



FOR IMMEDIATE RELEASE

Singapore, 09 February 2010

KPMG's reactions to the recommendations of the Economic Strategies Committee (ESC)

The following quotes are KPMG's reactions to the ESC's recommendations announced on 1 February 2010.

General

Danny Teoh, Managing Partner, KPMG in Singapore

"The ESC's recommendations are ambitious. To succeed, a certain amount of dare is needed, backed by calculated risk and serious levels of investment. We cannot afford to take half measures if we want to achieve sustained and inclusive growth."

Danny Teoh, Managing Partner, KPMG in Singapore

"As the co-organiser of the Enterprise 50 Awards, we have a particular interest in Singapore enterprises. What we hope to see are concrete plans arising from the recommendations which will lead to a tipping point to create more globally competitive Singapore companies. These include targeted tax incentives and grants to encourage diversification and regional expansion."

Growing through skills and innovation

Tham Sai Choy, Head of Audit, KPMG in Singapore and the Asia Pacific Region

"Education is the key. The ESC's proposals for continuing education and training show the government's resolve to boost productivity and increase the quality of life for its citizens. The recommendations made will provide a jump start. Thereafter, for Singaporeans to think and behave differently in the long-term there needs to be a continuing review of Singapore's education system, not just in technical and adult education, but at all levels."

Tham Sai Choy, Head of Audit, KPMG in Singapore and the Asia Pacific Region

"We need a low cost model that attracts investment. We also need a high income model that pays Singaporeans better for better work. We need to strike a delicate balance that works well for Singapore's open economy, and that is the challenge for the productivity movement."

Ooi Boon Jin, Executive Director, KPMG Tax Services

"The proposals need to reach out to more professionals, managers, executives and technicians, and upskill workers at all levels. We should consider tax credits for companies and individuals who engage in upgrading and training as well as tax credits for hiring older workers."

Anchoring Singapore as a Global-Asia Hub

Tay Hong Beng, Executive Director, KPMG Tax Services

"To continuously position Singapore as a trusted financial hub, we need to progressively review more than just business policies. We also need to look at the relevance of the existing tax incentives to facilitate new business arrangements and emerging financial products."

Tay Hong Beng, Executive Director, KPMG Tax Services

"While the current financial sector incentives scheme is comprehensive in attracting well-known financial institutions into Singapore, it is encouraging to note that the ESC proposals will be looking at strengthening the existing capabilities in this sector. To remain competitive in attracting and retaining the best, we must be quick enough to tweak the rules to broaden and deepen its relevance to the fast-changing services landscape."

Tay Hong Beng, Executive Director, KPMG Tax Services

“Singapore has the fundamental tax incentives for fund management, banking, loan syndication, project and infrastructural financing and debt capital. It is now time to take a bolder approach by looking deeper into these incentives and see how they can be refined. This will serve to anchor Singapore as a premier financial hub amidst growing international competition from newer players.”

Tay Hong Beng, Executive Director, KPMG Tax Services

“The financial sector is an important catalyst as Singapore embarks in building an economy for rapid growing and innovative enterprises. Singapore should perhaps focus on how the tax incentive could be tweaked to encourage lending to Singapore businesses. For example, by extending the financial sector incentive to cover loans denominated in Singapore dollars.”

Ooi Boon Jin, Executive Director, KPMG Tax Services

“In order to realise Singapore’s potential as a Global-Asia Hub, the government should consider reducing the personal tax rates to make Singapore more competitive and attractive to overseas talent.”

Ooi Boon Jin, Executive Director, KPMG Tax Services

“We need to recognise the importance of attracting highly capable and entrepreneurial people from overseas to work here. This very group of people that Singapore wants to attract is highly mobile and has a wide choice of where they wish to locate. The focus on personal tax should not be avoided especially in attracting the businesses making decisions to locate their top talents.”

Alan Lau, Executive Director, KPMG Tax Services

“To be a true global hub, we need to remove the ‘base income’ requirement and allow all HQ companies to be taxed at the concessionary tax rate on both base and incremental qualifying income. Adoption of such an approach would bring Singapore closer to other countries such as Switzerland which provides for a HQ company regime that covers all headquarters income.”

