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## CPA Australia's submission to the Singapore Government's 2025 Budget consultation

CPA Australia represents the diverse interests of more than 173,000 accounting and finance professionals in over 100 countries and regions around the world, including more than 8500 members in Singapore. With a presence in Singapore of over 70 years, we are committed to contributing to the nation's long-term prosperity.

Based on the themes published for the 2025 Budget, we offer the following high-level policy suggestions for consideration on behalf of our members and in the broader public interest. These ideas are drawn from input from our members in Singapore, our own surveys of local business conditions, and insights from other markets.

Our high-level suggestions for inclusion in this year's Budget are:

- **Enhancing SME support:** strengthen existing initiatives to help small to medium-sized enterprises (SMEs) increase their adoption of digital tools such as artificial intelligence (AI) and cybersecurity protections
- **Ease cost of living pressures:** continue providing assistance to households and business to aid them manage rising costs
- **Promoting ESG adoption:** support more businesses to implement environmental, social and governance (ESG) initiatives
- **Boosting international competitiveness:** introduce measures to sustain Singapore's competitive advantages.

Details for these suggestions, plus other ideas are attached for your consideration.

If you have any queries, please contact Mr Azfar Asa'ad at CPA Australia on [azfar.asaad@cpaustralia.com.au](mailto:azfar.asaad@cpaustralia.com.au) .

Yours sincerely,



Gavan Ord  
Business Investment and International Policy Lead



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Encl.

# Summary

## SME SUPPORT

- Enhance existing digital support programs to increase digital and e-commerce adoption by SMEs
- Encourage more SMEs to incorporate AI into their business
- Support businesses to improve their cybersecurity protections
- Improve SME access to external finance
- Incentivise businesses to create a more attractive and supportive work environments

## COST OF LIVING ISSUES

- Increase the amount and coverage of the GST Voucher scheme
- Expand subsidies for essential services
- Reduce the cost of skills training programs

## ESG SUPPORT

- Introduce subsidised ESG consultancy services
- Incentives for ESG-related training programs
- Support ESG staff training programs

## IMPROVE INTERNATIONAL COMPETITIVENESS

- Further develop Singapore's high-quality workforce
- Simplify regulatory frameworks
- Enhance tax policies

# CPA Australia’s policy suggestions for Budget 2025

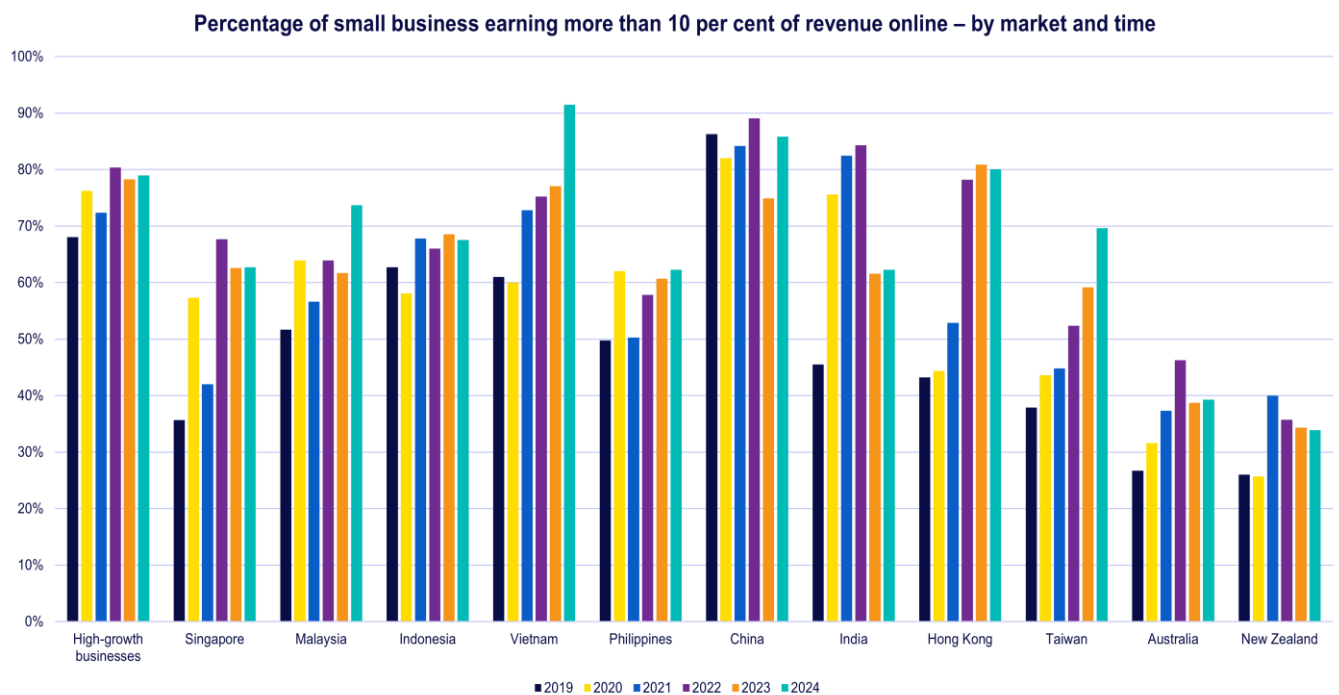
The Government may wish to consider the following suggestions when developing its 2025 Budget:

