Budget News Alert

Singapore Budget 2025

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Introduction

The Singapore economy grew by a strong 4.4% in 2024, ending with a budget surplus of S$2.6bn. The Government's revenue collections were better than expected, mainly contributed by an upside in the corporate income tax collections at close to S$31bn, being the single largest contributor to total revenue collections.

In Budget 2025, measures were introduced to address a few fronts, including tackling rising costs, equipping workers through lifelong learning, advancing our growth frontier and building a sustainable city.

Notably, to encourage new listings in Singapore and increase investment demand for Singapore-listed equities, a corporate income tax (CIT) rebate of 10% to 20% will be granted for secondary and primary listings in Singapore.

This alert highlights the key tax and non-tax measures impacting businesses:

- Fiscal position
- Tax measures (General)
- Tax measures (Real estate)
- Tax measures (Maritime and shipping)
- Personal tax
- Other support for businesses

Soh Pui Ming
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18 February 2025

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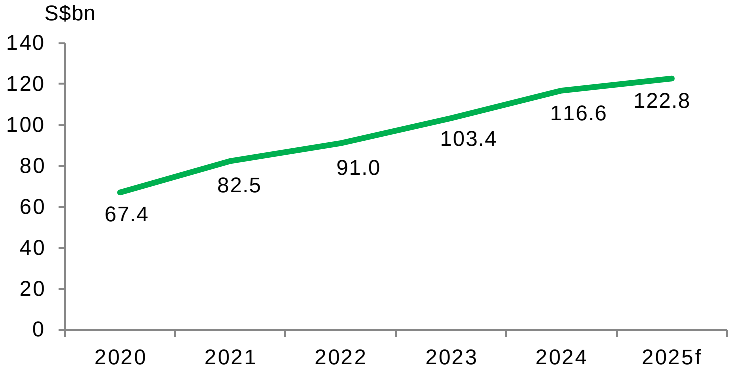
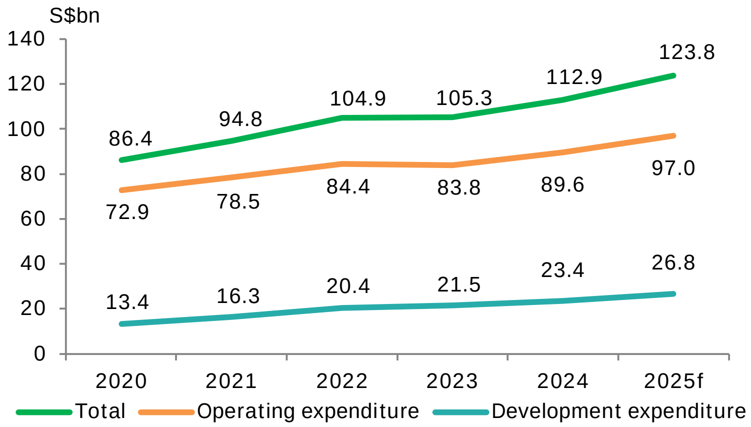
Fiscal position

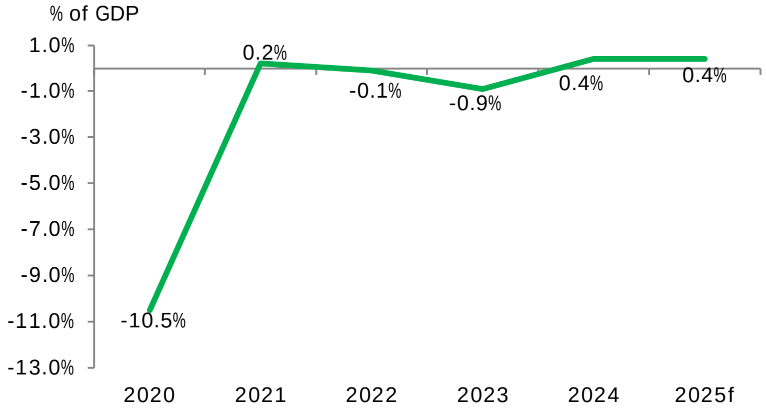
Government operating revenue



Government expenditure



Budget surplus or deficit



The revised government operating revenue for financial year (FY) 2024 is S$116.6bn, reflecting an increase of S$8.0bn compared to estimates presented in Budget 2024. This increase is mainly due to higher collections from corporate income tax and vehicle quota premiums, which exceeded the estimates presented in Budget 2024 by S$2.8bn and S$1.8bn respectively.

Government operating expenditure for FY 2025 is projected to increase by S$7.4bn. Most of the increase will be directed towards defence and health spending.

