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PwC's response to Budget 2019

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Singapore, 18 February 2019 – The following comments are responses from PwC Singapore to Singapore Budget 2019, organised into several categories – (1) Keeping Singapore safe and secure; (2) Skilled workforce, innovative firms, and a vibrant economy; (3) A global city and home for all; (4) A fiscally sustainable future.

(1) Keeping Singapore safe and secure

The Finance Minister sees an external environment with continuing geopolitical uncertainty, a continuation of the digital revolution and slowing global growth. The Budget response is a focus on security, particularly cyber security and a targeted approach to expediting digital skills and re-skilling the workforce with less reliance on foreign manpower.
– Peter Le Huray, Global Tax Markets Leader, PwC
(Peter Le Huray, [illegible])

Setting up a Centre of Innovation in Aquaculture is a step towards increasing food security. As fish stocks decline, fish farming becomes essential as fish is as an efficient source of protein. In addition, innovations in aquaculture could also lead to new businesses and exports for Singapore. There are some very exciting technological developments in aquaculture (including in agriculture tech) and Singapore is in a great position to help develop these further.
– Richard Skinner, Strategy Leader, PwC Singapore
(Richard Skinner, [illegible])

(2) Skilled workforce, innovative firms, and a vibrant economy

The Singapore Government is willing to make a longer term investment to further compel business to improve productivity. The reduction to the Dependency Ratio Ceiling (DRC) is the necessary medicine in the medium term. It will force enterprises to further invest in new technology, re-skill their existing workforce, and reduce the reliance on cheaper foreign labour.
– Chris Woo, Tax Leader, PwC Singapore
([illegible], [illegible], [illegible])

The Enterprise Financing Scheme will enable Small Medium Enterprises (SMEs) to overcome the financial hurdles and expand rapidly and encourage budding entrepreneurs to embark on innovative ventures.
– Abhijit Ghosh, Tax Markets Leader, Healthcare Leader, PwC Singapore
(Abhijit Ghosh, [illegible], [illegible], [illegible])

The streamlining of financing schemes with Enterprise Singapore should be very much welcomed by companies as this would improve access to information on financial support options and allow them to select those that are most relevant to their business needs. This centralised approach should also allow Enterprise Singapore to channel the funds to where they are most needed.
– Irene Tai, Corporate Tax Director, PwC Singapore
(☒☒☒, ☒☒☒☒, ☒☒☒☒☒☒☒)

Local firms are at different phases of growth and competencies. Customised support programmes such as Scale-up SG and Innovation Agents programmes introduced in this Budget will help high growth local firms in deepening their capabilities, strategising how they should venture in new growth markets and introduce innovative products and services so that they can compete globally.
– Lennon Lee, Entrepreneurial & Private Clients Tax Leader, PwC Singapore
(☒☒☒, ☒☒☒☒☒☒☒☒☒☒☒☒☒, ☒☒☒☒☒☒☒)

The Government's mention of attracting patient capital should be music to the ears of the fund management community, especially venture capital and private equity managers. The Government has set aside an additional $100 million for investment in SMEs as co-investment with private sector investment. Big or small, all this shows the Government's positive intent and direction. Such investments have a direct co-relation to investments and employment in Singapore.
– Anuj Kagalwala, Asset & Wealth Management Tax Leader, PwC Singapore
(Anuj Kagalwala, ☒☒☒☒☒☒☒☒☒☒☒☒☒☒, ☒☒☒☒☒☒☒)

The re-calibration of foreign manpower policy is a timely wake-up call to the services sector that industry re-design transformation is central; undue reliance on cheap foreign labour will soon be a thing of the past. Businesses will need to accelerate industry transformation with a focus on automation, redesigning worker skillsets and employing older Singapore workers.
– Girish Vikas Naik, Global Mobility Director, PwC International Assignment Services
(Girish Vikas Naik, ☒☒☒☒☒☒☒☒, ☒☒☒☒☒☒☒☒☒☒☒☒)

(3) A global city and home for all

While the vision for Singapore to be a Global 101 city is not new, given Singapore's need to be relevant to MNCs globally, this is definitely in the

right direction as a way for people and firms to associate Singapore as a key node to invest in and as a springboard. Effective and efficient execution of the tactics is what is crucial, be it through extra funding or dedicated government support and advice for SMEs and start-ups.
– Richard Skinner, Strategy Leader, PwC Singapore
(Richard Skinner, ⊠⊠⊠⊠⊠⊠⊠⊠⊠⊠⊠⊠)

S-REITs has a leading position in the Asia Pacific REITs markets. Its success is made possible by our clear tax framework for S-REITs and the accompanying tax concessions. While these concessions were only due to expire after 31 March 2020, the earlier than anticipated proposed extension of the tax concessions to 31 December 2025 will support new listings when the conditions for primary markets strengthen and will support existing S-REITs to strengthen their position (and improve distributions per unit) in the coming years.

