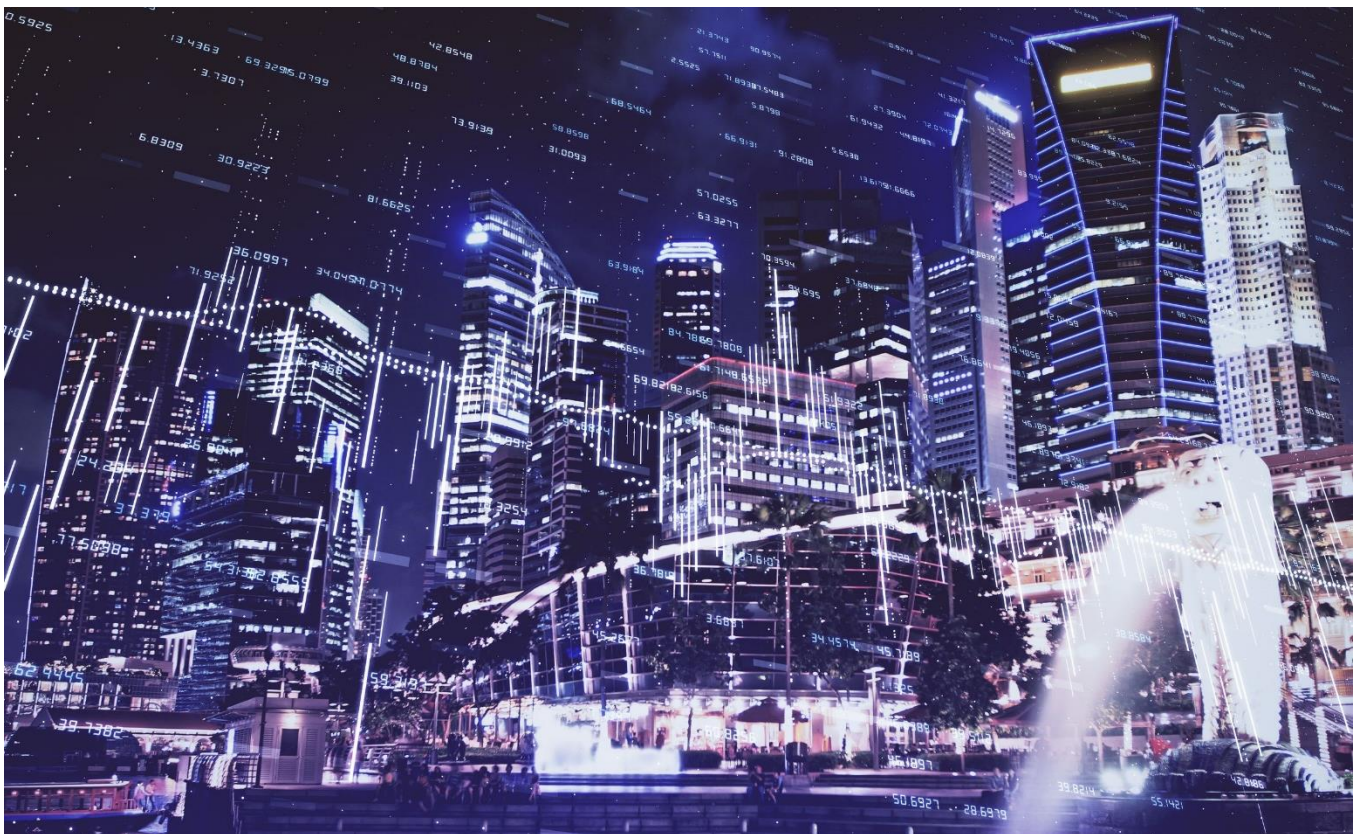


Transforming Singapore enterprises



This article was first published in the Business Times on 14 February 2020

BUSINESSES today are facing more pressure than ever. This is especially so for enterprises, which may have access to fewer resources compared to larger firms. These firms face relentless challenges in remaining competitive and profitable in a dynamic and uncertain future economy.

Singapore firms are the lifeblood of our economy, especially small-and-medium enterprises (SMEs) which employ almost three-quarters (72 per cent) of the workforce and contribute nearly half (47 per cent) in nominal value to the economy.

Our local enterprises are well aware of the three key challenges of technological disruption, economic nationalisation and natural adversities, in the backdrop of an increasingly multipolar world. Despite knowing and understanding these challenges, many find it difficult to envision the steps towards transforming their businesses in order to adapt and succeed on their own. Some lack the knowhow to develop and implement a transformation strategy, while others may not even know how and where to begin.

