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Businesses raise key issues in anticipation of Budget 2015

News release

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PwC Singapore and the Singapore Business Federation (SBF) jointly organise roundtable for business leaders in Singapore

Singapore, 8 December 2014 – PwC and the SBF jointly held the PwC-SBF pre-Budget roundtable today. This was in anticipation of the upcoming Singapore Budget 2015, with the objective of discussing how the Budget could address the issues and challenges faced by businesses in an increasingly competitive environment.

In attendance were Mr. Ho Meng Kit, CEO of SBF, Ms. Quek Bin Hwee, Vice Chairman, Markets & Industries Leader, Mr. Chris Woo, Tax Leader, of PwC Singapore and representatives from the business community. The session was moderated by Mr. Abhijit Ghosh, Tax Markets Leader, PwC Singapore and Mr. Ho Meng Kit.

Some of the issues and challenges raised during the discussion included rising business costs, foreign labour restriction, Singapore's progress on productivity and innovation, means for supporting Singapore businesses to expand internationally, implications of new challenges owing to changing global tax environment.

Said Mr. Chris Woo, Tax Leader, PwC Singapore:

“As rightly pointed out by Deputy Prime Minister and Minister for Finance Tharman Shanmugaratnam; we need to address tomorrow’s growth problems today. It is highly encouraging that the government is making a great effort to address the structural reforms needed to bring about sustainable growth and start to solve tomorrow’s problems. We hope that the feedback from today’s roundtable session will prove beneficial in the formation of policies and measures targeted at helping businesses in Singapore in the new economy of tomorrow.”

“Mr. Ho Meng Kit, CEO of SBF said:

“This joint PwC-SBF roundtable is part of the SBF’s efforts to seek inputs from the business community for the Singapore Budget 2015. This is an important role that the SBF plays as a bridge between the business community and the government in enhancing the overall business environment. The Singapore economy is currently being restructured. 2015 could be a challenging year for businesses based on the global developments to-date. However, there will still be opportunities in the coming year for businesses to tap on. We have heard many important views from the business community today which we will present to the government as part of the recommendation for Budget 2015.”

The topics posed to the roundtable participants were as follows:

1. The IMF has warned that restrictions on foreign labour supply that could affect Singapore’s competitiveness. How has the tightening of foreign labour rules affected Singapore companies? What can the government do to help business?
2. A study by the MTI said REITs are not the reason / driver for the rise in retail rents. Nonetheless, rising rentals costs are a real concern for businesses. What can be done to alleviate this?
3. The DPM has said that it is too early to lift the anti-speculation property measures. Do you agree?
4. A recent PwC survey showed that in spite of the PIC scheme, companies are not taking full advantage of the scheme to invest in innovation. What more can be done to promote innovation?

5. Singapore and China started direct currency trading between the Singapore dollar and the Renminbi on 28 October. What are the benefits of this to Singapore businesses and how will this measure change their strategies?

6. China's economic growth is projected to slow down in future as China reforms its economy. What other growth markets will Singapore businesses pursue going forward and what assistance would be required from the government to tap into these markets?

7. Has the present global fiscal environment affected Singapore companies' international strategy and business models?

Key points raised at the session included the following:

Rising business costs

☒ In line with rising medical cost and aging demographics, the government should consider raising the cap for deduction for medical costs to help employers manage the cost of hiring older workers. The cost and effort of implementing the portable medical benefits scheme is not worth the 1% increase in deduction.

☒ In order to manage the labour crunch and to tap on the experience of older workers who have left the workforce because they need not work, the government can consider measures to encourage them to rejoin the workforce.

☒ To strike a balance between addressing the labour crunch and building up the local workforce, the restrictions on foreign labour can be relaxed in certain circumstances. A monitoring mechanism can be introduced to ensure transfer of skills when assessing applications for hiring foreign skilled labour.

☒ To alleviate rental costs of start-ups and entrepreneurs who cannot compete with big-name retailers, incubation spaces could be introduced.

☒ SBF will be launching a fair tenancy framework at the end of December to promote fair rental practices, and working with the Singapore Mediation Centre to form an arrangement for dispute settlement.

Fall in oil prices

☒ The decline in oil prices should benefit Singapore as a net importer of oil. It is hoped that companies that have lower business costs as a result of the fall in oil prices will pass the savings to customers and associates.

Productivity and innovation

☒ To promote more R&D in Singapore, the government should be bolder in its measures. Greater recognition could be given to the development aspect, rather than viewing a project through “research” lenses when assessing whether it qualifies as R&D.

☒ Some R&D (e.g. relating to environmental impact) can only be conducted overseas, and certain skillsets reside outside Singapore. Spending on such R&D outside Singapore can still benefit Singapore if the IP is eventually anchored here and should be incentivised.

☒ The cost of conducting R&D in Singapore can be up to three times more than other countries (e.g. China). Therefore the output of the research must justify the cost. Singapore should be strategic in selecting industries it should focus on, such as healthcare which is a high growth area. China and other topics on internationalisation

☒ With more trades denominated in RMB, direct trading should help to reduce costs, but this is still in its early stages.

☒ Going international and doing business in foreign countries could result in foreign withholding taxes for Singapore businesses. It is imperative that there is a timely review and refresh of our tax treaty network so that such costs are brought down wherever possible.

Global fiscal environment

☒ With the current global fiscal environment, the business community expects more cross border disputes in the future. The government could address some of these issues upfront during the course of treaty negotiation and dialogue with their counterparts so that taxpayers will not have to suffer double taxation.

✘ There is a need to raise awareness on Base Erosion Profit Shifting and related implications among Singapore businesses and SBF proposed forming a platform for collective representation, to encourage Singapore companies to band together to raise their concerns and advance their interests.

Concluded Mr. Abhijit Ghosh, Tax Markets Leader, PwC Singapore:

“As we step ahead to celebrate our 50th year, we need to shape our policies to cater for the next 50 years. Transformation from a trading hub to a knowledge centre requires significant investment on developing our own talents, involving our aging workforce, supporting our local businesses to internationalise rapidly and creating a vibrant ecosystem to nurture creativity, innovation and productivity. The future is in our hands.”

PwC had earlier released a set of recommendations which was provided to the Ministry of Finance and the Monetary Authority of Singapore for consideration for next year’s Budget. To view PwC’s Singapore Budget 2015 Wishlist, please visit <http://bit.ly/1w3f4zA> .

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About Singapore Business Federation

As the apex business chamber, the Singapore Business Federation (SBF) champions the interests of the business community in Singapore in trade, investment and industrial relations. Nationally, SBF acts as the bridge between businesses and government in Singapore to create a conducive business environment. Internationally, SBF represents the business community in bilateral, regional and multilateral fora for the purpose of trade expansion and business networking. For more information, please visit our website: www.sbf.org.sg

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