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# PwC Singapore's Budget 2024 proposals call for support to uplift businesses, operationalise sustainability and extend care to employees

- **Singapore can accelerate climate action by giving a leg up to help companies operate more sustainably, and strengthen its food resilience by enabling more economic viability in urban farming**
- **A thriving workforce starts with well-supported employees, more care can be extended to Singapore employees**

- **In the age of global minimum tax, Singapore can sustain its attractiveness as an international business hub**

**For immediate release**, **SINGAPORE, 19 December 2023** – PwC Singapore has released a set of recommendations - focusing on supporting businesses, the sustainability agenda and the workforce - which were provided to the Ministry of Finance for consideration in relation to the upcoming Singapore Budget 2024.

Sharing his thoughts on addressing Singapore's internal and external challenges along with its business and societal needs, **Marcus Lam, Executive Chairman, PwC Singapore**, said:

"Budget 2024 presents an avenue to enhance the harmony between seizing opportunities in the marketplace and for the people and advancing social values. When we think about what Singapore can become in the future, we envision an economy characterised by care and consideration for the wellbeing of our planet, people and businesses. In a world that is prone to polarisation, we believe Singapore's competitiveness can leverage on its prevailing strengths and on cultivating a self-resilient as well as values-driven economy. This is what inspired our proposals for the upcoming Budget."

Drawing attention to key issues the proposals aim at addressing, **Chris Woo, Asia Pacific and Singapore Tax Leader, PwC Singapore**, said:

"While facing slower growth and high inflation, as a society, we must also manage greater funding needs for healthcare, education and sustainability demands. Simultaneously, international tax changes will likely impact the attractiveness of Singapore's tax incentive regime. In tackling these issues, it is vital that Singapore continues to be a caring nation, and it must continue to find new ways to remain attractive to foreign and local investors. I am confident the 2024 Singapore Budget will give assistance to those in need in Singapore society. That said, it will also need to be balanced with measures for businesses to seize opportunities around sustainability and food resilience."

Some key recommendations of the Proposals include:

## 1. Sustainability Support Scheme (SSS) to help businesses operationalise sustainability

Transitioning to operating sustainably is costly for businesses. To support businesses in their efforts to operationalise their sustainability strategies and goals, PwC Singapore proposes introducing a comprehensive **Sustainability Support Scheme (SSS)** that is administered by a single government agency which can help ease administration burden. This SSS is a one-stop platform that can comprise grants and tax incentives in the form of super deductions, refundable tax credits, investment allowances, concessionary tax rates, and withholding tax exemptions, depending on the nature of activities to be supported and the attributes of the applicant. For further details with regards to key considerations for the SSS, refer to Appendix A.

**Irene Tai, Energy, Utilities and Resources Tax Leader, PwC Singapore** said:

“The transition to operating sustainably and maintaining that momentum will no doubt be costly. To establish a culture of sustainability within an ecosystem made up of companies of different shapes and sizes, a dedicated and customisable scheme is necessary. This will provide the appropriate level of support for different needs across the ecosystem to drive the desired actions and outcomes."

## 2. Measures to facilitate Singapore’s food security transformation

One of the key challenges to sustaining any viable farming activity in Singapore is its high cost of production compared to neighbouring countries where much of its food is imported from. In support of Singapore’s 30 by 30 initiative and with an aim to attract capital, the Government can consider granting a **concession for farming income** and **allowing eligible investors a tax deduction for losses incurred by a company which is in the business of producing food locally**.

To further encourage building and land farming productivity, PwC Singapore proposes for the tax rules to allow **deduction for the cost of approved buildings used exclusively or almost exclusively for food farming purposes**, and **deduction for upfront land premiums for such buildings on land approved for farming**. The Government also can consider **extending the Land Intensification Allowance (LIA)** to certain sectors involved in the conversion of buildings or structures for farming purposes. Furthermore, and to attract investors, the Government can consider allowing companies in this space to carry forward unutilised LIA.

**Ching Ne Tan, Corporate Tax Leader, PwC Singapore**, said:

"As we embark on the 30 by 30 initiative, addressing the pressing challenge of high production costs in Singapore's farming sector is paramount. Advocating for strategic tax concessions and deductions will not only nurture local food production but also beckon investors to contribute to a sustainable agricultural landscape, aligning economic growth with the goals of self-sufficiency and environmental stewardship."

