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Budget 2026: SBF and PwC Singapore Call for Practical Measures to Accelerate AI Diffusion, Support Business Decarbonisation and Deepen Capabilities as a Trusted Hub Amidst Global Uncertainties

Monday, 12 January 2026 [Singapore] – The Singapore Business Federation (SBF) and PwC Singapore today submitted a set of Budget 2026 Recommendations to build a future-ready Singapore – one that is globally competitive, sustainable and inclusive. Titled “Building a future-ready Singapore: Transformation, Technology, Trust”, the joint recommendations are a call to move first, not react later, by driving enterprise and workforce transformation, enabled by technology and underpinned by trust. As the global environment and business models evolve, AI and innovation will increasingly determine whether Singapore leaps onto its next growth S-curve or settles into slower growth. At the same time, maintaining trust – in policies, institutions and social cohesion – is essential to sustaining Singapore’s position as a competitive global and regional hub.

Strategic priorities for Singapore in 2026

Singapore enters 2026 amid a more complex global environment shaped by rapid technological changes, shifting trade patterns and heightened geopolitical uncertainty. The nation is entering a new kind of contest – for trade, technology and trust. AI is redrawing value chains, decarbonisation is rewriting business models, and geopolitical tensions are reshaping where capital and talent choose to land. Strengthening Singapore’s position as a trusted hub for trade, services, innovation and talent will propel us ahead as a safe harbour amidst global uncertainties and contestations.

The recent economic outlook reflects both momentum and caution. Singapore’s GDP expanded by 4.8% in 2025, supported by stronger AI-related semiconductor exports and easing US-China trade tensions, but moderation is expected in 2026 due to persistent global headwinds. SBF’s National Business Survey 2025 – Annual Business Sentiments Edition reported that overall business sentiment remains cautious, with 37% of firms anticipating challenging macroeconomic conditions compared to the 14% anticipating improvement over the next 12 months.

Against this backdrop, SBF and PwC Singapore’s Budget 2026 Recommendations identify five strategic areas for action in 2026: easing resource constraints, breaking growth bottlenecks, strengthening Singapore’s hub status, capturing new economic flows, and building an inclusive economy that addresses employment barriers and social sustainability.

Mr Kok Ping Soon, Chief Executive Officer of SBF said, “Businesses in

Singapore are not lacking in ambition; but they must overcome current operating challenges while investing in building new capabilities. Our Budget Recommendations are anchored on inputs from businesses through our sense making efforts as part of the Singapore Economic Resilience Taskforce (SERT) and the Economic Strategy Review (ESR) committees, as well as findings from our National Business Surveys and ongoing industry pulse checks. Firms are gearing up to capture the next S-curve of growth and scale across the region, but they require practical and implementation-ready support. Budget 2026 is a critical opportunity to bridge these gaps so that businesses can continue to create good jobs, anchor high-value activities in Singapore, and compete confidently as ASEAN's economic flows accelerate."

Mr Marcus Lam, Executive Chairman of PwC Singapore said, "Most of the important decisions companies make today revolve around where to invest, what to automate, how fast to decarbonise, and which markets to double down on. If Budget 2026 can ease resource constraints and remove friction in areas like AI adoption, trade and decarbonisation – and give companies the information, certainty and support they need to make bolder, better strategic decisions – Singapore businesses will be better placed to invest, innovate and win new markets. Singapore is at one of those moments where we can choose to be future-ready or future-anxious. These recommendations are an invitation for Government, businesses and workers to once again write the next Chapter of Singapore's growth together."

A complete list of our 18 recommendations can be found in the proposal found here. We would like to highlight 13 key recommendations in our report.

Highlights of Key Recommendations:

1) Ease Resource Constraints

SBF's National Business Survey 2025 – Annual Business Sentiments Edition shows weakening business sentiment, underscoring the need for targeted, execution-ready measures to sustain productivity and competitiveness.

