TAX

Singapore Budget 2025: Onward Together for a Better Tomorrow

Introduction

The Budget Statement for Budget 2025 was delivered on 18 February 2025. Singapore has bounced back strongly from the COVID-19 pandemic and ended 2024 on a strong footing with a 4.4% increase in the economy, easing inflation, wage increases that outpaced inflation, and income inequality at its lowest since 2000. In the face of heightening geopolitical tensions between global superpowers and economic uncertainty, Budget 2025 seeks to advance the nation's growth frontier and secure the future of its people. At a glance, some key tax measures and changes announced in Budget 2025 are as follows:

1. **Tax implications for corporations:**
    - Introduction of a corporate income tax rebate;
    - Introduction of tax incentives for fund managers listed in Singapore;
    - Introduction of a new tax deduction for equity-based remuneration ("**EEBR**") schemes;
    - Introduction of a new tax deduction for cost-sharing agreements;
    - Introduction of an additional tier for the Financial Sector Incentive ("**FSI**") scheme;
    - Extension of the Mergers & Acquisitions ("**M&A**") scheme;
    - Extension of the Double Tax Deduction for Internationalisation ("**DTDi**") scheme;
    - Extension and refinement of certain insurance schemes;
    - Extension and enhancement of the Land Intensification Allowance scheme;
    - Enhancement of tax exemptions on gains derived from the disposal of ordinary shares;
    - Changes to tax incentive schemes for the Maritime sector;
    - Rationalisation of tax incentives for project and infrastructure finance; and
    - Lapsing of certain tax schemes.

2. **Tax implications for individuals:**
    - Introduction of a personal income tax rebate; and
    - Introduction of the Matched MediSave Scheme ("**MMSS**").

3. **Tax implications for Real Estate Investment Trusts ("REITs") and their investors**
    - Extension and enhancement of income tax concessions for REITs listed on the Singapore Exchange ("**S-REITs**");
    - Extension of income tax concessions for REIT Exchange-Traded Funds ("**REIT ETFs**") listed on the Singapore Exchange ("**S-REIT ETFs**"); and
    - Extension of Goods & Services Tax ("**GST**") remissions for S-REITs and Singapore-listed Registered Business Trusts ("**RBTs**") in certain sectors.

4. Tax implications for vehicles:

- Introduction of a new road tax for electric heavy goods vehicles and buses.

We discuss the key tax measures, changes, enhancements and extensions, as well as refinements to the existing Singapore tax regime below.

Tax Implications for Corporations

a. Corporate Income Tax Rebate

The Government acknowledged that higher prices have led to businesses grappling with higher rent and labour costs. In light of such cost pressures, the Government will provide a 50% Corporate Income Tax ("**CIT**") Rebate in the Year of Assessment ("**YA**") 2025 to provide support for companies' cash flow needs.

Companies that are active and have employed at least one local employee in Calendar Year ("**CY**") 2024 ("**local employee condition**") will also 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 benefits from the second quarter of CY 2025 onwards.

A company is considered to have met the local employee condition if it has made CPF contributions to at least one local employee[1], excluding shareholders who are also directors of the company, in CY 2024.

b. Tax Incentives for Fund Managers Listed in Singapore

To encourage listings in Singapore and greater investment in Singapore's listed equities, the Government has accepted recommendations made by the Equities Market Review Group, chaired by Minister Chee Hong Tat, and will introduce the following tax incentives:

1. Listing CIT Rebate of 20% for primary listings and 10% for secondary listings for new corporate listings in Singapore, subject to conditions;

2. Enhanced Corporate Tax Rebate ("**CTR**") of 5% for new fund manager listings in Singapore, subject to conditions; and

3. Tax exemption on fund managers' qualifying income[2] arising from funds investing substantially in Singapore-listed equities, subject to conditions.

These incentives are introduced to strengthen the attractiveness of Singapore's stock market, in response to feedback from companies that are focused mainly on Singapore and Southeast Asia that the Singapore Stock Exchange is not attractive for enterprises to list as they scale up to access more capital.

