



Budget 2022

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A progressive budget plan

1. Progressive Wage Credit Scheme
2. Higher tax on the top earners

Highlight the idea that the benefit from economic growth should be shared by all members of the society, and the high income group should take more responsibility in supporting the spending on public good.

Progressive Wage Credit Scheme

To increase the salary of low-income workers in the next five years.

Employers who raise the pay for local workers whose salary is below \$2500 will receive 50% co-funding from the government. Co-funding also available for pay increase workers whose salary is between \$2500-\$3000.

The Government will spend an average of \$1.8 billion a year over the next five years, or \$9 billion. The plan will benefit about half a million workers. The overage of low-income workers will increase from about 10% in 2014 to 82% in 2023.

Firms will get a progressive wage mark as recognition.

PWM versus minimum wage



It is similar to minimum wages, but not exactly the same.

1. Minimum wage is just a constraint imposed by the government on firms. It increases the cost of the firm and may lead to higher unemployment rate. Larger likelihood of firing may also generate short-termism between employers and workers.
2. Firms receive co-funding from the Government under PWM. The chance of job loss is much smaller.
3. Increase income and job stability of target group workers at the same time. Enhance long term relationship, and working morale.

Possible impact of progressive wage mark/accreditation

Progressive wage mark maybe a good way for the firms to signal their commitment on corporate social responsibility to the public. It may benefit the business of the accredited firms in the long run.

1. Consumers may be more likely to buy products from accredited firms than other firms.
2. Consumers may be willing to pay a higher price for the products from accredited firms than other firms.
3. Investors may be more willing to invest in accredited firms, providing them more liquidity.

Studies already find higher willingness to buy for products with Fair Trade label. The impact of progressive wage mark is probably larger than Fair Trade label because the latter is about how much people care about working condition of workers in other countries, while PWM concerns salary of local workers.



More tax on high income group



Higher marginal income tax rate on top earners



Higher property tax on high value houses



Higher tax rate on luxury cars

Income tax change

Resident taxpayers' chargeable income in excess of \$500,000 up to \$1 million will be taxed at 23%, while chargeable income in excess of \$1 million will be taxed at 24%, compared to 22% before.

Expected to raise \$170 million of additional tax revenue per year

Still lower than the marginal tax rate on high income in most countries (often more than 35%, or even 50%). Probably no impact on the attractiveness of Singapore to foreign investors.

Higher tax on high value residential properties

Higher taxes of 12% to 36%, up from 10% to 20% for houses with annual value larger than \$30,000.

This increase will impact the top 7% of owner-occupied residential properties.

Taxation on luxury cars

220% for the portion of Open Market Value in excess of \$80,000.

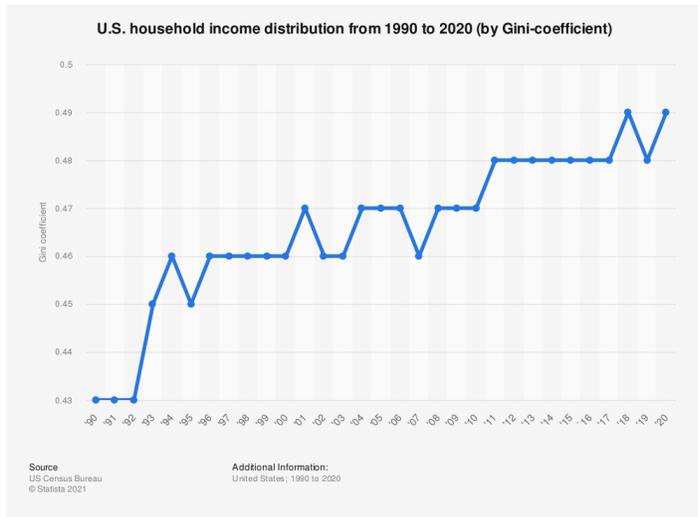
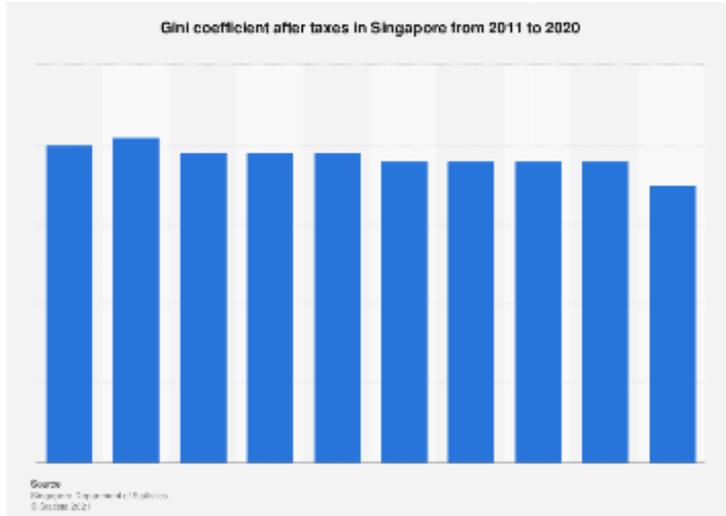
Impact mainly on expensive passenger cars.

Mainly on traditional automobiles, not much impact on new energy vehicles.

Reduce income/wealth inequality

Mr. Wong said: "Apart from generating revenue, they also help to recirculate a portion of the wealth stock into our economy and in so doing, mitigate social inequalities."

Gini coefficient in Singapore is not high in recent years (about 0.35 in 2020). But data shows income inequality has been increasing rapidly in other countries. It is better to do something early than late.





Thank you!