BSL TAX SERVICES PTE LTD
220 Orchard Road #05-02 Midpoint Orchard Singapore 238852
T: (65) 6235 3388 | F: (65) 6235 3168 | W: www.bsl.sg | E: tax@bsl.sg
Company Reg No. 200510865C GST Registration No. 200510865C

FOR CLIENTS' INFORMATION ONLY 18 February 2025

Dear Sirs

THE 2025 SINGAPORE BUDGET COMMENTARY

2025 marks the 60th anniversary of Singapore's independence, a milestone that reflects the nation's continued commitment to supporting its people. The Budget addresses the concerns over rising inflation, providing $800 in CDC vouchers for Singaporean households. Additionally, it allocates $600 or $800 in SG60 vouchers to every Singaporean aged 21 and above, alongside utilities rebates and various credits and top-ups for Singaporean children up to the age of 20.

Prime Minister and Finance Minister Wong announced a $143 billion budget that strikes a strategic balance between offering short-term relief and implementing long-term solutions for economic stability, innovation, large family support, and sustainability. The budget focuses on fostering a supportive business ecosystem, featuring a $2,000 cash grant and a 50% tax rebate, capped at $40,000, to encourage growth and resilience.

To enhance technological innovation and infrastructure, $3 billion is allocated to the National Productivity Fund, ensuring that Singapore's R&D remains at cutting edge. Additionally, $150 million is set aside for a new Enterprise Compute Initiative to advance Singapore's capabilities in AI solutions. A new $1 billion Private Credit Growth Fund will provide financing options for high-growth local enterprises. As a world class air hub, $5 billion will be dedicated to the Changi Airport Development Fund to support the construction of Terminal 5.

For environmental sustainability, the government is exploring clean power sources, including small modular reactors, with a $5 billion top-up to the Future Energy Fund to drive initiatives in nuclear energy, given the growing global interest in this technology.

Overall, the FY2025 budget is projected to yield a surplus of $6.8 billion, compared to a $6.4 billion surplus in FY2024. This reflects the government's prudent approach and its commitment to building a strong financial foundation for future generations.

We are pleased to highlight in the following pages the tax and other changes as proposed in the 2025 Budget. Please note that the views expressed in this commentary are based on our interpretation of the Prime Minister and Finance Minister's Budget Speech. Until the proposals are enacted, we cannot be definitive about the proposed changes.

Please do not hesitate to contact us should you require any assistance.

Yours faithfully

N VIMALA DEVI
DIRECTOR OF TAXES

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2025

BUDGET

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A CORPORATE TAXATION

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A CORPORATE TAXATION

1. CORPORATE TAX RATE

Current : 17% since the Year of Assessment ("YA") 2010.

From YA 2020, partial tax exemption is granted on up to $200,000 of a company's normal chargeable income ("CI") as follows:

(i) 75% exemption on the first $10,000 CI; and
(ii) 50% exemption on the next $190,000 CI.

The partial tax exemption does not apply to the following:

(i) CI of a company that is subject to tax at a concessionary tax rate ("CTR");

(ii) Income earned by a non-resident company that is subject to a final withholding tax. Such income earned by a non-resident company, which includes interest and royalties, are taxed at the rates of 15% and 10% respectively or the reduced rate provided in a tax treaty; and

(iii) All dividends received from Singapore companies. With effect from 1 January 2008, all dividends paid by Singapore companies are already exempt from tax in the hands of shareholders.

Proposed : No change to the corporate tax rate of 17% and partial tax exemption ceiling.

2. CORPORATE INCOME TAX ("CIT") REBATE WITH A CIT REBATE CASH GRANT

Current : A 20% CIT Rebate capped at $10,000 for the YA 2019 and a Tax Rebate of 25% capped at $15,000 for the YA 2020. There was no tax rebate from YAs 2021 to 2023.

For the YA 2024, a 50% CIT Rebate was introduced. In addition, companies that have employed at least one local employee (referred to as the "local employee condition") in 2023 will receive a CIT Rebate Cash Grant of $2,000 as a cash payout. The maximum total benefits of CIT Rebate and CIT Rebate Cash Grant are capped at $40,000.

A company would meet the local employee condition if it has made CPF contributions to at least one Singapore Citizen or Permanent Resident, excluding shareholders who are directors of the company in 2023.

Proposed : A 50% CIT Rebate will be granted for the YA 2025. Active companies that have met the local employee condition in 2024 will receive a minimum benefit of $2,000 in the form of a CIT Rebate Cash Grant. The total maximum benefits of CIT Rebate and CIT Rebate Cash Grant that a company can receive is $40,000.

