

A Budget to Give you a Boost

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If you expected election sweeteners or SG50 hongbao from Budget 2015, you would have been disappointed when Finance Minister Tharman Shanmugaratnam ended his speech with a Joseph Schooling story instead.

It was not the most obvious analogy, but perhaps a fitting one with the SEA Games just months away.

Schooling started at age four, and had the help of a local swim coach for five years. He later trained to become the champion that he is now, at age 19.

And that is what the Government is trying to help you and your families with.

Quality and affordable childcare to give everyone a head start.

Aid through the school years through Edusave and Post Secondary Education Account top-ups.

Aid after graduation, with SkillsFuture, to hone skills to become a master craftsman of sorts - like Schooling, whom his coach calls the "closest thing to a dolphin underwater".

"We must become a meritocracy of skills, not a hierarchy of grades earned early in life. A society where people keep learning and pushing their potential, and are valued for their contributions at each stage of life," said Mr Tharman, who is also Deputy Prime Minister.

SkillsFuture is one of the two big announcements of Budget 2015 - the other being the Silver Support Scheme - that shows the Government's assurance in helping those who really need it.

The bottom 20 to 30 per cent will get a hand in their retirement years. And with it, the different elements of Singapore's safety nets are in place - home ownership, the 3Ms (MediShield, Medisave and Medifund) of healthcare, CPF, Workfare - as well as how Singaporeans will be helped.

PAYING FOR THE INVESTMENT

Also clear in this year's Budget is how the Government is going to pay for these investments.

To ensure continued investing in Singapore's future, Temasek will be included in the Net Investment Returns framework. The framework, implemented in 2009, allows the Government to spend up to 50 per cent of the expected long-term real returns instead of depending on dividends - no need to dip into past reserves.

At a time when countries like Greece are on the verge of bankruptcy, knowing that we can balance the books and also plan for and set aside money for more hospitals, nursing homes, train lines, Changi Airport T5, the Tuas seaport and a secure retirement is the best SG50 hongbao.

Mr Toh Boon Ngee, tax partner at KPMG in Singapore, said: "There are no earth-shattering changes in this Budget, but important enhancements and fine-tuning reflect a measured, holistic, multi-faceted and forward-looking approach to recalibrate the pace of change very much needed to sustain longer-term growth."

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- Finance Minister Tharman Shanmugaratnam

FOR STUDENTS

No Fees

The big news is that national exam fees for PSLE, O levels and A levels in government-funded schools will be scrapped for Singaporean citizens from this year.

This will save families with school-going children up to \$900 over the primary to pre-university years.

Examination fees for ITEs and polytechnics will also be waived for full-time Singaporean students.

More Financial Help

A new transport subsidy will be available to students on the Ministry of Education's Financial Assistance Scheme.

It will pay for at least half of their transport costs and can be used for public transport and school buses.

Currently, these students receive free uniforms and textbooks.

Self-help groups will also receive an additional \$6 million over the next two years to help needy students.

Edusave And Psea Top-Ups

Students in Primary, Secondary and tertiary institutions will get more money in their accounts. (See chart below.)

A polytechnic student from a lower-income family could offset a full year's school fees with the Post-Secondary Education Account (Psea) top-up and existing bursaries.

Career Support

Students will get more help charting their career paths.

A professional core of education and career counsellors will be developed for schools and institutes of higher learning to guide students in planning their future careers.

Enhanced internships will be available in two-thirds of polytechnic courses and half of ITE courses over the next two years. There will also be more overseas exposure opportunities for ITE and polytechnic students.

(Exam fee waivers) will definitely help parents, especially if they are considered mandatory levels that have to be cleared. With a couple of hundred dollars saved, parents can use it for some additional help, like buying of books and assessment materials, or even tuition.

- Mr Walter Lim, 45, marketing consultant and father of Primary 6 boy

FOR HOUSEHOLDS

The Budget measures introduced will help middle-income families "meet their aspirations and deal with cost of living", said Finance Minister Tharman Shanmugaratnam.

Foreign Domestic Worker (Fdw) Levy

From May, the FDW concessionary levy for families with young children and/or elderly people will be halved, from \$120 to \$60.

Families with children aged below 16 will now qualify for the concession, which was previously extended only to those with children aged below 12.

Child Development Account (Cda)

Singaporean children aged six and below this year will receive a one-off top-up of up to \$600 in their CDA, depending on the type of property they live in.

A CDA is a special savings account to which the Government will match every dollar parents deposit, up to a cap depending on the number of children.

The majority of children - those who live in HDB flats - will get \$600. Those whose homes have an annual value of more than \$13,000 will get \$300.

Partner Operator (Pop) Scheme

The POP complements the existing Anchor Operator (AOP) scheme, which helps pre-school operators in areas like rental subsidies. In exchange, the operators have to keep fees low.

POP childcare operators will also have to keep fees affordable, develop their teachers and enhance quality. Parents will benefit from lower fees and higher quality care, said Mr Tharman.

By 2020, half of all pre-school children will benefit from both the AOP and the new POP.

This is estimated to cost \$250 million over five years.

Service & Conservancy Charges (S&Cc)

Households will get up to three months of S&CC rebates, depending on the type of flat. (See chart below.)

This will cost the Government \$80 million.

Besides addressing the needs of the usual vulnerable groups - the low-wage workers and the elderly - I'm heartened that this year's Budget also offers a comprehensive slew of measures for middle-income families. It covers many different aspects of raising a family over the years - from preschool to tertiary.

- MP Seah Kian Peng, member of Government Parliamentary Committee for Social and Family Development

FOR WORKERS

All working adults will get a boost from this Budget, in terms of savings on taxes, CPF changes and training opportunities.

