

NEWS RELEASE

For Immediate Release

KPMG and SBF call for Budget 2024 to raise Singapore's regional status and competitive edge; enhance enterprise capabilities in digitalisation, decarbonisation, and internationalisation

- *Championing regional leadership in innovation, digitalisation and ESG will put Singapore in good stead to attract global capital and talent*
- *Raising business competitiveness through support measures in digitalisation, decarbonisation and internationalisation will also be key*
- *Amid softening economic outlook, SBF's flagship National Business Survey 2023/2024 highlights importance of public-private alliances in tackling rising costs and immediate business concerns*

8 January 2024, Singapore – KPMG in Singapore (KPMG) and the Singapore Business Federation (SBF) are pleased to announce our joint Budget 2024 Proposal, designed to secure enduring prosperity for Singapore amid growing global uncertainties.

2024 AREAS OF FOCUS FOR SINGAPORE

In 2024, Singapore is poised to cement its regional authority in innovation and climate change advocacy. To succeed, the nation must continue to position itself as an **attractive destination for foreign direct investment**, despite rising competition from other financial hubs.

Singapore's focus must remain on **bolstering its global competitiveness, equipping local enterprises with the capabilities to digitalise, decarbonise and expand abroad while fostering an optimal business environment**.

Smaller local enterprises, in particular, will be looking for more robust government support amid a challenging business environment. We recommend that **the Government takes the lead to streamline procurement practices with smaller enterprises** that may rely heavily on government projects. To tackle manpower constraints, Singapore must **maintain its openness to overseas talent and strengthen policies that promote the development of local talent**. A public-private review of business competitiveness is needed to identify opportunities for cost mitigation even as we press ahead with industry transformation.

In essence, Budget 2024 must demonstrate the country's decisiveness and confidence to: (1) **Elevate** Singapore's leadership as a competitive regional hub, (2) **Empower** local enterprises for global growth and competitiveness and (3) **Enhance** enterprise resilience and capabilities. Our recommendations detailed in our '3E framework' will form the strategic blueprint for building the country's competitive edge in a new reality.

Highlights of recommendations are summarised below. Please refer to KPMG and SBF's Budget 2024 Proposal for more details (page numbers as indicated). Quotes from KPMG and SBF spokespeople are appended in Annex A.

HIGHLIGHTS OF RECOMMENDATIONS

1) Elevating Singapore's leadership as a competitive regional hub (p5)

Budget 2024 provides the platform for Singapore to reinforce its status as a leading hub for business, wealth management and ESG investments. Near-term challenges, including the Organisation for Economic Co-operation and Development's Base Erosion and Profits Shifting (OECD's BEPS) 2.0 rules and increasing geopolitical tensions, have posed a new set of challenges for Singapore. As a country reliant on free trade and globalisation, this could also shake its competitiveness. But by leveraging its strengths, Singapore can emerge stronger by reformulating its tax incentive regime and spearheading new areas of growth, such as in innovation and climate financing.

KPMG and SBF recommend:

a) Strengthening Singapore's tax regime in a post BEPS era (p12)

The Government can consider introducing new incentives that would fit into the category of Qualified Refundable or Marketable Tax Credits (QRTCs or MTTCs) to mitigate the impact of Pillar 2 for multinational companies affected by the new global minimum tax. To retain Singapore's competitive edge over other countries with higher corporate tax rates, the Government should also consider renewal of the existing funds tax incentive schemes without an increase in tied economic conditions, and to also re-examine the current tax incentive schemes for family offices, taking into consideration the investment culture and landscape.

In addition, the Government should also re-examine tax incentive schemes for single family offices (SFOs). For instance, single family offices are not allowed to hold controlling stakes in private equity and venture capital investments if family members hold executive or managerial roles. This rule could come across as counterintuitive, as investors in these spaces are often involved in the strategic operations of such businesses.

b) Spearheading Asia's innovation drive and expand Intellectual Property (IP) protection (p7-8)

Singapore could broaden the definition of qualifying IP for corporate tax purposes and enhance the IP Development Tax Incentive. This could include incorporating a wider range of IP for writing down allowances such as customer lists and other marketing intelligence on approval basis. The IP Development Tax Incentive could also be enhanced to encompass patentable IP, considering the various forms of IP that businesses may not want to officially register to safeguard sensitive information like formulas and proprietary knowledge. This will further boost the regional innovation ecosystem and contribute to new opportunities for businesses. Singapore could also explore establishing a data innovation hub to facilitate seamless data sharing and connectivity across businesses, industries, and government agencies to drive efficiency and productivity improvements.

c) Driving Singapore's regional leadership in climate financing (p17)

The establishment of a special fund under a holistic scheme dedicated to mobilising and financing green energy initiatives. This could involve the Government earmarking up to 1 percent of Singapore's gross domestic product, which could draw additional capital from private sector and philanthropies, creating a blended finance hub.

