Singapore Budget 2024

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Businesses and economies are compelled to refresh their playbook as they navigate through today's myriad of disruptions. This ranges from macroeconomic volatility, escalating geopolitical tensions and international tax upheavals, to the climate crisis, and the emergence of new technologies. At every turn, this turbulent environment tests the resilience and adaptability of businesses and economies alike.

Cutting through the noise of these churns and disruptions to secure growth requires incisive and inclusive actions that not only alleviate immediate pains but also chart the Forward Singapore roadmap for a competitive and sustainable future.

Tackling immediate challenges

The escalating costs of doing business in Singapore persist as a central worry for business owners.
To address the immediate cost concerns, businesses will receive a 50% corporate income tax rebate (capped at S$40,000) for year of assessment (YA) 2024, an extension to the SkillsFuture Enterprise Credit to cover certain workforce and business transformation expenses, and enhanced workfare payouts. Additionally, Singapore enterprises can avail of the enhanced Enterprise Financing Scheme for their working capital needs.

For Singaporean households, they will receive additional cash support, Central Provident Fund (CPF) top-ups and additional one-off rebates for utility bills and other government charges. This is on top of the 50% personal income tax rebate (capped at S$200) for YA 2024 and the adjustment to the income threshold for dependent-related personal reliefs. Safety nets will also be put in place to help those made involuntarily unemployed.

Adapting to a new tax world

A new tax world has dawned upon us with the global minimum tax regulations, also known as the Base Erosion and Profit Shifting (BEPS) 2.0 Pillar Two. This is going live this year in major economies such as Australia, Canada, the European Union, Japan and South Korea. Deputy Prime Minister and Finance Minister Lawrence Wong has confirmed that Singapore will implement two components of the BEPS 2.0 Pillar Two, namely, the Income Inclusion Rule and a Domestic Top-up Tax, in 2025. The Undertaxed Profits Rule will however be considered at a later stage.

With the BEPS 2.0 Pillar Two, Singapore's ability to use tax incentives to attract foreign direct investments is undermined. To adapt, a new concessionary tax rate tier of 10% has been introduced for the Finance and Treasury Centre incentive and the Aircraft Leasing Scheme, as a possible countermeasure against the "tax back" provision under the Subject to Tax Rule of the BEPS 2.0 Pillar Two.

An additional concessionary tax rate tier of 15% will also be offered for the Development and Expansion Incentive, Intellectual Property Development Incentive and Global Trader Programme. Shipping companies may apply for an alternative net tonnage basis of tax (in lieu of corporate income tax), aligning our shipping tax regime with international norms.

A new fiscal scheme, Refundable Investment Credit (RIC), has been added into our incentive toolkit. The RIC is a tax credit with a refundable cash feature to attract sizeable investments in key economic sectors and new growth areas. Under the BEPS 2.0 Pillar Two, where the refundable tax credit scheme is designed to be paid as cash or cash equivalents within four years from satisfying the qualifying conditions, they are treated as income-like cash grants (instead of reduction of income taxes), thus having less downward pressure on the jurisdictional effective tax rate. For a multinational enterprise group that is already burdened with top-up tax liability, the new RIC and cash grants might therefore be a more appealing option.

For a nation, extending preferential tax rate (i.e., giving up taxing rights) is seen as an opportunity cost, while providing grants and subsidies constitutes a direct cash outlay.

The award of the latter must therefore be measured to effectively manage the country’s fiscal budget. Ultimately, the selected tax policy and incentive framework must affirm Singapore's steadfast commitment to supporting high-quality high-value investments.

Bolstering business competitiveness

Small-and-medium enterprises serve as a vital backbone to our business ecosystems. The Partnerships for Capability Transformation Scheme will be enhanced to support local enterprises in deepening their capabilities to compete on the world stage.

Embracing emerging technologies like generative artificial intelligence (AI) could be a game-changing solution to enhance productivity and drive technological transformation. Underlining this potential, Singapore is strategically positioning itself as a global contender in the AI sphere. The Government’s pledge to invest over S$1b in the next five years to spur AI activities demonstrates this bold ambition. Furthermore, there are plans for vital moves like securing access to essential AI components such as graphics processing units, and forging partnerships with leading firms to establish AI centers of excellence. These initiatives aim to cultivate a vibrant culture of innovation, attract global expertise and build a resilient AI ecosystem.

Additionally, Budget 2024 provides enhanced support, including substantial top-up to the SkillsFuture Credit and financial support in the form of generous training allowances for full-time courses and publicly subsidized diploma education, for mature mid-career Singaporeans to pursue meaningful reskilling and upskilling throughout their lifetime. With this, the course fees relief will lapse with effect from YA 2026. These continual efforts to invest in our human capital are essential to ensuring Singapore's competitiveness as a regional hub location.

Significant funding will be allocated to enhance capabilities within the financial services sector, specifically in FinTech, as well as green and transition finance. Further, the funding will go toward investments in research within the realms of advanced manufacturing, sustainability, digital economy and health care. This strategic focus aims to hone the nation's competitive position as an innovation-centric and knowledge-based economy.

Now, it leaves Singaporeans and businesses to garner the determination to succeed in seizing the opportunities to innovate, change and transform, or risk falling behind.

Securing climate resilience

A secure economic future must be a climate-resilient one – and businesses play a crucial role in contributing to the fruition of the Singapore Green Plan 2030. Given its position as a trade node and hub, Singapore can wield significant influence on the region's green transition and lead in driving the green economy.

Budgetary measures have been established to bolster the green loan scheme and enhance grant support for businesses to embark on projects aimed at energy efficiency and reducing emissions. Energy security is addressed by diversifying the sources of cleaner energy, including importation of low-carbon energy, investment in new liquefied natural gas infrastructures and early-stage feasibility studies into the future use of hydrogen and nuclear energy.

In times of unrelenting uncertainties, the courage to double-down on long-term priorities and dexterity in meeting short-term demands is vital. Singapore Budget 2024 signals the commitment and conviction of the fourth-generation leadership that Singapore and her people can – will and must – sail through the winds of change.

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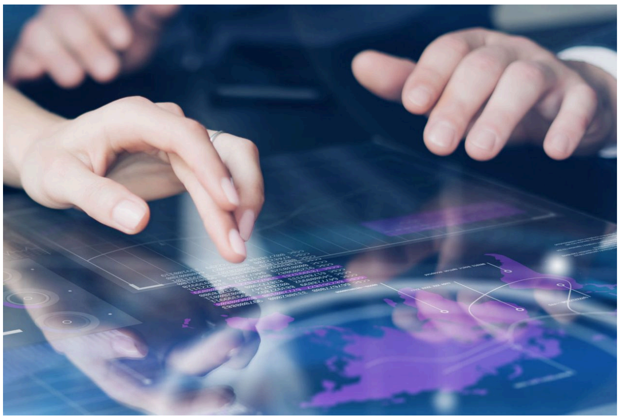

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