SINGAPORE: A two percentage point hike in the Goods and Services Tax (GST) has just been announced, and already Singaporeans are assessing their future expenditure.

Some asking for more help to offset the increase.

Things will cost more when the 7 percent GST kicks in, and many told Channel NewsAsia that will affect their spending habits.

"Must think twice now before buying certain things... but 7% is a lot," says Mohd Shahrudin, a technician.

"I think if they want to increase GST, they should improve customer service, so people will be more willing to pay for the increase," says Karen Hui, a marketing support executive.

Others are concerned about the cost of living.

"I don't think it's a good time. Salary hasn't increased that much, and we have to pay more," comments banker Koon Sik.

"Perhaps we should waive GST for medical services and purchases of say pharmaceutical products, because a lot of the elderly have problems paying for those necessities," says Eileen Phua, a finance manager.

Many agree the offset package to cushion the impact of the GST increase among the needy will go some way to ease financial hardship.

Economist Jason Lee says: "It's not the first time they are giving out assistance measures. They've done it with the Progress Package and so forth, so I am sure it will have its intended effect."

Still, political watchers warn such offset packages must not encourage a crutch mentality among lower income Singaporeans.

The real challenge is in helping them cope with the demands of globalisation.

The government too, has to walk the talk.

Eugene Tan, Assistant Professor at Lee Kong Chian School of Business, SMU says: "There should be this commitment that the increments resulting from GST, the revenue increment, will actually go towards strengthening of the social safety net. And I would like to see the government also putting in an equivalent amount from its budget.

"You want to see the accountability and I think when people understand where their taxes are going, they will be more persuaded that this is indeed a move that benefits society."

Analysts say the move represents a shift in the social compact to one where the more well-off citizens take care of less fortunate ones.

But they hope the interest of the middleclass will be considered, as a rise in the cost of living will be a burden for some.

To that end, grassroots organisations can be more proactive in identifying residents who need help.

"We know that some of the schemes that are in existence will be able to assist some of these families. The idea of forming the local network, making use of the existing infrastructure, schemes and network, will be the best way forward in getting help to the people," says Zainudin Nordin, Mayor of Central Singapore District.

Mr Zainudin says it may also be timely to review the current financial assistance schemes to factor in higher living cost. - CNA