Singapore Budget 2025 Digest

Together makes progress

Common abbreviations

CDC	Community Development Council
CIT	Corporate Income Tax
CPF	Central Provident Fund
CTR	Concessionary Tax Rate
EDB	Economic Development Board
ESG	Enterprise Singapore
GDP	Gross Domestic Product
GST	Goods and Services Tax
IRAS	Inland Revenue Authority of Singapore
ITA	Income Tax Act 1947
MAS	Monetary Authority of Singapore
M&A	Mergers & Acquisitions
MPA	Maritime and Port Authority of Singapore
%	Percent
PIT	Personal Income Tax
R&D	Research and Development
$	Singapore Dollar
SG	Singapore
SME	Small and Medium-Sized Enterprise
SPR	Singapore Permanent Resident
WHT	Withholding Tax
YA	Year of Assessment

Contents

Foreword

Daniel Ho
Tax & Legal Leader
Deloitte Singapore

The Budget 2025 Speech, titled "Onward Together for a Better Tomorrow" and delivered in Parliament by our Prime Minister and Finance Minister Lawrence Wong, builds upon the Forward Singapore exercise, reinforcing the importance of a renewed social compact. As Singapore navigates economic and geopolitical complexities, progress will not be defined by individual resilience alone but by how we work together as a nation—businesses, workers, and policymakers—to shape the next era of growth.

Together makes progress. This is the driving force behind our Budget 2025 Digest and a principle that has underpinned Singapore's success. As we mark SG60—Singapore's Diamond Jubilee, this milestone is not just a reflection of how far we have come but a reaffirmation of what propels us forward: collaboration, adaptability, and a shared commitment to progress.

The Budget 2025 Speech, titled "Onward Together for a Better Tomorrow" and delivered in Parliament by our Prime Minister and Finance Minister Lawrence Wong, builds upon the Forward Singapore exercise, reinforcing the importance of a renewed social compact. As Singapore navigates economic and geopolitical complexities, progress will not be defined by individual resilience alone but by how we work together as a nation—businesses, workers, and policymakers—to shape the next era of growth.

The past year has seen Singapore's economy grow by 4.4%, supported by a recovery in global trade, sustained private sector investment, and resilience in key industries such as financial services, high-value manufacturing, and digital transformation. However, the external environment remains highly complex. The US-China strategic competition continues to reshape global trade flows, investment patterns, and supply chain networks. The US presidential election in 2024 has introduced policy uncertainties, with potential shifts in trade and industrial strategies that may affect global markets. Protectionist policies in key economies, evolving industrial subsidies, and stricter tax compliance requirements add to the challenges facing international businesses.

At the same time, ASEAN economies are accelerating their digitalisation and sustainability efforts, deepening regional trade integration and creating new opportunities for cross-border investments. Closer to home, Singapore remains focused on strengthening its position as a hub for finance, innovation, and enterprise, ensuring it remains well-positioned to adapt to evolving global dynamics. While inflationary pressures have eased, risks remain from energy supply disruptions and geopolitical tensions. Amid these uncertainties, Singapore's economy is projected to expand between 1.0% and 3.0% in 2025, supported by its deep economic fundamentals, strong governance, and sustained investments in future growth sectors.

Budget 2025 introduces a balanced approach to supporting businesses and workers while ensuring long-term economic resilience. Singapore's tax landscape continues to evolve in response to international developments, with refinements ensuring that Singapore remains attractive to global investors while safeguarding its taxing rights. A 50% CIT Rebate, capped at $40,000 per company, has been introduced to help businesses manage costs while maintaining competitiveness. Strategic investments in digitalisation, artificial intelligence, and sustainability-focused industries reinforce Singapore's position as a hub for high-value economic activity. A refreshed approach to enterprise transformation and workforce development ensures that businesses remain agile and that workers are equipped for the jobs of tomorrow.

Beyond fostering economic resilience, Budget 2025 strengthens social and workforce policies to ensure that growth remains inclusive. The SkillsFuture initiative has been expanded, providing additional support for mid-career workers to reskill and transition into emerging industries. The Progressive Wage Credit Scheme has been enhanced, encouraging businesses to uplift lower-income workers while ensuring continued productivity gains. These workforce transformation efforts align with Singapore's vision of a competitive yet inclusive economy, where businesses and employees thrive together.

Recognising the importance of Singapore's status as a global financial hub, Budget 2025 introduces enhanced tax incentives for fund managers to attract new listings and increase investment demand for Singapore-listed equities. These measures strengthen Singapore's capital markets, reinforcing its position as a preferred jurisdiction for asset management.

To support businesses in navigating the evolving global tax environment, Budget 2025 introduces refinements to key tax incentive schemes, extending targeted tax benefits for strategic industries while ensuring compliance with international standards. These enhancements, alongside continued investments in R&D and innovation, provide strong incentives for businesses to invest in cutting-edge research, intellectual property development, and high-value manufacturing. The introduction of new tax deductions for collaborative innovation activities encourages enterprises to deepen their R&D capabilities while maintaining Singapore's competitiveness as a hub for scientific and technological advancement.

A thriving economy and an adaptable workforce must be supported by robust infrastructure and sustainability initiatives. Budget 2025 provides for sustained investments in transport, energy resilience, and digital connectivity, ensuring that Singapore remains a leading global hub for trade and innovation. The expansion of sustainability-focused incentives reflects the Government's commitment to long-term environmental resilience, with new investments in clean energy, green financing, and emerging technologies. These measures position Singapore to lead in the global transition towards sustainability, reinforcing its role as a key player in the green economy.

As Singapore celebrates her 60th year of independence, Budget 2025 serves as its Diamond Jubilee Budget—a testament to the nation's ability to adapt, evolve, and move forward together. Just as diamonds are forged under immense pressure, Singapore's success has been built on resilience, foresight, and collective effort.

