

A Fiscal Cushion/Compass/Incentive in a Red/Blue Ocean with Turbulence

ESS Panel Discussion on Post Singapore Budget

19 Feb 2025

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Pictures taken at NTU campus



Cutting Throat Competition in a Red Ocean

- Mr Ang Yuit, president of the Association of Small and Medium Enterprises, described the Singapore business landscape as becoming “increasingly cutting throat”
 - Labor cost reaching 125.80 points in Q12024 (2015 = 100)
 - Industrial rental price increases 23% from the trough of Q3 2020
 - Increasing investors from China with integrated and established supply chains after China-Singapore Free Trade Agreement

A Fiscal Cushion/Compass in a Red Ocean

- Competition and openness improves overall welfare and is the foundation for Singapore's economic success.
- There are more than 300,000 SMEs in Singapore, accounting for over 99 per cent of enterprises, over 70 per cent of employment, and almost 50 per cent of economic output.
- How to provide a cushion to survive and compass to thrive for Singapore's SMEs in a red ocean via fiscal policy?

Cushion- Support For Businesses

- Corporate Income Tax Rebate and Cash Grant
 - 50% corporate income tax rebate
 - With a minimum of SG\$2,000 and a cap of SG\$40,000
 - To meeting corporate cash flow needs
- Progressive Wage Credit Scheme
 - 5% further increase in PWCS co-funding levels for eligible wage Increases from 2025 to 2026
 - To strengthen support for employers to uplift the wages of lower-wage employees

Compass – Internalisation and M&A

- Extend Enhanced Cap for Market Readiness Assistance Grant
 - \$100,000 per market to continue supporting local SMEs in expanding into new markets overseas
- Extend the Double Tax Deduction for Internationalisation Scheme
 - a tax deduction of 200% on qualifying market expansion and investment development expenses
- Enhance the Enterprise Financing Scheme
 - Increase maximum trade loan = \$10m
 - Enhance M&A loan from equity acquisitions to asset acquisitions
- Extend the Mergers and Acquisitions Scheme
 - An M&A allowance up to \$10 m p.a.
 - 200% tax deduction on transaction costs incurred on qualifying acquisitions

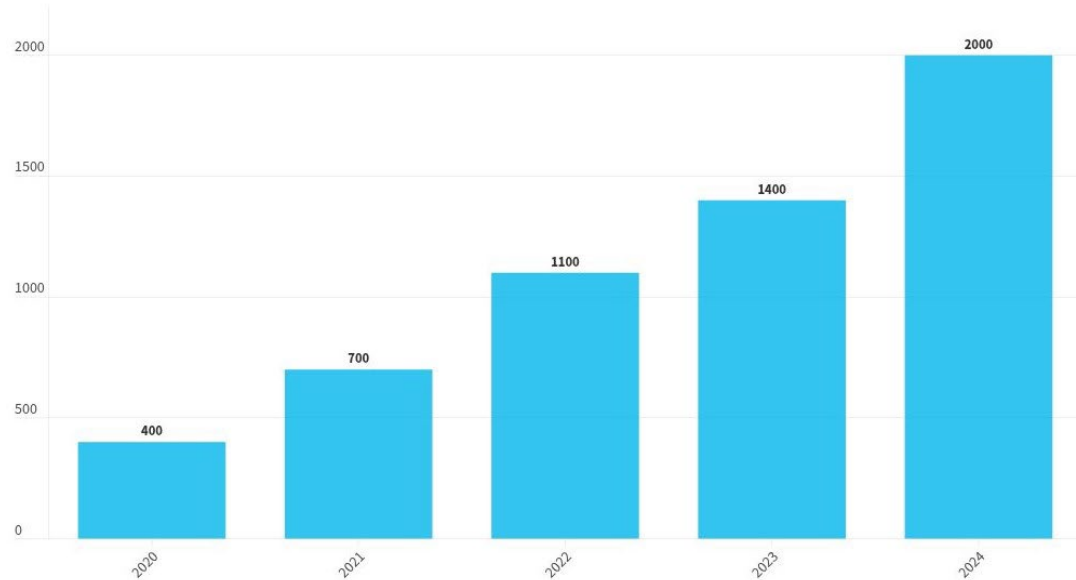
Compass – Enhancing Technology & Innovation

