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Singapore Budget 2025 Feedback

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26 December 2024

Foreword

Trusted. Transformational. Together.

As Singapore celebrates its 60th year of independence (SG60) with the theme "Building Our Singapore Together," Budget 2025 serves as a platform to solidify our vision for the future amidst evolving global challenges, Singapore's upward revision of its 2024 growth forecast to approximately 3.5%, alongside a projected 1-3% growth range for 2025, reflects both our resilience and the uncertainties shaping the global economic landscape. This pivotal budget offers an opportunity to address pressing economic, social and environmental challenges, ensuring that Singapore remains adaptable and competitive whilst fostering inclusivity and sustainability. As we commemorate another milestone, we must remain steadfast in building a cohesive and prosperous nation for generations to come.

Domestically, the economy continues to face both promise and uncertainty. While recent GDP estimates indicate gradual growth, inflationary pressures and rising costs remain challenges for households and businesses. The impact of the recent GST increase, from 7% to 9%, is still felt across sectors, especially amidst inflationary pressures. Our feedback highlights the need for continued support for lower-income households and SMEs, ensuring a balanced approach as these changes are implemented. Additional targeted measures for businesses would aid a smooth transition, aligning fiscal sustainability with social equity.

E-invoicing is a vital part of Singapore's digital transformation, and the government's push for broader adoption reflects its commitment to enhancing productivity and compliance efficiency. Budget 2025 is likely to extend support for businesses, especially SMEs, in transitioning to e-invoicing, aligned with global moves towards digital trade and finance. This shift will reduce administrative burdens, increase transparency, and improve cash flow management.

R&D incentives remain key to fuelling Singapore's innovation and economic adaptability. As technological advancements reshape industries, we recommend expanding R&D tax incentives to encourage businesses to invest in innovation. Enhanced R&D support would foster local talent development and attract global enterprises seeking a robust environment for growth. Strengthening these incentives positions Singapore as a hub for high-value innovation, creating pathways for long-term economic growth and competitiveness.

On the global front, 2025 marks Singapore's implementation of the OECD's Pillar Two Global Minimum Tax Rules, a significant moment in international tax reform. The new Multinational Enterprise (Minimum Tax) legislation will ensure Singapore's tax system remains aligned with global standards, preserving its attractiveness as a hub for multinational enterprises. Our feedback underscores the importance of clear compliance guidelines and supportive measures to ease businesses' transition, maintaining Singapore's reputation as a competitive, business-friendly jurisdiction.

Climate and sustainability priorities continue to shape Singapore's strategic direction under the Singapore Green Plan 2030. Budget 2025 can advance this agenda by expanding incentives for sustainable practices, encouraging investment in green technologies, and supporting emissions reduction. Strengthening Singapore's green financing framework would further position the nation as a leader in sustainable development and create long-term economic opportunities in the green sector.

In terms of personal tax and immigration, Singapore's policies must balance talent attraction with a commitment to social cohesion. While competitive personal tax rates are vital for attracting global talent, our feedback suggests adjustments to enhance Singapore's appeal as a place to live and work. Immigration policies should support demographic needs while fostering integration, reinforcing Singapore's position as an inclusive, vibrant society.

Our feedback report offers targeted recommendations on how Singapore can build on the successes of the last decade while addressing future challenges. We focus on labour force needs, supporting financial services innovation, enhancing GST e-invoicing adoption, and promoting sustainable growth. For detailed insights, please refer to the following sections.

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Abbreviations

BEPS	Base Erosion and Profit Shifting
CPF	Central Provident Fund
DTL	Deferred Tax Liabilities
FTC	Foreign Tax Credit
EDB	Economic Development Board
EEIA	Economic and Expansion Incentives (Relief from Income) Tax Act 1967
EIS	Enterprise Innovation Scheme
ESG	Environmental, Social and Governance
GloBE	Global Anti-Base Erosion
GDP	Gross Domestic Product
GST	Goods and Services Tax
IP	Intellectual Property
IPR	Intellectual Property Rights
IRAS	Inland Revenue Authority of Singapore
M&A	Mergers and Acquisitions
MOM	Ministry of Manpower
MNE	Multinational Enterprise
NsMan	National Serviceman
OECD	Organisation for Economic Cooperation and Development
ITA	Singapore Income Tax Act 1947
R&D	Research and Development
RIC	Refundable Investment Credit
SME	Small and Medium-sized Enterprise
SPR	Singapore Permanent Resident
WDA	Writing-Down Allowance
WHT	Withholding Tax
YA	Year of Assessment

01 Strengthening business resilience through streamlining tax policies

In a world of increasing economic challenges, Singapore's fiscal policy must evolve to ensure both short-term stability and long-term growth. By focusing on resilience, the government can better support industries, drive innovation, and secure Singapore's position as a competitive global hub. This section presents key recommendations on how to enhance Singapore's tax measures and policies to ensure sustained economic resilience.

1.1 Exemption conditions for disposal of shares in property-holding companies

For the 'Exemption of gains or profits from disposal of ordinary shares' under section 13W of the ITA, we note that the exemption for gains or profits from the disposal of shares in a company principally holding immovable properties [as specified in subsection 8(ba)] is subject to a condition where the divesting company must demonstrate that no property development has been undertaken by the investee company for at least 60 consecutive months before the disposal of shares. This condition applies even when the immovable property developed is intended for use in the company's own trade or business.

This condition appears to be overly restrictive in cases where the property is used directly within the business as an operational asset rather than being held for trading or resale. This condition potentially limits legitimate business activities and adds complexity to disposal transactions for companies whose primary objective involves the operational use of developed property.

Given the recent inclusion of Section 10L of the ITA (which taxes gains on the sale of foreign assets), which reinforces Singapore's alignment with international standards for economic substance, we believe that the risk of scrutiny from overseas jurisdictions is mitigated. The substance requirements in Section 10L demonstrate compliance with global expectations, which could reduce the need for the 60-month rule. It is therefore suggested that a review of this condition be considered to ensure it remains relevant to current business and compliance needs.

1.2 Mergers and acquisitions (M&A) tax allowance conditions

Under the current M&A tax allowance framework, one of the conditions requires that the acquiring subsidiary must not carry on any trade or business at the time of acquisition. While this condition may have been intended to prevent the allowance from being used for purposes other than business expansion, it may now limit the effectiveness of the M&A scheme, particularly in light of recent regulatory changes like Section 10L, which emphasises economic substance.

