

Background and Rationale

1.1

What is GST?

The Goods and Services Tax (GST) is a tax on domestic consumption. The tax is paid when money is spent on goods or services, including imports. It is a tax on the value added at every stage of the production and distribution chain.

1.2

What are the GST Voucher components and how are they different?

Since it was announced in Budget 2012, the GST Voucher scheme comprised three components – GST Voucher – Cash, MediSave and U-Save:

- The **GST Voucher – Cash** helps to offset some immediate cash outlays.
- The **GST Voucher – MediSave** will help most elderly Singaporeans with their medical expenses.
- The **GST Voucher – U-Save** is a rebate that helps with eligible HDB households' utilities expenses.

As announced in Budget 2022, the GST Voucher scheme will be enhanced from 2022, to provide continuing offsets for the GST expenses of lower- to middle-income Singaporean households, and most retiree households, beyond the transitional period covered by the Assurance Package. The GST Voucher scheme will be enhanced in three ways:

- First, the **Service and Conservancy Charges (S&CC) Rebate** will be made a permanent component of the GST Voucher scheme, from 2022 GST Voucher onwards.
- Second, the Assessable Income threshold for the GST Voucher – Cash will increase from \$28,000 to \$34,000, from 2022 GST Voucher onwards. This will cover more Singaporeans.
- Third, the quantum of the GST Voucher – Cash payout will be increased to \$500 for those residing in homes with Annual Values (AVs) of \$13,000 and below; and to \$250 for those residing in homes with AVs of between \$13,000 and \$21,000. The changes to the payout quantum will be implemented over two years:
 - In 2022 GST Voucher, eligible recipients will receive \$400 or \$250, depending on their AV of residence;
 - From 2023 GST Voucher, eligible recipients will receive \$500 or \$250, depending on their AV of residence.

1.3

Why is the Government giving out GST Voucher?

The permanent GST Voucher scheme was introduced by the Government in Budget 2012 to help lower- and middle-income Singaporean households. As announced in Budget 2022, the enhanced GST Voucher scheme will comprise four components starting from 2022: GST Voucher – **Cash**, **MediSave**, **U-Save** and **Service and Conservancy Charges (S&CC) Rebate** (new component).

In 2021, about 1.4 million Singaporeans were eligible to receive up to \$300 in GST Voucher – Cash. In addition, about 575,000 elderly Singaporeans were eligible to receive the GST Voucher – MediSave of up to \$450, while about 950,000 households received utilities rebates of up to \$380 from the GST Voucher – U-Save.

1.4

Can we have a multi-tier GST system or exempt necessities?

We do not have a multi-tier GST system or exempt basic necessities, because such a system benefits the better off more as they spend more, including on basic necessities. Such a system will also require a lot of resources to operate.

Instead, we have a different, but fairer and more effective system. We collect GST from all taxpayers, including the higher-income households who spend more, foreigners residing in Singapore and tourists. We then directly help the lower- and middle-income Singaporean households and seniors through the permanent GST Voucher scheme and other subsidies/schemes. This approach is fairer and more effective, rather than waiving GST for some goods for everyone, whether rich or poor.

Studies and experiences of other countries show that extensive exemptions and multiple rates complicate the GST system. The difficulty of defining a “necessity” leads to classification issues and disputes. It raises business compliance and administrative costs significantly, which are then passed on to consumers.

1.5

I pay GST in cash. Why is the GST Voucher not given to me fully in cash to help with the GST that I pay?

The GST Voucher is meant to help lower- and middle-income Singaporean households with their expenses, in particular what they pay in GST. Each of the four components provides support for various household needs – **Cash** for immediate needs; **MediSave** for seniors to support their medical needs; **U-Save** to offset utilities bills; and **S&CC Rebate** to offset S&CC bills.

1.6

How long will the GST Voucher scheme last and how much does it cost the Government?

The GST Voucher is a permanent scheme with benefits given out yearly. The scheme aims to provide more support to lower- and middle-income Singaporean households, as part of our overall system of taxes and transfers. It cost the Government about \$850 million in FY2020.

As announced at Budget 2022, the GSTV will be enhanced from 2022 onwards. The GSTV scheme is expected to cost \$1.2 billion in FY2022.

In 2012, the Government established a GST Voucher Fund to make payments under the scheme to eligible Singaporeans. The Fund provides certainty of payments regardless of the prevailing economic circumstances. If necessary, the Government can make further injections into the Fund to carry on financing this permanent GST Voucher scheme.