Singapore Budget 2025 – Onward Together for a Better Tomorrow

On 18 February 2025, Prime Minister and Minister for Finance, Mr. Lawrence Wong, unveiled Singapore's Budget 2025 ("**Budget 2025**") in Parliament, which introduces strategic measures to tackle rising business costs, strengthen Singapore's global competitiveness, and advance sustainability goals. Against a backdrop of growing geopolitical tensions and uncertainty, Budget 2025 also recognises Singapore's 60th year of independence with the introduction of the SG60 Package, celebrating the milestones and future aspirations of the country.

Budget 2025 includes targeted tax changes to better position Singapore as a leader in innovation, supporting business growth, technology adoption, and sustainability practices. Budget 2025 also focuses on strengthening local enterprises, developing essential worker skills, and fostering workforce equality.

Notably, Budget 2025 is expected to achieve a surplus of S$6.8 billion, or 0.9% of GDP, marking a positive shift from previous fiscal projections.

We discuss in this client alert selected fiscal measures in Budget 2025 impacting businesses and individual taxpayers. These measures are aimed at:

- supporting the growth of Singapore's corporate sector;
- enhancing internationalisation and M&A schemes;
- strengthening Singapore's financial services industry;
- bolstering Singapore's maritime industry; and
- supporting individuals via a personal income tax rebate.

Supporting the growth of Singapore's corporate sector

Provision of a 50% corporate income tax ("**CIT**") rebate in Year of Assessment ("**YA**") 2025, with a minimum benefit of S$2,000 for eligible companies	A CIT rebate of 50% of tax payable will be granted for YA 2025. Additionally, active companies that have employed at least one local employee in 2024 will receive a minimum benefit of S$2,000 in the form of a cash payout, known as the "**CIT Rebate Cash Grant**". The maximum amount that a company can receive from both the CIT Rebate and CIT Rebate Cash Grant is capped at S$40,000.
Enhancement of section 13W of the Income Tax Act 1947 ("**ITA**") to provide certainty of non-taxation of companies' disposable gains	Currently, section 13W of the ITA provides that gains derived from the disposal of ordinary shares by companies will not be taxed if: • 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 ("**shareholding threshold condition**"); and • the shares are disposed during the period of 1 June 2012 to 31 December 2027. Budget 2025 proposes to remove the sunset date of 31 December 2027, in addition to the following enhancements: • the scope of eligible gains will be expanded to include gains from the disposal of preference shares; and

	• the shareholding threshold condition is to be assessed on a group basis. The above changes will apply to disposal gains that have been derived on or after 1 January 2026.
Tax deduction on payments made under an approved cost-sharing agreement ("**CSA**") for innovation activities	To support and encourage collaborative innovation activities, companies will be allowed to claim a 100% tax deduction for payments made under an approved CSA for innovation activities. At present, payments for innovation activities were not entitled to the deduction. The Economic Development Board ("**EDB**") will provide further details by Q2 2025.
Introduction of a tax deduction on payments to the holding company or SPV for the issuance of new shares of the holding company under employee equity-based remuneration ("**EEBR**") schemes	Currently, companies are allowed a 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. Budget 2025 proposes to allow tax deduction claims on payments to the holding company or an SPV for the issuance of new shares of the holding company under EEBR schemes. The deduction will be the lower of: • the amount paid by the company; and • 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, and the Inland Revenue Authority of Singapore ("**IRAS**") will provide further details by Q3 2025.
Extension and enhancement of the Land Intensification Allowance ("**LIA**") scheme	The LIA scheme will be extended until 31 December 2030. The scheme grants an approved recipient: • an initial allowance of 25% of the qualifying capital expenditure incurred on the qualifying building; and • an annual allowance of 5% on the qualifying capital expenditure incurred over 15 years, upon the 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", users must have at least 75% of their shareholding held in common (in the case of partnerships, to have entitlement to at least 75% of the income), whether directly or indirectly ("**shareholding requirement**").