The non-trading requirement appears at odds with Section 10L's substance requirements for future disposals, where economic activities or business functions must be demonstrated to avoid scrutiny from overseas jurisdictions. Restricting the acquiring subsidiary from trading or conducting business could reduce flexibility in structuring acquisitions and create ambiguity if the goal is to integrate the acquired business into an active subsidiary or if the acquisition ultimately involves future disposal.

To align M&A tax allowance conditions with substance requirements under Section 10L, we propose the removal of the condition that restricts the acquiring subsidiary from carrying on any trade or business. Allowing the subsidiary to engage in business activities at the time of acquisition would support legitimate business growth and enable Singapore companies to structure M&A transactions more effectively while maintaining compliance with substance requirements.

1.3 Clarify and amend foreign tax credit rules for mark-to-market taxation of financial instruments

Businesses engaged in trading foreign financial instruments and taxed on a mark-to-market basis encounter challenges in claiming FTCs under Singapore's current tax regulations. As foreign taxes on these instruments are typically incurred only upon disposal, a timing mismatch arises with the mark-to-market income recognition mandated by Singapore's tax framework. This mismatch results in reduced claimable FTCs and creates a risk of double taxation on the same income.

To address this timing misalignment, we propose that Singapore amend its FTC rules to align the timing of FTC claims with income recognition. Specifically, taxpayers using mark-to-market accounting for financial instruments should be allowed to claim FTCs when the income is recognised in Singapore. This adjustment would enable more accurate offsetting of foreign taxes, preventing situations where the same income is taxed twice.

In addition, we recommend that the IRAS provides clear guidelines on how FTCs should be applied for taxpayers using mark-to-market methods for financial instruments. These guidelines would improve clarity and support compliance among taxpayers engaged in international trading, reinforcing Singapore's position as a transparent and business-friendly financial hub.

1.4 Increase medical expenses deduction cap

This recommendation was also included in our proposed feedback for Budgets 2023 and 2024.

Currently, an employer's medical expense deduction is capped at 1% of total employee remuneration unless the company implements any of the following schemes:

- Portable Medical Benefits Scheme (PMBS)
- Transferable Medical Insurance Scheme (TMIS)
- Provision of inpatient medical insurance benefits in the form of portable medical shield plans

If any of these schemes are implemented, the cap increases to 2% of total employee remuneration.

With Singapore's aging population, the growing emphasis on healthcare and mental wellness, and the impact of inflation on medical costs, we propose increasing the medical expense deduction cap to:

- 2% of total employee remuneration for companies without the above schemes
- 3 % of total employee remuneration for companies implementing any of the aforementioned schemes

This proposal has been reiterated due to several pressing factors affecting employers and the healthcare landscape:

Firstly, rising medical costs driven by inflation have significantly increased the expense of healthcare services and medical supplies. This rise impacts both routine and complex medical needs, creating financial strain for employers striving to provide adequate healthcare support. Adjusting the cap to reflect inflationary pressures would more accurately represent current healthcare costs, allowing employers to support these needs without undue financial burden.

Secondly, today's workplace prioritises both physical health and mental wellness. Increasing the deduction cap would encourage employers to invest in comprehensive health benefits, including mental health services that are now essential for maintaining a productive workforce.

Moreover, by enabling employers to offer enhanced healthcare support, this policy could alleviate strain on public healthcare resources. Employees with adequate workplace health benefits are more likely to address health concerns early, reducing the need for intensive treatment later and easing demand on the public system.

Lastly, raising the cap acknowledges the true economic conditions, ensuring companies are not penalised by rising costs outside their control. Such an adjustment allows businesses to keep pace with inflation while sustaining a healthy workforce.

Increasing the medical expense deduction cap would support employers in investing in the well-being of their workforce, aligning business realities with societal needs for accessible healthcare. This adjustment would not only promote sustainability for businesses but also foster a healthier, more resilient workforce and contribute positively to broader societal welfare.

1.5 Clearer rules on deductibility of costs incurred for carbon offsets

The proposed measures outlined below aim to provide clearer guidance on the deductibility of costs for carbon offsets, encouraging businesses to maintain their sustainability efforts through favourable tax treatment:

a. Clear guidance on deductibility of carbon offsets

While the cost of purchasing carbon offsets is generally considered a revenue expense, they are typically bought voluntarily by companies to mitigate their carbon footprint rather than to meet compliance requirements and there may be some uncertainty in relation to its nexus with the production of income.

b. Recognition of sustainability and environmental goals

As more businesses voluntarily engage in environmental and sustainability initiatives, carbon offset purchases should be acknowledged as a deductible legitimate business expense. This would support companies in their efforts to reduce their carbon footprint, even if there is no regulatory requirement to do so. By clearly recognising such efforts for tax deduction purposes, the government can incentivise environmentally responsible business practices.

c. Risk of capital classification

Tax rules should address concerns about the risk of carbon offsets being classified as capital expenditure. Businesses investing in carbon offsets could face challenges if these costs are viewed as part of long-term brand-building activities, potentially leading to capital classification. Clearer rules are essential to provide certainty on when these costs can be considered wholly and exclusively incurred for the production of income, thus qualifying them for tax deduction.

1.6 Tax deduction for renovation or refurbishment works

Section 14N of the ITA currently provides a tax deduction for qualifying capital expenditures on renovation or refurbishment (R&R) of business premises, with deductions spread over three years, subject to a S$300,000 cap per three-year period.

In view of inflation and rising costs, we propose raising the limit to S$450,000 or higher to ensure that the deduction remains relevant and beneficial for businesses.

1.7 Extend the concessionary tax treatment for claw-back of tax amortisation on IPR to cover post-incentive periods

Under the current provisions, if a taxpayer benefits from a reduced tax rate due to tax incentives when amortising IPR, the amortisation is generally apportioned between exempt and taxable income based on what the Comptroller of Income Tax determines to be reasonable. However, if the IPR is sold after the incentive period expires, any claw-back of the amortization previously allowable as deduction is subject to the standard 17% tax rate. This results in a higher economic cost on claw-back, effectively nullifying the original benefit of the amortisation deduction.

To address this, the claw-back tax treatment should be consistent with the tax benefits originally enjoyed, thereby preserving the economic intent of the amortisation incentive. Where IPR is sold after the incentive period ends, the concessionary rate or apportionment key from the final year of amortisation could be used as a starting point, offering a simplified yet equitable approach to the claw-back tax treatment. If the final assessment year prior to the lapse of the tax incentive is not representative, a blended tax rate based on the average tax benefit over the amortisation period could be applied.

