

**PARLIAMENT SPEECH AT THE BUDGET 2024 DEBATE - BY MR NEIL PAREKH,
CHAIRMAN, SINGAPORE INDIAN CHAMBER OF COMMERCE AND INDUSTRY
AND NOMINATED MEMBER OF PARLIAMENT.**

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Dear Media Editors,

Attached is the speech by Mr Neil Parekh, Chairman, Singapore Indian Chamber of Commerce and Industry, and Nominated Member of Parliament, at the Budget 2024 debate.

For media queries, please contact:

Mr Ramesh – Mobile (9385 4297) or email: ramesh@sicci.com

Mr Shaun – Mobile (9383 3900) or email: shaun@sicci.com

-Begin-

Mr. Speaker Sir, thank you for allowing me the opportunity to discuss the Budget as presented by the Deputy Prime Minister earlier this month.

In my view, Budget 2024 Cares for people, Helps businesses focus their attention on improving, upgrading and expanding both locally and abroad while Ensuring that business costs are better managed with government assistance.

Budget 2024 also Boosts Singapore's premier position for attracting quality investments and creates high-quality jobs for graduates coming out of our institutes of higher learning.

The big question before all of us is the need to remain committed to achieving these objectives as one people, one nation, one Singapore! With a cautiously optimistic outlook for 2024 and the economic stability that many of our trading partners are experiencing Singapore businesses can breathe a sigh of relief.

However, Singapore needs to remain vigilant in view of current geopolitical tensions. An escalation in any of the current conflicts could significantly impact a small, open, trade-reliant nation like ours, potentially affecting energy stability, inflation, and global commodity prices.

The business community welcomes many of the initiatives outlined in DPM Wong's Budget 2024 speech.

Let me briefly touch on some of them:

The measures in the budget to support and stimulate growth by managing rising business costs are greatly appreciated. The \$1.3 billion

Enterprise Support Package, which includes a 50% corporate income tax rebate capped at \$40,000 and a minimum cash benefit of \$2,000, will be particularly advantageous for SMEs. Given the four consecutive contractionary quarters faced by SMEs in 2023, as reported by OCBC's quarterly SME index, this package is timely. The Corporate Income Tax rebate provides temporary relief, enabling businesses to sustain operations and employment. This intervention is a strategic move to alleviate financial pressures, encouraging firms to invest in productivity enhancements. This could lead to a more resilient business environment and a win-win situation for the government and business owners through greater economic activity and increased tax revenues.

However, I do think it is very important for companies to assess if their existing tax compliance methods are sufficient for accurately collecting the necessary data. The introduction of more complex regulations will undoubtedly demand a greater investment of time and resources for compliance.

The Enterprise Financing Scheme enhancements, including the SME Working Capital Loan increase and the enhanced maximum loan quantum for the trade loan, are also welcome developments. These adjustments will facilitate access to operational cash flow for SMEs and support businesses in internationalization, ultimately reducing operating costs through leveraging comparative advantages in different sectors.

These enhancements also facilitate businesses with readier access to financing and capital to capture new growth areas.

Introducing the SkillsFuture Level-Up Programme for Singaporeans aged 40 and above is a commendable step. Including the \$4000 SkillsFuture credit top-up fills the need for lifelong learning, even in times of inflation.

This initiative, coupled with the Mid-Career Enhancement Subsidy and a monthly training allowance of up to \$3,000 for up to 24 months, will significantly motivate individuals to enhance their skills.

I believe the Skills future credit top-up will not only nurture talent but also allow those unemployed to build skills in different sectors and improve their employability into new roles by pursuing full-time diplomas at polytechnics, ITEs, or arts institutions.

This provides a win-win scenario for both individuals and businesses. Individuals are well equipped with better skills, lowering unemployment rates and pursuing jobs in sectors that offer better financial opportunities for their families. Businesses benefit from an increased talent pool with qualified individuals ready to dive into their sectors.

The extension of the credit to 30 June 2025 will also allow individuals more time to decide on the career paths more suited for them and consider additional expenses when deciding to attend the courses.

However, it is Very essential to bring employers on board and change their mindset on investing in employees' training without fearing that they will leave after training.

It is also important that employee training support encompasses workplace training, to improve the employability outcomes of our nation's investment in the training of our workforce.

As DPM Wong has highlighted, the most sustainable way to counter inflation is by bolstering our productivity by investing in human capital.

Not only will empowering individuals with new and improved skills enable us to elevate real income through productivity gains, but this will also allow Singapore to be prepared for the ever-changing economic climate, as well as create an agile and relevant workforce, to better solidify our position in the world as more than a financial hub.

I also believe the minimum cash payout of two thousand dollars to all companies which employ at least one local employee is clearly a new feature that will benefit Singaporeans.

Sir, now let me touch on some of the other big-ticket announcements in Budget 2024.

The investment in schemes aimed at improving R&D and productivity, alongside advancements in Artificial Intelligence and the Nationwide Broadband Network, will drive local productivity growth and attract Foreign Direct Investment (FDI) into Singapore.

The Research, Innovation, and Enterprise (RIE) 2025 plan, the National Productivity Fund (NPF), and the Financial Sector Development Fund (FSDF) are strategic initiatives designed to cement our status as a global hub for innovation, technology, and financial services. To attract high quality investments, a new refundable tax credit scheme, the RIC, has also been launched.

By fostering research and development, promoting the commercialization of innovative technologies, and enhancing productivity, these programs ensure our competitive edge in a high-value, efficient economic landscape. More importantly, these initiatives are progressive, ensuring that businesses lacking expertise and the ability to integrate with pre-existing technologies remain competitive and included.