Budget 2025 is expected to be a balanced budget, with a projected overall budget surplus of S$2.7bn (representing 0.4% of the Gross Domestic Product) and overall fiscal surplus of S$6.8bn. This is comparable to the S$2.6bn budget surplus in FY 2024.

Notes:

- f = forecast
- The Government's financial year is from 1st April of the calendar year to 31st March of the following year. FY 2025 refers to the financial year 1 April 2025 to 31 March 2026.

Source:

- "Analysis of Revenue and Expenditure Financial Year 2025", The Ministry of Finance website, accessed 18 February 2025.

Key proposals

Tax measures (General)

Provide 50% CIT rebate in Year of Assessment (YA) 2025 with a minimum benefit of S$2,000 for eligible companies

- 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 2024 will receive a minimum benefit of S$2,000 in the form of a 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 S$40,000. Eligible companies will automatically receive the benefit from the second quarter of calendar year 2025 onwards.

Enhance section 13W of the Income Tax Act (ITA) that provides upfront certainty of non-taxation of companies' disposal gains

Section 13W of the ITA provides that gains derived from the disposal of ordinary shares by companies will not be taxed if:

- The divesting company maintains 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 (shareholding threshold condition)

  and

- The shares are disposed during the period from 1 June 2012 to 31 December 2027

To provide greater certainty to companies, the sunset date under section 13W will be removed. The following enhancements will be made:

- Expand the scope of eligible gains to include gains from the disposal of preference shares that are accounted for as equity by the investee company under the applicable accounting principles
- Allow the assessment of the shareholding threshold condition to be done on a group basis

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

Key proposals

Tax measures (General)

Extend the Double Tax Deduction for Internationalisation (DTDi) scheme

- Businesses are allowed a tax deduction of 200% on qualifying market expansion and investment development expenses under the DTDi scheme. The scheme is scheduled to lapse after 31 December 2025.
- The DTDi scheme will be extended until 31 December 2030.

Extend the Mergers and Acquisitions (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 an M&A allowance over five years and a 200% tax deduction on transaction costs incurred on qualifying acquisitions, subject to certain conditions and caps. The scheme is scheduled to lapse after 31 December 2025.
- The M&A scheme will be extended until 31 December 2030.

Extend and enhance the Land Intensification Allowance (LIA) scheme

- The LIA scheme for qualifying building grants an approved recipient an initial allowance of 25% and an annual allowance of 5% of the qualifying capital expenditure incurred over 15 years, subject to conditions. 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). The scheme is scheduled to lapse after 31 December 2025.
- The LIA scheme will be extended until 31 December 2030.
- 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 January 2026.

Key proposals

Tax measures (General)

Introduce a tax deduction on payments to the holding company or a special purpose vehicle (SPV) for issuance of new shares of the holding company under employee equity-based remuneration (EEBR) schemes

- Currently, companies are allowed tax deduction for treasury shares or previously issued shares of the company or the holding company that are transferred to employees under EEBR schemes. No tax deduction is allowed where new shares are issued to employees under EEBR schemes.
- Companies will be allowed to claim a tax deduction on payments to the holding company or a SPV for the issuance of new shares of the holding company under EEBR schemes.
- The deduction will be the lower of the following, less any amount payable by employees for the shares:
  - The amount paid by the company

    and
  - 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 employees
- The changes will take effect from YA 2026.

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

- Payments made under a CSA for innovation activities that do not meet the definition of “research and development” under section 2 of the ITA are not tax deductible.
- 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 February 2025.

Key proposals

Tax measures (General)

Introduce tax incentives recommended by Equities Market Review Group

To encourage new listings in Singapore and increase investment demand for Singapore-listed equities, the following tax incentives will be introduced:

- A 10% or 20% CIT rebate for new corporate secondary or primary listings in Singapore respectively, subject to a rebate cap of:
  - S$6mn per YA for qualifying entities with market capitalisation of at least S$1bn
  - S$3mn per YA for qualifying entities with market capitalisation of less than S$1bn
- Enhanced concessionary tax rate (CTR) of 5% for new fund manager listings in Singapore
- Tax exemption on fund managers' qualifying income arising from funds investing substantially in Singapore-listed equities

The above incentives are for a five-year period and are non-renewable.

