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Amid the Covid-19 outbreak, what can Singapore expect in Budget 2020

Eugene Tan K. B.

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The Covid-19 outbreak has placed significant and urgent demands on Budget 2020, says the author.

The Covid-19 outbreak has placed significant and urgent demands on Budget 2020 that will be unveiled on Tuesday (Feb 18).

The Government has given a strong affirmation that the Budget will be equal to the task and that it will reinforce the “never fear” spirit that Singapore and Singaporeans will need to adopt to come out stronger of this challenging period.

One key focus of Budget 2020 will be to ensure that the battle against the viral outbreak is well resourced, especially since it will have a “wider, deeper and longer” impact than of the Sars (severe acute respiratory syndrome) outbreak in 2003.

At the time, the Government provided a support package totalling S\$230 million. We can expect the Covid-19 support package to be larger given that a recession is possible.

Significant budget surpluses accumulated since 2015 — estimated to be in the region of S\$15 to S\$20 billion — that cannot be rolled over to a new term of government mean that there is a sizeable war chest available.

On Sunday (Feb 16), Deputy Prime Minister and Finance Minister Heng Swee Keat outlined a slew of broad-based measures to tackle the economic fallout of the Covid-19 outbreak.

They include companies receiving wage support to keep jobs for local workers as well as tax rebates and rental waivers to help with cash flow issues. Households will also get help to manage the cost of living.

Mr Heng gave assurance that the Government “will do all that is necessary” to get workers and companies “back on their feet” and that “we will rebound” from this global health crisis.

This timely, targeted relief from economic uncertainty will be much welcomed and boost Singapore’s social and psychological resilience.

PROTECTING WORK AND JOBS

Besides protecting jobs, another key focus of the Budget is to ensure that Singapore will be ready when economic sentiments pick up.

Jobs will come and go. The sustainable and prudent approach has to be on ensuring that the workforce is able to thrive, and workers can transit from old jobs to new ones.

So the focus on protecting work, rather than jobs, is right. It is clear from the pre-Budget remarks by government leaders that economic restructuring and transformation must proceed apace notwithstanding the Covid-19 outbreak.

In preparing the Singapore workforce for the future, however, the Government can't do it alone. If the workforce is not innately nimble, adaptable, resilient, then even work, much less jobs, will not be secure.

This mindset shift is important and the Budget will likely emphasise that. The SkillsFuture credit scheme is expected to be topped up and upgraded

A SOCIAL-ECONOMIC BUDGET

Given Singapore's ageing population and a tangible policy shift to assist the less well-off and protect the vulnerable in our midst, social spending is expected to rise again.

Prime Minister Lee Hsien Loong in his New Year message said the Government would strengthen social safety nets to protect the poor, elderly, and vulnerable.

Mr Heng has also said that the Government is "studying how we can better help lower- and lower-middle income Singaporeans, including current and future seniors, to meet their retirement needs in a sustainable way".

We can therefore expect a retirement assurance package, and perhaps even changes to the Central Provident Fund (CPF) scheme, as part of the concerted effort to strengthen social safety nets.

Education, healthcare, social safety net spending will see increased budgetary allocations. Increasingly, the Government sees these not merely as expenditures but more as social investments where the long-term returns will exceed the recurrent expenditures.

Such social spending can help blunt criticisms of the persistent income inequality in Singapore, and this has added significance for the ruling People's Action Party (PAP) in what is generally regarded as an election year.

Indeed, this is widely expected to be the 13th Parliament's last budget, as it now has less than 11 months left of its five-year term.

One initiative that Second Finance Minister Indraneel Rajah has indicated that the Government will undertake is to "promote volunteerism" across the board and help seniors to have "a fulfilling life at every stage". Besides making it easier to volunteer, there may well be a funding scheme for seniors to initiate and run volunteer programmes.

If Budget 2020 can provide a major and sustainable impetus for Singaporeans to look beyond themselves, then a major step would have been taken towards the 4G leadership's "Singapore Together" mantra.

GST SUPPORT PACKAGE

The increase in the Goods and Services Tax (GST) from 7 to 9 per cent sometime between 2021 and 2025 has remained a hot-button issue since it was announced in 2018. The truth of the matter is that there is never a good time for tax increases.

In Budget 2020, the Government is likely to announce a support package to help low-income individuals and businesses cope with the GST hike.

Although such a support package will only be implemented when the GST increase kicks in, the Government may commit funds now to underline its commitment to help less well-off Singaporeans manage the transition.

To the extent the GST support package will assuage unhappiness, it will also reduce the political sensitivity of the tax increase. How the Government will use the extra revenue generated has to be clear and persuasive.

There remains a cognitive dissonance for the average Singaporean who sees his country as a wealthy one with regular and healthy budget surpluses, sizeable national reserves, a relatively strong currency and an ability to invest significantly for the future.

So why does Singapore need a GST hike, which will be ameliorated by a GST support package? The Budget must endeavour to engage Singaporeans on this apparent paradox.

Overall, Budget 2020 is likely to be a bountiful one even if the goodies are trimmed.

It will be significant on three fronts: Adequate funding to cope with the healthcare expenses and economic fallout from the viral outbreak (with off-Budget measures if the situation requires it); increase in social spending; and extra long-term planning and funding (going beyond one or two decades), especially for climate change mitigation and adaptation.

The anxious public mood will be uplifted if the Budget hits the right notes in addressing pressing short-term worries and fears and preparing well for long-term challenges. In maintaining trust and confidence in the Government, Budget 2020 is a cornerstone of the PAP Government's election strategy.

The stakes are high and all eyes will be on whether Budget 2020 can be the vital shot in the arm for Singapore in such a challenging period.

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