

Topic 1: Given the rising costs of living, should the government tax higher-income earners more to better support the lower and middle income groups?

Introduction

The cost of living in a country is the amount of money its residents need to buy basic goods and services like food, healthcare and housing. The cost of living worldwide has been increasing due to a number of factors, like rising oil prices, the Russia-Ukraine war and supply chain disruptions despite attempts to normalise economic activity post COVID 19 (Timmins & Thomas, 2023). Increasing oil prices mean that production and transportation costs of almost all of our goods and services increases, (Elliot, 2023) since oil is a key factor input for many of the goods we use today. As for the Russia-Ukraine war, both Russia and Ukraine were key exporters of fertilisers and food (Arce et al., 2023). When the war began, exports of grain from Ukraine slowed down considerably, leading to reduced supply of grain and rising food prices for consumers. All these factors especially hit Singapore as we import most of our goods, including essentials like food. All this led to the cost of living in Singapore increasing

While the Consumer Price Index, or CPI, which measures the cost of living, has been rising over the past few years in Singapore, (Youjin, 2022), it has risen even more sharply in recent years due to the factors mentioned above. For example, prices in April 2023 were 5.7% higher than prices in April 2022 (Department of Statistics, n.d.). With rising cost of living, the lower and middle income groups feel the pain the most as their rise in real income may not match the pace of rise

in cost of living (Seow, 2023). Against this backdrop, representatives will need to decide whether the government needs to tax higher income earners more in order to provide more support for low and middle income earners.

Overview of Taxes in Singapore

In Singapore, there are many different types of taxes to fund government spending. 75.4% of government operating revenue was from taxes (Inland Revenue Authority Singapore, n.d.). Some of the taxes that Singapore uses are income tax, goods and services tax (GST), property tax, betting tax, stamp duty, motor vehicle tax and so on. Brief information about some of the taxes are stated below.

Income Tax

Income tax is charged on the incomes of people and companies (IRAS, n.d.). Income is taxable if it is from Singapore, regardless of whether the person is residing in Singapore. Generally, income earned outside Singapore is only taxable if it is received in Singapore by a resident through a partnership in Singapore (PWC, 2023). Currently, in Singapore, the highest income tax of 24% is levied on those who earn S\$1,000,000 or more, while those who earn less than \$20,000 do not need to pay income tax (IRAS, 2023).

Singapore follows a progressive taxation model, which means that the tax rate increases as the income increases (Kagan, 2023). Hence, low income earners will have to pay less taxes than a higher income earner. This is done by creating tax brackets, which will split taxpayers by their income ranges. Figure 1 shows the personal income tax rate in Singapore, and how it varies with income (Diacron, 2023).

Chargeable Income	Income Tax Rate (%)	Gross Tax Payable (\$)
First \$20,000 Next \$10,000	0 2	0 200
First \$30,000 Next \$10,000	- 3.50	200 350
First \$40,000 Next \$40,000	- 7	550 2,800
First \$80,000 Next \$40,000	- 11.5	3,350 4,600
First \$120,000 Next \$40,000	- 15	7,950 6,000
First \$160,000 Next \$40,000	- 18	13,950 7,200
First \$200,000 Next \$40,000	- 19	21,150 7,600
First \$240,000 Next \$40,000	- 19.5	28,750 7,800
First \$280,000 Next \$40,000	- 20	36,550 8,000
First \$320,000 Next \$180,000	- 22	44,550 9,600
First \$500,000 Next \$500,000	- 23	84,150 115,000
First \$1,000,000 In excess of \$1,000,000	- 24	199,150

Figure 1: Personal income tax rate in Singapore, from 2024

Singapore's headline income tax of 24% is lower than the global average of 31% (KPMG, n.d.). This raises the question of whether Singapore should raise its income tax to be on par with other countries, in order to provide more support for the lower and middle income groups.

Goods and Services Tax (GST)

GST is a tax imposed on our consumption. The tax is paid when money is spent on goods and services (IRAS, n.d.). It is a broad-based consumption tax, which means that everyone is affected by it and the tax is not targeted to a specific group. The GST rate in Singapore as of 2024 is 9%.

Motor Vehicles Tax

Motor Vehicle Tax is a tax that is imposed on motor vehicles other than import duties (IRAS, n.d.). These taxes are imposed to reduce car ownership, and road congestions.

Stamp Duty

Stamp Duty is a tax on documents that are related to immovable property, land or shares (Ministry of Finance, n.d.). In Singapore, there are three main types of stamp duty: Buyer's stamp duty (BSD), Seller's Stamp duty (SSD) and Additional Buyer's Stamp duty (ABSD). BSD is imposed on all purchases of property. SSD is levied on sellers who sell their property within the specified holding period. ABSD is applied on top of the BSD for purchases of immovable residential properties in Singapore (IRAS, n.d.)

