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How the Budget can help firms go 'green'

By Rachel Kelly | Posted: 14 February 2011 22:54 hrs

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SINGAPORE : Experts have said that with the right incentives, it is quite possible for Singapore to become the world capital for electric vehicles.

Tax consultants have a slew of recommendations on how this Friday's Singapore Budget could give a nudge to businesses and consumers here to go green.

Singapore may have come up tops in comparison to regional peers when it comes to green buildings - according to recent findings by marketing and growth strategy firm Solidiance.

But there are other areas, like adoption of cleaner, more sustainable auto fuels, where experts said fiscal incentives can help Singapore take the lead.

Damien Duhamel, the managing partner of Solidiance, said: "As Singapore's population keeps growing, being green will no longer be a luxury but a necessity. The existing Singapore government programmes are good and should be pursued. However one cannot expect to change behaviour and mentality overnight. We need to look over 5-10 years to see noticeable changes."

Mr Duhamel added that more needs to be done to encourage the use of electric vehicles in Singapore. He said: "The infrastructure is just not there today to sustain anything else than a few weekend electrical cars. Green Vehicles Rebates are quickly obsolete if no one can or knows where to recharge its Electrical Battery. Once again, Singapore is uniquely placed to become the electric vehicle capital of the world."

Allan Lim, chief executive director of Alpha Biofuels, said: "I think we are in a very good position in Singapore to start initiatives to help companies adopt clean technology, and establish Singapore as a regional centre that promotes and provides such technologies to the region.

"One of the incentives which I think is really critical for clean energy to thrive in Singapore is to provide some kind of incentive for SMEs and companies in Singapore to adopt clean energy. Things like solar panels have always been there and the incentives have been done, but what about transportation fuels."

"I think once the adoption of smart grid technologies...starts, the test bedding will come on quite well, and we have a lot of space for this test bed that could then be exported overseas."

Tax experts at Deloitte are calling for a two-year extension to the green-vehicle rebate which is due to expire at the end of this year. They said that an extension is needed to encourage take-up of the industry in Singapore.

Chan Huang Chay, a partner of Business Tax at Deloitte Singapore, said: "There are few areas which we think the government could consider to help Singapore go green.

"The first one is to consider granting enhanced capital allowance of say 150 per cent (instead of the current 100 per cent capital allowance) for certified energy-saving and energy-efficient equipment, probably in the same vein as the enhancement currently available for prescribed automation equipment under the Productivity and Innovation Credit Scheme.

"The other one is to extend the Green Vehicle Rebate Scheme for say another two years as the current scheme is due to expire on 31 December 2011, so as to continue to encourage the adoption of green vehicles.

"The third one is to consider granting further tax deduction for revenue expenditures incurred on usage of recycled products (such as recycled paper for printing) so as to encourage businesses to purchase such green products for their business purposes.

"And lastly, the government may want to provide a subsidy or grant to encourage businesses to undertake recycling and other 'green' projects (for example, reduction of carbon emission, increase in energy efficiency and other environment-friendly projects)".

Others such as KPMG are hoping for tax incentives for green technology and sustainable urban solutions, for example a 10 per cent 'Green Tax Credit' on costs for businesses that develop and implement green technologies.

"Another idea is doubling the amount of capital allowances claimable for plant and equipment that meet certain 'green' criteria such as energy efficiency or water savings. There could also be a lower property tax rate for 'green buildings', instead of the current 10 per cent rate generally applicable to all commercial properties," said Tay Hong Beng, head of tax of KPMG in Singapore.

Latha Matthew, tax partner at Ernst & Young Solutions LLP, said: "One other item on our wish list that we would really like to see happen is some sort of incentive to give home owners a push to install solar panels in their homes. "At the moment, I think to install solar panels is expensive and it is a vicious cycle...few people use it and the cost is high. I think some encouragement in the form of a property tax rebate could help to bring that cost down."

PricewaterhouseCoopers (PwC) said the government should set up an approved fund whose proceeds can be used to promote environmental initiatives. Companies with a high carbon footprint can contribute to that fund and receive a 200 per cent or 250 per cent tax break.

"The government should match the funds donated by the company, and the corpus of the fund should be used for environmentally-friendly initiatives," said Abhijit Ghosh, partner at PwC.

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