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Budget Commentary 2025

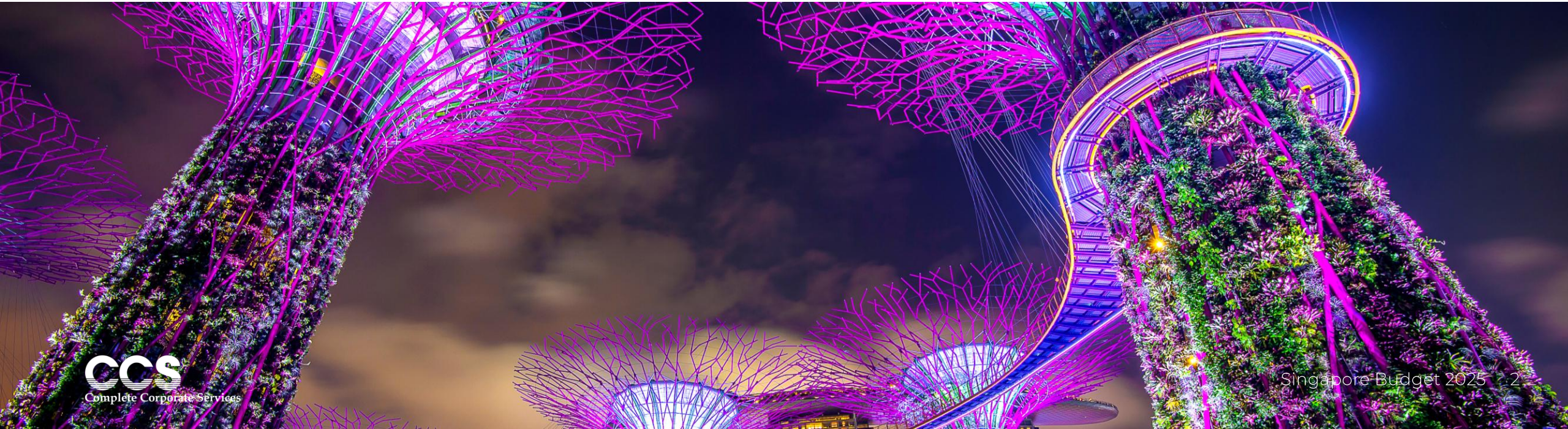


Budget Commentary

Prime Minister and Minister for Finance, Mr. Lawrence Wong, delivered the Budget 2025 speech in Parliament on 18 February 2025.

Marking Singapore’s 60th year of independence, this Budget aims to strengthen fiscal resilience amid global uncertainties. It introduces tax reforms to enhance fiscal stability while maintaining Singapore's competitiveness, including adjustments to corporate and personal taxation, as well as refinements to existing tax structures, all aimed at supporting long-term economic growth.

Budget 2025 is a budget for all Singaporeans. As Singapore navigates an evolving financial landscape and escalating trade tensions between major global powers, this Budget will assist Singaporeans to tackle immediate challenges and lay the foundation for a sustainable and future-ready economy.





GLOBAL TAX LANDSCAPE

GLOBAL TAX LANDSCAPE

The Budget 2025 acknowledges the intensifying competition between the United States and China for global supremacy, with both nations adopting assertive measures to advance their interests. This has been particularly evident with the new U.S. administration, led by President Donald Trump, withdrawing from the OECD global corporate tax agreement via executive order, creating uncertainties in the global tax landscape. In place of multilateral cooperation, the administration is pursuing a tariff-based strategy that targets both allies and competitors.

These developments have ignited discussions among world leaders about potential countermeasures and containment strategies. As a small and open economy, Singapore is inevitably impacted by these global shifts. It must remain agile and responsive to evolving policies that could reshape the global economic landscape, ensuring its continued competitiveness and resilience in the face of uncertainties.





CORPORATE TAX

CORPORATE INCOME TAX ("CIT") REBATE FOR YEAR OF ASSESSMENT ("YA") 2025, WITH A CIT REBATE CASH GRANT

Similar to YA 2024, a 50% CIT rebate, capped at S$40,000 will be granted for YA 2025. Companies that are active and have met the local employee condition* will automatically receive a CIT rebate cash grant of S$2,000 in a form of cash payout from the second quarter of the calendar year 2025 onwards. The CIT rebate cash grant is not taxable.

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

The maximum benefit (i.e. sum of CIT rebate and CIT rebate cash grant) to be received by each company is capped at S$40,000.

The CIT rebate, less any CIT rebate cash grant, will be automatically included in the companies' tax assessment after the filing of the income tax return (Form C/ C-S) with the IRAS for YA 2025.

Commentary

Recognising that companies continue to face structurally higher costs such as rental and labour, the Government has announced CIT rebate and CIT rebate cash grant benefit to support their cash flow needs. With corporate income tax becoming the largest contributor to total revenue collection in Singapore, partly due to multinational enterprises locating their high-end activities here, the CIT rebate and CIT rebate cash grant benefit is well placed to particularly benefit small and medium enterprises to sustain and grow their businesses.



