

ISCA PRE-BUDGET SURVEY FINDINGS 2015

Insights from the Accounting
and Business Community



By
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Recent forecasts by the International Monetary Fund (IMF) estimate that the global economy will grow by 3.8% in 2015. While this represents an improvement from the 3.3% growth forecasted for 2014, growth in

2015 is expected to be hampered by persistent weakness in the Eurozone and slowdowns in major emerging markets.¹

A quarterly poll of professional forecasters by the Monetary Authority of Singapore released in November 2014 estimated that Singapore's GDP growth would reach 3.1% in 2015.²



¹ "IMF cuts 2015 growth forecast to 3.8%", *The Wall Street Journal*, 7 October 2014; www.wsj.com/articles/imf-cuts-2015-global-growth-forecast-0-2-percentage-point-to-3-8-1412686808

² "Singapore economists lower growth forecasts to 3% for 2014, 3.1% for 2015: MAS survey", *The Business Times*, 17 December 2014, www.businesstimes.com.sg/government-economy/singapore-economists-lower-growth-forecasts-to-3-for-2014-31-for-2015-mas-survey



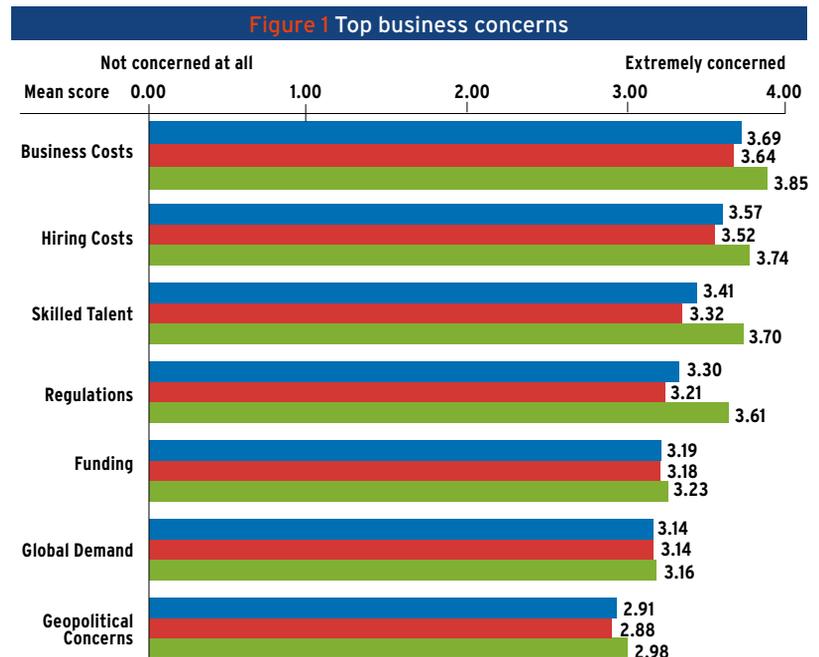
Amid this prevailing economic outlook, the annual ISCA Pre-Budget Survey was conducted to gather the views of the CA (Singapore) community with regard to their business outlook and wish list for the Singapore Budget 2015. In particular, this year's survey sought to gather feedback on the pace of economic restructuring and the focus areas that respondents think are important.

The survey was well received, attracting 400 participants from the accounting and business community. The findings enabled the Institute to provide pertinent insights and feedback

to the government for Budget 2015. Further, the findings will be crucial in allowing ISCA to develop and refine relevant initiatives to meet the needs of our members.

BUSINESS CONCERNS

The results indicate that costs remain a key business concern for many respondents. In particular, business and hiring costs were ranked the top two out of a total of seven surveyed concerns. In contrast, external factors such as global demand and geopolitical concerns were rated as being of relatively less concern to respondents (Figure 1).



