

# Budget helps some SMEs, 'but others are struggling'

By PHYLLIS HO  
and MARISSA LEE

BUDGET measures aimed at small and medium-sized enterprises (SMEs) may be of limited use to many firms struggling with rising business costs, a local business leader said yesterday.

The business community's reaction to the Budget has been "a tale of two cities", said Singapore Business Federation chief operating officer Victor Tay.

Firms with strong cashflows see benefits, while weaker firms "see a glass half-empty", he said.

Mr Tay was speaking to about 650 members of the Institute of Singapore Chartered Accountants at a post-Budget panel at the Fairmont Singapore.

Last month's Budget included tax incentives to encourage firms to overcome domestic constraints by venturing overseas. On the cost management side, the Budget deferred foreign worker levy hikes due in July and gave firms temporary credits to foot higher Central Provident Fund contributions.

Many firms feel that these cost measures are "insufficient", Mr Tay said. In fact, the effort to contain manpower and other business costs here is exactly what has held back many firms from expanding overseas, he said.

"Internationalisation is not an

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## A HEAD FOR PROFIT

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– Singapore Management University accounting professor Sum Yee Loong

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easy decision because it requires financial strength.”

For this reason, firms may decide against expanding abroad if their "homeland business model is not even firmed up", he said.

"If you have dwindling margins in Singapore, you'd rather withdraw and get (your business model) right before you replicate it."

However, Singapore Management University accounting professor Sum Yee Loong felt that the Budget's measures were comprehensive enough for now.

"My view is that a businessman can smell profit from 2km away. So have a very business-friendly, conducive environment, and let them deal with their businesses," he said.

Prof Sum said government incentives are intended to reduce the risk factor for firms seeking to grow overseas, but "at the end of the day, (expanding abroad) must be a commercial decision".

"So the incentive is there to allow you to have greater rewards. That's how we should look at it."

✉ [hphyllis@sph.com.sg](mailto:hphyllis@sph.com.sg)

✉ [marilee@sph.com.sg](mailto:marilee@sph.com.sg)