02 Adapting to Pillar Two: Multinational Enterprise (Minimum Tax)

As Singapore's Multinational Enterprise (Minimum Tax) legislation comes into effect on 1 January 2025, there is a growing need for measures that support MNEs in adapting to the new compliance landscape. In light of these changes, our feedback focuses on enhancing tax flexibility, clarifying definitions, and providing targeted compliance support. These initiatives aim to reinforce Singapore's position as a globally aligned business hub, offering MNEs the tools to meet their tax obligations while maintaining a competitive and supportive environment.

2.1 Enhancing flexibility in tax treatment for Intellectual Property Rights (IPRs)

Under the Minimum Tax framework, disparities between tax and accounting amortisation periods for intellectual property rights (IPRs) can lead to deferred tax liabilities (DTLs) that impact adjusted covered tax (ACT) calculations. To address this, a recommendation is made to introduce periodic re-elections for tax amortisation, allowing MNEs to maintain alignment with accounting practices over time. Additionally, implementing an automatic alignment option for newly acquired intangible assets would streamline compliance, reducing the need for repeated elections and ensuring consistent treatment for MNEs. These adjustments would provide MNEs with greater flexibility in managing DTLs, supporting smoother compliance under the Minimum Tax framework and ensuring alignment with evolving global standards.

"These initiatives aim to reinforce Singapore's position as a globally aligned business hub, offering MNEs the tools to meet their tax obligations while maintaining a competitive and supportive environment."

2.2 Clarifying CPF's role in Pillar Two compliance

An essential compliance consideration for Singapore-based MNEs is whether contributions to Singapore's CPF meet the OECD's definition of a "Pension Fund" under Pillar Two. To eliminate ambiguity, we propose that IRAS formally confirm CPF's classification status. This clarity would enable MNEs to calculate GloBE income and covered taxes with confidence, promoting consistency in compliance across Singapore. Addressing CPF's status as a "Pension Fund" would also strengthen Singapore's alignment with international tax standards, enhancing reporting accuracy for MNEs.

2.3 Expanding double tax deduction to support compliance-related investments

The introduction of the Minimum Tax framework increases MNEs' compliance demands, requiring updated systems and software to meet Domestic Top-up Tax (DTT) and Multinational Top-up Tax (MTT) obligations, has increased compliance demands for MNEs. To help MNEs manage the costs of updating systems, software, and other compliance-related investments, we propose expanding the Double Tax Deduction (DTD) framework to include such costs.

While the benefits of a DTD depend on the Effective Tax Rate (ETR) and may vary among taxpayers, this measure would still provide valuable support. Alternatively, a tax credit could be considered to ensure equitable benefits across all enterprises.

2.4 Providing interest-free instalment options for Pillar Two tax payments

To facilitate cash flow management, we propose an interest-free instalment option for MNEs to spread DTT and MTT payments over a six-month period. This option would help alleviate cash flow pressures during the transition to the Minimum Tax framework, allowing MNEs to meet tax obligations without compromising liquidity. This flexibility would enhance Singapore's supportive tax environment, helping MNEs manage financial commitments smoothly as they adapt to new compliance requirements.

03 Advancing Singapore's R&D tax framework amid global tax developments

As global tax landscapes evolve, it is essential for Singapore to refine its R&D tax framework to remain competitive and attractive for innovative enterprises. A robust R&D tax framework encourages companies to base their R&D activities in Singapore, strengthening the nation's standing as a hub for research and development. By enhancing the stability, breadth, and efficiency of the R&D tax framework, Singapore can attract greater R&D investment, support sustainable growth, and align more closely with international tax practices. Our recommendations aim to address key areas, from making the framework permanent and broadening expenditure categories, to streamlining administrative processes and refining technical substantiation requirements, creating a resilient and adaptive framework for the future.

3.1 Making the R&D framework permanent

Singapore's R&D tax framework has traditionally been renewed every five years, allowing for periodic review. However, this temporary nature may create uncertainty, particularly for companies unfamiliar with Singapore's tax landscape that are conducting R&D location assessments. Making the framework permanent would provide stability, encouraging long-term R&D investment and planning.

3.2 Broadening qualifying expenditure categories

We propose expanding the scope of eligible R&D expenditures to include costs such as technological watch expenses (e.g., subscriptions to scientific journals and conference fees), the use of equipment and software, depreciation on fixed assets directly allocated to R&D, and apportionment of overheads related to R&D activities. This broader coverage would more accurately reflect the diverse resources needs when companies invest in R&D, enhancing the framework's appeal.

3.3 Converting the R&D tax regime into a Refundable Tax Credit

To align with practices in jurisdictions like the UK, Ireland, Australia, and the US, we recommend transforming the R&D tax regime into a refundable tax credit. This shift would provide companies, especially those impacted by Pillar Two, with flexibility and support beyond the current super deduction model, enhancing the regime's effectiveness alongside the Refundable Investment Credit (RIC).