Rationalise the tax incentives for Project and Infrastructure Finance

- The two tax incentives for Project and Infrastructure Finance (i.e., the exemption of qualifying income from qualifying project debt securities (QPDS), and the exemption of qualifying foreign-sourced income from qualifying offshore infrastructure projects/assets received by approved entities listed on the Singapore Exchange) are scheduled to lapse after 31 December 2025.
- The QPDS scheme will be allowed to lapse after 31 December 2025. Project bond investors can continue to avail themselves of tax incentives for debt securities such as the Qualifying Debt Securities (QDS) scheme where conditions are satisfied. Investors of QPDS issued on or before 31 December 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.
- The 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 December 2030.

Key proposals

Tax measures (General)

Extend and refine the Insurance Business Development (IBD) scheme

- Approved insurers and insurance brokers are granted a CTR of 10% on the relevant qualifying income under the IBD, IBD-Captive Insurance (IBD-CI) and IBD-Insurance Broking Business (IBD-IBB) schemes.
- The IBD and IBD-CI schemes, which are scheduled to lapse after 31 December 2025, will be extended until 31 December 2030. Further, an additional CTR tier of 15% will be introduced with effect from 19 February 2025 for the IBD, IBD-CI and IBD-IBB schemes.

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

- Approved incentive recipients are eligible for a CTR of 10% or 13.5% on qualifying income (where applicable) under the FSI scheme. An additional CTR tier of 15% will be introduced with effect from 19 February 2025 for the FSI-Standard Tier, FSI-Trustee Company and FSI-Headquarter Services schemes.

Allow certain incentives and concessions to lapse

- Non-tax-resident professionals are subject to withholding tax (WHT) at a rate of 15% on gross income from the profession; or they may elect to be taxed at 24% on net income.
  - As a concession, income derived by non-tax-resident arbitrators from arbitration work carried out in Singapore is subject to WHT at a rate of 10%. This concession, which is scheduled to lapse after 31 December 2027, will not be extended.
  - As a concession, income derived by non-tax-resident mediators from mediation work carried out in Singapore is subject to WHT at a rate of 10%. The concession, which is scheduled to lapse after 31 December 2027, will not be extended.
- The Venture Capital Fund Incentive and the Venture Capital Fund Management Incentive, which grant tax exemption and CTR on certain qualifying income, are scheduled to lapse after 31 December 2025 and will not be extended.

Key proposals

Tax measures (Real estate)

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

The following income tax concessions are granted to S-REITs and their investors:

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 incorporated and tax resident in Singapore (FSIE-REIT), subject to conditions

c) Tax exemption on S-REITs distributions received by individuals

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

The tax concessions (b) and (d), which are scheduled to lapse after 31 December 2025, will be extended until 31 December 2030.

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 July 2025.

The following refinements will be introduced for FSIE-REIT from 19 February 2025:

- Qualifying foreign-sourced income will include rental and ancillary income received in Singapore from 19 February 2025, subject to conditions
- 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
- 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
- Singapore sub-trusts will be allowed to deduct other operational expenses against their income before passing the remaining amount to S-REITs

Key proposals

Tax measures (Real estate)

Extend the income tax concessions for Real Estate Investment Trust Exchange-Traded Funds (REIT ETFs) listed on the Singapore Exchange (S-REIT ETFs)

The following income tax concessions are granted to S-REIT ETFs and their investors:

a) 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

b) Tax exemption on such S-REIT ETFs distributions received by individuals

c) Final WHT rate of 10% for S-REIT ETFs distributions received by qualifying non-tax-resident non-individuals and qualifying non-tax-resident funds

The tax concessions (a) and (c) are scheduled to lapse after 31 December 2025.

To support the continued growth of the S-REIT ETFs sector,

- The sunset date for tax concession (a) will be removed
- Tax concession (c) will be extended until 31 December 2030

Extend the GST remission for S-REITs and Singapore-listed Registered Business Trusts (RBTs) in the infrastructure business, ship leasing and aircraft leasing sectors

- GST remission is granted to S-REITs and RBTs in the infrastructure business, ship leasing and aircraft leasing sectors, to allow them to claim input GST on certain business expenses.
- The GST remission, which is scheduled to lapse after 31 December 2025, will be extended until 31 December 2030.

Key proposals

Tax measures (Maritime and shipping)

Extend and enhance the Maritime Sector Incentive (MSI)

Ship operators, maritime lessors and providers of certain shipping-related support services can enjoy various tax concessions by way of exemption, CTR or the alternative net tonnage basis of taxation, subject to conditions, under the following MSI sub-schemes:

- MSI-Shipping Enterprise (Singapore Registry of Ships) (MSI-SRS)
- MSI-Approved International Shipping Enterprise (MSI-AIS) Award
- MSI-Maritime Leasing (Ship) (MSI-ML (Ship)) Award
- MSI-ML (Container) Award
- MSI-Shipping-related Support Services (MSI-SSS) Award

In addition, WHT exemption is granted on qualifying payments made by qualifying MSI entities to non-tax-residents (excluding a permanent establishment in Singapore) in respect of qualifying financing arrangements entered into on or before 31 December 2026 to finance the construction or purchase of qualifying assets (e.g., ships, containers), subject to conditions.

