Forging ahead with confidence in uncertain times

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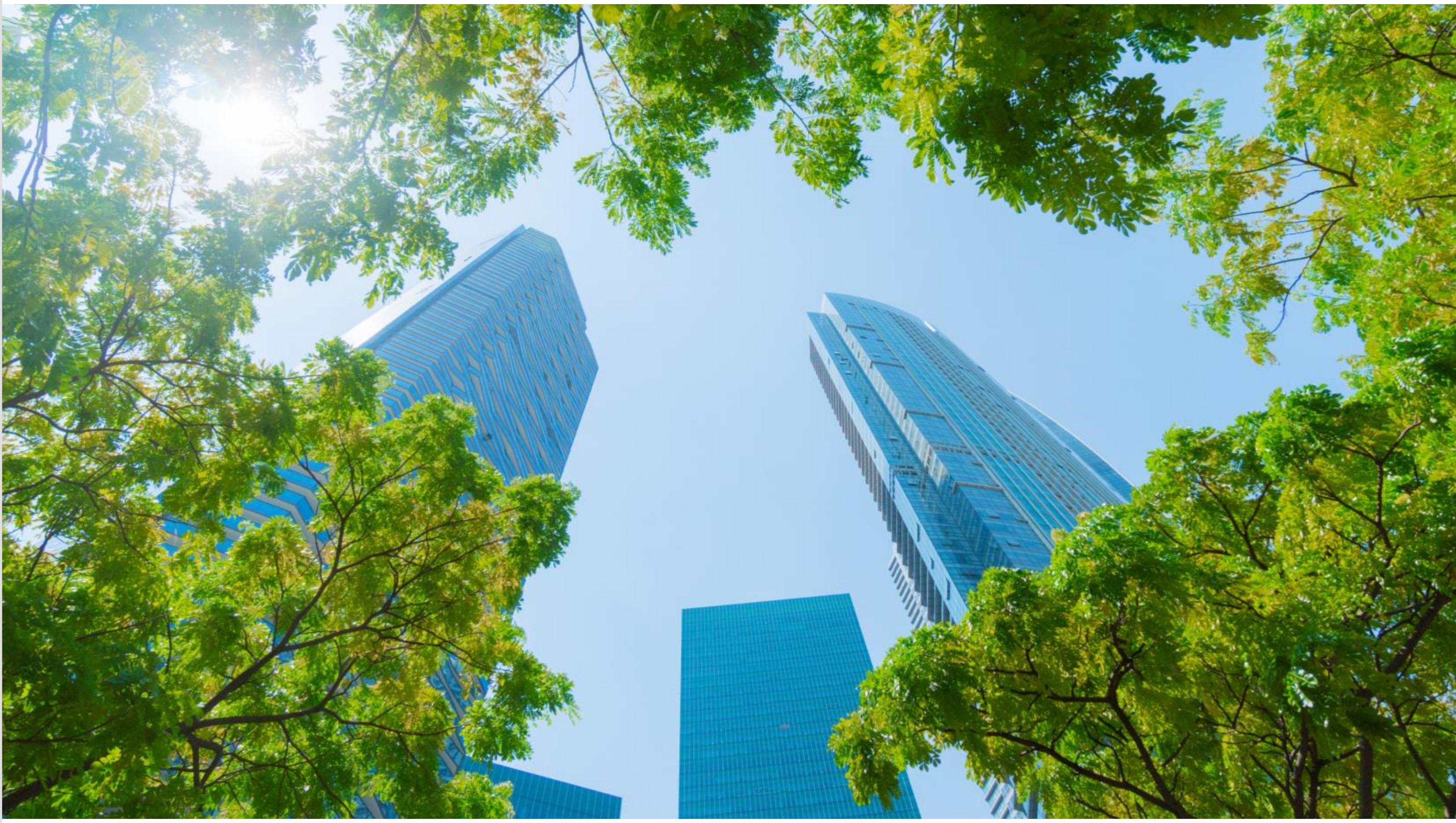


Foreword

As Singapore steps into its 60th year of independence, it faces a world filled with geopolitical tension and macroeconomic uncertainties. Like the world of 60 years ago, conflicts between nations, both physical and economic, and tepid global economic growth present unique challenges. Nevertheless, Singapore is in a much stronger position than it was when it was thrust into independence, thanks to the hard work of generations before us.

Based on advance estimates, the Singapore economy expanded by 4 per cent in 2024, a much better performance than the 1.1 per cent growth of 2023. The full year's economic growth for 2025 is projected to slow down to between 1 to 3 per cent. SBF's flagship annual National Business Survey (NBS) 2024[1] shows that there are signs of optimism in business sentiment. While most businesses are neutral about the future economic outlook, more expect improvement than decline in the next year. This cautious optimism highlights the resilience and adaptability of our business community.

As a small, open economy, Singapore needs to continue investing in its strengths as a trusted, globally connected investment hub with pro-business policies. Set in an ocean of heightened geopolitical turbulence that creates uncertainty for businesses, Singapore can be an oasis of calm and stability, consistency and reliability. These attributes command a premium for businesses looking for a place where they can find safe harbour and reduce their risks.

To preserve and strengthen our reputation and standing, we need to step up efforts to help our businesses be future-ready and enhance our business ecosystem for greater competitiveness. Equally important is our commitment to investing in our people, ensuring they have the skills and opportunities to thrive in a rapidly changing world. As we mark 60 years of independence, businesses must not forget to give back to society, as social cohesion provides the foundations and enabling environment for them to shine on the world stage.

Our budget recommendations should be considered in conjunction with the Alliance for Action on Business Competitiveness (AfA BC) report[2] released on 1 November 2024. The AfA BC provided a comprehensive set of 27 recommendations to strengthen Singapore's competitive position focusing on policies related to land, manpower, and regulatory frameworks. We look forward to seeing the Government move forward these recommendations in Budget 2025.

Our budget recommendations are further guided by the four broad themes for Budget 2025 outlined by Prime Minister Lawrence Wong on 8 November 2024: Economic strategies for the next bound; opportunities for skills upgrading and jobs for workers; support for Singaporeans across different life stages; and strengthening Singaporeans' sense of solidarity and unity as we celebrate SG60.

[1]Singapore Business Federation. National Business Survey 2024 – Annual Business Sentiments Edition. 2 January 2025.
[2]Ministry of Trade and Industry and Singapore Business Federation. Alliance for Action on Business Competitiveness Report. 1 November 2024

We believe that our budget recommendations along with the AfA recommendations sets out an economic roadmap for the Government to build a globally competitive and sustainable Singapore to create good jobs and improve the lives of Singaporeans.

The four thrusts of our budget recommendations are:

A. Building globally competitive and sustainable businesses

We envision a future where Singapore businesses are not only competitive on the global stage but also prioritise sustainability, leveraging innovation and technology to drive growth while minimising environmental impact. This requires a concerted effort to support enterprises in achieving the scale needed to better compete globally, adopt cutting-edge technologies, and open up new markets for their products and services.

B. Strengthening workforce transformation through enterprises

Our people are our only and most precious natural resource – we need to double down on our efforts to nurture and enhance their skills. Our proposed measures aim to upskill and reskill our workers through the enterprises they serve. Building on the recommendations of the AfA BC, we envisage fostering a culture of continuous learning and skills development with more support for upskilling and reskilling initiatives, as well as creating pathways for workers to transition into new roles and industries. At the same time, there is a need to address immediate manpower cost challenges businesses face during this period of enterprise and workforce transformation.

C. Enhancing the business ecosystem for greater competitiveness

There is an urgent need to enhance our business ecosystem, so it continues to be supportive and pro-business. We believe adjustments can be made to develop an enabling business environment by enhancing our tax regime in response to international developments, providing impetus to grow our capital markets, developing tools that facilitate transactions, and leveraging Government and corporate procurement to drive business transformation. In so doing, Singapore will also attract more investments, foster innovation, and improve the global competitiveness of our businesses.

D. Strengthening business contribution to the social compact

Finally, we emphasise the importance of strengthening the business contribution to the social compact. We urge businesses to respond to the call for strengthening Singaporeans' sense of solidarity and unity as we celebrate SG60 by giving back to society, whether through corporate social responsibility initiatives, community engagement, or supporting social causes. The Government can play the role of a catalyst, fostering a culture of inclusivity and social responsibility where businesses can help build a more cohesive and resilient society.

By focusing on building globally competitive and sustainable businesses, strengthening workforce transformation, enhancing the business ecosystem, and reinforcing the social compact, we can ensure that Singapore continues to thrive in an increasingly complex and uncertain world. **Everyone plays a crucial role in upkeeping our thriving ecosystem. While we cannot, as a small open economy, direct the winds, we can adjust our sails to navigate these challenges and work towards an even brighter tomorrow.**

Let's celebrate SG60 with confidence and pride.

Marcus Lam
Executive Chairman
PwC Singapore

Kok Ping Soon
Chief Executive Officer
Singapore Business Federation

Building globally competitive and sustainable businesses

A. Building globally competitive and sustainable businesses

As highlighted in SBF's NBS 2024 - Annual Business Sentiments Edition, businesses remain cautiously optimistic in their outlook with just over half of businesses (51%) believing the Singapore economy will stay flat over the next twelve months. Global trade and economic growth prospects remain vulnerable due to uncertainties caused by rapid geopolitical shifts and escalating tensions in many parts of the world. In the face of these disruptions, it is imperative for Singapore to be vigilant and proactive in building the competitive edge of businesses in Singapore.

