

**Immediate Past President and
Nominated Member of Parliament Thomas Chua
Ministry of Trade and Industry
Budget 2018 Speech Highlights
2 March 2018**

Topic: Strengthening business capabilities through targeted government schemes

1. Mr Speaker, Sir, and fellow Members of Parliament, good afternoon! Today, my topic is “Strengthening business capabilities through targeted government schemes”.
2. This year’s Budget affirms the important role of trade associations and chambers in driving industry transformation and upgrading. Besides initiating the establishment of the Trade Association Hub, the SCCCI also set up the Trade Association Committee (TACOM) led by the business community.
3. The business community welcomes the many assistance schemes rolled out in this year’s Budget to help in uplifting the capability of enterprises. Last year, our productivity growth was 4.5%, the highest figure achieved since 2010. However, businesses are concerned that, compared to large enterprises, how much have SMEs contributed to

productivity growth? Just how effective have local SMEs been in upgrading themselves?

4. In this year's Budget, the government has introduced a new assistance scheme, the Productivity Solutions Grant (PSG). This is very different from the Productivity & Innovations Credit (PIC) and Innovation & Capability Voucher (ICV) that businesses were familiar with. Basically, after approval, PSG will support 70 per cent of the company's productivity investment and expenses, while the company will only need to bear 30 per cent of total costs. What is good about PSG is that when companies have identified a suitable productivity upgrading project, they could apply immediately. This is different from PIC's tax deduction option at year end. Moreover, from the 1st of April this year, businesses could apply directly for PSG through the Business Grants Portal set up last year. This is extremely convenient.
5. The Budget also announced that IE Singapore's Global Company Partnership grant and SPRING Singapore's Capability Development Grant would be combined under an all-new Enterprise Development Grant (EDG). This is a good move! Moving forward, one integrated scheme could help enterprises to improve internal capabilities as well as to internationalise. At the same time, enterprises look forward with great anticipation to the newly set up Enterprise Singapore, hoping that it could achieve an outcome of 1 + 1 is more than 2. Besides helping enterprises to improve their competitiveness and internationalise, services provided by Enterprise Singapore should include coordinating manpower resources and improving technology adoption.

6. In addition, to further support firms to internationalise, with effect from YA 2019, the Double Tax Deduction for Internationalisation (DTDI) will be enhanced, with the amount of expenses that can qualify for the DTDI without prior approval being raised from \$100,000 to \$150,000. This would make it easier and faster for firms to apply. Businesses also welcome the launch of the ASEAN Leadership Programme. ASEAN countries have always been the key overseas markets for local businesses. This programme would be very helpful in enabling local entrepreneurs and senior management to better understand market trends.
7. The Budget has also included a Partnerships for Capability Transformation (PACT) Scheme, the aim being to encourage partnership or collaboration among companies. One way is to let big companies help smaller enterprises improve their capability; hopefully local enterprises could tap on this scheme to nurture a mutually cooperative business culture and develop regional ventures together.
8. However, some businesses expressed concern about certain new measures. For instance, with effect from next year, the government will implement a new carbon tax to encourage reducing carbon emissions. Although businesses realise that Singapore aims to become an even more liveable and sustainable city, and that we need to protect the environment, they are concerned on the impact to their costs. Moreover, as their industry counterparts abroad do not need to be taxed in this way, local enterprises could become less competitive. We are nevertheless glad to know that the

- government has also committed that in the first five years of introducing the carbon tax, revenue collected would go towards giving more grants and support to companies the enhance energy efficiency and reduce emissions.
9. I have also received feedback from some start-up companies. They hope that even if profits were to be generated in the first five years of setting up the company, corporate income tax should be waived, enabling them to plough back the revenue into operations and carry out the initial phase of development without a hitch.
 10. Over the past few years, the role of industry associations in industry transformation has received sound affirmation from everyone. The government has already announced the Industry Transformation Maps. Moving forward, trade associations will continue to strive hard towards the implementation! As an example, under the enhanced Local Enterprise and Association Development programme (LEAD), the Singapore Food Manufacturers' Association has already set in motion a series of industry development projects for the benefit of its members. May I ask the Minister how the enhanced LEAD programme has been faring? Will other industry associations also benefit from LEAD?
 11. I noticed that this year's Budget did not give specific mention to the SME Centres. I wonder what role the SME Centres, previously set up by SPRING Singapore, are expected to perform as we move ahead.

12. Finally, I would like to stress that although many micro-enterprises and SMEs operate mainly in the domestic market, they do possess a very strong resolve to upgrade themselves. Even if they do not expand overseas, they have a strong social function in creating employment opportunities, and I hope the government would not ignore them.

13. The government can do even more to create a more favourable business environment for micro-enterprises and SMEs; notwithstanding their small size, this could enable them to become small but exquisite, small but nimble, small but beautiful, and small yet highly competitive. Eventually, SMEs must continue to learn ceaselessly and develop capabilities. Only then can they benefit from government assistance schemes. I sincerely believe that if businesses pursue excellence and strive for perfection, marshal our resources and talent, they can then find the niche for survival and development within this ever-changing marketplace!