## 3. Channel support to employees' needs, focusing on rising costs, family care, healthcare and workforce re-entry

Against the backdrop of an increasingly restless and on-edge workforce, according to the Singapore highlights of PwC's Global Workforce Hopes and Fears Survey, PwC Singapore proposes extending more care to employees in the form of:

- Increasing the maximum amount of relief claimable for taxpayers below the age of 55, and to provide one-off tax rebate
- Making the fixed dollar amount for the Working Mother's Child Relief (WMCR) available as the minimum relief to eligible working mothers with a Singaporean child born or adopted before 1 January 2024
- Mandatory family or parent care leave to address Singapore's ageing population needs
- Additional eight weeks of maternity leave in the form of flexible working arrangement or working from home arrangement to help new working mothers ease back into work
- Grants to encourage employers to provide more mental health benefits to their employees in efforts to promote a more caring workplace and reduce burnout
- Additional 30 days of sick leave for employees coping with chronic illness
- Wage support for caregivers re-entering workforce
- Extension of Senior Employment Credit
- Additional SkillsFuture Credits for senior workers aged 65 and above

**Noel Goh, Workforce Rewards Leader, PwC Singapore** said:

“Building a care and support ecosystem centred on total wellbeing requires a reimagination of the social compact that is currently the status quo. It demands a deeper systemic rethink from all leaders of the public, people and private sectors to determine how it should be. This is especially the case given today’s new paradigm of work, where the skilled worker is front and centre - as underlined in PwC’s Global Workforce Hopes and Fears Survey, and Global CEO Survey 2023 - and scarce. To help recruit and retain them, best performing employers are building their workforce around skills, people and their respective seasons of life instead of conforming to conventional job roles.”

**Martijn Schouten, Workforce Transformation Leader, PwC South East Asia Consulting** said:

“With employee needs becoming more heterogeneous, it’s important for employers to critically look at the “whole person” and not just the “person on the job,” taking into account employees’ stage of career and season of life. The Government can play a role in facilitating greater flexibility in benefits that employers can subsequently leverage in meeting and supporting individual employee needs.”

## 4. Secure Singapore’s standing and its appeal as the preferred business destination

With the Global Anti-Base Erosion (GloBE) Model Rules becoming a reality, the Government can consider introducing a **framework for granting refundable creditsfor MNEs with Singapore operations.** This framework should be designed to minimise the impact of the global minimum tax for MNEs (e.g. in line with the GloBE rules so as to minimise impact of any top-up tax) and simultaneously encourage businesses to align their investments with Singapore’s overall economic goals .

The Government can also consider **granting manufacturers a credit** - calculated using a certain percentage of qualified investment cost or pegged against some measurable target, e.g. ESG or productivity criteria - as a payment against tax. This move can help promote key industry players to set up manufacturing facilities in Singapore and address the sector’s uncertain growth outlook*.

**Ching Ne Tan, Corporate Tax Leader, PwC Singapore**, said:

“As we navigate the imminent global anti-base erosion model rules, our proposal for refundable credits not only fortifies Singapore’s appeal as the preferred foreign direct investment location but also addresses business concerns of high operating costs in Singapore. For MNEs committed to doing business in Singapore, refundable credits or grants aligned with international standards can create a conducive environment for businesses. In turn, they will help contribute to Singapore's economic growth.”

## 5. Enabling Singapore businesses to trade more effectively

The European Union (EU) recently introduced the Carbon Border Adjustment Mechanism (CBAM) and included maritime emissions in the EU Emissions Trading System (EU ETS). These will have implications on Singapore exporters.

To protect local exporters from being subject to additional taxes and from incurring higher export costs, the Government can consider **providing specific guidance on how Singapore exporters can best manage and fulfil the CBAM requirements**. Furthermore, the Government can also consider increasing efforts and transparency in identifying CBAM-affected goods to defray additional costs and resources required by Singapore exporters to fulfil their responsibilities to their EU importers.

In anticipation that Singapore-based companies enjoying the Maritime Sector Incentive (MSI) will be buy and selling EU ETS’ emission allowances, it will be helpful the Maritime Port Authority (MPA) to **provide guidance on how the gains or losses arising from the trading of such emission allowances that are ancillary to shipping activities should be treated** f**or Maritime Sector Incentive purposes**. In addition, the government may consider granting tax exemption on such trading activities.