Eligible companies will automatically receive the benefits from 2nd Quarter of 2025 onwards.

Commentary : To help businesses in managing costs and provide support for companies' cash flow needs, the government has extended both the CIT Rebate and the CIT Rebate Cash Grant introduced in YA 2024 through to YA 2025. The $2,000 CIT Rebate Cash Grant will be treated as non-taxable receipt.

3. START-UP TAX EXEMPTION SCHEME

Current : From YA 2020, the start-up tax exemption is granted on up to $200,000 of a qualifying new company's CI for the first 3 consecutive YA upon incorporation as follows:

(i) 75% exemption on the first $100,000 CI; and
(ii) 50% exemption on the next $100,000 CI.

A qualifying new company must fulfil the following conditions:

(a) It is incorporated in Singapore;
(b) It is a tax resident of Singapore; and
(c) It has total share capital which is beneficially held directly by no more than 20 shareholders

  (i) all of whom are individuals; or
  (ii) at least one of whom is an individual holding at least 10% of the total number of issued ordinary shares of the company

  throughout the basis period relating to the YA of claim.

The start-up tax exemption scheme is however not available to the following companies incorporated after 25 February 2013:

(i) Property development companies that buy or lease land and arrange for a building to be built on the land in order to lease, manage or sell the building; and

(ii) Investment holding companies whose principal activity is that of investment holding and derive only investment income such as rental, dividend or interest income.

Property development and investment holding companies will still be able to enjoy the partial tax exemption available to all companies.

Proposed : No change to the start-up exemption scheme.

4. ENHANCING SECTION 13W OF THE INCOME TAX ACT ("ITA") THAT PROVIDES UPFRONT CERTAINTY OF NON-TAXATION OF COMPANIES' DISPOSAL GAINS

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

(a) the divesting company maintains a minimum shareholding of 20% in the company whose shares are being disposed ("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

(b) the shares are disposed during the period 1 June 2012 to 31 December 2027 (both dates inclusive).

The scheme is applicable to both listed and non-listed investee companies whether incorporated in Singapore or elsewhere.

The scheme does not apply to:

(a) a **divesting company** whose gains or profits form the disposal of shares are included as part of its income based on the provisions of Section 26 of the ITA.

(b) disposals of shares in a non-listed **investee company**, before 1 June 2022, that is in the business of <u>trading</u> or <u>holding</u> (i.e. deriving passive or no income) Singapore immovable properties (other than the business of property development and letting immovable properties).

(c) disposals of shares in a non-listed **investee company**, on or after 1 June 2022, that is in the business of <u>trading</u>, <u>holding</u> (i.e. deriving passive or no income) or <u>developing</u> immovable properties in Singapore or elsewhere. An exception to this exclusion for a non-listed investee company that is in the business of <u>developing</u> immovable properties is where both of the following conditions are satisfied:

(i) the immovable property developed is used by the investee company to carry on its own business to derive trade income. This includes the business of letting immovable properties; and

(ii) the investee company did not undertake any property development activity in the past 60 months before the disposal of the shares.

For non-qualifying share disposals (such as those excluded from the scheme), the tax treatment of the gains/losses arising from share disposals will be determined based on the facts and circumstances of the case.

The scheme is scheduled to expire after 31 December 2027.

Proposed : The Minister proposed to remove the sunset date under Section 13W and enhance the scheme under Section 13W as follows.

(a) 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; and

(b) 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.

IRAS will provide further details of the changes by 3rd Quarter 2025.

Effective : From 1 January 2026.

Commentary : The above changes aim to provide greater certainty to companies in their corporate restructuring.

5. EXTENDING THE DOUBLE TAX DEDUCTION FOR INTERNATIONALISATION ("DTDi") SCHEME

Current : Under the DTDi scheme, businesses are allowed a 200% tax deduction on qualifying market expansion and investment development expenses, subject to prior approval from Enterprise Singapore ("EnterpriseSG") or Singapore Tourism Board ("STB").

No prior approval is required from EnterpriseSG or STB for tax deduction on the first $150,000 of qualifying expenses incurred on selected eligible activities for each YA.

The DTDi scheme is scheduled to expire after 31 December 2025.

Proposed : The Minister proposed to extend the scheme till 31 December 2030.

EnterpriseSG will provide further details by 2nd Quarter 2025.

Effective : Up to 31 December 2030.

Commentary : The objective is to continue supporting businesses in their internationalisation efforts.

6. EXTENDING THE MERGERS & ACQUISITIONS ("M&A") SCHEME

Current : The M&A scheme was introduced in Budget 2010 to provide for M&A allowance and stamp duty relief for M&A undertaken.

