



Institute of
Certified Public Accountants
of Singapore



ICPAS Pre-Budget Survey 2013

About the Institute of Certified Public Accountants of Singapore

Established in 1963, Institute of Certified Public Accountants of Singapore (ICPAS) is the national accountancy body that develops, supports and enhances the integrity, status and interests of the profession.

ICPAS members are professionals in accountancy, finance and business distinguished by their technical expertise, integrity and professionalism, in addition to a recognised accountancy qualification and relevant work experience. ICPAS members serve every corner of the world in every industry. Many of them helm some of the most prominent local and international corporations.

ICPAS accords the CPA Singapore designation. Working closely alongside businesses, ICPAS connects its membership to an unmatched range of information resources, events, professional development and networking opportunities. Presently, there are more than 25,000 members making their strides in businesses across all industries in Singapore and around the world.

ICPAS' international outlook and connections are reflected in its membership of regional and international professional organisations like the ASEAN Federation of Accountants (AFA), the Asia-Oceania Tax Consultants' Association (AOTCA), the International Federation of Accountants (IFAC) and International Innovation Network (IIN).

For more information, please visit www.icpas.org.sg

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FOREWORD BY ICPAS

The economic outlook continues to look challenging going into 2013. While China and the United States are showing some signs of recovery based on their recent economic data, Europe has slipped into recession for the second time in three years¹. With both the International Monetary Fund (IMF) and United Nations (UN) cutting their global growth predictions for 2013 to 3.6 percent² and 2.4 percent³ respectively, concerns over the weak global economy remain.

The weak global demand may have significant impact for Singapore companies. According to the Ministry of Trade and Industry (MTI), growth is expected to be just 1% to 3% for 2013⁴. Further, many companies faced increasing cost challenges as Singapore continues to struggle with inflation and high business costs.

To gather the views of the CPA Singapore community for the Singapore Budget 2013, ICPAS Research conducted a Pre-Budget Survey, along with several quick poll surveys, in November 2012. The findings of the surveys, which received more than 500 responses from the accounting and business community, will help the Institute provide important insights and feedback to the Government for Budget 2013.

Beyond this, the survey findings will aid ICPAS in our relevant initiatives targeted at benefitting our members.

We also hope the Pre-Budget report will be of use to members in their efforts to enhance productivity and sustain growth for their businesses in the challenging year ahead.

Lee Fook Chiew

CEO

Institute of Certified Public Accountants of Singapore

¹ Agence France-Presse, "Euro zone in recession again", The Straits Times, November 16, 2012, pg. A29

² International Monetary Fund (IMF), "IMF Sees Heightened Risks Sapping Slower Global Recovery", International Monetary Fund, <http://www.imf.org/external/pubs/ft/survey/so/2012/res100812a.htm>, October 9, 2012.

³ United Nations, "UN Slashes world growth forecasts", Channelnewsasia, December 19, 2012.

⁴ Aaron Low, "MTI: Slow growth this year and next", The Straits Times, November 17, 2012.

Executive Summary

Singapore companies, especially small and medium-sized enterprises (SMEs), are facing challenging business conditions which have exacerbated in recent years. The demand outlook from the global economy looks weak, with Singapore expected to face slower growth in 2013.

To gather the views of the CPA Singapore community on enhancing productivity and sustaining growth in 2013, ICPAS Research conducted the Pre-Budget 2013 Survey, augmented by several quick polls, in November 2012. Overall, the surveys attracted more than 500 responses from the accounting and business community, comprising professional accountants (PAIBs), CFOs, public accountants (PAs) and small and medium-sized enterprises (SMEs)⁵.

The key findings of the survey follow:

- 1. Rising business costs, especially rental costs, uncertain global demand and increasing regulation are the top business concerns.** Beyond uncertain demand from global markets, 60% of respondents indicated concerns with rising business costs such as escalating rental and labour costs. 81% of respondents want measures to reduce or offset rental costs as their top wish list item for businesses in the coming Budget 2013.
- 2. Many companies suggested that the Government calibrate the manpower policies on foreign workers to allow greater differentiation and adopt a more targeted approach according to the unique and different needs of the various industries.** 62% of the respondents from the quick poll surveys indicated they would hope to see customized quotas and ratios for industries that rely heavily on foreign labour.
- 3. The PIC scheme is a useful tool to enhance productivity. It can be further refined to allow more businesses to benefit and improve productivity.** Beyond 80% of respondents who indicated the PIC scheme as useful, 66% of respondents also indicated their desire for the Government to extend the reach of the various productivity schemes by tailoring them to better meet the needs of companies in the professional as well as other services sectors.
- 4. Respondents need more help to understand the schemes offered by SPRING and IE Singapore.** 62% of the respondents indicated they want more help to understand the available schemes while more than 70% also want more financial support and information about regulatory and tax regimes in other countries to support them in venturing overseas.
- 5. Concerns remain over increasing living costs, particularly in healthcare and housing.** Respondents indicated they would like to have further healthcare benefits (31%) and tax benefits (22%) to defray such costs in 2013.

⁵ The respondents are segregated into two main groups. Public accountants (PAs) are those working in the accounting practices while Professional accountants in businesses (PAIBs) are largely made up of CFOs and other professional accountants working in companies other than accounting practices.

RESPONDENTS' PROFILE

A total of 575 ICPAS members responded to the surveys conducted by ICPAS Research in November 2012. We received 387 responses for the Pre-Budget 2013 Survey and 188 responses for the several quick poll surveys conducted in the same month.

Pre-Budget Survey

387 respondents, comprising PAIBs (76%) and PAs (24%), responded to the survey. Most of them (59%) work in companies with annual turnover of less than S\$100 million. They mainly come from industries such as professional services (24%), financial & insurance services (20%), manufacturing (13%) and wholesale & retail trade (10%).