3.4 Strengthening the Enterprise Innovation Scheme (EIS)

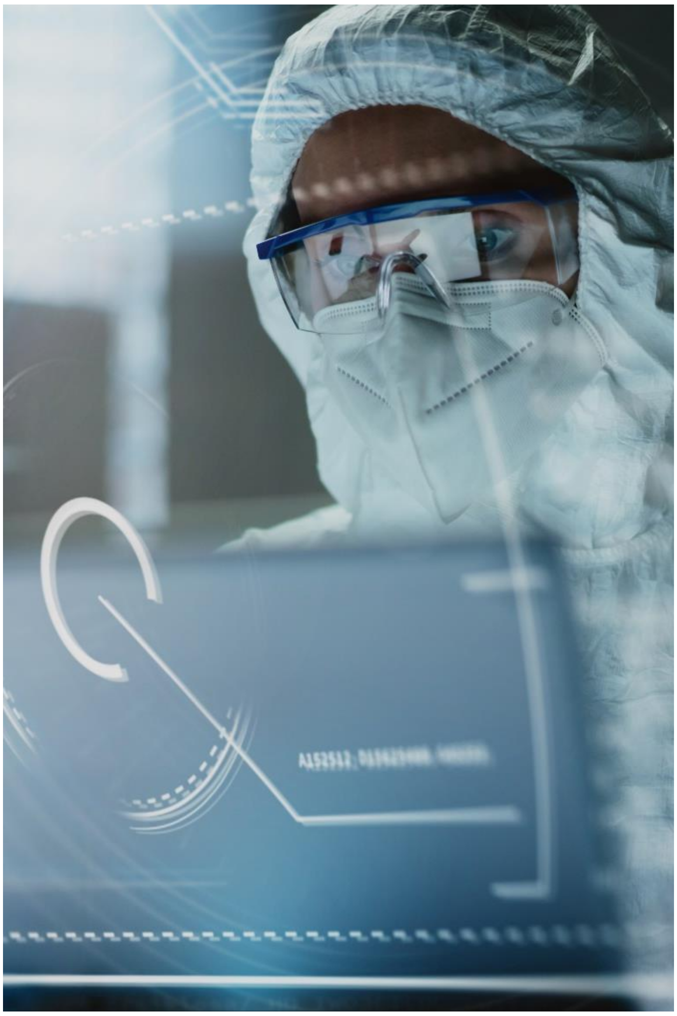
We observe that the EIS has not translated to significantly increased R&D activity levels, possibly due to its recent introduction and the time required for companies to scale up R&D efforts. Extending the EIS qualifying period beyond the current five-year limit would provide more businesses the opportunity to benefit. Additionally, expanding the EIS to include a limited percentage of offshore R&D expenses would support regional R&D projects led from Singapore. Increasing the caps for qualifying activities—particularly the S$400,000/ S$50,000 cap for innovation projects with partner institutions—and adjusting the cash payout cap or conversion rate would further support companies in the early stages of R&D.

3.5 Streamlining the administrative requirements of the R&D tax framework

The requirement for timesheets to track the percentage of time R&D personnel spend on qualifying activities can be burdensome, especially for companies that do not use timesheets. Larger companies often monitor R&D resources on a departmental basis rather than at an individual level. We propose that IRAS publish guidelines specifying expected time allocations for various R&D roles, allowing companies to claim a standardized percentage unless justified otherwise. This approach would reduce administrative burdens and provide greater certainty for R&D tax claimants.

3.6 Refining the Technical Substantiation Requirements

The demand for technical substantiation has increased, with companies required to rigorously defend the technical merit or risk of their projects, sometimes against established research publications. Frequently, IRAS refers technical reports to IPOS examiners, even though there is no legal requirement for a patent filing. This high bar may exceed the original intent of the R&D tax framework, which aims to support companies in building R&D capabilities. A more balanced approach to technical substantiation would better align with the framework's goals and reduce barriers for companies seeking to benefit from R&D incentives.



04 Enhancing Singapore's tax and incentive ecosystem for international competitiveness

Strengthening Singapore's fiscal framework for sustainable growth and growth alignment

As Singapore navigates a shifting global tax landscape and intensifies its focus on sustainability and innovation, the 2025 budget proposals emphasise strategic refinements to Singapore's tax and incentive ecosystem. Building on existing frameworks, these proposals aim to bolster Singapore's position as a leading financial and trading hub while aligning with international standards such as the OECD's Pillar Two. This year's proposed initiatives address industry-specific needs, including maritime leasing, asset management, and sustainability-driven incentives, fostering an environment conducive to investment, innovation, and sustainable growth. By expanding tax options and refining incentive structures, the government can enhance competitiveness, encourage sustainable practices, and support sectors integral to Singapore's long-term economic resilience.

4.1 Maritime Sector Incentive – Maritime Leasing (MSI-ML) award

In Budget 2024, additional concessionary tax rate tiers were introduced for certain tax incentives, including a 10% tier for the aircraft leasing scheme (ALS). This 10% tax rate could help locally-based aircraft lessors manage potential additional tax costs arising from the Pillar Two global minimum tax's Subject-to-Tax Rule (STTR). With certain income types—such as interest, royalties, and rent from industrial, commercial, or scientific equipment—set to fall under the STTR's remit, income taxed in Singapore below the 9% minimum rate might trigger higher withholding tax obligations in the source or payer countries.

Applying a similar tiered tax rate for the MSI-ML award could provide local shipping companies with tax options that support their long-term planning in a changing tax environment. For instance, an MSI-ML applicant qualifying for a 5% rate on container leasing could benefit from the flexibility to choose a 10% or 15% rate based on their business strategies and global tax considerations. Expanding tax options under MSI would strengthen Singapore's position within the global shipping ecosystem, including ship financing.

4.2 Re-introduction of concessionary tax rate on offshore leasing income

To complement the MSI-ML initiative, reintroducing a 10% concessionary tax rate for income derived from offshore leasing of machinery and plant—previously available under Section 43I of the Income Tax Act until 2016—could be advantageous post-BEPS 2.0, especially for assets not covered by MSI-ML. Such a rate would attract leasing companies in marine and offshore sectors, particularly those involved in oilfield services, thus bolstering Singapore's competitiveness in offshore leasing within a BEPS 2.0 framework.

4.3 Refundable Investment Credit (RIC)

a. Expanding the scope to offshore and regional decarbonisation projects

The RIC currently supports "Implementing Solutions with Decarbonisation Objectives," but companies have noted that many decarbonisation projects require test-bedding and pilot activities often conducted outside Singapore due to space and commercial constraints. Expanding the RIC scope to include offshore and regional projects would acknowledge the interconnected nature of environmental challenges and recognise that decarbonisation efforts in neighboring countries can significantly contribute to Singapore's environmental goals, such as reducing cross-border pollution and enhancing regional energy security.

b. Broadening qualifying cost categories

Currently, the RIC covers expenditures related to manpower, professional fees, capital expenditure, and freight and logistics costs. We propose expanding these categories to include cost-sharing agreement payments, banking or financing costs, and the depreciation or amortization of existing assets allocated to new expansionary projects. This adjustment would support companies in reusing existing assets rather than necessitating new capital outlay, offering more flexibility for expansion.

c. Including intangible asset costs

Given Singapore's strong stance on IP protection, incorporating intangible asset costs as qualifying RIC expenses would attract businesses focused on IP-driven growth. This is critical for fostering innovation and job creation in technology and biotechnology. Companies that bring advanced technologies and expertise alongside their IP contribute to knowledge transfer for local firms, enhancing skills and capabilities within Singapore's workforce. A robust IP regime also strengthens Singapore's appeal to foreign investors, supporting long-term economic growth. We seek clarification on the timeline for supporting intangible asset costs under the RIC, noting that France's 2024 finance bill includes tax credits for green industry investments on both tangible and intangible assets, including IP.

d. Increasing the support rate for qualifying expenses

Increasing the RIC support rate for qualifying expenses from 50% to up to 70% would align it with other government grants and provide further incentive for companies to engage in RIC-eligible projects. This enhanced rate could encourage more companies to undertake qualifying activities that align with Singapore's strategic goals.

e. Exempting the RIC from taxation and allowing offset against other taxes

Exempting the RIC from taxation would simplify administration and allow companies to benefit directly from the incentive. Additionally, allowing the RIC to offset other taxes, such as property or carbon tax, would provide companies with greater flexibility, enhancing the incentive's appeal.

f. Introducing an output-based RIC

To support entrepreneurial headquarters and capex-heavy business models, we propose introducing an output-based RIC, where credits are linked to production volumes. This approach, similar to the US's Renewable Electricity Production Tax Credit, would make the RIC more adaptable for diverse business models and provide further encouragement for companies to increase output.