Our theme for this year, "Together makes progress," reflects a fundamental truth in Singapore's growth story: no achievement is made in isolation. Whether in navigating economic transitions, strengthening businesses, or ensuring social mobility, Singapore's progress has always been a shared endeavour—between individuals, enterprises, and the Government. Budget 2025 is a blueprint for the next phase of transformation, reinforcing Singapore's role as a global leader in innovation, finance, and enterprise, while ensuring that prosperity continues to be widely shared.

In this Digest, we examine the key announcements from Budget 2025, providing insights into how they may impact businesses, investments, and individuals in the year ahead. As Singapore steps into the next phase of its development beyond SG60, this Budget serves as a blueprint for resilience, progress, and shared success.

Wishing you an insightful and engaging read!

Major developments

Daniel Ho
Tax & Legal Leader

The enhancement to the Section 13W tax exemption scheme is a welcome and timely development. Expanding the scheme to include gains from the disposal of preference shares, which are classified as equity under applicable accounting principles, within the scope of the tax exemption is a significant step forward. Given the widespread use of preference shares as investment instruments, this change provides much-needed clarity and assurance on the non-taxation of disposal gains for a broader range of investors. The shareholding threshold of 20% to be considered on a group basis is also welcome—more details on it will only be announced in third quarter of 2025.

Loh Eng Kiat
Tax Partner

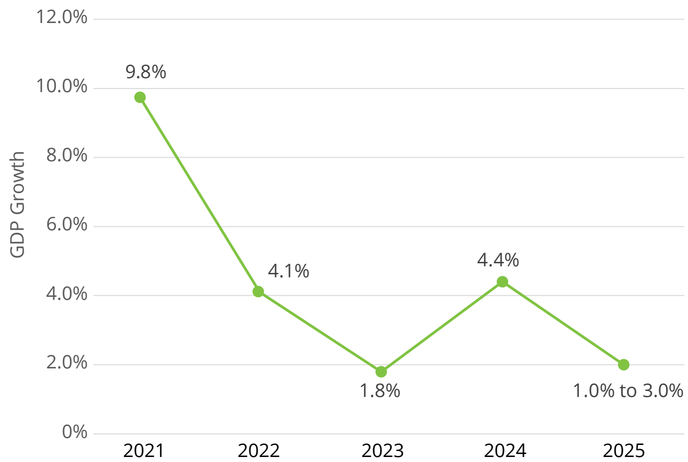
The proposed change to make Section 13W tax exemption scheme a permanent feature of our tax regime, coupled with the inclusion of gains from the disposal of certain preference shares within its coverage, should be viewed positively from a tax competitiveness perspective when compared to Hong Kong's Tax Certainty Enhancement Scheme pertaining to "onshore gains" on disposal of equity interests.

Relatedly, while the Section 13W tax exemption scheme is not limited to gains from disposal of local shares, for foreign asset disposals, the implications of Section 10L of the ITA may need to be considered.

Key financials at a glance

GDP growth

Singapore's economy recorded a strong 9.8% growth in 2021, driven by post-COVID-19 pandemic recovery efforts. This momentum moderated in 2022, with GDP growth slowing to 4.1%, reflecting global uncertainties and tighter financial conditions. In 2023, growth further eased to 1.8%, as external demand softened and inflationary pressures persisted. 2024 saw a stronger rebound, with GDP expanding by 4.4%, supported by resilient domestic consumption and improvements in key industries. Looking ahead, growth in 2025 is projected to range between 1.0% and 3.0%, as Singapore navigates structural economic shifts and evolving global challenges.



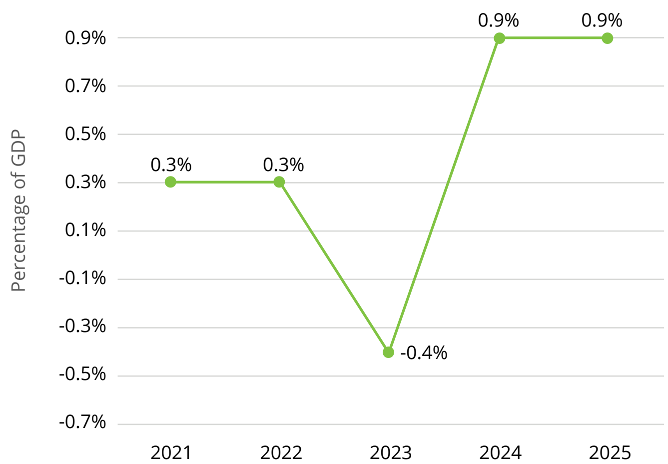
GDP

Year	GDP at current market price $ (bil)	% change
2021*	586.6	9.8%
2022*	701.8	4.1%
2023*	678.7	1.8%
2024*	731.4	4.4%
2025	755.6	1.0% - 3.0%