Under the M&A scheme, taxpayers may enjoy the following tax benefits:

(a) An M&A allowance (to be written down over 5 years) that is based on 25% of the value of a qualifying acquisition, subject to a cap of $40 million on 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 acquisition must result in the acquiring company's ownership of:

(i) at least 20% of the ordinary shares of the target company ("20% shareholding threshold") if it owned less than 20% before the date of share acquisition. Companies that wish to claim M&A allowance based on the 20% shareholding threshold will need to meet additional eligibility conditions; or

(ii) more than 50% of the ordinary shares of the target company if it owned less than or equal to 50% before the date of share acquisition ("50% shareholding threshold").

This scheme is scheduled to expire after 31 December 2025.

Proposed : The Minister proposed to extend the scheme till 31 December 2030.

Effective : Up to 31 December 2030.

Commentary : The objective is to continue to support companies to grow through M&A.

7. INTRODUCING 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

Current : 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.

Proposed : 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 at 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.

Further details will be provided by IRAS by 3rd Quarter 2025.

Effective : From YA 2026.

Commentary : The above would help ensure that our tax regime remains relevant and competitive.

8. INTRODUCING A TAX DEDUCTION FOR PAYMENTS MADE UNDER AN APPROVED COST-SHARING AGREEMENT ("CSA") FOR INNOVATION ACTIVITIES

Current : Payments made for innovation activities that do not meet the definition of "research and development" are not tax deductible.

Proposed : To support collaborative innovation activities, a new 100% tax deduction will be introduced for payments made under an approved CSA for innovation activities.

CSAs refer to 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.

EDB will provide further details by 2nd Quarter 2025.

Effective : From 19 February 2025.

Commentary : The deduction is to support collaborative activities carried out by two or more persons on innovative activities.

9. EXTENDING AND ENHANCING THE LAND INTENSIFICATION ALLOWANCE ("LIA") SCHEME

Current : The LIA scheme was first introduced at Budget 2010 to encourage intensification of industrial land to promote efficient use of land and higher value activities.

The LIA is available to businesses in industry sectors that have large land takes and low Gross Plot Ratios (GPR), namely, the manufacturing and logistics sectors. Since 2017, the LIA is also available to businesses that develop Integrated Construction and Prefabricated Hubs (ICPHs).

The LIA scheme grants an approved recipient:

(a) An initial allowance of 25% of the qualifying capital expenditure incurred on the qualifying building; and

(b) 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. 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 LIA scheme is scheduled to expire after 31 December 2025.

Proposed : The Minister proposed to extend the LIA scheme till 31 December 2030. This refers to the last date a building or structure may be approved for LIA.

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.

BCA and EDB will provide further details by 3rd Quarter 2025.

Effective : Up to 31 December 2030.

Commentary : Given the scarcity of land in Singapore, to continue encouraging business to intensify their land use, the LIA scheme remains relevant and hence has been extended and enhanced.

10. RATIONALISING THE TAX INCENTIVES FOR PROJECT AND INFRASTRUCTURE FINANCE

Current : The package of tax incentive schemes for Project and Infrastructure Finance includes:

(a) Exemption of qualifying income from qualifying project debt securities ("QPDS"); and

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

The schemes are scheduled to expire after 31 December 2025.

Proposed : As part of the Government's regular review of tax incentives including their relevance, the QPDS scheme in (a) will be allowed to expire 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, 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.

To continue supporting Singapore-based infrastructure project sponsors that leverage Singapore's financial ecosystem to invest in and finance overseas infrastructure projects, the existing tax incentive scheme for Project and Infrastructure Finance under (b) will be extended till 31 December 2030.

11. EXTENDING AND REFINING THE INSURANCE BUSINESS DEVELOPMENT ("IBD") SCHEME

Current : The IBD, IBD-Captive Insurance ("IBD-CI") and IBD-Insurance Broking Business ("IBD-IBB") schemes grant approved insurers and insurance brokers a CTR of 10% on relevant qualifying income.

The IBD and IBD-CI schemes are scheduled to expire after 31 December 2025 while the IBD-IBB scheme is scheduled to expire after 31 December 2028.

Proposed : To continue supporting Singapore's value proposition as an Asian insurance and reinsurance centre, the existing IBD and IBD-CI schemes will be extended till 31 December 2030.

As part of the Government's regular review of tax incentives to ensure that the tax incentives remain relevant and competitive, an additional CTR tier of 15% will be introduced with effect from 19 February 2025 for the IBD, IBD-CI and IBD-IBB schemes.

MAS will provide further details by 2nd Quarter 2025.