4.4 Sustainability incentives

Singapore's sustainability incentives currently support activities such as food production, energy efficiency, sustainable transport, and urban solutions. Expanding the scope to include sustainable production technologies would encourage broader adoption and reduce costs, advancing the Singapore Green Plan 2030 by enabling a wider range of sustainable activities.

4.5 Other incentives

a. Supporting AI and cybersecurity initiatives

As artificial intelligence (AI) and cybersecurity become increasingly important, we recommend extending higher support rates under the Research & Innovation Scheme for Companies to support AI-related projects, including sustainable AI and quantum encryption. Building a trusted ecosystem around these technologies would promote confidence and innovation, creating a conducive environment for companies undertaking significant AI and cybersecurity initiatives.

b. Expanding the Global Trader Programme to include sustainable commodities

In line with Singapore's Trade 2030 strategy, we propose expanding the list of qualifying commodities under the Global Trader Programme to include sustainability-related products, such as hydrogen and other renewable fuels. This addition would provide clarity for trading companies interested in growing their trade flows in new and sustainable sectors.

4.6 Incentive applications & administration

a. Concierge Service 'Green Lane'

To support companies entering the Singapore market, we propose introducing a "Green Lane" concierge service, offering a one-stop, expedited support system. This service would reduce regulatory burdens for companies, particularly those unfamiliar with Singapore's business and regulatory environment, by providing streamlined assistance for a smoother transition. Targeting key strategic companies and projects, this concierge service would enable new entrants to navigate regulatory requirements efficiently and with greater confidence.

b. Single point of contact for Post-Pillar Two incentives in the energy sector

For energy companies and other sectors with complex structures, we recommend establishing a single point of contact across government agencies to streamline access to post-Pillar Two incentives and grants. Previously, subsidiaries could independently align tax incentives with their specific business models. However, Pillar Two's consolidated approach at a jurisdictional level now requires a coordinated system to facilitate effective access to incentives.

This consolidated access point would simplify the process for inbound investors, particularly CFOs and Heads of Tax, to access suitable incentives at a single, streamlined level. This approach would encourage further investment in Singapore's energy sector and other complex industries, foster cross-agency collaboration, and enhance Singapore's competitiveness under the BEPS 2.0 regime.

05 Positioning Singapore's financial services sector for sustained growth

Singapore's financial services industry remains a cornerstone of the nation's economic resilience and growth. Despite global challenges, the industry has continued to adapt, supported by proactive government initiatives and a robust regulatory framework. This adaptability is instrumental as Singapore strives to enhance its position as a leading financial hub in Asia, particularly within the fund management and banking sectors. As the global financial landscape undergoes transformative shifts, it is essential for the government to further support these sectors, aligning with strategic objectives like those outlined in Pillar Two.

5.1 Section 13U fund incentive

The section 13U fund structure allows for applications that encompass a master fund, feeder fund(s), and special purpose vehicles (SPVs). For commercial reasons, feeder funds may fund the master fund, or the master fund may fund SPVs through interest-free loans. Since specified income from designated investments is tax-exempt, Singapore's transfer pricing requirements for domestic loans—effective from 1 January 2025—should not necessitate the application of IRAS' indicative margin or an arm's length interest rate for approved 13U entities or master-feeder (MF) fund structures. This exemption would enhance the attractiveness of the 13U fund framework and support Singapore's growth as an asset management hub.

5.2 Insurance industry: managing regulatory changes and compliance costs

The insurance industry is facing significant regulatory shifts, with a series of changes impacting operations and compliance in 2025:

- IFRS 17 adoption (2023): The introduction of IFRS 17 has fundamentally reshaped financial reporting for insurers, increasing the complexity of data management and requiring substantial system updates.
- Pillar Two implementation (2024): The new legislation adds new layers of global and local reporting requirements for insurers.
- E-invoicing Rollout (2025): In line with the recent GST rate hikes, e-invoicing mandates will require additional compliance efforts, demanding further system adjustments and resources.

These regulatory changes have placed considerable strain on the industry, with insurers facing increased costs and resource challenges. System overhauls, data management demands, and the need for external consultancy support have intensified, particularly within IT and staffing capacities, impacting not only Singapore-based operations but also those across the region (e.g., the ongoing e-invoicing transition in Malaysia).

While the government's commitment to these regulatory timelines is appreciated, greater engagement with industry associations could provide clarity and support. Developing clearer roadmaps for regulatory rollouts, and enhancing collaborative efforts with industry bodies, would alleviate compliance costs, reduce resource strain, and foster smoother transitions for insurers.

06 Goods and Services Tax

6.1 Empowering growth: GST, compliance, and digital transformation

As Singapore continues to enhance its fiscal sustainability, recent changes to GST and the push for digital transformation play a critical role in shaping the nation's economic landscape. With the recent GST hike and ongoing inflationary pressures, it is essential to balance fiscal responsibility with measures that support vulnerable groups, ease the cost burden on businesses, and promote digital compliance. In line with these goals, our recommendations focus on assessing the impact of the GST increase, expanding the e-invoicing mandate, and adjusting the GST registration threshold to foster an inclusive, digitally enabled tax ecosystem.

6.2 Impact of the recent GST increase, inflation, and future GST rate adjustments

In Budget 2025, our feedback on GST should emphasize the importance of assessing the recent increase's impact, ensuring that vulnerable groups and businesses are adequately supported, and exploring alternative revenue sources to maintain fiscal sustainability without imposing undue pressure on households. Striking a balance between fiscal responsibility and social equity is vital, particularly amid inflation and potential economic volatility. We recommend that the government consider deferring any further GST increases given the current economic climate.

