

Singapore boosts sin taxes, help for elderly

By Bhavan Jaipragas (AFP) – 2 days ago

Singapore — Singapore on Friday announced steep increases in alcohol, gambling and tobacco taxes as it pledged billions of dollars in healthcare subsidy for its growing ranks of elderly citizens.

Liquor taxes will be raised by 25 percent with immediate effect while duties on tobacco products will jump by 10 percent, Finance Minister Tharman Shanmugaratnam told parliament as he announced the government's 2014 budget.

Betting duties from the state-linked betting firm Singapore Pools will rise to 30 percent from 25 percent of gross bets from July.

Tharman said the measures were in line with "our social objective of avoiding excessive consumption or indulgence in these areas".

The additional duties will raise government revenue by Sg\$255 million (\$201 million) a year, Tharman said.

Eugene Tan, an associate law professor at the Singapore Management University, said raising revenue through "sin" taxes will be seen by Singaporeans as a better alternative compared to similar increases in personal or corporate tax rates.

"I think it will be welcomed. Raising sin taxes is one of the few ways you can raise revenue to increase social spending without incurring too much of a political cost," Tan told AFP.

In his budget speech, Tharman also unveiled a Sg\$9.0 billion package to provide life-long healthcare subsidies for elderly citizens.

Under the plan, about 450,000 elderly citizens who are part of what the government terms the "pioneer generation" -- those who are aged 65 and above this year -- will benefit from a host of medical benefits including for outpatient specialist care and medical insurance.

Affluent Singapore has one of the world's most rapidly ageing population due to falling birth rates and longer lifespans.

Officials say 20 percent of Singaporeans will be 65 or older by 2030.

"These special benefits that we are providing the pioneer generation will not be differentiated by income because our objective is to honour the contributions of this whole generation," Tharman said.

The government expects a Sg\$1.2 billion overall budget deficit for 2014, or about 0.3 percent of its gross domestic product, he said.

Total government expenditure is expected to rise to Sg\$56.66 billion from Sg\$52.34 billion, according to budget documents released after the speech.

"This is a mid-term budget, with the government still holding back its firepower as it looks ahead to the polls in a year or two," said Tan.

General elections are due in mid-2016.

"The healthcare package for the elderly is the right thing to do. But the older generation are also seen as an important vote bank for the People's Action Party," he said.

"If the government does reap a political pay-off from the policy, no one is going to begrudge them for that."

The ruling People's Action Party (PAP) which has been in power for more than half a century, has faced an increasingly vocal electorate frustrated with a surging foreign population and the rising cost of living.

It suffered its worst ever performance in the last general election in 2011, and subsequently also lost two by-elections.

In his speech, Tharman also unveiled a host of measures to help small and medium-sized businesses to improve productivity and reduce its heavy reliance on foreign labour.

The large presence of foreign workers and professionals in Singapore has been a hot-button issue in past elections, with Singaporeans complaining about overcrowding and increasing competition for jobs.