogues had been useful to MOF in preparing the Budget.

61. MOF also organised the Budget Quiz in 2011 and 2012, which helped educate and inform the public on the budget process and other policies. The Budget Quiz attracted over 1,300 participants aged 12 years and above in both years. To reach out to younger Singaporeans, MOF organised inter-school challenges like the Budget Challenge. The Budget Challenge exposed students to trade-offs faced by policy makers, and challenged them to critically evaluate the principles behind formulation of public policies. Budget Challenge 2012 was revamped to widen participation and outreach to include tertiary students. This resulted in a more than 10-fold increase in the participation rate from 40 to over 400 students. A workshop by MOF was organised prior to the Challenge to inform 200 students on the principles behind fiscal policy in Singapore, and the

policy trade-offs. MOF also conducted the “Budget Day Experience” for about 30 student leaders at the pre-tertiary level (Junior College and Polytechnic level) on Budget Day 2011. An information session, quiz, and Q&A were conducted to allow students to better understand the significance of the Budget on Singapore as a whole.

62. For 2012, apart from the dissemination of the Budget Statement through the Budget website, and live telecast and webcast, MOF also utilised social media channels, such as Facebook and Twitter, to provide real time updates of the key Budget messages as the Budget Statement was being delivered. Budget 2012 was one of the top 10 trends on Twitter on the evening of Budget Day. Highlights and key messages were also disseminated through the gov.sg website and mobile application.

63. MOF further assured the Committee that key stakeholders and the public were well informed about the Budget measures through:

(a) Short video clips on segments of the Budget Statement and Round up speech on the Budget website in 2012, to enable the public to view segments of interest to them. A video communicating the new permanent GST Voucher scheme was also produced to inform the public about the scheme. For 2011 and 2012, MOF disseminated over 500 business flyers to trade and business associations, and conducted several business briefings with other agencies in the weeks following the delivery of the Budget Statement to ensure that the Budget measures were disseminated to the business community. The flyers and dialogues were well-received, with a turnout of over 1000 business representatives at the briefings. The flyers were available for download through the Budget website.

MOF also worked with various agencies to produce Budget booklets in English and Chinese, which were disseminated to all households (close to 1.2 million) in

Singapore. Another 15,500 Malay and Tamil versions of the Budget booklets were also made available through CDCs and Community Centres. In addition, the booklets were made available for viewing/download online through the Budget website, and MOF's Facebook page. MOF also conducted over 10 grassroots briefings to ensure that the Budget measures are understood by residents.

(b) For 2012, MOF produced the "Budget in Brief" an inaugural publication targeted at the general public. It summarised the key messages and initiatives of the Budget Statement for the readers' easy reference. It was also made available online on MOF's Budget website. MOF also enhanced the presentation of Revenue and Expenditure estimates on the Budget website to present information in a more interactive and graphical manner for users.

(c) For 2012, MOF also reinforced the key Budget measures through in-train MRT advertisements, which used vibrant cartoons with a light-hearted narrative to explain the measures to the man-in-the-street. The MRT advertisements ran for one month in one train on each of the four main MRT lines (North-South, East-West, North-East and Circle lines).

Further Budget Outreach Measures

64. The Committee commended MOF for the efforts taken to communicate and educate stakeholders on the various Budget initiatives. To ensure that segments of the population, especially the elderly and heartlanders, were not missed out, the Committee enquired whether the Budget Outreach programmes could:

- (a) be carried out or publicised more in Mandarin, Malay, Tamil or dialects;
- (b) make full use of the various platforms already available across all public agencies, for example, publicise Budget initiatives and assistance programmes

through videos at public waiting areas and make brochures and handouts available at such places;

(c) make fuller use of commercial platforms where there is a large audience, such as prime time television, video screens in buses and MRT trains; and

(d) have a one-stop portal for information on all assistance schemes and budget initiatives.

65. As with previous years, MOF indicated that it would continue to publicise the Budget initiatives (e.g. brochures distributed to households and Community Clubs) in all four official languages where feasible. MOF also worked with the PA to publicise specific Budget initiatives through the grassroots, who in turn could reach out to the residents effectively by communicating and explaining the measures in a language residents were familiar with. For Budget 2012, MOF organised two dialogue sessions jointly with PA for the Senior Citizens Central Executive Committee leaders. Chaired by Minister of State (Finance and Transport), Mrs Josephine Teo, the sessions were particularly useful in communicating Budget initiatives targeted at the elderly.

66. MOF also leveraged on various platforms across different Government agencies to publicise the Budget initiatives. For example, the Budget Speech and booklets for households were publicised via the gov.sg website as well as websites and Facebook pages of other agencies (e.g. MOH) in 2012. Agencies also publicised further details on schemes announced at the Budget under their respective purview, through brochures and emails (e.g. MND, MOH and CPF).