## Boosting economic growth

### 1. Increasing levels of digital and e-commerce adoption by SMEs

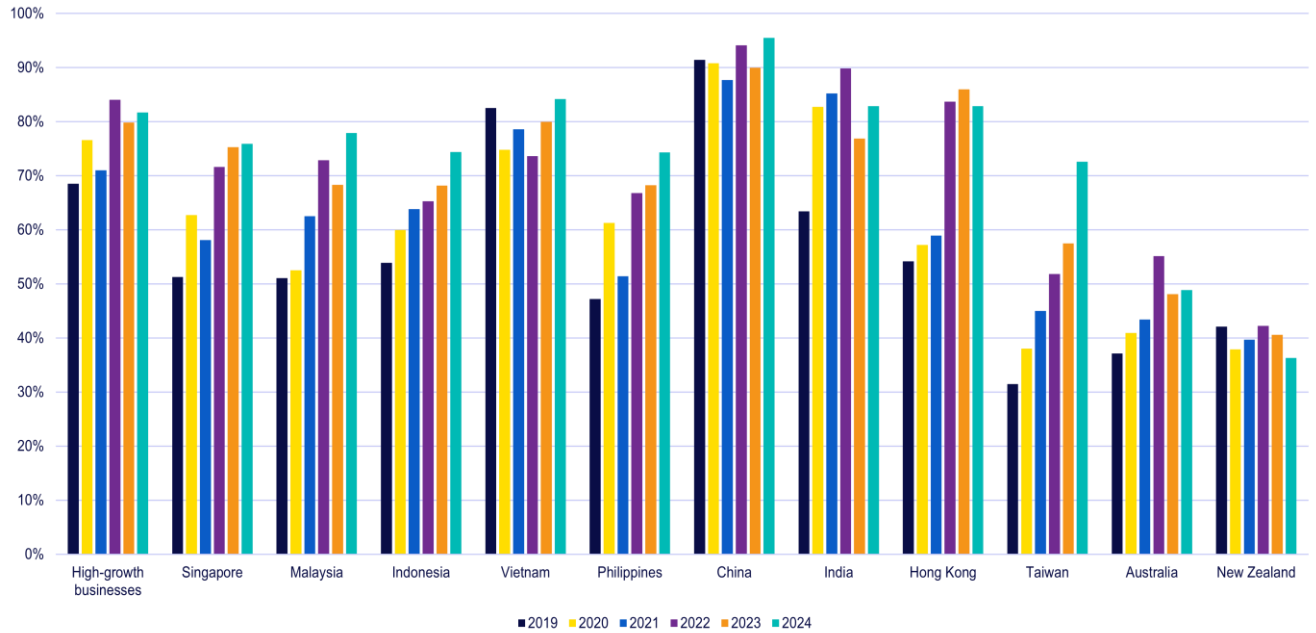
Based on CPA Australia’s annual survey of small businesses across the Asia Pacific<sup>1</sup>, Singapore’s small business sector is doing well on digital adoption, however there is room for improvement.