12. INTRODUCING AN ADDITIONAL CTR TIER OF 15% FOR THE FINANCIAL SECTOR INCENTIVE (“FSI”) SCHEME

Current : Under the FSI scheme, approved incentive recipients are eligible for CTR of 10% or 13.5% on income from qualifying banking and financial activities, headquarters and corporate services, fund managing and investment advisory services.

Category	Concessionary Tax Rates
FSI-Capital Market FSI-Derivatives Market FSI-Credit Facilities Syndication FSI-Fund Management FSI-Headquarter Services	10%
FSI-Trustee Companies FSI-Standard Tier	13.5%

Proposed : An additional CTR tier of 15% will be introduced under the FSI incentive with effect from 19 February 2025 for the FSI-Standard Tier, FSI-Trustee Company and FSI-Headquarter Services schemes.

MAS will provide further details by 2nd Quarter 2025.

Effective : From 19 February 2025.

Commentary : The change is part of the periodic review of Singapore’s tax incentives to ensure that they remain relevant and competitive.

13. INTRODUCING LISTING CIT REBATE FOR NEW CORPORATE LISTINGS IN SINGAPORE

Proposed : Qualifying entities comprising companies and registered business trusts that are tax residents in Singapore are eligible for the following tax benefit:

A 20% CIT rebate for Primary Listings; and
A 10% CIT rebate for Secondary Listings (with share issuance),

Subject to rebate cap of:

(a) $6 million per 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.

Furthermore, a primary or secondary (with share issuance) listing on a Singapore exchange should be maintained for a minimum of 5 years. This includes a commitment to increased local business spending, investment in fixed assets, and the creation of additional skilled employment by end of the award tenure.

Effective : 5 years per qualifying entity, non-renewable and open for award until 31 December 2027.

Commentary : To bolster the development of Singapore equities market, the above incentive has been proposed to encourage new listings and boost demand Singapore-listed equities.

Interested entities can contact EDB or EnterpriseSG for further information.

14. ENHANCING CTR FOR NEW FUND MANAGER LISTINGS IN SINGAPORE

Proposed : A 5% CTR on qualifying income derived from fees earned from qualifying fund management and investment advisory activities under the Financial Sector Incentive-Fund Management has been introduced for qualifying Singapore fund managers.

The qualifying fund manager must meet the following criteria:

(a) Fund manager or its holding company achieves a primary listing on a Singapore exchange and remains listed for 5 years
(b) Fund manager must distribute a portion of its profits as dividends
(c) Fund manager must also meet minimum requirements for professional headcount and assets under management ("AUM").

Effective : 5 years per fund manager, non-renewable and open for award until 31 December 2028.

Commentary : To strengthen Singapore's value proposition for fund managers looking to expand through public fundraising and grow their investment activities in Singapore.

Interested fund managers can contact MAS to enquire for more information.

15. INTRODUCING TAX EXEMPTION ON FUND MANAGERS' QUALIFYING INCOME ARISING FROM FUNDS INVESTING SUBSTANTIALLY IN SINGAPORE-LISTED EQUITIES

Proposed : A tax exemption on qualifying income derived from fees earned through fund management and investment advisory activities as currently required under the Financial Sector Incentive-Fund Management, applies to qualifying funds defined as follows:

(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 equites; 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

Effective : 5 years per fund managed by fund manager, non-renewable and open for award until 31 December 2028.

Commentary : To encourage fund managers to launch and manage qualifying funds that invest substantially in Singapore-listed equities, a corporate tax exemption on income generated by such funds has been introduced.

Interested fund managers can contact MAS to enquire for more information.

16. EXTENDING AND ENHANCING THE INCOME TAX CONCESSIONS FOR REAL ESTATE INVESTMENT TRUSTS LISTED ON THE SINGAPORE EXCHANGE ("S-REITs")

Current : S-REITs and their investors are granted the following income tax concessions:

(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 (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 withholding tax ("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 at (b) and (d) are scheduled to expire after 31 December 2025.

Proposed : The Minister has proposed that the tax concessions will be extended till 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:

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

(b) 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;

(c) 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

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

IRAS will provide further details by 2nd Quarter 2025.

Effective : From 19 February 2025 or 1 July 2025.

Commentary : The objective is to continue promoting the listing of REITs in Singapore and to sustain Singapore’s position as a global REIT hub.

17. EXTENDING THE INCOME TAX CONCESSIONS FOR REAL ESTATE INVESTMENT TRUST EXCHANGE-TRADED FUNDS (“REIT ETFs”) LISTED ON THE SINGAPORE EXCHANGE (“S-REIT ETFs”)

Current : 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 (excluding individuals who derive S-REITs distributions through a partnership in Singapore or from the carrying on of a trade, business or profession); and

(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 at (a) and (c) are scheduled to expire after 31 December 2025.