67. MOF also worked with MOH and MND to produce 220,000 flyers (in English and Chinese) on elderly-related Budget initiatives. These were distributed to all community centres, Advisers to grassroots organisations, and attendees at

the dialogue sessions to raise awareness and understanding among this target group.

68. Commercial platforms such as newspapers and MRT advertising were also used to communicate the Budget initiatives to the masses. MOF assured the Committee that it would continue to leverage on these platforms while keeping in mind the need to do so in a cost-effective way.

69. The Budget website, supported by the MOF Facebook page and Twitter account, served as a key one-stop online platform on the Budget initiatives. Moving forward, MOF intended to make use of more mobile applications to convey the Budget measures. MOF would be developing a mobile application which would augment the Budget's outreach efforts through pre-Budget quizzes, real-time updates on the Budget announcements as well as tools such as Budget calculators for households and businesses.

70. The Committee enquired how MOF closed the feedback loop for the various communication platforms, for example, REACH, Facebook and public dialogue sessions.

71. MOF informed the Committee that it received about 1,800 pieces of feedback for Budget 2012 through various platforms. To close the loop, a summary of the suggestions received and those incorporated into the Budget initiatives had been published on the Budget website.

72. MOF assured the Committee that it would continue to strengthen outreach as well as feedback channels, including those related to the upcoming Budget.

Committee's Observations

73. The Committee noted that there had been increasing efforts by the Government to reach out to the public on the Budget initiatives. The Committee was encouraged by MOF's efforts to continue to find different and better ways to communicate the Budget message to Singaporeans. In particular, the Committee commended the Ministry's efforts to reach out to Singaporeans through the use of vernacular languages and urged the Ministry to consider more widespread use of such media. The Committee further recommended that MOF consider scheduling such outreach efforts throughout the year and have the message refreshed at regular intervals.

FINANCIAL LITERACY PROGRAMMES

74. The Committee queried the effectiveness of current programmes on financial literacy and enquired if new initiatives would be introduced to increase awareness of spending within one's means, stretching the dollar, the various Budget initiatives and assistance schemes available and financial planning.

75. MOF informed the Committee that financial education programmes in Singapore were overseen by the Financial Education Steering Committee (FESC) comprising representatives from a wide spectrum of public agencies. MoneySENSE, the national financial education programme, brought together industry and public sector initiatives to enhance the basic financial capability of Singaporeans.

76. MOF explained that MoneySENSE had embarked on many educational initiatives focusing on the areas of money management and financial planning so as to equip Singaporeans with the basic knowledge and skills to better manage their money and make informed financial decisions. This was done through

working closely with various partners which have the reach and expertise to bring financial education to various segments of the population.

Financial Education Initiatives for Students

77. MoneySENSE worked with the Ministry of Education (MOE) to bring financial education to students. Besides infusing financial literacy concepts into the curriculum, schools were also encouraged to organise enrichment activities such as financial education board game sessions, competitions, carnivals and workshops for students. MoneySENSE also collaborated with industry associations to conduct talks at tertiary institutions, and partners the National University of Singapore Economics Society to hold the annual National Economics and Financial Management Quiz.

78. Going forward, MOE planned to develop a new compulsory module entitled, “Food & Consumer Education” for lower secondary students. This module would cover basic money management skills, including differentiating between needs and wants, living within one’s means, and the importance of savings and budgeting.

Financial Education Initiatives for Adults

79. MoneySENSE worked closely with the Central Provident Fund Board (CPF Board), which helped educate its members on retirement planning, and the National Library Board, which hosted talks on its premises. Since its launch, MoneySENSE had collaborated with various industry associations, consumer and investor associations to arrange educational talks and seminars. MoneySENSE also co-funded basic money management workshops arranged by the People’s Association (PA) and the five Community Development Councils for the lower income community.

80. In July 2012, the MoneySENSE-Singapore Polytechnic Institute for Financial Literacy (Institute) was set up as a dedicated effort to deliver financial education to the public. To make it more convenient for adults to learn about financial matters, the Institute would bring to the workplace talks on basic money management, the benefits of managing money prudently and tips to get started, and run hands-on workshops and e-learning modules. The Institute would start with an initial focus on the lower-to-middle-income segment of working adults. Financial education initiatives catering to the different population segments would also be rolled out over time.

Media Initiatives for Greater Outreach

81. To bring across the message of financial education to as wide an audience as possible, MoneySENSE used a variety of media channels. Last year, MoneySENSE introduced the “Mind Your Money” TV programme on ChannelNewsAsia and Channel 5. The show was seen by about 1.15 million viewers and research showed that consumers had a high recall of key messages.⁴ MoneySENSE planned to commission another programme on Channel 8 to reach a different set of viewers.

