

## Transforming Singapore enterprises



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BUSINESSES today are facing more pressure than ever. This is especially so for enterprises, which may have access to fewer resources compared to larger firms. These firms face relentless challenges in remaining competitive and profitable in a dynamic and uncertain future economy.

Singapore firms are the lifeblood of our economy, especially small-and-medium enterprises (SMEs) which employ almost three-quarters (72 per cent) of the workforce and contribute nearly half (47 per cent) in nominal value to the economy.

Our local enterprises are well aware of the three key challenges of technological disruption, economic nationalisation and natural adversities, in the backdrop of an increasingly multipolar world. Despite knowing and understanding these challenges, many find it difficult to envision the steps towards transforming their businesses in order to adapt and succeed on their own. Some lack the knowhow to develop and implement a transformation strategy, while others may not even know how and where to begin.

## Support packages under-utilised

According to a 2018 Singapore Chinese Chamber of Commerce and Industry survey, 60 per cent of respondents said they were unaware of the roadmaps to grow 23 industries, known as the Industry Transformation Maps (ITMs), developed in partnership between the government and private sector. In the same poll, 62.5 per cent of those who had heard of ITMs did not know how to tap them.

This points to the need for even clearer guidance on what constitutes transformation for each industry cluster, with simple, actionable steps.

A jumpstart to an enterprise's transformation journey could be provided by the Singapore government, in establishing the requisite infrastructure and a common platform for Singapore enterprises to adopt digital solutions. This would afford Singapore enterprises the flexibility of individual choice, whilst enjoying the benefits of scale.

At the same time, support packages designed to drive the utilisation of this platform can help SMEs own their development and growth, and by doing so, accelerate their transformation journey to ensure that they fully harness the benefits of new technologies for growth.

## A scheme to protect and grow enterprises



A tailored package of tax measures would help structure a broad-based approach for such business adaptation. One option is what can be called a "3+5 Protect and Grow"(PGS) scheme, which can cater better to businesses by factoring in their different stages of development. This aims to be more targeted than the previous Productivity and Innovation Credit Scheme, which expired in 2018.

The PGS would also have greater downstream impact through its aim to catalyse investments in productivity, innovation and internationalisation.

Proposed to be structured in two phases, the initial phase promotes productivity in the first three years. The second phase then focuses on growth and value creation over five years. The uniqueness of this scheme is its flexibility and autonomy - businesses decide when they are ready to embark on each phase.

To begin with, Phase 1 (the first three years) can help boost productivity with measures such as 300 per cent capital allowances (subject to caps) for investments in automation, focusing on business operations such as human resource predictive analytics, intelligent finance automation and smart procurement.

Following this, Phase 2 (spanning five years) can enhance growth and value creation through innovation and internationalisation. Measures could include 300 per cent tax deductions for R&D (including overseas), spending related to internationalisation (such as on branding), and for registration, purchases and licensing of intellectual property.

## Accelerating tech adoption



Besides accelerating major infrastructure projects to create business opportunities for Singapore enterprises, technology adoption for enterprises should also be quickened during an economic downturn. Many cutting-edge technologies today are offered through cloud-based services which provide flexibility and scalability, significantly reducing costs and the time required for transformation; an example of this is in the area of artificial intelligence.

However, there remains some resistance to the adoption of new technologies such as cloud platforms, due in part to security risks and the lack of capability of the business to manage these risks.

To overcome this, grants of up to half of the qualifying costs covering deployment and implementation of technology such as cloud computing would help.

Other measures include double tax deduction for cloud-related training programmes, which would help boost the upskilling of information technology professionals. This, in turn, would feed into the talent development cycle, the other engine to drive Singapore enterprises' transformation forward.

## Future-proofing our talent



With this overall transformation assistance framework in place, Singapore enterprises also need help transforming their workforce.

Enterprises may face a limited availability of skilled manpower, especially in new technology areas such

as data analytics and cyber security. Talent is the key success factor for Singapore in many aspects, determining whether Singapore will be able to better position its economy and be the place where enterprises can grow and become future industry unicorns.

Considering the speed and uncertainty of change in the digital economy, firms should seize the opportunity in the slowdown of the economy to build the talent pipeline by grooming and recruiting talent with the needed skillsets. There should also be incentives to hire older workers and allow flexible work arrangements. Grants of 50 to 70 per cent could be offered to help support talent search and hiring costs, as well as for leadership and re-skilling programmes.

### How we can help

As a committed tax advisor to our clients, we welcome any opportunity to discuss the relevance of the above matters to your business.

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