KPMG

Media Release

FOR IMMEDIATE RELEASE

Singapore, 20 February 2017

Reactions to the Singapore Budget 2017 Statement

Overview

Ong Pang Thye, Managing Partner at KPMG in Singapore

- This year's Budget didn't deliver fireworks, but what's more important is that Minister Heng has brought fuel to the flame, and the fire is being stoked with measures supporting education, internationalisation and digitalisation, and a review of the tax system for the long term.

- Minister Heng spoke about creating a caring and inclusive society. We've seen the ill effects in societies where ever-widening gulfs between the haves and the have-nots have opened a Pandora's Box of unintended consequences. Lifelong learning and inclusive employment are concerns dear to KPMG, and we welcome Minister's attention to these areas.

Chiu Wu Hong, Head of Tax at KPMG in Singapore

- The International Partnership Fund will help Singapore-based companies to expand globally. While they venture overseas and raise the "made by Singapore" flag, it is also crucial to keep them anchored in Singapore.

Toh Boon Ngee, Tax Partner at KPMG in Singapore

- The Budget has addressed targeted issues with very focused measures. For example, the plan to provide better support and care for the community is timely especially in view of the challenges brought about by the aging population.

Tan Chee Wei, Tax Partner at KPMG in Singapore

- By providing support to enable companies to grow, workers will ultimately be the beneficiaries as they become more productive. The initiatives targeted at the individual level, such as the Global Innovation Alliance and SkillsFuture Leadership Development Initiative, will help Singaporeans skill up to gain experience in a global world. These are in line with recommendations under the recent Committee for the Future Economy (CFE) Report.

Innovation & Digitalisation

Larry Sim, Tax Partner at KPMG in Singapore

- The Go Digital Programme is a welcome move for SMEs. As we live in an increasingly globalised world, the creative employment of technology is necessary for Singapore to retain its competitiveness as a cutting-edge economy. SMEs can use these incentives to harness the digital space, which will spur value creation and support Singapore's position as a global hub.

Harvey Koenig, Tax Partner at KPMG in Singapore

- The Government has demonstrated its commitment to supporting SMEs with the introduction of the SME Go Digital programme. This is welcome news for SMEs, and provides a good start to their digitalisation journey.

- The measures to strengthen SMEs capability to innovate is a good start and builds on the strength of our agencies. However this is only the beginning as many SMEs are only commencing their innovation journey. They will need even more help along the way to navigate issues such as working with innovation partners, protecting their intellectual property and commercialising their ideas. SMEs should look to schemes such as the Capability Development Grant and R&D tax incentives to fund their innovation projects.

Angelia Chew, Tax Partner at KPMG in Singapore

- Digitalisation and innovation will be key for enterprises to be efficient and productive. The adoption of digital tools and analytics are key to be competitive in the international stage.

Lyon Poh, Head of Digital + Innovation at KPMG in Singapore

- The proposed Global Innovation Alliance will help to drive Singapore's vision to build innovation launchpads for start-ups and corporates in the region and globally.

- The Go Digital Programme for SMEs is a further step in the right direction as it focuses on embracing digital rather than acquiring technology.

- As many industry sectors are converging, it's important that the Industry Transformation Maps go beyond industry silos and foster cross sector innovation.

Intellectual Property

Ajay Sanganeria, Tax Partner at KPMG in Singapore

- The introduction of a separate incentive regime for intellectual Property (IP) income sounds similar to the "patent box regime" adopted by many European countries. This will help Singapore to compete at a global level and attract innovation and IP to Singapore.

Corporate Tax

Alan Lau, Tax Partner at KPMG in Singapore

- The Government's decision to increase corporate tax rebate to $25,000 will certainly be welcomed by corporates in Singapore. However, this may not sufficiently help businesses, as many are still grappling with rising business costs on all fronts.

Harvey Koenig, Tax Partner at KPMG in Singapore

- The extension of the corporate income tax rebate is welcome, but it does not provide any relief to loss-making businesses.

Mak Oi Leng, Tax Partner at KPMG in Singapore

- This year's budget focus is very much on helping our home grown enterprises to grow and expand overseas. However, MNCs may be disappointed that there wasn't much targeted at retaining and attracting them.

Individual Tax

BJ Ooi, Head of Personal Tax & Global Mobility Services at KPMG in Singapore

- Singapore's highest personal income tax rate of 22% will continue to be closely watched, especially when that rate is compared to Hong Kong's more attractive 15%. Any future increase beyond 22% could possibly erode our advantage over Hong Kong as far as personal tax on senior executive compensation goes.