Proposed : The Minister has proposed to extend the concessions as follows:

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

MAS will provide further details by 2nd Quarter 2025.

Commentary : The objective is to support the continued growth of the S-REIT ETFs sector.

18. ALLOWING THE VENTURE CAPITAL FUND INCENTIVE ("VCFI") AND THE VENTURE CAPITAL FUND MANAGEMENT INCENTIVE ("FMI") TO EXPIRE

Current : Approved venture capital funds under the VCFI are granted tax exemption on qualifying income.

Approved fund management companies under the venture capital FMI are granted a CTR of 5% on management fees and performance bonus derived from managing authorised investments of an approved venture capital fund.

Both the VCFI and the venture capital FMI will expire after 31 December 2025.

Proposed : As part of the Government's regular review of tax incentives to ensure that they remain relevant, the VCFI and the venture capital FMI will be allowed to expire after 31 December 2025. The Government will continue to support the venture capital sector through a holistic suite of policies and initiatives.

19. INTRODUCING AN APPROVED SHIPPING FINANCING ARRANGEMENT ("ASFA") AWARD (FOR SHIPS AND CONTAINERS)

Proposed : 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 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 agreements for ASFA Award recipients will also be exempt from WHT. The ASFA Award will be administered by MPA and be introduced with effect from 19 February 2025.

MPA will provide further details by 2nd Quarter 2025.

Effective : From 19 February 2025.

Commentary : The award will support the ownership and management of ships and sea-containers from Singapore.

20. EXTENDING AND ENHANCING THE MARITIME SECTOR INCENTIVE ("MSI")

Current : MSI provides tax exemption and CTR on qualifying income of the following ship operators, maritime lessors and providers of shipping related support services.

Ship Operators

(a) MSI-Shipping Enterprise (Singapore Registry of Ships) ("MSI-SRS")
Tax exemption or alternative basis of tax based on net tonnage of the ships on qualifying income derived from operating Singapore-flagged ships including income derived from uplift of freight from Singapore by foreign-flagged ships, except where such carriage arises solely from transshipment from Singapore or is only within the limits of the port of Singapore.

(b) MSI-Approved International Shipping Enterprise ("MSI-AIS") Award
An MSI-AIS company will enjoy tax exemption or alternative basis of tax based on the net tonnage of the ships on qualifying shipping income for either:

- a 10-year renewal period; or
- a 5-year non-renewal period, with the option of graduating to a 10-year renewal award at the end of the 5-year period, if qualifying conditions are met.

Maritime Lessors

(c) MSI-Maritime Leasing(Ship) ("MSI-ML(Ship)") Award
(d) MSI-ML (Container) Award
Ship or container leasing companies, business trusts or partnerships will enjoy tax concessions for up to 5 years on their qualifying leasing income under the MSI-ML award. For ship leasing entities, an alternative basis of tax based on the net tonnage of the ships on qualifying shipping income is also available.

An approved manager of the asset-owning entity will be awarded a CTR of 10% on its qualifying management income.

Operating and qualifying finance leases are both covered under the MSI-ML award to allow asset-owing flexibility in leasing and chartering options.

Providers of Certain Shipping – Related Support Services

(e) MSI-Shipping-related Support Services ("MSI-SSS") Award
An approved MSI-SSS company will enjoy a CTR of 10% on the incremental income derived from the provision of qualifying approved shipping-related support services for a 5-year renewal period.

In addition, withholding tax 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 expire after 31 December 2026.

Proposed : The MSI will be extended till 31 December 2031.

Similarly, the withholding tax exemption will be extended for qualifying payments made on qualifying financing arrangement entered into on or before 31 December 2031.

The following changes will be made to the MSI:

(a) Expand the scope of prescribed ship management services under the MSI-SRS, MSI-AIS and 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-ML (Ship) to include ships that support subsea distribution of renewable energy generated onshore;

(d) Allow assets leased-in from third parties under finance lease treated as sale agreements to be recognized 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.

Effective : The changes will take effect from 19 February 2025.

MPA will provide further details of the changes by 2nd Quarter 2025.

Commentary : The objective is to continue developing Singapore as an international maritime centre.

21. EXTENDING THE BROAD-BASED WHT EXEMPTION FOR CONTAINER LEASE PAYMENTS MADE TO NON-TAX-RESIDENT LESSORS UNDER OPERATING LEASE ("OL") AGREEMENTS

Current	:	WHT exemption is allowed on 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 OL agreements for the use of qualifying containers for the carriage of goods by sea. The WHT exemption is scheduled to expire after 31 December 2027.
Proposed	:	The WHT exemption will be extended for till 31 December 2031. Container lease payments made to non-tax-resident lessors under OL agreements entered into on or before 31 December 2031 will be exempt from WHT.
Effective	:	Up to 31 December 2031.
Commentary	:	The extension of WHT exemption on payments made to non-resident lessors under OL agreements aims to continue supporting the local demand for containers.