Other measures to drive climate financing and mobilise funding include:

- Deploying a tiered credit line for climate financing, collaborating with government agencies and financial institutions to address aggregate demand (p18)
- Mobilising institutional climate financing through accelerating project origination and conceptualisation and drawing private capital for the region (p19)
- Encouraging green financing through offering 10 percent concessionary tax rate under the Financial Sector Incentive-Standard Tier (p20)
- Catalysing private sector investment in ASEAN's energy distribution infrastructure (p21)

2) Empowering local enterprises for global growth and competitiveness (p23)

Singapore has seen a recent dip in its rankings among the world's most competitive economies, coming in fourth in the recent Institute for Management Development's World Competitiveness Ranking 2023. Similarly, data from the Ministry of Trade and Industry also underscores a comparative lack of competitiveness, with Singapore's unit labour cost outpacing that of 16 other economies. Against this backdrop, it will be important for the Government to empower local businesses to raise their capabilities in digitalisation, ESG, sustainability as well as internationalisation to establish their footprints in new markets and capture global demand.

KPMG and SBF recommend:

a) Financial support for business transformation, digitalisation and AI adoption (p25-27)

A tiered support approach for businesses in their digitalisation roadmap, starting with a lower tier of 20 percent grant support for back office and operational digitalisation to the top tier of 60 percent for digital ledger and AI technologies.

Furthermore, the Government could review existing grants and subsidy programmes, such as the Enterprise Innovation Scheme or Productivity Solutions Grant, to enable smaller enterprises to pay only the net cost of solutions to help them with their cash flow. Providers can then claim the rest of the subsidy directly from the Government. Grant schemes, such as the Enterprise Development Grant, could be expanded to support digital projects where development work is led out of Singapore but involve resources from the region. Currently, enterprises are required to carry out the work in Singapore, which could hinder their progress, as they are unable to tap on the resources and skillsets for the development work in a timely manner.

Businesses could also benefit from a universal grant scheme which will cover employee upskilling, AI and machine learning adoption costs, including costs involved in building training datasets, data analysis and testing. Smaller enterprises will also benefit from the Government's support in upskilling and reskilling their employees in emerging technologies, such as AI, to gain necessary capabilities to manage new and evolving cyber threats.

b) Building ESG and sustainable finance expertise (p30)

Singapore could establish a comprehensive ESG talent development roadmap. This could include strategic upskilling and reskilling initiatives, potentially incentivised through enhanced tax deductions for accredited training programmes and tax subsidies for employers offering clear training pathways.

Singapore can do more to support enterprises in augmenting their talent, such as through upskilling and reskilling, to ensure that they are armed with future-forward capabilities and knowledge to meet these business needs. With the recent Singapore-Asia Taxonomy launch at COP28 which establishes financing criteria for transition projects across eight key sectors, the need for a proficient workforce in these sectors is more critical than ever. Strengthening talent and capability building support for Singapore businesses will also enable their product and service offerings to more sought after globally, opening doors to new growth opportunities.

c) Driving enterprises towards a net-zero future (p31-32)

The Government could partner aggregators, such as sectoral agencies and Trade Associations and Chambers (TACs), to chart decarbonisation industry roadmaps to drive enterprises towards a greener transition. Broadening the Enterprise Financing Scheme – Green (EFS-Green) to increase lending by qualifying financial institutions to help smaller enterprises kickstart their sustainability journey. The Green Skills Committee formed by the Ministry of Trade and Industry (MTI) and SkillsFuture Singapore (SSG) can also oversee the establishment of a national recognition pathway for sustainability professionals that will enable companies to hire suitable talents for their transformation.