ENHANCEMENT OF SECTION 13W OF THE INCOME TAX ACT 1947 (“ITA”)

Current

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

The divesting company holds a minimum shareholding of 20% in the company whose shares are being disposed (“investee company”)	The divesting company has maintained the minimum 20% shareholding for a continuous period of at least 24 months just prior to the disposal (“shareholding threshold condition”).	The shares are disposed during the period from 1 June 2012 to 31 December 2027 (both dates inclusive).

The scheme does not apply to disposals of non-listed shares in an investee company that is in the business of trading or holding immovable properties (situated in Singapore or elsewhere), or an investee company that has undertaken property development in Singapore or elsewhere (specific exception apply).



ENHANCEMENT OF SECTION 13W OF THE INCOME TAX ACT 1947 (“ITA”)

Proposed Enhancements

To provide greater certainty to companies, the sunset date under Section 13W of ITA will be removed and the following enhancements will be made:

Expand the scope of eligible gains to include gains from the disposal of preference shares that are accounted for as equity by the investee company under the applicable accounting principles

Allow the assessment of the 20% 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.

The IRAS will provide more details by 30 September 2025.

Commentary

With the removal of the sunset date of 31 December 2027, the non-taxation of companies’ gains on disposal of equity investments will become a permanent feature in tax law. The certainty and continuity of the scheme will help to facilitate improved planning for corporate restructuring and reorganisation. By relaxing the shareholding threshold condition to be done on a group basis, it also allows businesses to realign their operations, dispose of non-core assets, and focus on their key growth areas with reduced burden of complex tax considerations.



EXTENSION OF MERGERS AND ACQUISITIONS (“M&A”) SCHEME

Current

The M&A scheme applies to qualifying share acquisition in an active target company made during the period from 1 April 2010 to 31 December 2025 (both dates inclusive). The scheme is scheduled to lapse after 31 December 2025.

Benefits under the scheme include: -

- M&A allowance (to be written down on a straight-line basis over 5 years and cannot be deferred) based on 25% of the acquisition value, capped at S$10 million (i.e. maximum acquisition value of S$40 million) for each YA.
- Stamp duty relief is granted for up to S$20 million of the acquisition value.
- 200% tax deduction of up to S$100,000 on transaction costs (net of grants or subsidies) incurred.

Proposed Extension

The M&A Scheme will be extended till 31 December 2030.



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EXTENSION OF DOUBLE TAX DEDUCTION FOR INTERNATIONALISATION ("DTDI") SCHEME

Current

The DTDI Scheme provides double tax deduction (i.e. 200%) to businesses engaged in certain qualifying market expansion and investment development activities, subject to prior approval from Enterprise Singapore ("Enterprise SG") or Singapore Tourism Board ("STB"). No prior approval is required from Enterprise SG or STB for tax deduction on the first S$150,000 of qualifying expenses incurred on selected eligible activities for each YA. The scheme is scheduled to lapse after 31 December 2025.

Proposed Extension

The DTDI Scheme will be extended till 31 December 2030.

Further details will be provided by Enterprise SG by 30 June 2025.

Commentary

The extension of the DTDI Scheme will support local businesses in expanding their operation overseas, enhancing their global competitiveness and tapping into international market.

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TAX DEDUCTION FOR PAYMENTS MADE UNDER AN APPROVED COST-SHARING AGREEMENT (“CSA”) FOR INNOVATION ACTIVITIES

Current

CSAs refer to agreements or arrangements made by two or more persons to share the expenditure of innovation activities to be carried out jointly as agreed.

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 Enhancements

With effect from 19 February 2025, 100% tax deduction can be given for payments made under an approved CSA for innovation activities.

The Singapore Economic Development Board (EDB) will provide further details on the enhancement by 30 June 2025.

Commentary

This is indeed a welcomed initiative to enable more collaborations among more enterprises engaging in innovative activities.

We look forward to more details from EDB to provide clarity on the type of innovation activities and approved CSA that would qualify for the tax deduction.