**GDP Growth figures are based on data provided by Department of Statistics Singapore.*

Overall fiscal position

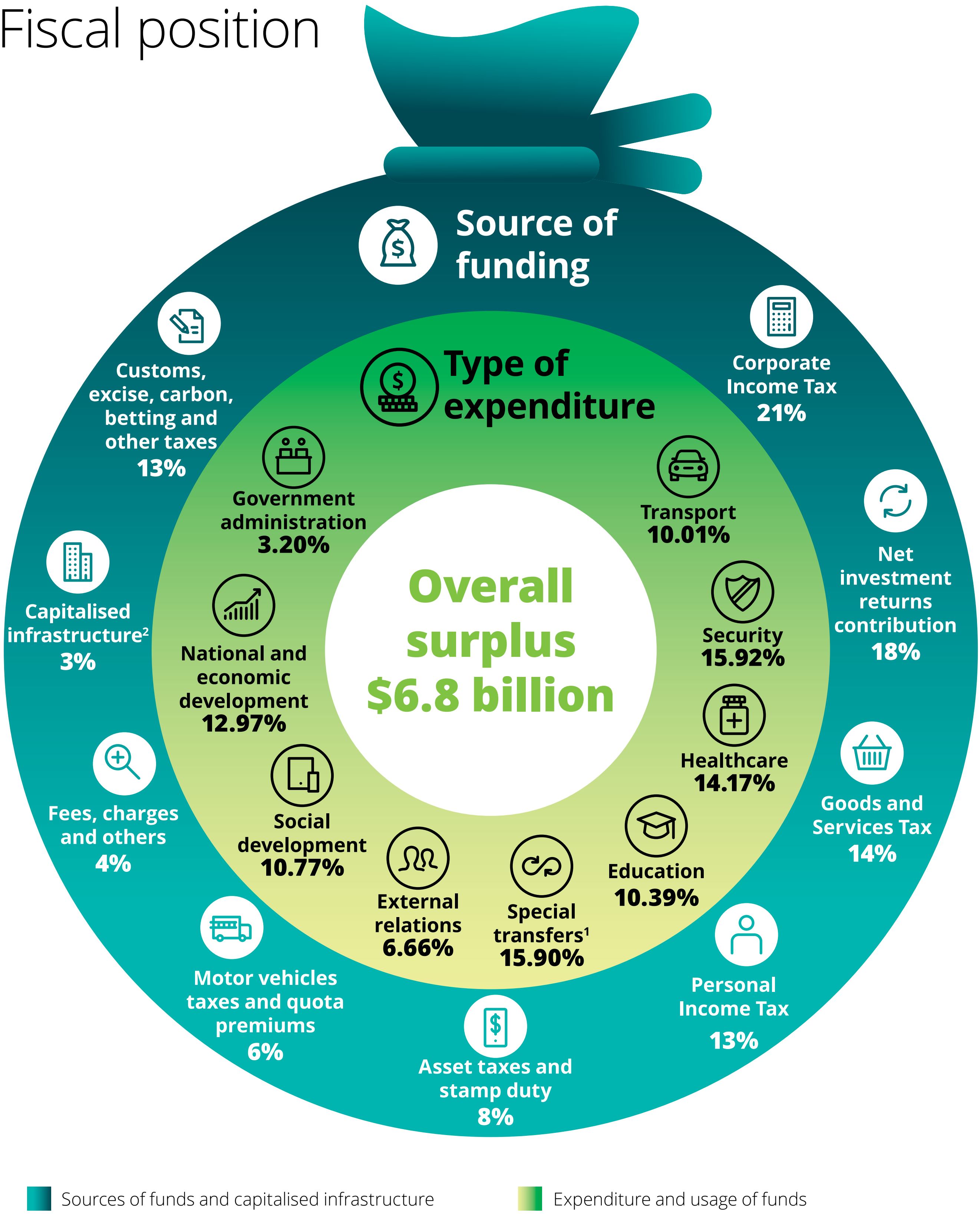
In 2021 and 2022, Singapore recorded a fiscal surplus of 0.3% of GDP, reflecting a steady recovery from the economic impact of the COVID-19 pandemic. However, in 2023, the fiscal position slipped into a 0.4% deficit, due to increased government spending and other economic factors. By 2024, the fiscal position improved significantly, shifting to a 0.9% surplus, indicating stronger revenue collection and more balanced fiscal management. This positive trend is expected to continue in 2025, with a projected 0.9% surplus. The stable fiscal outlook suggests that revenue growth remains robust and that fiscal policies have been effective in maintaining budgetary discipline.



Overall fiscal surplus/(deficit)

Year	Overall fiscal surplus/(deficit) $ (bil)	% of GDP
2021	1.880	0.3%
2022	1.716	0.3%
2023	(2.548)	-0.4%
2024	6.413	0.9%
2025	6.814	0.9%

Budget 2025
Fiscal position



[1] Special transfers refer to financial allocations made by the Government to specific groups, sectors, or initiatives.
[2] Capitalised infrastructure refers to investments in long-term physical projects like roads and public transit systems, which costs are spread over their useful lives.

Business Tax

Rationalise the tax incentives for Project and Infrastructure Finance

To ensure that our tax incentives remain relevant, the Qualifying Project Debt Securities (QPDS) scheme will be allowed to lapse after 31 Dec 2025.

Project bond investors can continue to avail themselves of tax incentives for debt securities such as the Qualifying Debt Securities (QDS) scheme, if the debt securities qualify as QDS and the conditions of the QDS scheme are satisfied. Investors of QPDS issued on or before 31 Dec 2025 will continue to enjoy the tax benefits under the QPDS scheme for the remaining life of the issue of the securities, if the conditions of the QPDS scheme are satisfied.

To support Singapore-based infrastructure project sponsors that leverage Singapore's financial ecosystem to invest in and finance overseas infrastructure projects, exemption of qualifying foreign-sourced income from qualifying offshore infrastructure projects/assets received by approved entities listed on the Singapore Exchange will be extended until 31 Dec 2030.

Extend and refine the Insurance Business Development (IBD) scheme

To continue supporting Singapore's value proposition as an Asian insurance and reinsurance centre, the IBD and IBD-Captive Insurance (IBD-CI) schemes will be extended until 31 Dec 2030.

Furthermore, to ensure that tax incentives remain relevant and competitive, an additional CTR tier of 15% will be introduced with effect from 19 Feb 2025 for the IBD, IBD-CI, and IBD-Insurance Broking Business (IBD-IBB) schemes.

The MAS will provide further details by second quarter of 2025.

