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## PwC's response to Budget 2017

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## PwC's response to Budget 2017

*A confident Budget in an uncertain world: expansionary, modern, inclusive and progressive with a focus on growth from within, but global uncertainty still looms large.*

**Singapore, 20 February 2017** – The following comments are responses from PwC Singapore to Singapore Budget 2017, organised into several categories – (1) Economy and businesses; (2) Industry sectors; (3) Workers and job seekers; (4) Vibrant & connected city; (5) Environment; (6) Household; (7) Community; (8) Fiscal sustainability

### Overall response:

A multivitamin budget aimed to encourage more innovative activities, develop future ready talent and help in going global.

– Abhijit Ghosh, Tax Markets Leader, PwC Singapore

(Abhijit Ghosh, ██████████, ██████████)

No surprises. Budget 2017 is part two to the CFE recommendations, where government support is available, only if the SMEs take up technology that increases productivity, embrace innovation and digitisation with a move of going international.

– Lennon Lee, Entrepreneurial & Private Clients Tax Leader, PwC Singapore

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Innovation, inclusiveness and development of sports and culture - we are moving towards a truly well rounded advanced economy.

– Irene Tai, Corporate Tax Director, PwC Singapore

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A prudent Budget touching on many right themes of digital transition, innovation and internationalisation to shape Singapore's future!

– Sunil Agarwal, Technology, Media & Telecommunications Tax Leader, PwC Singapore

(Sunil Agarwal, , , )

## **(1) Economy and businesses**

Innovation, productivity, transformation are the key themes underpinning this year's budget. An aspiration of 2-3% GDP growth is to be delivered through a series of targeted incentives to build deeper capabilities to innovate and compete in the global economy.

– Peter Le Huray, Global Tax Service Networks and Markets leader, PwC

It is interesting for the Finance Minister to announce YA2018 Corporate Tax Rebate cap being reduced to \$10,000 (for YA2017 at \$25,000). This is a signal that the government is shifting from broad based tax measures such as corporate tax rebate and PIC (which expires in YA2018) to a targeted government scheme and incentives.

– Lennon Lee, Entrepreneurial & Private Clients Tax Leader, PwC Singapore

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With all the funding and support to strengthen enterprise and people capabilities as well as our social safety net, the budget has to balance and continue to be prudent. The Finance Minister has to find other sources of government revenue which he has done so through indirect tax like water ratio hike and carbon tax.

– Lennon Lee, Entrepreneurial & Private Clients Tax Leader, PwC Singapore

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Digitalisation is critical for businesses to successfully scale up in an effective way. The targeted measures in Budget 2017 takes strong strides in this direction. Encouraging more broad-base adoption will be key!

– Vivienne Ong, Tax Global Structuring Director, PwC Singapore

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The Global Innovation Alliance, a Skills Future Leadership Development Initiative, as well as support for persons with disabilities will support Singapore companies, address their skill gap challenges by encouraging greater diversity and inclusion in the workplace.

– Karen Loon, Territory Diversity Leader, PwC Singapore

Traditional businesses can now leverage on initiatives from Budget 2017 to cope with digital disruption.

– Lim Hwee Seng, Tax Global Structuring Partner, PwC Singapore

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## **(2) Industry sectors**

I applaud the move towards specific stimulus to address cyclical and structural weaknesses faced by the various sectors. Deferring the Foreign Worker Levy increase for the marine industry is sensible given the extremely difficult time they are facing.

– Elaine Ng, Transport & Logistics Tax Leader, PwC Singapore

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Public-private partnerships can provide the important thrust to help companies leap-frog into the next level of advancement. My first reaction on the Tech Access Initiative is that it could work like the Institute of Microelectronics for the semiconductor industry where A\*Star, the universities

and private companies come together. The Tech Access Initiative would then be targeted at helping companies from all industries. Providing access to costly equipment would be a big welcome for SMEs as budget constraint is a common pain point for them.

–Tan Ching Ne, Digital Tax Leader, PwC Singapore

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'Go Digital' initiatives must be enforced not only by SMEs but by all businesses across sectors. Singapore needs to be two steps ahead if it wants to position itself as the Digital Hub for the region.