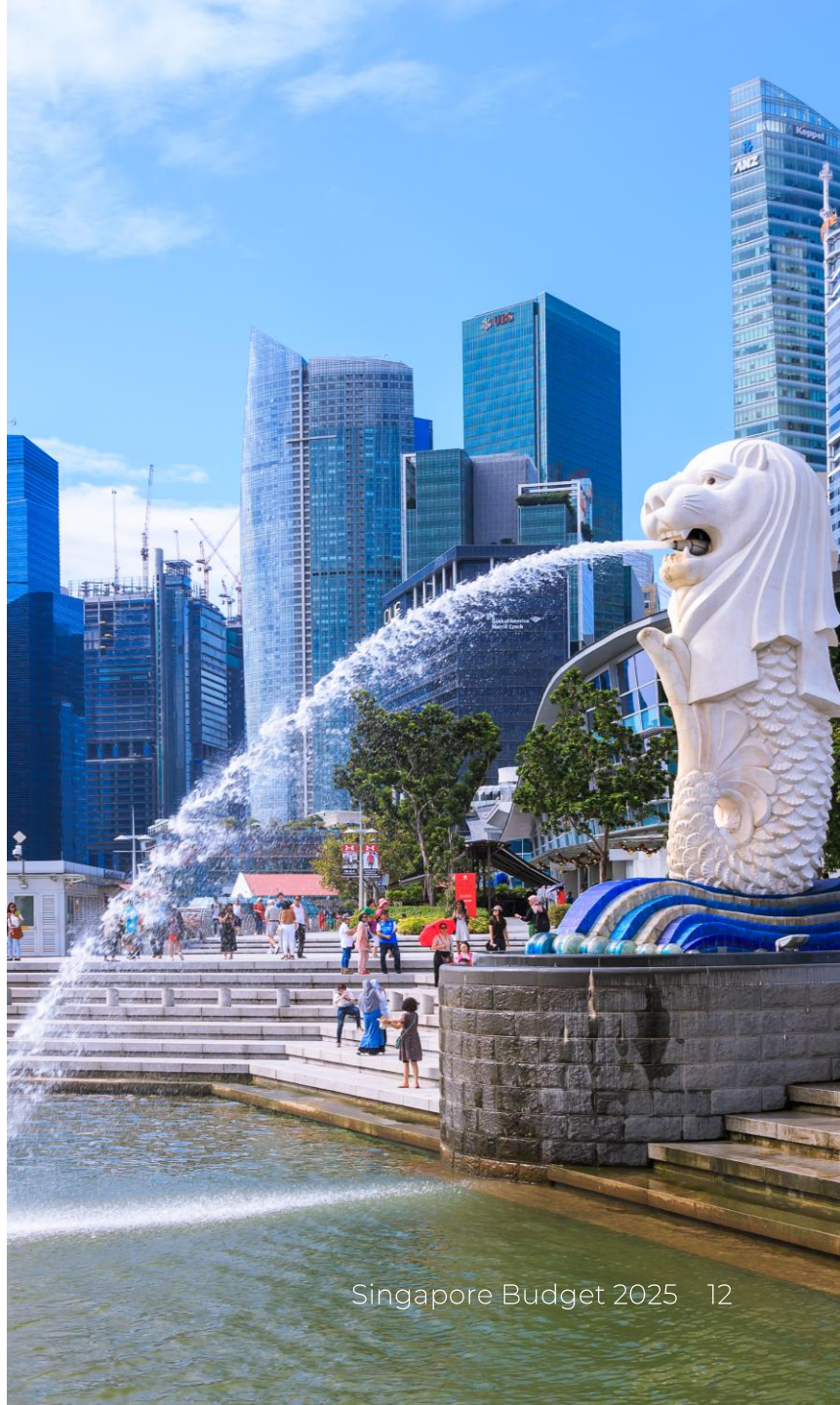
TAX DEDUCTION ON PAYMENT FOR ISSUANCE OF NEW SHARES OF THE HOLDING COMPANY UNDER EMPLOYEE EQUITY-BASED REMUNERATION (“EEBR”) SCHEMES

Current

Companies are allowed tax deductions for net costs incurred on 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 Enhancements

With effect from YA 2026, companies will be allowed to claim a tax deduction on payments to the holding company or a special purpose vehicle (“SPV”) for the issuance of new shares of the holding company, to fulfil the share awards or share options under EEBR schemes.



TAX DEDUCTION ON PAYMENT FOR ISSUANCE OF NEW SHARES OF THE HOLDING COMPANY UNDER EMPLOYEE EQUITY-BASED REMUNERATION (“EEBR”) SCHEMES

The deduction allowed 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 Inland Revenue Authority of Singapore ("IRAS") will provide further details by 30 September 2025

Commentary

Introducing tax deduction for issuance of new shares under EEBR schemes reflects the government efforts to ensure that the tax regime remains relevant and competitive, making the employee equity compensation a cost-effective way to attract and retain employees especially for startups or businesses with limited cash flow. With the new measures announced, companies have more flexibility to design customised remuneration packages that suit both the business's needs and employees' expectations.



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ENHANCEMENT OF THE ENTERPRISE FINANCING SCHEME (“EFS”)

Current

EFS provides support to help businesses access financing required for trade and project needs which covers Trade Loan, Project Loan, Working Capital Loan, SME Fixed Asset Loan, Merger and Acquisition Loan, Venture Debt Loan and Green Loan.

Proposed Enhancements

There will be two enhancements to the EFS.

Trade Loan will be permanently enhanced from S$5 million to S$10 million.

Merger and Acquisition Loan will be enhanced beyond equity acquisitions to support targeted assets acquisition from 1 April 2025 to 31 March 2030.

