



**SME  
COMMITTEE**

BUDGET

**2020**

RECOMMENDATIONS

Summary Report

Singapore Business Federation  
The apex platform promoting the growth and vibrancy of the  
Singapore business community



# ABOUT THE SBF SME COMMITTEE (SMEC) ANNUAL BUDGET RECOMMENDATIONS

The SBF SME Committee (SMEC) has been providing recommendations to the annual Singapore Budget since the committee's inception in 2011. The recommendations are rigorously put together through collective inputs from business leaders and representatives from the various Trade Associations and Chambers (TACs). The SMEC also obtains feedback from various government agencies in coming up with the recommendations. SBF is grateful to have this platform that has effectively brought together businesses, TACs and our Government, to engage in regular meetings with one another. This document is a summary of the SBF SMEC's full Budget 2020 Recommendations.

## BUDGET 2020 RECOMMENDATIONS

### ONE-STOP DIGITAL TRADE PLATFORM TO ENABLE TRADE AMONGST ORGANISATIONS

Our Government has been driving the digital transformation of our economy and its various sectors. Through initiatives like the Industry Transformation Maps, Industry Digital Plans and SMEs Go Digital programme, our Government has been helping companies to digitalise their processes to improve productivity.

Growing revenue has remained the number one priority of our local businesses for three consecutive years<sup>1</sup>. Our Government can help B2B companies grow their businesses more by encouraging, enabling and optimising trade amongst them.

Companies are also more likely to adopt digital solutions such as e-invoicing and e-payments with greater sales opportunities generated from a one-stop digital trade platform. With a firm focus on revenue growth, businesses can align their key processes to a digital strategy, riding on a good digital trade platform.

#### **Recommendation:**

Our Government to develop a one-stop digital trade platform, or encourage the usage of available procurement platforms, by leveraging GeBiz and government spending on local SMEs' products and services, so as to enable buying and selling activities amongst companies online.

## INCREASE SUPPORT TO SME FINANCING

The 2018 SBF 'Singapore's SME Debt Financing Landscape' study identified a 15% (or S\$19 billion) credit demand gap of the total approved loan facilities extended to SMEs. The study identified that an increase in lending via invoice financing could have a significant impact on closing the credit demand gap.

The Loan Insurance Scheme (LIS) supports short term financing lines such as invoice financing. By enhancing the LIS to encourage invoice financing, it would help meet the financing needs of SMEs without collaterals and those with a higher risk profile. The enhanced support from LIS could also help SMEs shift to e-invoicing as they tap on invoice financing through the LIS.

### Recommendation:

Our Government to increase the sharing of the cost of insurance from 50% to 70% for the LIS.

## GOVERNMENT TO SUPPORT AND ADOPT A PAYMENT CODE OF CONDUCT

The SBF National Business Survey 2019/2020 found that almost 50% of the late payments experienced by companies were above 30 days past due, which is on top of the average two months credit term they offer. This trend in late payment had caused seven in 10 businesses to face moderate to severe cash flow issues.

The Australian Government had implemented a Supplier Payment Code in May 2017. In their Code, the signatories commit to pay eligible Australian small business suppliers on time and within 30 days of receiving a correct invoice. 69% of the respondents to the SBF National Business Survey 2019/2020 felt that a similar code would help reduce late payment in Singapore.

SBF is prepared to take the lead in setting up a similar payment code of conduct for our local business community. It would be important for our Government to endorse and adopt the payment code of conduct, as it plays an important leadership role that catalyses behavioural change in local businesses. The adoption of payment timeliness and e-invoicing could be further stimulated with shorter payment terms to businesses that issue e-invoicing for Government contracts.

### Recommendation:

Our Government to support SBF in the development of a Payment Code of Conduct for Singapore. Government Procurement Entities should endorse and adopt this code. Our Government should also use this development to proliferate the adoption of e-invoicing by paying its suppliers that e-invoice even faster and introduce incentive schemes for larger enterprises to onboard their SME suppliers onto e-invoicing platforms.

## **PROMOTE COLLABORATION BETWEEN A\*STAR AND LOCAL ENTERPRISES TO CONDUCT MORE RESEARCH AND DEVELOPMENT (R&D) ACTIVITIES AND CHANNEL MORE RESEARCH FUNDS DIRECTLY TO PRIVATE ENTERPRISES**

R&D is an investment in Singapore's future as a knowledge-based economy. This thrives on innovation and enterprise. A stronger push to encourage collaboration between Research Institutions (RIs) like A\*STAR and our local SMEs is needed. This will ensure that our SMEs, which are often constrained by a lack of resources, are also able to develop new capabilities through R&D.

The SMEC noted that public sector R&D needs to have a greater focus on supporting local SMEs to ensure a sustainable and vibrant economy in the future. More can be done to expand the allocation of funds to private enterprises directly. In this way, institutional and domain R&D knowledge in commercial areas can be built up faster and in areas and projects that are relevant to the needs of the industry.

