

Speech by NMP Thomas Chua in February 2018

Economic Expansion Incentives Bill

Mr Speaker of Parliament, I support the amendment of the “Economic Expansion Incentives Bill”. Timely changes in tax incentives would enable Singapore to maintain its global competitiveness and attract even more MNCs into Singapore to contribute to our national economy. Today, I would like to discuss some points of view regarding the proposed amendments from two perspectives – that of the business community as well as taxpayers.

MNCs and local enterprises are the two large engines which steer Singapore’s economic development. MNCs who come to Singapore, besides directly creating employment opportunities, also spur the development of related industries. Some local companies have leveraged on the opportunities of collaborating with MNCs to improve the technical content of their products and services, and have gradually become world class companies. This win-win collaborative model is the outcome businesses look forward to most.

After going through the Bill, I would like to focus on discussing one particular newly added content: a new section 97ZHA points out that after companies have successfully applied for the Integrated Investment Allowance, in the event that they fail to comply with any term or condition as specified or outcome indicators, not only will the tax incentive end, the government can recover this particular investment allowance already given.

This amendment is extremely timely. Recently, the government has mentioned several times that the budget expenditure would steadily increase, and that we need to explore new sources of tax revenue and curb expenditure. Strengthening the supervision and audit of tax incentives and measures and guarding against abuse, is certainly one of the necessary actions. The amendment to the Bill would enable the auditing and governance process of tax incentives to be more strictly enforced. This is good for our taxpayers. Also, I would like to ask the Minister if this current amendment to the bill was instituted due to an increase in recent years in the number of errant cases?

Of greater concern to businesses is that such tax incentives to attract foreign investment appeared to have become weaker in elevating the value-add of our local enterprises through participating in the industry value chain. Quite a number of businesses have told me that they greatly appreciated the Local Industry Upgrading Programme (LIUP) which was phased out in 2010. This programme, extremely useful then in promoting win-win collaboration between foreign investors and local enterprises, continues to be well-regarded today.

In the earlier years, foreign companies who invested in the traditional sectors here could generate significant business opportunities and value-add to the related local supporting enterprises who participated in the industry value chain, and created direct and indirect employment opportunities for Singaporeans. However, in more recent years, most of the MNCs attracted to Singapore are in the emerging sectors who establish their regional headquarters or R&D centres here. The spin-off value-adding activities, such as product design, manufacturing, industry supply chain, and distribution may be located in the

region. It is no longer easy for local enterprises to function like before, wielding their local advantage in becoming service providers for the MNCs.

Therefore, our SMEs should step up venturing overseas in line with the government policy to encourage businesses to internationalise. They can then continue to service the MNCs who have established production bases in the region. I also urge the government agencies under the Ministry of Trade and Industry, namely Economic Development Board and the Enterprise Singapore Board, to continue to work closely with local industries. We hope that EDB, whilst continuing to attract high quality foreign investors into Singapore, would also make capability upgrading of local enterprises a key objective – to provide MNCs and local enterprises with a win-win collaborative model to become the driving force of Singapore’s future economic development!