82. To complement the TV programme and help extend outreach, MoneySENSE also conducted radio programmes in the four official languages and had published over 250 educational articles in the print media. In addition, the MoneySENSE website (www.moneysense.gov.sg) served as a comprehensive resource centre, providing consumers with financial education materials such as consumer guides, as well as information on common financial products, financial calculators and activities organised under MoneySENSE. Thus far,

⁴ About 7 in 10 who were surveyed said they were more encouraged to take care of their personal financial matters and take active steps towards managing their finances.

MoneySENSE had issued 29 consumer guides with a total circulation exceeding 2.2 million.

Committee's Observations

83. The Committee supported the new financial education activities in schools and commended MOE for its initiative to introduce a new compulsory module on financial literacy for lower secondary school students.

84. The Committee also supports the MoneySENSE TV programme that has been commissioned to be aired on Channel 8 in bringing across the message of financial education to the public.

85. The Committee urged the Government to evaluate the effectiveness of the programmes, to consider if there were any segments of the population who were most at risk or who had been left out and to review the effectiveness of the programmes regularly.

PARLIAMENT OF SINGAPORE
ESTIMATES COMMITTEE
MINUTES OF PROCEEDINGS

1st Meeting

Wednesday, 4th January 2012

10.30 am

PRESENT

Mr Seah Kian Peng (*in the Chair*)
Mr Ang Wei Neng
Dr Intan Azura
Ms Penny Low
A/P Dr Muhammad Faishal
Mr Ong Teng Koon
Mr Yaw Shin Leong

ABSENT

Mr Arthur Fong

1. The Committee deliberated.

National Archives of Singapore

2. Mrs Josephine Teo, Minister of State, Ms Chan Lai Fung, Permanent Secretary (Finance) (Performance), Mr Ng Wai Choong, Deputy Secretary (Policy), Ms Chua Geok Wah, Accountant-General, Mr Tan Boon Sion, Director (Financial & Management Reporting) and Mr Phua Kok Keong, Director (Fiscal Policy) of the Ministry of Finance were examined on the Annual Budget Process of the Government.
3. The Committee further deliberated.

Adjourned to a date to be fixed.

National Archives of Singapore

2nd Meeting

Thursday, 3rd May 2012

10.00 am

PRESENT

Mr Seah Kian Peng (*in the Chair*)
Mr Ang Wei Neng
Mr Arthur Fong
Dr Intan Azura
A/P Dr Muhammad Faishal
Mr Ong Teng Koon

ABSENT

Ms Penny Low

-
1. The Committee deliberated.

Adjourned to a date to be fixed.

National Archives of Singapore

3rd Meeting

Wednesday, 8th August 2012

2.30 pm

PRESENT

Mr Seah Kian Peng (*in the Chair*)
Mr Ang Wei Neng
Mr Arthur Fong
Ms Penny Low
Dr Intan Azura
A/P Dr Muhammad Faishal

ABSENT

Mr Ong Teng Koon

-
1. The Committee deliberated.
 2. The Committee considered a Memorandum submitted by the Ministry of Finance (MOF) in respect of (a) rising inflation; (b) Budget initiatives and (c) Budget outreach.
 3. The Committee further deliberated.

National Archives of Singapore Adjourned to a date to be fixed.

4th Meeting

Tuesday, 4th December 2012

4.00 pm

PRESENT

Mr Seah Kian Peng (*in the Chair*)
Mr Arthur Fong
Dr Intan Azura
Dr Janil Puthucheary
Ms Penny Low
Mr Ong Teng Koon
Mr Png Eng Huat

ABSENT

Mr Ang Wei Neng

-
1. The Committee deliberated.
 2. The Committee considered a Further Memorandum submitted by the Ministry of Finance (MOF) in respect of (a) rising inflation; (b) Budget initiatives and (c) Budget outreach.
 3. The Committee further deliberated.

National Archives of Singapore

Adjourned to a date to be fixed.

5th Meeting

Tuesday, 29th January 2013

11.30 am

PRESENT

Mr Seah Kian Peng (*in the Chair*)

Mr Ang Wei Neng

Mr Arthur Fong

Dr Intan Azura

Dr Janil Puthucheary

Ms Penny Low

Mr Ong Teng Koon

Mr Png Eng Huat

1. The Committee deliberated.

Report.

2. The Chairman's report brought up and read the first time.
3. Resolved, "That the Chairman's report be read a second time, paragraph by paragraph."

Paragraphs 1 to 83 inclusive read and agreed to.
4. Resolved, "That this report be the Report of the Committee to Parliament."
5. Agreed that the Chairman do present the Report upon printed copies thereof being available for distribution to Members of Parliament.

Adjourned *sine die*.