Figure 1: Pre-Budget Survey - Company's Turnover

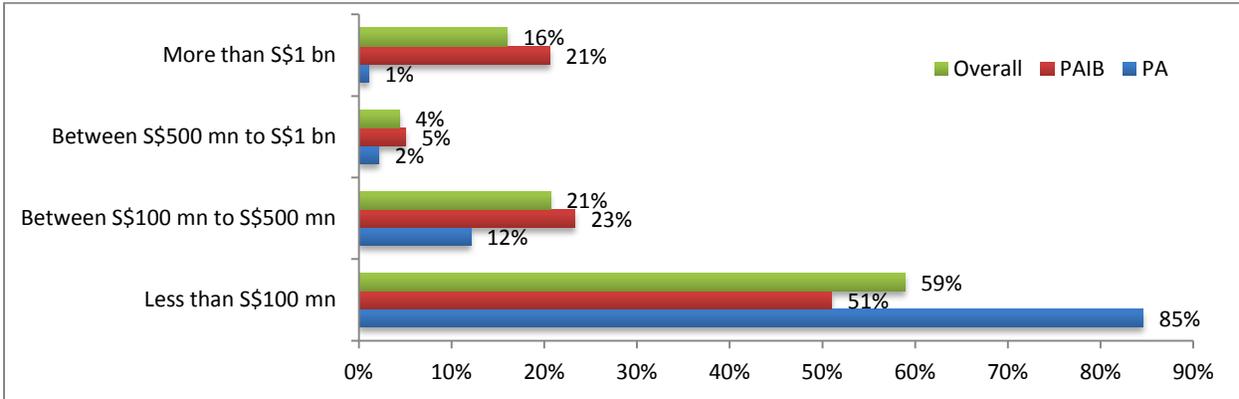
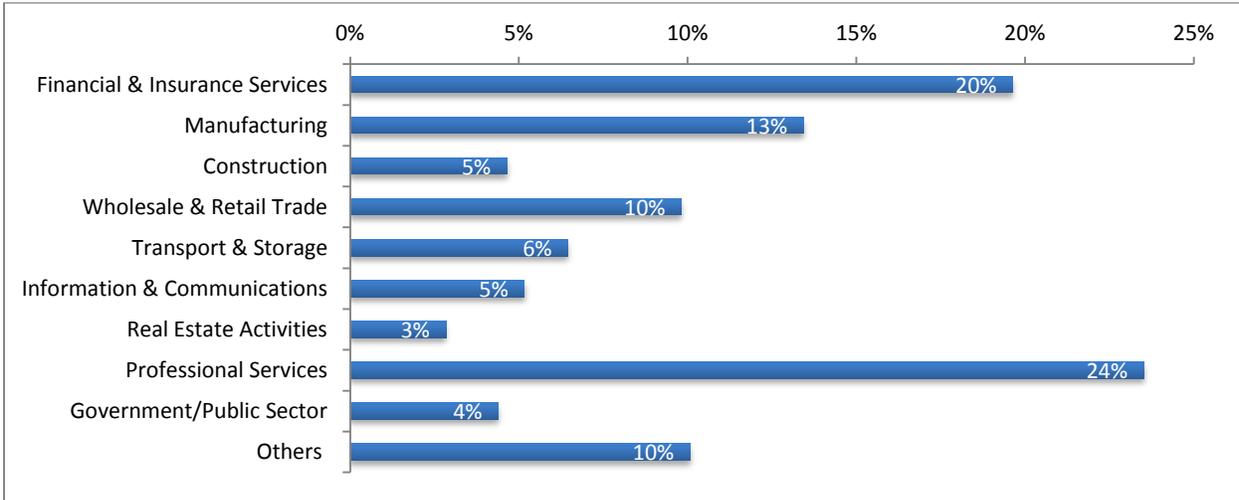


Figure 2: Pre-Budget Survey - Industry Representation



Quick Poll Surveys

A total of 188 PAIBs, including senior finance leaders, and SMEs responded to the quick poll surveys. Most of them work in the manufacturing (21%), wholesale & retail trade (21%), construction (17%) and professional services (15%) industry. The quick polls targeted more specific groups, e.g. CFOs or capital markets professionals, and provided useful qualitative responses.

Figure 3: Quick Poll Survey – Company’s Turnover

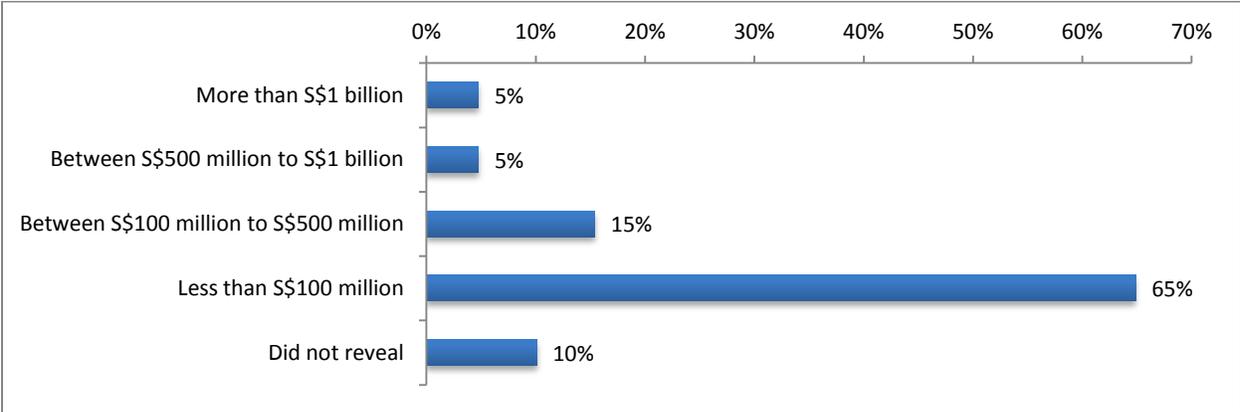
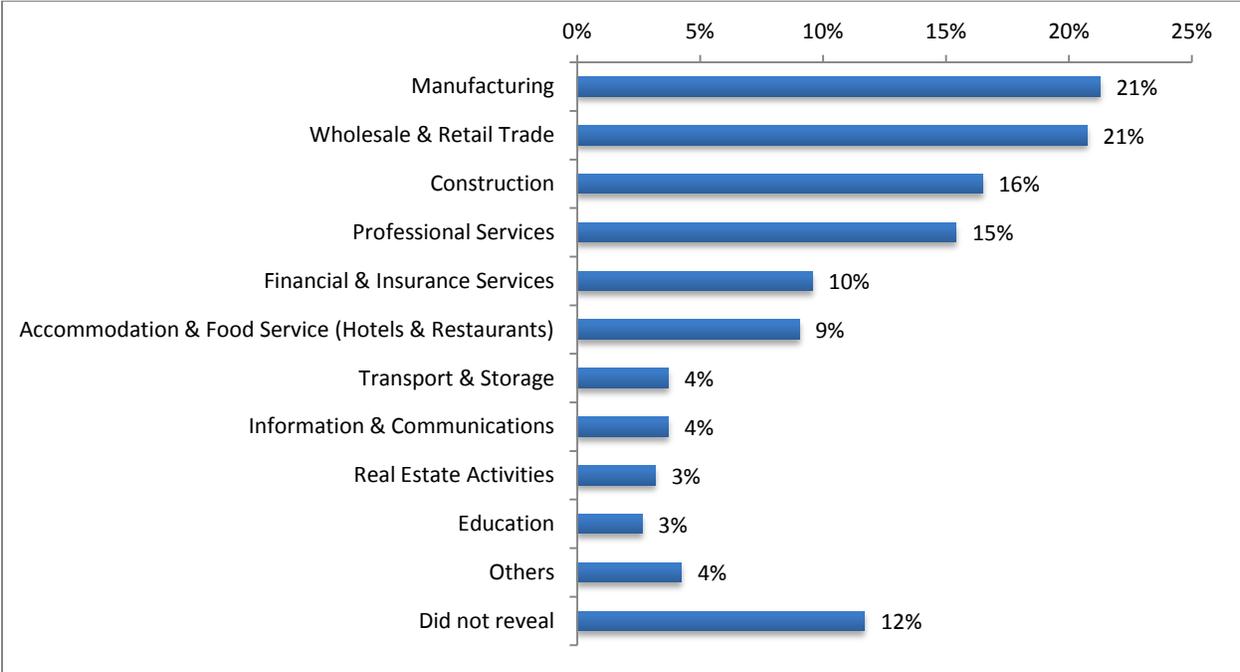


Figure 4: Quick Poll Survey – Industry Representation



Note: Does not add up to 100% as respondents may work in more than 1 type of industry.

