

## Singaporeans can be like universal adapter to plug into the world

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*This is an edited excerpt of a Q&A session with Deputy Prime Minister Heng Swee Keat at the Institute of Policy Studies' Singapore Perspectives 2020 conference*

**Q (Paul Tambyah, chairman, Singapore Democratic Party):** *GST (goods and services tax) has been acknowledged universally as a regressive tax. In Singapore, we pay GST on medications, we even pay GST on the water conservation tax, which is probably the only place in the world where you pay tax twice on something like water.*

*So my question is whether your government had considered alternatives to raising the GST for raising revenue. For example, returning the top corporate tax level to 20 per cent, which is what it was before Year of Assessment 2017, or perhaps even taxing unearned incomes such as the estate duty, (as) it was about 12 years ago.*

**A (Deputy Prime Minister Heng Swee Keat):** It is important for us to consider our tax system as a whole and not pick on one or two pieces and say this part is regressive and this part is not progressive and so on.

Because what we collect in GST has also to be seen in (a) against other taxes and (b) against the spending.

And in fact, we have been very careful in designing the policies to make sure that the benefits of our tax system and of many of the schemes that we have, benefit the lower-income groups - the ones who need help the most.

There is another aspect which Mr Paul Tambyah may wish to remember - GST is not just paid by Singaporeans; it is paid by everyone who is in Singapore, whether you are here as a tourist, as a worker or as an expatriate. It is paid by everyone in Singapore when they consume services, when they buy certain goods. So, if you consider in totality, in fact the GST system, if you look at the raw numbers, yes it may look regressive but it is not. You cannot pick one piece and forget about the other bits.

Today, the largest source of revenue for the Government, for our Budget, is not GST, it is not corporate income tax, it is not personal income tax. It is an element called NIRC or Net Investment Returns Contribution. So NIRC is 50 per cent of the long-term returns of our national reserves.

Now, I would like everyone to think about this, and reflect on this. A country with no oil, no gas, no diamonds, no minerals, in fact nothing, we started so poor, has today about 50 per cent of our returns from past investments that now contribute more than GST, more than personal income tax, more than corporate income tax. So let us bear that in mind and be responsible in how we safeguard this for our future generations.

Finally, you asked, why can't we increase other taxes? Well, I have considered all the possibilities before I even raised this, because surely - we must consider all possible options. Now you look at what has happened recently. America reduced its corporate income taxes and, in fact, globally, there is also increasing debate on what is a fair rate of tax that companies around the world should be paying.

If you are a company headquartered in Country A, why are you not paying more taxes in Country A. If you are a company selling to Country B, why are you not paying taxes to Country B. This is a global tax competition that is going on because some countries, especially the more developed ones, feel that we are not getting our fair share of taxes. We must be very careful that what we do does not, in the end, harm our future because it is easy to say, let me increase taxes on corporates, let me increase taxes on individuals. But many of these (companies) are mobile and if they move out, we are going to be the ones who suffer the unemployment and the slower growth.

**Q (Goh Meng Seng, secretary-general, People's Power Party):** *We are giving out about 20,000 new citizenships (to people) from different countries, especially mainland China, Malaysia, India, and the Philippines. Now with the geopolitics changes, with the rising Chinese dominance in the region... where will they (new citizens) stand when we have to make a difficult decision in geopolitics? For example, you may give citizenship to people from mainland China, but they will always have what the Chinese call... allegiance that will not change overnight. Will this affect our policies, our political direction (and) decisions?*

**DPM:** Let me address Mr Goh Meng Seng's question on whether new citizens will end up as a new divisive force. In fact, it can be, if we exploit it and start casting doubt on the loyalties and the fitness of new citizens, or that we create a new divide.

One in three marriages today involves a Singaporean and a citizen of another country. We have to bear that in mind. As a Member of Parliament, at each of my Meet-the-People Sessions, I will have some Singaporeans, men and women, who will come to me and say, I have married so-and-so from this country, can I get citizenship for my wife or my husband quickly?

We must bear in mind that for those people who have become Singapore citizens, they have become citizens by conviction. They have left their country and decided that Singapore is a better place for them and their children in the future.

So, we should, as Singaporeans, make the best effort to integrate them - to integrate them into our society, welcome them so that they can be part of our team. In that regard, I am very troubled that so many people are seeking to exploit these differences, instead of making an effort to integrate them, they have made this into an issue that you are not taking care of Singaporeans, you are not taking care of Singaporeans' interest.

On the contrary, having new citizens is very much part of our effort to take care of Singaporeans.

In fact, our criteria for bringing in foreigners, on an employment, work or special pass, is tighter: we have foreign worker levy and so on. All these are to ensure that we also take care of the interests of Singaporeans. Having the foreigners in our midst adds to our strengths.

One important way that Singaporeans can excel and thrive in this world, in this age of uncertainty, is to make sure that we grow up in a multiracial, multi-religious and multilingual society. That ought to give us a very high degree of cultural sensitivity.

I met a group of young students the other day and a few of them had foreign students as their friends in their class. They told me about the learning that they had. Learning about other countries, other cultures, particularly those in South-east Asia, and it has been a very enriching experience. I felt very cheered by that because, when they grow up, they will be in

a good position to interact with our friends in Asean, Asia and all over the world, and that gives Singaporeans an edge.

All over the world, we have differences - even when you travel, you have to carry different adapter plugs because some places are two-pin, some are three-pin, some are square, and some are round. Singaporeans should be the adapter plug that we carry all over the world - wherever we go, we can plug in and draw energy and link up with all.

Having that cultural sensitivity and that respect for people from all over the world will give us a very special edge, especially in a world where people are turning inwards, in a world where people are less willing to cooperate. Singaporeans can extend a hand, we can be bridge builders in a more fragmented world.

Whatever we do, must be to take care of Singaporeans and Singapore's future. But if we take a narrow nativist approach and say let's keep out the world, let's keep out trade, let's keep out other people, then I think eventually, Singapore will wither.