	For LIA applications made from 1 January 2026, the shareholding requirement will be lowered from "at least 75%" to "more than 50%". The Building and Construction Authority and EDB will provide further details by Q3 2025.
Enhancement of the Enterprise Financing Scheme ("**EFS**")	The EFS enables Singapore enterprises to access financing more readily across all stages of growth. There will be two enhancements to the EFS: • the maximum loan quantum under the EFS – Trade Loan will be permanently enhanced from S$5 million to S$10 million; and • the scope of the EFS – Mergers and Acquisitions Loan will be enhanced beyond equity acquisitions to support targeted asset acquisitions from 1 April 2025 to 31 March 2030.
Assistance with higher labour costs	The following employment credit schemes (under which employers receive a certain percentage of the wages they pay their employees) are extended to encourage the hiring of seniors, people with disabilities, and ex-offenders: • Senior Employment Credit ("**SEC**") (for hiring seniors) is extended to 31 December 2026 – the qualifying age for the highest SEC wage support tier is also increased to 69 years old from 68 years old; • Uplifting Employment Credit (for hiring local ex-offenders) is extended to 31 December 2028; and • Enabling Employment Credit (for hiring people with disabilities) is extended to 31 December 2028. In line with the government's plans to ensure that Singaporean and Singapore permanent resident workers aged 56 to 70 years old will have the same CPF contribution rates as younger workers by 2030, the next increase will take place on 1 January 2026 for workers aged 56 to 65 years old. To support employers, the government will provide an automatic one-year CPF Transition Offset, whereby employers will receive an amount equivalent to half the 2026 increase in employer CPF contribution rates for such workers.

Comments:

The CIT Rebate and CIT Rebate Cash Grant offer immediate relief to businesses – particularly small and medium enterprises ("**SMEs**") – by alleviating cost pressures and improving cash flow, while the tax deductions for innovation-related activities demonstrates the government's determination to promote greater innovation by Singaporean companies. On the employment front, the government shows balanced support for both employees and employers – evident in the extension of credit to encourage inclusive hiring efforts and allowing tax deductions for EEBR schemes to enhance productivity and employee engagement, ultimately increasing the competitiveness of Singapore businesses.

Collectively, these proposals are testament to Singapore's proactive approach to balance short-term business needs with long-term economic goals by providing tax relief, alleviating labour costs, and facilitating financing efforts. Nevertheless, the effectiveness of these measures will largely hinge on the ease with which businesses can access and benefit from them.

*Enhancements to internationalisation and Mergers & Acquisitions ("**M&A**") schemes*

Extension of the Enhanced Cap for the Market Readiness Assistance ("**MRA**") Grant	The MRA grant helps companies to expand into new markets overseas by defraying the costs of overseas market promotion, business development, and market set-up. The enhanced grant cap of S$100,000 per new market will be extended to 31 March 2026 to continue to support local SMEs expanding into new markets overseas.
Extension of the Double Tax Deduction for Internationalisation ("**DTDi**") scheme	The DTDi scheme allows businesses a tax deduction of 200% on qualifying market expansion and investment development expenses. The scheme will be extended until 31 December 2030. Enterprise SG will provide further details by Q2 2025.
Extension of the M&A scheme	The M&A scheme will be extended until 31 December 2030. Under the scheme, a Singapore company that makes a qualifying acquisition of ordinary shares of another company is allowed to claim the following tax benefits: • an M&A allowance (to be written down over five years) up to S$10 million per YA; and • 200% tax deduction on transaction costs (up to S$100,000 per YA) incurred on qualifying acquisitions.

Comments:

The foregoing schemes reflect the government's commitment to global competitiveness and growth – by providing grants and tax deductions, the government demonstrates its understanding of the risks and costs of seizing opportunities in foreign markets. Companies should proactively make use of these schemes to expand their businesses globally.