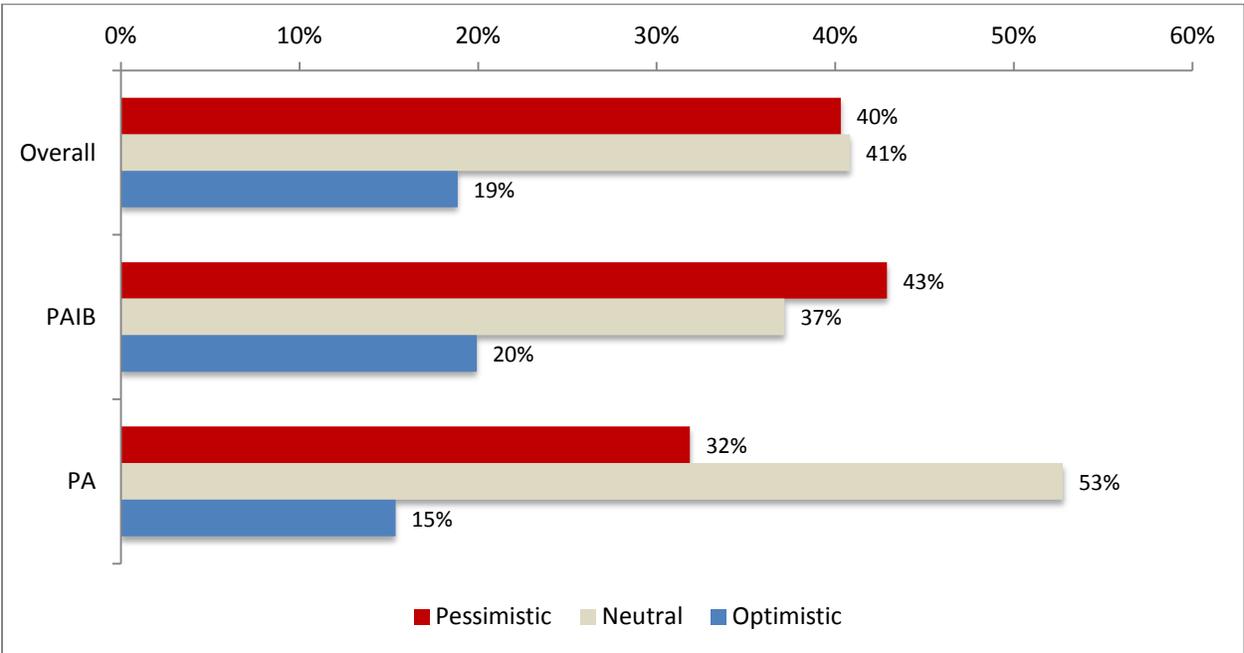
TOP BUSINESS CONCERNS

Economic Outlook for 2013

The overall outlook for the Singapore economy in 2013 appears to be more gloomy than upbeat.

The survey shows that 40% of the respondents are pessimistic about Singapore’s economic growth in 2013 while only 19% are optimistic about Singapore’s prospects in the year ahead. In particular, we noted that PAIBs, indicating those in commerce and industry, are more pessimistic about Singapore’s growth compared to PAs. This is likely because the PAIBs are working in businesses which are more dependent upon and sensitive to the external economic environment.

Figure 5: Views on Singapore’s Economic Growth in 2013



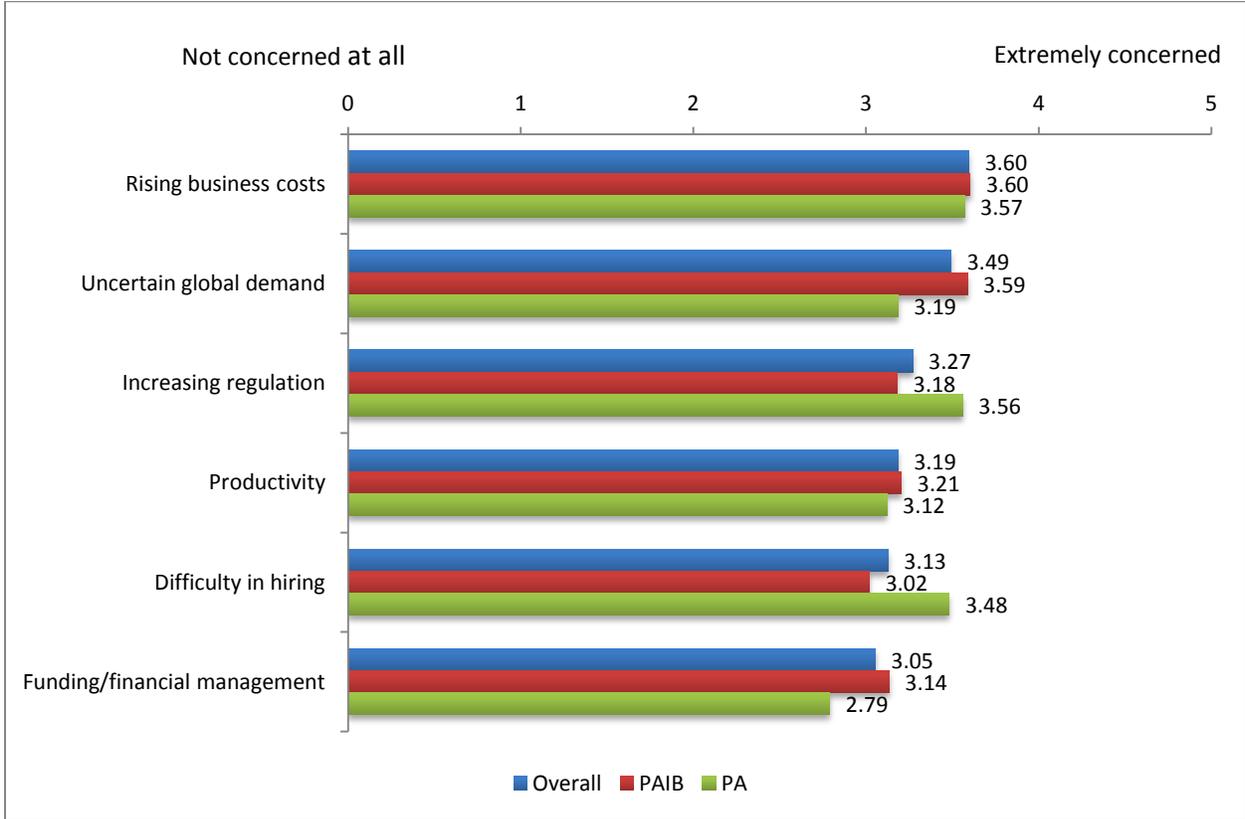
Top Business Concerns

While businesses in Singapore are bracing themselves for slower growth ahead, many respondents are increasingly concerned about rising business costs, especially rental costs, uncertain global demand and increasing regulation. Based on the survey, these represented the top three business concerns, as cited by 60%, 53% and 44% of the respondents respectively (see Figure 6). Many respondents cited challenges in enhancing productivity whilst managing all these three top concerns at the same time.

Interestingly, PAs appeared to be more concerned about increasing regulation and faced greater difficulties in hiring. 57% of PAs indicated they are very or extremely concerned about the increasing regulation. This could possibly be due to the expected changes in the Companies Act which will reduce the number of companies requiring statutory audit services. This may potentially decrease their business turnover in the near future.

The survey also showed that 58% of the PAs are very or extremely concerned about hiring difficulties. Given the focus on manpower or human capital in their business, many PAs are increasingly reliant on foreign labour due to the strong labour demand in the accountancy sector and the tight employment situation in Singapore.