The following graphs derived from our survey data provide a comparative analysis of Singapore's progress in digital and e-commerce adoption relative to other markets in the region.



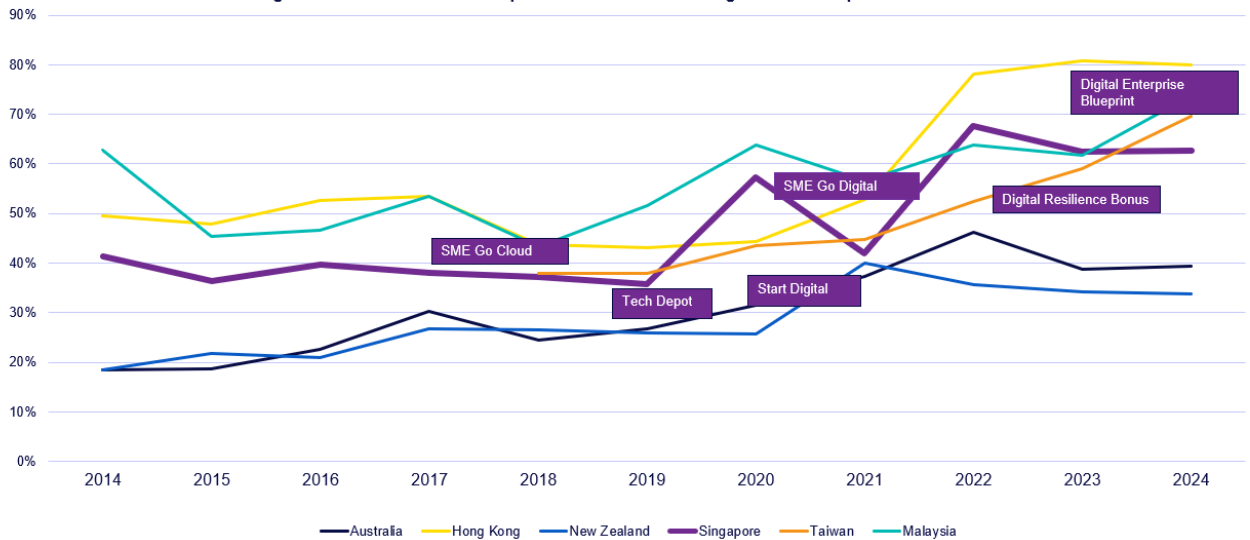
<sup>1</sup> Please note that the 2024 data presented here has not been published. The full Asia-Pacific Small Business report is expected to be published in March 2025.

Percentage of small business generating more than 10 per cent of their sales through digital payment options – by market and time



Our research indicates, as illustrated in the chart below, a positive correlation between Singapore's well-designed and well-funded digital support programs for SMEs and the increasing rates of technology adoption by business. Based on these findings, we believe Singapore's digital support programs for SMEs represent best practice. Accordingly, we have recommended to other governments that they should study Singapore's programs to improve small business digital uptake in their jurisdiction.

Percentage of small businesses in comparable economies receiving more than 10 per cent of their sales online



Enhancements to Singapore's existing SME digital support policies could drive higher levels of adoption, especially in advanced digital tools such as AI and automation. To further accelerate technology adoption by SMEs, we suggest that the government consider expanding its existing programs as part of Budget 2025.

For instance, the government could extend the Productivity Solutions Grant to include digital tools such as robotics and AI. Another option is re-introducing the Digital Acceleration Grant to reward SMEs that adopt certain digital solutions.

We have received feedback that some businesses face challenges operating multiple payment terminals and devices. To address this, the government could consider partnering with digital payment platforms to streamline their payment technologies into a single combined system. A single combined system could encourage more businesses to offer digital payment options. Reducing or eliminating merchant fees for small transactions may also encourage more businesses to offer new digital payment options to customers.

## **2. Enhancing AI uptake by business**

The findings from our [2024 Business Technology Survey](#) reveal that while many businesses, both large and small, are using AI, only a small percentage use it regularly and consider themselves significant adopters of the technology. Businesses using AI report that it is most likely to improve their efficiency, increase productivity, and enhance decision-making.