Introduce an additional CTR tier of 15% for the Financial Sector Incentive (FSI) scheme

To ensure that our tax incentives remain relevant and competitive, an additional CTR tier of 15% will be introduced with effect from 19 Feb 2025 for the FSI-Standard Tier, FSI-Trustee Company and FSI-Headquarter Services schemes.

The MAS will provide further details by second quarter of 2025.

Extend and enhance the income tax concessions for Real Estate Investment Trusts listed on the Singapore Exchange (S-REITs)

To continue promoting the listing of REITs in Singapore and to sustain Singapore's position as a global REIT hub, the following tax concessions will be extended until 31 Dec 2030:

(a) Tax transparency on specified income in the hands of the trustee of the S-REIT if the trustee distributes at least 90% of its specified income to unitholders in the same year that the income is derived by the trustee;

(b) Tax exemption on qualifying foreign-sourced income received by S-REITs, S-REITs' wholly-owned Singapore sub-trusts, and S-REITs' wholly-owned companies (these companies can be directly or indirectly wholly-owned by S-REITs) incorporated and tax resident in Singapore (FSIE-REIT), subject to conditions;

(c) Tax exemption on S-REITs distributions received by individuals (excluding individuals who derive S-REITs distributions through a partnership in Singapore or from the carrying on of a trade, business or profession); and

(d) Final WHT rate of 10% for S-REITs distributions received by qualifying non-tax-resident non-individuals and qualifying non-tax-resident funds.

With respect to (a), the scope of specified income for the tax transparency treatment will be expanded to include all co-location and co-working income derived from 1 Jul 2025.

With respect to (b), the following refinements will be introduced for FSIE-REIT from 19 Feb 2025:

(1) Qualifying foreign-sourced income will include rental and ancillary income received in Singapore from 19 Feb 2025, subject to conditions;

(2) The requirement for wholly-owned companies of S-REITs to be incorporated in Singapore will be removed. The wholly-owned companies must still be Singapore tax residents to qualify for the concession;

(3) Repayment of shareholder loans and return of capital will now be recognised as qualifying modes of remittance for wholly-owned Singapore sub-trusts and wholly-owned Singapore tax resident companies to pass remitted income through to S-REITs; and

(4) Singapore sub-trusts will be allowed to deduct other operational expenses against their income before passing the remaining amount to S-REITs.

The IRAS will provide further details by second quarter of 2025.

Extend the income tax concessions for Real Estate Investment Trust Exchange-Traded Funds (REIT ETFs) listed on the Singapore Exchange (S-REIT ETFs)
To support the continued growth of the S-REIT ETFs sector, the sunset date for tax transparency in the hands of the trustee of S-REIT ETFs on distributions received by S-REIT ETFs from S-REITs, which are paid out of the latter's specified income tax concession will be removed.

Final WHT rate of 10% for S-REIT ETFs distributions received by qualifying non-tax-resident non-individuals and qualifying non-tax-resident funds will be extended until 31 Dec 2030.

The MAS will provide further details by second quarter of 2025.

Allow the Venture Capital Fund Incentive (VCFI) and the venture capital Fund Management Incentive (FMI) to lapse
To ensure that our tax incentives remain relevant, the VCFI and the venture capital FMI will be allowed to lapse after 31 Dec 2025.

The Government will continue to support the venture capital sector through a holistic suite of policies and initiatives.

Matthew Lovatt
Tax Partner
(Business Tax Financial Services)

The introduction of tax incentives to encourage new listings in Singapore are welcome. When coupled with the extension and enhancement of the existing tax concessions for REITs and S-REIT ETFs, we are hopeful that these incentives will increase investor demand for Singapore listed equities and in turn contribute to the growth in Singapore's capital markets.
The tax exemption for fund managers' qualifying income arising from funds investing substantially in Singapore-listed equities could incentivise Singapore fund managers to structure new products and offerings such as a pan-Asia REITs fund with an allocation of at least 30% AUM invested in Singapore REITs. Such funds could also benefit from the extension and enhancements to the existing concessionary tax treatment for REITs, such as the expansion of the scope of tax transparency from the management or holding of immovable property to include co-location and co-working income. This could benefit REITs which have substantial holdings in specific asset classes, such as data centres.

Introduce tax incentives recommended by Equities Market Review Group (Review Group)
Formed in Aug 2024 to recommend measures to strengthen equities market development in Singapore, the Review Group, submitted tax-related recommendations to the Government. The recommendations aim to encourage new listings in Singapore and to increase investment demand for Singapore-listed equities. The Government has accepted the Review Group's recommendations and will introduce the following 3 incentives:

(a) Listing CIT Rebate for new corporate listings in Singapore

To encourage companies to raise public capital and grow their economic activities in Singapore, qualifying entities may apply for a 10% or 20% Listing CIT Rebate. Please refer to the table below for more details.

Parameter	Details
Qualifying entities	• Companies and registered business trusts that are tax residents in Singapore
Tax Benefit	• Primary listings: 20% CIT Rebate • Secondary listings (with share issuance): 10% CIT Rebate • Subject to a rebate cap of: (a) $6 million per Year of Assessment (YA) for qualifying entities with market capitalisation of at least $1 billion; or (b) $3 million per YA for qualifying entities with market capitalisation of less than $1 billion
Minimum criteria	• Achieve a primary or secondary (with share issuance) listing on a Singapore Exchange and remain listed for 5 years. • Commit to incremental local business spending or fixed asset investments, and incremental skilled employment by the end of the award tenure.
Award tenure	• 5 years per qualifying entity, non-renewable
Scheme duration	• Open for award until 31 Dec 2027
Administering agency	• Interested entities can approach the EDB or the ESG to enquire for more details

(b) Enhanced CTR of 5% for new fund manager listings in Singapore

To enhance Singapore's value proposition to fund managers seeking to scale up their activities via public fundraising and grow their investment activities in Singapore, an enhanced CTR tier of 5% will be introduced under the Financial Sector Incentive—Fund Management (FSI-FM) for newly listed fund managers. Please refer to the table below for more details.