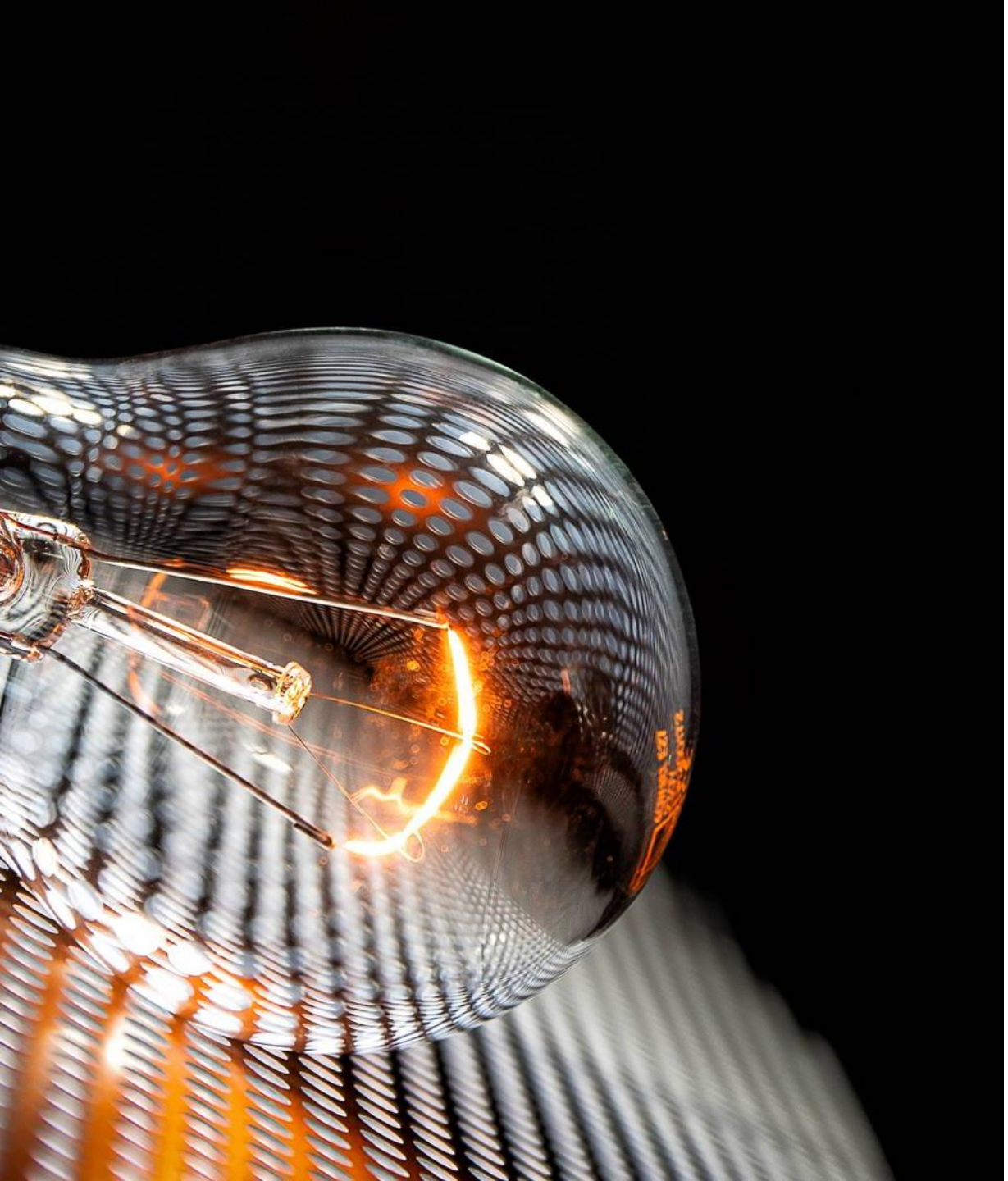
Commentary

The enhancements will provide more flexible and holistic financing support to businesses pursuing inorganic growth opportunities.





PERSONAL INCOME TAX



PERSONAL INCOME TAX (“PIT”) REBATE FOR YA 2025

For YA 2024, a PIT rebate of 50% of tax payable, capped at S$200 per taxpayer, was granted to tax resident individuals.

For YA 2025, while tax resident individuals will receive a higher PIT rebate of 60% of tax payable, the cap remains at S$200 per taxpayer.

Commentary

In response to the rising inflation and its impact on the cost of living for Singapore residents, the government has announced the PIT rebate aimed to benefit middle-income taxpayers. Together with the SG60 Vouchers of S$600/S$800, the PIT rebate goes some way to alleviate the financial pressures faced by this group.



SHIPPING

MARITIME SECTOR INCENTIVE (“MSI”)

Current

Presently, ship operators, maritime lessors and providers of certain shipping-related support services 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 sub-schemes:

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-Maritime Leasing (Container) (“MSI-ML (Container)”) Award; and
e) MSI-Shipping-related Support Services(“MSI-SSS”) Award.

Withholding Tax (“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.