According to the International Institute for Management Development (IMD) World Competitiveness Ranking 2024[3], Singapore was ranked the most competitive economy out of 67 across the world's eight major regions. To maintain and build on the competitive edge of businesses in Singapore, focus should be placed on helping Singapore businesses pivot for growth and scale through M&As, supporting businesses with holistic financing needs, expanding on grants to tackle next phase of transformation enabled by technology, accelerating businesses' net zero transition and enable them to scale internationally. This strategic approach positions Singapore businesses to thrive in a rapidly evolving economic landscape.

A1. Supporting Singapore businesses to pivot for growth through M&As, joint ventures and access to financing

Enterprises in Singapore should look to scale up to acquire the capabilities and access to resources needed to better compete on the global stage. While such growth can happen organically, M&As are usually an expedient way to achieve scale. These, however, can be complex, and our small and medium enterprises (SMEs) often require assistance from professionals. This can deter smaller businesses from pursuing M&As due to significant transaction costs or simply a lack of pursuit.

[3]IMD World Competitiveness Ranking 2024, https://www.imd.org/centers/wcc/world-competitiveness-center/rankings/world-competitivenessranking/rankings/wcr-rankings/#_tab_Rank

The Government can play an enabling role by supporting Singapore businesses as they pivot for growth and scale through M&As, empowering them to pool resources, innovate more effectively, and achieve greater economies of scale. We propose the following 6 sub-recommendations.

- **A1.1 Partner Trade Associations and Chambers in providing deals advisory for M&A and JVs**

  We propose that the Government work with the Trade Associations and Chambers (TACs) to set up targeted deals advisory services unit to educate SMEs on non-organic growth strategies, including mergers, acquisitions, and joint ventures with inbound foreign firms. This could include advice on capital stack solutions beyond traditional debt financing, and helping them access both professional expertise and financial resources for successful M&As. The advisory services should not be limited to origination but also ideation and execution to ensure post-deal success. A structured programme should be put in place to raise awareness amongst our businesses of M&A opportunities, joint venture (JV) partnerships, and the potential for strategic divestment of underperforming business units. This will foster a mindset shift towards bolder growth strategies and help unlock new market potential, particularly in sectors that may see more opportunities in foreign markets.

- **A1.2 Introducing or expanding existing grants to include advisory fees for M&A and integration activities**

  M&As in Singapore are regulated by legislation such as the Companies Act 1967 (Companies Act) and the Securities and Futures Act 2001. When a transaction involves firms with considerable market share, the Competition Act 2004 and its subsidiary legislation will need to be considered. The Singapore Code on Takeovers and Mergers and Singapore Exchange Listing Rules may also apply depending on the entities involved while sector-specific legislation needs to be considered for M&A transactions involving businesses in regulated industries, such as insurance, banking, and telecommunications. Amalgamations in Singapore are regulated by the Companies Act.

  In view of these rules and legislations, M&As and integration processes can be complex and often require professional advisers leading to significant transaction costs. To ease the financial burden of accessing professional support for M&A and integration activities, we propose a grant scheme to defray the cost of advisory fees for M&A, and the cost of integration activities.

  Alternatively, the Government can consider expanding the scope of the Enterprise Development Grant (EDG) to include coverage of advisory fees for businesses pursuing M&As to help relieve the financial burden for our SMEs.

- **A1.3 Providing funding support to help businesses manage manpower transitions arising from M&As or JVs**

  Some SME business owners may be concerned with managing the transition of existing workers after an M&A or entering a JV. Currently, Workforce Singapore has a Career Conversion Programme (CCP) that provides employers with salary support that can be used for mid-career hires or for existing employees to reskill and take up new job roles. Such programmes can help business owners with their manpower transitions by supporting the reskilling of existing staff to enable redeployment to new job roles that may be created post-merger. The CCP currently provides salary support of up to 70% of the monthly salary for the training of Singapore Citizens (SCs) and Singapore Permanent Residents (PRs) below the age of 40 (capped at $5,000 per month) under the Place-and-Train and Job Redesign (JR) Reskilling CCP.

  We propose that for businesses engaged in M&A or JV activities, the Government can increase the salary support to 90% capped at $7,500 per month, for all existing workers regardless of age who may need to be redeployed to new job roles within the same company post-merger. This will help companies better manage some of the manpower transition costs post-merger.

- **A1.4 Introducing legislation to allow cross-border mergers or amalgamation**

  Cross-border mergers or amalgamations are possible in the European Union (EU), facilitated by harmonised regulations across the EU member states. Compared to a normal M&A that involves the transfer of individual assets, a cross-border merger or amalgamation has the advantage of universal succession where all rights and obligations can generally be transferred without requiring the consent of third parties. A merger can also be implemented without incurring corporate income taxes, unlike a transfer of individual assets.

  Currently, a business in Singapore which wants to undertake a cross-border M&A can do so via a share purchase or asset purchase, which requires legal contracts to be novated or assigned to the acquiring entity. We propose that the Government introduce legislation allowing cross border corporate amalgamation between a Singapore company and one in a foreign jurisdiction. The surviving entity will retain the same legal and tax attributes, e.g. legal contracts vest statutorily without the need for novation or assignment.

  By allowing cross border amalgamations, businesses have certainty as to the continuation of their legal arrangements and tax positions. We propose that Singapore work with like-minded jurisdictions to have reciprocal agreements and reciprocity in treatments, e.g. this can be a cooperative feature in the proposed Johor-Singapore Special Economic Zone.

- **A1.5 Preserving track record of existing companies**

  A key challenge during a corporate integration is preserving the company's track record and brand identity while avoiding the legal liabilities associated with the old entity.

  We propose that the Government facilitate greater ease of integration through the following measures:

  - Legacy brand recognition: Allow the consolidated entity to retain the old company's certifications and track record through a 'brand continuation' clause filed with relevant regulatory body.
  - Separate 'brand registry': Establish a registry to archive legacy brand identities and operational histories, allowing the new entity to leverage past performance data for future contracts and bids.
  - Transfer of goodwill: Introduce legislative changes allowing the transfer of goodwill and business track records from the old entity to the new one, without carrying over legal liabilities.

- **A1.6 Recognising M&A related costs as a form of capital expenditure for lease renewals of industrial land or properties under Jurong Town Corporation**

  Jurong Town Corporation (JTC) seeks to ensure Singapore's limited industrial land resources are put to productive use to support our economic development. In assessing whether to renew leases, it assesses the applicant's investments in plant and machinery (P&M) and building and civil (B&C), and how they support the operations and transformation of the business.

  To incentivise businesses to engage in M&A activities, we propose allowing businesses to treat M&A related expenses, such as legal costs, as qualifying investments in applying for lease renewals. This would encourage businesses to scale and optimise their operations through M&A.

A2. Supporting businesses with holistic financing needs

According to the SBF NBS 2024 – Annual Business Sentiments Edition, businesses expect cost of funding pressures to persist over the next twelve months with one in four businesses (25%) facing moderate to severe credit crunch.

Access to relevant financing support at different stages of their growth is critical for businesses. For SMEs in particular, access to financing can be challenging for a variety of reasons, including a lack of track record, assets for collateral, and heightened uncertainty when operating in overseas markets.

70% of businesses SBF surveyed said they rely on Government support to address financing challenges. The Government currently supports SMEs through the Enterprise Financing Scheme (EFS) by sharing the default risk with participating financial institutions under a variety of financing schemes. Enterprises requiring financial advice on government financing schemes can approach SME call centres or Enterprise Singapore for help and referrals to financial institutions.

Beyond Government financing schemes, SMEs can also benefit from broader financing support, including access to a fuller suite of financing solutions and alternative funding opportunities beyond traditional debt financing. We propose the following:

- **A2.1 Establish an Enterprise Financing Advisory Centre to better support SMEs with their enterprise financing needs.**

  As a public-private initiative with the TACs, this Advisory Centre can go beyond what was proposed in Chapter A1.1 on deals advisory to include guidance on how to effectively communicate financial performance, valuations, and growth potential, ensuring that businesses can articulate their value proposition clearly and convincingly. This would be necessary not just to facilitate M&As, joint-ventures and other forms of consolidation for growth, but also to secure financing even on an ongoing basis.

  This Centre can also work with industry financing partners to curate financing solutions, beyond the EFS, that cater to specific industries or business needs, such as options tailored to industries such as retail businesses or growth-stage funding for startups. It can also provide advisory to SMEs to better manage financial risks including insurance options and crisis management plans to navigate unexpected downturns or emergencies.

A3. Helping businesses scale internationally

Global trade and economic growth prospects for 2025 remain vulnerable due to uncertainties caused by geopolitical changes and tensions in many parts of the world. Moreover, it has been difficult to attract companies to explore emerging markets that holds business potential but are farther from Singapore, such as Africa, Middle East, Central and Latin America, Eastern Europe and South Asia. In SBF's NBS - Scaled Internationally Edition 2024[4], businesses cite uncertainties and an unpredictable operating environment as top challenges faced in internationalisation. Based on the survey, the top requests businesses made are assistance with regulatory challenges (49%), a central reference for internationalisation information (40%), and a support network or platform for partnerships and cooperation (40%). Close to half (47%) of the businesses surveyed face high costs operating internationally.

