



**BUDGET 2014  
Recommendations**



**SME Committee  
RECOMMENDATIONS FOR BUDGET 2014  
AT A GLANCE**

# Overview

In Budget 2013, the Government announced a Quality Growth Programme which aims to engender a dynamic and re-energised small and medium enterprise (SME) environment through better jobs and higher wages. The SME Committee (SMEC) appreciates the Government for the special attention given to SMEs but cautions that close monitoring is required during this difficult transition period of economic restructuring.

SMEC recommends that the Government introduces measures in Budget 2014 in a more targeted approach for the following groups of SMEs:

## 1. SMEs seeking **GROWTH**

- There is urgent need for SMEs to revitalise their appetite for growth.
- Helping SMEs achieve sustained growth can maximize their competitive advantage in capturing opportunities from strong regional growth in Asia.
- The focus of this year's Budget should be to help SMEs build their capacity for growth, especially through innovation, internationalisation and better access to financing.

## 2. SMEs in **SURVIVAL** mode

- In the past years, more stringent policies on foreign workers, cooling measures on the property markets, and financing restrictions on property and vehicle ownership have had more severe knock-on effects on SMEs than expected.
- Budget 2014 can help SMEs struggling to survive through concessions of manpower costs and productivity investments, and taking more proactive measures to mitigate rising land, rental and transportation costs.

## 3. SMEs in sectors with **SPECIAL NEEDS**

- The Construction, Retail and Food & Beverage sectors have reported severe impact on their profitability from drastic tightening of manpower policies in recent years.
- To alleviate the stress on these sectors, the Government can support these SMEs to adopt more efficient and effective management of their existing foreign manpower.

# Budget Considerations



## **Economic competitiveness**

Singapore's competitiveness is eroded by global conditions while domestically it is dragged down by reduced business efficiency as a result of high business costs and the restructuring process

## **High business costs**

High business costs catalysed by policies which have a severe impact on business survival and expansion

## **Realistic productivity target**

Companies need more time to achieve Government's productivity growth target as SMEs face short term challenges in costs and manpower constraints

## **Financing for growth**

Increasing challenges of SMEs seeking financing for business continuity, growth and market expansion

## **Seizing growth opportunities**

Give more focus to help SMEs seize growth opportunities particularly in ASEAN and rest of Asia

## **Greater differentiated fiscal policies**

Greater differentiated fiscal policies for SMEs as compared with larger corporations

# Helping SMEs GROW...

## Seamless process

to help SMEs progress through the pipeline of innovation projects

### Align support measures across the innovation chain

- ✓ Expand qualifying activities and list of service providers under ICV
- ✓ Provide fast-track facilitation to SMEs applying for CDG if they have received ICV for the first phase of their innovation projects
- ✓ Broaden the eligibility criteria for TECS to all SMEs, instead of only to start-ups
- ✓ Expand the TECS to support all defensible blue-ocean ideas based on innovative technologies and business models



## Reduce barriers

for SMEs navigating the processes and conditions of public research institutes (RIs)

### Better SMEs access to technologies from public RIs

- ✓ Build up capacity and knowledge within TTOs to understand industry needs better in order to translate technologies into business solutions more effectively.



## Grow the supply of

innovation enablers for SMEs facing constraints in their internal resources and capabilities

### Growing a thriving ecosystem of innovation enablers in the private sector

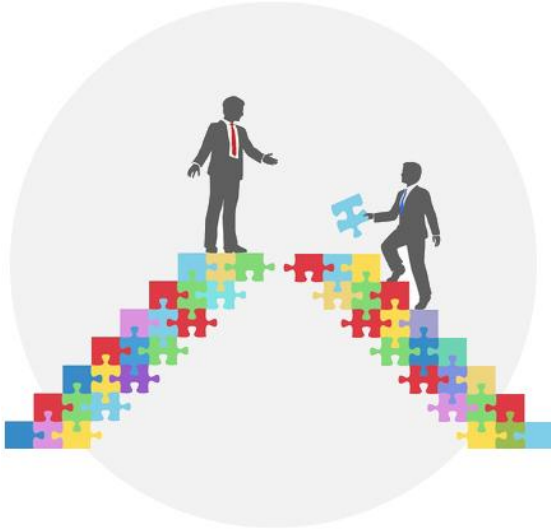
- ✓ Liberalise the use of designated service providers to create demand for private sector innovation enablers such as RSEs, consultants, venture catalysts, product designers, etc
- ✓ Expand schemes such as the ICV, T-UP and CDG to cover the manpower costs of suitably qualified/accredited private sector innovation enablers



**SME Growth Status :**  
(SME Development Survey 2013)

**44%** Stagnant Growth

**7%** Double Digit Growth



## Better SME access to public financing & test-bedding resources

### Build platforms to encourage public-private partnerships for innovation projects

- ✓ The IDA has been proactive in facilitating innovation for Infocomm SMEs
- ✓ More government agencies should partner SMEs for their innovation projects by providing them test-bedding assistance and opportunities to showcase their innovation.