The GST hike may have amplified inflationary pressures, especially for essential goods and services. This is likely to affect lower-income groups disproportionately, as a larger share of their income goes toward necessities. The government should evaluate whether existing support measures, such as GST Vouchers and U-Save rebates, are adequate for the most vulnerable. Targeted support could be expanded for groups like the elderly, retirees, and single-parent families who are particularly affected by rising living costs.

Non-GST-registered SMEs may face higher operational expenses as GST cascades through supply chains. Gathering feedback on how businesses are coping would be beneficial, along with evaluating the need for additional support to help SMEs manage these rising costs effectively.

6.3 Expanding the e-invoicing mandate

Singapore's e-invoicing initiative, InvoiceNow, built on the Peppol network, aims to streamline GST compliance and improve business efficiency. Starting with voluntary adoption in May 2025, IRAS will mandate e-invoicing for newly GST-registered companies from November 2025 and extend this to all new voluntary GST registrants by April 2026.

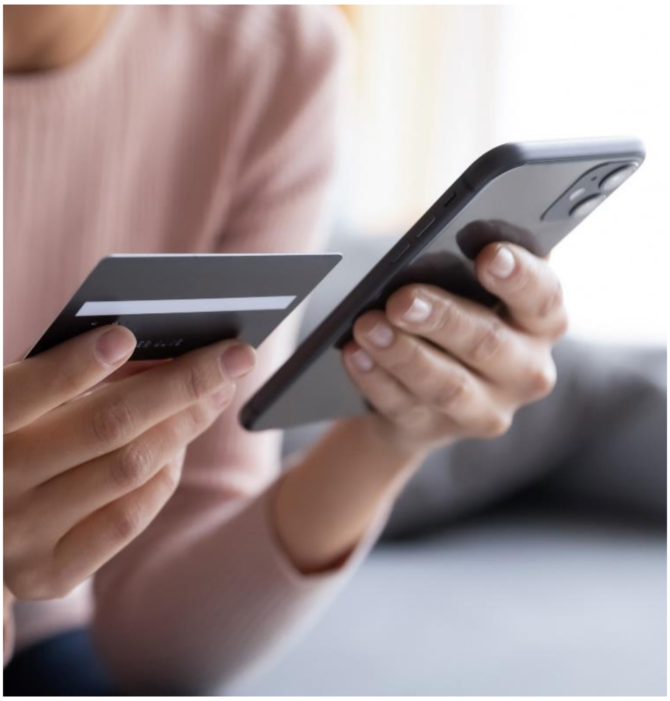
To promote more widespread e-invoicing adoption, the mandate could be extended to cover all existing GST-registered entities, not just new registrants. A phased approach would allow businesses ample time to adjust, while ensuring resources like financial grants, training, and technical support are available to facilitate the transition.

Expanding the e-invoicing mandate across a broader business base brings several benefits: reducing manual errors, simplifying GST reporting, and lowering administrative burdens. Digital invoicing also aligns with Singapore's Smart Nation initiative, fostering digitalisation and strengthening local enterprises' competitiveness in a global digital economy. With a larger pool of e-invoicing data, policymakers can make more informed adjustments, enhancing responsiveness to economic changes.

6.4 Adjusting the GST registration threshold to S$750,000

The current GST registration threshold of S$1 million exempts numerous SMEs from GST obligations, limiting the tax base and potentially slowing digital adoption among smaller businesses. Lowering this threshold to S$750,000 would include more small businesses within the GST system, promoting a more inclusive tax environment and encouraging digital transformation across business tiers.

To ease this transition, the government could offer technology adoption grants, supporting SMEs in implementing tools like e-invoicing and digital accounting software. Lowering the threshold not only broadens the tax base but also enhances financial transparency and accountability. Encouraging digital adoption through grants positions small businesses for success in a digital economy, fostering an inclusive environment where SMEs can compete alongside larger enterprises.



07 Empowering a sustainable Singapore: climate commitments and green innovations

The drive for climate action in Singapore

Singapore's commitment to climate action and sustainability has grown increasingly significant as it aims to balance economic growth with environmental responsibilities. As we continue progressing towards the Singapore Green Plan 2030, it is important to strengthen support for businesses, enabling them to adopt sustainable practices and meet global standards. In line with these goals, our recommendations focus on expanding existing support frameworks to promote energy efficiency, enhance sustainability reporting, and create viable pathways for carbon offsetting.

7.1 Expansion of the Energy Efficiency Grant (EEG)

The Energy Efficiency Grant (EEG) currently supports businesses by co-funding investments in energy-efficient (EE) equipment to enhance energy savings. EEG provides two levels of support:

a. Base tier: Up to S$30,000 for pre-approved EE equipment for companies in food services, manufacturing, and retail sectors.

b. Advanced tier: Additional support for companies in the manufacturing sector making larger investments for enhanced energy efficiency.

Currently, only specific types of equipment in each sector qualify for EEG funding. To increase the impact of the EEG, we recommend broadening the scope to include a wider range of equipment and services, enabling more businesses to benefit from this support. Expanding the EEG will enhance accessibility across industries, promote technological innovation, and advance our nation's sustainability goals. This aligns with Singapore's Green Plan 2030 by fostering energy-efficient practices, reducing overall consumption, and cultivating a culture of sustainability that supports our national climate targets.

7.2 Increased support for Scope 1 and Scope 2 reporting for SGX

Starting in financial year 2025, all Singapore Exchange (SGX) issuers must report Scope 1 and Scope 2 greenhouse gas (GHG) emissions, aligning with the International Sustainability Standards Board's (ISSB) climate-related requirements in the IFRS Sustainability Disclosure Standards.

The Sustainability Reporting Grant (SRG), effective from 1 November 2024, assists large companies and SMEs with initial climate-related reporting. Companies with at least 30% local shareholding may apply through Enterprise Singapore, while others can apply via the Economic Development Board. The SRG covers up to 30% of qualifying costs, including manpower training and consultancy services, capped at S$150,000.

Given the increasing emphasis on sustainability reporting from financiers, customers, and global authorities, we recommend extending SRG support beyond the initial reporting year and expanding eligibility. This would help companies prepare for future requirements, such as Scope 3 GHG emissions reporting, and provide a stronger foundation for meeting evolving regulatory expectations.

7.3 Carbon tax offset

Singapore's carbon tax, introduced in 2019, began at S$5/tCO2e, with a transitional period for businesses. In 2024, the tax rate was raised to S$25/tCO2e, with future increases planned.