Other measures to drive enterprise adoption of green solutions or technologies include:

- Launching a comprehensive upskilling programme for companies affected by new climate reporting requirements (p.34)
- Establishing data sharing platforms that facilitate the sharing of ESG data such as GHG emissions associated with certain activities (p.34)

d) Exploring environmental levies or taxes to promote green accountability (p37)

Introducing environmental levies or taxes on products or services that have a significant ecological footprint. This will create a direct financial incentive for consumers to make climate-

conscious choices, such as opting for energy efficient appliances, and encourage greater environmental responsibility in line with global sustainability goals.

Another shift in tax policies that the Government could explore includes calibrating its property tax regime to offer lower rates for “green” commercial and industrial buildings compared to those that are not “green”. Currently, about 40 percent of annual global carbon emissions is generated from the built environment sector. This refinement could provide building owners with the necessary impetus to meet green building requirements.

e) Establishing an Export-Import (EXIM) Bank and increase Market Readiness Assistance (MRA) Grant to prime local businesses and local talent for global trade (p39, 41)

Singapore could leverage its financial sector strengths to establish an EXIM Bank to support smaller enterprises in international trade and investment amid economic uncertainties. The Government can also help alleviate internationalisation costs for businesses and groom local talent by increasing the Market Readiness Assistance (MRA) Grant cap to S\$150,000, providing flexibility in different funding categories, and enhancing support for the grooming of local talent.

3) Enhancing enterprise resilience and capabilities (p42)

Singapore’s success will hinge on its ability to uplift its enterprises and create an inclusive business environment, in the face of rising business costs and interest rates. Businesses will continue to play a vital role in boosting Singapore’s economy and talent pipeline, which are essential factors for securing the country’s continued prosperity. By addressing immediate concerns of cost pressures and manpower, the Government could support enterprises maintain their business competitiveness and build capabilities for long-term resilience.

KPMG and SBF recommend:

a) Empowering smaller enterprises to thrive by simplifying business rules and processes (p44, p46)

Several adjustments could be made to the government procurement tender process, including a review of tender packaging strategies, tiered allocation of tender packages and enforcement of subcontracting requirements for larger companies. The Government could minimise the impact on cash flow and alleviate financial burdens faced by smaller enterprises by

streamlining payment processes and introducing certification criteria with key performance indicators.

b) Bolster Singapore's talent pipeline and talent attraction efforts (p50, 51)

A review of the Complementarity Assessment Framework (COMPASS) to allow a possible short-term relaxation on the diversity quota criteria, as companies have found it increasingly difficult to meet the criteria in light of the tight labour market.

Furthermore, providing flexibility in quota adjustment for the Manpower for Strategic Economic Priorities Scheme (M-SEP) would also be helpful for companies to align their workforce with changing circumstances. The Government could also review the current foreign worker quota to allow them to be pegged to job roles, instead of the current classification, which includes white and blue-collar roles.

c) Form an Alliance for Action (AfA) to examine business competitiveness issues (p40)

The setting up of an Alliance for Action (AfA) on Business Competitiveness to bring together the public and private sectors to pinpoint specific opportunities to implement targeted measures to mitigate cost escalation, especially in areas that significantly impact Singapore's business competitiveness.

Other tax recommendations to attract top talent and promote lifelong learning and upskilling are:

- Amend tax rules on share option plans and share award schemes, especially in light of Hong Kong's recent changes to its rules on the deductibility of such costs relating to new issue of shares (p9, p10, p54)
- Introduce tax concessions for employees required to travel overseas frequently (p55)
- Increase Course Fees Relief cap from S\$5,500 a year to S\$10,000 (p55)

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About SBF

As the apex business chamber, the Singapore Business Federation (SBF) champions the interests of the business community in Singapore in trade, investment and industrial relations. Nationally, SBF acts as the bridge between the government and businesses in Singapore to create a conducive business environment. Internationally, SBF represents the business community in bilateral, regional and multilateral fora for the purpose of trade expansion and business networking.