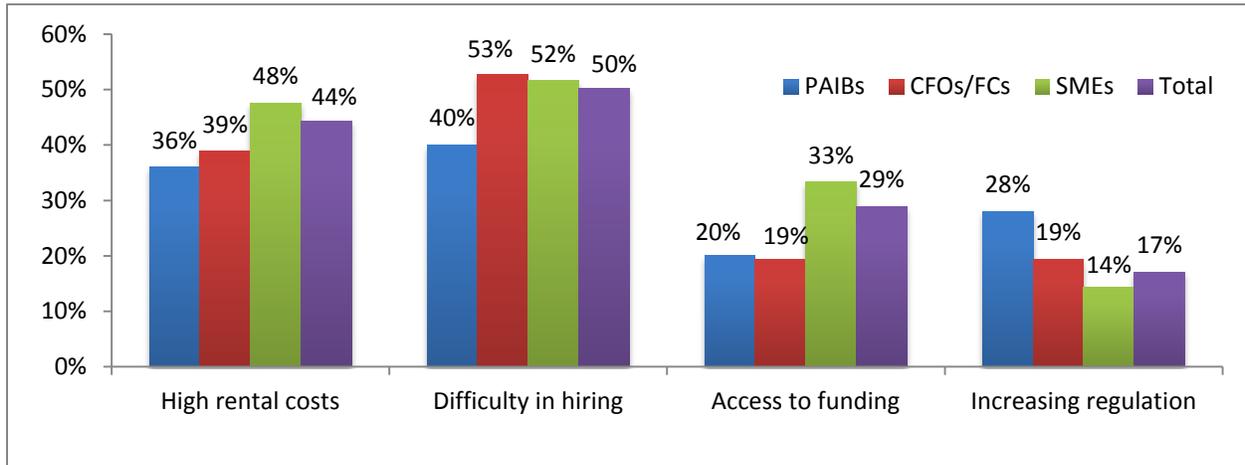
Figure 6: Top Business Concerns



Business Costs

Rental cost continues to remain as one of the top concerns regarding business costs for SMEs. The quick poll survey revealed that 44% of respondents are very concerned about high rental costs. Such respondents mainly come from the construction and manufacturing industries.

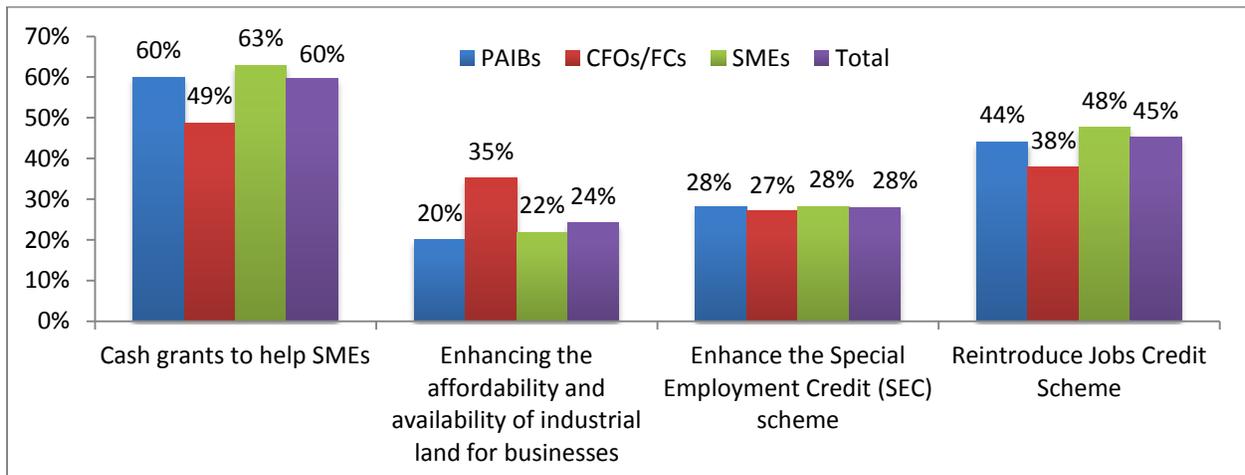
Figure 7: Quick Poll Survey – Top Business Concerns



Coping with Business Costs

Majority of the respondents (60%) felt that the Government should help companies to manage increasing business costs by offering cash grants to SMEs. In view of the possible economic downturn, respondents (45%) indicated a wish for the Government to consider reviving the Jobs Credit Scheme, as this had been found useful in retaining jobs during bad economic times.

Figure 8: Quick Poll Survey – Help to Manage Increasing Business Costs



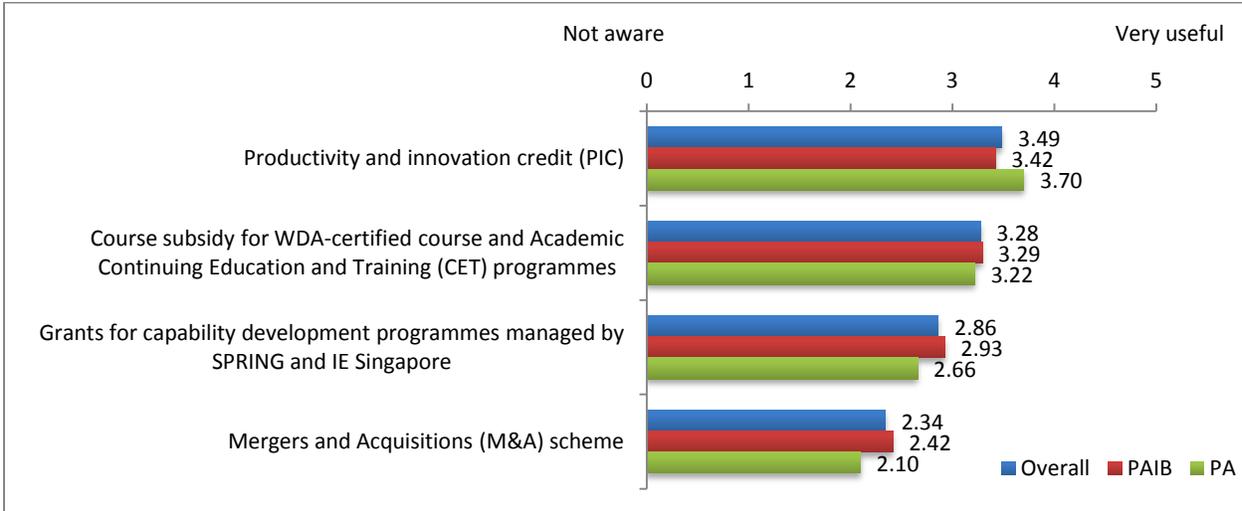
PRODUCTIVITY AND MANPOWER

Enhancing Productivity

Based on the survey, the Productivity and Innovation Credit (PIC) scheme appears to be gaining traction as a tool to enhance productivity. The majority of respondents, or 80% of them, indicated that the PIC scheme has been useful in their efforts to enhance productivity.

However, a significant number of respondents (14%) did not find it useful. A number of them cited that being sole proprietors, especially in the professional and other services sectors, they were not able to benefit much from the PIC as most of their activities did not fall under any of the six qualifying activities. Others mentioned that, being SMEs, they had limited headcount and hence could not spare their manpower to take time off for training.