GST

Lam Kok Shang, Head of Indirect Tax at KPMG in Singapore

- The Singapore GST rate at 7% is low compared to the average rate in Asia Pacific. The last rate increase was in 2007. A progressive increase in the Singapore GST rate is consistent with the rationale for introducing the tax in 1994, to encourage entrepreneurship and support foreign direct investments.

- The proposal to study the imposition of GST on imported digitised services in Singapore is consistent with the OECD recommendations. This is to create a level playing field for local businesses supplying digitised services vis-a-vis overseas businesses which are not GST registered.

Tax structures

Ajay Sanganeria, Tax Partner at KPMG in Singapore

- The Budget recommendations to support the OECD's BEPS initiative adds credence to Singapore as a jurisdiction which promotes substance-based tax structures. Singapore will definitely stand out as a low tax yet BEPS-compliant market to MNCs looking for jurisdictions in which to invest.

Real Estate

Tay Hong Beng, Head of Real Estate at KPMG in Singapore

- It is not entirely surprising that there was no lifting of the residential property cooling measures, especially in ABSD. The Government may be concerned that the existing economic conditions with generally lower interest rates and relative affordability of the residential properties may create an unmanageable spike in demand from both foreign and local investors.

- Despite nothing being mentioned on the lifting or recalibration of the property cooling measures in the Budget, there is nothing to stop the government from reviewing the situation at a later stage. Changes to the rules could probably be brought about in a gradual manner in order not to unintentionally create an immediate spike in demand in the property market.

- Given the challenges faced by local property developers and owners, it's disappointing that there is no relief on property tax for vacant land and properties or land slated for development. Any reduction in property tax would certainly help developers and owners of vacant properties cope with the slowdown in the property market.

Leonard Ong, Tax Partner at KPMG in Singapore

- It's disappointing that Budget 2017 did not provide a tweaking of the property cooling measures put in place a couple of years ago. With the measures in place for the last few years, property prices have moderated somewhat and the real estate industry was hoping for some reprieve in the current Budget.

Carbon & Diesel Tax

Chiu Wu Hong, Head of Tax at KPMG in Singapore

- One interesting announcement in Budget 2017 is the introduction of carbon tax and the change in diesel tax to one based on usage. The message is clear - we need to keep pace with international standards on environmental sustainability. It is also a good gesture for the Government to provide some rebates in road tax in the interim for car owners impacted by the car taxes.

Ian Hong, Partner, Sustainability Advisory & Assurance at KPMG in Singapore

- It is not surprising to see concrete steps to manage water prices and carbon and diesel taxes, as well as vehicular schemes being introduced. This brings home the reality that for businesses, climate change has a real impact on daily operations and can affect profitability and margins in the longer term. Businesses need to innovate their processes, products and services to respond to the changing environment effectively.

Toh Boon Ngee, Tax Partner at KPMG in Singapore

- The introduction of carbon tax and diesel tax changes is not unexpected for a sophisticated and developed economy. UK, for example, has long been having environmental taxes to help address environmental issues more effectively. The introduction also signifies the need for a modified tax structure and a gradual shift of tax base, from the traditional direct tax system to one with more targeted indirect taxes to help achieve more desired effects.

Leonard Ong, Tax Partner at KPMG in Singapore

- The proposed introduction of a carbon tax that will take effect in 2019 is a step in the right direction for Singapore. With carbon emissions issues becoming of increasing concern, it is only right that Singapore, as a responsible global city, should take the lead in this region, and aim to avoid an excessive carbon footprint.

Others

Satya Ramamurthy, Partner and Head of Infrastructure, Government & Healthcare at KPMG in Singapore

- KPMG's Change Readiness Index 2015 placed Singapore at number one on Enterprise and Government Capability, but also showed room for improvement in the People and Civil Society pillar. It is therefore heartening to see the recent budget providing impetus for the community to take greater initiative in building a better future for Singaporeans.

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Note to editors

About KPMG in Singapore

KPMG in Singapore is part of a global network of professional services firms providing Audit, Tax and Advisory services. The KPMG network operates in 152 countries and has 189,000 people working in member firms around the world. In the ASEAN region, member firms operate across all 10 countries of this regional grouping providing professional services supporting the growth, compliance and performance objectives of our clients.

The independent member firms of the KPMG network are affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. Each KPMG firm is a legally distinct and separate entity and describes itself as such.

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