For more information, visit: sbf.org.sg

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Annex A - Quotes from KPMG and SBF Spokespeople

Spokesperson	Topic	Quote
<p>Lee Sze Yeng, Managing Partner, KPMG in Singapore</p>	<p>Spearheading Asia’s innovation drive and expanding Intellectual Property (IP) protection</p>	<p>“More Singapore enterprises are looking to steer organic growth via innovation, including ramping up their investments into emerging technologies, according to KPMG research. Globally, opportunities abound for those with the ability to leverage technology’s transformative potential to capture new growth areas. To do so well, enterprises will need to be supported with the right tools and environment to raise their data and technological prowess, and cultivate an innovation mindset. Establishing a Singapore-led data innovation hub will give local businesses a platform to engage more meaningfully with their counterparts in other countries and share best practices. This continued emphasis on AI, data and IP will fuel Singapore’s regional leadership and competitiveness, and uplift enterprises to be globally ready and future confident.”</p>
	<p>Building ESG and sustainable finance expertise to advance Singapore’s hub status</p>	<p>“Sustainable finance is set to drive Asia’s green transition, providing valuable funding support to businesses across the region which are at varying points of their net-zero roadmaps. With this, demand for professionals with the right expertise is expected to grow, as businesses will be looking to develop a strong pipeline of decarbonisation initiatives, from phasing out of coal fired power</p>

		<p>projects to the development of renewable energy solutions as well as supporting transition projects in their net-zero journey. Equipping Singapore’s businesses with the skillsets in ESG and sustainable finance will enable them to capture new opportunities of the green economy and anchor their in-market presence across the region.”</p>
<p>Kok Ping Soon, CEO, Singapore Business Federation</p>	<p>Financial support for accelerating business transformation, digitalisation and AI adoption</p>	<p>“The swift ascension of disruptive technologies such as generative AI, has made it imperative for businesses to adapt swiftly or risk obsolescence. Companies must grapple with the dual pressures of digitalisation and transformation while navigating the risks associated with security, privacy, ethics, and accuracy. Government support can help spur Singapore businesses to undertake more innovative projects, critical to drive their global growth and competitiveness.”</p>
	<p>Ease costs of business and drive internationalisation</p>	<p>“High business costs and softening economic growth are key concerns affecting Singapore businesses. Some of these cost drivers may persist into the medium to long term and could affect our business competitiveness. To stay competitive, enterprises need support in digitalisation, sustainability, and internationalisation to create stronger value and to be future-ready. At the same time, they also need support in managing immediate cost pressures and</p>

		<p>manpower challenges to be able to seize emerging opportunities for growth. The AfA for Business Competitiveness will bring together the public and private sectors to discuss and explore co-solutions to address this complex issue.”</p>
<p>Ajay Kumar Sanganeria, Partner, Head of Tax, KPMG in Singapore</p>	<p>Strengthening Singapore’s tax regime in a BEPS future</p>	<p>“Amid potential threats to its global competitiveness, Singapore will need to evaluate how it can ensure relevant tax incentives can be ‘BEPS-protected’, so that the country remains attractive to foreign direct investments. With QRTCs and MTTCs, these could be targeted at a broad range of activities, from Research and Development (R&D) and innovation to sustainability, as well as to other manufacturing-related activities, offering companies better alternatives to the outright grant schemes. Such specific incentives would have been provided specific treatments under the global minimum tax framework, which enhances their tax certainty. This will be something highly valued by global investors going forward.”</p>
	<p>Driving Singapore’s regional leadership in climate financing</p>	<p>“The proposed scheme will spur powerful tripartite action towards climate change, aimed at mobilising an additional S\$100 billion over the next seven years through blended and impact funds. This comes on top of the Government’s existing S\$100 billion commitment to climate change efforts first announced in 2019. Beyond catalysing the adoption of green technologies, the unified scheme will also</p>

		<p>foster job creation in Singapore and augment the flow of investments in clean energy manufacturing and trade. This will not only address the funding gaps but also solidify Singapore’s regional leadership in climate financing and lead the way for other nations.”</p>
<p>Musa Fazal, Chief Policy Officer, Singapore Business Federation</p>	<p>Driving enterprises towards a net-zero future</p>	<p>“Businesses play a pivotal role in accelerating the green economy, but many grapple with the complexities of the issues and having the right technical expertise to make the green transition. Government intervention is critical in cultivating Singapore as a regional hub for an ESG workforce, implementing financing schemes and tax incentives to promote green initiatives, and fostering public-private collaboration for ESG initiatives.”</p>
	<p>Empowering smaller enterprises to thrive</p>	<p>“A volatile economic climate will pose greater challenges for smaller enterprises and the Government plays an important role in ensuring the survival and growth of these enterprises. To enable smaller enterprises to compete more fairly for government projects, tender processes can be further simplified to avoid excessive jargon and complex requirements. Flexibility in accessing foreign manpower is also critical for enterprises especially those in the services sector to sustain their operations and attract talent.”</p>