

News release

Dragon Year Budget Wish List from Grant Thornton

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With the uncertainty of the direction of the world economy facing us in 2012 and the Singapore Government truly cognizant of the challenges in the year ahead, the forthcoming Budget will have to consider not just a Budget that addresses the long term challenges and issues but also address the uncertainties that lie in the year ahead of us in the Dragon year.

Gurdeep Randhay, Director, International Tax Services of Foo Kon Tan Grant Thornton LLP said, "The Dragon year is going to be challenging to say the least with the Euro crisis facing the Western European countries, austerity cuts facing hard-pressed economies such as Greece, Portugal and Spain, China slowing down, rising wage demands in China and Indonesia, Thailand recovering from the floods which will have a boost from infrastructure spending and Malaysia facing challenging elections, who says 2012 will not be eventful?"

Our 'tiny red dot' will not be immune from the impact of all or any of the changes and impact which the global economy is exposed to. Against this backdrop, what should the Minister of Finance think about? Grant Thornton presents its Budget 2012 wish list.

Grant Thornton's Dragon Year Budget Wish List

More help for lower and middle income earners

1. The middle and lower income class in society is the most squeezed income group. Higher personal income tax rebates for those who need them most should be considered. The Government could consider putting more money back into the pockets of those who need it most by considering a higher tax rebate for income thresholds for those earning up to SGD 250k.

Giving back to society

2. A one off levy for the top earners - give back to society what society has given you. The Government could consider a one-off levy to tax the top income earners of say, a minimum of \$1m and use this to fund some of the programs that will help the low wage earners and their families to ride through the difficult and uncertain year that lies ahead.

Keeping people on the job

3. In these difficult times, job preservation should be high on the agenda. The jobs credit should be high on the wish list. This has helped thousands of families steer through the slowdown of 2007/8 and will definitely be welcome by businesses who might be considering retrenchments as a last resort to keep afloat.

Linked to this should be some sort of financial support mechanism that will help these families of the retrenched workers to see through the crisis that lies ahead.

Retirement planning

4. Higher employer CPF contributions for the over “50” employees. This has been a controversial issue which needs to be rectified as soon as possible. To ameliorate the impact of this hitting businesses, a higher tax deduction could be considered to employers who contribute the increased rates of CPF to the accounts of their employees to avoid a ‘double whammy’.

Taking care of the lower rung

5. Welfare schemes to help the lower income families. Spend and help these families now with schemes that will lower their expenditure on necessities such as transport, food, education and healthcare. The equivalent of ‘food stamps’ or ‘food tokens’ for lower income families, the aged and those at the lower end of society should definitely be high on the agenda as they are those which are hit hardest in times of crisis.

Sustaining business

6. Lowering the wage bill of businesses. A rethink of the foreign worker levies should be looked at. There are large increases in the pipeline in the coming years. Given the prospect of a slowdown looming, these could be reduced in the interim and increases be phased in over a longer time frame.
7. More help for SMEs -The corporate tax rate is competitive and fair but given that SMEs will be hardest hit, the cash alternative incentives such under the Productivity and Innovation Credit Scheme could be refreshed and extended to encourage investment into business expenditure to encourage employers to maintain employment as well as renew plant and equipment.

Train to succeed

8. Training – in times of slowdown, this is often one area which is neglected or low on the agenda since it impacts the ‘bottom line’ particularly privately held owner-managed businesses. Steps should be taken by the Government to encourage businesses to train and retrain workers and businesses that retrain employees and maintain employment of these workers should be rewarded with higher tax deductions.

Additionally, the Government could also look at setting up a fund to examine training needs and new skills these workers can be trained in, to ensure that they are capable of being employed beyond 62 years of age and much beyond that.

Fast food outlets are doing an excellent job of helping the older workforce stay relevant and employed but given that life expectancy is increasing, employability to 70 should be a factor in developing policy on retraining.

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Notes to editors

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