Strengthening Singapore's financial services industry

Introduction of listing CIT rebate for new corporate listings in Singapore	Singapore tax resident qualifying companies and registered business trusts ("**RBTs**") may apply for a CIT rebate of 20% for primary listings and 10% for secondary listings with share issuance, subject to a cap of S$6 million per YA for entities with a market capitalisation of at least S$1 billion, and S$3 million per YA for those with less than S$1 billion. To be eligible, entities must: • achieve a primary or secondary (with share issuance) listing on a Singapore exchange and remain listed for at least five years; • commit to incremental local business spending or fixed asset investments, and incremental skilled employment by the end of the five-year award tenure. The rebate is non-renewable, and the scheme will be open for award until 31 December 2027. EDB and Enterprise SG will administer this incentive.
New concessionary tax rate ("**CTR**") under the Financial Sector Incentive ("**FSI**")-Fund Management ("**FSI-FM**") for newly-listed fund	A new CTR tier of 5% will be introduced for newly listed fund managers in Singapore under the FSI-FM scheme. The 5% CTR applies to fees earned from qualifying fund management and investment advisory activities under FSI-FM.

manager in Singapore	To qualify, a fund manager must: • achieve a primary listing on a Singapore exchange and remain listed for at least five years – this can be either the fund manager or its holding company; • distribute a portion of its profits as dividends; and • meet minimum requirements for professional headcount and assets under management (“**AUM**”). The award tenure is five years per fund manager and is non-renewable. The scheme will be open for awards until 31 December 2028. The Monetary Authority of Singapore (“**MAS**”) will administer this incentive.
Introduction of CIT exemption under FSI-FM on fund managers’ qualifying income arising from funds investing in Singapore-listed equities	Budget 2025 proposes to exempt from CIT qualifying income (i.e., fees earned from fund management and investment advisory activities related to qualifying funds) earned by fund managers arising from funds that invest substantially in Singapore-listed equities. To qualify, fund managers must: • meet the existing minimum requirements for professional headcount and AUM under FSI-FM; • for new and existing funds, they must allocate at least 30% of AUM to Singapore-listed equities; and • additionally for existing funds, they must also demonstrate annual net inflows (i.e., subscriptions less redemptions to fund) equivalent to at least 5% of the fund’s AUM in the preceding year. The award tenure is five years per fund managed by the fund manager and is non-renewable. The scheme will be open for awards until 31 December 2028. MAS will administer this incentive.
New CTR of 15% for the FSI scheme	An additional CTR 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. MAS will provide further details by Q2 2025.
Introduction of new 15% CTR for Insurance Business Development (“**IBD**”) Schemes	A new 15% CTR tier will be introduced for the IBD, IBD-Captive Insurance (“**IBD-CI**”), and IBD-Insurance Broking Business (“**IBD-IBB**”) schemes with effect from 19 February 2025. MAS will provide further details on these enhancements by Q2 2025.
Extension of current IBD and IBD-CI schemes	The IBD and IBD-CI schemes will be extended until 31 December 2030.
Extension of income tax concessions for Real Estate Investment Trusts Listed on the Singapore Exchange (“**S-REITs**”)	The following income tax concessions for S-REITs will be extended from 31 December 2025 to 31 December 2030: • tax exemption on qualifying foreign-sourced income (“**FSIE**”) received by S-REITs, their wholly-owned Singapore sub-trusts, and their wholly-owned (directly or indirectly) companies incorporated and tax resident in Singapore subject to conditions; and • final withholding tax (“**WHT**”) rate of 10% on S-REIT distributions received by