The MSI-AIS for qualifying entry players, MSI-ML (Ship), MSI-ML (Container) and MSI-SSS schemes are scheduled to lapse after 31 December 2026.

The MSI will be extended until 31 December 2031. Similarly, the WHT exemption will be extended for qualifying payments made on qualifying financing arrangements entered into on or before 31 December 2031.

To ensure that the MSI remains relevant, the qualifying scope will be updated. Key changes, which will take effect from 19 February 2025, are as follows:

- Expand the scope of prescribed ship management services under the MSI-SRS, MSI-AIS and MSI-SSS to include emission management services
- 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
- Expand the scope of ships used for offshore renewable energy activities under the MSI-ML (Ship) to include ships that support subsea distribution of renewable energy generated onshore
- Allow assets leased-in from third parties under finance lease (FL) treated as sale agreements to be recognised as qualifying assets under the MSI-ML (Ship) and MSI-ML (Container) awards
- Expand the scope of shipping-related support services under the MSI-SSS to include maritime technology services

Key proposals

Tax measures (Maritime and shipping)

Introduce an Approved Shipping Financing Arrangement (ASFA) Award (for Ships and Containers)

- 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 December 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 FL agreements for ASFA Award recipients will also be exempted from WHT.
- The ASFA Award will be administered by Maritime and Port Authority of Singapore and be introduced with effect from 19 February 2025.

Extend the broad-based WHT exemption

- The WHT exemption for container lease payments made to non-tax-resident lessors under operating lease agreements, which is scheduled to lapse after 31 December 2027, will be extended to agreements entered into on or before 31 December 2031.
- The WHT exemption for ship and container lease payments made by specified MSI recipients to non-tax-resident lessors under FL agreements, which is scheduled to lapse after 31 December 2028, will be extended to agreements entered into on or before 31 December 2031.

Key proposals

Tax measures (Personal tax)

Provide Personal Income Tax (PIT) rebate for YA 2025

- A PIT rebate of 60% of tax payable will be provided to all tax resident individuals for YA 2025. The rebate will be capped at S$200 per taxpayer.

Rationalise the Central Provident Fund cash top-up relief

- From 1 January 2026, any cash top-ups made to the MediSave Account (MA) of a Matched MediSave Scheme (MMSS)-eligible Central Provident Fund (CPF) member that attract the MMSS matching grant will not entitle the giver to the CPF cash top-up relief from YA 2027.

Key proposals

Other support for businesses

Enhance the Progressive Wage Credit Scheme

- The Progressive Wage Credit Scheme co-funding support by the Government will be increased from 30% to 40% and 15% to 20% for wage increases in qualifying years 2025 and 2026 respectively. The enhanced 2025 and 2026 co-funding support will also apply to wage increases given in qualifying year 2024 that are sustained in 2025 and wage increases in qualifying year 2025 that are sustained in 2026.

Extend the SkillsFuture Mid-Career Training Allowance to part-time training

- The SkillsFuture Mid-Career Training Allowance will be extended to selected part-time long-form training programmes, providing individuals with a fixed allowance of S$300 per month. Individuals can receive up to 24 months of the allowance throughout their lifetime, with a shared lifetime cap of 24 months for both full-time and part-time training.

Enhancements to the Workfare Skills Support

- The Workfare Skills Support (WSS) scheme will be enhanced from early 2026 to offer a monthly training allowance for lower-wage workers aged 30 and above pursuing selected long-form full-time or part-time training. The enhanced training allowance consists of a fixed monthly allowance of S$300 for selected part-time courses and 50% of the average income over the latest available 12-month period for selected full-time courses.

Extend the Senior Employment Credit, Uplifting Employment Credit and Enabling Employment Credit

- The Senior Employment Credit (SEC) will be extended until 31 December 2026 to continue providing wage offsets to employers that hire senior workers aged 60 and above, who earn less than S$4,000 a month. The qualifying age for the highest SEC wage support tier will be increased from 68 to 69 years old in 2026.
- The Uplifting Employment Credit (UEC) will be extended until 31 December 2028 to continue providing employers with a wage offset of up to 20% of local ex-offenders' wages for the first nine months of employment. The UEC will be capped at S$600 per month per employee.
- The Enabling Employment Credit (EEC) will be extended until 31 December 2028 to continue providing wage offsets to employers for the employment of persons with disabilities. The current parameters will continue to apply from 2026 to 2028.

