



Fortifying our businesses in a COVID-19 economy

Fortitude Budget

May 2020



COVID-19 continues to plague the global economy with many already stating that this pandemic has brought the greatest financial crisis for this generation. For Singapore, the Ministry of Trade and Industry has cut its GDP growth projections for 2020 yet again, with the economy bracing itself for the worst recession in its history.

Even as Singapore moves towards a phased reopening of its economy and transitions out of the circuit breaker, there still remains much uncertainty about how businesses will be able to recover. The path ahead remains unclear, with many questions still surrounding COVID-19.

Against this backdrop, the fourth supplementary Budget addressing COVID-19 announced by Deputy Prime Minister Heng Swee Keat in Parliament yesterday is welcome. The Fortitude Budget demonstrates the Singapore Government's resolve in helping Singapore navigate to its new normal, where previous ways of working will be transformed and where the implications of COVID-19 will continue to unravel and be a long-term challenge.

► Preserving and protecting jobs

For Singaporean workers, the extension of the Job Support Scheme in the Fortitude Budget will bring about relief as the Government continues to encourage businesses to retain their workers as much as possible, putting S\$3.8 billion aside from the Budget to do so.

Aside from the generous support in the Job Support Scheme measure, the different initiatives announced will help provide workers with as much opportunity as possible, in the areas of reskilling and upskilling. Hopefully, these practical solutions will address some of the anxiety from workers who may be displaced.

However, as DPM Heng noted in his Budget announcement, COVID-19 will displace some jobs and businesses, some of which may not return even after the crisis is over. What else could be done to better fortify our businesses for a post-COVID-19 future such that we not just preserve and protect the jobs in the short-term, but secure long-term opportunities for workers and businesses alike in a sustainable manner?

Certainly, Singapore cannot rely on the government to dip into the reserves time and again. The only way to forge ahead in this crisis is to help businesses transform to a new way of working in the new environment.

► Digitally transforming our economy

As markets and businesses all over the world grapple with a future with COVID-19, digital transformation is increasingly a key driver in supporting businesses to recover and recalibrate in this new reality.

In the Fortitude Budget, we welcome the measures under the Support for Digital Transformation pillar of the Budget, where the Singapore Government hopes to accelerate businesses' uptake on digital transformation.

Many of these initiatives also address the current COVID-19 realities, enabling specific outcomes such as reduced social contact and increased social distancing measures for businesses. Businesses, especially those in the retail and F&B sectors, where there is a high volume of consumer contact and activity, will benefit greatly from these measures.

As COVID-19 has demonstrated, digital transformation can unlock many opportunities and solutions for businesses. Taking retail for example, we have seen during COVID-19 a tremendous increase in activity for retailers with e-commerce platforms. Businesses that were able to pivot and leverage e-commerce solutions are likely to continue to experience good results and have a better chance of riding through the COVID-19 impact than traditional brick and mortar retailers.

Businesses are likely to need more help in the digital transformation space in order to truly fortify their business, protect and even create jobs. Reusing the example of retail, while businesses

can explore e-commerce platforms to reach consumers, they may face different challenges trying to transform their supply chain digitally as well as design a consumer experience that is digital-first. These are all areas of concern for businesses when they think about digital transformation.

While we await further details on the S\$250 million set aside to help businesses digitalize in partnership with platform solution providers and industry champions, it is key to bear in mind that time is of the essence. We hope that this measure can be extended to support businesses to innovate in this environment, to allow businesses that are likely to incur losses during this period to encash their tax benefits under the R&D tax incentive, as well for existing schemes such as the Enterprise Development Grant to cover all areas that are needed to help businesses adapt to a new way of working. The earlier we can support businesses to transform digitally, the better placed they will be to recover and hopefully even thrive in the new post-COVID-19 world.

► A call for resilience and collaboration

The Singapore Government has dug deep into its reserves in order to bring about the four different Budget measures to address and tackle the COVID-19 crisis. This is indeed exceptional but greatly warranted and welcomed as we face what is the greatest financial crisis and, as DPM noted, the biggest challenge for Singapore since independence.

We want to continue to call for business leaders to be united and proactive in collaborating together to see how we can continue to fortify our economy and take care of our workers, building resilience in our economy. There are different resources and opportunities available for businesses to better

understand what it takes to not only digitally transform but imbue resilience in the core of their enterprise. At KPMG we know the effort it takes and the barriers there could be to find out how to transform your business. We have developed a guide for businesses with the know-how in areas from financial, to operational and commercial resilience.

COVID-19 will likely be a long-term challenge, and we must continue to look for long-term solutions especially in the area of digital transformation, to protect and preserve businesses and jobs.

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