Parameter	Details
Qualifying entities	• Singapore fund managers
Tax benefit	• 5% CTR on qualifying income
Minimum criteria	• Fund manager or its holding company achieves a primary listing on a Singapore exchange and remains listed for 5 years. • Fund manager must distribute a portion of its profits as dividends. • Fund manager must also meet minimum requirements for professional headcount and assets under management (AUM).
Qualifying income	• Fees earned from qualifying fund management and investment advisory activities under FSI-FM
Award tenure	• 5 years per fund manager, non-renewable
Scheme duration	• Open for award until 31 Dec 2028
Administering agency	• Interested fund managers can approach the MAS to enquire for more details

(c) Tax exemption on fund managers' qualifying income arising from funds investing substantially in Singapore-listed equities

To support fund managers to launch and manage qualifying funds that invest substantially in Singapore-listed equities, a tax exemption on income arising from such funds will be introduced under the FSI-FM. Please refer to the table below for more details.

Parameter	Details
Qualifying entities	• Singapore fund managers
Tax benefit	• Tax exemption on qualifying income
Minimum criteria	• Fund managers must meet minimum requirements for professional headcount and AUM, as currently required of FSI-FM companies. • Qualifying funds must meet the following criteria: (a) For new funds: At least 30% of AUM invested in Singapore-listed equities. (b) For existing funds: (i) At least 30% of AUM invested in Singapore-listed equities; and (ii) Annual net inflows (i.e., subscriptions less redemptions to fund) equivalent to at least 5% of fund's AUM in the preceding year
Qualifying income	• Fees earned from fund management and investment advisory activities related to the qualifying funds (as defined in the minimum criteria)
Award tenure	• 5 years per fund managed by fund manager, non-renewable
Scheme duration	• Open for award until 31 Dec 2028
Administering agency	• Interested fund managers can approach the MAS to enquire for more details

The Review Group will share more details on its recommendations after Budget 2025.

CIT Rebate for YA 2025 and CIT Rebate Cash Grant

Amidst rising costs of doing business and to provide support for companies' cash flow needs, a CIT Rebate of 50% of tax payable will be granted in YA 2025.

Companies that are active and have employed at least one local employee in Calendar Year (CY) 2024 (referred to as the "local employee condition") will receive a minimum benefit of $2,000 in the form of a cash payout (referred to as the "CIT Rebate Cash Grant").

The total maximum benefits (i.e., sum of CIT Rebate and CIT Rebate Cash Grant) that a company can receive is $40,000. Eligible companies will automatically receive the benefits from the second quarter of 2025 onwards.

A company is considered to have met the local employee condition if it has made CPF contributions to at least 1 local (i.e., Singapore Citizen or SPR) employee, excluding shareholders who are also directors of the company, in CY 2024.

For example, Company A hired two local employees in CY 2024. It has a tax payable of $30,000 for YA 2025. Company A will receive a $2,000 CIT Rebate Cash Grant and another $13,000 [(50% * $30,000) - $2,000] in CIT Rebate.

Rohan Solapurkar
Business Tax Leader

Although expected, the 50% CIT rebate granted to companies for YA 2025 is welcomed and will help companies manage the costs of doing business in Singapore. The quantum, capped at $40,000, remains the same as that of YA 2024. Smaller and loss-making companies will continue to enjoy some benefits too as they are entitled to a minimum cash grant of $2,000. However, non-active companies e.g., companies that are dormant, would not qualify for the CIT Rebate/Cash Grant.

Extend the Double Tax Deduction for Internationalisation (DTDi) Scheme

The DTDi Scheme is set to lapse after 31 Dec 2025. Companies are eligible for a 200% tax deduction on qualifying market expansion and investment development expenses under the DTDi Scheme. In order to encourage companies and to continue supporting businesses in their internationalisation efforts, the DTDi scheme will be extended until 31 Dec 2030.

The ESG will provide further details by second quarter of 2025.

Yap Hsien Yew
Tax Partner

The Government's decision to extend the scheme reinforces its commitment to helping Singapore-based enterprises scale beyond domestic markets and strengthen their competitive edge globally. This reflects Singapore's strategic focus on supporting companies in expanding internationally, to secure new revenue streams and remain competitive in a rapidly evolving global economy.

Extend the M&A scheme

The M&A scheme allows a Singapore company, that makes a qualifying acquisition of the ordinary shares of another company, to claim the following tax benefits, subject to conditions:

(a) An M&A allowance (to be written down over 5 years) that is based on 25% of up to $40 million of the value of all qualifying acquisitions per YA (i.e., $10 million); and

(b) 200% tax deduction on transaction costs incurred on qualifying acquisitions, subject to an expenditure cap of $100,000 per YA.

The scheme is scheduled to lapse after 31 Dec 2025.

To continue supporting companies to grow through M&A, the scheme will be extended until 31 Dec 2030.

Chai Sook Peng
Tax Partner

The M&A scheme was initially introduced in Budget 2010 to encourage Singapore companies, especially SMEs, to grow and internationalise through strategic M&A. The scheme has since been extended and/or enhanced in Budget 2015 and Budget 2020.

The extension of the scheme in Budget 2025 reflects the Government's continued commitment towards encouraging local companies to expand and grow inorganically via strategic acquisitions. The extension is certainly a welcome move as businesses face growing challenges from uncertain economic outlook in the coming years.

