Budget hailed as highly stimulative

The changes are critical for financial sector, panelists at PwC seminar told

By CHEN HUIFEN

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DESPITE some disappointment over a lack of major measures for business may pro-business initiatives, also be seen as testimony to panelists at a Pricewaterhousecoopers (PwC) seminar reckon Budget 2006 is highly stimulative and builds on the foundation that Singapore has laid in previous years.

"To be honest, Singapore has done a pretty good job in monitoring its competitive financial position versus a lot of other major competing trading centres," says Alan Goodyear, general manager for The Royal Bank of Scotland. "So we didn't expect a whole lot."

And although the measures to enhance the financial sector may not appear overwhelming, Mr Goodyear sees the changes were critical. He points out, for instance, that the expansion of tax exemption for real estate investment trusts (Reits) — to include foreign-sourced interest and distributions by foreign trusts — is pivotal to encourage the listing of Reits with foreign properties.

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The less-than-exciting measures for business may also be seen as testimony to the fact that the Singapore economy is more resilient today than it was in the late 1990s. With the construction industry picking up, the region recovering and new growth engines developed, the economy is already in better shape.

Centennial Asia Advisors chief executive Manu Bhaskaran says: "If you look at the drivers of resilience, I'd say Singapore is more resilient than before. We're a very open economy, and we are very small. So when the shock first comes, we get hit much more than others. But we also bounce back more strongly than others, if we can keep our resilience."

In addition, already-low personal and corporate tax rates leave little leeway for further reduction, Mr Bhaskaran believes.

"The benefits of these are, first of all, there's a degree of discipline... and pension arrangements themselves may introduce a degree of loyalty with employers."

Such arrangements may also stimulate the investment management scene here, he feels. "You start bringing pension funds into the game, you will attract more managers who have the experience in the area and you will build up a pool of funds, which will become very attractive for those players."

At the seminar: From left, Business Times Associate Editor Vikram Khanna, Mr Sandison, Mr Goodyear, Mr Bhaskaran, Duncan MacEwan, Practice Associate Professor of Law at Lee Kong Chian School of Business, Singapore Management University, and PwC tax partner Peter Tan at the PwC seminar yesterday.