

18 February 2019

Media Statement on Budget 2019

Today's Budget Statement had all the hallmarks of an election budget. Indeed, the Finance Minister's speech sounded much like an election manifesto. The Budget's stated aim is to act as a strategic plan for a strong, united, Singapore. The three pillars underpinning that strategic plan are security, a vibrant economy and a caring and inclusive society in a global city.

Listeners were left in no doubt that a strong Singapore Armed Forces, a strong Home Team and effective diplomacy are essential to safeguard Singapore's survival. It has always been so since the establishment of the Republic in 1965 and, arguably, always will be. Without security, there can be no economic future. Without security, businesses cannot thrive. The threats are well-known: terrorism, cyber-attacks and fake news. This justifies the 30% of the Budget allocated to defence, security and to diplomacy.

The next pillar necessary to protect our way of life is a vibrant economy. Here the focus is continuing the process of transforming the economy. The Finance Minister commented that while productivity has increased by 3.6% per annum in the last three years, there is more than can be done especially in domestically oriented sectors. The government's focus is to continue to help companies and workers develop deep capabilities with the help of strong partnerships at home and abroad.

Rightly SMEs came in for special mention. As the backbone of the economy they must scale up and transform to survive and to provide jobs. SGD 100 million will go to a SME Co-Investment Fund to help SMEs ready to scale up their business.

SMEs who often complain that loan financing is difficult to obtain will be glad to hear that the government will be enhancing the accessibility of loans by streamlining eight existing schemes into one Enterprise Financing Scheme by October 2019.

There will also be stronger financing support for companies of less than 5 years old with the government assuming 70% rather than 50% of the risk.

Again, the SME Go Digital Programme will be expanded with more pre-approved digital solutions for the convenience of SMEs. This will complement the extension of the Automation Support Package for two years up to 31 March 2021 to facilitate more SMEs adopting technology solutions to increase capacity and productivity.

As with enterprises, so with workers. Existing schemes to help workers develop deep capabilities via local and overseas internships will be streamlined under the Global Ready Talent Programme. Participating local firms can receive funding support of up to 70% of the students' monthly internship costs.

The same programme also supports local companies with funding support in sending young Singaporeans with up to three years of working experience on job postings in key overseas markets.

Older workers were not left out. The Career Support Programme to encourage companies to employ retrenched or long-term unemployed citizens has been extended for another two years until March 2021. It is also encouraging to note that the government has set up a Tripartite workgroup to study issues relating to older workers including whether or not CPF contributions should be raised. This Chamber is in favour of CPF contributions remaining constant throughout a person's working life.

However, it is fair to say that the announced reductions in the percentage of foreign workers per company for businesses in the Services Sector will not be welcomed. Phased reductions over the next two years of a total of 5% by 1 January 2021 including in the S pass category will bite. While a reliance on foreign workers is not sustainable, some businesses like those in the Retail Sector will struggle to comprehend how to attract more Singaporeans and/or to automate.

The third and final pillar of a caring and inclusive society was addressed by the very generous SGD 1.1 billion Bicentennial Bonus, the SGD 200 million Bicentennial Community Fund with dollar to dollar matching of donations by the government and the much anticipated and discussed Merdeka Generation Package.

With regards to tax changes for business, the expected extension of tax benefits for REITS was announced. Similarly, the extension of the writing down allowance for acquisition of intellectual property rights was extended for another 5 years to year of assessment 2025.

About Singapore International Chamber of Commerce (SICC)

SICC has just celebrated its 182nd anniversary. Founded in Singapore on 8 February 1837, it is Singapore's longest serving voice of the private sector. SICC is also Singapore's most inclusive Chamber. It represents 600 companies: 50% are Singaporean and 50% foreign owned. 50% of member companies are large organizations including multinationals and 50% are medium, small and start-up companies. No other voluntary business association in Singapore has such a diverse membership base. The Chamber's value proposition is that it provides an inclusive business platform for members to network and expand business opportunities. SICC cuts across all potential silos of ethnicity, industry, nationality and sector. SICC's members are drawn from all sectors of the economy and their teams represent 40 nationalities. The Chamber focuses on 3 main pillars: human capital development and leadership, collaborative innovation and championing the circular economy. www.sicc.com.sg

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