Legend

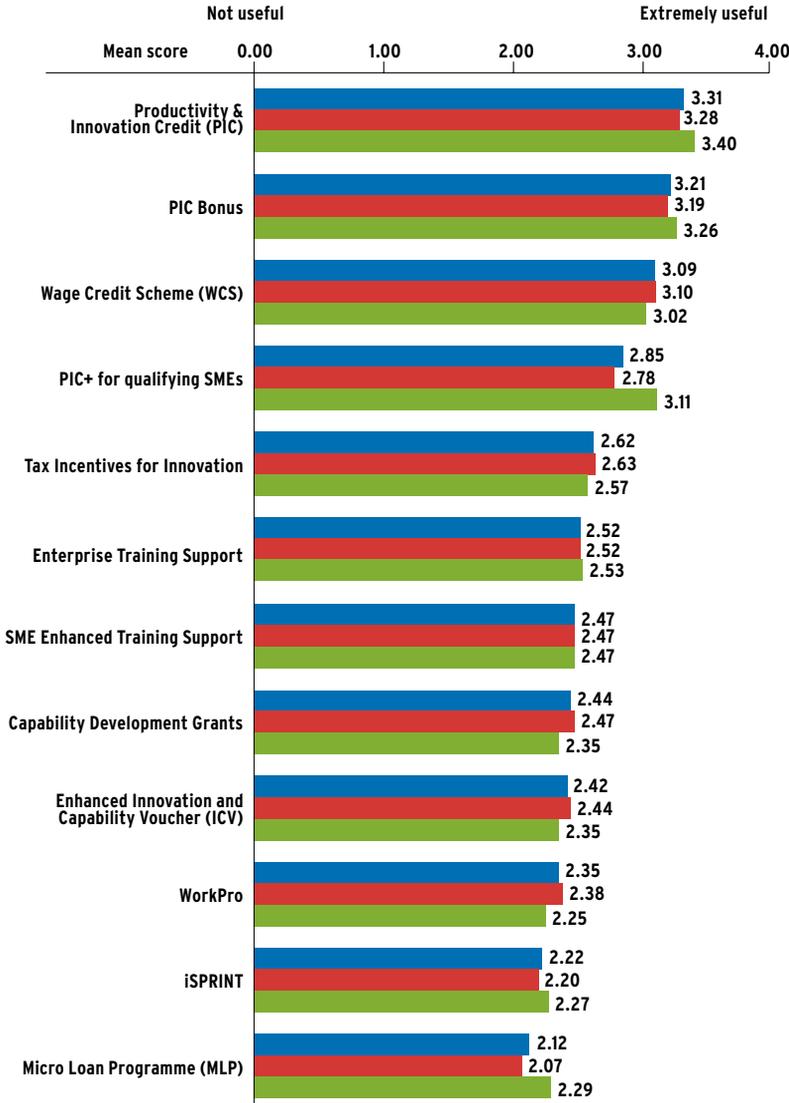
The figures in the chart represent the mean score of each category.

- 1 Not concerned at all
- 2 Slightly concerned
- 3 Moderately concerned
- 4 Very concerned
- 5 Extremely concerned

Respondents were asked to rate from 1 (Not concerned at all) to 5 (Extremely concerned).

- Overall
- Professional Accountants in Business (PAIB)
- Public Accountants (PA)

