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Singapore Budget 2010: Comments from KPMG on the Budget Statement

General

Danny Teoh, Managing Partner, KPMG in Singapore
“The Government has attempted to create a transformational Budget that is focused on improving workers’ skills set, productivity levels and helping businesses expand overseas, with a little something for households. We look forward to seeing if the details will be enough to create a tipping point in changing the economic landscape in a Singapore of the future.”

Danny Teoh, Managing Partner, KPMG in Singapore
“This budget gives a leg up to local enterprises in particular, unlike previous years where the focus was in equal measure to that given to MNCs. From steps to boost productivity to investments by angel investors and incentives to promote growth overseas, it is clear that the Singapore Government is coming through in giving teeth to the recommendations made earlier by the Economic Strategies Committee to grow enterprise companies. ”

Owi Kek Hean, Head of Tax, KPMG Tax Services
“This year’s Budget is clearly focused on investing in our people and their skills in preparation for the next wave of transformation. The measures announced are apt and timely targeted at re-charting a course for a new and more sophisticated economy. However, it remains to be seen whether the Government’s 5-year commitment of S$5.5 billion will be sufficient to achieve the productivity growth target of one-third over the next ten years. Having said this, we certainly applaud the boldness of the scheme and the breadth of the various measures encompassed within this initiative. The appointment of DPM Teo Chee Hean to helm the new National Productivity and Continuing Education Council underscores the Government’s primary focus in targeting productivity growth as the pillar of Singapore economic growth over the next decade.”

Owi Kek Hean, Head of Tax, KPMG Tax Services
"The 2010 Budget can be viewed as an investment budget - investing in its people, businesses and infrastructure with the objective of leading Singapore into its next economic growth cycle and propelling it to the ranks of an advanced economy over the next five to 10 years."

Mr Tay Hong Beng, Executive Director, KPMG Tax Services.
“It is an aspiring budget with a focus on nurturing local enterprises. They include enhancing innovation, improving productivity and support to venture abroad. It is still too early to comment whether the initiatives will take local enterprises to the next level. The important ingredients of funding and cross-border financing supports were not adequately covered in the Budget announcements although the Minister had mentioned that these issues will be addressed.”

Anna Low, Executive Director, KPMG Tax Services
“A measured and targeted Budget aimed at supporting businesses which contribute to the economic restructuring. SMEs which invest in innovation and in raising productivity and industries providing higher-value-added activities will benefit from the various tax incentives.”

Personal Tax

Ooi Boon Jin, Executive Director, KPMG Tax Services
“The increase for parent relief and course fee relief would definitely help to defray rising costs.”

Ooi Boon Jin, Executive Director, KPMG Tax Services
“Spouse relief recognises gender equality! It will encourage wives to work, if husbands do not. Maximum tax savings to the wife who claims the spouse relief is $400 ($2,000 x 20 percent).”

Ooi Boon Jin, Executive Director, KPMG Tax Services
“It’s a bit disappointing that there was no tax rebate unlike the last two years wherein resident taxpayers received 20 percent rebate, capped at $2,000. It would have been a nice ang pow for taxpayers.”

GST

Lam Kok Shang, Executive Director, KPMG Tax Services
“The cash flow burden on GST-registered businesses is alleviated by allowing approved businesses to pay GST due on importation of goods at the point of submission of the periodic GST F5 returns. This new GST scheme offers businesses serving the domestic markets a means to improve their GST cash flow as they would otherwise not qualify for existing GST schemes such as the Major Exporter Scheme. “

Lam Kok Shang, Executive Director, KPMG Tax Services
“GST compliance costs will be reduced as businesses will no longer need to track timing of performance of services or delivery of goods. There is also the potential to improve business cash flow for up to 30 days under the new time of supply rules.”