Smaller businesses may face difficulties in accessing AI technologies due to resource constraints and their limited data availability. To support smaller businesses in accessing AI technologies, Budget 2025 could introduce targeted incentives, such as grants or tax credits, to support SMEs investing in AI infrastructure and employee upskilling.

Additionally, we suggest the government consider collaborating with industry to develop and deliver accessible AI training programs and other resources specifically for smaller enterprises. These could include tips to help smaller business lift their skills and capabilities to use AI safely and responsibly. The government could also facilitate collaborations with AI vendors to offer affordable, scalable solutions tailored to the needs of small businesses.

We note that other jurisdictions, such as the EU, have adopted laws regulating the use of AI use in high-risk situations, while Canada and Australia are in the process of developing similar laws. These laws aim to ensure the safe application of AI and increase public trust in the technology. Singapore should monitor these developments and evaluate whether it needs its own regulations to govern the use of AI.

However, we caution that any regulation of AI needs to strike a careful balance between safeguarding the community from harmful uses of AI and encouraging greater innovation, development and deployment of such technology. It is too early to determine whether the regulatory approaches in these jurisdictions have achieved that balance.

## **3. Improving cybersecurity protections**

As businesses increasingly integrate AI and other advanced technologies into their operations, it is essential to address the associated cybersecurity risks. While technology offers solutions to many challenges, it can also create new problems, exposing businesses to a growing array of cyber threats.

Findings from our 2024 Business Technology Survey highlight this concern. Among businesses that reported profit growth, 31 per cent also reported losing time or money to a cyber incident in the past 12 months. Further, our small business survey found that 39 per cent of Singaporean small businesses lost time and/or money due to a cybersecurity incident in 2024.

To help mitigate these risks, we suggest that Budget 2025 allocate additional funding to the Cyber Security Agency to increase its support of SMEs. This funding could be used to offer regular, enhanced cybersecurity training programs and other resources for small business owners and their employees. The objective would be to increase the number of small businesses that are equipped to manage varying cyber risks.

#### **4. Improving access to external finance**

Findings from our Asia Pacific Small Business survey indicate that 21 per cent of local small businesses reported challenges securing external funding in 2024, with 24 per cent anticipating that accessing such funds will be "difficult or very difficult" in 2025. Younger business owners remain most likely to face these challenges.

Access to external funding is critical for businesses, particularly SMEs seeking to scale operations, innovate, and compete globally. However, challenges such as stringent lending criteria, low investor confidence, and a lack of experience and collateral often impact a business's access to finance at affordable rates. This can hinder their growth and viability.

To improve SME access to finance, we suggest the government consider further enhancements to the SME Working Capital Loan under the Enterprise Financing Scheme (EFS). The recent increase in the maximum SME Working Capital Loan quantum to \$500,000 demonstrates the government's commitment to tackling financing challenges. However, given the rising cost of doing business, an additional increase in the maximum loan quantum may be warranted. This would improve access to working capital for some SMEs, supporting their growth and ability to manage operational challenges.

An alternative approach could involve offering a higher loan quantum to SMEs that commit to digital transformation and sustainability initiatives. This could incentivise SMEs to adopt practices that align with national priorities, such as enhancing productivity through digital transformation and sustainable practices.

Other options to improve access to finance could include extending the maximum repayment period from five years and increase EnterpriseSG's risk share for SMEs pursuing digital transformation and sustainability initiatives.

#### **5. Incentivise businesses to create a more attractive and supportive work environments**

Labour and related costs constitute a significant proportion of business expenses for many businesses. A stable, high-quality workforce is critical to the competitiveness and operational efficiency. However, many businesses, particularly SMEs, face persistent challenges in attracting and retaining talent. Providing stronger support and targeted incentives to encourage SMEs to create more attractive and supportive work environments would help them attract, develop and retain a skilled, dedicated and motivated workforce.

We suggest the government consider including incentives in this Budget to help defray costs incurred by SMEs developing and executing programs aimed at the long-term development and well-being of their employees. Such programs could include structured career development plans, employee training and upskilling initiatives, and workplace enhancements to promote employee satisfaction and engagement.

In addition, we note that the same COMPASS framework currently applies to both the application for new Employment Pass (EP) holders and the renewal of passes for existing EP holders. We suggest

the government consider differentiating or exempting the renewal of EPs for existing pass holders from the COMPASS framework.

