KEY POINTS OF REFERENCE FOR THE TABLING OF BILLS AT
SINGAPORE MODEL PARLIAMENT 2018

Note: The scenarios described here are fictitious examples used purely for simulation purposes at Singapore Model Parliament (SMP) 2018 and participants are expected to do additional research on their own.

1. CPF contributions for Self-Employed Persons (SEP)

The Central Provident Fund (CPF) is a comprehensive social security system funded by contributions from employers and employees. Employment legislation in Singapore generally require the employer to provide some basic protection to their employees, including monthly contributions to the CPF. This measure enables employees to build up savings for a secure retirement, and also addresses healthcare, home ownership and family protection needs.

Self-employed persons[1] (SEP) on the other hand, do not have traditional employers and hence do not receive regular contributions. Current policies require SEPs (who earn a yearly net trade income of more than $6,000) to make contributions to their Medisave Account[2] to ensure that they have sufficient savings for their healthcare needs. Voluntary contributions can also be made to their CPF Accounts.

Today, technology has made the proliferation of online platforms – which accorded more flexibility in work arrangements – a viable and attractive alternative and changed the way people work. While the share of primary SEPs among the resident workforce has remained at about 8-10% for the past decade[3], there is a possibility that self-employment may become more prevalent in our future economy.

The growth of self-employment could create significant future social costs because SEPs are not required to contribute to the CPF for retirement and cannot earn income when sick or injured. As self-employment expands, Singaporeans of tomorrow may be required to pay higher taxes to help freelancers with insufficient savings for their own retirement.

Within the transportation sector, national taxi operator like Comfort Delgro and private ones such as Grab, have introduced schemes such as “Drive and Save” and “Medisave Match Contribution.” However, these are optional schemes and the contributions only go into the SEP’s Medisave Account.

To be prepared for the future, the Government of the day is tasked to draft a Bill to look into enhancing CPF protection for SEPs. The bill should consider extending reasonable mandatory CPF contributions, as well as giving market intermediaries or platforms a bigger role in coordinating benefits for SEPs.

[1] A self-employed person derives income through any trade, business, profession or vocation that excludes employment under a contract of service. Examples of self-employers persons include hawkers, taxi drivers, freelancers or sole-proprietors.
[2] Contributions by employers and employees go into three accounts – Ordinary Account (OA), Special Account (SA), and Medisave Account (MA). The uses of CPF savings differ for each account.
[3] Supplementary Survey 2016 on Own Account Workers (Ministry of Manpower, Sep 2017)

2. Taxation of the E-Commerce Industry

Singapore's tax system is sustained by three underlying principles, including diversified sources of revenue (include non-traditional ones such as contributions from the investment returns of our sovereign wealth funds), a progressive tier system based on income, as well as our continued economic growth.

One vital component of our tax revenue is the Goods and Services Tax, or GST. Over the years, the GST system has provided a buffer during economic downturns and served as a critical source of revenue to finance ongoing national expenditures such as healthcare, infrastructure and other social services[4].

As Singaporeans and residents of Singapore increasingly turn to online sources for their shopping and purchasing needs as a primary avenue of consumption, our revenue model must keep up with the times.

Within 10 years, the size of Singapore's e-commerce market is expected to grow more than five times to the tune of more than S$7.5 billion, according to a report[5] by Temasek Holdings and Google. And, in 20 years' time, online platforms will be the mainstream medium where consumers shop. Therefore, a review of our GST system is overdue.

Currently, goods purchases totalling less than S$400 as well as digital services like music downloads from e-commerce firms based abroad are exempted from the 7% goods and service tax (GST). This also allows for local consumers to make multiple purchases in smaller amounts to avoid paying tax. According to some reports, at least 60% of Singapore's e-commerce sales come from cross-border sales[6].

Thus, the Government of the day is looking at wider e-commerce levies to diversify the tax base and to level the playing field between local GST-registered retailers and overseas sellers. GST-registered brick-and-mortar shops and local businesses have also lamented that international e-commerce retailers are not being subjected to the same tax rules.

But, extending taxes to international retailers will require careful considerations on feasibility, efficacy and practicality. Many countries have imposed a similar tax on e-commerce purchases and there can be different collection models for cross-border transactions. For instance, big e-commerce players could register for GST in Singapore if they sell to local consumers. Alternatively, customers could be taxed directly when they make purchases online.

Discussion of introducing wider taxes should also include likely implications on foreign investments and increased prices for consumers in Singapore.

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[4] "Singapore Growth Could Top 3% in 2017, Prime Minister Lee Says" (Bloomberg, 19 Nov 2017)
[5] "E-Conomy 2015 Southeast Asia" report (Temasek & Google, May 2016)
[6] "E-commerce in Singapore – Statistics and Trends" (Go-Globe, Jan 2016)