[1] Singapore Citizen or Permanent Resident

[2] Qualifying income refers to fees earned from fund management and investment advisory activities related to the qualifying funds. Qualifying funds, in turn, are funds with at least 30% of its Assets under Management ("**AUM**") invested in Singapore-listed equities and, for existing funds, annual net inflows equivalent to at least 5% of the fund's AUM in the preceding year.

c. Introduction of New Tax Deduction for EEBR Schemes

To ensure that Singapore's tax regime remains relevant and competitive, companies will be allowed a deduction on payments to the holding company or a special purpose vehicle ("**SPV**") for issuance of new shares of the holding company under EEBR schemes, where the deduction will be the lower of (less any amount payable by employees for the shares):

1. The amount paid by the company; or
2. 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.

The Inland Revenue Authority of Singapore ("**IRAS**") will provide further details by the third quarter of 2025.

d. Introduction of New Tax Deduction for Cost-Sharing Agreements

A 100% tax deduction for payments made by companies under an approved cost-sharing agreement for innovation activities will be introduced to support collaborative innovation activities, with effect from 19 February 2025.

The Economic Development Board ("**EDB**") will provide further details by the second quarter of 2025.

e. Introduction of Additional Tier Under FSI Scheme

Currently, approved recipients of the FSI scheme are eligible for a concessionary tax rate ("**CTR**") of 10% or 13.5% on qualifying income. With effect from 19 February 2025, an additional CTR tier of 15% will be introduced to ensure that Singapore tax incentives remain relevant and competitive.

The Monetary Authority of Singapore ("**MAS**") will provide further details by the second quarter of 2025.

f. Extension of M&A Scheme

The M&A scheme, which was originally scheduled to lapse after 31 December 2025, will be extended till 31 December 2030.

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

g. Extension of DTDi Scheme

The DTDi scheme, which was originally scheduled to lapse after 31 December 2025, will be extended till 31 December 2030. EnterpriseSG will provide further details by the second quarter of 2025.

h. Extension and Refinement of Insurance Schemes

Approved insurers and insurance brokers are granted a CTR of 10% on relevant qualifying income under the following schemes:

1. Insurance Business Development ("**IBD**") Scheme;
2. IBD-Captive Insurance ("**IBD-CI**") scheme; and
3. IBD-Insurance Broking Business ("**IBD-IBB**") scheme.

Originally scheduled to lapse after 31 December 2025, the IBD and IBD-CI schemes will be extended till 31 December 2030.

Further, an additional CTR tier of 15% will be introduced for all three schemes, with effect from 19 February 2025.

i. Extension and Enhancement of Land Intensification Allowance Scheme

The Land Intensification Allowance ("**LIA**") scheme grants allowances on certain qualifying capital expenditure, subject to conditions. A requirement of the LIA scheme is that 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,[3] whether directly or indirectly.

The following changes to the LIA were announced:

1. Originally set to lapse after 31 December 2025, the LIA will be extended to 31 December 2030; and
2. The shareholding requirement for building users to be considered as related will be lowered to "more than 50%", applying to LIA applications made from 1 January 2026.

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

j. Enhancement of Section 13W Tax Exemptions

Currently, section 13W of the Income Tax Act provides that gains derived from the disposal of ordinary shares by companies will not be taxed if:

1. 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; and
2. The shares are disposed during the period from 1 June 2012 to 31 December 2027.

To provide greater certainty to companies, the sunset date will be removed, and the following enhancements are to be made applicable to disposal gains derived on or after 1 January 2026:

1. The scope of eligible gains will be expanded to include gains from the disposal of preference shares that are accounted for as equity by the investee company under the applicable accounting principles; and
2. The shareholding threshold condition may be done on a group basis.

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

k. Changes to Tax Incentive Schemes for Maritime Sector

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 withholding tax ("**WHT**") exemption on interest and related payments made by

[3] Or have entitlement to at least 75% of the income in the case of a partnership.

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 finance lease ("**FL**") agreements for ASFA Award recipients will also be exempted from WHT.

The ASFA Award will be administered by the Maritime and Port Authority of Singapore ("**MPA**") and will be introduced with effect from 19 February 2025.

MPA will provide further details by the second quarter of 2025.

