Singapore Budget 2024: Key takeaways for businesses

Dario Acconci

20 February 2024

Guide

Singapore's Deputy Prime Minister and Minister for Finance, Mr. Lawrence Wong, unveiled the Singapore Budget 2024 (the Budget) last Friday.

This year's Budget addresses critical areas for businesses such as tackling rising costs, enhancing competitive advantages, and prioritising sustainability. In this article, we provide a summary of the key initiatives announced and their implications.

Supporting businesses in managing rising costs

For starters, a newly announced 'Enterprise Support Package' will offer financial relief to businesses experiencing hikes in wage bills, rental, and utility expenses. With a commitment of SG$1.3 billion, this package provides support through the following three measures

50% corporate income tax rebate

In the Year of Assessment 2024, companies are set to receive a 50% corporate income tax rebate, capped at SG$40,000, to help reduce business costs.

To ensure support extends to all, businesses that hired at least one local staff member in 2023 will receive a minimum benefit of SG$2,000 in cash payouts. This approach ensures tangible assistance as they navigate the year ahead.

SkillsFuture Enterprise Credit extended to June 2025

For eligible employers that have received a one-off SkillsFuture Enterprise Credit (SFEC) of up to SG$10,000, an additional year has been added to the earlier deadline of 30June 2024. This gives companies more time to utilise the credit.

The SFEC can cover up to 90% of direct expenses related to supportable enterprise and workforce transformation programmes. Final claims must be made by the new deadline of 30 June 2025.

Enterprise Financing Scheme enhancements

To support enterprises in meeting their financing needs, the Enterprise Financing Scheme (EFS) will see significant improvements. Small and medium-sized enterprises (SMEs) can expect a permanent raise in the maximum loan quantum for the EFS – SME Working Capital Loan, increasing from SG$300,000 to SG$500,000.

To help enterprises with trade financing requirements, the enhanced maximum loan quantum of SG$10 million under the EFS – Trade Loan will continue until 31 March 2025.

To assist domestic construction firms in overcoming tough market conditions, the EFS – Project Loan will also be extended to 31 March 2025, with a maximum loan quantum of SG$15 million for construction projects.

Helping companies support senior employees

Upgrading senior employees' skillsets could cost businesses significant resources. The Singapore Budget 2024 announced two initiatives to help companies cope with that.

SG$4,000 top-up of SkillsFuture credit

Singaporeans aged 40 and above will receive a SG$4,000 SkillsFuture credit top-up in May, aimed at empowering mid-career workers to upgrade their skills and advance in their careers. Eligible programmes include part-time and full-time diplomas, post-diploma, and undergraduate programmes, providing businesses with a workforce equipped with up-to-date skills and qualifications.

Importantly, the SG$4,000 credit will not expire, ensuring cost-saving benefits for both employers and employees.

CPF Transition Offset

Businesses will also see an adjustment in their contributions to the Central Provident Fund (CPF) for employees aged 55 to 65, with an increase of 1.5 percentage points set for 2025. For employees aged 55 to 60, the current contribution rate is 31% of monthly wages, and for those aged 60 to 65, it is 22%.

Enhancing competitive advantages

The Singapore Budget 2024 also allocates resources to reinforce the sectors where Singapore holds competitive advantages. This comprises:

More investment in Research, Innovation and Enterprise 2025

Launched in 2020 with an original fund of SG$25 billion, the Research, Innovation and Enterprise 2025 (RIE2025) plan will receive an additional SG$3 billion investment. The newly injected resources will support research and investment efforts focused on key areas of national interest, including advanced manufacturing and sustainability.

New Refundable Investment Credit scheme

Companies involved in high-value and substantive economic activities may leverage the new Refundable Investment Credit (RIC) scheme. Targeted activities include investing in new productive capacity, carrying out research and development (R&D) and innovation activities, as well as implementing solutions with decarbonisation objectives.

Awarded by the Singapore Economic Development Board (EDB) and Enterprise Singapore (EnterpriseSG), this scheme will be granted based on eligible expenses a company incurs for an approved project for up to ten years.

The amount of RIC a company can receive will vary based on the support rates for various qualifying expenditure categories, including capital outlays, labour costs, training expenses, and fees for work outsourced in Singapore.

SG$2 billion top-up to the National Productivity Fund

To bolster the RIC along with other efforts aimed at promoting investment, the government also plans to allocate an additional SG$2 billion to the National Productivity Fund (NPF) this year. Launched in 2010, the NPF supports businesses in boosting productivity and facilitating ongoing education and training for employees.

SG$2 billion top-up to the Financial Sector Development Fund

On top of that, the government plans to add SG$2 billion to the Financial Sector Development Fund (FSDF). Managed by the Monetary Authority of Singapore (MAS), the FSDF awards grants to firms and individuals within the financial services industry.

This financial boost aims to provide MAS with the necessary resources to capitalise on current opportunities and to solidify Singapore's leadership position in financial services. Efforts will be made to excel not only in core financial sectors like asset management and capital markets, but also in promising fields such as financial technology (fintech).