To address these, Enterprise Singapore has supported the set-up of Singapore Enterprise Centres (SECs), currently in China, Indonesia, Thailand and Vietnam, and put in place the Market Readiness Assistance Grant (MRA). The MRA supports 50% of eligible costs related to overseas market promotion, business development and set-up, with an enhanced grant cap of $100,000 which will expire on 31 March 2025. We propose the following:

- **A3.1 Set-up additional Singapore Enterprise Centres in promising emerging markets.**

  The setting up of such centres in promising emerging markets, for example, India and Middle East can help facilitate the exploration of opportunities in promising emerging markets and address businesses' concerns on uncertainties and unpredictable operating environment.

[4]Singapore Business Federation. National Business Survey 2024 – Scaled Internationally Edition 2024. 14 November 2024.

- **A3.2 Enhance the MRA grant**

  - **Extending the enhanced grant cap of $100,000 by another two years to 31 March 2027**
    The MRA is a good scheme that has benefited many companies. With increasing economic fragmentation, heightened trade tensions and reconfiguration of supply global chains, it is important to step up in supporting our businesses to remain in global supply chains, strengthen their positioning in regional markets and identify opportunities in emerging markets.

  - **Increasing support under the MRA to 70% of costs for emerging markets and for strategic markets related to reconfiguration of global supply chains**
    This will encourage companies to explore opportunities in emerging markets that hold business potential but farther from Singapore, such as Africa, Middle East, Central and Latin America, Eastern Europe and South Asia, as well as in markets which are gaining importance in response to increased tariffs and re-shoring.

  - **Increasing the current eligibility criteria cap of $100,000 in annual sales in the target market**
    The current criteria is in place to identify companies which are new to the target overseas market. However, depending on the nature of the business, companies with sales of more than $100,000 may still have limited and narrow penetration in the overseas market, which justifies the additional support.

  - **Streamlining the administration of the MRA grant across eligible pillars**
    Currently, the MRA supports overseas expansion activities under three pillars (i) overseas market promotion (ii) overseas business development (iii) overseas market set up with separate funding caps for each pillar, for example, activities under (i) are capped at $20,000. We propose removing the caps under each pillar to provide businesses greater flexibility in using the grant for qualifying activities, while being subject solely to the overall grant funding cap. This will also simplify grant administration and improve efficiency in delivering the grants to businesses.

- **A3.3 Extending the EFS Trade Loan scheme maximum quantum of SGD$10m (to 31 March 2026).**

  Under the Enterprise Support Package in Budget 2024, the EFS Trade Loan scheme quantum was enhanced to SGD$10m until 31 March 2025. This scheme supports enterprises with their trade financing needs, including inventory/stock financing, structured pre-delivery working capital financing, factoring (with recourse) or bill of invoice/accounts receivable discounting, overseas working capital loans and bank guarantees (capped at tenures of up to 2 years). This supports businesses' internationalisation efforts to diversify markets and supply chains. We recommend that the Government extend the maximum loan quantum for this scheme for another year to enable businesses to better deal with the uncertain global economic environment through internationalisation and diversification.

A4. Enhancing the Productivity Solutions Grant (PSG) to accelerate businesses' digitalisation

Recent survey findings from SBF NBS – Smart Enabled Businesses Edition 2024[5] revealed that beyond financial support for digitalisation, businesses require a broader range of capability support to handle increasingly complex digital solutions and the associated implementation challenges.

The Enterprise Development Grant (EDG) is a bespoke industry assistance scheme which businesses can tap on for customised needs while the Productivity Solutions Grant (PSG) was introduced in 2018 to help businesses enhance their processes with technology. While the EDG offers a higher support quantum, the processing time can be lengthy, and the hurdles businesses must clear to qualify for the grant are higher. The PSG, with its administrative simplicity through a menu of pre-approved solutions, has been helpful in uplifting the baseline digital capabilities of enterprises in using technology solutions and equipment to improve productivity.

With the rising baseline of our businesses that have digitalised, adoption of basic pre-approved solutions is no longer sufficient. Solution providers are also innovating at a faster rate as they upgrade and introduce new features/functionalities to their solutions, such as artificial intelligence (AI)-powered services. Businesses increasingly require customised solutions and the flexibility to mix-and-match across different solutions to achieve a more integrated end-to-end solution.

[5]Singapore Business Federation. National Business Survey 2024 – Smart Enabled Business Edition. 26 September 2024.

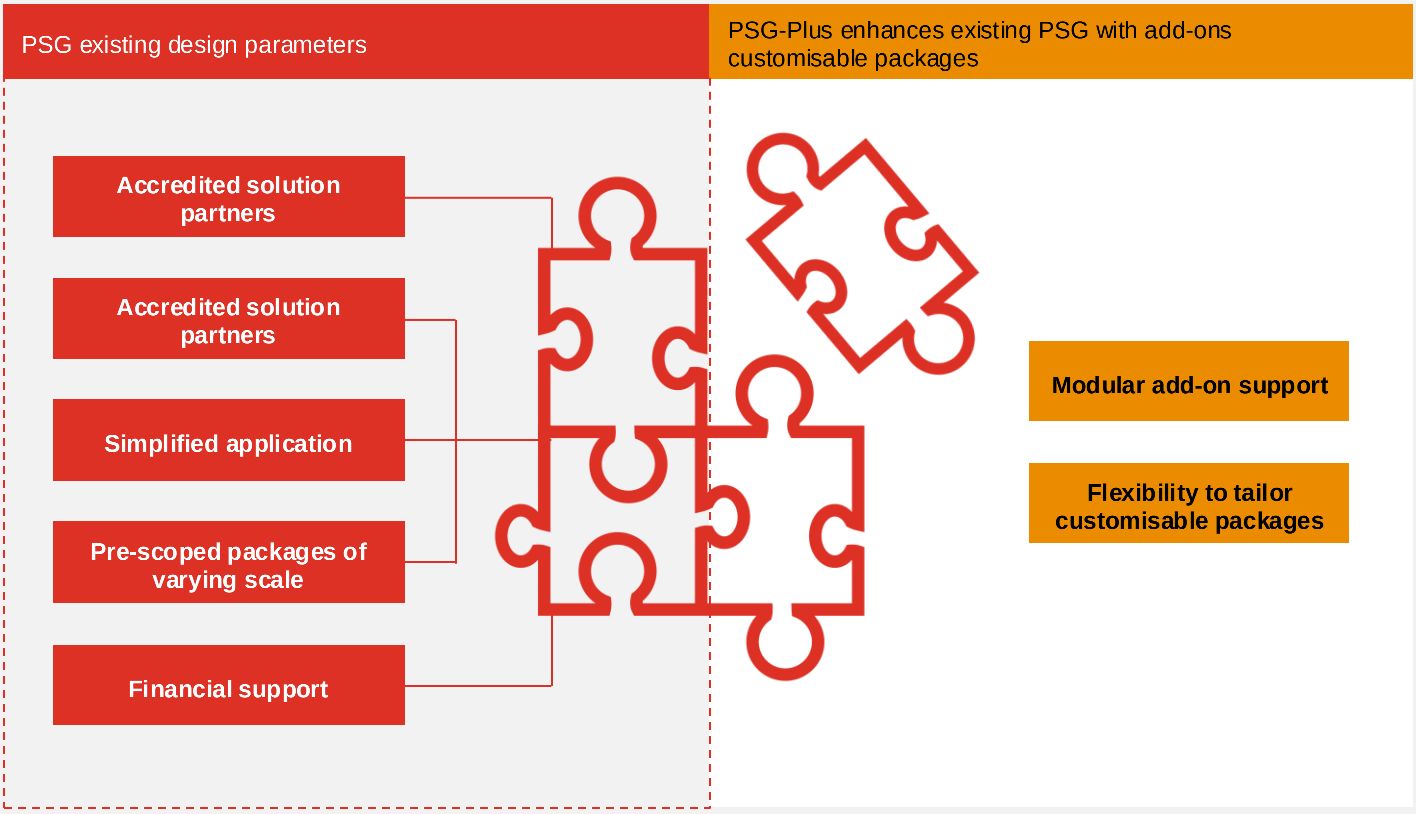
In addition, the speed of change and subscription-based nature of software as a service (SaaS) solutions means that existing features are frequently upgraded or new features and functionalities added, such as AI. However, support for subscription-based solutions under the PSG is limited to one year, which means that companies will need to bear significant additional costs to maintain their subscriptions after the initial year. The current PSG framework also requires solutions to be delivered exactly as detailed in the pre-approved package, hindering access to these valuable updates for businesses already utilising PSG-supported solutions.

We recommend introducing a **PSG-Plus** scheme with greater flexibility to support SMEs in the next phase of their digitalisation journey to become smart-enabled businesses. The following should be considered under PSG-Plus:

- **A4.1 Support for modular add-ons**

  These can be supported at prevailing PSG support rates. For example, if a new feature is launched at $10,000 per year to an existing PSG supported HR Management System solution, existing subscribers of the solution should be allowed to apply for an add-on grant at 50% of the feature cost, i.e. an add-on grant of $5,000.

