

PRESS RELEASE

COMMENTS ON BUDGET SPEECH 2009

22 January 2009, Singapore – We are very pleased to see that the 2009 Budget has placed great emphasis on helping businesses strengthen their human capital through the Jobs Credit and enhanced SPUR schemes. These measures will ease the labour cost challenges currently faced by companies, helping them retain and retrain their employees to remain competitive and prepare themselves for the upturn.

The business community will welcome the enhanced bank lending for mid-sized companies and property tax rebates. Nevertheless, we would caution the need for the government to ensure that these benefits will filter down effectively to the companies.

The Foreign-Sourced Income Exemption certainly brings good news to businesses with increasing source of income from their overseas ventures. We are happy to see that the government has finally accepted our proposal to expand the scope of foreign income sources and removed the conditions required for the exemption. Although this is a temporary measure, it will no doubt encourage most companies to now repatriate into Singapore all the overseas income earned in the past years. This will boost liquidity in the hands of businesses in Singapore and ease the tight cash-flow situation caused by the current credit crunch.

Another of our proposal which we are glad to see it being accepted is the enhancement of the time limit and the cap on the current loss carry-back relief.

However, we are disappointed that the Budget has failed to provide immediate easing of companies' stretched cash flow in other areas besides labour costs. Whilst we support the reduction in the corporate tax rate, companies would be able to enjoy a more immediate relief of their cash flow constraints if they were given a one-off tax rebate as was granted during the past recessions.

We would also have liked to see a reduction in personal tax rates, especially the top marginal tax rate. The current personal tax rate makes Singapore less attractive to high net worth individuals as compared to Hong Kong. It is disappointing that the one-off personal tax rebate of 20% is capped at the same limit of S\$2000 as it was in the last year, given the drastically different economic conditions.

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