Support packages under-utilised

According to a 2018 Singapore Chinese Chamber of Commerce and Industry survey, 60 per cent of respondents said they were unaware of the roadmaps to grow 23 industries, known as the Industry Transformation Maps (ITMs), developed in partnership between the government and private sector. In the same poll, 62.5 per cent of those who had heard of ITMs did not know how to tap them.

This points to the need for even clearer guidance on what constitutes transformation for each industry cluster, with simple, actionable steps.

A jumpstart to an enterprise's transformation journey could be provided by the Singapore government, in establishing the requisite infrastructure and a common platform for Singapore enterprises to adopt digital solutions. This would afford Singapore enterprises the flexibility of individual choice, whilst enjoying the benefits of scale.

At the same time, support packages designed to drive the utilisation of this platform can help SMEs own their development and growth, and by doing so, accelerate their transformation journey to ensure that they fully harness the benefits of new technologies for growth.

A scheme to protect and grow enterprises



A tailored package of tax measures would help structure a broad-based approach for such business adaptation. One option is what can be called a "3+5 Protect and Grow"(PGS) scheme, which can cater better to businesses by factoring in their different stages of development. This aims to be more targeted than the previous Productivity and Innovation Credit Scheme, which expired in 2018.

The PGS would also have greater downstream impact through its aim to catalyse investments in productivity, innovation and internationalisation.

Proposed to be structured in two phases, the initial phase promotes productivity in the first three years. The second phase then focuses on growth and value creation over five years. The uniqueness of this scheme is its flexibility and autonomy - businesses decide when they are ready to embark on each phase.

To begin with, Phase 1 (the first three years) can help boost productivity with measures such as 300 per cent capital allowances (subject to caps) for investments in automation, focusing on business operations such as human resource predictive analytics, intelligent finance automation and smart procurement.

Following this, Phase 2 (spanning five years) can enhance growth and value creation through innovation and internationalisation. Measures could include 300 per cent tax deductions for R&D (including overseas), spending related to internationalisation (such as on branding), and for registration, purchases and licensing of intellectual property.

Accelerating tech adoption



Besides accelerating major infrastructure projects to create business opportunities for Singapore enterprises, technology adoption for enterprises should also be quickened during an economic downturn. Many cutting-edge technologies today are offered through cloud-based services which provide flexibility and scalability, significantly reducing costs and the time required for transformation; an example of this is in the area of artificial intelligence.

However, there remains some resistance to the adoption of new technologies such as cloud platforms, due in part to security risks and the lack of capability of the business to manage these risks.

To overcome this, grants of up to half of the qualifying costs covering deployment and implementation of technology such as cloud computing would help.

Other measures include double tax deduction for cloud-related training programmes, which would help boost the upskilling of information technology professionals. This, in turn, would feed into the talent development cycle, the other engine to drive Singapore enterprises' transformation forward.

Future-proofing our talent



With this overall transformation assistance framework in place, Singapore enterprises also need help transforming their workforce.

Enterprises may face a limited availability of skilled manpower, especially in new technology areas such

as data analytics and cyber security. Talent is the key success factor for Singapore in many aspects, determining whether Singapore will be able to better position its economy and be the place where enterprises can grow and become future industry unicorns.

Considering the speed and uncertainty of change in the digital economy, firms should seize the opportunity in the slowdown of the economy to build the talent pipeline by grooming and recruiting talent with the needed skillsets. There should also be incentives to hire older workers and allow flexible work arrangements. Grants of 50 to 70 per cent could be offered to help support talent search and hiring costs, as well as for leadership and re-skilling programmes.

How we can help

As a committed tax advisor to our clients, we welcome any opportunity to discuss the relevance of the above matters to your business.

About Tax Alert

KPMG Tax Alert highlights the latest tax developments, impending change to laws or regulations, current practices and potential problem areas that may impact your company. As certain issues discussed herein are time sensitive it is advisable to make plans accordingly.

Tax Alert is issued exclusively for the information of clients and staff of KPMG Services Pte. Ltd. and should not be used or relied upon as a substitute for detailed advice or a basis for formulating business decisions.