MARITIME SECTOR INCENTIVE (“MSI”)

Proposed Enhancements

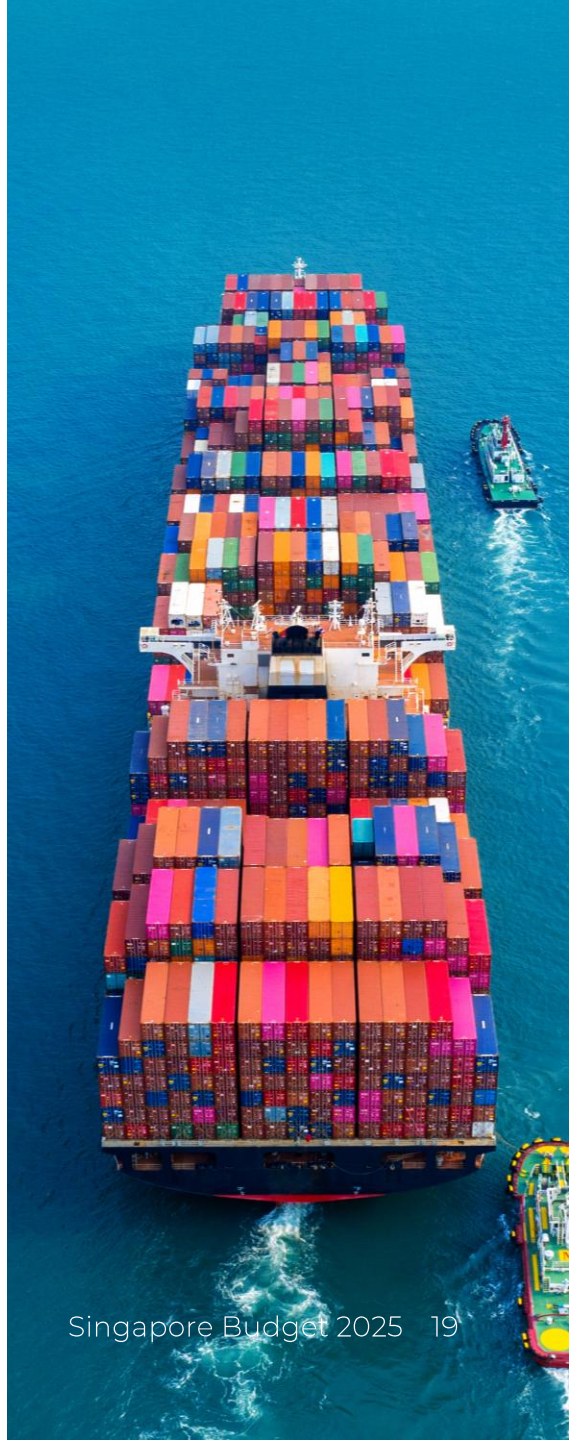
The MSI Schemes will be extended for five years till 31 December 2031.

Accordingly, the WHT exemption will also be extended for qualifying payments made on qualifying financing arrangements entered into on or before 31 December 2031.

The following enhancements will take effect from 19 February 2025:

a) The scope of prescribed ship management services under the MSI-SRS, MSI-AIS and MSI-SSS will be expanded to include emission management services;
b) The scope of offshore renewable energy activities under the MSI-SRS and MSI-AIS will be expanded to cover the subsea distribution of renewable energy generated onshore;
c) The scope of ships used for offshore renewable energy activities under the MSI-ML(Ship) will be expanded to include ships that support subsea distribution of renewable energy generated onshore;
d) Assets leased-in from third parties under Finance Lease (“FL”) treated as sale agreements will be allowed to be recognised as qualifying assets under the MSI-ML (Ship) and MSI-ML (Container) awards; and
e) The scope of shipping-related support services under the MSI-SSS will be expanded to include maritime technology services.

Further details will be provided by Maritime & Port Authority of Singapore (“MPA”) by 30 June 2025.



APPROVED SHIPPING FINANCING ARRANGEMENT ("ASFA") AWARD (FOR SHIPS AND CONTAINERS)

Proposed Treatment

With effect from 19 February 2025, a new ASFA Award will be introduced, whereby WHT will be exempted 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.