  - Alternatively, the Government could consider a grant on top of the current PSG cap for modular add-ons. For example, the current PSG grant cap is $30,000 per year and an additional grant could be available for modular add-ons subject to a cap of $10,000 per lifetime of the adopted solution. This encourages timely adoption by businesses of the latest technologies and a culture of continuous upgrading of their digital capabilities to stay competitive.



- **A4.2 More flexibility to tailor customisable packages**

  The PSG currently allows vendors to create up to five fixed packages for businesses to choose from but does not offer the flexibility to mix and match different offerings in each of the packages. To better support businesses with diverse needs, we propose that the PSG allows some level of customisation by the business.

  - This can be achieved by allowing PSG providers to curate a package that includes a range of modular options, including an option to purchase professional services to assist with integration with existing systems. This is crucial as even mid-sized projects often require seamless integration with existing systems, such as connecting a new order processing platform with existing customer relationship management systems.

  - For example, in the illustration below, there are three PSG pre-approved standard point of sale solutions offered by a vendor for businesses to choose from (i.e. P1, P2 and P3). By allowing vendors to offer customisable packages with modular features options, a fourth option may be created where SMEs will be able to select options and features that may be better suited to their specific operational needs.

Existing packages

P1-All in 1 with smart inventory
- Point-of-sale system (POS) software
- Customer relationship management (CRM) and loyalty module
- Cloud-based back-end product management system
- Professional services (product data setup, configuration and installation, testing)
- User training

P2-All in 1 with Smart inventory
- POS Software
- CRM and loyalty module
- Cloud-based back-end product management system
- Barcode labelling module
- Handheld (mobile) product management and stocktake software license
- Headquarters (HQ) and warehouse inventory management module
- Professional services (product data setup, configuration and installation, testing)
- User training

P3-All in 1 with smart inventory and integration
- POS Software
- CRM and loyalty module
- Cloud-based back-end product management system
- Barcode labelling module
- Handheld (mobile) product management and stocktake software license
- HQ and warehouse inventory management module
- Electronic point of sale (EPoS) data analytics solution capabilities
- Third party integration module
- Professional services (product data setup, configuration and installation, testing)
- User training

Retail POS Package for Illustration

PSG-Plus package

P4-Customisable package with modular
Features options

Core
- POS Software
- Professional services (product data setup, configuration and installation, testing)
- User training

Selectable Modules
- [ ] CRM and loyalty module
- [ ] Cloud-based back-end product management system
- [x] Barcode labelling module
- [ ] Handheld (mobile) product management and stock-take software license
- [x] HQ and warehouse inventory management module
- [ ] EPoS data analytics solution capabilities
- [x] Third party integration module

A5. Accelerating businesses' net zero transition

Singapore has introduced a comprehensive set of initiatives to achieve our net zero target by 2050. We are the first Southeast Asian nation to impose a carbon tax. Ongoing decarbonisation initiatives by both private and public agencies include maximising the use of solar energy, increasing imports of low-carbon energy and exploring promising low-carbon alternatives like hydrogen, geothermal energy and even nuclear energy.

There is no shortage of Government initiatives to support businesses at different stages of their sustainability journey, to build capabilities, develop their decarbonisation plans, access financing, and to upskill and reskill our workers for opportunities in the green economy. The Government funds many sustainability training programmes to help enterprises and workers gain green knowledge and skills such as awareness of sustainability indicators, greenhouse gas accounting, and sustainability reporting. For example, under the SME Sustainability Reporting Programme, the Government provides grants to SMEs to prepare their first sustainability report more affordably with the help of appointed service providers. The Energy Efficiency Grant, and for larger companies, the Resource Efficiency Grant for Emissions, helps businesses implement energy efficiency projects and enjoy longer-term energy efficiency gains. There are also several industry-led decarbonisation programmes to chart and support implementation of decarbonisation projects. The key is to drive adoption and implementation.

Amidst these efforts to address climate change, we must also pace ourselves carefully, consider global regulatory developments, and the impact on our businesses. To further enhance Singapore's competitive edge and help businesses maximise opportunities offered by sustainability, we propose the following:

- **A5.1 Promote research and development (R&D) in green technologies with public-private participation tailored for SMEs**

  Technology can be a key enabler to help companies decarbonise their operations. Presently, there are various collaborations between the public and private sectors in areas of climate research. However, these often require significant financial resources which can prove to be a hurdle for our SMEs.

  We propose that a public-private partnership collaboration framework be set up where SMEs can pool resources to solve common sustainability challenges which would otherwise impose too high a resource requirement on an individual SME, for example, in carbon capture, utilisation and storage. This model could either be 'top-down' - led by an Institute of Higher Learning or a government research centre of excellence that has a portfolio of technologies to be adopted/scaled or 'bottom-up' - led by SMEs or TACs who have identified a common problem. SMEs can come together to fund the research and development and get preferred licensing terms when the technology reaches high readiness level for scaling into operations. SMEs will benefit by having access to sustainability solutions that they otherwise cannot afford on their own and be able to achieve their decarbonisation goals. The funding approach can follow existing grant schemes where the Government provides up to 70% of the requirement with the remaining coming from the SMEs. An initial fund size of SGD$100m can be considered to fund projects over a five-year period.

- **A5.2 Assist businesses manage impact of the EU's Carbon Border Adjustment Mechanism (CBAM)**

  The EU has taken a lead role in developing measures aimed at protecting the environment. The establishment of its CBAM, soon expected to be introduced in other territories in similar forms, will affect Singapore-based exporters and trading companies. While there may be limited immediate impact, Singapore businesses will be affected by regimes such as this as they inevitably expand in scope and requirements. Our businesses will be expected to comply with these regimes and be subject to increased tax burdens which seek to ensure equivalence between local manufacturers and importers overseas.

  Helping companies to navigate these regimes can reduce their compliance burden. We propose that the Government begins consultations with businesses and tax experts to develop a framework to assist Singapore's exporters or trading companies understand and manage their tax incidence in respect of exports into markets that have CBAM. This framework may include targeted assistance to businesses in different sectors to lower the levels of emissions in their products and minimise any overseas tax burden. The Government can also help fund compliance support initiatives for businesses such as briefings, workshops, and a one-stop portal for assistance with reporting requirements, controls etc.

- **A5.3 Working with TACs as skills development partners to develop certification pathways and professional accreditation for sustainability professionals**

  The Government has established the Green Skills Committee to discuss the development of skills in line with industry needs as they transform to meet the requirements of a sustainable, lower-carbon economy. The initial focus is on skills and training related to clean energy transition and sustainability reporting and assurance. There are sectoral initiatives, e.g. by the Institute of Banking and Finance (IBF) to extend its accredited sustainable finance courses to build sustainable finance capabilities among real-economy companies, particularly our SMEs. There are also many training programmes that offer sustainability-related skills programmes.

  A structured skills development pathway towards professional recognition and accreditation by a recognised body is crucial. Much like the human resource, legal and accounting industries, this helps provide clarity in career pathways for individuals pivoting into this growing field and provide businesses with greater certainty regarding competencies when hiring these individuals.

  It is timely for a professional body to be set up to guide the professionalisation of sustainability practitioners and better prepare our people for this green transition. It could take the form of a public-private sector initiative, similar to the Institute for HR Professionals (IHRP). We recommend that the Government partner a TAC to take on the role of a skills development partner for sustainability, develop certification pathways, provide accreditation and establish an Institute for Sustainability Professionals.

- **A5.4 Targeted sustainability support through decarbonisation roadmaps**

  Currently, there are several sustainability initiatives to help enterprises and workers gain green knowledge and skills such as awareness of sustainability indicators, greenhouse gas accounting, and sustainability reporting. Most of these programmes are broad-based and SMEs without dedicated in-house sustainability capabilities may not know where to start on their sustainability journey. In the joint study by SBF-Bain on "Overcoming Barriers to Singapore SME Decarbonisation", challenges cited by businesses embarking on their sustainability journey include a lack of in-house capabilities, limited awareness of existing solutions and lack of financial support.

  We propose the Government introduce a programme to work together with interested TACs in the development and implementation of step-by-step decarbonisation roadmaps for SMEs, which will help individual business meet its specific decarbonisation objectives. With Enterprise Singapore's support and Bain as a knowledge partner, SBF has piloted such a programme for 21 food manufacturing companies last year, and this model could potentially be scaled up to firms in other sectors, with a focus on the needle-moving sectors with a larger carbon footprint and sectors which are more ready to embark on decarbonisation plans as they have developed their sector specific playbooks and identified potential sectoral decarbonisation interventions.

  This will complement the sectoral playbooks published by Enterprise Singapore, but will cater to the specific needs of the business. The programme could include components such as a comprehensive energy audit, which will help identify high electrical consumption activities of the business and detailed guidelines on implementing energy-saving measures. To further incentivise action, the programme could support SMEs in gaining access to funding required to undertake various tasks or action points under the roadmap including grants and subsidies available under the Enterprise Development Grant.

- **A5.5 Reducing Goods and Services Tax (GST) costs in connection with the sale of carbon credits**

  From 23 November 2022, the issuance, transfer, or sale of carbon credits (or any digital representation of the carbon credit) is treated as neither a supply of goods nor a supply of services (i.e., an excluded transaction). While this is good news to businesses which buy carbon credits to offset their carbon footprint as they will not incur GST on their purchase of carbon credits, it may not be the case for companies that sell carbon credits.