Figure 9: Usefulness of Measures introduced to enhance Productivity



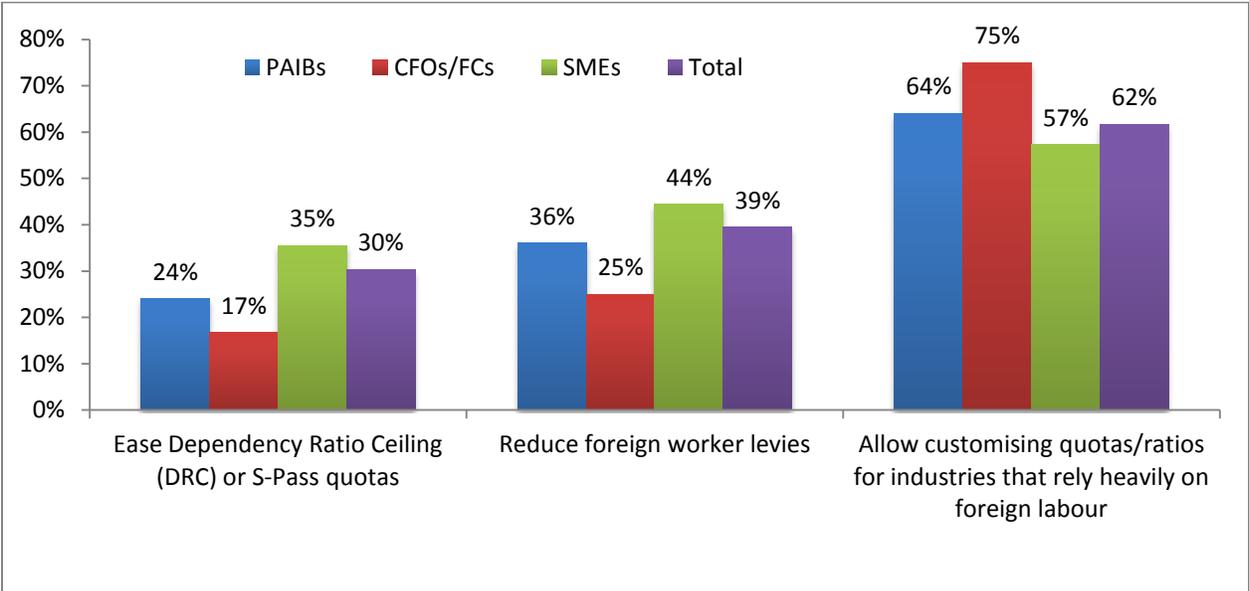
Recalibrating DRC and Productivity Schemes

Of note, many industries continue to face hiring difficulties, particularly those in the services and construction industries. With the reduction in Dependency Ratio Ceiling (DRC) and S-Pass quotas, a significant number of respondents (24%) indicated they experienced strong or very strong negative impact on manpower issues.

Hence, many companies, particularly those who are dependent on foreign labour, suggested that the Government calibrate the manpower policies on foreign workers to allow greater differentiation and adopt a more targeted approach according to the unique and different needs of the various industries. 62% of the respondents from the quick poll surveys indicated that they

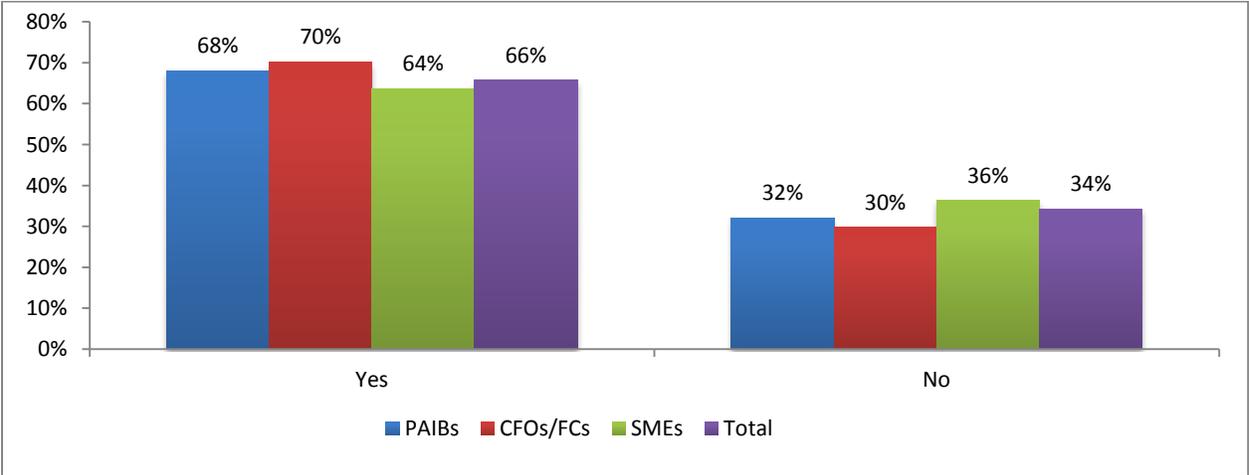
hope to see customized quotas and ratios for industries that rely heavily on foreign labour. This also corresponds with earlier findings that showed PAs and companies in the construction industry faced hiring difficulties.

Figure 10: Quick Poll Survey – Changes to Help Companies in Manpower Issues



About two-thirds of the respondents (66%) indicated a wish for the Government to consider extending the reach of the various productivity schemes by tailoring them to better meet the needs of companies in the professional and other services sectors. Due to the nature of the work in such sectors, enhancing the productivity of the companies in these sectors is determined primarily by enhancing the human capital of the employees rather than automation. This is congruent with the earlier findings which suggest they may face different challenges in enhancing productivity compared to other industries.

Figure 11: Quick Poll Survey – Customising Productivity Schemes for Companies in the Professional and Other Services Sectors



Extending Help for Manpower Issues

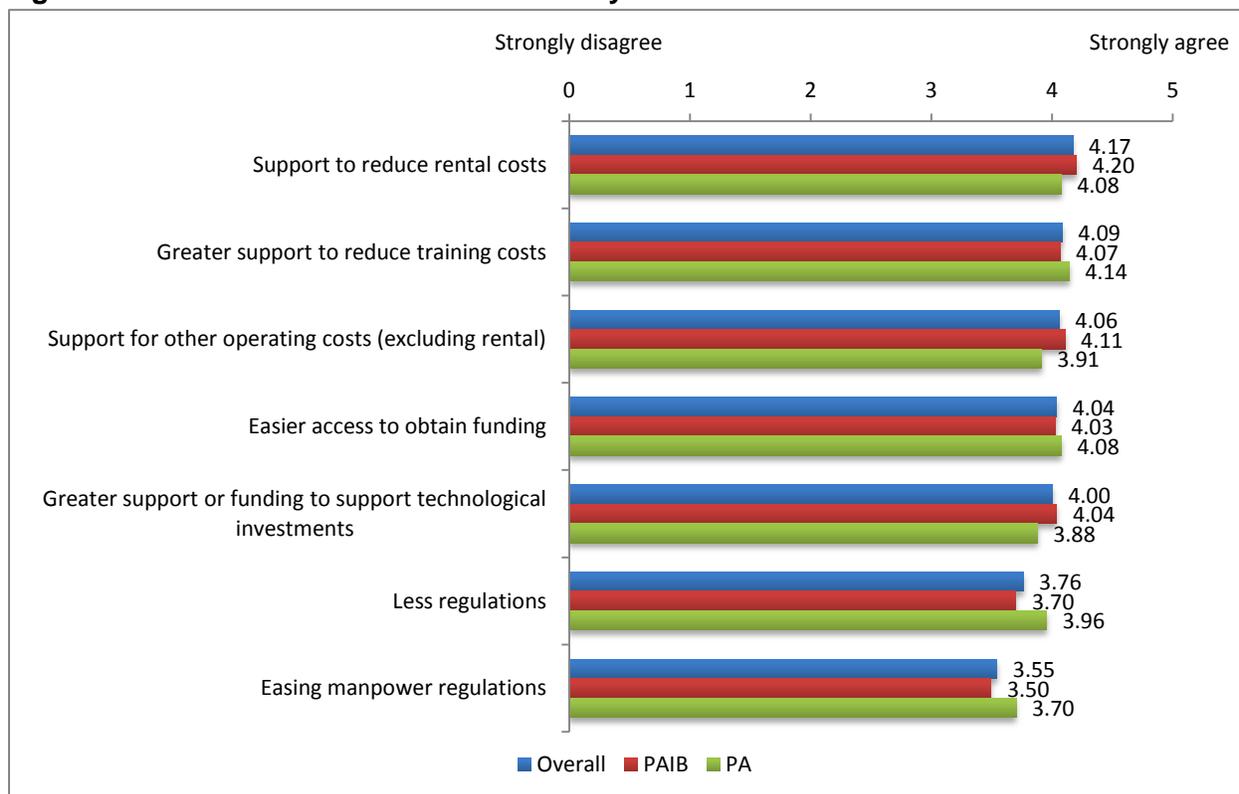
Respondents from certain industries, such as the construction sector, are very concerned about the shortage of skilled locals to fill the gaps arising from the tightening on foreign labour. The Government could consider extending more help to industry associations to develop training and development programmes for the affected sectors. This can help train and prepare more locals to fill up the possible gaps. The respective industry bodies could also consider drawing up and promoting appropriate career development frameworks to attract more locals to their industries.