SBF and PwC Singapore recommend:

A) Increasing senior employment (refer to page 10, recommendation A1)

- Singapore’s plan to progressively raise retirement and re-employment ages to 65 and 70, respectively, by 2030 presents distinct challenges for businesses. Existing initiatives like the Senior Employment Credit and Part-Time Re-employment Grant provide foundational support but do not fully address sectoral and operational complexities. Among our recommendations to increase senior employment, we propose stronger public-private effort in **the development of sector-specific packages with aligned incentives and practical tools**, to ensure safe, flexible and productive operational models for older workers, as well as **support SMEs in managing health and insurance costs** of an ageing workforce. By adapting to demographic shifts, companies can leverage senior expertise to enhance productivity and foster workplace diversity.

<u>B) Increasing access to foreign manpower (refer to page 12, recommendation A2</u>

- According to the SBF’s National Business Survey 2025: Manpower and Wages Edition, nearly half of Singapore businesses struggle with rising costs and supply constraints linked to foreign manpower policies, particularly in sectors heavily reliant on non-local labour. To alleviate these pressures, we recommend that the government **expand the Non-Traditional Sources Occupation List (NTS OL) to include higher-skilled Work Permit Holders (WPHs) for the Construction & Civil Engineering and Logistics sectors**. SBF’s survey revealed that nearly half of the firms in these sectors (45% and 47%, respectively) intend to expand their workforce despite significant upskilling and cost hurdles. This expansion would provide essential labour market flexibility, enabling companies to manage cost pressures while continuing their longterm investment in productivity and workforce transformation.

<u>C) Mitigating costs arising from the decarbonisation transition (refer to page 14, recommendation A3)</u>

- While Singapore's decarbonisation agenda has made progress, businesses face challenges in compliance while simultaneously trying to stay competitive. This is especially so for energy intensive, trade exposed sectors where carbon mitigation solutions may be lacking but businesses face rising cost operating in Singapore. Policy flexibility is needed to ensure Singapore balances its climate ambitions with economic realities. We therefore recommend **raising the carbon credit offset cap from 5% to 10%** to cushion the impact for large emitters, **expanding decarbonisation support through grants, vouchers and tax allowances, and lower the carbon tax upper target for 2028 to 2030 from S$80 to S$50 per tonne** to help manage the pace of rising costs.

D) Extending Corporate Income Tax (CIT) rebate (refer to page 16, recommendation A4)

- To support businesses amid global economic uncertainty, we recommend **maintaining a CIT Rebate of 50% of income tax payable for all companies in YA 2026, regardless of tax residency**. This should be accompanied by a CIT Rebate Cash Grant, helping businesses preserve resources for growth, workforce development, and innovation

2) Break Growth Bottlenecks

To reignite growth amid rising costs and global uncertainty, businesses, particularly SMEs, need stronger support to innovate, scale and expand overseas. Technology adoption, decarbonisation, and overseas expansion are key levers for driving competitiveness and sustainable growth.

SBF and PwC Singapore recommend:

A) Hastening AI diffusion to SMEs (refer to page 20, recommendation B2)

- AI can significantly improve productivity and innovation, yet barriers such as cost, skills gaps, and trust persist. Coordinated support through capability-building programmes, flexible assistance, and trusted frameworks can help SMEs harness AI effectively and drive sustainable growth. We recommend **enhancing PSG with an AI booster add on and implementing**

sectoral AI pathfinder programmes which could lead to the creation of a knowledge hub, showcasing best practices and case studies of successful technology implementations, while leveraging consultants for deeper engagement with SMEs.

B) Supporting businesses' decarbonisation (refer to page 23, recommendation B4)

- Transitioning to a green economy requires sector-wide coordination. Clear guidance, supportive frameworks, and skilled professionals will help businesses meet net-zero targets, enhance sustainability capabilities, and seize emerging low-carbon opportunities. To strengthen engagement and track progress on net-zero targets among businesses, we recommend establishing a **Carbon Transition Council** to oversee businesses' transition plans at whole-of-economy level, developing sector-specific best practices and roadmaps, **leverage procurement to drive decarbonisation** and **extend EFS – Green beyond 31 Mar 2026**.