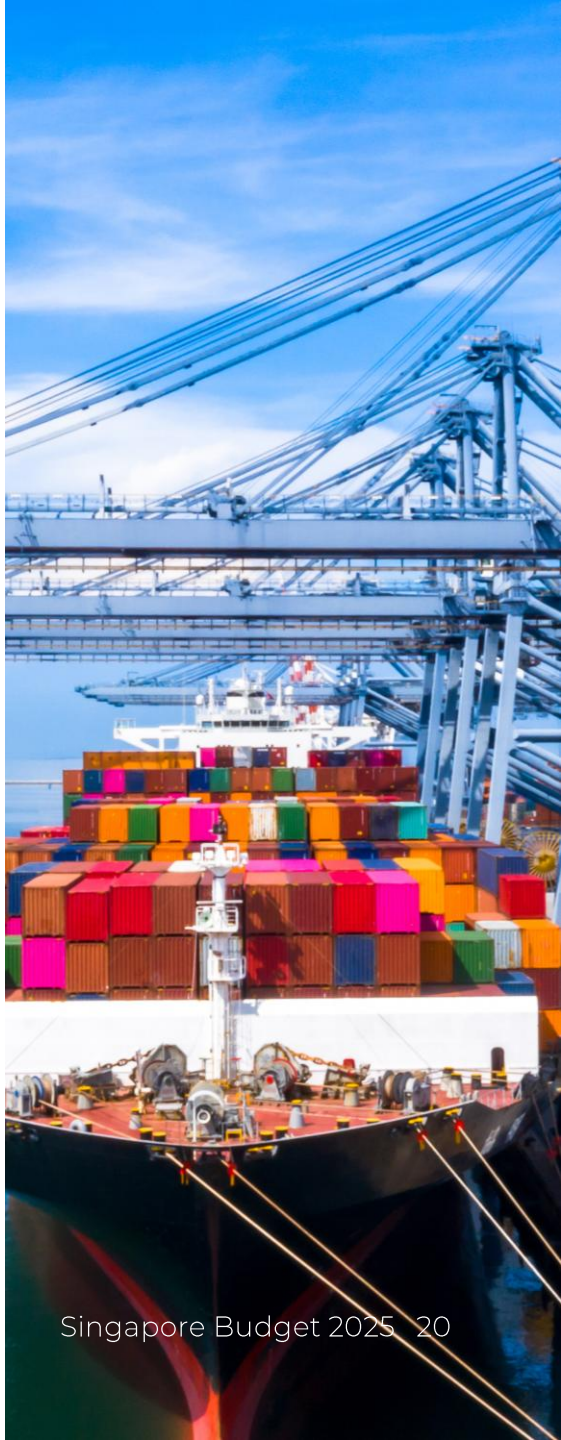
ASFA Award recipients will also be exempted from WHT on ship and container lease payments made to non-tax-resident lessors (excluding payments derived from any operation carried on by the non-tax-resident through its permanent establishment in Singapore) under FL agreements.

MPA will provide further details by 30 June 2025.

Commentary

This is indeed a positive development for the maritime sector in Singapore. The introduction of this award can further support the ownership and management of ships and containers.

Together with the existing MSI schemes, this new award scheme enhances Singapore's position as a leading maritime centre.



WHT EXEMPTION FOR CONTAINER LEASE PAYMENTS MADE TO NON-TAX-RESIDENT LESSORS UNDER OPERATING LEASE ("OL") AGREEMENTS

Current

Presently, 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 for agreement entered on or before 31 December 2027.

Proposed Extension

The above WHT exemption will be extended to agreements entered into on or before 31 December 2031.



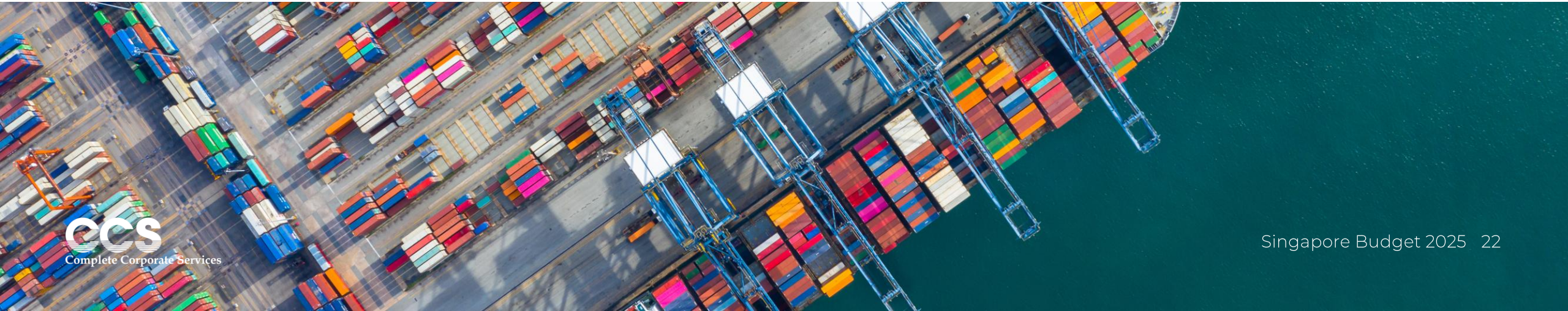
WHT EXEMPTION FOR SHIP AND CONTAINER LEASE PAYMENTS UNDER FL AGREEMENTS MADE TO NON-TAX-RESIDENT LESSORS FOR MSI RECIPIENTS

Current

Presently, 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 for agreement entered on or before 31 December 2028.

Proposed Extension

The above WHT exemption will be extended to agreements entered into on or before 31 December 2031.





FINANCIAL SERVICES

TAX INCENTIVES TO STRENGTHEN SINGAPORE'S EQUITIES MARKET

As part of efforts to enhance Singapore's equities market, the Government has accepted key tax-related recommendations from the Equities Market Review Group, which was established in August 2024.

Recognising the growing global market accessibility driven by technology, the Group highlights the challenges posed by capital increasingly gravitating towards US public markets. To address this, the Group has proposed measures aimed at attracting more companies to list in Singapore, positioning the city as a prominent capital-raising hub in Asia.

