On February 16, 2024, Singapore's Deputy Prime Minister and Minister for Finance, Mr. Lawrence Wong, delivered Singapore’s FYE 2024 Budget Statement in Parliament with the theme "Building our Shared Future Together."

In light of the continued economic growth trend in Asia driving global expansion, Singapore anticipates achieving a robust growth rate of **1% to 3%** in 2024.

Recognizing the challenges faced by businesses amidst rising costs, a comprehensive Enterprise Support Package will be introduced, providing **$1.3 billion** in support to companies.

(A) Corporate Income Tax Rebate;

(B) Enhancements to the Enterprise Financing Scheme; and

(C) Extension of the SkillsFuture Enterprise Credit

(A) Corporate Income Tax (“CIT”) Rebate

To help businesses manage rising costs, a **CIT Rebate of 50% tax payable** will be granted for the Year of Assessment (“YA”) 2024.

Companies that have employed at least one local employee in 2023 (referred to as “local employee condition”) will receive a minimum benefit of $2,000 in the form of a cash payout (referred to as “CIT Rebate Cash Grant”).

Companies that have met the local employee condition will automatically receive the CIT Rebate Cash Grant by 3Q 2024. The CIT Rebate, less any CIT Rebate Cash Grant received, will be automatically incorporated in the companies' tax assessments raised after they file their CIT returns for YA 2024.

For example, Company A hired two local employees in 2023. It has a CIT assessment of $30,000 for YA 2024. Company A will receive a $2,000 CIT Rebate Cash Grant by 3Q 2024. It will receive another $13,000 [(50% * $30,000) - $2,000] in CIT Rebate in its YA 2024 CIT assessment.

The maximum total benefits of CIT Rebate and CIT Rebate Cash Grant that a company may receive is **$40,000**.

A company is considered to have met the local employee condition if it has made CPF contributions to at least one local (i.e., Singapore Citizen or Permanent Resident) employee, excluding shareholders who are also directors of the company, in the calendar year 2023.

(B) Enhancements to the Enterprise Financing Scheme ("EFS")

The EFS enables Singapore enterprises to access financing more readily across all stages of growth. There will be three enhancements to the EFS under the Enterprise Support Package.

First, the maximum loan quantum under the EFS – SME Working Capital Loan will be permanently enhanced from $300,000 to **$500,000**. This will help SMEs to meet their increased working capital and operational cashflow needs, especially amid elevated costs.

Second, the enhanced maximum loan quantum under the EFS – Trade Loan of $10 million will be extended till 31 March 2025. This will support businesses' internationalisation efforts amid global supply chain disruptions.

Third, support for domestic construction projects under the EFS – Project Loan will be extended till 31 March 2025, with maximum loan quantum of $15 million. This will support domestic construction firms amid a challenging operating environment.

(C) Extension of the SkillsFuture Enterprise Credit ("SFEC")

The SFEC encourages employers to undertake enterprise and workforce transformation initiatives. Eligible firms have received a one-off credit of up to **$10,000** to cover up to 90% of out-of-pocket expenses for supportable enterprise capability development and workforce transformation programmes. To encourage employers to undertake workforce transformation to reskill and upskill their workers, **$3,000** of the SFEC is reserved for workforce transformation programmes.[1]

The SFEC will be extended for a year to 30 June 2025. This means that employers who have already received the SFEC will be able to use it on supportable schemes beyond 30 June 2024, with claims to be submitted by 30 June 2025.

The current list of SFEC-supportable programmes is at Table 1. The supportable programmes will be reviewed periodically, and the updated list can be found at Enterprise Singapore's website.

Table 1: List of SFEC-Supportable Programmes

Programmes	Administering Agency
Enterprises Transformation Programmes	
1. Enterprise Development Grant 2. Enterprise Leadership for Transformation Programme 3. Market Readiness Assistance 4. Scale-Up [1]	EnterpriseSG
5. Productivity Solutions Grant	Solutions administered by EnterpriseSG, STB, BCA, NEA, IMDA, MAS, NParks, SFA, ECDA
6. Aviation Development Fund	CAAS
7. Business Improvement Fund	STB
Workforce Transformation Programmes	
1. Skills Framework-aligned courses in support of the industry Transformation Maps 2. National Centre of Exccellence for Workplace Learning ("NACE") Training Programmes 3. NACE Consultancy Services	SSG
4. Career Conversion Programmes (course fee expenses only) 5. Support for Job Redesign under Productivity Solutions Grant 6. Job Redesign initiatives (e.g., i4.0 Human Capital Initiative for Manufacturing Sector, Service Industry Transformation Programme for Service sectors)	WSG

[1] This means that employers can use up to $10,000 for workforce transformation programmes, but only up to $7000 for enterprise capability development programmes.