In particular, the newest initiative, SkillsFuture, will be a "new phase of investment in our people", said Finance Minister Tharman Shanmugaratnam.

Credits And Awards

Those aged 25 years and above will receive a SkillsFuture credit of \$500 to take up courses of their choice from next year.

There will be further regular top-ups, and the credits, which can be used only for education and training, will not expire.

Each year, 2,000 SkillsFuture awards will be given out to support those who want to develop specialist skills such as software developing, satellite engineering and master craftsmanship.

There will also be 100 SkillsFuture fellowship a year to support those already with deep specialist skills and wish to develop other competencies such as business and cross-cultural skills.

Mid-Career Support

Those aged 40 years and above will receive additional subsidies for training and education. At least 90 per cent of training costs for courses funded by the Ministry of Education and Singapore Workforce Development Agency will be subsidised.

Personal Income Tax

To help the middle-income, there will be a personal income tax rebate of 50 per cent (capped at \$1,000) this year - benefitting about 1.5 million taxpayers.

The tax system will be increasingly progressive, and the top 5 per cent of income earners will pay more taxes. Changes will take effect from 2017.

The SkillsFuture credit scheme is an innovative way of underpinning the importance of skills upgrading for Singaporeans. More importantly, it clearly empowers the individual to take charge of the nature and timing of enhancing and upgrading his or her own skills. The Government clearly feels that the individual best knows his own training needs.

- Mr Alan Lau, tax partner at audit firm KPMG

I want to do something that can help in my work or even a language course. The credit should also take inflation into account. I think I will spend the \$500 as soon as I get it, as I don't know when the next top-up will be. But I will not choose an expensive course.

- Ms Macy Liu, 25, works in the supply chain and logistics industry, and is pursuing a Masters of Science at National University of Singapore

FOR SENIOR CITIZENS

Singaporeans aged 65 and above will benefit from a new feature of the social security system, the Silver Support scheme.

Like Workfare, the scheme aims to support the bottom 20 to 30 per cent of such Singaporeans.

"What Silver Support aims to do is to supplement incomes in a modest but meaningful way," said Finance Minister Tharman Shanmugaratnam.

"It should not substitute for other sources of income."

Those who are eligible for the scheme will get quarterly cash payouts ranging from \$300 to \$750.

An average recipient will get \$600 every three months.

The amount depends on how much they have earned during their working lives, their household income and what type of housing they live in.

No application is needed. Those who qualify will be notified.

This will cost the Government about \$350 million in the first year.

It is expected to be implemented in the first quarter of next year and 150,000 seniors are expected to benefit.

In the interim, the Government will introduce the GST Voucher (GSTV) - Seniors' Bonus this year. Those aged 55 and above will get up to \$600 to help with daily expenses.

Those aged 65 and above and live in Housing Board flats will get \$900.

Older Singaporeans will also benefit from changes in the CPF scheme.

It will be a nice supplement to the pocket money that I receive from my children. I wouldn't have to scrimp and save too much. I think the amount is just right. Too little and people will complain, too much and people might get too reliant and spend it on cigarettes and alcohol.

- Mr Lee Teck Seng, 76, part-time cleaner

I reckon we can see the Silver Support Scheme as providing yet another layer of safety net to catch poor, low-income seniors. Of course, there is always room for more. My view is that \$200 a month can go some way towards ensuring that low-income seniors can enjoy a better standard of living. It could also form a large proportion of an already low disposable income. For instance, \$200 is 25 per cent of \$800.

- Associate Professor Tan Ern Ser, NUS sociologist

BUDGET BITES

SG50 Charity

Education institutions will receive Government support for their charity work in the causes of their choice: \$20,000 per school, \$150,000 per polytechnic and \$250,000 per ITE.

SG50 Tax

Tax deduction will be increased from 250 per cent to 300 per cent for donations made. Together with the Care and Share matching grant support, this means that the Government will be doubling every dollar donated this year.

Petrol and Road Tax

From yesterday, petrol duty rates were raised by \$0.20 per litre for premium grade petrol and \$0.15 for intermediate grade petrol. This will be offset by road tax rebates for this year - 20 per cent for cars, 60 per cent for motorcycles and 100 per cent for commercial vehicles. Foreign worker levy Levy increases for S Pass and Work Permit holders for all sectors will be deferred this year. The current levy for Work Permit holders in manufacturing will be unchanged for two more years.

There will be levy changes in construction to incentivise upgrading and hiring of higher-skilled workers.

Infrastructure

Development of Changi Airport T5 will be very costly, so a new Changi Airport Development Fund will be formed, with an initial injection of \$3 billion.

There will also be big investments into improving public transport and developing heartlands, as well as expanding the healthcare system.

CHANGES TO CPF

With the new Central Provident Fund (CPF) measures introduced in this year's Budget, CPF members will be able to grow their retirement savings further.

Higher Ceiling

From January, the CPF salary ceiling will increase from \$5,000 to \$6,000, as proposed by NTUC and the CPF Advisory Panel, giving middle-income Singaporeans will have more CPF savings during their working years.

At least 544,000 CPF members will benefit from this.

Extra Interest

From January next year, an additional 1 per cent interest will be applied to the first \$30,000 of CPF savings for those aged 55 and above. This is on top of the existing 1 per cent extra interest on the first \$60,000 of savings.

Raising Contribution Rates

In the past, CPF contribution rates for older workers were lowered to enhance their employability.

Now, workers aged 50 to 55 will see their CPF contribution rates go up by two percentage points next year - one from the employer and one from the employee.

With this increase, their contribution rates will be on par with the younger workers.

Contribution rates will also go up for citizens between 55 to 65. (See chart below.)

The increase in employer contributions will go to the Special Account, while the increase in employee contributions will go to the Ordinary Account, and can be used to service housing mortgages.