Media Release

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Reactions to the Singapore Budget 2018 Statement

Overview

Ong Pang Thye, Managing Partner at KPMG in Singapore

- Minister Heng Swee Keat has delivered a Budget which is strategic, calibrated and confident. There's clearly a focus on helping companies to grow, with supportive measures on digital transformation, capability building and internationalisation. The incentives offered will certainly promote the right activity. What may be even more desirable is if there are follow-through incentives to reward positive outcomes. For example, the introduction of the broad-based R&D incentive scheme will encourage certain desired activities by firms. What will make it even more potent is if there is an additional incentive which kicks in when these activities lead to the desired revenue outcomes. In other words, an incentive to encourage action, and an incentive to recognise the success of the action.

Chiu Wu Hong, Head of Tax at KPMG in Singapore

- Singapore has already been preparing for the three major shifts: the rise of Asia, emerging technologies and an aging population as mentioned by Finance Minister for some time. This Budget takes a significant step forward by setting a targeted strategy for the next decade, especially on the need for businesses to move away from cost competition and differentiate through innovation.

- An all-round inclusive Chinese New Year Budget with a SG Bonus "Ang Pow" for all adult Singaporeans, three more years of 250% tax deduction on donations to Institutions of a Public Character (IPCs) as well as the Business and IPC Partnership Scheme to encourage businesses to contribute specialised skills and services to IPCs.

Harvey Koenig, Tax Partner at KPMG in Singapore

- The strength of Singapore's fiscal policy is our hallmark. Long-term planning is what gives global businesses the confidence to continue investing in Singapore, and this year's fiscal surplus has given the nation further leeway to make Singapore even more attractive to businesses and global talent.

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

- The focus of this year's Budget is very much on internationalisation, innovation and enhancing digital capabilities to grow Singapore businesses. The next step is to look into how we can onshore more of such activities into Singapore using technologies and innovation. Any increase in the level of such activities will lead to a broader and more sustainable tax base rather than tax rates increase going forward.

Toh Boon Ngee, Tax Partner at KPMG in Singapore

- This Budget marks an important milestone for Singapore. Not only does it take stock of the achievements of the nation made possible by the past Budgets, it also sets out the longer term nation building plans for the future. Overall, it provides a good helicopter view of what the future nation will look like at the macro level while examining the needs of each component at a micro level.

Larry Sim, Tax Partner at KPMG in Singapore

- The increase in support for education especially for lower income families is a welcome move. This would foster and strengthen Singapore as a caring and cohesive society.

<u>Innovation and Digital Capabilities</u>

Harvey Koenig, Tax Partner at KPMG in Singapore

- The government has responded to the call of Singapore businesses to support innovation with the enhancement of the research and development (R&D) tax incentive and enhanced deductions for IP registration and licensing. These schemes compare well with other countries, and encourage businesses to embark on continuous and sustained innovation which is critical in face of increased digital disruption. Together with other existing measures to spur innovation such as the Industry Transformation Maps and the $19b Research, Innovation and Enterprise (RIE) 2020 Plan, these measures will enhance Singapore's position as a global innovation hub.

Pauline Koh, Tax Partner at KPMG in Singapore

- The refinement of the Tech Skills Accelerator (TESA) signifies the government's commitment to equip our workforce with digital skills and new capabilities to remain competitive in the digital economy.

<u>Enterprise</u>

Jonathan Ho, Head of Enterprise at KPMG in Singapore

- The restricted tax exemption for smaller companies and start-ups will inevitably add on to their costs. I think the underlying intention for this is that profitable companies which may have benefitted from previous grants, schemes or tax rebates should also have a share in contributing back to the system. This allows more SMEs to benefit from current grants and schemes that the government has put in place to prepare them to cope with the challenges of today's business climate.

  The effective tax rate is still very much lower compared to the headline corporate tax rate.

- The Enterprise Development Grant to replace the current IE Singapore and SPRING Singapore grants will provide a more holistic one-stop shop for SMEs to develop local capabilities and internationalise. An outreach program to the SMEs that could benefit from this scheme will be crucial.

Larry Sim, Tax Partner at KPMG in Singapore

- The Budget has continued to be forward-looking for enterprises as the government looks to deepen Singapore's capabilities in intellectual property (IP) generation and encourage the adoption of technologies and the spending on innovative solutions.