Programmes	Administering Agency
7. Design Thinking Business Transformation Programme 8. Employment Support for Persons with Disabilities – Job Redesign Grant for Employers	
9. Career Conversion Programme (course fee expenses only)	Employment and Employability Institute
10. Training Industry Professional in Tourism	STB
11. Singapore Global Executive Programme[1]	EnterpriseSG

Note:

1. Programme is on an invitation-only basis.

Refundable Investment Credit ("RIC")

A new **Refundable Investment Credit** will be introduced to support high-value economic activities such as manufacturing facility setup or expansion, innovation and R&D activities, and green transition initiatives. This tax credit aims to attract investments from global companies and create job opportunities for Singaporeans.

The RIC will support high-value and substantive economic activities such as:

(i) Investing in new productive capacity (e.g., new manufacturing plant, production of low-carbon energy);

(ii) Expanding or establishing the scope of activities in digital services, professional services, and supply chain management;

(iii) Expanding or establishing headquarter activities, or Centres of Excellence;

(iv) Setting up or expansion of activities by commodity trading firms;

(v) Carrying out R&D and innovation activities; and

(vi) Implementing solutions with decarbonisation objectives.

How the RIC works

The RIC is awarded on qualifying expenditures incurred by the company in respect of a qualifying project, during the qualifying period. Each RIC award will have a qualifying period of up to 10 years.

The credits are to be offset against Corporate Income Tax payable. Any unutilised credits will be refunded to the company in cash within four years from when the company satisfies the conditions for receiving the credits. The scheme is consistent with the Global Anti-Base Erosion Rules for Qualified Refundable Tax Credits.

The quantum of RIC that a company can receive will depend on the support rates predetermined for the company's different qualifying expenditure categories. Support rates will be commensurate with the economic outcomes (or decarbonisation outcomes for decarbonisation projects) that the project is expected to bring.

Depending on project type, qualifying expenditure categories may include:

(i) Capital expenditure (e.g. building, civil and structural works, plant and machinery, software);

(ii) Manpower costs;

(iii) Training costs;

(iv) Professional fees;

(v) Intangible asset costs;

(vi) Fees for work outsourced in Singapore;

(vii) Materials and consumables; and

(viii) Freight and logistics costs.

Companies can receive up to 50% of support on each qualifying expenditure category. The total quantum of RIC that a company is eligible for will be determined by EDB or EnterpriseSG.

More information will be available on the EDB and EnterpriseSG website by 3Q 2024. In the meantime, companies may contact EDB or EnterpriseSG.

To bolster investment promotion efforts, the National Productivity Fund will be topped up by $2 billion, while the Financial Sector Development Fund will receive an additional $2 billion to enhance capabilities in areas like FinTech and green finance.

Furthermore, there will be increased investments in Research and Development (R&D) through the Research, Innovation and Enterprise 2025 (RIE2025) plan. An additional $3 billion will be allocated to RIE2025 to sustain investments in national priorities such as advanced manufacturing, sustainability, digital economy, and healthcare.

In addition to a steady commitment to R&D, harnessing the full power of technology across key sectors is imperative.

One critical emerging technology is Artificial Intelligence (AI). AI transcends ChatGPT or Large Language Models, embodying a general-purpose technology akin to electricity, the internal combustion engine, the computer, or the internet. It holds the potential to revolutionize various industries, enhancing productivity across numerous processes, from drug discovery and warehouse organization to autonomous driving.

Singapore has already established itself as a significant player in AI development. The aim is to push boundaries further, striving for new levels of excellence and attracting private sector investments, as outlined in the National AI Strategy 2.0.

To support this strategy and catalyze AI activities, an investment exceeding $1 billion over the next five years will be made into AI compute, talent, and industry development.