The need for local enterprises to develop intellectual property is critical in our drive towards becoming a knowledge-based economy. By developing new technologies and intangible assets, our companies can move up the value chain and thereby drive economic growth.

### **Recommendation:**

1. There should be more funding help for companies in the areas of creation, regulation and the administration of their intellectual property filing in global markets.
2. To place greater focus and channel more resources towards collaborative R&D between RIs/Institutes of Higher Learning (IHLs) and our local SMEs. Taking reference from ESG's Enterprise Development Grant<sup>2</sup> and Productivity Solutions Grant<sup>3</sup>, to offer support of up to 70% of eligible R&D cost directly to private enterprises to conduct applied R&D to develop industry-relevant technologies and innovations, in close partnership with our RIs and IHLs. The RIs and IHLs can also help to identify common challenges faced by similar companies and aggregate the demand for R&D for the same outcome.

<sup>2</sup> ESG Enterprise Development Grant ([www.enterprisesg.gov.sg/financial-assistance/grants/for-local-companies/enterprise-development-grant/overview](http://www.enterprisesg.gov.sg/financial-assistance/grants/for-local-companies/enterprise-development-grant/overview))

<sup>3</sup> ESG Productivity Solutions Grant ([www.enterprisesg.gov.sg/financial-assistance/grants/for-local-companies/productivity-solutions-grant](http://www.enterprisesg.gov.sg/financial-assistance/grants/for-local-companies/productivity-solutions-grant))

## FINANCIAL INCENTIVES FOR PRODUCTIVITY-DRIVEN INNOVATION

An option for a cash or cash-back system for companies that are not paying tax can be introduced to drive R&D activities amongst SMEs which are not yet profitable. This is currently practised by the Australian government. Under the Australian scheme, the tax incentive reduces company R&D costs by offering tax offsets for eligible R&D expenditure. Eligible companies with a turnover of less than A\$20 million receive a refundable tax offset, allowing the benefit to be paid as a cash refund if they are in a tax loss position. All other eligible companies receive a non-refundable tax offset to help reduce the tax they pay.

### Recommendation:

To introduce a research expenditure rebate for R&D activities for local SMEs that are in the non-taxable group, similar to that provided by the Australian government, to supplement the current R&D tax benefits.

## GREATER ASSISTANCE FOR ADOPTION OF CYBERSECURITY SOLUTIONS

As cyber threats grow in scale and sophistication, SMEs will need to make their systems as secure as possible. Cybersecurity will be an increasingly important aspect to protect our economy, given that our systems are increasingly networked. Apart from the cost of technology adoption, cybersecurity risk was also listed as one of the top three barriers to adopting technologies<sup>4</sup>.

The needs of SMEs in cybersecurity are increasingly complex as enterprise IT systems sit across in-house and outsourced systems, incorporating desktops and mobile platforms and having to cater to the needs of the public, customers, suppliers and employees. As such, SMEs need expert assistance, to be layered over incumbent government assistance schemes, that can provide cybersecurity advisory to (1) conduct diagnosis to identify vulnerabilities, and (2) develop cybersecurity solutions to protect SMEs' day-to-day operations.

### Recommendation:

Our Government to introduce an Enterprise Cybersecurity Advisors programme where selected advisors are deployed to SMEs to facilitate the adoption of comprehensive cybersecurity solutions and customised training for the needs of individual SMEs.

## **INCREASE SUPPORT FOR COMPANIES TO EMPLOY OLDER WORKERS**

The Special Employment Credit (SEC) is direct support to employers that hire older workers, by providing subsidies of up to 11% of the older employees' monthly wages. The SEC provides a strong signal of our Government's support for employers to keep older workers employed. During the 2019 National Day Rally, it was announced that the retirement and re-employment age will be further increased progressively over 10 years, up to the year 2030. In addition, CPF contribution rates for older workers will also increase between 4% to up to 11% over the same period.

To help employers adjust to the increase in employers' CPF contributions for older workers in 2015, Government introduced the Temporary Employment Credit (TEC) which helped to cushion employers' cost when the CPF contributions for older workers were increased.

One other concern for employers when hiring older workers is the high cost of employee benefits, particularly medical benefits. The Government had introduced the Portable Medical Benefits Scheme (PMBS) which enables employees to bring along the medical benefits when they change employers.

However, only 5% of companies offer PMBS<sup>5</sup>. Awareness of the benefits of PMBS, therefore, must be increased. The SBF SMEC will work with other TACs and the Singapore National Employers Federation for greater outreach to companies on the PMBS.

### **Recommendation:**

1. Our Government to extend the SEC beyond December 2020 in tandem with the plans to progressively increase the retirement and re-employment age by 2030.
2. Our Government to reintroduce the TEC at every occasion when the CPF contribution rates for older workers are increased over the next decade.

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	Deputy Chairman	Serial Systems Ltd
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## Notes

## Notes



## About Singapore Business Federation

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 businesses and government 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.

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