Contact us

Tay Hong Beng

Partner

Head of Tax

T: +65 6213 2565

E: hongbengtay@kpmg.com.sg

Ajay K Sanganeria

Partner

Deputy Head of Tax

T: +65 6213 2292

E: asanganeria@kpmg.com.sg

Jonathan Ho

Partner

Head of Private Enterprise

T: +65 6411 8336

E: jho1@kpmg.com.sg

BANKING & INSURANCE

Alan Lau

Partner

T: +65 6213 2027

E: alanlau@kpmg.com.sg

REAL ESTATE & ASSET MANAGEMENT

Teo Wee Hwee

Partner

T: +65 6213 2166

E: weehweeteo@kpmg.com.sg

Agnes Lo

Partner

T: +65 6213 2976

E: agneslo1@kpmg.com.sg

Anulekha Samant

Partner

T: +65 6213 3595

E: asamant@kpmg.com.sg

Leonard Ong

Partner

T: +65 6213 2038

E: leonardong@kpmg.com.sg

Contact us

ENERGY, TECHNOLOGY, MEDIA & TELECOMMUNICATION

Gordon Lawson
Partner
T: +65 6213 2864
E: glawson1@kpmg.com.sg

Larry Sim
Partner
T: +65 6213 2261
E: larrysim@kpmg.com.sg

Lim Li Peng
Partner
T: +65 6213 3709
E: lipenglim@kpmg.com.sg

INFRASTRUCTURE, GOVERNMENT & HEALTHCARE

Chiu Wu Hong
Partner
T: +65 6213 2569
E: wchiu@kpmg.com.sg

Gan Kwee Lian
Partner
T: +65 6213 2546
E: kweeliangan@kpmg.com.sg

Toh Boon Ngee
Partner
T: +65 6213 2052
E: btoh@kpmg.com.sg

CONSUMER & RETAIL

Tan Chee Wei
Partner
T: +65 6213 2470
E: cheewaitan@kpmg.com.sg

CORPORATE TAX PLANNING & COMPLIANCE

Mak Oi Leng
Partner
T: +65 6213 7319
E: omak@kpmg.com.sg

Pauline Koh
Partner
T: +65 6213 2815
E: paulinekoh@kpmg.com.sg

PERSONAL TAX & GLOBAL MOBILITY SERVICES

Anna Low
Partner
T: +65 6213 2547
E: alow@kpmg.com.sg

Dennis McEvoy
Partner
T: +65 6213 2645
E: dennismcevoy@kpmg.com.sg

GOODS AND SERVICES TAX

Lam Kok Shang
Partner
T: +65 6213 2596
E: kokshanglam@kpmg.com.sg

Gan Hwee Leng
Partner
T: +65 6213 2813
E: hweelenggan@kpmg.com.sg

Contact us

TRANSFER PRICING

Felicia Chia

Partner

T: +65 6213 2525

E: fchia@kpmg.com.sg

Lee Jingyi

Partner

T: +65 6213 3785

E: jingyilee@kpmg.com.sg

PROPERTY TAX & DISPUTE MANAGEMENT

Leung Yew Kwong

Director

T: +65 6213 2877

E: yewkwongleung@kpmg.com.sg

R&D & GRANTS CONSULTING

Harvey Koenig

Partner

T: +65 6213 7383

E: harveykoenig@kpmg.com.sg

TAX TRANSFORMATION & GOVERNANCE

Alia Lum

Partner

T: +65 6213 3203

E: alum1@kpmg.com.sg

US TAX SERVICES

Daniel Joe

Partner

T: +65 6213 2626

E: danieljoe@kpmg.com.sg

TAX – DEALS, M&A

Adam Rees

Principal Advisor

T: +65 6213 2961

E: adamrees@kpmg.com.sg

KPMG

16 Raffles Quay #22-00

Hong Leong Building

Singapore 048581

T: +65 6213 3388

F: +65 6220 9419

E: tax@kpmg.com.sg

Ranked Tier 1 Firm in Singapore – World Tax, World Transfer Pricing and Tax Transactional 2019, *International Tax Review*

National Transfer Pricing Firm of the Year – Asia Tax Awards, 2018 & 2019, *International Tax Review*

Withholding Tax Team of the Year – Asia Tax Awards 2019, *International Tax Review*

For more information, please [view our tax services page](#).

kpmg.com.sg



The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavour to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

© 2020 KPMG Services Pte. Ltd. (Registration No: 200003956G), a Singapore incorporated company and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative ("KPMG International"), a Swiss entity. All rights reserved. Printed in Singapore.