– Lim Maan Huey, Real Estate & Hospitality Tax Leader, PwC Singapore
(⊠⊠⊠, ⊠⊠⊠⊠⊠⊠⊠⊠⊠⊠⊠⊠⊠⊠⊠, ⊠⊠⊠⊠⊠⊠⊠)

(4) A fiscally sustainable future

GST rate increase between 2021 to 2025 has become more certain than ever. A GST rate hike will increase the cost of non-compliance. It will also increase the costs for businesses which cannot claim the GST on their expenses in full especially with the implementation of the reverse charge regime from 1st January 2020.
– Kor Bing Keong, GST Leader, PwC Singapore
(⊠⊠⊠⊠⊠⊠⊠⊠⊠⊠⊠⊠, ⊠⊠⊠⊠⊠⊠⊠)

The revision of the concessions for travellers seem to signal an intention to adopt a more active approach to policing imports by travellers.
– Kor Bing Keong, GST Leader, PwC Singapore
(⊠⊠⊠⊠⊠⊠⊠⊠⊠⊠⊠⊠, ⊠⊠⊠⊠⊠⊠⊠)

APAC assets under management is set to grow faster than any other region globally. PwC expects it to rise from USD 15.1 trillion in 2017 to USD 29.6 trillion in 2025. The proposed extension of the Funds Tax Exemption Schemes (13CA/13R/13X) in Budget 2019 to 31 December 2024 and the various refinements to the tax schemes will position Singapore strongly to have a big bite of this growth. These tax changes for the asset management

sectors are the results of a trusted and strong partnership between the MAS and industry players.
– Lim Maan Huey, Real Estate & Hospitality Tax Leader, PwC Singapore
(☒☒☒, ☒☒☒☒☒☒☒☒☒☒☒☒☒☒☒, ☒☒☒☒☒☒☒)

Apart from minor tweaks to the GST import reliefs for travellers and the extension of existing reliefs for qualifying trusts and funds, the GST takes a relatively back seat in Budget 2019 following last year's announcements on the rate hike and the GST on imported services. Having said that, the reduction in the import relief quantums could set the scene for the Government to expand the taxation of the digital economy to cover GST on the import of low-value goods below the relief thresholds in future budgets. It would also be interesting to see if the changes would mean increased examination by the customs officer on goods being brought into Singapore given the regular reminders to declare the value of goods purchased from overseas. In the meantime, the government's push for the small and medium-sized enterprises (SMEs) to adopt digital technologies and expand into e-commerce has a two-pronged benefit in terms of helping local businesses expand into new areas, and having the knock-on effect of growing the digital economy which can contribute to the GST collections from imported services from 1 January 2020.
– Koh Soo How, Asia Pacific Indirect Taxes Network Leader, PwC Singapore
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The expansionary budgetary needs in Budget 2019 and increased funding required for the Bicentennial Bonus and Merdeka Generation package could see the GST rate hike implemented earlier than later in the period 2021 to 2025, although the higher spending costs would be mitigated by the overall budget surplus of $2.1 billion for FY18 . However, we should note that the rate hike is only expected to bring in an additional $3.2 billion in tax revenues which just covers the additional $3.1 billion funding for the Long-Term Care Support Fund. Finance Minister's assertion that our GST is not high by international standards even after the planned increase to 9 per cent gives room for future increases.
– Koh Soo How, Asia Pacific Indirect Taxes Network Leader, PwC Singapore
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The digitalising of trade documents and secure exchange of electronic trade documents would be welcomed by import-export businesses which currently need to incur costs for storage and retrieval of trade documents when they are asked to produce the documents upon audits by the tax authorities to

support the figures reported in the GST returns.
– Koh Soo How, Asia Pacific Indirect Taxes Network Leader, PwC Singapore
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Notes to Editor

1)For information relating to Budget 2019, please refer to www.pwc.com/sg/budget-2019.

2)Click here to download our **list of experts** that are ready to comment on Budget 2019. Please call them directly at their mobile numbers if you would like a quote.

3)Should you require a **picture of our experts**, please feel free to download them from this link: https://pwc.to/2nSXn5P

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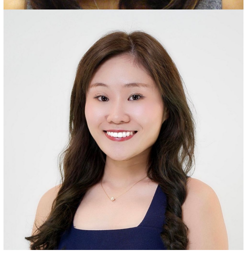

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