Three significant tax incentives will be introduced to stimulate new listings and boost investment demand for Singapore-listed equities.



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TAX INCENTIVES TO STRENGTHEN SINGAPORE'S EQUITIES MARKET

1. **Listing CIT rebate for new corporate listings in Singapore**

   To encourage new corporate listings in Singapore, qualifying companies can receive a 20% CIT rebate for primary listings and a 10% CIT rebate for secondary listings with share issuance. The rebate is capped at S$6 million per YA for companies with a market capitalisation of at least S$1 billion, or S$3 million per YA for companies with a market capitalisation below S$1 billion. Companies must commit to increasing local business spending and expanding skilled employment by the end of the award tenure.

2. **Enhanced Concessionary Tax Rate ("CTR") for new fund manager listings in Singapore**

   New fund managers listed on the Singapore Exchange will benefit from a reduced 5% CTR on qualifying income. This incentive is designed to strengthen Singapore's position as a hub for fund management, attracting fund managers to scale up their operations and invest in the local economy. It also aims to promote long-term growth in the fund management sector.

3. **Tax Exemption on fund manager's qualifying income arising from funds investing substantially in Singapore-listed equities**

   To incentivise fund managers to launch and manage funds that invest in Singapore-listed equities, a tax exemption on income derived from such funds will be introduced. This exemption applies to new funds that allocate at least 30% of their Assets Under Management ("AUM") to Singapore-listed equities. For existing funds, it will also require an annual net inflow equivalent to at least 5% of the fund's AUM in the preceding year. This initiative will further drive investment into the local stock market, boosting the overall appeal of Singapore-listed equities.

TAX INCENTIVES TO STRENGTHEN SINGAPORE'S EQUITIES MARKET

Commentary

The new tax incentives introduced underscore Singapore's commitment to strengthening its equities market, enhancing its attractiveness for both corporate listings and fund managers. We view the Government's introduction of these tax incentives as a positive development for Singapore's equities market as they are expected to attract more companies to list in Singapore and encourage fund managers to increase investments in local equities.

We believe these measures are important steps towards building a more robust and competitive investment landscape, which will contribute to the sustained growth of Singapore's economy over the long term.





INTRODUCTION OF ADDITIONAL CONCESSIONARY TAX RATE FOR THE FINANCIAL SECTOR INCENTIVE ("FSI") SCHEME

Current

The FSI scheme is designed to enhance financial intermediation and strengthen capabilities in key financial services and banking activities in Singapore. Under the scheme, approved recipients are eligible for concessionary tax rates ("CTR") of 10% or 13.5% on qualifying income, depending on the specific categories of FSI awards granted.

Proposed Enhancements

With effect from 19 February 2025, an additional CTR tier of 15% will be introduced for the FSI-Standard Tier, FSI-Trustee Company and FSI-Headquarter Services schemes. Further details will be provided by the Monetary Authority of Singapore by 30 June 2025.

Commentary

The introduction of the additional 15% CTR tier appears to be a strategic measure by the Singapore government to maintain the scheme's competitiveness. Companies affected by the increased tax rate should carefully assess how this change will impact their operations.

PRIVATE CREDIT GROWTH FUND

Singapore's financing landscape has evolved significantly, with a growing network of angel investors, venture capitalists, and private equity firms supporting local enterprises. Recognising that access to capital is crucial for business expansion, the Government has actively partnered with commercial investors through investment funds, setting aside S$1.8 billion over the past five years to drive enterprise growth.

