PwC’s response to Singapore Budget 2022

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For immediate release - Singapore, 18 February 2022 – The following comments are responses from PwC Singapore on the Singapore Budget 2022:

"Leading enterprises through transformation in times of disruption like what we are experiencing today, requires new and different leadership skills. Leaders will need to navigate through complexities and ambiguity, without necessarily having all the answers. The announcement of a new Singapore Global Executive Programme is a fantastic opportunity to help next generation leaders develop these skills." - **Martijn Schouten (Mr), People and Organisation Leader, PwC South East Asia Consulting ([illegible], [illegible])**

"The Minister's' announced plans to further strengthen Singapore's digital capabilities focuses on both infrastructure development and continued upskilling of our workforce. Whilst Singapore is already at the leading edge globally when it comes to the quality, speed and effectiveness of its broadband network, the intention to further invest in future broadband infrastructure signals an eye on the future and the potential that 6G networks may hold.The commitment towards further investment in digital upskilling will also enable a human led, technology enabled future as industries transform for the future." - **Greg Unsworth (Mr), Risk Assurance Leader, PwC Singapore ([illegible], [illegible])**

"Absolutely delighted to hear Minister of Finance, Lawrence Wong, emphasise the need and importance of primary care with the government focusing on having our three healthcare clusters work closer with community partners. I look forward to hearing more about the mentioned 'Healthier SG' strategy. While a challenging effort, it will be welcomed and worthwhile as will be the focus on mental health." - **Dr ZubinDaruwalla, Health Industries Leader, PwC Singapore ([illegible], [illegible])**

"Given that eligible SMEs are already struggling with lower business income and increased operating costs, the extension of the Temporary Bridging Loan Programme and enhanced Trade Loan Scheme will be welcomed but the benefit is likely short lived given that these programmes and schemes are extended for only 6 months when the effects of the pandemic are unlikely to be gone in 6 months.

Faced with significant increase in operating costs, the extension of the Jobs Growth Incentive and the $1000 payout per local employee, in my view, would not be sufficient to help a struggling SME with increased employment costs to retain its local worker population." - **Lennon Lee(Mr), Partner, Tax, PwC Singapore (□□□, □□□□□, □□□□□□□)**

"In recent times, a common question posed by families looking to set up Singapore family offices has been around the direction Singapore will take on taxation of wealth. Today that mystery has been partially solved and probably in line with expectations; an increase in property tax rates and tax on luxury cars. Furthermore, the wait and watch approach on the taxation of net wealth ensures that Singapore adopts a balanced approach, if and when needed.

Singapore is doing well in the family office and wealth management space. With the count of family offices in Singapore well over 400, and the growth continuing, Singapore is in a good position. But we should not be complacent since there is a lot of competition out there. Whilst choosing a location for a family office or wealth managers depends on several factors, tax complexity and compliance burden are important considerations. The budget announcements show that the Minister has taken a balanced approach." - **Anuj Kagalwala (Mr), Asset and Wealth Management Tax Leader, PwC Singapore (□□□□□□□□□□□□□□, □□□□□□□)**

"Introducing GST rate hike in 2-steps and at a later date will help manage concerns over the rising costs of living especially when there is significant uncertainty surrounding the outlook of inflation. At the same time, businesses will need to plan ahead to address two rounds of costs and efforts to implement the GST rate hike." - **Kor Bing Keong (Mr), GST Leader, PwC Singapore (□□□, □□□□□□□□□□, □□□□□□□)**

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GST Leader, PwC Singapore (□□□, □□□□□□□□□□, □□□□□□□)

"More than 80% of businesses in Singapore are not GST registered. The costs of these businesses will increase with the GST rate hike. These businesses should re-evaluate the costs and benefits of a voluntary GST registration when the GST rate increases on 1 Jan 2023 and 1 Jan 2024." - **Kor Bing Keong (Mr), GST Leader, PwC Singapore (□□□, □□□□□□□□□□, □□□□□□□)**

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"1 January 2023 will arrive faster than you think. Businesses need to start reviewing their systems, processes and pricing strategy to prepare for the GST rate hike. Understanding how the transitional GST time of supply rule is also key to avoid costly mistakes." - **Kor Bing Keong (Mr), GST Leader, PwC Singapore (□□□, □□□□□□□□□□, □□□□□□□)**

"The timing of the GST rate hike and the offset packages taken as a whole seeks to address top-of-mind concerns on the rising costs of living while putting in place a framework for raising recurring tax revenue to fund increasing healthcare and social expenditures. " - **Kor Bing Keong (Mr), GST Leader, PwC Singapore (□□□, □□□□□□□□□□, □□□□□□□)**