Figure 2 Usefulness of schemes for productivity



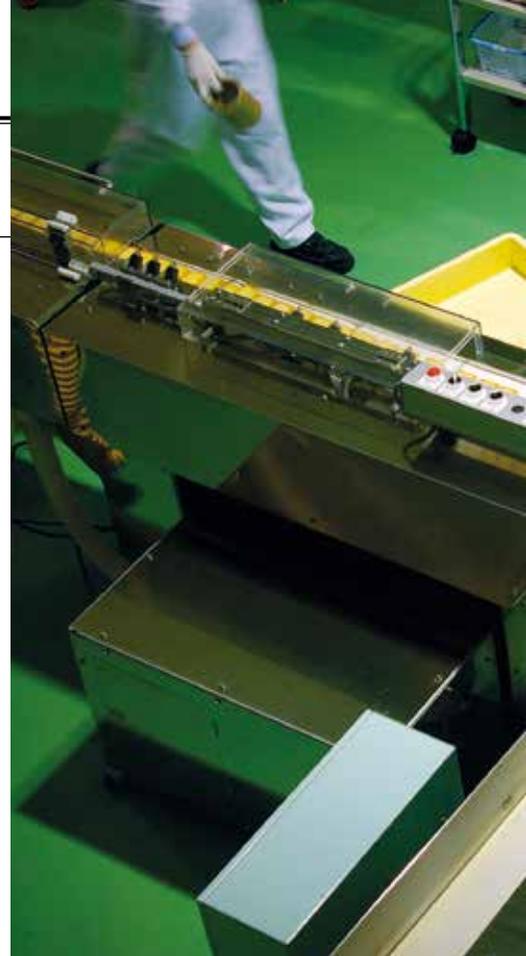
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The figures in the chart represent the mean score of each category.

- 1 Not useful
- 2 Slightly useful
- 3 Moderately useful
- 4 Very useful
- 5 Extremely useful

Respondents were asked to rate from 1 (Not useful) to 5 (Extremely useful).

- Overall
- PAIB
- PA



GOVERNMENT SCHEMES

Compared to the 2014 survey, respondents' ratings of the usefulness of schemes in raising productivity have generally improved in 2015. The Productivity and Innovation Credit (PIC), PIC Bonus, Wage Credit Scheme (WCS), and PIC+ for qualifying SMEs were schemes that were rated as being relatively more useful in helping firms raise productivity. On the other hand, respondents perceived schemes such as iSPRINT, Micro Loan Programme (MLP) and WorkPro to be relatively less useful (Figure 2).

Further, the majority of respondents also expressed the desire to see most of these schemes remain in place for between three and 10 years in order for them to be effective in helping businesses to raise productivity.

The survey also provided insights into how the various qualifying activities of the PIC scheme are being used. The results show that businesses continue to make insufficient use of the PIC scheme on activities such as design, intellectual property and innovation (for example, Research and Development), that may substantially increase business value (Figure 3).



This is in contrast to activities such as staff training and acquisition of equipment, for which the PIC scheme is more frequently utilised at most respondents' organisations.

Business transformation and higher value creation will be achieved in the long run if businesses focus on finding more ways to use PIC for innovation-related activities. The findings also show that 25% of respondents who utilise PIC for the acquisition or leasing of equipment stated that they strongly agree that PIC is useful for this activity.

INNOVATION, VALUE-ADDED ACTIVITIES, AND RESTRUCTURING

Respondents rated business strategy development as the top area which would help their organisations become more competitive and add value. However, continuing the trend observed in the 2014 survey, areas such as business innovation & design, and intellectual property & franchising, were rated by respondents as being relatively less important to helping organisations become more competitive (Figure 4).

