

Singapore Budget Seminar 2017

Friday, 3 March 2017
Suntec Convention Centre

Companies that scale up on capabilities in technology, innovation, and internationalisation will reap maximum benefits from the 2017 Singapore Budget. That was the clear conclusion from the Moore Stephens – CCS Singapore Budget Seminar 2017, held at Suntec City Convention Centre on 3 March 2017 and attended by some 250 participants including Directors, CFOs and finance executives.

Taxation Budgetary Measures

Commodity companies will enjoy concessionary tax rates of 5-10% on a wider range of income under the Global Trader Programme (“GTP”), as well as lower compliance costs, under the latest budgetary measures, according to Ms. Law Pei Serh, Associate Director of Complete Corporate Services Pte Ltd.

Previously, GTP concessionary rates applied only to narrowly-specified trade income with specified counterparties. Accordingly, GTP companies must closely track trading counterparties, and segregate eligible trading income, which may require efforts to split income between closely-



Registration of participants.

related activities that only partly qualify for GTP. Budget 2017 removes the counterparty requirements thereby reducing compliance costs from counterparty-tracking activities. It also extends the concessionary rates, beyond commodity trading, to activities such as commodity storage and processing. Besides increased tax savings due to the larger range of income that is now taxed at the concessionary rates, compliance costs will reduce as companies have less need to split income between closely-related activities.

In line with the focus on innovation in the recent report by the Committee on the Future Economy, companies that develop and commercialise intellectual property (IP) in Singapore can look forward to incentive tax rates on income from the commercialisation of IP, according to Mr. Lim Peng Huat, Tax Director of Complete Corporate Services Pte Ltd. The Economic Development Board, which will administer the IDI, will release more details in May 2017. However, Mr. Lim cautioned that in line with restrictions imposed by OECD’s Base Erosion and Profit Shifting initiative, IDI benefits only apply to IP that



Participants at the Moore Stephens - CCS Singapore Budget 2017 Seminar.



Mr. Lim Peng Huat, Tax Director of Complete Corporate Services Pte Ltd discussed issues on Research and development (R&D).

arises from research and development (R&D) activities in Singapore.

Besides the above key measures, Ms. Law and Mr. Lim also discussed at length other measures highlighted in the Budget including changes to the Corporate Income Tax Rebate, taxation changes for cost sharing agreement payments for R&D projects, personal income tax changes, and others.

Other Budgetary Measures

Thereafter, Ms. Law provided an overview of other key budgetary, non-taxation measures. According to Ms. Law, the objective of these measures are mainly to help companies digitize, innovate, and internationalise. Digitization measures include the SME Go Digital Program to provide companies with step-by-step advice on use of technologies at each stage of company growth, and access to government agencies with the capability to provide advisory and funding support for the development of information technology solutions.

Innovation measures include the Headstart program, which allows small and medium enterprise to collaborate with A*STAR in research initiatives and enjoy royalty-free and exclusive intellectual property licenses for the first three years. Internationalisation measures include the International Partnership Fund, which allow companies to co-invest with the Government in overseas expansion, as well as improvements to certain existing funding programs for overseas expansion.

Economic Insights

Strategies for a productive Singapore economy include

the enhancement of the manufacturing sector, stronger automation, deeper worker skillsets, a modernised construction industry, and a low-cost healthcare sector through the use of foreign labour, among others, in the view of Professor Augustine Tan, Practice Professor of Economics at the School of Economics, Singapore Management University.

This is against the backdrop of major global disruptive forces including technological disruption, Brexit, the election of President Trump, and the renegotiation of global trade pacts by the latter. Professor Tan noted that Singapore, being highly-reliant on global trade, will not be spared the effects of such disruption. In particular, Singapore must deal with the effects of increased re-shoring by US multi-national corporations, China's ambitions to move up the value chain, aggressive potential tax initiatives by the US to increase competitiveness, and the potential increase in US interest rates.

On the home front, Singapore's challenges include skills mismatch issues faced by Professionals, Managers, Executives and Technicians ("PMET"), matching graduates with good jobs, and a rapidly-ageing population.



Ms. Law Pei Serh, Associate Director, Tax Services of Complete Corporate Services Pte Ltd provide an overview of key budgetary and non-taxation measures.

Professor Tan opined that in seeking a solution to the above challenges, Singapore should re-consider its foreign labour policy. Professor Tan questioned whether re-training programs such as Skills Future, can be an effective substitute for the lost talent that have been turned away by immigration policies such as the foreign worker quota. Professor Tan also raised concerns about whether the Singapore education

system has been producing the right mix of graduates, given the apparent shortfall of Science, Technology, Engineering, and Mathematics (STEM) skills in the workforce. Finally, Professor Tan suggested that Singapore can re-focus its strategy on outward-oriented sectors, in which growth has been strongest for the past 8 years.

Thereafter, Mr. Song Seng Wun, Director and Economist at CIMB Private Banking, took the stage to address the macro outlook in 2017. Presenting a more sanguine view of the global economy, Mr. Song noted that a global recovery is already underway, despite downside risks, and demonstrated this with a wide range of economic statistics that pointed upwards at the start of 2017. Downside risks include, inter alia, heightened uncertainty, protectionist measures, and risks of financial market disruptions.

Against this backdrop, Mr. Song noted that the 2017 budget is built on “calm” proposals with no “fireworks”, and a view on the long run to reduce reliance on foreign labour and ensure that Singapore stays relevant as a globally connected, clean and efficient city-state supported by a strong workforce and infrastructure that keep pace with developments in disruptive technology.

The seminar concluded with a panel session in which views were shared between the speakers and audience. The panel



Professor Augustine Tan, Practice Professor of Economics at the School of Economics, Singapore Management University sharing economic insights with the audience.



A thoughtful audience.



An interactive session between Professor Tan and the audience.



Mr. Song Seng Wun, Director and Economist at CIMB Private Banking, took the stage to address the macro outlook in 2017.

discussion was hosted by Mr. Mick Aw, Senior Partner at Moore Stephens LLP, Singapore. Highlighting the declining contribution of the manufacturing sector to the Singapore economy over the past 10 years, Mr. Aw noted that the Budget initiatives to internationalize by taking low-value manufacturing activities overseas will exacerbate this trend unless balanced by an equal or greater contribution from the drive towards higher-end manufacturing. The seminar was followed by a lively networking session and ended at 4.30pm.



Mr. Song noted that the 2017 budget is built on "calm" proposals with no "fireworks".



(L) to (R): Mr. Lim, Professor Tan, Mr. Mick Aw, Senior Partner, Moore Stephens LLP, Singapore and Mr. Song.



(L) to (R): Mr. Aw, Mr. Song, Professor Tan, Ms. Law and Mr. Lim. Views from speakers and the audience were shared during panel discussion.