Existing support for lower and middle income groups

To help the lower and middle income groups cope with the rising costs of living, the government has provided comprehensive support in recent years. In 2023 alone, there were multiple avenues the government provided support for Singaporeans to cope with the rising cost of living. For example, in Budget 2023, the Assurance Package was enhanced to S\$9.6 billion dollars to support families coping with the rising cost of living (Assurance Package, n.d.). In September 2023, the government announced a S\$1.1 billion 'Cost-of-Living Support Package', which provided eligible Singaporeans with an additional \$200 payouts in December, additional CDC vouchers, U-Save rebates and S&CC vouchers (Iau, 2023).

Challenges of providing continued support for lower and middle income groups

All these support packages increase the government's expenditure, and hence puts a strain on the government budget. As cost of living increases, the government will likely have to provide more of such support packages to help the lower and middle income as they will be the hardest hit, financially. However, in doing so, they still have to ensure that they do not incur debts, and manage trade-offs carefully (Gasper et al., 2022). Hence, the government needs to explore ways to increase the government revenue to fund these packages.

Arguments for and against Taxing High Income Earners More

The Case for Increased Taxes

Generates Revenue

Taxing the high income earners will generate revenue for the government, which it can use to fund its support for lower and middle income earners. This will also ensure that other governmental expenditures do not fall, such as healthcare and education. Taxing high income earners more allows for the government to provide more support, but ensuring that the support is not at the cost of other governmental services.

Reduce Inequality and inequity

Taxing the higher income earners can decrease income inequality present in a society. Coupled together with providing additional support for low and middle income earners, which is a form of transfer payment, income inequality can be significantly reduced (Aaron, 2015). This narrows the income gap between rich and poor, making society more equitable (Bourguignon, 2018).

Better resource allocation

The revenue that is generated from taxing higher income earners more can be used to provide better resources and opportunities for the low and middle income earners. The Singapore government heavily subsidises numerous programs to support the low and middle income earners.. For example, preschool education is heavily subsidised in Singapore to allow every child to access quality education as early education is essential in supporting their cognitive, language and motor skills as well as their social and emotional skills (Ng, 2022). In 2022, the government spent about \$1.9 billion dollars on preschool education, and lower income families pay as little as

\$3 a month (Shafeeq, 2023). By ensuring that children from low income families have access to quality preschool education, these children will have a strong foundation of the skillsets they will need in primary school and beyond.

Another area the government provides great support is upskilling and reskilling for workers. As digital transformation changes the way we work, new skills are being demanded while some others are becoming redundant (Hawksford, 2023). Upskilling is a struggle for workers and jobseekers, with main reasons being lack of time and financial support (Tan, 2022). To counter this, the government has been providing support to workers who need reskilling and upskilling, through various ways including SkillsFuture and partnerships with Singapore-based companies to develop skill sets that match specific job requirements that they and their industries need (myCareersFuture, n.d.). About 560,000 people took part in initiatives supported by SkillsFuture Singapore in 2022, with more than 192,000 people making use of their SkillsFuture credits (Yong, 2023). SkillsFuture subsidies to companies and individuals come up to around \$700 million dollars annually (Ministry of Education, 2022), and SkillsFuture is important in ensuring our workers remain relevant in the long run.

The Case against Increased Taxes

Loss of Talent and Opportunities

If income tax rates are too high, highly skilled workers who can command a high salary will simply move overseas, to a place with lower personal income tax to avoid paying the tax. This may lead to a brain drain, where the talented workers from Singapore relocate, hence the possible benefits Singapore would have gotten from having that worker will be lost. The possible tax benefits that could have been gained are lost, and their expertise is also no longer used by the Singaporean economy (Martinez, 2022). Increases in tax rates also reduces innovation, and innovators are less

likely to come to Singapore if the taxes become too high. In the United States, it was shown that a 1% increase in taxes is associated with a 1.8% higher net outflow of innovators (Enrico, Moretti, 2017). Studies also show that top tier scientists and innovators actively migrate towards locations with lower taxes (Akcigit et al., 2016). Innovation is extremely important for Singapore as it has allowed us to develop our own technologies and become a high-income economy (World Intellectual Property Organisation, n.d.). Singapore has encouraged entrepreneurship in various industries including energy, sciences and manufacturing, which has facilitated efforts to attract major multinationals and foreign investors, as well as partnerships with companies able to impart skills and share technology (SMU, 2018). With higher taxes, these entrepreneurs and innovators may choose not to come to Singapore, which will lead to a loss of potential talent and the opportunities that might have been gained.