Notwithstanding the uncertainties surrounding it, the implementation of Pillar 2 of BEPS 2.0 on 1 January 2025, is a good strategic move for Singapore. Beyond low corporate taxes, Singapore offers a conducive investment environment with a skilled talent pool, a stable and business-friendly political climate, low crime rates, a robust judicial system, and top-tier educational opportunities. These factors make Singapore an attractive hub for multinational corporations, even with a potential increase in corporate tax rates.

The emphasis on sustainability through the EFS-Green, the Energy Efficiency Grant, and the Future Energy Fund is crucial and commendable.

These are bold steps towards the Net Zero Singapore Green Plan 2030 commitment that support our transition to greener solutions and enhance our competitiveness by meeting stringent standards.

Additionally, the ability for businesses to partner with suppliers with similar focuses on sustainability will reduce carbon emissions – both from the suppliers to businesses and consumers.

This further ensures enterprises play an essential role in the global value chain and allows Singapore to take advantage of opportunities to fuel the climate change our peers are currently experiencing.

To ensure this, it is important that our green transition investments benefit not only large companies, but also SMEs. I hope that the enhancement to the Partnerships for Capability Transformation (PACT) scheme will incentivise more large companies to collaborate with our local SMEs on sustainability-related projects to 'green' their supply chains.

Not only does this position Singaporean companies as attractive investment prospects in a world increasingly focused on sustainability, but Singapore will also be able to act as a leader in creating greener pathways beyond our region.

I also want to highlight the measures in Budget 2024 to touch on a very important subject which is Enhancing the Retirement Adequacy of Singaporeans.

The announcement for the closure of the Special Account and the transfer of the monies to the Retirement Account in 2025 is in my view a move in the right direction.

There will be short term pain for a few while medium and long-term gain for many.

I also consider the most significant retirement-related move in the Budget to be the increase in the Enhanced Retirement Sum (ERS), which will enable members to receive more income from CPF Life.

From 2025, the ERS – the maximum that can be put in the RA – will be raised to four times the Basic Retirement Sum (BRS).

This is very significant in our society which is ageing fast and many Singaporeans living long, healthy and satisfying lives.

With the higher ERS, a member can receive 3,330 dollars a month from age 65 for life as against 2,530 dollars at the current ERS level.

With a prudent lifestyle, Singaporeans can retire and live gracefully in their golden years. However, I recognize the fact that for many of our fellow citizens the most immediate goal is to reach the level of Full Retirement Sum (FRS) which remains at 2 times the BRS. In order to make the path to FRS and then ERS less steep my recommendation is for the FRS to be adjusted down to 1.6 times the level of BRS (from the current level of 213,000 dollars to 170,400 dollars). The lowering of this threshold will allow many more of our fellow citizens to enjoy the higher payout that come with meeting the FRS.

Having some familiarity with how annuity payments are calculated and paid for, may I suggest that CPF Life and other annuity providers plan for these higher payouts for more citizens by increasing the duration of their fixed income portfolios.

With interest rates at or close to the highest levels in the last decade this is perhaps as good a time as any to increase duration of their fixed income portfolios. I would encourage the government to re-energize its financial literacy campaign. While some of our fellow citizens are sophisticated, intelligent investors many still do not understand basic concepts such as the long-term benefits of compound interest.

I would also encourage the government to formulate a detailed but simple delivery platform to explain these CPF changes to our senior citizens. We want every Singaporean to be well informed about the rationale for this move and how it will help them when the time comes for everyone.

In Summary, this is a budget that directly confronts the reality that cost-of-living pressures exist for individuals while rising costs for businesses are a major challenge. It balances these two issues while reducing the risk of overheating the economy and increasing inflation.

I believe this budget will give businesses the necessary confidence to expedite their capital investment plans which in turn will lead to growth in GDP and the creation of high value jobs.

In my view the most important aspect of this budget is that it provides for significant increase in benefits for individuals and companies without any new tax increases and without any need for any short-term deficit financing.

Maintaining fiscal discipline and protecting our reserves is of paramount importance in what is likely to be a decade or two of rapid changes in the global economic environment with significant impact on a small, open economy like ours.

Mr. Speaker, Sir, I wholeheartedly support this well balanced, prudent Budget.

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About Singapore Indian Chamber of Commerce and Industry

Established in 1924, the Singapore Indian Chamber of Commerce and Industry (SICCI) is the premier business association for Indian businesses in Singapore. With over 600 members from all walks of trade and industry, SICCI is a connector, enabler, and advocator, helping companies grow locally and internationally.

We offer our members an array of business support services, including trade matching, business advisory, networking sessions, seminars, and training, and also serve as a champion of members' interests. We aim to function as a gateway of opportunities for Indian business in Singapore, helping both home-grown and international companies realise their full potential.

SICCI strives to provide its members with insight, connections and support services to give their companies a competitive edge in the global market.

For more information, please visit www.sicci.com.

About Mr Neil Parekh

Mr Neil Parekh is a Partner at Tikehau Capital. Before his current role, Mr Parekh was CEO of Asia for National Australia Bank. In July 2023, Neil was appointed a Nominated Parliament Member in Singapore.

Besides having deep knowledge of traditional players in asset and wealth management, banking, insurance and non-bank finance companies, Mr Parekh takes an active interest in Fintech and currently serves as a director of Elevandi (established by the MAS).

Mr Parekh contributes his time as a member of the Governing Council of the Singapore Business Federation and the Singapore Institute of Directors and serves on the advisory committee for James Cook University, Singapore. Earlier this year, he was recognised and admitted as a Fellow of the Australian Institute of Company Directors (AICD). He also serves as a member of the Investment Committee for SINDA and SNM.