Figure 3 Qualifying activities for which PIC is not utilised

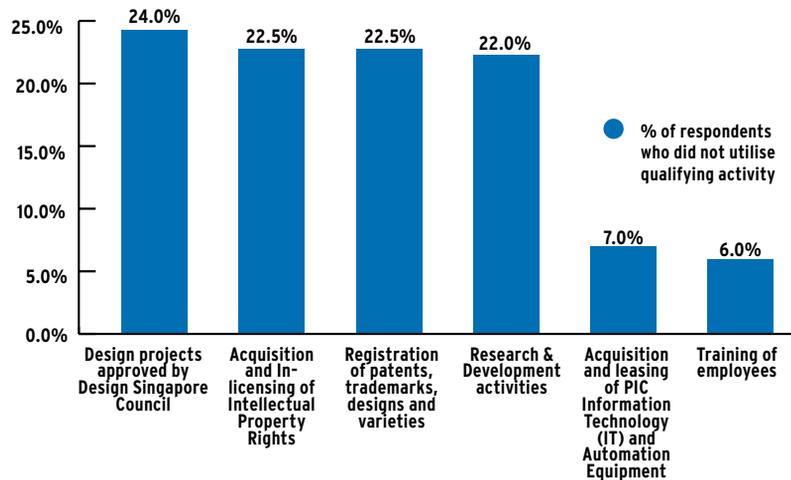
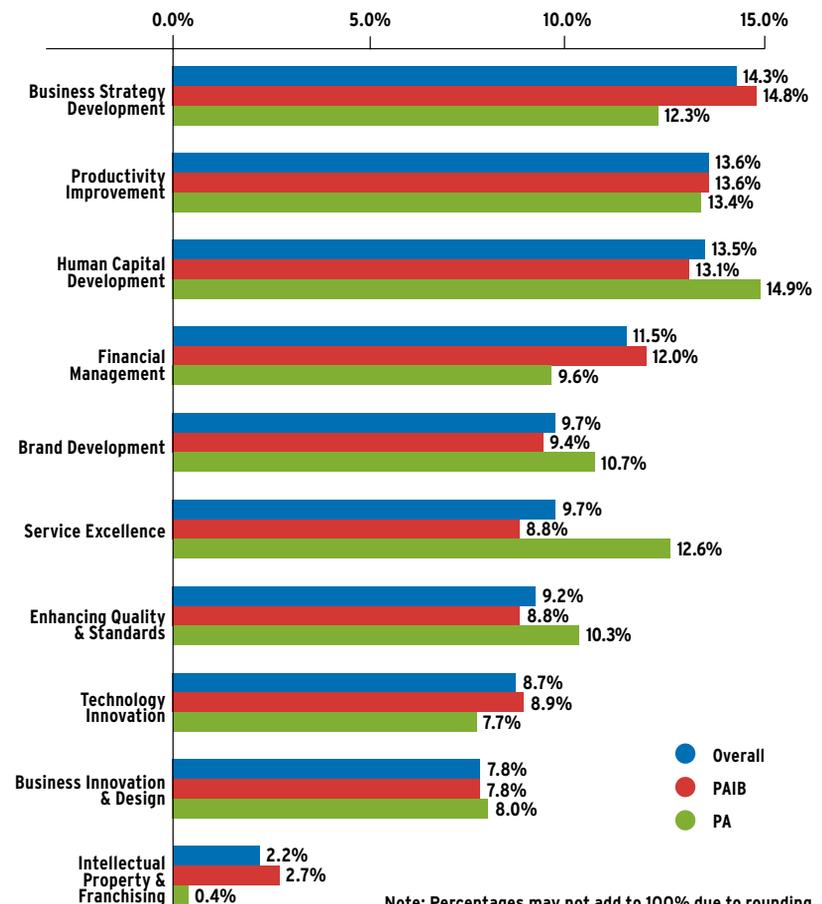
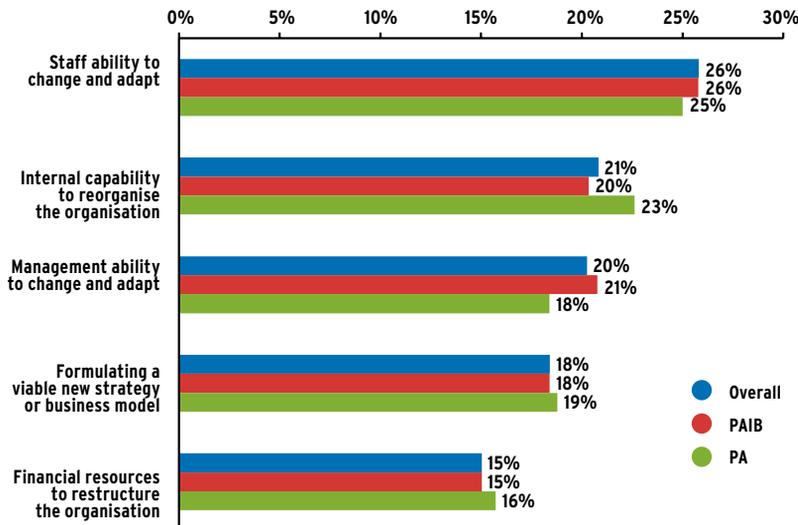