Stifles Work Incentive

When a person's salary rises up to the next income band for personal income tax, but their after-tax income rises less because of increased taxes, people's incentive to work falls (Mok, 2017). This discourages people from working hard, since workers will hold back on their maximum productivity. This is because any additional effort might cause their salary to increase, which will cause them to be taxed more heavily. If their rise in salary is not more than or equal to the rise in tax rate, their take home pay might even fall.

Alternative Forms of Taxes

There are also other ways for the government to earn revenue, in order to fund additional support for low and middle income earners. These include broad based tax like GST hikes, or wealth tax, capital gains tax, luxury tax and so on.

GST Hikes

Singapore has already raised its GST from 7% to 8% in 2023, and 9% in 2024. This rise in GST was to support the government's rising expenditure, on areas including added support for lower and middle income earners (Lim, 2019). However, the government has said that this GST hike will only increase government revenue by 0.7% annually, which will not be sufficient to fully cover the needed increase in social spending (Goh, 2022). Even with the increase, Singapore's GST rate is still far behind the global average, 19% (KPMG, 2022). Hence, representatives can consider raising the GST rate to finance additional support to lower and middle income earners instead.

Wealth Tax

A wealth tax is a tax imposed on an individual's net worth, or on the market value of their total owned assets. Generally, a tax rate is imposed on a person's net worth, usually above certain thresholds (Tax Foundation, n.d.). Singapore currently does not have any form of net wealth taxes (Sim & Aw, 2023) because of a few reasons. Introducing net wealth taxes might reduce the competitiveness of Singapore, driving away wealthy foreigners to other countries with no wealth taxes (Mohkta & Chia, 2021). Moreover, wealth is very mobile and those with means can simply move their wealth around to avoid paying the wealth tax, making the tax counterproductive because the tax might end up not collecting a lot of money (Choo, 2021). Despite these drawbacks, Singapore is not ruling out the possibility of imposing net wealth taxes, and is doing research on it (Tan, 2022). This might be because wealth taxes can reduce inequity since wealth is generally more unevenly distributed than income (OECD, 2018). It can also increase government revenue, but might backfire as stated above. Representatives should carefully weigh the pros and cons of imposing a wealth tax, and decide whether it can be a suitable alternative to increase revenue in order to provide better support for lower and middle income earners.

Luxury Tax

Luxury tax is a sales tax levied only on some products or services that are deemed to be non-essential and accessible to the wealthy (Kagan, 2020). Currently, Singapore already has luxury taxes. Luxury cars with an Open Market Value (OMV) of higher than \$80,000 would be taxed at 320%. This helps generate about \$200 million dollars a year, which can be used to provide additional support for lower and middle income earners (Tan, 2023). There is also a luxury tax on properties, with a 36% tax on non-owner occupied residential properties from 2024 onwards. These include investment properties, which are generally owned by the wealthy (Tang, 2022). One possibility of increasing revenue through luxury taxes is to expand the tax, and include more items in the list to be taxed. Examples of some items that are considered 'luxury' include items like yachts, champagnes, and expensive jewellery. While representatives explore if Singapore should impose luxury taxes on more items, or make the existing luxury taxes higher, they should be cognisant of the fact that these measures may also impact middle-income earners. Moreover, imposing too much tax on luxury may drive away wealthy individuals, who might bring in greater investments to Singapore (Lee & Ong, 2023).

Conclusion

As the cost of living increases, the government will surely have to provide more support for the low and middle income group to help them cope with the rising pressures on them. This also comes against the backdrop of an ageing society, which the government has to spend on. Hence, it is imperative that the government finds additional sources of funding to increase their support for low and middle income groups over the long run, as it will not be sustainable to divert the resources needed for this from other aspects of the government. Representatives should think and evaluate carefully if taxing the high income group more is the way to go to achieve this funding, or if the government should consider other tax policies to achieve this additional funds.

Questions a Resolution Must Answer

1. Do the benefits of taxing high income earners outweigh the cons?
2. If high income earners are to be taxed more, how can Singapore ensure it remains as an attractive business hub?
3. Is taxing high income earners the only viable option to increase government revenue?
4. How to ensure that the proposed solutions only affect the wealthy, and to minimise the effects on the low and middle income earners?

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Topic 2: Should there be harsher punishments for vaping-related offences in Singapore?