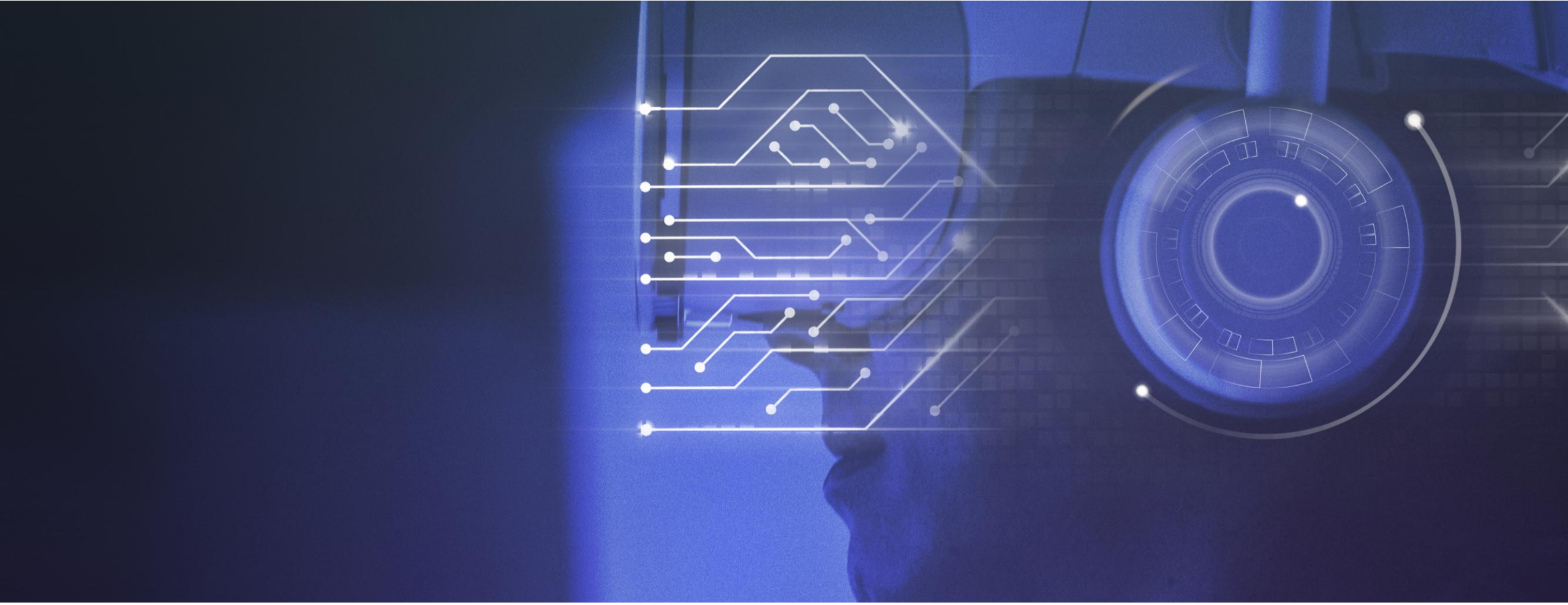
Building on these efforts, Budget 2025 introduces a new S$1 billion Private Credit Growth Fund to enhance financing options for high-growth local enterprises. While the global private credit market has been expanding, few funds are dedicated to Asia, let alone Singapore-based businesses.

This initiative aims to address that gap, ensuring that promising companies in Singapore can secure the funding they need to scale and compete internationally

More details on this Fund will be made available by the Minister for Trade and Industry.

Commentary

As many enterprises still face funding challenges, the S$1 billion Private Credit Growth Fund can help bridge financing gaps and unlock expansion opportunities. By strengthening the financing ecosystem, we believe that this initiative will reaffirm Singapore's commitment to fostering business growth and innovation. We see this as a crucial step in improving Singapore's competitiveness, enabling local enterprises to scale effectively and compete on a global stage.



TECHNOLOGY

TECHNOLOGY

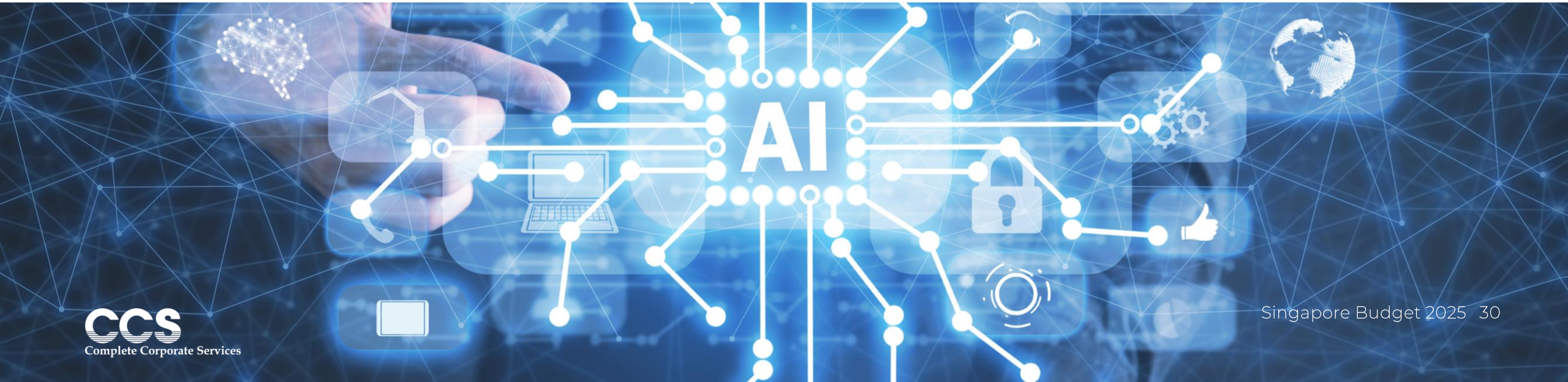
S$150 million Enterprise Compute Initiative

This new initiative is intended to help companies to leverage artificial intelligence ("AI") more effectively.

Eligible companies will be able to partner with other service providers to access AI tools and expert consultancy services.

Commentary

This initiative provides a "leg-up" for smaller enterprises to level up their AI capabilities. We await further information on the scope of support which can be provided by this initiative.



CCS-MS Singapore Budget Seminar 2025

Date: Friday, 7 March 2025
Time: 1.30pm – 5.00pm
(Registration with Buffet Lunch starts at 12.00pm)
Venue: Pan Pacific Singapore, Pacific Ballroom (Level 1), Marina Square, 7 Raffles Blvd, Singapore 039595

Save the Date

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