Presently, companies may use 'high quality international carbon credits' (ICCs) to offset up to 5% of their carbon tax liability. Considering the scheduled tax increase to S$45/tCO2e in 2026 and Singapore's promotion of voluntary carbon credit exchanges, we propose gradually raising the offset limit beyond 5%. Phasing in a higher threshold would support companies in managing their carbon tax obligations, encourage emission reductions, and stimulate Singapore's voluntary carbon trading market, enhancing its regional competitiveness.

08 Personal Tax

To ensure Singapore's tax system remains responsive to the evolving economic landscape and effectively serves the needs of our society, we propose strategic refinements and optimisations. By carefully recalibrating tax reliefs and incentives, the government could create a more equitable, efficient, and sustainable system that supports the need of all income earners, promotes economic growth, and alleviates financial burdens for individuals and families.

8.1 Refine tax rules for employee share schemes

Given Singapore's ongoing economic growth, it would be ideal to revisit[1] the potential refinement of the current tax rules governing employee share schemes. By doing so, Singapore may incentivise more startups and SMEs to attract and retain top talent by the adoption of stock options and share awards.

a. Tax deferral scheme

The Qualified Employee Equity-Based Remuneration (QEEBR) Scheme currently allows employees to defer tax on stock option or share gains for up to five years; however, the accompanying interest charge often poses a financial burden, especially for individuals who choose not to immediately realize gains. To alleviate cash flow challenges and enhance the scheme's appeal, it may be worth considering an interest-free period for the first three years of the tax deferral, applying the interest charge only from the fourth year onward. Alternatively, offering a preferential or discounted interest rate below the average prime rate in later years could further relieve financial pressures. Restricting these benefits to Singapore citizens and Permanent Residents (PRs) would not only strengthen local talent retention but also support the growth of Singapore's domestic workforce by fostering a competitive yet locally focused scheme.

[1] *These measures were originally proposed in our Budget 2022 Feedback Report.*

b. Tracking options

For departing employees, the "deemed exercise" rule stipulates that any unexercised stock options or unvested share awards be considered exercised or vested one month before their departure, creating an immediate tax liability. Although the tracking option allows employers to defer reporting until the gains are realised, fulfilling the qualifying conditions for this option, especially the capital requirement, can be challenging for many employers. Revisiting these conditions, particularly the capital threshold, could make this option more accessible, thereby providing relief for more taxpayers and encouraging greater uptake of employee share schemes among local employers.

c. Standardised deductions for remote work

Flexible work arrangements are now common in Singapore's workforce, yet the current tax regulations require individuals to itemise and substantiate work-from-home expenses, which can be cumbersome. Introducing standardised work-from-home (WFH) deductions—such as a fixed percentage of gross employment income capped at a specific monthly amount, or a nominal fixed amount per day worked from home—would simplify the process. This approach aligns with IRAS's precedent of offering simplified deduction methods, such as the Fixed Expense Deduction Ratio (FEDR) for self-employed individuals and would streamline tax filing for employees while reducing record-keeping burdens. Standardised WFH deductions would help Singapore's tax policies remain responsive to the modern working landscape, easing administrative demands on both taxpayers and IRAS.

8.2 Enhancing the progressive nature of Singapore's tax system

As Singapore navigates demographic shifts and rising cost-of-living pressures, refining the structure of personal tax reliefs can play a vital role in supporting individuals and families across income levels. Many of the following recommendations were highlighted in prior years' budget feedback reports, underscoring their enduring relevance to Singapore's goal of fostering a more equitable tax environment. Revisiting the S$80,000 annual cap on personal tax reliefs, currently designed to limit benefits for high-income earners, could better address the needs of lower- and middle-income earners.

a. Recalibrate the earned income relief

Adjusting the earned income relief for individuals under 55 years of age would better reflect current income standards and living costs, providing more meaningful support to working individuals and families facing economic pressures.

b. Provide gender-neutral relief for working parents

Replacing the existing Working Mother Child Relief (WMCR) with a Working Parent Child Relief would ensure both parents, regardless of gender, can benefit from tax relief, reinforcing Singapore's commitment to gender equality and better supporting dual-income families.

c. Introduce a childcare and infant care relief

As the cost of childcare rises, introducing a specific relief for childcare and infant care expenses would provide essential support to dual-income families, helping them manage financial demands associated with raising children.

d. **Introduce a tax deduction or rebate for home caregiver expenses**

With a growing aging population, offering a special tax deduction or rebate for the costs associated with employing specialised caregivers at home would help families manage eldercare expenses, reflecting Singapore's commitment to supporting dual-income households.

e. **Provide relief for MediShield Life premiums**

Recognising MediShield Life premiums as tax-deductible expenses for payments made on behalf of elderly parents and dependent children would support families facing increasing healthcare costs and encourage proactive health management.

f. **Broaden the scope of insurance relief**

Currently, life insurance premium relief applies only to individuals with CPF contributions below S$5,000 per annum and is limited to policies for the individual or their spouse. Expanding this relief to cover policies for dependent children and elderly parents would offer families broader financial protection, particularly as healthcare costs rise. Additionally, allowing female taxpayers to claim relief on policies for spouses, dependent children, and elderly parents would ensure more equitable coverage across family structures. A separate relief for medical insurance premiums would further incentivize comprehensive coverage, with a cap to prevent abuse.

g. **Review and increase the quantum of NSman relief**

The NSman relief has remained unchanged for several years. Updating this relief to recognise the contributions of NSmen and their spouses more fully would reflect appreciation for National Service and provide added support to service families.

h. **Supplementary Retirement Scheme (SRS) Contribution Top-Ups**

To enhance retirement savings, especially for individuals who may not have contributed significantly to their early working years, introducing a special relief for top-up SRS contributions for those above a certain age and below a specified SRS threshold would empower Singapore citizens and PRs to take greater ownership of their retirement planning, akin to the CPF retirement top-up scheme as the SRS annual cap of S$15,300 is relatively low.

8.3 Extend childcare leave for parents with older children

Currently, parents with children aged between 7 to 12 years are allowed two days of paid childcare leave if the child is a Singapore citizen. We implore the consideration of extending the childcare leave from two days to five days. Although this topic does not directly pertain to individual taxation, it merits consideration from a policy perspective. This would provide much needed support to families where both parents are working and where family/grand-parental support is not readily available. This measure would align with the government's broader efforts to support families in their quest to have more children.