PRIMARY SURPLUS / DEFICIT	3.71	(1.01)
Less:		
SPECIAL TRANSFERS²	25.12	23.38
Special Transfers Excluding Top-ups to Endowment and Trust Funds	3.07	3.78
SG60 Vouchers	–	2.02
CDC Vouchers	0.78	1.06
Other Transfers ³	2.29	0.69
BASIC SURPLUS / DEFICIT	0.64	(4.79)
Top-ups to Endowment and Trust Funds	22.05	19.60
Changi Airport Development Fund	–	5.00
Coastal and Flood Protection Fund	–	5.00
Future Energy Fund	5.00	5.00
National Productivity Fund	2.00	3.00
National Research Fund	1.80	1.50
Other Funds ⁴	13.25	0.10
Add:		
NET INVESTMENT RETURNS CONTRIBUTION	24.02	27.14
OVERALL BUDGET SURPLUS / DEFICIT	2.62	2.74

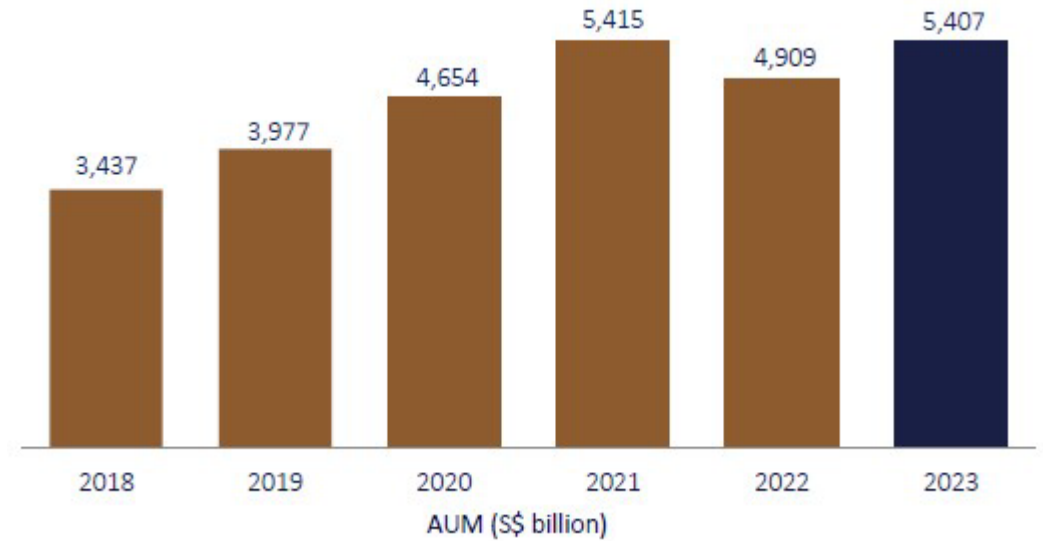
- \$3 billion National Productivity Fund
- \$1.5 billion National Research Fund
- \$150 million for a new Enterprise Compute Initiative

Oasis under a Turbulent Weather

Number of Single-Family Office in Singapore



Assets Under Management in Singapore



Gateway to a Blue Ocean

China's Outward FDI Flows in 6 ASEAN Countries -- MOF (unit: \$ m)									
	2015	2016	2017	2018	2019	2020	2021	2022	2023
Cambodia	419.68	625.67	744.24	778.34	746.25	956.42	466.75	632.18	1,377.91
Indonesia	1,450.57	1,460.88	1,682.25	1,864.82	2,223.08	2,198.35	4,372.51	4,549.60	3,133.07
Malaysia	488.91	1,829.96	1,722.14	1,662.70	1,109.54	1,374.41	1,336.25	1,606.39	1,426.83
Singapore	10,452.48	3,171.86	6,319.90	6,411.26	4,825.67	5,923.35	8,405.04	8,295.38	13,097.14
Thailand	407.24	1,121.69	1,057.59	737.29	1,371.91	1,882.88	1,486.01	1,271.80	2,017.59
Vietnam	560.17	1,279.04	764.40	1,150.83	1,648.52	1,875.75	2,207.62	1,703.01	2,593.07