  Firstly, a business that makes supplies comprising solely the sales of carbon credits (e.g. a carbon credit trader) will not be eligible for GST registration under the normal taxable turnover regime as the sale of carbon credits is no longer a taxable supply. This in turn means that the business will not be eligible to recover the GST on its business expenses and will be subject to reverse charge (self-accounting of GST) if it procures imported services in excess of an annual threshold. Secondly, if a GST-registered business sells its excess carbon credits and incur any expenses in connection with the sales (e.g. commission, legal fees), the GST incurred on the expense is not recoverable as input tax credit as the sale is an excluded transaction.

  Arising from the input tax restriction, the GST-registered business may be subject to reverse charge rules when it procures services from overseas vendors. The efforts required to comply with reverse charge rules can be significant for businesses with high volumes of imported services.

  To further support Singapore in its efforts to build a vibrant carbon credit ecosystem, we suggest legislative changes be made to allow businesses to:

  - Apply for voluntary GST registration arising from their sales of carbon credits; and
  - Claim input tax credits on expenses (including general overheads) incurred in connection with the purchase and sale of carbon credits.

  It is worth noting that the current GST legislation has accorded similar benefits to businesses that make out-of-scope supplies (e.g. sale of goods located outside Singapore).

A6. Alleviating cost of doing business with a one-off property tax rebate

During the COVID-19 pandemic, owners of qualifying non-residential properties were granted a property tax rebate of up to 100% on their property tax payable for the year. The landlords of these properties were required to pass on to their tenants the property tax rebate, either by reducing or offsetting current or future rentals or by making monetary payments to their tenants. This measure was instrumental in helping businesses manage their rental costs during a period of significant economic disruption.

While economic normalcy has returned, rental costs has emerged among the top three challenges for businesses according to SBF NBS 2024 – Annual Business Sentiments Edition, increasing from 36% in 2023 to 43%. According to the Urban Redevelopment Authority’s commercial rental index, the rental index of office space in the central region was 201.8 in the third quarter of 2024 compared to 199.5 points in the same quarter of 2023.

To alleviate cost pressures faced by businesses, particularly in view of the uncertain economic outlook, we propose the **Government grant a one-off property tax rebate for non-residential properties**. This would be similar to the measure implemented to help businesses tide over the COVID-19 pandemic, as it relieves the financial burdens on businesses, allowing them to allocate resources to deal with possible challenges from the uncertain economy or towards growth and innovation.

We propose granting a **property tax rebate of up to 50% on the property tax payable for the year 2025 for owners of qualifying non-residential properties with a mandatory pass-through to tenants**. The rebate can be calibrated in its approach to provide more targeted support, for example, by having an absolute dollar cap to provide more support for SMEs which are more likely to pay lower rentals.

Owners of qualifying properties should be required to unconditionally and fully pass on an amount of property tax rebate to their tenants that is attributable to the rented property based on the period it was rented out. The owners can either reduce or offset current or future rentals or make monetary payments to tenants within a prescribed timeframe.

For property owners who have passed on the property rebate in the form of reduced rent or rental offset, only the reduced rental income derived will be brought to tax in the hands of the property owners. To prevent any adverse tax impact for property owners who have passed on the property tax rebate benefit in the form of monetary payments, a specific tax treatment should be introduced to allow tax deductions on such monetary payments. The monetary payments received by tenants should also be made tax exempt.

Strengthening workforce transformation through enterprises

B

B. Strengthening workforce transformation through enterprises

The AfA on Business Competitiveness Report has outlined 11 manpower-related recommendations to (a) maximise human capital potential of our local workforce, (b) expand access to complimentary foreign workers, (c) provide transitionary manpower support for firms undergoing transformation and (d) streamline manpower regulation requirements to reduce business costs. We believe the implementation of these recommendations will provide both some short-term relief while generating long-term returns to deal with the pain points of businesses on manpower matters.

Nonetheless, high manpower costs remained a perennial concern for businesses. In the NBS 2024 – Annual Business Sentiments Edition, it was cited as the top challenge for businesses (66%). The concern is with wage increases that outpaced productivity growth, particularly in the domestically oriented sectors, along with mandatory wage increases to uplift the low wage workers for societal outcomes. Productivity-led wage increases is the only sustainable path to income growth, and skills upgrading is the key to productivity growth. The good news is that based on NBS 2024, more businesses (36% - a 7% per cent increase) are prepared to increase investments in staff training.

It is crucial that skills upgrading be more tightly coupled with enterprise transformation, which provides the basis for job redesign. The AfA acknowledged the utility of the SkillsFuture Enterprise Credit (SFEC) scheme, introduced in 2020 to provide companies with a one-off $10,000 credit to help them defray out-of-pocket expenses on qualifying enterprises and workforce transformation programmes. Since 2020, more than 30,000 enterprises have utilised the SFEC, and the Government has extended the SFEC till June 2025.

Our proposals in this section build on the AfA recommendations on strengthening workforce transformation by better enabling enterprises as the agent of change while providing relief to address the increased manpower costs.

B1. Enhancing/Repurposing SkillsFuture Enterprise Credit (SFEC)

Workforce transformation outcomes are best achieved when tightly coupled with enterprise transformation. Today, schemes for enterprise and workforce transformation are discrete, and applying for multiple grants can impose a significant burden on businesses, especially SMEs. In the AfA Business Competitiveness report, we have recommended extending the SFEC or repurposing the scheme beyond the current expiry in June 2025 to strengthen support for enterprise and workforce transformation.

We recommend introducing an Enterprise and Workforce Transformation Grant (EWTG) either as an enhanced tier within SFEC or a replacement of SFEC to incentivise businesses that undertakes enterprise and workforce transformation in tandem. The EWTG should incorporate the following key features:

- **B1.1 Higher grant quantum cap**

  It should offer a substantial quantum cap of $100,000, providing enterprises with significant financial support to undertake meaningful transformation initiatives. This high cap is designed to enable enterprises to embark on meaningful transformation moves that can drive long-term growth and competitiveness.

- **B1.2 Flexible usage for enterprise and workforce transformation**

  The grant can be utilised flexibly to address both enterprise and workforce transformation goals. This includes funding for digital and productivity-enhancing solutions, job redesign efforts, and comprehensive training programmes. By supporting a wide range of transformation activities, the grant ensures that businesses can tailor their use of funds to meet specific needs and objectives, fostering a more adaptable and skilled workforce.

- **B1.3 Structured as a time-limited wallet**

  To promote proactive engagement and utilisation, the grant should be structured as a wallet that businesses can access for a limited period. This approach encourages businesses to take ownership of their transformation journey and make timely, strategic investments in their operations and workforce.

- **B1.4 Contingent on transformation plan**

  To ensure the optimal deployment of grant funds, access should be contingent upon businesses submitting a detailed enterprise and workforce transformation plan. This requirement ensures that the funds are used strategically and effectively. Additionally, businesses should be allowed to allocate a portion of the grant to hire a qualified advisor or consultant to help develop this plan if they do not already have one. These advisors or consultants should be pre-qualified by a relevant TAC to guarantee quality and affordability, ensuring that businesses receive expert guidance in their transformation efforts.

B2. Accelerate job redesign across enterprises

In today's rapidly evolving business landscape, job redesign is essential for enhancing efficiency and productivity. The SBF NBS 2024 Manpower & Wages Edition[6] indicates that 58% of businesses view job redesign primarily as a modification of current roles. Notably, 50% plan to implement these initiatives within the next year, reflecting a significant increase from 43% previously. However, only one-third of businesses consider technology adoption and automation as essential components of job redesign.

The Government can play a transformative role by expanding support schemes and promoting awareness of effective job redesign practices, both to support enterprise transformation and the fractionalisation of jobs to foster a more inclusive workforce. The Government has introduced the Productivity Solutions Grant – Job Redesign (PSG-JR) grant that provides up to 50% (for SMEs) and up to 30% (for non-SMEs) for consultancy services, capped at $30,000 per enterprise. We recommend the following enhancements to PSG-JR:

- **B2.1 Expanding coverage to include a broader scope of job redesign-related costs**

  The PSG-JR grant should extend its scope beyond consultancy fees to encompass a wider array of expenses associated with job redesign. Job redesign often necessitates significant workflow modifications, which can be complex and resource intensive. The funding should therefore cover the procurement and implementation of HR tools, automation software, and flexible work solutions tailored for shift-based or part-time roles. It should also cover training and workforce solutions, such as shift management tools and on-the-job training costs. By broadening the scope of the grant, businesses can better equip themselves to navigate the challenges of job redesign, ultimately leading to enhanced productivity and employee satisfaction.

- **B2.2 All-in-one Job Redesign Grant to cover an end-to-end job redesign project**

  While it is possible to secure funding for some of these technology solutions through other grant schemes, such as the PSG or EDG, the process of applying for multiple grants for different aspects of job redesign can be cumbersome and time-consuming. This fragmentation can deter businesses from pursuing necessary changes. Therefore, consolidating the application process for these various funding schemes under a single framework or agency can streamline access to resources and reduce administrative burdens. A unified approach would not only simplify the process but also encourage more businesses to engage in job redesign initiatives, fostering a more adaptable and resilient workforce in the long run.