Figure 4 Top areas that will help organisations become more competitive and value-added



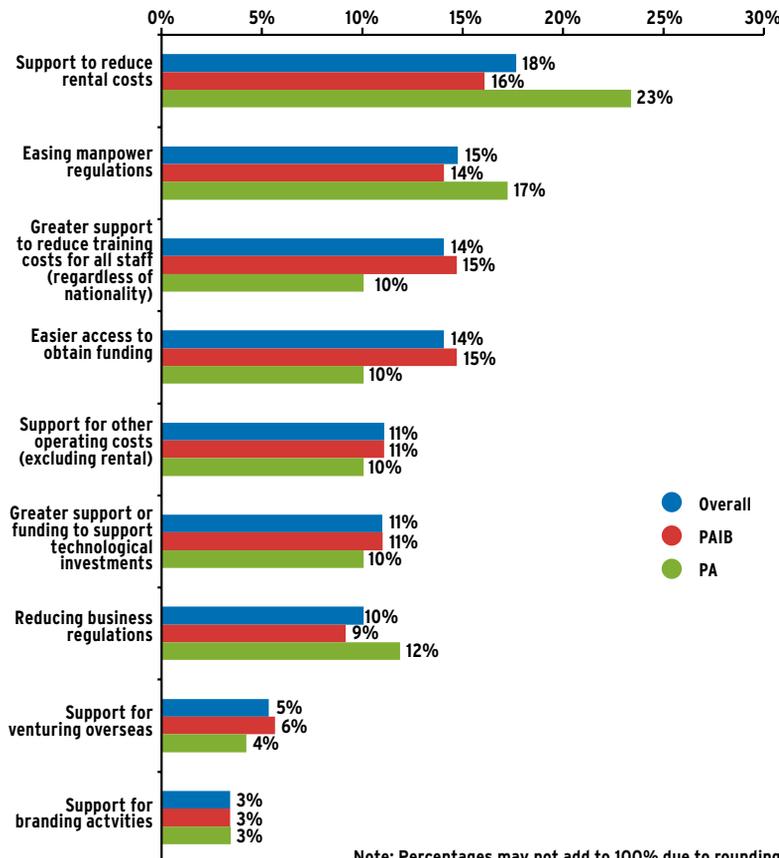
Note: Percentages may not add to 100% due to rounding