Maritime Sector Incentive ("MSI")

To continue developing Singapore as an international maritime centre, the MSI will be extended till 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 following key changes will be made to the qualifying scope, with effect from 19 February 2025:

1. 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**") Award and MSI-Shipping-related Support Services ("**MSI-SSS**") Award sub-schemes to include emission management services;

2. 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;

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

4. Allow assets leased-in from third parties under finance leases treated as sale agreements to be recognised as qualifying assets under the MSI-ML (Ship) and MSI-ML (Container) Awards; and

5. Expand the scope of shipping-related support services under the MSI-SSS Award to include maritime technology services.

MPA will provide further details by the second quarter of 2025.

Broad-based WHT exemption for container lease payments made to non-tax-resident lessors

Originally scheduled to lapse after 31 December 2027, the WHT exemption for container lease payments made to non-tax-resident lessors under operating lease agreements will be extended to agreements entered into on or before 31 December 2031.

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

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

l. Rationalisation of Tax Incentives for Project and Infrastructure Finance

Tax incentives for project and infrastructure finance include the following, both of which were scheduled to lapse after 31 December 2025:

1. Exemption of qualifying income from qualifying project debt securities ("**QPDS**"); and

2. Exemption of qualifying foreign-sourced income from qualifying offshore infrastructure projects / assets received by approved entities listed on the Singapore Exchange ("**QOIP**").

While the QDPS will be allowed to lapse after 31 December 2025,[4] the QOIP will be extended till 31 December 2030.

m. Other Tax Schemes that will be Allowed to Lapse

The following tax schemes will be permitted to lapse:

1. The Venture Capital Fund Incentive (after 31 December 2025);
2. The Venture Capital Fund Management Incentive (after 31 December 2025);
3. The WHT concession for non-tax-resident arbitrators (after 31 December 2027); and
4. The WHT concession for non-tax-resident mediators (after 31 December 2027).

Tax Implications for Individuals

a. Introduction of Personal Income Tax Rebate

As part of the SG60 package, a personal income tax rebate of 60% will be given to all Singapore tax resident individuals for YA 2025, capped at S$200 per taxpayer.

b. Introduction of MMSS

The Government will introduce a five-year MMSS from January 2026 where Government will match every dollar of voluntary cash top-ups to the MediSave Account ("**MA**") of eligible CPF members such as lower-income seniors aged 55 to 70 years old, up to an annual cap of S$1,000.

On the tax side, givers will not receive income tax relief ("**CPF Cash Top-Up Relief**") for cash top-ups that attract the MMSS matching grant. However, they may continue to enjoy income tax relief of up to S$8,000 per year for eligible cash top-ups to their own CPF Special Account, Retirement Account, or MA, and

[4] 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 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.

another S$8,000 per year for eligible cash top-ups to the accounts of their loved ones that do not attract any matching grant under the MMSS or the Matched Retirement Savings Scheme.

Tax Implications for REITs and Their Investors

a. Extension of Income Tax Exemptions for S-REITs

The following tax concessions granted to S-REITs and their investors will be extended till 31 December 2030:

1. 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. The scope of specified income will be expanded to include all co-location and co-working income derived from 1 July 2025;

2. Tax exemption on (subject to conditions) 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**"). Several refinements will be introduced for FSIE-REIT from 19 February 2025;

3. Tax exemption on distributions from S-REITs received by individuals; and

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

IRAS will provide further details by second quarter of 2025.

b. Extension of Income Tax Exemptions for REIT ETFs

There is currently accorded tax transparency treatment 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. The sunset date for this concession will be removed.

A final withholding tax rate of 10% is imposed on S-REIT ETF distributions received by qualifying non-tax-resident non-individuals and qualifying non-tax-resident funds. This will be extended till 31 December 2030.

MAS will provide further details by second quarter of 2025.

c. Extension of GST Remissions for S-REITs and RBTs

GST remissions for S-REITs and RBTs in the infrastructure business, ship leasing, and aircraft leasing sectors will be extended till 31 December 2030.