Enhancement of Section 13W of the ITA

To provide greater certainty to companies, the sunset date under Section 13W, which applies to the disposal of shares on or before 31 Dec 2027, will be removed and the following enhancements will be made:

(a) Expansion of the scope of eligible gains to include gains arising from disposal of preference shares that are accounted for as equity by the investee company under applicable accounting principles; and

(b) To allow the assessment of the "shareholding threshold" condition, which requires the divesting company to maintain a minimum level of shareholding of 20% in the investee company for a continuous period of at least 24 months prior to the disposal of any shares in the investee company, to be done on a group basis.

These changes will take effect for gains on disposal derived on or after 1 Jan 2026.

The IRAS will provide further details by third quarter of 2025.

Introduce a tax deduction on payments for issuance of new shares under employee equity-based remuneration (EEBR) schemes

To ensure that Singapore's tax regime remains relevant and competitive, companies will be allowed to claim a tax deduction on payments to the holding company or a special purpose vehicle (SPV) for the issuance of new shares of the holding company under EEBR schemes. The deduction will be the lower of:

(a) The amount paid by the company; and

(b) The fair market value, or net asset value of the shares (if the fair market value is not readily available), at the time the shares are applied for the benefit of the employee,

less any amount payable by employees for the shares.

The changes will take effect from YA 2026.

The IRAS will provide further details by third quarter of 2025.

Larry Low
Tax Partner

Allowing tax deductions for payments related to the issuance of new shares under EEBR schemes is a forward-thinking policy that significantly enhances Singapore's competitiveness. This will provide companies with greater flexibility in developing their stock-based compensation strategies and help companies to attract and retain top quality talent.

Introduce a tax deduction for payments made under an approved cost-sharing agreement (CSA) for innovation activities

To support collaborative innovation activities, a 100% tax deduction for payments made by companies under an approved CSA for innovation activities will be introduced with effect from 19 Feb 2025. For the purpose of this tax deduction, CSAs are agreements or arrangements made by two or more persons to share the expenditure of innovation activities to be carried out under the agreements or arrangements.

The EDB will provide further details by second quarter of 2025.

Yvaine Gan
Global Investment &
Innovation Incentives Leader

The introduction of a tax deduction for payments related to innovation activities made under an approved CSA is an interesting development that should encourage more innovation as this appears to plug a gap experienced by organisations whose innovation activities do not meet the current definition of R&D under Singapore's R&D tax regime. We look forward to further details from the EDB to provide clarity on the definition of "innovation activities".

Extend and enhance the Land Intensification Allowance (LIA) scheme

To continue encouraging businesses to intensify their land use, the LIA scheme, which is scheduled to lapse after 31 Dec 2025, will be extended until 31 Dec 2030.

Under the LIA scheme, an approved recipient can enjoy an initial allowance of 25% and an annual allowance of 5% of the qualifying capital expenditure incurred over 15 years, upon issuance of the temporary occupation permit for the completed building, subject to conditions.

Additionally, at least 80% of the gross floor area of the qualifying building must be used by the approved recipient or its related users. To be considered related, the users must have at least 75% of their shareholdings held in common (or have entitlement to at least 75% of the income in the case of a partnership), whether directly or indirectly. The shareholding requirement for building users to be considered as related will be lowered from "at least 75%" to "more than 50%". This change will apply to LIA applications made from 1 Jan 2026.

The Building and Construction Authority and the EDB will provide further details by third quarter of 2025.

Lee Tiong Heng
SEA Global Investment &
Innovation Incentives Leader

The extension of LIA to 31 Dec 2030 as well as the lowering of the shareholding requirement for building users to be considered as related, are indeed positive measures. This change will continue to promote the intensification of industrial land use towards more land-efficient and higher value added activities across various sectors in land scarce Singapore. If the requirement of using at least 80% of the gross floor area of the qualifying building by the approved recipient or its users could be lowered, it would further enhance the LIA scheme and could encourage more companies to apply.

Introduce an Approved Shipping Financing Arrangement (ASFA) Award

To support the ownership and management of ships and sea-containers from Singapore, the ASFA Award will be introduced to provide WHT exemption on interest and related payments made by approved entities to non-tax-resident lenders in respect of qualifying arrangements entered into on or before 31 Dec 2031 to finance the purchase or construction of ships and containers.

Ship and container lease payments made to non-tax-resident lessors (excluding payments derived from any operation carried on by the non-tax-resident through its permanent establishment in Singapore) under finance lease (FL) agreements for ASFA Award recipients will also be exempted from WHT.

The AFSA Award will be administered by MPA and introduced with effect from 19 Feb 2025.

The MPA is set to provide further details by second quarter of 2025.

Daniel Ho
Tax & Legal Leader

The introduction of the new ASFA Award is a promising development that could offer significant benefits to companies with smaller fleets looking to own and manage foreign-flagged ships and sea containers from Singapore. We keenly await further details of the conditions and approval process related to this Award.

Extend and enhance the Maritime Sector Incentive (MSI)

To continue developing Singapore as an international maritime centre, the MSI will be extended until 31 Dec 2031. The WHT exemption will similarly be extended for qualifying payments made on qualifying financing arrangements entered into on or before 31 Dec 2031.

The MSI scheme will be enhanced and the key changes are as follows:

(a) Expand the scope of prescribed ship management services under the MSI-Shipping Enterprise (Singapore Registry of Ships) (MSI-SRS), MSI-Approved International Shipping Enterprise (MSI-AIS) and MSI-Shipping-related Support Services (MSI-SSS) to include emission management services;

(b) Expand the scope of offshore renewable energy activities under the MSI-SRS and MSI-AIS to cover the subsea distribution of renewable energy generated onshore;

(c) Expand the scope of ships used for offshore renewable energy activities under the MSI-Maritime Leasing (Ship) (MSI-ML) (Ship) to include ships that support subsea distribution of renewable energy generated onshore;

(d) Allow assets leased-in from third parties under FL treated as sale agreements to be recognised as qualifying assets under the MSI-ML (Ship) and MSI-ML (Container) awards; and

(e) Expand the scope of shipping-related support services under the MSI-SSS to include maritime technology services.