Figure 5 Restructuring challenges



Note: Percentages may not add to 100% due to rounding

Figure 6 Business: Budget wish list



Note: Percentages may not add to 100% due to rounding



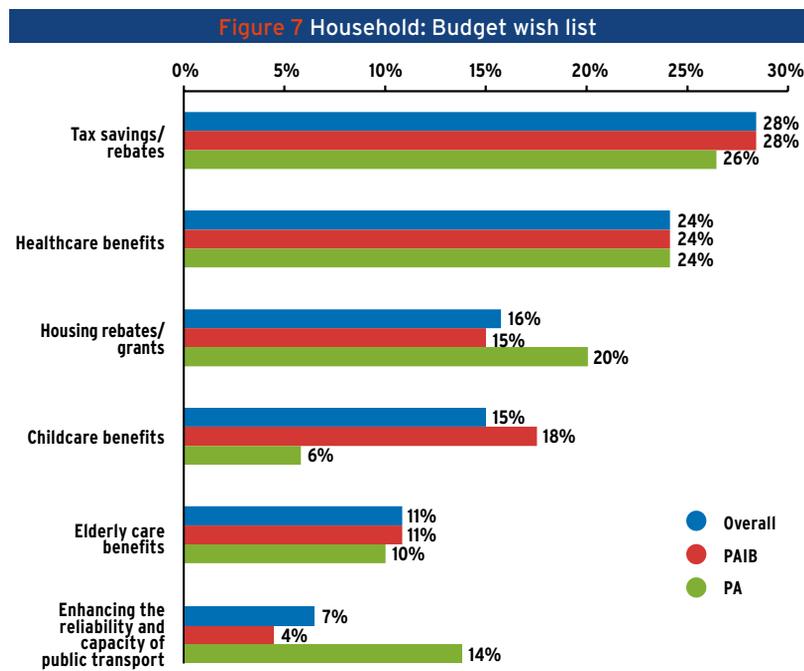
The majority of respondents (60%) found the pace of restructuring acceptable. At the same time, 26% of respondents found the pace too slow while 15% felt that restructuring was progressing too quickly. The results also indicate that various restructuring challenges – including staff and management’s inability to change and adapt, and not having internal capability to reorganise – remain (Figures 5).

INTERNATIONALISATION

Respondents rated double-tax deductions for internationalisation and the market readiness assistance grant as the two relatively more effective schemes for supporting businesses in venturing overseas. For businesses looking to take advantage of opportunities offered by the upcoming creation of the ASEAN Economic Community, support in establishing overseas networks was rated as being the most useful.

BUDGET WISH LIST

Respondents appear to echo the



Note: Percentages may not add to 100% due to rounding

sentiments of respondents in the last survey, in terms of the types of support that they want from Budget 2015. In particular, cost and manpower concerns continue to occupy their thoughts. Support to reduce rental costs and easing of manpower regulations ranked as the top two items in the Budget wish list.

In contrast, support for growth activities or those with potential to increase value-add of a business – such as support for venturing overseas and support for branding activities – ranked relatively lower (Figure 6).

The top three desired benefits in the respondents' wish list to help households are (1) Tax savings/rebates, (2) Healthcare benefits, and (3) Housing rebates/grants (Figure 7). Respondents who cited tax savings/rebates as being relatively more important believe that such rebates/schemes will benefit everyone, rather than a specific group in Singapore. They also feel that tax savings could help increase household disposable income.

BUDGET RECOMMENDATIONS

Based on the survey findings, items for consideration in Budget 2015 are:

- + Offer more support for businesses to strengthen talent, and improve capabilities for business restructuring and business strategy development and execution to enhance competitiveness;
- + Offer support to businesses in areas deemed to be of greater concern, such as rental, hiring and training costs, while finding new ways to incentivise businesses to focus more on innovation or other higher value-added activities;
- + Consider extending the duration of government schemes; respondents have expressed the desire for schemes to remain in place for longer time periods in order for businesses to effectively use them to raise productivity;
- + Review schemes that are deemed to be relatively less useful, such as iSPRINT, MLP and WorkPro;
- + Enhance measures to help companies venture overseas, particularly in the areas of tax

knowledge and overseas network establishment;

- + Continue to provide support to households in areas deemed to be contributing to the high cost of living (for example, healthcare and housing).

This year, ISCA organised the annual Pre-Budget Roundtable on January 13. A distinguished panel of business leaders gathered to discuss a range of issues pertaining to the Budget. These discussions, together with the findings from the Pre-Budget Survey, provided valuable insights and feedback with regard to Budget matters.

As the national accountancy body, the Institute will work closely with businesses and stakeholders, particularly our members, to help them in their efforts to raise productivity and stay competitive. ISCA

The full survey report is available at <http://isca.org.sg/tkc/bm/singapore-budget/pre-budget-survey/2015/january/isca-pre-budget-survey-2015/>. Find out what was discussed at the ISCA Pre-Budget Roundtable on pages 10 to 17.

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