Introduction

The trend of vaping has continued to grow, with widespread repercussions and significantly impacting both individuals and Singaporean society as a whole. The allure of sleek vaping devices has captivated a broad spectrum of users, reshaping the habits and impacting the health of adolescents and beyond. Vaping is illegal in Singapore, with the possession, use and purchase of vapes and their related products banned in Singapore since February 2018 (Sun, 2023). However, illicit vaping has been increasing in Singapore, with 4.3 percent of adults using alternative products. In 2022, 4,916 individuals were apprehended for vaping, a significant increase from the 1,266 cases reported in 2020 (Ang, 2023).

Singapore, recognized for its strict laws and dedication to societal order, must decide if current punishments and enforcement mechanisms are ample in regulating this illegal activity. Representatives should unpack all aspects of vaping-related offences and the likely impacts of a decision to amend regulations surrounding vaping. Representatives could consider if the implementation of harsher punishments is the only means to achieve Singapore's goal of keeping vaping in check.

Historical Overview

An e-cigarette, or a vape as coined by the electronic cigarette industry looking for a more marketable way of describing their nicotine replacement devices, is a battery-operated device

designed to resemble regular cigarettes (Landmark Recovery, 2019). This innovative device was first created in 2003 by Hon Lik, a Chinese pharmacist, with the initial aim of providing an alternative to traditional smoking methods (Choucair, 2023).

The history of Vaping is closely related to that of the cigarette industry, with many looking towards these devices as a drastically less harmful means of nicotine delivery. Comprising a battery, an e-cigarette also includes an atomizer and a cartridge filled with either a nicotine or non-nicotine liquid solution. When the user activates the device, the battery heats the liquid contained in the cartridge. Subsequently, the atomizer vaporises this liquid, turning it into a mist or vapour. This vapour is then inhaled by the user.

Since there is no combustion, vaping is generally thought to be a safer alternative to smoking. Substances in the e-liquid (such as Propylene glycol and vegetable glycerin) are believed to be non-toxic. However the long-term repercussions of such vapour have yet to be clearly understood (Lim, 2022).

Current Situation

A Societal Norm

Unlike its traditional cousin rapidly dwindling in popularity (MOH, 2022), the act of vaping has been glamorised greatly and earned itself a reputation as a “safer” alternative to cigarettes. In 2022, the Health Sciences Authority (HSA) caught 4916 people for vaping, which is almost a fourfold increase from the number of vapers caught in 2020 (Ong, 2023). A Milieu survey in 2022 estimated that 4.2 percent of adults in Singapore vape, which is higher than some other countries that place restrictions on vaping (van der Eijk, 2023).

Images from Instagram, Twitter and TikTok often display a mixture of modern advertising techniques and advertising tropes used for decades by the tobacco industry. Furthermore, social media influencers can often be pictured engaging in casual vaping, pushing adolescents to understand this activity as one that is socially acceptable and fashionable with little understanding of the adverse side effects that come along with vaping (Smith et al., 2023). Even though vaping is illegal in Singapore, heavy marketing of vaping products is reaching young Singaporeans due to its widespread presence overseas and in neighbouring countries such as Malaysia and Indonesia (van der Eijk et al., 2021). This leads to young Singaporeans receiving a more positive perception of vaping as they come across such content (Ng et al., 2023).

Singapore's current punishments

Despite the possession, use and purchase of vapes and their related products being banned in Singapore since February 2018, close to 5000 people were caught for vaping-related offences in 2021, more than triple the numbers in 2020 (Britten, 2022).

It appears that the illicit business of smuggling and peddling vapes is a lucrative and relatively low-risk business, with products being easily obtained in vape shops just across the Causeway in Johor Bahru (Yee, 2023). Furthermore, the punishments are not as severe as other similar crimes. For instance, repeat offenders smuggling in contraband cigarettes risk a jail term of up to six years, while it is only a maximum of 12 months when it comes to vapes. In reality, punishments appear to be drastically more lenient. To date, the most significant penalty imposed for a vape-related offence has amounted to a fine of S\$99,000. In contrast, the most severe punishment for smuggling cigarettes was an astonishing S\$30 million fine along with a prison sentence of five years and eight months (Britten, 2022).

THE TOBACCO (CONTROL OF ADVERTISEMENTS AND SALE) ACT

Under the TCASA, a person must not —

- a) possess in Singapore, other than for the purpose of sale in Singapore;
- b) purchase in Singapore; or
- c) use in Singapore, any confectionery or other food product, or any toy, device or article —
 - i) that resembles, or is designed to resemble, a tobacco product;
 - ii) that is capable of being smoked;
 - iii) that may be used in such a way as to mimic the act of smoking; or
 - iv) the packaging of which resembles, or is designed to resemble, the packaging commonly associated with tobacco products.