Lam Kok Shang, Executive Director, KPMG Tax Services

“To anchor Singapore as a Global-Asia Hub, the Government could consider adopting certain features similar to those provided under the European Commission 13th Directive. For example, where GST incurred on certain business expenses by foreign businesses in Singapore is refunded on a reciprocal basis.”

Building a Vibrant and Diverse Corporate Ecosystem

Owi Kek Hean, Head of Tax, KPMG Tax Services

“The S\$1.5b growth capital fund is a novel idea that places the government in a position to share the risks with private investors to invest in promising Singapore companies. This will provide much needed funding and management expertise to catalyse the growth of these companies.”

Chiu Wu Hong, Executive Director, KPMG Tax Services

“The proposal aimed at empowering trade associations and chambers appears to ‘decentralise’ certain industry development and market facilitation functions traditionally carried out by SPRING and IE Singapore. The intention is to encourage trade associations and chambers to develop more tailored programmes that cater to their unique industry needs.”

Chiu Wu Hong, Executive Director, KPMG Tax Services

“The proposals recognises that trade associations and chambers understand the needs of their members better. The first step would be to encourage the trade associations and chambers, through funding, to develop their own institutional capabilities.”

KPMG in Singapore is a term used to describe KPMG LLP, KPMG Tax Services Pte. Ltd., KPMG Corporate Finance Pte. Ltd. and KPMG Advisory Services Pte. Ltd.

KPMG LLP (Registration No. T08LL1267L) is an accounting limited liability partnership registered in Singapore under the Limited Liability Partnership Act (Chapter 163A). KPMG Tax Services Pte. Ltd. (Registration No. 200003956G), KPMG Corporate Finance Pte. Ltd. (Registration No. 198500417D) and KPMG Advisory Services Pte. Ltd. (Registration No. 198301769C) are Singapore incorporated companies. Each has its address at 16 Raffles Quay, #22-00 Hong Leong Building, Singapore 048581 and is a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity.

Ooi Boon Jin, Executive Director, KPMG Tax Services

“The ESC proposals aim to enhance Singapore’s reputation as a centre of excellence in Asia for MNCs, global mid-sized firms, and Asian enterprises seeking to internationalise. One novel suggestion could be incentivising companies to provide their experienced managers to serve as lecturers or to speak at training seminar and events. In return, they receive tax-free honourariums. At the same time, companies could be granted a double deduction for the course fees of their employees who attend such training seminars and events.”

Gordon Lawson, Executive Director, KPMG Tax Services

“The proposal to catalyse cross-border financing capacity is extremely interesting. The government could also look into extending the *FSI Enhanced Tier Scheme* which provides for a reduced rate of five percent tax to cover loans to Singapore enterprises for their cross border trade obligations. Hopefully this will lead to a spin-off in the financial insurance sector, possibly in partnership with the Government.

Making Innovation Pervasive, and Strengthen Commercialisation of R&D

Chiu Wu Hong, Executive Director, KPMG Tax Services

“With other countries such as Switzerland, Korea and the US looking to increase R&D expenditure, the Singapore government’s focus on R&D over the long term can only be good for Singapore. From a competitiveness standpoint, this would provide a strong value proposition for global players to choose Singapore over other locations to site their R&D operations.

Chiu Wu Hong, Executive Director, KPMG Tax Services

“With other countries continually enhancing and offering significant broad-based tax incentives to encourage more pervasive R&D, it is important for Singapore to review and enhance its fiscal and tax incentives for R&D.”

Chiu Wu Hong, Executive Director, KPMG Tax Services

“While the proposal seeks to develop platforms to encourage commercialisation of R&D, it is also important to encourage global MNCs to commercialise their R&D from Singapore. This will catalyse the development of expertise in various patent related activities such as patent registration, protection and litigation, as well as generate further R&D work. Tax incentives would be one way to encourage MNCs to base these activities in Singapore.”

Chiu Wu Hong, Executive Director, KPMG Tax Services

“Product and industrial design activities are not often thought of as being part of R&D. However, it is increasingly gaining recognition as being an important innovative element of new products, as evidenced by lifestyle products such as the iPad.”

