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Headline: MORE LIBERAL TAX REGIMES, BROADER INCENTIVES AMONG PWC'S BUDGET 2016 RECOMMENDATIONS

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SINGAPORE: The Government has been actively encouraging entrepreneurship in Singapore but there is room to do more, said PricewaterhouseCoopers (PwC) on Wednesday (Feb 3).

"Incentives could be broadened and focused on rewarding growth. Share options and stock award schemes can promote greater owner-entrepreneurial spirit," said Mr Chris Woo, Tax Leader at PwC Singapore, in the press release.

"To spur innovation, new ventures could be accorded a more liberal tax treatment of expenses to encourage businesses to develop innovative capabilities in this rapidly evolving economy. When introducing this, anti-abuse measures must continue to be taken into consideration."

REVISE TAX, INCENTIVE SCHEMES TO ENCOURAGE INNOVATION

One recommendation is for enhancements to be made to the Productivity and Innovation Credit (PIC) scheme, he suggested. Many small and medium enterprises (SMEs) are starting on their journey to be more productive, and if the PIC grants and incentives are awarded based on productivity gains, this will encourage the companies to strove to achieve greater productivity, he said.

At the same time, PwC also suggested that research and development (R&D) tax claims be administered more liberally. Mr Woo said R&D claims could have a pre-approval process with the relevant agencies, which he said would be a practical way to streamline the claims and give taxpayers upfront certainty.

"An alternative dispute resolution forum could involve evaluation by an independent panel of experts who will rule on the technical merits of the claim," he added.

INCREASING SME FINANCING OPTIONS

To make financing more accessible to SMEs, PwC suggested that the Government re-visit intellectual property (IP)-backed loan programmes. This would allow SMEs to use IP as collateral, the company said.

To encourage banks to accept IP as collateral, another suggested approach by PwC is to allow enhanced deduction for losses on loans with IP as collateral. "This can also help to encourage an increase in the range of assets that banks can consider accepting as collateral, which can in turn help to expand the sources of SME funding," it said.

The firm also pushed for the extension of the safe harbour rule for gains from disposals of equity instruments, which expire on May 31, 2017.

The rules, introduced at the 2012 Budget, stipulate that where investors hold at least 20 per cent of the ordinary shares in an investee company for a continuous period of at least 24 months immediately prior to the sale, they would not be taxable on the gains from the sale of such ordinary shares.

"Making the safe harbor rule a permanent feature of the tax system will provide investors with certainty that their capital gains will not be taxed and help companies plan for the long-term," Mr Woo said.

The professional services firm submitted its recommendations to the Ministry of Finance and the Monetary Authority of Singapore on Wednesday (Feb 3) for consideration at the upcoming Singapore Budget 2016, which MOF invited the public to submit its views and suggestions for.

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