## Addressing cost of living issues

Rising costs poses a challenge to many Singaporean residents and businesses. Examples of possible budget measures that may help alleviate cost of living pressures include:

- increasing the amount of the GST Voucher, and expanding the scheme's eligibility criteria
- expanding subsidies for essential services such as healthcare, childcare and public transport
- introducing additional rebates on utilities for vulnerable groups.

Another possible measure is increasing the subsidy under the SkillsFuture Singapore Fee Funding program. This should further reduce the barriers to Singaporeans undertaking courses that will improve their employability and assist them secure higher-paying roles. This would also benefit business by increasing the supply of skilled workers.

A comparable initiative in Australia is the [Fee-Free TAFE program](#). This program provides free vocational training courses in areas of skills shortage. The program gives priority to people from disadvantage backgrounds.

## More support for environmental, social and governance (ESG) adoption by business

Singapore's smaller businesses would benefit from targeted assistance to support them integrate sustainability practices into their operations. A recent [joint report](#) by CPA Australia / ASEAN Federation of Accountants highlighted that many SMEs in the region face significant challenges in adopting effective Environmental, Social, and Governance (ESG) strategies. These challenges arise due to a lack of awareness, limited resources, and capacity constraints, creating a knowledge gap that prevents many from implementing ESG practices and leveraging sustainability for growth. Additionally, the shortage of qualified personnel and high costs of hiring sustainability experts creates further barriers to ESG adoption.

Navigating complex and varying regulatory requirements across ASEAN adds to confusion and cost. The substantial upfront costs associated with implementing ESG practices can further strain SMEs' ability to comply and report effectively.

To support SMEs in Singapore, we suggest the government consider subsidising ESG consultancy services, making it easier for SMEs to access professional ESG advice. Such services would help businesses develop and implement effective ESG strategies, enhancing their competitiveness in a rapidly evolving market.

Further, we suggest the government consider expanding the current Enterprise Sustainability Programme (ESP) to include more industry specific ESG training modules. Additional funding could also be provided to programs such as the Sustainability Reporting Grant (SRG) and the SME Sustainability Reporting Support Programme. Expanding these schemes to cover ESG training costs could help businesses upskill their workforce, narrowing the knowledge gap that hinders ESG adoption.

## Improving international competitiveness

As global economic and political dynamics evolve, it is critical for Singapore to continue to invest in initiatives and implement reforms that maintain and enhance the country's position as a highly competitive global hub. In this context, strategic initiatives in the following areas should be considered for Budget 2025:

### 1. Further upskilling of the workforce

Existing initiatives such as SkillsFuture and the Workforce Singapore programs, have established a strong foundation for upskilling the workforce. To build on this, we suggest the government consider offering targeted subsidies or grants for high-demand fields such as sustainability reporting, digital transformation, and AI. In addition, establishing industry-specific training hubs, modelled on the success of the TechSkills Accelerator (TeSA), and certification programs, would help to ensure that professionals are equipped with the latest skills and knowledge to meet the needs of employers.

### 2. Simplifying regulatory frameworks

While Singapore is globally recognised for its business-friendly environment, complex regulations can still pose challenges to business. Based on our experiences in other jurisdictions, we suggest the government fund the following initiatives to streamline the regulatory process:

- an ongoing review of existing regulations to identify opportunities for improvement and the elimination of redundancies
- improvements to its public consultation process. Enhancing the feedback loop with business should help improve the design and implementation of new regulation.

### 3. Refining tax strategies

The evolving global tax landscape, driven by the OECD's Base Erosion and Profit Shifting (BEPS) framework and Pillar Two initiative, presents both challenges and opportunities for Singapore. To maintain and enhance competitiveness, the government could consider:

- expanding the Economic Development Board's (EDB) incentives for strategic industries. These could be recalibrated to enhance the operational capacity of companies through for example, investments in shared facilities or physical infrastructure tailored to the needs of specific sectors such as renewable energy, advanced manufacturing, and digital technology.
- Expanding the Enterprise Development Grant (EDG) to include more benefits for green investments and digital transformation projects. Providing additional grants or subsidies to support early-stage innovation and prototype development could further complement these efforts.