22. EXTENDING THE BROAD-BASED WHT EXEMPTION FOR SHIP AND CONTAINER LEASE PAYMENTS UNDER FINANCE LEASE ("FL") AGREEMENTS MADE TO NON-TAX-RESIDENT LESSORS FOR MARITIME SECTOR INCENTIVE ("MSI") RECIPIENTS

Current	:	WHT exemption is allowed on 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 specified MSI recipients. The WHT exemption is scheduled to expire after 31 December 2028.
Proposed	:	The WHT exemption will be extended till 31 December 2031. Ship and container lease payments made by specified MSI recipients to non-tax-resident lessors under FL agreements entered into on or before 31 December 2031 will be exempt from WHT.
Effective	:	Up to 31 December 2031.
Commentary	:	The extension of WHT exemption available on payments made by specified MSI recipients to non-resident lessors under FL agreements aims to further develop Singapore as an international maritime centre.

23. ALLOWING THE WHT CONCESSION FOR NON-TAX-RESIDENT ARBITRATORS TO EXPIRE

Current : Non-tax-resident professionals are subject to 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 a concessionary WHT rate of 10%.

The concession is scheduled to expire after 31 December 2027.

Proposed : The concession for non-tax-resident arbitrators will be allowed to expire after 31 December 2027.

Commentary : The objective is to ensure parity in the treatment of income of non-tax-resident professionals.

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

24. ALLOWING THE WHT CONCESSION FOR NON-TAX-RESIDENT MEDIATORS TO EXPIRE

Current : Non-tax-resident professionals are subject to 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 mediators from mediation work carried out in Singapore is subject to a concessionary WHT rate of 10%.

The concession is scheduled to expire after 31 December 2027.

Proposed : The concession for non-tax-resident mediators will be allowed to expire after 31 December 2027.

Commentary : The objective is to ensure parity in the treatment of income of non-tax-resident professionals.

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

B GOODS AND SERVICES TAX ("GST")

1. EXTENDING THE GST REMISSION FOR S-REITs AND SINGAPORE-LISTED REGISTERED BUSINESS TRUSTS ("RBTs") IN THE INFRASTRUCTURE BUSINESS, SHIP LEASING AND AIRCRAFT LEASING SECTORS

Current : 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 the following, subject to conditions:

(a) Their business expenses, regardless of whether they hold underlying assets directly or indirectly through multi-tiered structures such as SPVs or sub-trusts;

(b) 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

(c) Business expenses of financing SPVs mentioned in (b).

The GST remission is scheduled to expire after 31 December 2025.

Proposed : The existing GST remission for S-REITs and RBTs will be extended till 31 December 2030.

All existing conditions remain the same.

Effective : Up to 31 December 2030.

Commentary : This would continue to enhance Singapore's attractiveness as hub for REITs, ship leasing and aircraft leasing sectors.

C INDIVIDUAL TAXATION

1. PERSONAL TAX RATES

Current	:	Residents are taxed at graduated rates from 0% to 24% (refer to attached **Appendix I)** from the YA 2024. A personal income tax rebate of 50%, subject to a cap of $200 per taxpayer, was given to all tax resident individuals for the YA 2024.
Proposed	:	No change to the existing personal income tax rates. A one-off personal income tax rebate of 60%, subject to a cap of $200 per taxpayer, will be given to all tax resident individuals for the YA 2025.
Commentary	:	The personal income tax rebate is capped at $200 so that the benefits go mostly to middle-income workers.

2. EXCLUDING CASH TOP-UPS THAT ATTRACT MATCHING GRANT FROM THE GOVERNMENT UNDER THE MATCHED MEDISAVE SCHEME (“MMSS”) FROM CPF CASH TOP-UP RELIEF

Current : Currently, tax resident CPF members may, subject to conditions, enjoy CPF Cash Top-Up Relief for cash top-ups made to their own or their eligible loved ones’:

(a) Retirement Account (“RA”) and / or Special Account (“SA”) (excluding any amount of cash top-ups that attract a matching grant under the Matched Retirement Savings Scheme (“MRSS”)); and

(b) MediSave Account (“MA”).