Alleviating Costs and Investing in Productivity

Many respondents indicated high business costs as adversely affecting their financial ability to invest in automation and staff training to enhance productivity. 81% of respondents wanted greater support to reduce training costs.

The survey also showed that 81% of the respondents want measures to reduce or offset rental costs as their top wish list item for businesses to be included in the coming Budget 2013 (see Figure 12). Concerns were expressed that developers have increasingly shifted their investment interest from the private residential market to the industrial property market, resulting in escalating industrial land prices. Some measures suggested include the Government considering a one-off relief or grant to help the SMEs better cope with rising business costs, particularly rental costs.

Figure 12: Wish List to Enhance Productivity

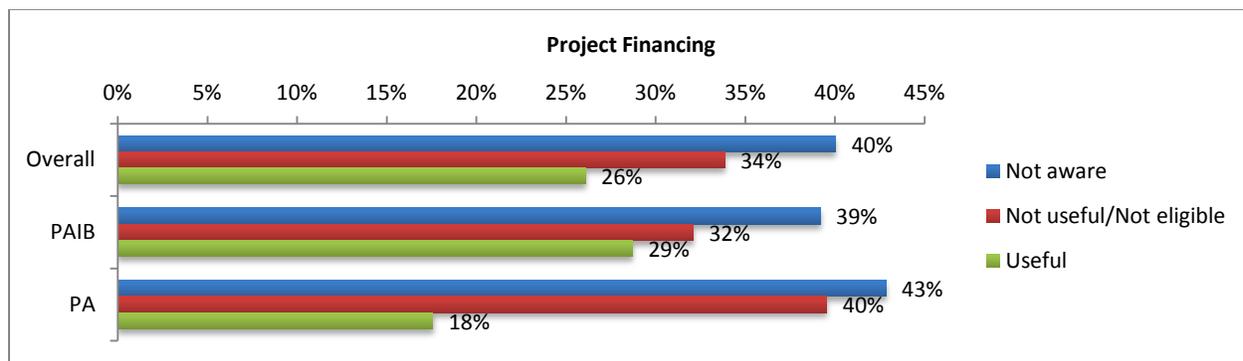
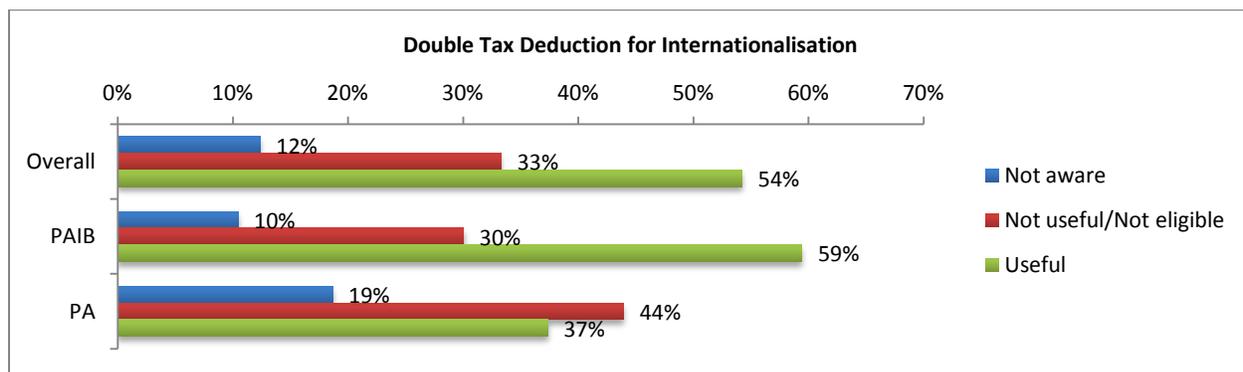
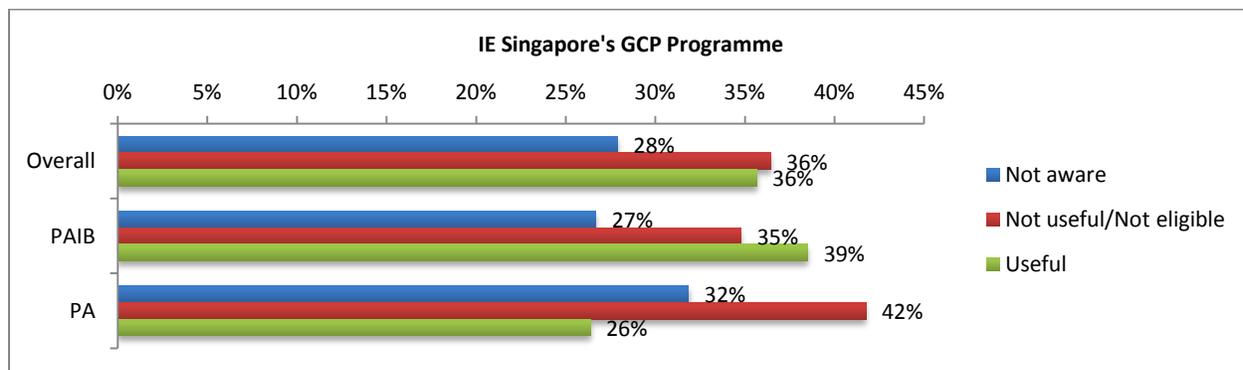


SUSTAINING GROWTH

Helping Companies Venture Overseas

Efforts to help businesses understand and navigate the schemes offered by SPRING and IE Singapore appeared to have been positive. In particular, more than 50% of respondents, particularly those from the information and telecommunications, construction and manufacturing industries, indicated that the double-tax deduction scheme is useful with respect to their internationalisation activities.

