KNAV

PARTNERS BEYOND BOUNDARIES

Singapore Budget 2025

Corporate Tax

General Changes

Corporate Income Tax (“CIT”) Rebate for the Year of Assessment (“YA”) 2025

- To provide support for companies’ cash flow needs, a CIT Rebate of 50% of tax payable will be granted in YA 2025.

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

- The total maximum benefits (i.e., sum of CIT Rebate and CIT Rebate Cash Grant) that a company can receive is $40,000.

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

New Tax Incentives and Concessions

General Industry / Financial Services Sector

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 the lower of:

  a) The amount paid by the company; and
  b) The fair market value, or net asset value of the shares (if the fair market value is not readily available), at the time the shares are applied for the benefit of the employee, less any amount payable by employees for the shares.

- The changes will take effect from YA 2026.

Tax deduction for payments made under an approved cost-sharing agreement ("CSA") for innovation activities

Current

- 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 deductible.

Proposed

- 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.

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) Listing corporate income tax rebate for new corporate listings in Singapore;
  b) Enhanced concessionary tax rate of 5% for new fund manager listings in Singapore; and
  c) Tax exemption on fund managers' qualifying income arising from funds investing substantially in Singapore-listed equities.

New Tax Incentives and Concessions

In respect of item a), the tax incentive applies to Companies and registered business trusts that are tax resident in Singapore. The corporate income tax rebate is capped at 20% for Primary listing and 10% for Secondary listings (with share issuance). The rebate is subject to a cap of:

(a) $6 million per Year of Assessment ("YA") for qualifying entities with market capitalization of at least $1 billion; or
(b) $3 million per YA for qualifying entities with market capitalization of less than $1 billion.

Qualifying entities are required to incur incremental local business spending or fixed asset investments, and incremental skilled employment, as well as remained listed for 5 years.

In respect of item b), the concessionary tax rate of 5% applies to qualifying income of fund managers i.e., fees earned from qualifying fund management and investment advisory activities under the Financial Sector Incentive-Fund Management ("FSI-FM"). In addition, the fund manager or its holding company has to achieve a primary listing on a Singapore exchange and remain listed for 5 years. Furthermore, the fund manager must distribute a portion of its profits as dividends and also meet the minimum requirements for professional headcount and assets under management ("AUM").

In respect of item c), it should be noted the qualifying income of the fund manager relates to fees earned from fund management and investment advisory activities from the qualifying funds.

In addition to fund manager having to meet the minimum requirements for professional headcount and AUM, the qualifying funds must meet the following criteria:

(a) For new funds – At least 30% of AUM are invested in Singapore-listed equities.

(b) For existing funds:
   (i) At least 30% of AUM are invested in Singapore-listed equities; and
   (ii) Annual net inflows (i.e., subscriptions less redemptions to fund) are equivalent to at least 5% of the fund's AUM in the preceding year.

New Tax Incentives and Concessions

Shipping Sector

Approved Shipping Financing Arrangement (“ASFA”) Award (for Ships and Containers)

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 (“FL”) agreements for ASFA Award recipients will also be exempted from WHT.

The ASFA Award will be administered by MPA and be introduced with effect from 19 February 2025.

Changes & extensions to existing Tax Incentives and Concessions

General Industry

Double Tax Deduction for Internationalisation (“DTDi”) scheme

Current

- 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.

Proposed

- The DTDi scheme will be extended till 31 December 2030.

Mergers and Acquisitions (“M&A”) Scheme

Current

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

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

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

- The scheme is scheduled to lapse after 31 December 2025.

Proposed

- The scheme will be extended till 31 December 2030.

Section 13W of the Income Tax Act 1947 (“ITA”)

Current

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

  a) 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
  b) The shares are disposed during the period from 1 June 2012 to 31 December 2027.

Proposed

- The sunset date under Section 13W will be removed and the following enhancements will be made:
  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.

Changes & extensions to existing Tax Incentives and Concessions

General Industry / Financial Services Sector

Land Intensification Allowance (“LIA”) scheme

Current

- 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 scheme is scheduled to lapse after 31 December 2025.

Proposed

- The LIA scheme will be extended till 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.

Rationalise the tax incentives for Project and Infrastructure Finance

Current

- The tax incentives for Project and Infrastructure Finance include:
  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 the Singapore Exchange.

- These incentives are scheduled to lapse after 31 December 2025.