Gan Hwee Leng, Executive Director, KPMG Tax Services
“The expanded zero-rating provisions to sale of international-bound private yachts, transport of goods or passengers via international-bound ships (including cruise-to-nowhere ships) and supply of stores on board international-bound ships and aircrafts will anchor Singapore as a leading marine and aerospace hub. It will also propel Singapore into a preferred cruise centre in the region.”

Lam Kok Shang, Executive Director, KPMG Tax Services
"The answer to any PSLE math question relating to the Duty Free Allowance for an additional litre of Wine or Beer in lieu of litre of Spirits would be that: 1 bottle of spirits plus 1 bottle of wine plus 3 cans of beer; OR 2 bottles of wine plus 3 cans of beer; OR 1 bottle of wine plus 6 cans of beer.”

Financial Services

Tay Hong Beng, Executive Director, KPMG Tax Services
“Given the importance of the financial sector to Singapore’s economy, we had been hoping for further refinements to existing incentives to enhance Singapore’s relevance in the fast-changing global financial services landscape. It was disappointing to see that there were no new incentives nor enhancements to the existing incentives in this year’s budget. This may result in potential lost opportunity for Singapore to take the lead in its development as an international financial hub.”

Tay Hong Beng, Executive Director, KPMG Tax Services
“One important sector that the Minister seems to have excluded is the financial services industry. The Government could possibly offer more with appropriate tweaking of the existing tax incentives to make them more attractive and relevant to the fast-changing global financial services landscape.”

Alan Lau, Executive Director, KPMG Tax Services
“After being treated to a steady staple of incentives targeted at the Financial Services sector over the last few Budgets, the lack of new incentives for this sector in this year’s Budget must surely be regarded as being disappointing, given the country’s intention to position itself as an international financial centre”.

Alan Lau, Executive Director, KPMG Tax Services
“In light of the Government’s overall intention to simplify the tax administrative burden of taxpayers enjoying the Financial Sector Incentive, the removal of the Qualifying Base for this scheme is another definite step towards achieving this target. Having said this, as the removal of the Qualifying Base is coupled with a tax rate increase for the FSI scheme from 10 to 12 percent, we expect that there would be both winners and losers coming from the proposed change. ”

Tay Hong Beng, Executive Director, KPMG Tax Services
“Following the last few budgets, this year’s Budget appears less attractive on an overall basis with no bold tax incentives for specialised industries such as the financial services sector. In addition, many individuals are left disappointed with no news on personal tax rebates and cut in the personal tax rates.”

Real Estate

Leonard Ong, Executive Director, KPMG Tax Services
“The REIT market faced considerable challenges during the recent financial crisis and this very positive move to extend the tax incentives for REITs to 31 March 2015 strengthens the confidence of investors and REIT sponsors that Singapore will continue to be the hub for REIT listings in the region. The dampener however is the introduction of a sunset clause for exemption of foreign sourced income for REITs which takes effect for such income received after 31 March 2015.”

Leonard Ong, Executive Director, KPMG Tax Services
“The introduction of progressive rates for owner-occupied residential properties is a welcome move to most owner occupier property owners as a majority of such properties will fall under the lower bands of property tax. This is a fairer way to collect property tax as the more well-to-do end up paying more whilst the vast majority ends up paying less.”

Leonard Ong, Executive Director, KPMG Tax Services
“As the Minister explained in his Budget announcement, the smaller budget deficit arose as a result of better than expected performance in Singapore’s economy last year. Consequently, corporate and income tax collections were also better than originally forecast. There was also a strong recovery in the property market which resulted in more property transactions and hence higher stamp duty collections. Together, the improvement in tax revenues contributed to the smaller budget deficit.”

Leonard Ong, Executive Director, KPMG Tax Services
“The introduction of progressive rates for owner-occupied residential properties is a welcome move to most owner occupier property owners as a majority of such properties will fall under the lower bands of property tax. This is a fairer way to collect property tax as the more well to do end up paying more whilst the vast majority ends up paying marginally less.”

