

Heng Swee Keat faces tough questions from SDP, PSP & PPP leaders at IPS conference

Bridge builders, travel adapters, GST.

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Deputy Prime Minister Heng Swee Keat faced a round of questions from prominent members of local opposition parties at the Institute of Policy Studies' (IPS) Singapore Perspectives Conference 2020 on Jan. 20.

He fielded questions from Singapore Democratic Party (SDP) Chairman Paul Tambyah, People's Power Party (PPP) chief Goh Meng Seng and Leong Mun Wai, the newly-minted Assistant Secretary-General of the Progress Singapore Party (PSP).

SDP asked whether GST alternatives were considered

Heng, who is also the Finance Minister, first addressed a query from Tambyah about whether the government had considered alternatives to the impending rise in the Goods and Services Tax (GST), which Heng himself had announced during the 2018 Budget Statement.

GST to rise to 9% sometime between 2021 & 2025

Tambyah asked:

"GST 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 income, such as the estate duty, where it was about 12 years ago."

Heng's reply on impending GST hike

In reply, Heng said that it was important to consider Singapore's tax system as a whole, and not just to pick out one or two parts of it and label them as regressive.

He pointed out that GST is not just paid by Singaporeans, but also by everyone who lives in Singapore, including expatriates and foreign workers.

Heng also said that GST is not the biggest contributor to government revenue, nor is it personal or corporate income tax.

Instead the Net Investment Returns Contribution, sourced from investments on assets, contributes the most to the Budget.

Heng said that he wanted the audience to reflect on the fact that a country with no abundant natural resources like oil or gas could reach the point where taxes are not the biggest source of revenue, and the need to safeguard this state of affairs for future generations.

Government considered all other possibilities instead of raising GST

He then addressed Tambyah's point about raising other taxes instead of GST. Heng said:

"And finally you ask why can't we increase other taxes? Well, I have considered all possibilities before I raised (GST) because surely you know, we must consider all possible options."

Heng pointed out that around the world, other countries were also reducing their corporate income tax rates in a bid to attract foreign investment.

Calling it “almost (like) a global tax competition”, Heng said it was easy to propose raising taxes on companies or certain individuals, but they could always move out of the country, which would ultimately backfire on Singaporeans.

Heng said: “So we must be very careful that what we do will not, in the end, harm our future.”

Goh Meng Seng: What about new citizens?

Goh Meng Seng took a different approach in his query.

He directly addressed a point that Heng had made in his speech earlier, on the need to remain vigilant against divisive forces that threaten to erode social cohesion in Singapore.

However, instead of populism or nativism, Goh had a somewhat different interpretation of a divisive force. Goh said:

“By statistics, if you look, even from 2007 up to recently, 2019, we are giving out about 20,000 new citizenship from different countries, especially Mainland China, and Malaysia, and Indian, and Philippines.”

Citing the “rise of China”, Goh said Singapore might face a situation where new citizens have to decide their stance when it came to “difficult decisions in geopolitics”. Said Goh:

“For example, you may give citizenship to people from Mainland China, but they will always have this, what we Chinese call, “*Qíngyì jié, zhōngguó qíngyì jié.*” Allegiance. Will not change overnight. Will this affect our policies? Our political direction and decision that we make?”

Foreigners become Singaporeans out of conviction

Before Heng replied, Director of the Institute of Policy Studies Janadas Devan, who was serving as the moderator, referred to a story that came out in the Straits Times about immigration figures.

Citing a United Nations report, it found that the largest source of immigrants in Singapore were from Southeast Asia, mostly from Malaysia, and not China.

Heng then said that the presence of new citizens can be a divisive force, only if Singaporeans exploit this and cast doubt on their loyalties.

He said that one in three marriages in Singapore involve a Singaporean and a foreigner, and that they in turn become Singaporeans out of conviction. Said Heng:

“You 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, to welcome them, so that they can be part of our team.”

Foreigners in our midst add to our strength

However, Heng added that he was troubled that others were willing to exploit these differences instead of trying to integrate them.

He said that in contrast to the refrain that bringing in new citizens means that the government is not taking care of Singaporeans, it is actually part of their efforts to grow the economy so that Singaporeans can benefit.

Heng said that business leaders have come up to him to gripe that it was difficult to expand their companies due to the tight restrictions on foreign workers. Heng added:

“All this is to ensure that we also take care of the interest of Singaporeans. And having the foreigners in our midst adds to our strength.”

Singaporeans, the multi-adapter plug

Heng then talked about how Singaporeans should be able to go out to other countries and be comfortable interacting with people of different cultures and backgrounds, using a unique analogy of the multi-adapter plug.

Heng said:

“Singaporeans should be like the adapter plug you carry all over; wherever we go to, we can plug in and draw energy...And I think that cultural sensitivity, that respect for people from all over the world, will give us a very, very special edge.

Especially in the world where people are turning inwards, and the world where people are less willing to cooperate, I think Singaporeans can extend a hand. We can be bridge builders in a more fragmented world.”

Leong Mun Wai from PSP: Proportional Representation, the Elected Presidency, & economic strategy

Leong Mun Wai, the new Assistant Secretary-General of the PSP, also stepped up to ask Heng to share his thoughts on the following issues:

Would the government consider instituting Proportional Representation in Parliament.

As the eligibility criteria to run for President has been tightened, there is a feeling that the effectiveness of the Elected Presidency as a check and balance on the Executive has been curtailed, as only a “handful of citizens” could run for President.

Singapore has become a first-world country in economic terms, but how should we position ourselves in the next 10, 30 and 50 years, as it is still a mercantile nation.

Addressing the suggestion of Proportional Representation, Heng said that no political system in the world is perfect.

Instead, the focus needs to be on ensuring that different viewpoints are represented in public discourse.

However, Heng said that he did not “understand the basis” of the second question.

He said that the President still plays an important role in the Budget process to ensure that the Finance Minister does not draw from past reserves.

But Heng did not answer Leong’s point that he felt the new eligibility criteria of the Elected Presidency meant that fewer people could become a candidate.

Finally, Heng said that Singapore needed to remain a trading nation, because both parties benefited from trade.

Heng concluded: “I don’t think we can afford being selective on what we do.”