These GST remissions are granted to S-REITs and RBTs in the infrastructure business, ship leasing and aircraft leasing sectors, to allow them to claim input GST on the following, subject to conditions:

1. Their business expenses, regardless of whether they hold underlying assets directly or indirectly through multi-tiered structures such as special purpose vehicles ("**SPVs**") or sub-trusts;

2. Their business expenses incurred to set up SPVs that are used solely to raise funds for the S-REITs or RBTs, and that do not hold qualifying assets of the S-REITs or RBTs, directly or indirectly; and

3. Business expenses of financing the SPVs mentioned in item 2.

Tax Implications for Vehicles

With electric vehicles now more readily available, the Additional Flay Component ("**AFC**") will be introduced for electric heavy goods vehicles[5] ("**HGVs**") and buses. However, the AFC will be waived until 1 January 2029 for electric HGVs and buses registered up till 31 December 2025.

The details of the AFC are as follows:

1. **Electric HGVs registered from 1 January 2026**

Licensing period	6-monthly AFC
1 January 2026 to 31 December 2026	S$50
1 January 2027 to 31 December 2027	S$75
1 January 2028 onwards	S$125

2. **Electric buses with a Maximum Laden Weight less than or equal to 3.5 metric tonnes registered from 1 January 2026**

Licensing period	6-monthly AFC
1 January 2026 to 31 December 2026	S$25
1 January 2027 to 31 December 2027	S$50
1 January 2028 onwards	S$95

3. **Electric buses with a Maximum Laden Weight of more than 3.5 metric tonnes registered from 1 January 2026**

Licensing period	6-monthly AFC
1 January 2026 to 31 December 2026	S$100
1 January 2027 to 31 December 2027	S$175
1 January 2028 onwards	S$275

[5] Goods vehicles with a Maximum Laden Weight greater than 3.5 metric tonnes

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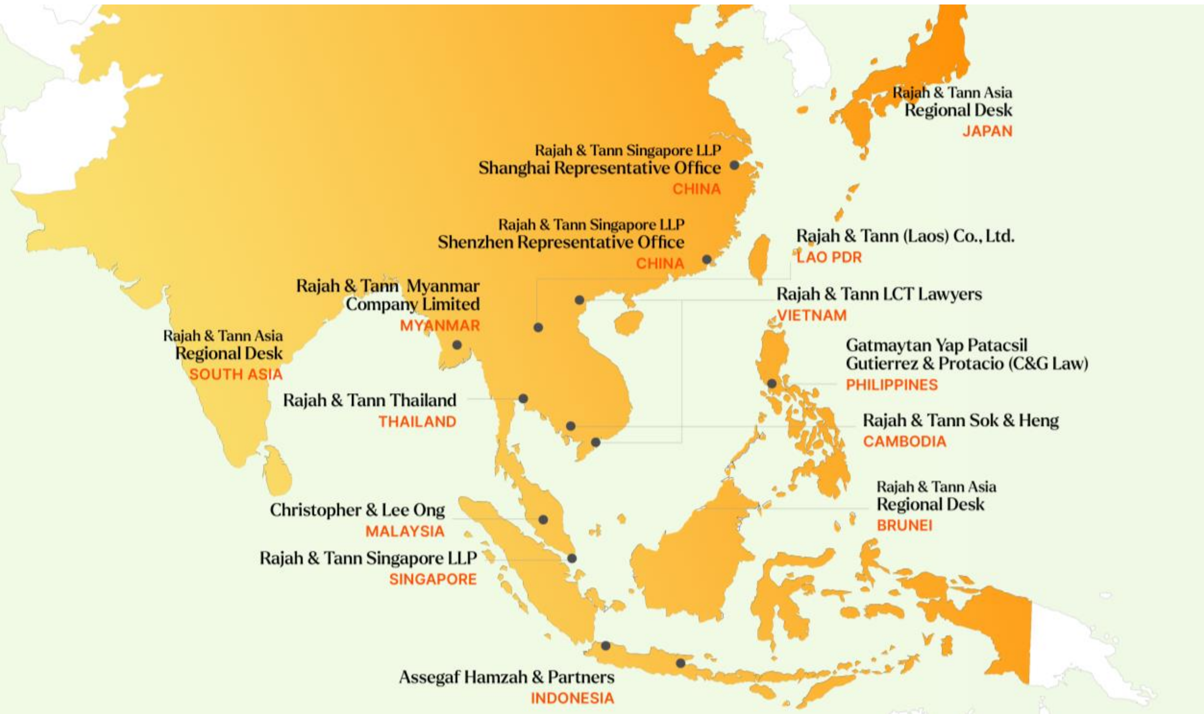

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