8.4 Other recommendations

We would also like to put up the recommendations submitted in our Budget 2024 Feedback once again for the government's consideration in view of the potential benefits that can be derived from their implementation.

- Adjusting tax exemption threshold for benefits-in-kind; and
- Mortgage Interest Relief for Owner-Occupied Homes; and
- Establish Permanent Tax-Deductible Donations

09 Immigration and talent strategy for a competitive workforce

As Singapore positions itself as a global hub for innovation and talent, immigration policies play a critical role in fostering a dynamic workforce that complements local capabilities while addressing skill gaps. Our Budget 2025 feedback emphasises how modernised, adaptable immigration policies can further drive economic resilience, encourage global partnerships, and nurture a diverse talent pool. These proposals seek to enhance Singapore's appeal to high-skilled talent and investors while supporting initiatives to upskill local professionals and build sustainable workforce growth.

The recommendations below were included in our proposed feedback for Budgets 2023 and 2024.

9.1 Availability of Letter of Consent (LOC) for dependent's pass types other than the Overseas Networks & Expertise Pass (ONE Pass)

We recommend that MOM broadens the availability of the LOC to include a wider range of Dependent's Pass holders beyond spouses of ONE Pass holders meeting the S$30,000 salary threshold. This policy expansion would allow spouses of Employment Pass (EP) holders to work without a separate work pass, easing financial pressures on expatriate families and enhancing Singapore's appeal to foreign professionals.

Currently, the restriction of LOC eligibility to a narrow group limits options for many skilled professionals. By granting employment flexibility to a broader set of EP spouses, MOM could attract and retain top talent more effectively while also helping address workforce needs in specific sectors. This recommendation aligns with Singapore's goals of talent attraction, family integration, and workforce support.

9.2 Training Employment Pass (TEP)

Currently, the three-month limit on the TEP creates challenges for companies needing short-term placements that extend beyond this period. When companies are required to switch to an Employment Pass (EP) or S Pass for these individuals, they must undergo the process of advertising on MyCareersFuture (MCF), even though these temporary roles are not intended to be filled locally on a permanent basis. This requirement can add unnecessary administrative steps and delay business needs.

We suggest that MOM could address this issue in two ways: by extending the TEP validity to six months, thereby accommodating more typical assignment durations, or by waiving the MCF posting requirement for temporary EP or S Pass applications intended for overseas rotations or training placements. Such changes would support Singapore's business ecosystem by enabling smoother talent mobility while reducing compliance burdens, reinforcing Singapore's competitiveness as a regional hub for global companies.

9.3 30-day Employment Pass (EP)

The job posting requirement on MCF is currently waived when applying for a 30-day EP. However, under the existing 30-day EP option, no extensions are permitted, limiting flexibility for companies requiring short-term work arrangements.

We propose that the MOM consider extending the 30-day EP to 90 days, or alternatively, introduce a separate 90-day EP option that can be granted up to twice per calendar year. This would allow short-term work travelers to return for a second visit as needed to complete their assignments. To mitigate any potential impact on the local workforce, these short-term options could carry a higher application fee and would be excluded from foreign-to-local ratio calculations.

This proposed extension supports Singapore's position as a business hub by providing greater flexibility for companies to accommodate short-term assignments while ensuring minimal impact on the local workforce.

9.4 Intra-Corporate Transferees (ICTs)

To better support the operations of MNEs in Singapore, the Budget 2023 feedback report proposed enhancements to the ICT scheme.

Currently, the ICT scheme, governed by the World Trade Organisation's (WTO) General Agreement on Trade in Services (GATS) and relevant free trade agreements, imposes specific conditions on ICTs. In general, an ICT must have worked for the overseas company for at least a year and hold a managerial, executive or specialist role. Furthermore, ICTs are granted temporary entry to Singapore and are generally ineligible for long-term employment or permanent residency.

To enhance the scheme's flexibility and appeal to MNEs, we propose extending the ICT scheme to accommodate short-term assignments and individuals with specialised skill sets that may not be readily available locally, beyond just managerial, and executive roles. We also recommend re-evaluating the one-year work experience requirement and the ineligibility for future employment, particularly for MNEs seeking to develop global talent through Singapore.

Additionally, introducing a specific category for graduate trainees within the ICT scheme, exempting them from the MCF job posting requirement, would streamline the process for MNEs seeking to rotate their trainees through Singapore as part of their career development programmes.

9.5 Work Pass Exempt (WPE) activities

Expanding the scope of WPE activities to cover urgent short-term work (under one month) would allow businesses to respond promptly to immediate needs without navigating the lengthy EP application process. This extension would reduce administrative costs and enhance business agility by providing an efficient alternative for short-term, time-sensitive work assignments.

9.6 Entry visa to Singapore or Business Travel Pass

Singapore currently issues a single-entry visa, which does not distinguish between personal (tourism) and business purposes, nor does it define permissible activities for business visitors. We propose creating separate entry visas for personal and business purposes, with the business visa having a defined scope of activities and an option for direct sponsorship by Singapore-based entities. Additionally, expanding the Business Travel Pass eligibility beyond senior executives to all Professionals, Managers, Executives, and Technicians (PMETs) with regional responsibilities would facilitate smoother travel for a broader range of professionals.

9.7 Exemption from MCF posting of occupations on the Shortage Occupation List (SOL)

The SOL identifies roles deemed crucial to Singapore's economic growth and development yet are in short supply locally. These roles, determined by the MOM, Ministry of Trade and Industry, and sector agencies, are awarded bonus points under the Complementarity Assessment Framework ("COMPASS") to expedite the EP application process.

While the SOL aids in expediting EP applications for critical roles, the mandatory job posting under the Fair Consideration Framework (FCF) can still delay hiring. We propose exempting SOL roles from the MCF posting requirement to streamline recruitment for high-demand positions, ensuring Singapore remains competitive in attracting essential global talent.

9.8 Clarification on reason for Pass rejection

Although MOM has implemented frameworks like COMPASS and the Self-Assessment Tool to enhance transparency, companies still encounter generic reasons for pass rejections, which impede their ability to address specific concerns. We propose that MOM provide more detailed feedback on rejections and clearer guidance on the appeal process, enabling companies to make informed adjustments and resubmit applications more effectively. This would support businesses in navigating the work pass application process with greater clarity and efficiency.

9.9 Other recommendations

We reiterate the following recommendations brought up in our Budget 2024 feedback for the government's consideration:

- Qualifying salary requirements for Employment Pass
- COMPASS Qualification points

Deloitte.