**Frank Debets, Managing Partner, Customs and International Trade at PwC Worldtrade Management Services**, said:

“To be truly bold, the Government can consider introducing its own version of a CBAM, enabling Singapore to be a leader rather than a follower in this space, promoting greater efforts in sustainability and proactively dealing with the coming tide of climate related challenges.”

*Reference: Ministry of Trade and Industry Singapore, August 2023, [MTI Narrows Singapore's GDP Growth Forecast for 2023 to "0.5 to 1.5 Per Cent"]*

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**Notes to editors**

1. Please refer to the attached document for the full details of PwC Singapore's Budget 2024 proposals
2. Please refer to Appendix A for key considerations for the proposed Sustainability Support Scheme (SSS)

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## Appendix A: Key considerations for the Sustainability Support Scheme (SSS)

| No. | Issue | Comments | Proposed amendments / enhancements for consideration |
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| 1 | Demand for carbon services | In the current business environment, there is an increasing stakeholder expectation for businesses to be responsible from environmental and social perspectives. To embark on the sustainability journey, businesses will have to assess and reduce its unfavourable environmental and social impacts. This often entails engaging third party service providers to support the process.For example, companies could hire consultancy firms to identify high emission activities within its supply chain, engage software solution providers to implement software to track its carbon footprints or seek verification and assurance services to report environmental claims and data confidently. Companies could also engage training institutions to upskill its workforce to lead the process. | To encourage companies to increase sustainability efforts and to keep up with business requirements, we recommend providing grants or double deductions (subject to cap) for the engagement of qualified consultants. |
| 2 | Consolidated ESG related incentive / grants | The government has introduced various grants / incentives targeted at supporting environmental developments (e.g. improving energy efficiency and waste reduction). However, these grants / incentives are currently administered by different government agencies and there is no consolidated “one-stop” platform for businesses seeking financial assistance for their environmental efforts. | To ease the administration burden, the government could consider introducing a platform consolidating all the details of environmental related grants / incentives, and the relevant government agencies overseeing them. |

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| 3 | Flexibility in ESG related grants and incentive | With the incoming BEPS Pillar 2 and global minimum tax, Singapore will be introducing a domestic top-up tax (DTT) to an effective tax rate of 15%.<br><br>Under DTT, the benefits of tax incentives and deductions enjoyed by MNEs may be negated. This includes tax schemes such as investment allowances and Development and Expansion Incentive, which MNEs may be relying on to further their sustainability journey.<br><br>On the other hand, this should not have any impact on small and medium-sized enterprises (SMEs) if they are not caught within the purview of DTT. | For ESG related tax schemes, we propose an option for refundable credits framework to minimise the impact of the DTT.<br><br>However, flexibility should be retained for SMEs preferring concessionary rate of tax and enhanced tax deductions. |
| 4 | Expand scope of ESG incentive / grants | To reduce carbon footprints, many businesses are looking towards optimising energy consumption. This includes investment in energy efficient equipment, installation of energy consumption monitoring system, etc. There are some grants, such as Resource Efficiency Grant and Energy Efficiency Fund, available to support such energy efficiency improvements, but they are mostly targeted at energy intensive facilities such as manufacturing, data centres or buildings. | Given that business sectors outside of manufacturing, data centres and real estate are also making efforts to go green, expanding the scope of these grants could benefit them and encourage more of such green initiatives. |

## About PwC

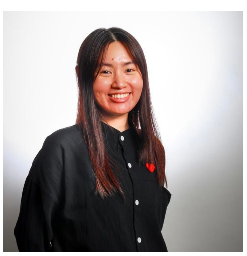
At PwC, our purpose is to build trust in society and solve important problems - this is at the core of everything we do from the value we provide to our clients and society to the decisions we make as a firm.

Our services started with audit and assurance over a century ago. As times change and the issues faced by businesses and individuals evolved, we have developed specialised capabilities in tax, advisory and consulting to help you address emerging new challenges across focus areas like ESG, sustainability and climate change, digital transformation, cyber security and privacy, data, mergers and acquisitions, and more.

In Singapore, we have more than 3,500 partners and staff to help resolve complex issues and identify opportunities for public, private and government organisations to progress. As part of the PwC network with over 364,000 people in 151 countries, we are among the leading professional services networks in the world focusing on helping organisations and individuals create the value they are looking for.



## Contacts



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