Proposed

- 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, 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 support Singapore-based infrastructure project sponsors that leverage Singapore’s financial ecosystem to invest in and finance overseas infrastructure projects, the tax incentive under b) will be extended till 31 December 2030.

Changes & extensions to existing Tax Incentives and Concessions

Insurance Sector

Insurance Business Development ("IBD") scheme

Current

- Approved insurers and insurance brokers are granted a concessionary tax rate ("concessionary tax rate") 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 are scheduled to lapse after 31 December 2025.

Proposed

- The IBD and IBD-CI schemes will be extended till 31 December 2030.
- Further, to ensure that our tax incentives remain relevant and competitive, an additional concessionary tax rate tier of 15% will be introduced with effect from 19 February 2025 for the IBD, IBD-CI and IBD-IBB schemes.

Financial Services Sector

Additional concessionary tax rate tier of 15% for the Financial Sector Incentive ("FSI") scheme

Current

- Approved incentive recipients are eligible for a concessionary tax rate of 10% or 13.5% on qualifying income (where applicable) under the FSI scheme.

Proposed

- An additional concessionary tax rate 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.

Changes & extensions to existing Tax Incentives and Concessions

Shipping Sector

Extend and enhance the Maritime Sector Incentive ("MSI")

Current

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

a) MSI-Shipping Enterprise (Singapore Registry of Ships) ("MSI-SRS");

b) MSI-Approved International Shipping Enterprise ("MSI-AIS") Award;

c) MSI-Maritime Leasing (Ship) ("MSI-ML (Ship)") Award;

d) MSI-ML (Container) Award; and

e) 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.

Proposed

- 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 qualifying scope will be updated. Key changes are as follows:

  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 FL treated as sale agreements to be recognised as qualifying assets under the MSI-ML (Ship) and MSI-ML (Container) awards; and

  e) Expand the scope of shipping-related support services under the MSI-SSS to include maritime technology services.
- These changes will take effect from 19 February 2025.

Withdrawal of Tax Incentives and Concessions

Financial Services Sector

Venture Capital Fund Incentive ("VCFI") and venture capital Fund Management Incentive ("FMI")

- Under the VCFI, approved venture capital funds are granted tax exemption on qualifying income.

- Under the venture capital FMI, approved fund management companies are granted a concessionary tax rate 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 are scheduled to lapse after 31 December 2025.

- The VCFI and the venture capital FMI will be allowed to lapse after 31 December 2025.

Real Estate Investment Trusts (“REIT”) and Real Estate Investment Trust Exchange-Traded Funds (“REIT ETFs”)

Changes & extensions to existing Tax Incentives and Concessions

Income tax concessions for Real Estate Investment Trusts listed on the Singapore Exchange ("S-REITs")

Current

- 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, SREITs' wholly-owned Singapore subtrusts, 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; and

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

- The tax concessions at b) and d) are scheduled to lapse after 31 December 2025.

Proposed

- To continue promoting the listing of REITs in Singapore and to sustain Singapore's position as a global REIT hub, 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 SREITs 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.

Changes & extensions to existing Tax Incentives and Concessions

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; 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 lapse after 31 December 2025.

Proposed

- 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 till 31 December 2030.

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 SREITs or RBTs, directly or indirectly; and

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

- The GST remission is scheduled to lapse after 31 December 2025.

Proposed

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

Withholding Tax (“WHT”)

Changes & extensions to existing Tax Incentives and Concessions

WHT exemption for container lease payments made to non-tax resident lessors under operating lease (“OL”) agreements

Current

- 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 are exempted from WHT.

- This exemption is scheduled to lapse after 31 December 2027.

Proposed

- The WHT exemption for container lease payments made to non-tax-resident lessors under OL agreements will be extended to agreements entered into on or before 31 December 2031.

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

Current

- 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 are exempted from WHT.

- This exemption is scheduled to lapse after 31 December 2028.

Proposed

- 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.

Withdrawal of Tax Incentives and Concessions

WHT concession for non-tax resident arbitrators

Current

- 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%.

- The concession is scheduled to lapse after 31 December 2027.

Proposed

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

WHT concession for non-tax resident mediators

Current

- 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 is scheduled to lapse after 31 December 2027.

Proposed

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

Individual Tax

General Changes

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.

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KNAV has charted a course to be one of the world's leading accounting and consulting firms over the last two decades. With over 500+ professionals in 6 countries, our team combines local insights with global expertise to design powerful strategies and help our clients stay ahead of the curve. Our commitment to customer service, integrity, and innovation makes us the best choice for businesses of all sizes.

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