Any person caught purchasing, using or having in their possession of imitation tobacco products shall be guilty of an offence and shall be liable on conviction to a fine not exceeding \$2,000.

It is also prohibited to import into Singapore, or distribute, sell, offer for sale or possess for sale in Singapore, any imitation tobacco products. When caught, the person shall be guilty of an offence and shall be liable on conviction —

- a) to a fine not exceeding \$10,000 or to imprisonment for a term not exceeding 6 months or to both, unless paragraph (b) applies; or
- b) if the person has any previous qualifying conviction, to a fine not exceeding \$20,000 or to imprisonment for a term not exceeding 12 months or to both.

Source: Singapore Statutes Online, Tobacco (Control of Advertisements and Sale) Act

Figure 2: The Tobacco (Control of Advertisements and Sale) Act

Scientific Consensus

As vaping is relatively new, there are still gaps in our scientific understanding of the activity and its true consequences (American Heart Association n.d.). More time and studies are needed to evaluate its harm.

The WHO classifies vaping as a Electronic Nicotine Delivery System (ENDS) and advises the public not to use such devices (WHO, 2022). It recognises that vaping is still harmful and contains many similar chemicals to traditional tobacco products. The WHO further posits that such devices should not be used to quit smoking as many still contain the same nicotine as cigarettes.

The Case for Harsher Punishments

Consistent application of law

Singapore has always taken a hard stance against various vices to effectively deter such activity. Through unequivocal enforcement, the city state has been able to clamp down on activities such as drug proliferation (MHA, 2020). An example would be the recent case of a Malaysian drug smuggler, Nagaenthran Dharmalingam, upon whom Singaporean courts authorised capital punishment despite pleas for clemency on the basis that he suffered from a mental disability. With such unrelenting measures present, Singapore's drug smuggling rate has remained low (Yuen-C, 2020).

Currently, Singapore authorities have already stepped up enforcement and checks to clamp down on vaping. For example, checks at land, sea and air checkpoints will be stepped up, as well as increased checks in hotbed areas like the central business district, shopping centres, parks, smoking areas and entertainment outlets (Ng, 2023). The Singapore government can harden its stance against vaping to target this vice in a similar manner — stressing its unacceptability and using severe consequences to threaten offenders.

Ease of smuggling

Singapore sits between Malaysia and Indonesia, where vaping devices are endemic (van der Eijk et al., 2021). There is a very high risk of individuals smuggling such devices into Singapore for profit. In order to keep the situation manageable and protect public health, it is essential to keep the supply of vapes under control. The government would benefit from taking a harsher stance against vapes to deter individuals from engaging in such nefarious activities.

Against entrenchment as social norm

If not properly regulated, vapes could become endemic in Singapore. The government has been able to control the distribution of traditional cigarettes in Singapore through strict laws and enforcement (Amul & Pang, 2018). If such principles were not applied to vapes, the situation could quickly deteriorate into one where vapes become a widespread vice.

The Case Against Harsher Punishments

Undermines Education Initiatives

Harsher punishments for vaping will not target the root cause of the issue — youth lacking awareness on the health consequences of vaping. If the government were to take a hard stance, it may come across as the government needlessly clamping down on a “social activity”. Not only would youth not be educated on vaping, but they may even be encouraged to go against such regulations for the thrill of it.

Global Norm

Vaping has already become a popular activity accepted by many western countries. For Singapore to remain competitive and attractive to expatriates, we could be more open to such global norms. The looser laws could accord them a greater sense of freedom, attracting business and skilled labour and ultimately benefiting the people of Singapore.

Additionally, cigarettes have been present in society and remain legal, albeit with certain limitations imposed on their sale and consumption. It is peculiar then for vaping, arguably an electronic version of cigarettes, to be completely illegal.

Alternatives Means of Regulation

A harsher stance against vaping may not be appropriate with today's youth, who may prefer a more reconciliatory approach. Singapore has already attempted a program to allow youth to voluntarily surrender their vapes with no penalties, which has met some success (Wong, 2023). This approach together with counselling and support programs have the potential to resolve the issue of vapes in a more positive manner.

Questions a Resolution Must Answer

5. How effective are pre-existing punishments and enforcement mechanisms in deterring offending?
6. Should Singapore focus its attention on specific areas of vaping-related offences?
7. What are the likely impacts should Singapore decide to amend its regulations surrounding vaping?
8. Is the implementation of harsher punishments the only means to achieve Singapore's goal?

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