China's Outward FDI Flows in 6 ASEAN Countries -- CBM (unit: \$ m)									
	2015	2016	2017	2018	2019	2020	2021	2022	2023
Cambodia	105.30	318.14	991.84	1,111.98	1,245.30	1,094.95	1,256.51	913.39	399.87
Indonesia	2,001.84	2,497.94	2,789.87	4,086.85	3,254.65	4,374.57	3,762.27	4,293.51	5,977.66
Malaysia	1,252.80	9,024.97	5,148.07	2,085.00	1,930.06	1,174.89	1,197.24	1,370.25	2,251.99
Singapore	2,114.69	4,274.30	5,416.88	11,989.63	2,569.57	1,949.48	658.83	2,868.92	3,535.01
Thailand	1,183.06	180.39	203.22	405.29	709.21	605.68	987.81	820.53	1,055.24
Vietnam	411.46	759.83	1,497.17	1,251.02	1,573.64	1,756.69	2,601.19	2,070.54	1,560.31

Greenfield vs M&A

China's Greenfield FDI Flows in 6 ASEAN Countries -- CBM (unit: \$ m)									
	2015	2016	2017	2018	2019	2020	2021	2022	2023
Cambodia	105.30	317.56	789.84	1,111.28	1,245.30	1,089.85	1,255.99	913.39	380.49
Indonesia	1,942.01	2,131.15	2,524.30	2,211.37	3,011.03	3,862.86	3,720.97	4,030.30	5,396.76
Malaysia	1,221.66	6,570.84	4,813.14	497.30	1,014.18	941.29	1,115.41	1,316.47	2,245.69
Singapore	571.40	535.28	1,290.56	265.95	409.05	567.56	501.81	2,013.47	2,413.32
Thailand	1,182.46	97.55	49.65	360.57	673.34	551.68	929.03	818.53	1,042.48
Vietnam	406.46	740.43	1,497.17	1,174.54	1,536.05	1,643.49	2,596.38	2,067.54	1,521.91

China's M&A FDI Flows in 6 ASEAN Countries -- CBM (unit: \$ m)									
	2015	2016	2017	2018	2019	2020	2021	2022	2023
Cambodia	0.00	0.58	202.00	0.70	0.00	5.10	0.52	0.00	19.38
Indonesia	59.83	366.79	265.57	1,875.48	243.62	511.71	41.30	263.21	580.90
Malaysia	31.14	2,454.13	334.93	1,587.70	915.88	233.60	81.83	53.78	6.30
Singapore	1,543.29	3,739.02	4,126.32	11,723.68	2,160.52	1,381.92	157.02	855.45	1,121.69
Thailand	0.60	82.84	153.57	44.72	35.87	54.00	58.78	2.00	12.76
Vietnam	5.00	19.40	0.00	76.48	37.59	113.20	4.81	3.00	38.40