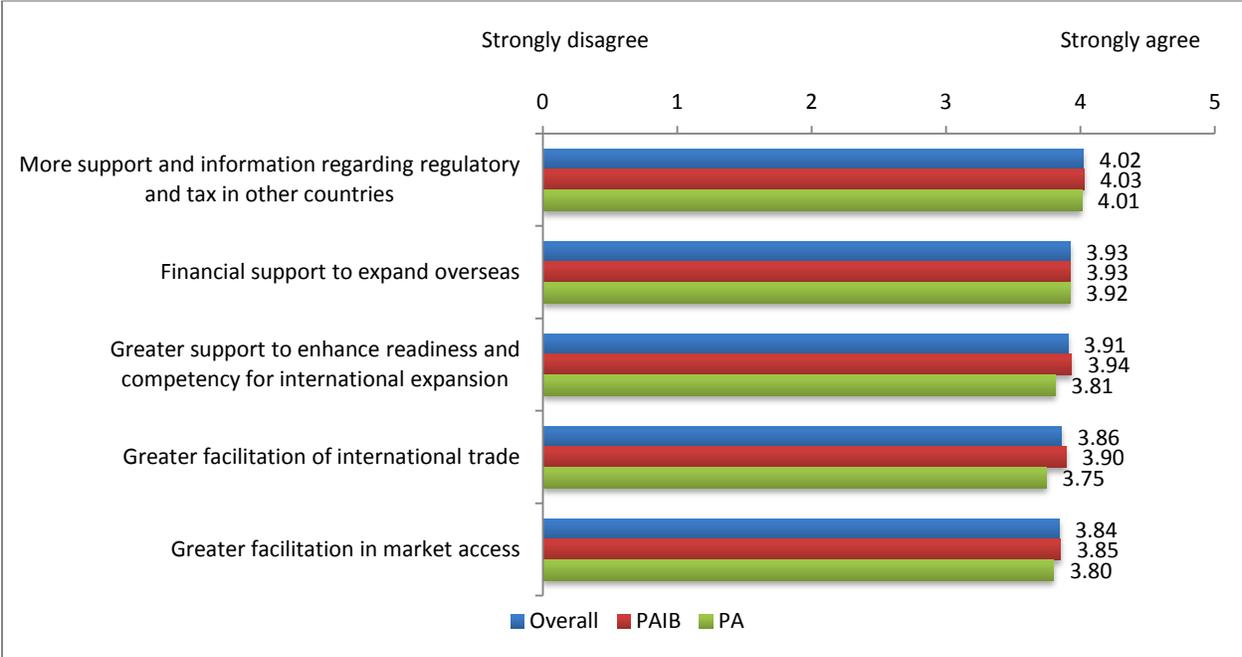
Figure 13: Measures to Help Companies Venture Overseas



More Help Needed

However, many respondents also indicated that they need more help to understand their programmes. For example, 62% of the respondents indicated they want more help to understand the available schemes while more than 70% of respondents also want more financial support, and information about regulatory and tax regimes in other countries, to support them in venturing overseas. In particular, 28% of respondents indicated that they are unaware of IE Singapore’s Global Company Partnership Programme (GCP) and 40% are unaware of the project financing support from Clifford Capital.

Figure 14: Wish List to Help Companies Venture Overseas



Respondents suggested courses and seminars to educate businesses on regulatory requirements in other countries and having experienced SMEs to mentor new companies as possible measures to help more companies to achieve success venturing overseas.

A number of respondents also indicated that SPRING and IE Singapore could learn from other government bodies that have been very successful in educating users about their programmes, for example, the Inland Revenue Authority of Singapore (IRAS) and the Central Provident Fund (CPF).

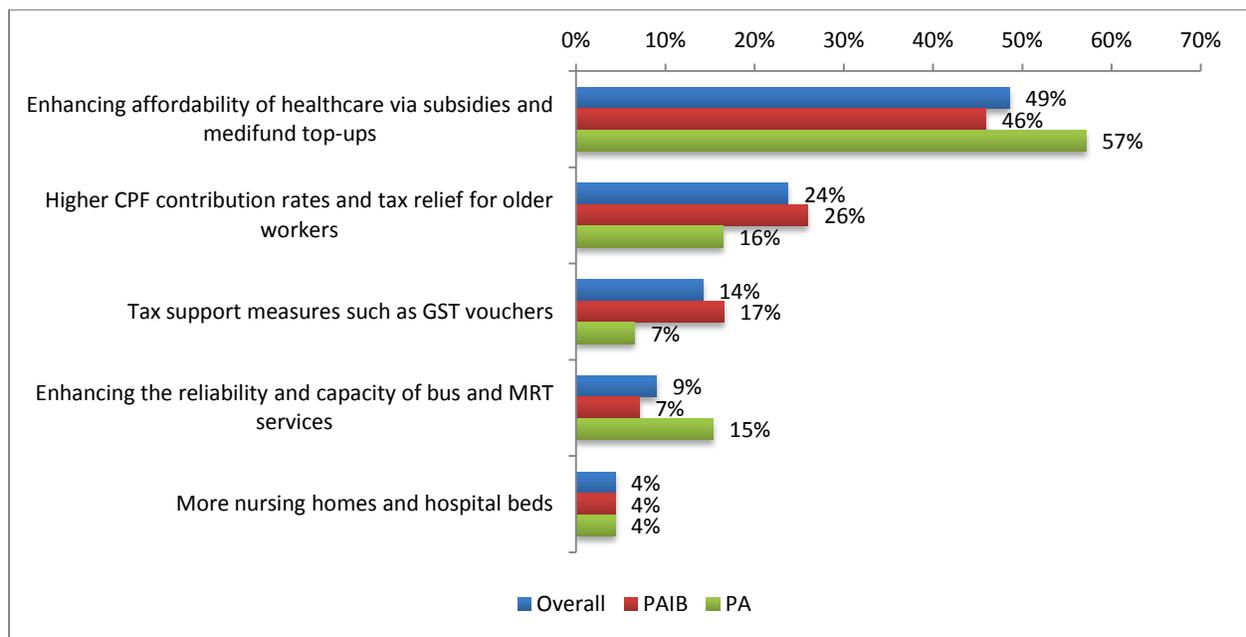
The Government could also consider providing more financial support to help SMEs establish their overseas presence in new markets. This could be in the form of grants, for a limited period, to help defray the cost of engaging or employing key expatriates essential to grow the new market. Terms and conditions could be included to ensure that the strategic and key higher value-added functions of such businesses continue to be based in Singapore.

HOUSEHOLD AND PME CONCERNS

Concerns over Healthcare

Given a slowing economy, concerns remain over increasing living costs, particularly in healthcare and housing. A number of respondents expressed concern that their pay had not kept pace with living costs. In response to the measures introduced in Budget 2012, almost half of the respondents (49%) indicated that measures which enhanced the affordability of healthcare via subsidies and Medifund top-ups were the most useful. 24% of them also found the measures such as higher CPF contribution rates and tax relief for older workers to be useful for helping the senior citizens cope with the increasing cost of living in Singapore.