Part of this investment will ensure Singapore's access to advanced chips crucial for AI development and deployment.

Collaboration with leading companies in Singapore and globally will be pursued to establish their AI Centers of Excellence within Singapore. These centers are intended to foster industry collaboration, innovation, and drive value creation across the economy.

Concurrently, additional resources will be allocated to stimulate investments in upgrading the Nationwide Broadband Network. These investments aim to facilitate mass-market access to broadband speeds of up to 10 Gigabits per second by the second half of this decade, a tenfold increase from current home broadband speeds. This will ensure that our connectivity infrastructure can support emerging technologies like AI and immersive media as they become more prevalent.

Developing Our Local Enterprises

Investments in and strengthening of local enterprises will continue.

Smaller firms are receiving assistance in harnessing technology through pre-approved solutions, many tailored to specific industries' needs. This enables SMEs to "plug and play" and quickly achieve greater efficiencies and productivity gains.

As companies grow, especially as they expand overseas, their needs will become more complex. Customized support is being provided to help these companies scale up, and these efforts will continue.

One efficient way for companies to rapidly enhance their capabilities is by partnering with multinational enterprises (MNEs) based here. MNEs set high requirements and standards for firms wishing to partner or supply to them. While exclusive selection of local suppliers cannot be mandated to MNEs, commitment exists to helping Singapore enterprises meet these high standards and form mutually beneficial partnerships with MNEs.

The aim is to assist more companies in elevating their capabilities and seizing new opportunities. Currently, the Partnerships for Capability Transformation (PACT) scheme is in place. This scheme supports collaborations between larger companies and SMEs, focusing on areas such as supplier development and co-innovation.

PACT will be enhanced to support partnerships in additional areas, including capability training, internationalization, and corporate venturing.With the improved PACT, the goal is to assist more local firms in integrating into global supply chains, competing in foreign markets, and emerging as industry leaders in their own right.

To remain competitive, firms must also embrace sustainability. While some SMEs still view sustainability as an added burden and cost, going green can provide a competitive advantage. MNEs are already striving to reduce their carbon footprint and expect their suppliers to do the same. Therefore, to participate in the MNE value chain, companies must be "sustainability-ready."

To support this transition, the enhanced support for green loans under the Enterprise Financing Scheme will be extended, and its scope will be expanded to assist more SMEs in adopting green solutions.

Energy Efficiency Grant (“EEG)

The Energy Efficiency Grant (“EEG”) aims to support businesses in their sustainability journey by co-funding investments in energy-efficient (“EE”) equipment.

Launched in 2022 initially for companies in the Food Services, Food Manufacturing, and Retail sectors, the EEG will be expanded to more sectors, including Manufacturing, Construction, Maritime, and Data Centres and their users. Existing grant schemes for the adoption of EE equipment will also be gradually streamlined and subsumed under the EEG.

The EEG GoBusiness webpage will be updated on 1 April 2024 to launch the shopfront for the Manufacturing (including Food Manufacturing), Food Services, and Retail sectors, and will fold in NEA’s Energy Efficiency Fund. The other sectors will be progressively onboarded and companies in all supported sectors can apply for the EEG through the Business Grants Portal by the end of 2024.

Companies registered and operating in Singapore with (i) at least 30% local shareholding, (ii) at least one local employee, and (iii) group annual sales turnover of no more than $500 million will be eligible for support under the EEG.

The EEG will also be enhanced to provide two tiers of support – a Base Tier to provide support for pre-approved EE equipment up to a $30,000 cap; and an Advanced Tier to support companies that wish to make larger investments to drive greater energy efficiency (see Table 1).

Table 1: Summary of EEG Tiers of Supports

Tier	Support Cap Per Company	Qualifying Equipment	Support Rate (until 31 Mar 2026)
Base Tier	Up to $30,000	Pre-approved EE equipment	Government will support 70% and 30% of pre-approved EE equipment costs for SMEs and non-SMEs respectively.
Advanced Tier (for selected sectors)	Up to $350,000 across Base and Advanced Tiers	EE equipment need not be pre-approved, but must demonstrate energy savings above 350t lifetime carbon abatement	Grant quantum computed based on the lower of: i. Support levels under the Base Tier; or ii. EE equipment’s expected lifetime carbon abatement.