C) Strengthening businesses trade resilience and growth pathways (refer to page 27, recommendation B5a)

- ASEAN businesses face working capital pressures due to rising global trade tensions and the reimposition of tariffs by major economies. The Business Adaptation Grant (BizAdapt) was recently introduced to help businesses with tariff adaptation through advisory and reconfiguration support capped at $100,000 per enterprise. To further strengthen trade resilience, we propose **expanding the BizAdapt grant to cover compliance and training costs arising from tightening export controls**. Beyond the BizAdapt grant, the Government could also support loan financing by **raising the risk-share under the Enterprise Financing SchemeTrade Loan (EFS-TL)** from 50% to 70%-80%, tied to BizAdapt eligibility and tiered by enterprise size, growth stage and the market they are operating in.

3) Strengthen Hub Status

Singapore's position as a global and regional hub for headquarters and asset and wealth management activities faces intensifying competition amid global tax and regulatory shifts. Forward-looking reforms are needed to sustain Singapore's attractiveness to multinational enterprises and regional champions.

SBF and PwC Singapore recommend:

<ins>A) Enhancing Singapore's attractiveness as a global and regional headquarters (HQ) hub (refer to page 32, recommendation C1)</ins>

- To enhance Singapore's economic competitiveness amidst global tax shifts, the **government should modernise its tax framework** by transitioning from purely expenditure-based incentives to outcome-based rewards under the Refundable Investment Credit (RIC) and introducing capital allowances for specialised industrial structures. Addressing financial and talent-related hurdles is also essential; this includes implementing notional interest deductions on equity to equalise debt and equity financing and aligning employee share plan taxation with OECD standards to prevent double taxation for global talent. Finally, streamlining GST partial exemption rules by clarifying the definition of "Regulation 34" businesses and expanding "Regulation 33" to include modern commercial practices like cash pooling will reduce compliance costs and further solidify Singapore's appeal as a premier destination for foreign direct investment.
- In addition, to safeguard Singapore's status as a premier regional command centre, the government should **enhance workforce flexibility for strategic service providers that support multinational headquarters by recognising their specialised, high-value nature in manpower policies**. This can be achieved by **reclassifying these firms under a dedicated "Regional HQ Service Providers" category** to better align S Pass quotas with business realities, extending HQ-linked quota flexibilities to key service partners, and introducing transitional measures such as moderated Employment Pass (EP) salary thresholds for roles requiring niche linguistic or cultural expertise. By addressing these restrictive hiring hurdles, Singapore can prevent the relocation of essential HQ-linked functions to neighbouring countries and maintain the integrity of the ecosystem that attracts global enterprises.

B) Reinforcing Singapore's position as asset and wealth management hub (refer to page 37, recommendation C2)

- To establish Singapore as a premier regional private credit hub for SMEs, we recommend implementing **targeted tax incentives, such as a reduced 5% rate on management fees and tax relief for participating SMEs**. This strategy is bolstered by the creation of co-investment funds and set-up grants to promote local structures like the Variable Capital Company.

4) Capture New Economic Flows

Beyond traditional flows of trade, investment and talent, Singapore must build new capabilities to capture emerging opportunities in innovation, sustainability and regional integration as it prepares to chair ASEAN in 2027.

SBF and PwC Singapore recommend:

A) Developing Singapore as an IP financing hub (refer to page 40, recommendation D1)

- Singapore must build new capabilities in intellectual property (IP) financing to unlock value, support research and development, and maintain its edge in innovation-led competitiveness. We recommend establishing **a centralised digital IP collateral registry to improve transparency and enable better risk assessment**. Enterprise Singapore's risk-sharing schemes could be expanded to explicitly cover IP-backed financing with enhanced ratios of 70–80% for qualifying transactions. Furthermore, the Government could **introduce government-backed IP securitisation platforms and first-loss guarantees for pioneering IP financing transactions**.