"[illegible]" - **KorBing Keong (Mr), GST Leader, PwC Singapore ([illegible], [illegible], [illegible])**

"Facing an expected loss of tax revenue due to changes in international tax rules as a result of the BEPS 2.0 project, the Singapore Government has made its move to counter the effects of the Pillar 2 GloBE rules by exploring a top-up tax called the Minimum Effective Tax Rate (METR) so that should any qualifying MNE group's effective tax rate in Singapore fall below 15%, it will pay the METR. Existing qualifying MNEs enjoying tax incentives in Singapore with preferential tax rates should be indifferent to whether the top up tax is paid in Singapore or back in their home country. However, with the introduction of METR, Singapore could potentially lose an important fiscal tool of using tax incentives to attract foreign investments." - **Lennon Lee(Mr), Partner, Tax, PwC Singapore ([illegible], [illegible], [illegible])**

"The current level of carbon tax at $5/CO2tonne is low by international standards and not sufficient to induce significant change, but is considered as high in Asia. The bold and stepped increase in carbon taxes to $80/CO2tonne till 2030 might seem "tough" but this can also be seen as progressive and can help drive the induce behaviours to reduce emissions and focus on innovations. This is a clear signal of Singapore's ambition level, and a recognition of Singapore's vulnerability to the effects of climate change e.g., rising sea-levels." - **Fang Eu-Lin (Ms), ESG Leader, PwC Singapore ([illegible], ESG[illegible], [illegible])**

"The government's Net Zero by around 2050 goal is aligned with the Paris Agreement ambitions and with countries that have been more progressive in this area, such as the European Union. Targets require continual refinement as it can be seen by how countries within the EU that have revised their Net Zero commitments before 2050 and, as conditions improve and technologies advance." - **Fang Eu-Lin (Ms), ESG Leader, PwC Singapore ([illegible], ESG[illegible], [illegible])**

"Singapore will allow use of carbon credits for up to 5% of taxable emissions from 2024. The use of high quality carbon credits is important as it would uphold principles of additionality and could create impact beyond just carbon reduction. The ability to use high quality carbon credit of up to 5% is another lever to enhance the carbon trading markets." -**Fang Eu-Lin (Ms), ESG Leader, PwC Singapore (⊠⊠⊠, ESG⊠⊠⊠⊠⊠⊠⊠⊠⊠⊠, ⊠⊠⊠⊠⊠⊠⊠)**

"The Government aims to issue up to $35 Billion of green bonds to fund public sector green infrastructure projects. The public sector's support in green infrastructure development will further catalyse private sector investments in green infrastructure in Singapore. Green infrastructure such as renewable energy, electric vehicle charging and alternative fuels will require government support during the nascent stage to ensure commercial viability. Support from the Singapore Government, will also attract more international players to use Singapore as a base to develop technical and financing capabilities for regional green infrastructure investment." - **Jennifer Tay (Ms), Infrastructure Leader, PwC Singapore (⊠⊠⊠⊠⊠⊠⊠⊠⊠⊠⊠⊠⊠⊠⊠⊠⊠⊠, ⊠⊠⊠⊠⊠⊠⊠⊠**

"The Minister has made the right move to announce the need to introduce the METR but to qualify it that more deliberation is required. This is necessary given the details around the potential implementation of Pillar 2 have not been released and will be complex. Further, we need to see if and when other countries will be implementing the Pillar 2 so as to better assess Singapore's competitive positioning. However, the METR will likely impact our attractiveness. What is important to note was that the Minister quickly added that Singapore must continue to remain competitive to attract foreign investments. We can therefore expect other non-tax measures to continue to enhance Singapore's attractiveness to foreign enterprises and negate the impact of the METR. This will be welcomed news to the latter." - **Chris Woo (Mr), Tax Leader, PwC Singapore (⊠⊠⊠, ⊠⊠⊠⊠⊠⊠⊠⊠⊠⊠⊠⊠⊠⊠)**

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Notes to Editor

1. For information relating to Budget 2022, please refer to our Singapore Budget 2022 campaign page at this link.
2. Should you require a picture of our experts, please feel free to download them from this link.

About PwC

At PwC, our purpose is to build trust in society and solve important problems. We're a network of firms in 155 countries with over 284,000 people who are committed to delivering quality in assurance, advisory and tax services. Find out more and tell us what matters to you by visiting us at www.pwc.com/sg.

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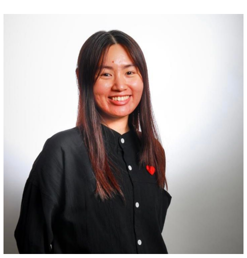

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