Key proposals

Other support for businesses

Increase in senior workers' CPF contribution rates

- From 1 January 2026, workers aged above 55 to 65 will see a total increase of 1.5 percentage points in their CPF contribution rates, with employer contributions increasing by 0.5 percentage points. The Government will continue to provide employers with a one-year CPF transition offset equivalent to half of the 2026 increase in employer CPF contribution rates for these workers.

Introduce the MMSS

- The Government will introduce a five-year MMSS from January 2026, to boost MediSave adequacy for seniors with lower balances. Under the MMSS, the Government will match every dollar of voluntary cash top-ups to the MA of eligible CPF members aged 55 to 70 years old, up to an annual cap of S$1,000 and subject to qualifying conditions. Employers can make the top-ups to eligible employees' CPF MA.

Introduce the SkillsFuture Workforce Development Grant

- A new SkillsFuture Workforce Development Grant will bring together existing schemes administered by Workforce Singapore and SkillsFuture Singapore, and simplify the application process for companies. The new grant will provide higher funding of up to 70% for job redesign activities.

Redesign the SkillsFuture Enterprise Credit

- Introduce a redesigned SkillsFuture Enterprise Credit of S$10,000 for all companies with at least three resident employees. Companies can use the credit to immediately offset out-of-pocket costs for eligible workforce transformation initiatives and courses.

Key proposals

Other support for businesses

Extend the Enhanced Cap for the Market Readiness Assistance Grant

- The Market Readiness Assistance (MRA) grant helps companies to expand into new markets overseas by defraying the cost of overseas market promotion, business development and market set-up.
- The enhanced grant cap of S$100,000 per new market, which is scheduled to lapse after 31 March 2025, will be extended until 31 March 2026.

Enhance the Enterprise Financing Scheme

The Enterprise Financing Scheme (EFS) enables Singapore enterprises to access financing more readily across all stages of growth. There will be two enhancements to the EFS:

- The maximum loan quantum under the EFS – Trade Loan will be permanently enhanced from S$5mn to S$10mn.
- The scope of the EFS – Mergers and Acquisitions Loan will be enhanced beyond equity acquisitions to support targeted asset acquisitions from 1 April 2025 until 31 March 2030.

Introduce the Additional Flat Component (AFC) of road tax for electric heavy goods vehicles (HGVs) and buses

- The AFC is a lump-sum tax for electric cars, light goods vehicles and motorcycles. Electric HGVs and buses currently do not pay AFC.
- AFC will be payable for electric HGVs and buses registered from 1 January 2026.
- For electric HGVs and buses registered up until 31 December 2025, AFC will be waived until 1 January 2029.
- There is no change to the other components of the road tax schedule for HGVs and buses.

Key proposals

Others

- The National Productivity Fund will be topped up by S$3bn.
- A new Enterprise Compute Initiative of up to S$150mn will be set up, where eligible enterprises will be partnered with major cloud service providers to access artificial intelligence tools and computing power, as well as expert consultancy services.
- A new Private Credit Growth Fund with an initial injection of S$1bn will be set up to provide more financing options for high-growth local enterprises.
- The Future Energy Fund will be topped up by S$5bn to secure clean power for Singapore.
- The Singapore Universities Trust will be extended by 10 years to 31 March 2042. The Trust provides matching grants for donations, to support autonomous universities in building up their endowment fund.
- The Cultural Matching Fund, which provides a dollar-for-dollar matching for cash donations to eligible arts and heritage charities, will be topped up by S$100mn, and extended for five years until 31 March 2030.
- The Matched Retirement Savings Scheme, which currently provides a dollar-for-dollar matching grant for cash top-ups made to eligible senior Singapore Citizens with lower retirement savings, will be expanded to include eligible persons with disabilities of all ages.
- Additional funding of S$200mn for NTUC’s Company Training Committees (CTCs) grant, to help more companies design and implement workforce upgrading plans. In addition, the CTC grant will be expanded to support employer-led training that leads to formal qualifications or certifications.
- A new Heavy Vehicle Zero Emission Scheme and an Electric Heavy Vehicle Charger Grant will be introduced to provide incentives for the purchase of clean heavy vehicles, and co-funding of the charging infrastructure.

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APAC No. 12003868. ED None

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