Chiu Wu Hong, Executive Director, KPMG Tax Services

“To provide greater recognition of product and industrial design activities, Singapore’s fiscal and tax incentives should explicitly recognise product and industrial activities as R&D activities.”

Lam Kok Shang, Executive Director, KPMG Tax Services

“The proposals aim to spur the commercialisation of R&D and attract more value-adding R&D activities into Singapore. A suggestion on the tax front is to allow GST to be zero-rated on all R&D services provided by Singapore entities to overseas entities notwithstanding that the services could be in connection with goods situated in Singapore.”

Gan Hwee Leng, Executive Director, KPMG Tax Services

“GST should not erode the competitive edge of the manufacturing sector in high value industries. For example, we suggest the zero-rating of GST when an overseas entity engages a Singapore manufacturer to conduct clinical trials for new drugs in Singapore.”

KPMG in Singapore is a term used to describe KPMG LLP, KPMG Tax Services Pte. Ltd., KPMG Corporate Finance Pte. Ltd. and KPMG Advisory Services Pte. Ltd.

KPMG LLP (Registration No. T08LL1267L) is an accounting limited liability partnership registered in Singapore under the Limited Liability Partnership Act (Chapter 163A). KPMG Tax Services Pte. Ltd. (Registration No. 200003956G), KPMG Corporate Finance Pte. Ltd. (Registration No. 198500417D) and KPMG Advisory Services Pte. Ltd. (Registration No. 198301769C) are Singapore incorporated companies. Each has its address at 16 Raffles Quay, #22-00 Hong Leong Building, Singapore 048581 and is a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity.

Building a Distinctive Global City and an Endearing Home

Owi Kek Hean, Head of Tax, KPMG Tax Services

“The proposal to transform Singapore into a leading cultural capital in the arts, entertainment and sporting arena is certainly exciting. To succeed in this endeavour, top class international events and renowned talent must be enticed to base their operations in Singapore in the same manner as leading international organisations. This includes offering tax breaks to event organisers and according ‘pioneer status’ to individuals similar to schemes offered for relocating MNCs.”

Note to editors:

About KPMG in Singapore

KPMG in Singapore is part of a global network of professional services firms providing Audit, Tax and Advisory services. The independent member firms of the KPMG network operate in 144 countries and have more than 140,000 professionals worldwide. Each KPMG firm is a legally distinct and separate entity and describes itself as such. KPMG’s website is located at kpmg.com.sg

KPMG in Singapore is a term used to describe KPMG LLP, KPMG Tax Services Pte. Ltd., KPMG Corporate Finance Pte. Ltd. and KPMG Advisory Services Pte. Ltd.

For further information, please contact:

Jeremy Kong

Assistant Manager, Marketing & Communications, KPMG in Singapore

Tel: +65 6507 1541 / 8118 9962

e-Mail: jeremykong@kpmg.com.sg

Kelvin Lee

Manager, Marketing & Communications, KPMG in Singapore

Tel: +65 6507 1534 / 8118 9400

e-Mail: kelvinlee1@kpmg.com.sg

Dawn Westerhout

Director, Marketing & Communications, KPMG in Singapore

Tel: +65 6507 1538 / 8118 9920

e-Mail: dwesterhout@kpmg.com.sg

KPMG in Singapore is a term used to describe KPMG LLP, KPMG Tax Services Pte. Ltd., KPMG Corporate Finance Pte. Ltd. and KPMG Advisory Services Pte. Ltd.

KPMG LLP (Registration No. T08LL1267L) is an accounting limited liability partnership registered in Singapore under the Limited Liability Partnership Act (Chapter 163A). KPMG Tax Services Pte. Ltd. (Registration No. 200003956G), KPMG Corporate Finance Pte. Ltd. (Registration No. 198500417D) and KPMG Advisory Services Pte. Ltd. (Registration No. 198301769C) are Singapore incorporated companies. Each has its address at 16 Raffles Quay, #22-00 Hong Leong Building, Singapore 048581 and is a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPMG International”), a Swiss entity.