	qualifying non-tax-resident non-individuals and qualifying non-tax-resident funds.
Enhancement of income tax concessions for S-REITS	The scope of specified income received by the trustee of a S-REIT eligible for tax transparency treatment will be expanded to include all co-location and co-working income derived from 1 July 2025. With effect from 19 February 2025, the FSIE for S-REITs is refined as follows: • rental and ancillary income received in Singapore will qualify as foreign-sourced income, subject to conditions; • the requirement for wholly-owned companies of S-REITs to be incorporated in Singapore will be removed (although they must remain Singapore tax residents to qualify for the concession); • repayment of shareholder loans and return of capital will now be recognised as qualifying modes of remittance, allowing wholly-owned Singapore sub-trusts and wholly-owned Singapore tax resident companies to pass remitted income through to S-REITs; and • Singapore sub-trusts will be allowed to deduct other operational expenses against their income before passing the remaining amount to S-REITs. IRAS will provide further details by Q2 2025.
Extension of Income Tax Concessions for Real Estate Investment Trust Exchange-Traded Funds listed on the Singapore Exchange ("**S-REIT ETFs**")	Budget 2025 proposes to remove the sunset date of 31 December 2025 for tax transparency treatment for S-REITs trustees that applies to distributions received by S-REIT ETFs from S-REITs. Budget 2025 also proposes to extend until 31 December 2030 the final WHT rate of 10% for S-REIT ETF distributions received by qualifying non-tax-resident non-individuals and qualifying non-tax-resident funds.
Extension of GST remission for S-REITs and Singapore-listed RBTs	The GST remission for input GST on certain expenses granted to S-REITs and Singapore-listed RBTs in the infrastructure business, ship leasing, and aircraft leasing sectors is extended until 31 December 2030.
Lapse of the Venture Capital Fund Incentive ("**VCFI**") and the Venture Capital Fund Management Incentive ("**FMI**")	Both the VCFI and FMI will lapse after 31 December 2025.

Other industry specific proposals

Rationalisation of the tax incentives for project and infrastructure finance	The exemption of qualifying income from qualifying project debt securities ("**QPDS**") will lapse after 31 December 2025. 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, subject to the satisfaction of the conditions of the QPDS scheme. On the other hand, the exemption of qualifying foreign-sourced income from qualifying offshore infrastructure projects / assets received by approved entities listed on the Singapore Stock Exchange will be extended to 31 December 2030.
Lapse of the WHT concession for non-tax resident arbitrators and mediators	The concessionary WHT rate of 10% on income derived by non-tax resident arbitrators and mediators from arbitration and mediation work carried out in Singapore will lapse on 31 December 2027.

Comments:

These efforts align with Singapore's vision of building a resilient, dynamic, and future-ready economy that can thrive amidst global uncertainties and maintain its status as a trusted and innovative financial hub. That said, the success of these proposals remains to be seen, especially vis-à-vis the global minimum tax under BEPS 2.0 Pillar Two.

Maritime-related tax proposals

Introduction of the Approved Shipping Financing Arrangement ("**ASFA**") Award (for Ships and Containers)	The ASFA Award aims to support the ownership and management of ships and sea-containers from Singapore. With effect from 19 February 2025, the ASFA Award provides WHT exemption on the following: • interest and related payments made by approved entities to non-tax resident lenders in respect of qualifying arrangements entered on or before 31 December 2031 to finance the purchase or construction of ships and container; and • ship and container lease payments made to non-tax resident lessors (excluding payments derived from any operation carried on by the non-tax-resident through its permanent establishment in Singapore) under finance lease agreements for ASFA Award recipients. The Marine Port Authority of Singapore ("**MPA**") will provide further details by Q2 2025.
Extension of the broad-based WHT for ship and container lease payments under certain circumstances	The following payments are currently exempted from WHT: • container lease payments made to non-tax-resident lessors under operating lease agreements; and • ship and container lease payments made by specified Maritime Sector Incentive ("**MSI**") recipients to non-tax-resident lessors (excluding payments derived from any operations carried on by the non-tax-resident lessor through its permanent