These changes will take effect from 19 Feb 2025.

The MPA is set to provide further details by second quarter of 2025.

Loh Eng Kiat
Tax Partner

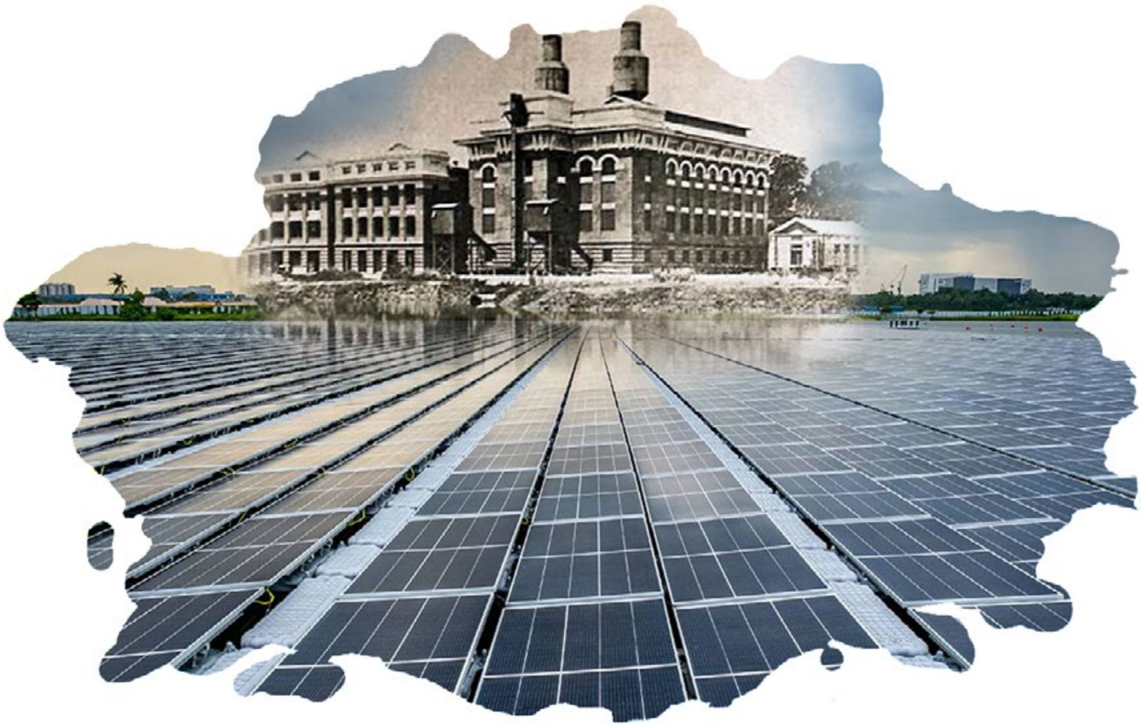
With the first forms of Singapore's shipping-related incentives coming in the early days of its independence and with the maritime sector remaining a key pillar of Singapore's economy, the extension of the MSI is not surprising. Some of the targeted enhancements such as those relating to emission management activities align with Singapore's broader efforts to position itself as a green shipping hub. The flexibility for companies to source for more competitive financing outside Singapore is enhanced by the extension of certain withholding tax exemption schemes for maritime players.

Extend the broad-based WHT exemption for container lease payments made to non-tax-resident lessors under operating lease (OL) agreements

The broad-based WHT exemption for container lease payments made to non-tax-resident lessors under OL agreements is scheduled to lapse after 31 Dec 2027. This will be extended for agreements entered into on or before 31 Dec 2031.

Extend the broad-based WHT exemption for ship and container lease payments under FL agreements made to non-tax-resident lessors for MSI recipients

The broad-based WHT exemption for ship and container lease payments made by specified MSI recipients to non-tax-resident lessors under FL agreements is scheduled to lapse after 31 Dec 2028. This will be extended for agreements entered into on or before 31 Dec 2031.



Personal Tax

PIT rates and rebates

There are no changes to the PIT rates.

A one-off PIT rebate of 60%, capped at $200, will be granted to resident individual taxpayers for YA 2025.

Lapse of WHT concession for non-resident arbitrators

To ensure parity in the treatment of income of non-tax-resident professionals, the concession for non-tax-resident arbitrators will be allowed to lapse after 31 Dec 2027.

The Government will continue to support the international arbitration sector through a holistic suite of policies and initiatives.

Lapse of WHT concession for non-resident mediators

To ensure parity in the treatment of income of non-tax-resident professionals, the concession for non-tax-resident mediators will be allowed to lapse after 31 Dec 2027.

The Government will continue to support the international commercial mediation sector through a holistic suite of policies and initiatives.

Sabrina Sia
Global Employer Services Leader

The announcement of the PIT rebate of 60% for YA 2025, capped at $200, is not unexpected given that it is SG60, and will help provide some relief to address cost of living pressures, albeit with a cap to ensure progressivity in the individual tax regime.

The additional CDC and SG60 vouchers along with the PIT rebate is a nice gesture for all Singaporeans to share in the country's 60th birthday celebrations.

Remove CPF Cash Top-Up Relief for cash top-ups that attract matching grant from the Government under the Matched Medisave Scheme (MMSS)

A giver will no longer be entitled to claim CPF Cash Top-Up Relief when contributing to the Medisave Account of a MMSS-eligible CPF member that attracts the MMSS matching grant.

This is aligned with the current tax treatment for the Matched Retirement Savings Scheme (MRSS), where cash top-up to the Retirement Account or Special Account of an MRSS-eligible CPF member that attract the MRSS matching grant will not entitle the giver to the CPF Cash Top-Up Relief.