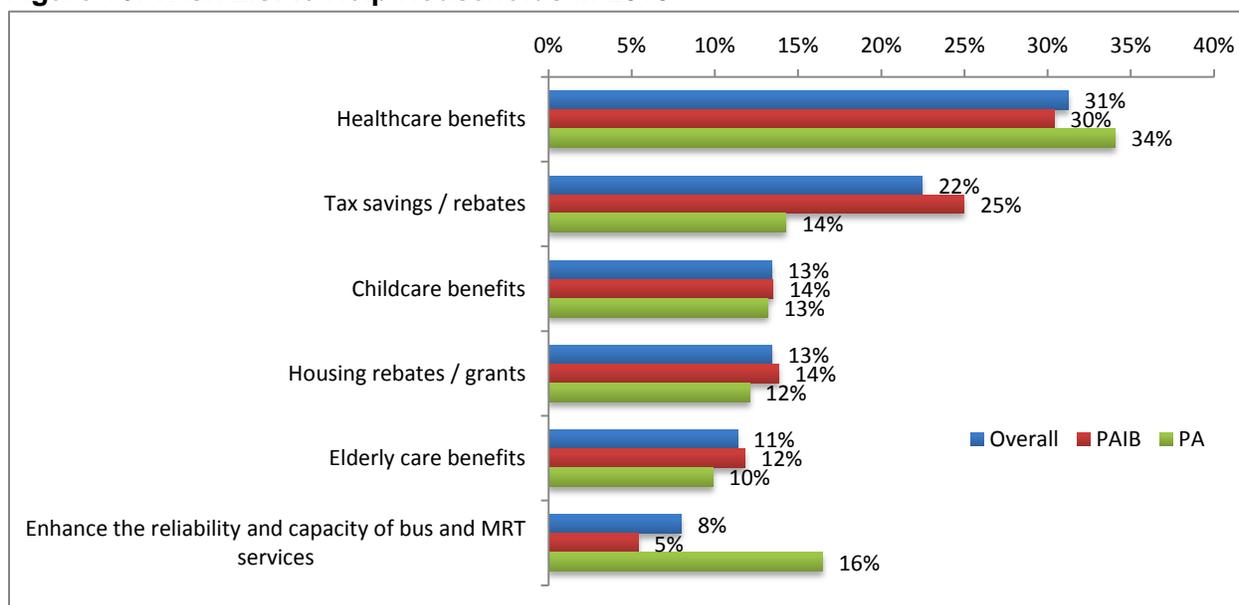
Figure 15: Useful Household Measures



Household Wish List

Nonetheless, respondents remained concerned about the high inflation and healthcare costs. 31% of them indicated they would like to have further healthcare (31%) and tax benefits (22%) to defray such costs (see Figure 16). Other areas that they deemed to be useful include childcare benefits (13%), housing rebates or grants (13%) and elderly care benefits (11%). According to respondents, such benefits should be determined according to their income levels instead of the value of their home.

Figure 16: Wish List to Help Households in 2013

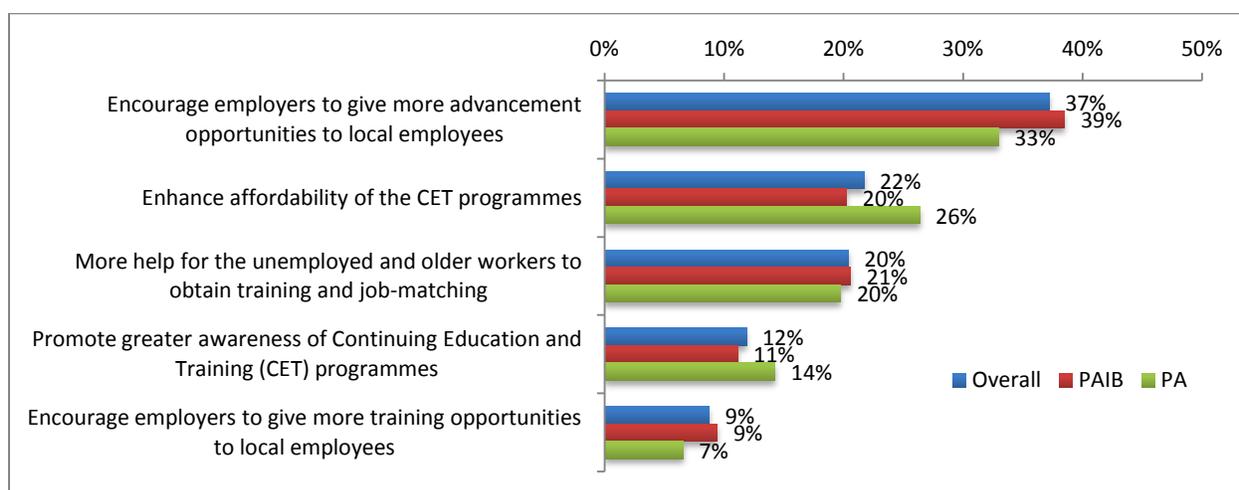


Advancement Opportunities for PMEs

Many respondents (37%) also hoped that the Government can encourage employers to give more advancement opportunities to local employees who are professionals, managers or executives (PMEs). They also showed interest in upgrading and gaining more relevant skill sets to contribute more effectively in their work.

22% of respondents, in particular the PAs, also suggested that the Government can consider enhancing the affordability of the Continuing Education and Training (CET) programmes. This is particularly important for PAs since their line of work requires them to continuously acquire further training to deepen their professional knowledge and skill sets, and enhance the productivity of their businesses at the same time.

Figure 17: Helping PMEs



CONCLUSION

The economic outlook for Singapore in 2013 appears to be more gloomy than upbeat for many businesses as they brace themselves for slower growth ahead. As the global economy remains sluggish, many businesses, especially SMEs, remain concerned over their efforts in managing business costs and raising productivity as Singapore restructures its economy.

The Budget 2012 has provided impetus and support for Singapore businesses to restructure and sustain growth. To promote growth through productivity and innovation, various forms of support such as the PIC scheme were introduced and refined. The findings of the surveys conducted by ICPAS indicate that the schemes are gaining traction, with an increasing proportion of companies finding them useful.

However, the survey findings also show that many businesses continued to face significant manpower challenges as the Government tightens the growth of our foreign workforce. The businesses are also very concerned about increasing business costs, in particular rental costs. Citing the challenge in enhancing productivity whilst managing their three top concerns of rising business costs, uncertain global demand and increasing regulation, many of them indicated that they need more support in their efforts to become more productive.

Based on the survey findings, their top wish list items for Budget 2013 are indicated as follow.

- 1. Reliefs or grants to help SMEs better cope with rising business costs***
- 2. Greater support to reduce rental costs***
- 3. Calibrating manpower policies on foreign workers for different industries***
- 4. More support and information regarding regulatory and tax in other countries to help them venture overseas***
- 5. Providing more healthcare and tax savings to help households cope with increasing costs***

The Institute will be organising an annual Pre-Budget Roundtable on 9 January 2013, where a panel of business leaders from various industry sectors will discuss a range of issues pertaining to the coming Budget 2013. The discussion, together with the survey findings, will help provide useful insights about whether there is a need and, if so, which policies could be re-calibrated and measures fine-tuned to help businesses overcome the key challenges cited in the survey.

As the national accountancy body, ICPAS will also work closely alongside businesses and stakeholders, particularly our members, to help them in their efforts to raise productivity and sustain growth in the year ahead.

ACKNOWLEDGEMENTS

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ABOUT ICPAS RESEARCH

ICPAS Research identifies, explores and analyses the major issues driving today's business dynamics and shaping tomorrow's marketplace. We aim to closely monitor the accounting and auditing industry in order to provide an outlook for tomorrow.

ICPAS Research is committed to participating in and supporting high quality research which is focused, timely, relevant and useful to the accountancy profession. We support the conduct of research with a global or local perspective.

ICPAS Research focuses our attention on continuously connecting with our practice members. Practitioners have numerous concerns and issues on their day-to-day practice. These may range from technical understanding to practical applications or even operational issues. A part of our research is directed at engaging our members to examine these practice matters and exploring practical solutions with them. The various ways that ICPAS shows its commitment to the research arena includes partnering with business partners or interested parties and involvement in thought leadership activities. There will also be conferences held to feature and showcase the results of our research with our members and the public.

We will continuously seek comments from ICPAS members through surveys to gather views from the CPA Singapore community. Do send your comments to research@icpas.org.sg

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