## More relevant support for SMEs who intend to use JV or M&A to enter potential markets

### Enhance Mergers & Acquisition (M&A) allowance for overseas growth

- ✓ Allow SMEs that do not take a controlling stake in the target companies to be eligible as long as they control at least 30 percent of the target company
- ✓ Allow transactional costs to be tax deductible even for unsuccessful overseas M&A attempts
- ✓ Expand the scope to SMEs that expand overseas through other means, such as JVs and partnerships, by supporting transactional costs and other common set-up costs



## New financing channels through Crowdfunding and Trade Receivables Exchange (TRE)

### New forms of SME financing

- Review the financial regulations and legislation to:
  - ✓ Allow equity and debt-based crowdfunding
  - ✓ Encourage the establishment of a trade receivables exchange

# Helping SMEs SURVIVE...

## Helping SMEs retain and attract employees

Supporting healthcare benefits to employees

**8% to 30%**

Increase in average total bill for Class C wards over past 3 years

**8.5%**

Estimated increase in medical bills in 2012



Increase corporate tax deduction for medical expenses to commensurate with rising health and medical costs

Review tax treatment on Group Life Insurance premiums to be consistent with other employee benefits-in-kind expenses

Further support employment of older local employees through a co-payment of insurance premiums with the SEC scheme

**Higher %**

of older workers employed in SMEs

**\$60,000 to \$100,000**

Annual premium for medical insurance for 50 to 100 employees

Special Employment Credit **SEC**

Incentive for employment of older workers

## Reducing labour costs for SMEs



Supporting medical costs for older employees

## Enhance Job Flexibility Scheme (JFS) to improve productivity

Increase flexibility to deploy manpower across companies for better manpower utilisation



Expand JFS eligibility to allow cross-deployment between companies that are under the same group of companies or management

Extend PIC beyond YA 2015

Increase PIC Bonus and make it non-taxable

Extend PIC to cover salaries and other remuneration paid to in-house trainers for other duties including preparation of training material

Extend PIC cash pay-out to companies with at least three local employees (including sole proprietors, partners and shareholders, as long as CPF contribution is made)

Combined cap for all six PIC qualifying activities OR Higher cap for training, IT and automation activities

Increase non-accredited training cap from \$10,000 to \$50,000

## Enhancing Productivity and Innovation Credit (PIC) to support productivity improvements

Continued support for many SMEs that are still in transition phase and greater flexibility for PIC claims

# More affordable industrial space needed

Helping companies lower operational and capital costs

# Review JTC renewal process

Ensure sufficient supply of land and affordability of rental for businesses

JTC to develop industry hubs equipped with shared facilities in consultation with relevant trade associations

Consider SMEs' contributions as part of industry's economic value chain when computing Economic Value-Add (EVA) and evaluating land applications or lease renewals

Consult businesses for lease renewal between 6 to 12 years before end of lease tenure and announce outcome of renewal applications within 18 months of consultation



Greater clarity needed for JTC's renewal criteria, with provision for relocation assistance for unsuccessful or non-renewed tenants

Government to publish and make available, meaningful, aggregated data on sale and rental of business space

Government to collaborate with private sector to develop code of best practices for adoption as a standard tenancy agreement, and take lead for its eventual adoption by industry

# More equitable rental terms

Provide level playing field for tenant and landlords

# Reducing Transport Costs

Escalating costs for moving goods

4th Cost component affecting SMEs' profitability



Certificate of Entitlement COE increase in tandem with vehicles in other categories

Further review system for ownership of commercial vehicles to ensure affordability of movement of goods and services for SMEs as part and parcel of their business operations

Increase MLP loan quantum from \$100,000 to \$300,000

Introduce a Working Capital Loan Scheme with loan quantum of up to S\$5 million and loan tenure to be determined by the PFIs, subject to a cap of five years

# Financing for Capital Needs

## MLP

Micro Loan Programme loan quantum inadequate

Especially for SMEs with negative and up to 10% per annum turnover growth



Improving SMEs' access to working capital

# Helping TARGET SECTORS...

## Construction

### Greater Efficiency in Manpower Utilisation

#### Man Year Entitlement

No further cuts to Man-Year Entitlement (MYE)