– Sunil Agarwal, Technology, Media & Telecommunications Tax Leader, PwC Singapore

(Sunil Agarwal, **XX, XXXXXXXXXXXXXXX, XXXXXXXXX**)

The extension of the working capital loans offered by Participating Financial Institutions and co-shared by the government is a welcomed update. This is especially useful for SMEs on their path towards transformation in an uncertain environment. Banks in Singapore will have to continue to factor the co-sharing of risk by the government in their risk appetite and loan policy, and balance that with supporting their corporate customers.

–Antony Eldridge, Financial Services Leader, PwC Singapore

(Antony Eldridge, **XXXXXXXXXXXX, XXXXXXXXX**)

### **(3) Workers and job seekers**

Ability to acquire new skills have kept people employed through past disruption. Enhancement to the Skills Future Programme provides Singaporeans opportunity to acquire deeper and practical skills to remain adaptable and relevant. #CFE recommendations

– Girish Vikas Naik, Global Mobility Director, PwC International Assignment Services

(Girish Naik, **XXXXXXXXXX**, **XXXXXXXXXXXXXXXXXX**)

#### **(4) Vibrant & connected city**

Continued investments in economic infrastructure such as the Malaysia-Singapore high speed rail will enlarge Singapore's market size.

– Irene Tai, Corporate Tax Director, PwC Singapore

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#### **(5) Environment**

The introduction of the carbon tax, the diesel tax changes and increase in water prices is two pronged; it tackles the environmental issues as well as reflects a global shift to indirect taxes other than GST as a growing source of revenue for the government.

– Koh Soo How, Asia Pacific Indirect Tax Leader, PwC Singapore

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In addition to current measures aimed at reducing carbon emission and in line with practices in other countries, the government intends to implement a carbon tax by 2019. The anticipated pricing of S\$10-20 per tonne is in line with other countries which have adopted the carbon tax initiatives. This is a responsible and forward looking step for Singapore as a member of the global community fighting climate change. The key is that carbon emissions from direct large emitters can be monitored effectively without excessive administrative burden.

– Fang Eu-Lin, Sustainability Leader, PwC Singapore

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As a small country, water security is of utmost importance. Demand for water will be expected to increase. Increasingly water security is sought from

alternative sources such as NEWater plants. These are costly but necessary to safeguard our water supply. The increase in water prices will better reflect the real cost of water and advocate sustainability from both a resource and financial standpoint. However, it is heartening to note that lower income households will obtain help to defray the stepped increase in water prices.

– Fang Eu-Lin, Sustainability Leader, PwC Singapore

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## **(6) Household**

The personal tax rebate was an expected and a welcome step and will help tax payers especially at the lower end of the income spectrum. There was hope, though that the capping would be offered at 50% of tax payable, with an overall cap of \$1,000, as it was in the past.

– Girish Vikas Naik, Global Mobility Director, PwC International Assignment Services

(Girish Naik, , )

## **(7) Community**

Overall a budget that aims to build social cohesion to face future challenges.

– Nicole Fung, Transfer Pricing Leader, PwC Singapore

(Nicole Fung, , )

## **(8) Fiscal sustainability**

While we have been spared an increase in the GST rate in Budget 2017, the Finance Minister has confirmed that the government is studying the introduction of a GST on digital supplies received from abroad, which means that we'll need to prepare ourselves to pay GST on music and video downloads from overseas and possibly low value goods purchased from

abroad. This is significant as the e-commerce market is expected to grow to US\$5.4 billion by 2025 of which it is estimated that 55% comprise cross-border sales.

– Koh Soo How, Asia Pacific Indirect Tax Leader, PwC Singapore

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Reaffirmation of OECD BEPs initiative in Budget Speech reiterates the Singapore government commitment to continue upholding international standards towards building a fair and balanced tax system.

– Vivienne Ong, Tax Global Structuring Director, PwC Singapore

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**ENDS**

### **Notes to Editor**

For information relating to Budget 2017, please refer to [www.pwc.com/sg/budget-2017](http://www.pwc.com/sg/budget-2017)

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