<u>Corporate Tax</u>

Ajay Sanganeria, Tax Partner at KPMG in Singapore

- Enhancing tax deductions for R&D from 150% to 250% will increase Singapore's competitiveness to attract R&D investments by multinational corporations (MNCs). This is in line with other Asian countries such as Hong Kong which has recently introduced enhanced tax deductions for R&D.

GST & E-Commerce Tax

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

- It is heartening to hear that the Finance Minister has deferred the introduction of the reverse charge and overseas vendor GST registration to 1 January 2020. This gives more time for businesses that cannot claim all its input tax to minimize the additional non-claimable tax. Overseas vendors providing services to non-GST registered persons can consider cost-effective options to comply with the GST collection.

Gan Hwee Leng, Tax Partner at KPMG in Singapore

- The implementation of GST for imported services aligns our GST framework with those of other countries. It places local and overseas service providers on a level playing field but translates to higher cost for local consumers.

Carbon Tax

Alan Lau, Tax Partner at KPMG in Singapore

- The introduction of a new carbon tax will help to diversify the source of revenue collection for Singapore, and build a more robust taxpayer base for the future. This augurs well against the backdrop of rising healthcare and social spending needs for a greying local population, and also achieves the twin benefit of controlling greenhouse gas emissions.

Leonard Ong, Tax Partner at KPMG in Singapore

- The introduction of a carbon tax across all sectors of the economy will help position Singapore as a green and liveable city. This tax is aimed at encouraging less harmful greenhouse gas emissions, thereby improving our environment and our living conditions as a whole.

Energy

Brett Hall, Head of Energy & Natural Resources at KPMG in Singapore

- Investing in an energy grid of the future for Singapore rides on the positive momentum of the earlier proposal to liberalise the electricity market by April 2018. This substantial investment will better optimise demand and supply, reduce costs for customers and help the market reap the benefits of competition and technology effectively.

Property

Tan Chee Wei, Tax Partner at KPMG in Singapore

- The 1 percentage point increase in buyer stamp duty indicates that property cooling measures will not be lifted in the immediate short term. Instead, it shows that the government is ready to rein in measures, if necessary, to ensure that the property market does not overheat.

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

- A new tier of buyer's stamp duty at 4% for residential properties above $1 million will be introduced for consideration with effect from 20 February 2018. As most private residential properties are generally above this quantum, purchases in this category will be affected by the adjustment. However, as total stamp duty collection constitutes only about 6% of the total tax collected, this new introduction may not have an impact on the total tax revenue. Notwithstanding this fact, the increase in the stamp duty shows that the burden of taxes are meant to be progressive, and are targeted at the wealthier group.

Healthcare

Karen Lee, Audit Partner at KPMG in Singapore

- Managing future demand from the aging population − living longer with increased disease complexity and multiple illnesses − will require new ways to keep people healthy and out of hospital. To achieve this, greater integration is needed not only between the primary, acute, intermediate and long-term care facilities but also from allied social support services. The proposed consolidation of aged care functions under MOH and AIC is a step in the right direction and will enable better coordinated service delivery to our seniors.

- The ramp-up in healthcare spending is timely and almost a necessity given our rapidly aging population and the need for more healthcare subsidies. The investment in building more step-down care facilities to cater for the elderly in the community is a welcome step by the government.

- Singapore's healthcare system is regarded as highly efficient and has surpassed that of many developed countries despite reasonably low levels of GDP spending. While the spending on healthcare is expected to increase significantly over the next decade to about 3% of GDP, it is still considerably low as compared to other developed countries.

Infrastructure

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

- The idea of using debt financing to fund large long-term infrastructure projects is welcome as it will deepen the debt markets in Singapore and act as a catalyst for financing regional projects. It will also address the intergenerational characteristics of such assets.

Sharad Somani, Partner, Infrastructure Projects Advisory Practice at KPMG in Singapore

- We believe the government has taken a holistic view after factoring in industry feedback, and has positioned the carbon tax as one of the tools in addition to other initiatives like green buildings and the Energy Conservation Act to lay the foundation of a low carbon Singapore economy.

- An infrastructure office to be set up in Singapore to develop, finance and execute infrastructure projects will provide the necessary platform for infrastructure players to effectively contribute in ASEAN infrastructure growth and to leverage on opportunities arising from the Belt & Road initiative of China.

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Note to editors

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