CPF Cash Top-Up Relief may, subject to conditions, be allowed to a giver for cash top-ups:

(a) made by the giver or the giver’s employer or platform operator on the giver’s behalf, to the giver’s own SA, RA or MA; and

(b) made by the giver to the SA, RA or MA of the giver’s parent, parent-in-law, grandparent, grandparent-in-law, spouse or siblings. To qualify for tax relief for cash top-ups to spouse / siblings, a non-handicapped spouse / sibling must not have an annual income exceeding $8,000 in the year preceding the year of top-up.

Proposed : The Minister proposed that cash top-ups made from 1 January 2026 to the MA of a MMSS-eligible CPF member that attract the MMSS matching grant will not entitle the giver to the CPF Cash Top-Up Relief from YA 2027.

A giver may continue to enjoy tax relief of up to $16,000 per 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 SA, RA or MA, and another $8,000 per year for cash top-ups to such accounts of the giver’s loved ones.

Effective : From YA 2027.

Commentary : The MMSS matching grant announced in Budget 2025 is already a significant benefit extended by the Government.

This also ensures parity with the current tax treatment for the MRSS, where cash top-ups to the RA or SA of an MRSS-eligible CPF member that attract the MRSS matching grant will not entitle the giver to the CPF Cash Top-Up Relief.

D OTHERS

1. INTRODUCING THE MATCHED MEDISAVE SCHEME ("MMSS")

Proposed : The Government will introduce a five-year MMSS from January 2026.

Under the MMSS, the Government will match every dollar of voluntary cash top-ups to the MediSave Account ("MA") of eligible CPF members, up to an annual cap of $1,000.

Anyone, including their families, employers, and the community, can make the top-ups to eligible members' CPF MA.

Givers will not receive income tax relief ("CPF Cash Top-Up Relief") for cash top-ups that attract the MMSS matching grant.

Givers may continue to enjoy income tax relief of up to $8,000 per year for eligible cash top-ups to their own CPF SA, RA, or MA, and another $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 MRSS.

To be eligible for the MMSS, the CPF member whose CPF MA is being topped up must:

(a) Be a Singapore Citizen aged 55 to 70;

(b) Own no more than one property;

(c) Have a residential Annual Value of not more than $21,000;

(d) Have an average monthly income of not more than $4,000; and

(e) Have a CPF MA balance that is less than half the prevailing Basic Healthcare Sum.

MMSS eligibility is automatically assessed every year. The CPF Board will notify eligible members at the beginning of each year, from January 2026. Members can also check their eligibility via the CPF website from January 2026.

Matching grants by the Government will be disbursed to eligible members in the following year.

Effective : From 1 January 2026.

Commentary : The above aims to boost MediSave adequacy for seniors with lower MA balances.

2. INCREASING THE PROGRESSIVE WAGE CREDIT SCHEME ("PWCS") CO-FUNDING SUPPORT

Current : The PWCS was introduced at Budget 2022 to provide transitional wage support for employers to adjust to the Progressive Wages moves from Calendar Year 2022 to Calendar Year 2026, as well as encourage employers to raise wages of lower-wage workers.

The following conditions apply:

(a) Employee has average gross monthly wages of up to $3,000, before the wage increase;

(b) Employee has average gross monthly wages of up to $4,000, after the wage increase;

(c) Average gross monthly wage increase must be at least $100 in each qualifying year; and

(d) Wage increase in each qualifying year will be co-funded for two years if the wage increase is sustained.

Proposed : The Minister proposed to increase the co-funding support for wage increases given in the qualifying years 2025 and 2026.

Qualifying Year (i.e., year that wage increase was given)	**Payout Period**	**Current**	**New**
2025	1Q 2026	30%	40%
2026	1Q 2027	15%	20%

Effective : From 2025.

Commentary : The above aims to strengthen support for employers to uplift the wages of lower-wage workers.

3. EXTENDING THE SENIOR EMPLOYMENT CREDIT ("SEC")

Current : The SEC provides wage offsets to employers that hire Singaporean workers aged 60 and above, and earning up to $4,000 a month.

The SEC is scheduled to expire after 31 December 2025.

The wage support in 2025 is as follows:

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

Proposed : The Government will extend the SEC till 31 December 2026.

In line with the increase in the re-employment age to 69 years old in 2026, the Government will also raise the qualifying age for the highest SEC wage support tier from 68 years to 69 years old.

As such, companies will receive 7% of the wages that they pay to workers aged 69 and above.

The wage support in 2026 is as follows:

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

Effective : Up to 31 December 2026.

Commentary : The above aims to continue supporting the employment of senior workers.

4. INCREASING SENIOR WORKERS' CPF CONTRIBUTION RATES

Current : In 2019, it was announced that the CPF contribution rates will be raised gradually for Singaporeans and Permanent Resident workers aged above 55 to 70.