Toh Boon Ngee, Executive Director, KPMG Tax Services
“Although some changes were expected to be made to the Industrial Building Allowance to make it more relevant to the current state of economy, its total removal comes quite unexpectedly. Pending the release of details in June, it remains to be seen if the Land Intensification Allowance incentive will be administratively less burdensome and whether it will give rise to more tax savings in comparison with Industrial Building Allowance.”

SMEs

Chiu Wu Hong, Executive Director, KPMG Tax Services *on catalysing SME growth*
“Such a co-investment scheme is really helpful as it showcases the Government's support for SMEs. The Minister has said that Government's role will be that of a co-investor, and it would rely principally on private sector expertise to assess the investments. This is appropriate as the private sector is better equipped to undertake this role. With this scheme, there would be a bigger pool of fund that can provide not only more capital to promising companies, but also allow much-needed funding to reach more companies.

Chiu Wu Hong, Executive Director, KPMG Tax Services *on catalysing SME growth*
“The co-investment scheme is a good step forward to boost the profile and confidence in SMEs. As the Government previously places incentives in larger companies, this scheme shows that the Government is turning their attention towards SMEs and helping them to raise funds. This is a risk-sharing and reward-sharing initiative, and as the Government pumps in money, it also reduces the amount needed from the private sector.”

Chiu Wu Hong, Executive Director, KPMG Tax Services *on catalysing SME growth*
“Government co-investment in new companies will not lower the risk of investing in such enterprises. The investors will still have to make their own evaluation of such investments. The main aim of the scheme is to allow promising companies to secure more funding than would otherwise have been possible without such co-investment funds.”

Chiu Wu Hong, Executive Director, KPMG Tax Services
"The Productivity and Innovation Credit is very generous, not just to SMEs but also to large companies. Based on the Government's calculations, some companies may receive a quarter of their investments back in terms of tax benefits. We hope that this will catalyse companies to undertake R&D and other innovative activities.”

Chiu Wu Hong, Executive Director, KPMG Tax Services
“For the Productivity and Innovation Credit (PIC) scheme to work effectively, the qualifying conditions must be simple and with little ambiguity as to what type of activities can qualify. We also welcome the Minister's decision not to restrict the cash back feature under the PIC to start-ups. However, but the impact of the PIC would be limited because the conversion rate of seven percent for the tax benefits and $21,000 cap are not high to be meaningful."

Chiu Wu Hong, Executive Director, KPMG Tax Services *on attracting investors to nurture start-ups*
“The incentive could potentially translate to $50,000 worth of tax savings on $500,000 worth of investments for an angel investor paying income taxes at the top rate. To the angel investor, this effectively provides a return of 10 percent on investment, and this may prove to be highly attractive. However, more can be done if this incentive can be extended to corporate investors. The enterprise market would then be able to tap into a bigger pool of funds.”

Chiu Wu Hong, Executive Director, KPMG Tax Services *on innovation*
"The key thing is to inculcate a culture of innovation among enterprises here. For profitable businesses, the package of incentives, namely the Productivity and Innovation Credit, is a generous one and hopefully these incentives will catalyse more innovative activities. However, the incentives do not go far enough in helping enterprises that do not pay much taxes. This is because the cashback incentives for undertaking innovative activities is limited to only $21,000, but new investments in automation and systems may cost much more"

Mr Tay Hong Beng, Executive Director, KPMG Tax Services
“The SME sector will benefit most from this year's Budget. Local enterprises with big plans to expand and restructure their business operations will stand to benefit with the generous tax incentives under Productivity and Innovation Credit and possibly the Merger & Acquisition allowance schemes.”

Tay Hong Beng, Executive Director, KPMG Tax Services
"The Budget sets out to encourage local enterprises to focus on improving productivity and innovations. It is also a budget which the Government is looking at to re-define certain existing tax incentives such as the removal of the Industrial Building Allowance scheme and replacing it with a more stringent Land Intensification Allowance incentive."

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Note to editors:

About KPMG in Singapore

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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