

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 three GST Voucher components and how are they different?

The GST Voucher – Cash helps to offset some immediate cash outlays. Eligible Singaporeans staying in HDB flats and lower-value private homes will receive the highest payout of \$300.

The GST Voucher – MediSave will help most elderly Singaporeans with their medical expenses. Those who are older will receive up to \$450 each year in their CPF MediSave Accounts, if they stay in HDB flats and lower-value private properties. Eligible elderly Singaporeans who reside in other lower-value private homes will receive up to \$350.

The GST Voucher – U-Save is a rebate that helps with your household's utilities expenses. On average, the GST Voucher will help lower-income families offset about half of the GST they pay each year. Retiree couples living in smaller flats can expect to receive a GST Voucher that will more than fully offset their yearly GST expenses. Middle-income families can also expect to receive a GST Voucher that will partially offset their GST expenses.

1.3

Why is the Government giving out GST Vouchers?

The permanent GST Voucher scheme was introduced by the Government in Budget 2012 to help lower-income Singaporeans. It is made up of three components; GST Voucher – **Cash**, **MediSave** and **U-Save**.

In 2018, about 1.39 million Singaporeans were eligible to receive up to \$300 in GST Voucher – Cash. In addition, about 485,000 elderly Singaporeans were eligible to receive the GST Voucher – MediSave of up to \$450, while about 900,000 households received utilities rebates of up to \$380 from the GST Voucher – U-Save.

1.4

Why not exempt basic necessities from GST, or reduce the GST rate instead?

Exempting or introducing reduced GST rates for basic necessities will benefit the rich more, who pay the bulk of GST. This is because on the whole, the rich consume more, including basic necessities.

The experience of many countries and relevant studies also show that a multi-rate GST system distorts consumption and production, and raises businesses' compliance and administrative costs significantly, which are then passed on to consumers.

In Singapore, we do not just have GST, but also GST Voucher to provide continuing support to help Singaporeans cover some of their GST expenses. We provide benefits directly to the lower-income through the GST Voucher, rather than exclude items from GST which will benefit all consumers including the richer ones. Through the GST Voucher, the net GST (GST less value of offsets) is lowered, especially for the lower-income households. This allows us to target help in defraying GST expenses to the lower- and middle-income households.

It is fairer and more equitable to have a flat GST rate on all goods and services, while redistributing the revenues in the form of the permanent GST Voucher scheme to reach out to those who need them the most. Along with other social assistance schemes, this ensures that our overall system of taxes and transfers is a fair and progressive one.

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 support living expenses for both immediate and longer-term needs. It consists of three components – [Cash](#), [MediSave](#) and [U-Save](#).

The GST Voucher – Cash provides lower-income Singaporeans with some cash for immediate needs. The GST Voucher – MediSave, provides elderly Singaporeans aged 65 and above with a CPF MediSave account top-up to support their medical needs. Lastly, the GST Voucher – U-Save provides eligible HDB households with a rebate to offset their utilities 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. This is to give lower- and middle-income Singaporeans the assurance of a fair system of taxes and benefits in Singapore. The regular GST Voucher Scheme is expected to cost the Government \$800 million in FY 2019.

To administer this permanent scheme, the Government established a GST Voucher Fund in 2012 from which payments are made. The Fund provides certainty of payments regardless of the economic circumstances. If necessary, the Government can make further injections into the Fund to carry on financing this permanent GST Voucher Scheme.