新加坡中華總商會
Singapore Chinese Chamber of Commerce & Industry

MR THOMAS CHUA, IMMEDIATE PAST PRESIDENT OF SCCCI,

NOMINATED MEMBER OF PARLIAMENT

AT PARLIAMENT SITTING ON 02 OCTOBER 2017

Income Tax Amendment Bill

Mr Thomas Chua Kee Seng (Nominated Member) (*In Mandarin*): Mr Speaker, this amendment bill provides legislative basis for the various tax incentives announced during this year's Budget Statement. I support the amendment.

I would like to share my views on 3 points - corporate income tax rebate, tax deduction for research & development projects, and tax incentives for specific business hub activities.

The first pertains to corporate income tax rebate. The government has raised the corporate income tax rebate cap from $20,000 to $25,000, with the rebate rate unchanged at 50%; the rebate will also be extended by another year till YA 2018. This measure aims to help businesses cope with the challenges of economic uncertainties, and the ongoing economic restructuring.

In order to upgrade, SMEs would need capital in different areas. Recently, I had a chat with a boss in the F&B and food processing industry. He said that in the current business environment, it is not enough to just have tasty food. F&B business also need to set up a central kitchen, or adopt automated production and compete on who has better selling points, such as a robot chef. Companies need to invest more in R&D. However, where does the money come from?

Based on the Chamber's "Annual Business Survey" this year, amongst the 700 plus respondents, two-thirds indicated that this year's business revenue remained stable or witnessed slight improvement compared to last year; 55% said profits were either maintained or increased. There are more areas where money is needed than areas from which money can be generated. Therefore, the corporate income tax rebate this time is very timely. SMEs can continue to work hard and plough the tax rebate into improving their business processes and uplifting their competitiveness.

My second topic is tax deduction to encourage collaboration in R&D. After amendment, the government will adopt the “safe harbour rule for expenditure covered by Cost Sharing Agreements”. With this amendment, government will liberalise the tax deduction process for R&D projects involving Cost-Sharing Agreements.

Last year, the Chamber undertook a study that looked into the innovation efforts of SMEs. Less than one-third of SMEs committed resources into innovation; amongst these, close to 40% rely on their internal resources to innovate; collaborating with external research institutions is rare. Between businesses and research institutions – one understands the market, while the other specialises in deep technical research. Each should play to its own strengths, complement one another and achieve a win-win situation. SMEs lack research talents, hence they need to leverage on external resources to strengthen their R&D abilities. I believe that liberalising the tax deduction process for R&D projects will encourage more SMEs to actively collaborate with research institutions.

In this area, trade associations can play a leading role to encourage their member companies to collaborate on undertaking innovation and R&D. For example, the Singapore Food Manufacturers’ Association (SFMA) initiated the “Great Singapore Food Gifts Award” three years ago, encouraging local enterprises to develop innovative food concepts and improve in their creative packaging. Recently, the SFMA also launched the “Food Innovation Product Award”, enabling food manufacturers and tertiary students to collaborate and co-create new and innovative food products. This is a good initiative worthy of being emulated by other trade associations.

My third topic is specific business hub activities. Amongst the 25 tax measures that have undergone changes in this Bill, quite a number are refinements to the existing tax incentives for specific business hub activities, including infrastructure financing, project financing, commodity trading, maritime, finance, insurance, and aircraft leasing. The booming development of these industries can also push the development of the other sectors.

The hottest topic these days is the “One Belt, One Road” initiative, the key of which is the inter-connectivity of infrastructure, finance and trade. Being the major transportation, financial and trade hub for the region, coupled with its superior geographic location and favourable tax incentives, Singapore has attracted many foreign businesses and multi-national corporations to invest in Singapore and use Singapore as a base to offer their products and services to reach an even larger regional market. This is the trend and I hope local companies can grasp these opportunities. Since local businesses are familiar with the ASEAN markets, and have extensive connections, they can therefore work with Chinese companies and explore third-party markets together.

Mr Speaker Sir, these are times where opportunities and challenges co-exist. In the new economic order, our local businesses need to leverage on their strengths and incorporate external resources. It was with this positioning that our pioneer generation successfully created an economic miracle. Today, we can leverage on the same positioning and open new doors for Singapore’s future economy.