Wealth Management > Investment Destination

Chart 1: Singapore's AUM – Sources of Funds

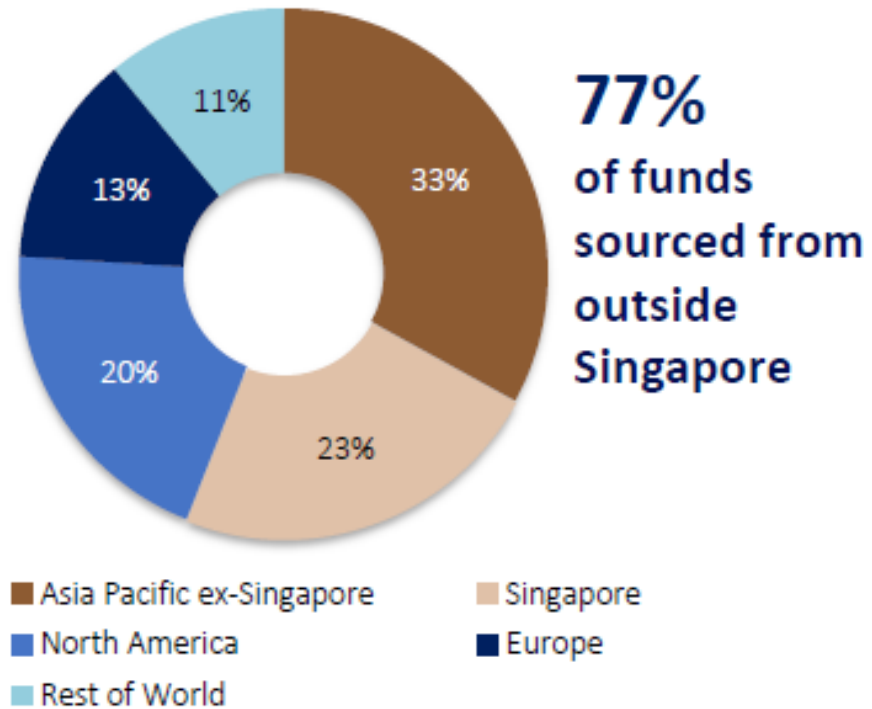
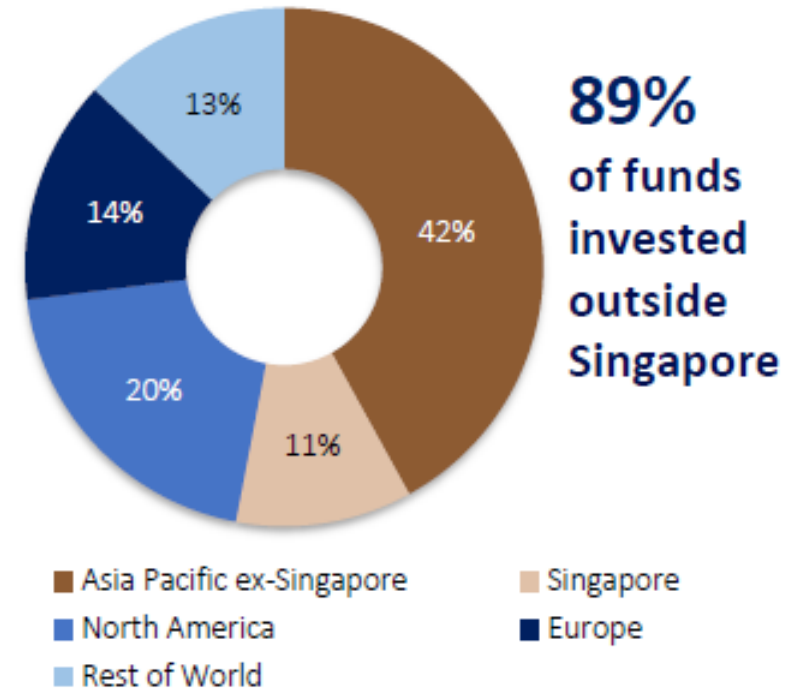


Chart 2: Singapore's AUM – Investments of Funds



A Fiscal Incentive in a Blue Ocean

- Family offices and FDI have contributed to Singapore Economy.
 - Create job directly when hiring local employees
 - Create job indirectly when engaging services
 - Increase demand in related sectors
 - Contribute tax revenues (corporate income tax 4.1% of GDP vs 3.2% of GDP)
- How to provide an incentive to further direct the wealth for more investment in Singapore's economy via fiscal policy?

Equities Market Review Group Recommendations

- Companies and registered business trusts that are tax residents in Singapore may apply for a 10% or 20% Listing CIT Rebate
- An enhanced CTR tier of 5% will be introduced for newly listed fund managers in Singapore
- Tax exemption on fund managers' qualifying income arising from funds investing at least 30% of AUM in Singapore-listed equities

What Else Worth to Expect/Wish?

- Increase tax deduction for family offices in the Philanthropy Tax Incentive Schedule from 100% to 250%.
- Global Founder Programme led by EDB later this year to encourage global founders to anchor and grow more new ventures in Singapore.
- Provide more tax incentives for patient capital from family office/wealth management as PE/VC for local ventures and innovation activities.