Eventually, when the increases have been fully implemented, those aged above 55 to 60 will have the same CPF contribution rates as younger workers.

The Government has implemented the increase in senior workers' CPF contribution rates for workers aged above 55 to 70 each year since 1 January 2022.

From 1 January 2025, the employer's and employee's CPF contribution rates are as follows:

With effect from 1 January 2025

Employee Age (Years)	Contribution Rates (for monthly wages > $750)		
	Employer %	Employee %	Total %
55 and below	17	20	37
Above 55 to 60	15.5	17	32.5
Above 60 to 65	12	11.5	23.5
Above 65 to 70	9	7.5	16.5
Above 70	7.5	5	12.5

Proposed : The next increase in senior workers' CPF contribution rates for workers aged above 55 to 65 will take place on 1 January 2026 as follows.

With effect from 1 January 2026

Employee Age (Years)	Contribution Rates (for monthly wages > $750)		
	Employer %	Employee %	Total %
55 and below	17	20	37
Above 55 to 60	16	18	34
Above 60 to 65	12.5	12.5	25
Above 65 to 70	9	7.5	16.5
Above 70	7.5	5	12.5

A one-year CPF Transition Offset equivalent to half of the 2026 increase in employer CPF contribution rates for every Singaporean and Permanent Resident worker will be provided to employers to mitigate the rise in business costs due to this increase. This will be provided automatically and employers need not apply for the offset.

Effective : From 1 January 2026.

Commentary : The change in the CPF contribution rates for senior workers is meant to enhance the retirement adequacy of seniors.

APPENDIX I

RATES OF INCOME TAX
FOR RESIDENT INDIVIDUALS (SINGAPORE)

Tax Rates from YA 2017 to YA 2023				Tax Rates from YA 2024 onwards			
	Chargeable Income* ($)	**Tax Rate (%)**	**Gross Tax Payable ($)**		**Chargeable Income* ($)**	**Tax Rate (%)**	**Gross Tax Payable ($)**
On the first	20,000	0	0	On the first	20,000	0	0
On the next	10,000	2	200	On the next	10,000	2	200
On the first	30,000	-	200	On the first	30,000	-	200
On the next	10,000	3.5	350	On the next	10,000	3.5	350
On the first	40,000	-	550	On the first	40,000	-	550
On the next	40,000	7	2,800	On the next	40,000	7	2,800
On the first	80,000	-	3,350	On the first	80,000	-	3,350
On the next	40,000	11.5	4,600	On the next	40,000	11.5	4,600
On the first	120,000	-	7,950	On the first	120,000	-	7,950
On the next	40,000	15	6,000	On the next	40,000	15	6,000
On the first	160,000	-	13,950	On the first	160,000	-	13,950
On the next	40,000	18	7,200	On the next	40,000	18	7,200
On the first	200,000	-	21,150	On the first	200,000	-	21,150
On the next	40,000	19	7,600	On the next	40,000	19	7,600
On the first	240,000	-	28,750	On the first	240,000	-	28,750
On the next	40,000	19.5	7,800	On the next	40,000	19.5	7,800
On the first	280,000	-	36,550	On the first	280,000	-	36,550
On the next	40,000	20	8,000	On the next	40,000	20	8,000
On the first	320,000	-	44,550	On the first	320,000	-	44,550
In excess of	320,000	22		On the next	180,000	22	39,600
				On the first	500,000	-	84,150
				On the next	500,000	23	115,000
				On the first	1,000,000	-	199,150
				In excess of	1,000,000	24	

* Chargeable income = Income after tax reliefs

Note: For the Year of Assessment 2017, a one-off tax rebate of 20% of tax payable, subject to a cap of $500, is granted to resident individual taxpayers.

For the Year of Assessment 2019, a one-off tax rebate of 50% of tax payable, subject to a cap of $200, is granted to resident individual taxpayers.

For the Year of Assessment 2024, a one-off tax rebate of 50% of tax payable, subject to a cap of $200, is granted to resident individual taxpayers.

For the Year of Assessment 2025, a one-off tax rebate of 60% of tax payable, subject to a cap of $200, is granted to resident individual taxpayers.

CONTACT US

N Vimala Devi
Director of Taxes
Email: devi.vimala@bsl.sg
DID: (65) 6833 6322

Lim Hsee Meang
Tax Principal
Email: lim.hseemeang@bsl.sg
DID: (65) 6833 6318

Gary Tan
Senior Tax Manager
Email: tan.gary@bsl.sg
DID: (65) 6833 6313

Wang Renhong
Tax Manager
Email: wang.renhong@bsl.sg
DID: (65) 6833 6337