Enhanced Partnerships for Capability Transformation scheme

Enhancements to the Partnerships for Capability Transformation (PACT) scheme are set to expand its scope beyond supplier development and co-innovation between large corporations and SMEs, to now also cover capability training, internationalisation, and corporate venturing.

With this enhancement, PACT aims to empower more companies to tap into global supply chains, venture into overseas markets, and lead in their respective sectors.

development. As a key player in AI, Singapore has plans to scale new heights of excellence and encourage private sector investment as per the National AI Strategy 2.0.

More than SG$1 billion investment to support the National AI Strategy 2.0

In support of this, more than SG$1 billion will be invested over the next five years towards AI technology , talent, and industry growth. This investment will, among other things, secure Singapore's access to the advanced microchips essential for AI development and deployment.

To foster industry collaboration and innovation, Singapore also intends to partner with leading local and global companies to establish AI centres of excellence.

Upgrade the Nationwide Broadband Network to 10 Gbps

Concurrently, additional resources are being channelled to catalyse investments in the Nationwide Broadband Network's upgrade, aiming to support advanced technologies like AI as they grow increasingly integral to business and everyday life.

These resources will enable access to broadband speeds of up to 10 Gigabits per second in the latter half of this decade – a tenfold increase over current home broadband speeds. This enhancement ensures that the connectivity infrastructure can accommodate the future requirements of advanced technologies.

Advancing sustainability initiatives

To stay competitive, businesses, including SMEs, must integrate sustainability into their core strategies. As covered in the Singapore Budget 2024, several measures are available to assist businesses in this transition.

Updates to the Enterprise Financing Scheme – Green

For example, effective from 1 April 2024, the scope of the Enterprise Financing Scheme – Green (EFS-Green) will be broadened to assist an increasing number of SMEs in adopting green solutions.

Previously, EFS-Green offered green financing opportunities to project developers, system integrators, and technology and solution enablers. It is designed to support those who develop enabling technologies aimed at reducing waste, conserving resources, and cutting greenhouse gas emissions in sectors such as clean energy and green infrastructure.

However, this expansion to support green solution adopters will also help Singapore in achieving its wider goal of becoming ‘sustainability ready’. The scheme's enhanced support has also been extended by two more years.

Energy Efficiency Grant to include more sectors

First introduced in 2022 for sectors like food services, food manufacturing, and retail, the Energy Efficiency Grant will be enhanced to include additional industries such as manufacturing, construction, maritime, and data centres and their users.

The scheme now features a two-tiered support mechanism: a base tier providing up to SG$30,000 for approved energy-efficient equipment purchases, and an advanced tier aimed at supporting more substantial investments towards achieving higher energy efficiency.

Eligibility extends to Singapore-registered companies with a minimum of 30% local ownership, at least one local employee, and a maximum group annual sales turnover of SG$500 million.

avoidance. It was announced in the Budget that Singapore's corporate income tax regime will move ahead with two components from the second pillar of the Base Erosion and Profit Shifting (BEPS) 2.0 framework.

Starting with financial years on or after 1 January 2025, the Income Inclusion Rule (IIR) will be applied, ensuring that multinational enterprise (MNE) groups headquartered in Singapore pay a minimum effective tax rate of 15% on their overseas profits.

Simultaneously, a Domestic Top-up Tax (DTT) will be introduced, mandating that MNE groups also meet a minimum 15% effective tax rate on their profits earned in Singapore. These measures, targeting MNE groups with annual revenues exceeding SG$1.1 billion, aim to retain tax revenue domestically and adhere to the standards set by BEPS 2.0's Pillar 2.

The framework's undertaxed profits rule will be reviewed for future implementation.

Singapore's commitment to implement corporate tax changes under Pillar 2 of BEPS 2.0 was first announced in Budget 2023. Since then, several jurisdictions have made moves to implement tax changes related to Pillar 2. These include markets such as the European Union, the United Kingdom, Switzerland, Japan and South Korea, which are implementing Pillar 2 rules from this year, while Hong Kong and Malaysia have announced plans to do so from 2025.

A look ahead

Overall, Singapore Budget 2024 presents a forward-looking approach designed to bolster the economy, support workforce development, and ensure the country remains a competitive global player in the coming years.

For organisations considering company incorporation in Singapore, Budget 2024 offers a glimpse into the nation's commitment to nurturing an innovative, skilled, and sustainable business ecosystem.

Hawksford

Dario Acconci

Head of Corporate Asia

Subscribe to insights and guides

Email address*

Please select your newsletter frequency*

- [ ] Monthly

Subscribe

Most recent articles

CPTPP agreement marks...

Read more >

Starting a business in Indonesia

Read more >

Starting a business in New...

Read more >

Hawksford

A guide to international expansion

This guide details the major benefits of international expansion, the challenges involved and how we can help you meet them as you grow your business.

Download now