Notwithstanding, a giver may continue to enjoy tax relief of up to $16,000 a year for eligible CPF cash top-ups that do not attract the MMSS or MRSS matching grant. The maximum amount of CPF Cash Top-Up Relief is $8,000 per year for cash top-ups to the giver's own Special Account, Retirement Account or MediSave Account, and another $8,000 per year for cash top-ups to such accounts of the giver's loved ones.

The change will take effect from YA 2027.

Increase in Senior Workers' CPF Contribution Rates

To further strengthen the retirement support for senior workers, CPF contribution rates for Singaporean and SPR workers aged above 55 to 65 will be raised. The further increase in contribution rates will be fully allocated to the Retirement Account.

The change will take effect from 1 Jan 2026.

A 1-year CPF Transition Offset will be automatically provided for the 2026 increases and employers are not required to apply for the same. The offset will be equivalent to half of the 2026 increase in employer CPF contributions for every Singaporean and SPR worker aged above 55 to 65.

CPF Contribution Rates for Senior Workers from 1 Jan 2026

Worker age (Years)	CPF Contribution Rates			CPF Transition Offset for 2026
	Total	Employer	Employee	
55 and below	No change	No change	No change	No change
Above 55 to 60	34.0%	16.0%	18.0%	0.25%-pt
Above 60 to 65	25.0%	12.5%	12.5%	0.25%-pt
Above 65 to 70	No change	No change	No change	No change
Above 70	No change	No change	No change	No change

Indirect Tax

Extension of the GST remission for S-REITs and RBTs

The existing GST remission for S-REITs and Singapore-listed Registered Business Trusts (RBTs) in the infrastructure business, ship leasing and aircraft leasing sectors and their financing Special Purpose Vehicles (SPVs) will be extended from 31 Dec 2025 to 31 Dec 2030.

Ng Gek Teng
Tax Partner

It is not surprising that the GST remission has been extended for S-REITs and RBTs until 31 Dec 2030. The extension of the GST remission for qualifying funds last year and S-REITs and RBTs this year reflects the Government's ongoing efforts to maintain Singapore's competitiveness as a hub for investment, asset, and wealth management.

Others

Enhance the Progressive Wage Credit Scheme (PWCS)

To strengthen support for employers in uplifting lower-wage employees, the PWCS co-funding support will be enhanced for wage increases given in qualifying years 2025 and 2026 (see Table 1).

Table 1: Increase in co-funding levels for PWCS

Qualifying year	Payout period	Current	New
2025	Q1 2026	30%	40% (+10%-pt)
2026	Q1 2027	15%	20% (+5%-pt)

Extend the Senior Employment Credit (SEC)

To better support the employment of senior workers, the SEC has now been extended until 31 Dec 2026.

The re-employment age will be increased to 69 years old in 2026. The qualifying age for the highest SEC wage support tier will also be raised from 68 years old to 69 years old.

Please see Table 2 for the support levels in 2025 and 2026.

Table 2: SEC Wage Support

Wage Support in 2025		Wage Support in 2026	
Age	**Wage Support**	**Age**	**Wage Support**
60-64	Up to 2%	60-64	Up to 2%
65-67	Up to 4%	65-68	Up to 4%
68 and above	Up to 7%	69 and above	Up to 7%

Extend the Uplifting Employment Credit (UEC)

To better support the employment of ex-offenders, the UEC has now been extended until 31 Dec 2028. The extended UEC will also provide employers with a wage offset of up to 20% of local ex-offenders' wages for the first nine months of employment, capped at $600 per month per employee.

Extend the Enabling Employment Credit (EEC)

To better support the employment of persons with disabilities, the EEC has now been extended until 31 Dec 2028.

Extend the Enhanced Cap for the Market Readiness Assistance (MRA) Grant

The MRA Grant provides significant financial support for local SMEs looking to expand into overseas markets, helping to defray the costs associated with overseas market promotion, business development and market set-up.

The support is capped at $100,000 per company per new market, up to 50% of eligible costs for local SMEs, and covers activities under 3 pillars:

- Overseas market promotion (capped at $20,000)
- Overseas business development (capped at $50,000)
- Overseas market set-up (capped at $30,000)

Since 1 Apr 2020, the inclusion of Free Trade Agreement and trade compliance advisory in the market set-up pillar under the enhanced MRA grant demonstrates the government's commitment to helping SMEs navigate complex rules of international trade agreements and trade compliance requirements as they expand into new markets. The enhanced grant cap of $100,000 per new market is scheduled to lapse after 31 Mar 2025.

To continue supporting local SMEs in expanding into new markets overseas, the enhanced cap will be extended until 31 Mar 2026.

Wong Meng Yew
Global Trade Advisory Leader

The extension of the MRA Grant shows the Government's ongoing commitment to supporting SMEs in their internationalisation efforts. This is beneficial for SMEs as it would provide businesses with a longer time frame to plan and execute their international expansion strategies, while benefiting from such support.

Liew Li Mei
International Tax Leader

Musings

Budget 2024 saw the then Deputy Prime Minister's announcement for Singapore to move ahead with an implementation date of 2025 for the Domestic Minimum Top-up Tax regime. Fast forward to 2025–this is no longer a drill and the rules are now live in Singapore!

While the notification and filing requirements in Singapore are not due until mid-2026 at the earliest, the assessment, collection, and management of the Pillar Two data is a complex exercise. It is increasingly imperative that large multinational enterprises operating in Singapore consider their operational, data and technology model and processes that will enable them to meet their compliance obligations as Pillar Two moves from policy to reality.

Also, it is noteworthy that the Prime Minister has not made any mention of the implementation date of the Undertaxed Payments Rule in Budget 2025. This reflects a prudent and nuanced approach, given the new developments in major economies, including the US and the geo-political uncertainty surrounding Pillar Two.

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