- **B2.3 Support capability building of internal job redesign teams**

  The current funding model requires that companies rely on external consultants for job redesign, a practice that can impede agility and responsiveness in an ever-changing business landscape. As organisations strive to adapt to new business models and external pressures, this dependence on outside expertise may prove inefficient, slowing down essential transformations. By shifting the focus towards developing internal capability, businesses can empower their teams to take ownership of job redesign initiatives. This approach not only fosters a culture of innovation and adaptability but also enables firms to respond more swiftly to workforce changes and market demands. Investing in internal capabilities can catalyse job redesign efforts, ensuring that organisations remain nimble and competitive in a dynamic environment. Ultimately, this strategic shift will enhance operational efficiency and drive sustainable growth, positioning businesses to thrive amidst uncertainty.

- **B2.4 Changing the grant limit of $30,000 per enterprise to a per-project cap**

  This could incentivise firms to undertake multiple job redesign initiatives, thereby broadening their overall impact. This adjustment would allow organisations to allocate resources more flexibly, tailoring funding to the specific needs of each project. By encouraging a strategic approach to redesign efforts, businesses can foster innovation and create synergies that enhance productivity and employee satisfaction. Ultimately, this revised funding framework would promote a more dynamic and responsive business environment, positioning firms for sustained success in a competitive landscape.

[6] Singapore Business Federation. National Business Survey 2024 – Manpower & Wages Edition. 22 August 2024.

B3. Promoting job fractionalisation to maximise untapped labour pools

Beyond the PSG-JR grant, we urge the Government to further promote job fractionalisation to better meet the challenges faced by businesses in terms of manpower availability. Job fractionalisation can be used to help companies tap into under-utilised labour pools including seniors, persons with disabilities, gig-workers and caregivers for both white- and blue-collar job roles. This requires companies to fractionalise job roles into discrete tasks that can be stacked and bundled depending on the availability of skills. We recognise that not all roles are suitable for fractionalisation, especially those that are time-sensitive or customer-facing, where continuity is paramount. Companies are also concerned about the impact on teamwork and increased costs in supporting fractionalised employment. But the upside is that by leveraging fractional work, businesses can scale their workforce up or down as needed, ultimately leading to increased efficiency, profitability and innovation.

To promote job fractionalisation, we recommend the following:

- **B3.1 Develop tripartite standards on fractional employment**

  These standards should include designated "handover periods" to ensure smooth transitions between part-time and full-time staff, minimising disruptions in workflow. Many companies are unfamiliar with the legal and practical aspects of fractional employment. Clear guidelines can increase awareness around the arrangement and aid smoother adoption. Additionally, protocols should be developed to address communication challenges that may arise due to the nature of part-time work, such as ensuring consistent and clear communication channels and regular updates. This initiative aims to make part-time roles more feasible and attractive for both employers and employees by addressing potential implementation difficulties.

  TACs can also play a crucial role in raising awareness of these programmes to boost participation among businesses, particularly SMEs. By creating resources that highlight success stories and best practices in job redesign, workforce transformation, and the implementation of flexible work arrangements, this can further encourage businesses in hiring these workers. With the depth of information available, the TACs can also establish a platform to connect businesses with skilled individuals seeking fractional roles: This could be a dedicated online portal or integrated into existing job platforms with clear "fractional" or "project-based" filters.

- **B3.2 Provide funding support for part-time workers for training and salary support during their period of training**

  This support should cover training programmes designed to help part-time workers acquire new skills, enabling them to transition between different job roles and tasks. Such flexibility in task assignments will make part-time positions more viable and attractive. As recommended in the AfA for Business Competitiveness report, this could involve expanding the scope of existing Career Conversion Programmes (CCP) to include part-time or flexible work roles. This approach not only supports the professional development of part-time workers but also enhances their employability and adaptability in a dynamic job market.

- **B3.3 Work with TACs to set up platforms to manage fractionalised workforce**

  Such a platform can help to standardise common tasks, integrate robust IT systems for scheduling and payroll, and ensure compliance with labour laws. By providing flexible work arrangements and leveraging government subsidies, the platform would reduce the administrative burdens for SMEs in managing their part-time workforce, allowing them to focus on core business activities while offering flexible employment opportunities to more workers.

B4. Extending wage cost relief to businesses especially for lower to middle income workers

According to the National Wage Council's Guidelines for 2024/2025, overall labour productivity as measured by real value-added per actual hour worked rose by 3.0% year-on-year in the first half of 2024. However, productivity growth was uneven across sectors, with outward-oriented sectors achieving a 5.4% increase, while domestically oriented sectors saw only a modest 0.4% rise. Over the corresponding period, overall unit labour cost (ULC) rose by 3.3% year-on-year in the first half of 2024, extending the 5.4% year-on-year increase in the second half of 2023. While the rise in unit labour costs have moderated in some sectors such as manufacturing and transportation and storage, several service sectors continue to see high increases in labour costs, with total labour costs outstripping productivity especially in sectors such as F&B and Retail. In the SBF NBS Business Sentiment 2024 Survey, manpower costs continued to be cited as the top challenge businesses face.

Even as we step up support to enterprises to upskill, reskill their workers and help them re-design jobs to meet changing business and demographic needs, some immediate relief to the increased manpower costs is needed to tide through the current uncertainty. We propose three measures.

- **B4.1 Extend the 50% first tier support for the Progressive Wage Credit Scheme in 2025**

  The Progressive Wage Credit Scheme (PWCS) has helped employers adjust to the effects of mandatory wage increases for lower wage workers covered by the Progressive Wage and Local Qualifying Salary requirements. In Budget 2024, the Government increased the co-funding from 30% to 50% of wage increases given by employers to eligible lower wage workers, and committed to raise the wage ceiling in 2025 and 2026 to $3,000 – up from $2,500 per month. We propose to extend the 50% first-tier support for another year.

- **B4.2 Defer the increase in Foreign Worker Levy (FWL) by a year to 1 September 2026**

  In Budget 2022, the Government increased the Foreign Worker Levy (FWL) for Tier 1 S Pass holders from $450 to $550 per month on 1 September 2023 and announced that it is due to increase again to $650 per month on 1 September 2025. We propose deferring the increase by another year to September 2026.

- **B4.3 Provide a one-off wage cost relief to businesses**

  This would help businesses better manage a key concern: elevated manpower costs under conditions of uncertainty. This could be done through a corporate income tax (CIT) rebate. For example, the Government could extend the CIT rebate given in Budget 2024 for another year. Alternatively, the Government could target manpower costs more directly through a wage credit scheme for Singapore citizen employees earning between $3,000 and $5,500[7]. Such wage credits schemes were first introduced in Budget 2013 but have lapsed since 2023.

  Taken together these measures will help employers defray some of their manpower costs as they continue to invest in productivity and workforce transformation efforts necessary to achieve long term productivity gains.

  Should there be concerns that such forms of relief may become a crutch for companies that may not be investing for long term transformation, the Government could introduce conditions that limit access to such forms of manpower relief to companies willing and able to transform. For example, such forms of relief could be limited to companies that take up enterprise and workforce transformation grants as this would demonstrate the companies' commitment and effort to transform.

[7]Based on MOM's data, the median income of Singaporeans in 2024 is $5500.

Enhancing business ecosystem for greater competitiveness

C

C. Enhancing business ecosystem for greater competitiveness

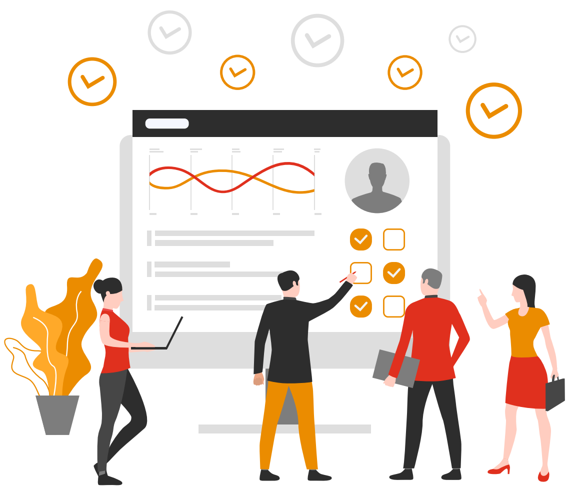
Singapore's ability to remain a premier global business hub hinge on its adaptability and forward-thinking strategies. However, Singapore faces several challenges that could potentially undermine its competitive edge as a global business hub. The implementation of the Global Anti-Base Erosion Model Rules (Pillar Two) from January 2025, which mandates a minimum effective tax rate of 15% for large multinational enterprises (MNEs), is likely to reduce the attractiveness of Singapore's traditional tax incentives. This change could diminish Singapore's appeal to foreign investors. Moreover, the quiet initial public offering (IPO) market in recent years is another area for concern.

The rising cost of business operations, coupled with complex regulatory and compliance requirements, poses significant hurdles for companies operating in Singapore. These challenges are particularly pronounced for SMEs, which often lack the resources to navigate these complexities.

Despite the challenges, Singapore has significant opportunities to strengthen its business ecosystem and uphold its position as a premier financial hub. By focusing on reducing business costs and enhancing operational efficiencies, Singapore can foster a more dynamic and resilient business environment. Addressing these areas will help create a robust ecosystem that supports innovation, growth, and long-term global competitiveness.