B) Accelerating ASEAN economic integration (refer to page 43, recommendation D3)

- Deepening ASEAN integration is critical for regional competitiveness and growth. We propose that **the Johor-Singapore Special Economic Zone (JS-SEZ) be expanded to** include Indonesia’s Riau Islands (Batam, Bintan, and Karimun [BBK]), creating a more integrated and attractive proposition for global investors. Realising this economic potential requires a strategic study focused on four key enablers: enhancing physical connectivity via improved transport links between Singapore and BBK, advancing digital connectivity through seamless data exchange and cross-border R&D grants, streamlining customs and trade regulations to reduce barriers, and establishing a centralised governance framework to ensure regional coordination.

- To address the persistent challenge of non-tariff barriers (NTBs) that restrains intra-ASEAN trade, it is recommended that Singapore leverage on its Chairmanship of ASEAN in 2027 to drive the adoption of a **"common-core" rules-of-origin framework and accelerate Mutual Recognition Agreements (MRAs) in high-growth sectors to eliminate duplicative testing and certification costs.** We should also promote the regional adoption of the UNCITRAL Model Law on Electronic Transferable Records (MLETR) to enable trade digitalisation by establishing an ASEAN Centre of Excellence for Paperless Trade. Additionally, Singapore should lead efforts to assist SMEs with customs compliance through a national digital platform for origin verification and traceability, while championing an **ASEAN-wide customs data-sharing initiative**. Collectively, these measures will streamline fragmented regulations, reduce paperintensive processes, and reinforce Singapore’s reputation as a trusted, digitalised trade hub capable of navigating global trade volatility.

5) Build an Inclusive Singapore

Economic competitiveness must be underpinned by social cohesion. Businesses play a critical role in supporting vulnerable groups, fostering workforce harmony and contributing to social sustainability.

SBF and PwC Singapore recommend:

<u>A) Catalysing corporate social impact (refer to page 49, recommendation E1)</u>

- Businesses can play a pivotal role in building an inclusive and resilient economy by creating employment pathways, supporting well-designed social initiatives, and fostering stronger community engagement. To promote a more equitable labour market, it is recommended that the government **introduce a more inclusive Employment Credit scheme by expanding wage offsets to cover a broader range of vulnerable populations beyond currently defined categories**. By mirroring the structure of existing schemes utilising wage caps and CPF contribution requirements, this expanded credit aims to lower the perceived risks and costs for employers, incentivising them to create sustainable employment pathways for diverse groups facing unique social barriers.

<u>B) Incentivising corporate volunteering (refer to page 51, recommendation E2)</u>

- Clear frameworks and practical support can help businesses translate intent into meaningful action, enabling impactful contributions to social sustainability and community well-being. To foster a robust culture of corporate giving, the government should introduce a new **social impact grant scheme** and enhance the existing **Corporate Volunteer Scheme (CVS)**. The proposed grant would provide upfront seed funding, professional consultancy to bridge the "action gap," and a Corporate Volunteering Credit Scheme that converts volunteer hours into "merit points" for government tenders. Simultaneously, **extending the CVS for five years beyond 2026 with a significantly higher tax deduction cap of S$1,000,000 and a 400% deduction rate would make skill-based volunteering more financially attractive compared to simple cash donations.** By combining these structural incentives with pre-approval mechanisms for tax claims, Singapore can better support companies—particularly SMEs—in transitioning from philanthropic intent to measurable social impact.

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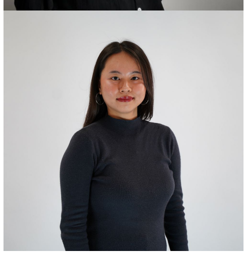

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