Allow companies to use any unfulfilled period of MYE that is not less than three months for employment of another worker or extension of an existing worker

Workers in safety trades not given due skill recognition

Upgrade the skilled status of foreign workers in safety-related occupations from "Basic Skilled" (R2) to "Higher Skilled" (R1)

Loss of highly experienced skilled workers, due to tenure expiry

The period of employment of higher skilled (R1) workers be increased from 18 to 25 years

The period of employment of basic skilled workers (R2) be increased from 10 to 18 years

Allow workers with required certification to work in trades with labour shortage

Expand the Multi-Skilling Scheme to include trades such as drivers and security guards

Overly high paper qualifications for manual skilled jobs

Review the necessity for paper qualification criteria which are not essential for manual skilled jobs.

Rampant job-hopping amongst Core-Trade certified workers

Mandate Core-Trade certified workers be required to remain with original employer for at least two years, effective from date of certification.

### Affordable Foreign Worker dormitories for businesses

**Awarding competitive tender to highest bidder has led to higher dormitory rentals**



Dormitory tenders to be awarded based on pre-determined rate or best sourcing principle that is equitable to both end users and providers



## Retail and F&B sectors

### Expanding Manpower Sources & Training Support



**Help businesses deal with decreasing supply of workers from approved sources, particularly North Asian sources**

Review and expand the source countries of foreign workers for the services sector

**Help businesses to tap on larger part-time student workforce**

Widen the Student Pass holders to EduTrust-certified institutions beyond the 22 approved by MOM to work part-time in the Retail and F&B services sectors



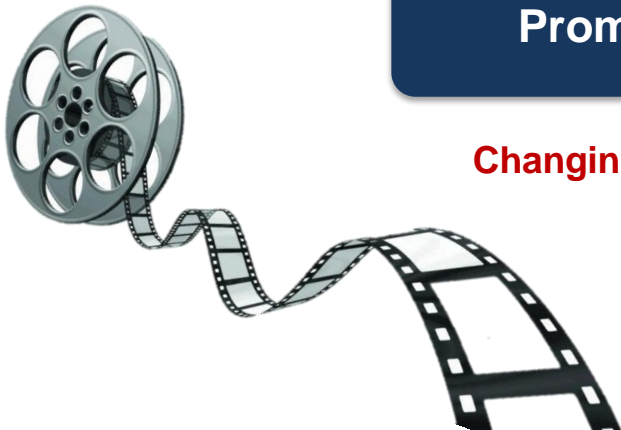
**Improve WorkPro and ETS training support, to better benefit claimants**

Extend scheme to include existing staff cross deployed to new department or job scope

Allow greater flexibility for period of training and extend eligibility period

Make scheme eligible to all SMEs, instead of only new companies subscribing to WDA grants

## Promoting jobs



**Changing the perception of jobs in target sectors**

Support the various Trade Associations to develop and roll out a series of branding programmes to better portray jobs in the respective sectors

# SMEC Members

## SME Committee

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MOS Teo Ser Luck

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Mr Chan Chong Beng

Mr George Huang

Mr Lau Tai San

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Mr Rangarajan Narayanamohan

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# About SMEC

## SME Committee

The SME Committee, or SMEC, was established in December 2011 under the auspices of the Singapore Business Federation. It was set up in response to the need for a single, consolidated and strong voice representing SMEs across key industry sectors.

With growing challenges that SMEs face in the evolving local business environment and global economic climate, the SMEC aims to function as a key platform for engagement between the SME community and policymakers to discuss, research and analyse SME business issues to effect business-friendly policies in Singapore. The SMEC also aims to look ahead of trends and developments that impact business sentiments and growth, by leveraging on SBF's position as the APEX business chamber to facilitate its work as an issue-focused outreach and feedback channel.

The SMEC is made up of the Main Committee and 5 Sub-committees on:

1. Cost of Doing Business Sub-committee
2. Manpower & Productivity Sub-committee
3. Financing Sub-committee
4. Internationalisation & Market Access Sub-committee
5. Innovation Sub-committee

## Singapore Business Federation

As the apex business chamber, the Singapore Business Federation (SBF) champions the interests the business community in Singapore, in trade, investment and industrial relations. Nationally, SBF acts as the bridge between the government and businesses in Singapore to create a conducive business environment. Internationally, SBF represents the business community in bilateral, regional and multilateral for a for the purpose of trade expansion and business networking.

For more information, visit [www.sbf.org.sg](http://www.sbf.org.sg)

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