C1. Deepening our capital markets

According to PwC's "Equity Capital Markets Watch – 2024 Year in Review, Singapore and Southeast Asia[8], Singapore's IPO market was the least active in terms of IPO deals and funds raised in 2024 among 4 countries analysed. There were only 4 IPO deals in 2024 on SGX's Catalist platform with raised funds of US$30m. In focus group discussions conducted by SBF, business leaders had identified stringent IPO processes and high compliance costs as key challenges.



[8]PwC Singapore. Equity Capital Markets Watch – 2024 Year in Review, Singapore and Southeast Asia. 16 December 2024..

To strengthen Singapore's position as a leading financial market and complement the expected increase in private capital raising activities in Asia, we recommend the following:

- **C1.1 Introduce a concessionary tax rate for income derived by Singapore listed companies for the initial years of listing**

  To encourage companies listing on SGX, we propose introducing a concessionary tax rate for qualifying income from trade or business derived from newly listed companies for the initial years of listing (e.g. 3 years).

  Pillar Two of the GloBE model rules prescribe a global minimum effective tax rate of 15% for large MNEs with annual group revenue of EUR£750m or more. A concessionary tax rate tier of 15% can be considered for large MNEs to align with the Pillar Two rules.

- **C1.2 Granting tax deduction on notional interest rate on equity**

  Currently, interest expenses are generally tax deductible, but no such deductions are allowed when a business obtains funds through equity. The asymmetric tax treatment creates a bias in investment decisions towards debt financing. By imputing a notional interest on equity and granting tax deduction on the notional interest, it will create a level playing field for debt and equity from a tax perspective and encourage businesses to seek funding through equity.

  Similar notional interest deductions on equity are also available in several countries such as Cyprus, Portugal and Switzerland, though in different forms. On 11 May 2022, the European Commission (EC) also issued a proposal for a directive introducing a tax allowance on increases in company equity (together with a limitation on the tax deductibility of debt interest payments) to place debt and equity financing on an equal footing.

  The Government can consider granting notional interest deductions on new equity paid in cash, whether in the form of ordinary or preference shares, redeemable or convertible shares, which is specifically used to finance income-producing assets.

  Such a notional interest deduction will only be for calculating taxable profit and will not affect accounting profits. The notional interest can be computed based on new equity multiplied by a notional interest rate. The notional interest rate can be calculated by reference to certain market rates such as those of long-term government bonds. Such a notional interest deduction on equity should also be subject to the same restriction applicable to interest expense arising from debt liability. There should also be a recapture mechanism for decreases in equity.

- **C1.3 Granting tax deduction (including enhanced deductions) of listing costs**

  Currently such costs may not be tax deductible where they are not considered to be incurred wholly and exclusively in the production of income. Granting a specific tax deduction for such costs provides incentive to companies looking to list in Singapore versus pursuing a listing elsewhere and recognises that listed companies provide economic spin-offs to the broader economy.

- **C1.4 Streamlining the IPO process**

  Currently, the process of listing on SGX can take up to a year's time depending on size and complexity of a company. A review could be conducted to further streamline the listing process for example, the number of mandatory documents could be streamlined according to absolute needs and businesses who already have listings in other jurisdictions could receive further pre-clearance in the process.

  C1.5 Restructuring Listing Grant to a milestone-based disbursement model.

  The Listing Grant was introduced by the MAS to help issuers to defray listing-related expenses. Currently the grant is provided only after successful listing, which could take anywhere from 6 to 12 months. By restructuring the Listing Grant to a milestone-based disbursement model, it helps to mitigate the financial risk to the potential IPO company in the event of an aborted IPO.

C2. Enhancing Singapore's tax regime to remain competitive

The Global Anti-Base Erosion Model Rules (Pillar Two) (GloBE Model Rules) are part of an initiative of the OECD/G20 Inclusive Framework, comprising about 140 jurisdictions, to curb base erosion and profit shifting arrangements arising from a diverse international tax landscape. It does so by calling for the introduction of a top-up tax that would ensure that large MNEs - those with consolidated annual revenues of EUR£750m or more - pay tax at an effective rate of at least 15% on profits earned in the jurisdictions in which they operate.

Singapore has implemented Pillar Two with effect from 1 January 2025. As the top up tax under the Pillar Two regime will likely diminish the attractiveness of Singapore traditional suite of tax incentives to foreign investors, the Government has introduced new tiers of incentive tax rates and has proposed a new Refundable Investment Credit (RIC) scheme to attract investors and assist MNEs with compliance with the Pillar Two rules. We recommend the following:

- **C2.1 Keep the implementation of the RIC scheme flexible**

  The RIC has garnered substantial interest among businesses given the attractive benefits that come with it. However, it is currently only granted in respect of qualifying expenditures incurred in carrying out qualifying activities. Long-term investments or projects need time to produce outcomes. We propose that the RIC scheme be enhanced whereby credits can be granted based on both inputs to the business, i.e. qualifying expenditures, as well as economic outcomes achieved by the business. Such outcomes can be increase in revenue, number of patents registered or amount of greenhouse gas emissions reduced given that these may also be considered measures of contribution to the economy.

  In addition, while RIC can cover qualifying green projects, some of these investments may be conducted overseas. As long as the ideation, project management, key knowledge and talent associated with the project are in Singapore, consideration should be given to granting RIC on such cross-border collaboration.

- **C2.2 Assistance with compliance with the new tax framework**

  The Government can provide support to MNEs covered under the Pillar Two rules to enable them to better comply with the registration and filing processes. Clarification should be provided as to when penalty may be waived or provide a penalty-free grace period. To further strengthen our position as a business-friendly environment, a dedicated helpdesk or advisory service can be established specifically to assist businesses with queries and compliance issues under the new tax framework. The Government can also consider adopting simplified compliance procedures or introduce a more flexible enforcement framework during the initial stages of the Pillar Two implementation to help businesses ease into the new regime.

C3. Accelerate economy-wide adoption of digital invoicing for efficiencies

InvoiceNow is a nationwide e-invoicing network that enables companies of all sizes to process invoices in a more efficient manner, reducing business costs and shortening payment cycles. While the Infocomm Media Development Authority (IMDA) estimates that InvoiceNow can save companies about $8 per invoice in terms of reduced manhours and increased efficiency, this may not be a sufficient incentive for some companies. Furthermore, the Government has sunset the existing financial support, including the Connect Grant and the Transaction Bonus in October 2024.

On 15 April 2024, the Inland Revenue Authority of Singapore (IRAS) announced the requirement for businesses which will be applying for voluntary GST registration to transmit invoice data to IRAS using InvoiceNow solutions via the InvoiceNow network. It is unclear when this new requirement will also be made mandatory for the rest of the GST-registered businesses.

To support businesses, the InvoiceNow Accelerate initiative was launched in April 2024 to provide newly incorporated businesses with one year of free InvoiceNow services. Established businesses will however need to incur costs to adopt the system. To accelerate economy-wide adoption of e-invoicing, we recommend the following:

- **Government to reinstate financial support for businesses** to transit into e-invoice processes. This is to cover integration and potential additional software costs required for businesses to integrate their existing processes with e-invoicing. The support could be a variant of the earlier Connect Grant and the Transaction Bonus.

- **Expand the InvoiceNow Accelerate programme to help "Queen Bees" drive adoption in their supply chain**. Currently, the programme offers one year of free InvoiceNow services starting from April 2024 to newly incorporated businesses. We propose expanding this support to more established businesses which could further promote adoption across the board, ensuring that a critical mass of businesses can benefit from the efficiencies and cost savings associated with e-invoicing. The programme could also be expanded to include a range of professional services so that integration costs can be covered.

C4. Leveraging procurement to drive transformation

Projects and procurement opportunities in both the public and private sectors are crucial avenues for SMEs' growth in Singapore, as these expand their potential customer pool, grow their revenue and enhance their brand reputation. While the Government has continuously streamlined the ease of access to these business prospects, there remain areas that SMEs struggle with, for example, onerous tender requirements, excessive documentation requirements, bundling of projects and timely payments which impacts their cash flows.

Similarly, procurement projects and processes in the public sector in Singapore can be improved and streamlined as well to a standardised best practice, where larger businesses can help uplift local SMEs in their supply chains by adopting fair, transparent and prompt procurement best practices. This is crucial to maintaining Singapore's reputation as a fair and transparent business eco-system.

Larger businesses can be encouraged to play a role in uplifting the capabilities of SMEs in their supply chains using government procurement as a lever. They can better support SMEs in two key areas - strengthening SMEs' cybersecurity standards and catalysing sustainable practices in SMEs. According to the Cyber Landscape 2023 report, a significant majority of organisations (80%) have experienced at least one cyber security incident within a year, and nearly half has faced multiple incidents. Cyber-attacks have become increasingly sophisticated, with AI-powered techniques like data poisoning and deepfakes posing significant threats. Given the interconnected nature of ecosystems, even the most vulnerable companies can compromise the security of the entire system. Therefore, it is imperative for larger enterprises to pay attention to the cyber resilience of less sophisticated enterprises in their supply chains. In the joint study by SBF-Bain on "Overcoming Barriers to Singapore SME Decarbonisation", only one-third of SMEs indicated that they have made significant decarbonisation progress and had cited lack of awareness and in-house capability as key barriers. Hence, more can be done to catalyse sustainable practices and capabilities in SMEs using green procurement as a lever. Large corporations could similarly be incentivised to integrate sustainability criteria or providing targeted assistance to their suppliers to catalyse their transformation.