More details will be provided at the MTI Committee of Supply.

Tax Changes

This year, in light of concerns over cost of living, a Personal Income Tax Rebate of 50% for the year of Assessment 2024.

1. This will be capped at $200 so that the benefits go mostly to our middle-income workers.
2. The rebate will cost the Government $350 million.

Currently, taxpayers may claim a range of dependant-related reliefs if their dependants have an annual income of $4,000 or less. Starting from the Year of Assessment 2025, the annual income threshold for dependant-related reliefs will increase from $4,000 to $8,000.

Next, Corporate Income Tax – Significant adjustments are poised to be made to Singapore's tax framework in response to the international Base Erosion and Profit Shifting (BEPS) 2.0 initiative.

To recap, BEPS consists of two main pillars:

a. Pillar One aims to redistribute taxing rights on profits to market jurisdictions, potentially leading to revenue reductions for Singapore. However, its implementation has been postponed, and the timeline remains uncertain.

b. Pillar Two will introduce a global minimum effective tax rate of 15% for large multinational enterprise (MNE) groups. In the previous Budget, Singapore signaled its intention to adopt Pillar Two from 2025 onwards, with flexibility to adjust the timeline as necessary.

Since then, several jurisdictions have taken steps. The EU, the UK, Switzerland, Japan, and Korea are set to implement Pillar Two rules from 2024, while others like Hong Kong and Malaysia have announced plans for 2025.

Therefore, Singapore will proceed with two key components of Pillar Two as planned:

a. The Income Inclusion Rule (IIR) will subject the overseas profits of MNE groups headquartered in Singapore to a minimum effective tax rate of 15%.

b. The Domestic Top-up Tax (DTT) will apply to the Singapore profits of MNE groups operating here, ensuring that taxes are paid locally rather than elsewhere.

Both the IIR and the DTT will come into effect for financial years starting on or after January 1, 2025, and will apply to large MNE groups with annual global revenue of at least 750 million euros.

Additionally, there is another component of Pillar Two: the Undertaxed Profits Rule, which acts as a safeguard to collect a share of top-up tax from MNEs with operations in Singapore.

However, consideration of this component will be deferred for now, focusing instead on smoothly implementing the IIR and DTT to minimize disruption for affected companies.

In the short term, the implementation of Pillar Two may yield additional revenues, although the extent and duration of these gains are uncertain. There is also a risk of a reduced tax base if MNEs shift activities to other jurisdictions.

Regardless, any additional revenues generated from Pillar Two must be reinvested to ensure Singapore remains competitive in a post-BEPS environment. This includes supporting new investments, research, innovation, and sustaining economic competitiveness amidst evolving global tax landscapes. Therefore, while significant spending is anticipated, sustained net revenue gains for Singapore are not expected at this juncture.

Conclusion

Economic growth is fundamental to enhancing the lives and livelihoods of Singaporeans. This year's budget underscores the Singapore government's commitment to ensuring robust economic expansion while maintaining an innovative development trajectory.

Through a range of measures aimed at supporting vibrant businesses, the government's determination to propel Singapore forward is evident. As we reflect on the initiatives outlined in the budget, we are filled with optimism that 2024 will be a year of comprehensive economic growth for Singapore.

By prioritizing initiatives that foster entrepreneurship, innovation, and sustainability, the government is laying the groundwork for a thriving business environment that benefits all. With a clear focus on building a resilient economy, Singapore is well-positioned to overcome challenges and seize opportunities in the global arena.

For enterprises, we can look forward to a brighter future characterized by increased prosperity and continued progress, driven by the forward-thinking policies outlined in this year's budget.

Important note:

The information provided above is sourced from the website of the Ministry of Finance. It is important to note that these details are subject to further elaboration by the relevant economic authorities and the enactment of legislation. Consequently, the outcomes may vary from what has been stated herein.

If you would like to discuss any of the issues raised, please get in touch with us.

Singapore Office: 6 Raffles Quay, #14-02, #14-06, Singapore 048580
FOZL Official Wechat: FOZL888
Customer Service Hotline: +65 6717 0088
WhatsApp: +65 9712 8810
Official Website: www.fozl.sg