With the above in mind, we propose the following:

- **C4.1 Expand Tender-Lite to more business sectors**

  The Government has launched Tender-Lite for general goods and services, which requires a simplified procurement process for government tenders between $90,000 and $1 million. This is a welcomed initiative, and we propose that the Government expands Tender-Lite to include other sectors, such as construction and IT services to benefit more SMEs in Singapore.

- **C4.2 Support large enterprises (Queen Bees) that use procurement to raise standards of SME suppliers**

  Procurement can become an important lever for encouraging SMEs to digitalise or embark on their net zero transition pathway. Today the Government already takes the lead in using procurement as a lever to shape SMEs' behaviour. More can be done to encourage larger companies to do the same. We propose catalysing this especially in nascent areas such as encouraging SMEs' adoption of cybersecurity and promoting green procurement.

  Specifically, we recommend the Government to provide tax and financial incentives to large enterprises that:

  - Require their SME suppliers to adhere to certain green procurement and cybersecurity standards, for example by holding a Cyber Essentials certification.

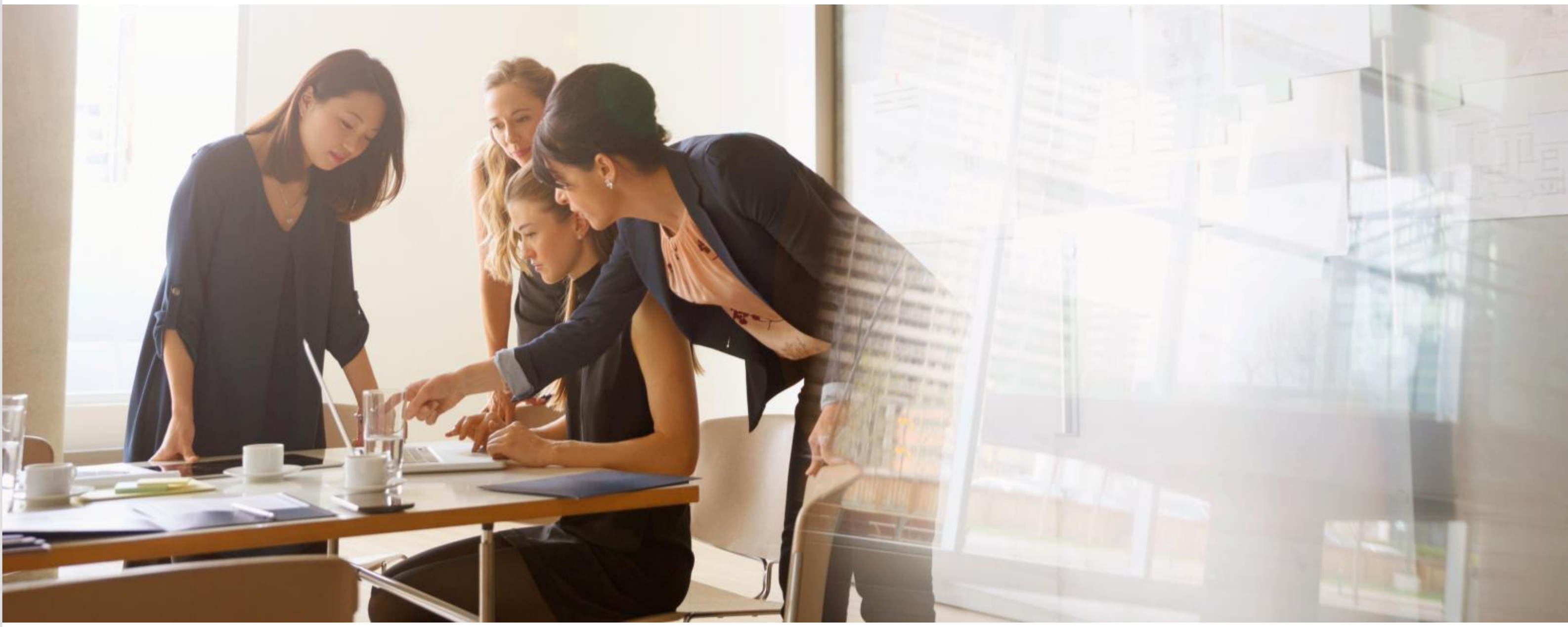
  - Commit to strengthening capabilities and standards of their SME ecosystem including, for example, by implementing simulated phishing exercises to test their suppliers' preparedness and identify vulnerabilities.

  The tax and financial incentives can be modelled on the Partnerships for Capability Transformation (PACT) scheme and include manpower support for the Queen Bees for implementation of capability building programmes for their SME suppliers but, unlike PACT, such a scheme should be extended beyond MNEs to include other large enterprises that may have extensive influence over their SME supply chains. Should such an approach of 'responsible procurement' be successful in mobilising action amongst SMEs, it can be similarly used to promote other causes such as progressive workplaces and skills upgrading.

C5. Develop and implement national prompt payment code of conduct

SMEs are a vital part of Singapore's economy, contributing to nearly half of our GDP and employing around 70% of the local workforce. Of the many challenges SMEs encounter, timely payments represent one of the most critical to resolve. Prompt payments enable small businesses to uphold the service, support, and quality standards they promise their customers. Receiving payments promptly allows them to meet financial obligations without compromising on excellence. Reliable payment practices also help small suppliers plan effectively for their operations, recruit and retain skilled professionals, invest in essential tools and technologies, and maintain a steady supply chain. This consistency ensures they can deliver quality products or services, promoting customer satisfaction and loyalty. A small business's ability to secure trusted suppliers also comes from being able to pay bills quickly.

We propose that the Government work with businesses to develop and implement a national level prompt payment code of conduct, like those successfully implemented in Australia, New Zealand and the United Kingdom. This voluntary code can serve as a framework emphasising fair and timely payment terms like milestone payments, simplified submissions of invoices and transparent verification processes. Businesses and government agencies should be encouraged and incentivised to pledge adherence to this code. This will foster a culture of prompt payment and mutual respect, strengthening relationships between businesses and buyers of their goods and services.



Strengthening business contribution to social compact

D

D. Strengthening business contribution to social compact

Strengthening business contributions to the social compact is crucial as it fosters a sense of shared responsibility and trust within the community. Businesses have increasingly recognised their pivotal role in addressing societal challenges and fostering a sustainable and equitable future. By actively engaging in corporate giving and volunteering, social stability is enhanced and a cohesive society is formed where collective efforts drive common goals and community well-being.

Corporate volunteering serves as a powerful tool for empowering vulnerable groups and nurturing active corporate citizenship. It provides businesses with the opportunity to develop essential skills within their workforce, such as communication, teamwork, and empathy, while simultaneously enhancing their reputation. Despite the inherent challenges in measuring social impact, the collaborative efforts of various organisations highlight the potential for impactful corporate social responsibility initiatives. Scaling these efforts is essential to maximising their impact and ensure a robust social compact that will sustain future generations.

D1. Strengthening efforts to build a sustainable pool of corporate volunteers

As we celebrate SG60 this year, businesses can do more in giving back and contributing to One Team Singapore. The Company of Good Cohort report (2024) stated that 290 certified companies have collectively donated $323 million and contributed 800,000 volunteer hours. A Corporate Giving Study done by National Volunteer and Philanthropy Centre (NVPC) in 2021 reflected that 75% of the participating businesses surveyed engaged in at least one form of giving – investment, integration or institutionalisation. This reflects a growing trend of businesses addressing societal challenges and creates a sustainable and equitable future.

Corporate volunteering is one area where a greater push can be made to strengthen the social compact by building trust and shared responsibility, empowering the vulnerable and nurturing active corporate citizenship. Companies benefit directly too from reputational benefits that enhance attractiveness to talent, equipping teams with essential skills in communication, teamwork and empathy and fostering a culture of creativity.

We recommend that the Government work with TACs to set up a Corporate Volunteering Office to:

- Better operationalise and synergise our offerings to businesses to be socially impactful, including participating in volunteering programmes at a national level;
- Analyse gaps in the corporate volunteerism process and work closely with the relevant agencies on interventions to address these gaps as a representative of the business community;
- Support businesses across the various stages of the volunteering journey, and
- Articulate the impact of corporate volunteering efforts on the business itself and the community.

D2. Develop a unified framework for social responsibility reporting

Singapore companies are demonstrating a commitment to social responsibility beyond profit to create positive change in the workplace and communities.

However, a key challenge is the lack of a unified framework for defining, measuring, and developing the social pillar for Environmental, Social and Governance (ESG) initiatives. There are currently a myriad of frameworks including the Sustainability Philanthropy Framework, SGX Core ESG Metrics, Tripartite Alliance for Fair & Progressive Employment Practices' (TAFEP's) Fair Employment Practices, Ministry of Manpower's Fair Consideration Framework, and NVPC's Corporate Purpose Framework.

They often overlap or address specific aspects of social responsibility, creating confusion and hindering companies' ability to demonstrate accountability, transparency, and measure their social impact effectively. This lack of standardisation also makes it difficult for businesses to benchmark their performance against industry peers, potentially limiting their motivation to contribute to societal well-being.

We recommend that the Government work with TACs to establish a 'social responsibility' framework that enables companies to measure, report and benchmark their social responsibility efforts. As part of the study the Government could explore benchmarking key metrics and best practices of advanced jurisdictions.

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