	establishment in Singapore) under finance lease agreements. These exemptions will be extended to agreements entered into on or before 31 December 2031.
Extension and Enhancement of the following MSI sub-schemes: • MSI-Shipping Enterprise (Singapore Registry of Ships) ("**MSI-SRS**") • MSI-Approved International Shipping Enterprise ("**MSI-AIS**") Award • MSI-Maritime Leasing (Ship) ("**MSI-ML (Ship)**") Award • MSI-ML (Container) Award • MSI-Shipping-related Support Services ("**MSI-SSS**") Award	The MSI is extended until 31 December 2031. The WHT exemption will also be extended for qualifying payments made by qualifying MSI entities to non-tax-residents made in respect of qualifying financing arrangements entered on or before 31 December 2031 to finance the construction or purchase of qualifying assets, subject to conditions. For certain MSI sub-schemes, the qualifying scope will also be updated with effect from 19 February 2025, with key changes including: • for the MSI-SRS, MSI-AIS, and MSI-SSS – expanding the scope of prescribed ship management services to include emission management services; • for MSI-SRS and MSI-AIS – expanding the scope of offshore renewable energy activities to cover subsea distribution of renewable energy generated onshore; • for MSI-ML (Ship) – expanding the scope of ships used for offshore renewable energy activities to include ships supporting subsea distribution of renewable energy generated onshore; • for MSI-ML (Ship) and MSI-ML (Container) – allowing assets leased-in from third parties under finance leases treated as sale agreements to be recognised as qualifying assets; and • for MSI-SSS – expanding the scope of shipping-related support services to include maritime technology services. The MPA will provide further details by Q2 2025.

Comments:

Historically, Singapore's geographical position along the Singapore Strait has been pivotal in its rise as a global trade key player. Building on this heritage, these measures ensure that the maritime sector remains competitive and a cornerstone of Singapore's economy, capable of navigating future challenges and opportunities in an evolving global trade landscape. The focus on renewable energy and maritime technology reflects the government's efforts to future-proof its maritime industry, ensuring that Singapore remains a critical node in global supply chains.

Personal income tax

60% personal income tax rebate for YA 2025	All Singapore tax resident individuals will automatically enjoy a personal income tax rebate of 60% of tax payable for YA 2025, capped at $200 per taxpayer.

Concluding comments

In line with its motto, "*Onward Together for a Better Tomorrow*", Budget 2025 looks to balance fostering economic growth and ensuring social equity, reflecting the government's strategic focus on Singapore's competitiveness and long-term development as a global hub for industries such as technology, shipping, and finance while making sure no one is left behind. The extension of employment-focused initiatives – targeting seniors, ex-offenders, and individuals with disabilities – alongside CIT rebates and internationalisation schemes, underscores the government's commitment to leverage the contributions of its diverse workforce to drive the nation's economic growth.

Following the dampening of global competitiveness post BEPS 2.0, it is imperative for Singapore to sustain if not enhance its appeal as a premier investment destination, all while upholding its commitment to BEPS 2.0. This is evident in Budget 2025's array of financial incentives designed to attract global investment and drive innovation, reinforcing Singapore's standing as a trusted financial hub. Amidst an increasingly uncertain and evolving tax landscape, Singapore's ability to remain a stable and reliable choice for international investors will be a decisive factor in maintaining its investment attractiveness.

Outside of taxes, Budget 2025 introduces various schemes (not outlined in this alert) that encourage digitalisation and AI-adoption amongst businesses. As a budget borne out of a fiscal surplus, Budget 2025 introduces a plethora of social support programmes and fiscal incentives aimed at fostering sustainable growth across individuals and driving innovation across businesses. Domestically, Budget 2025 looks to support Singaporeans and businesses dealing with cost-of-living concerns and rising operating costs.

How we can help

We urge businesses to consider the applicability of the budget proposals discussed in this alert. These, together with existing measures, provide numerous schemes which businesses can take advantage of to help them achieve their strategic goals of growing their businesses, expanding internationally, adopting more innovative techniques, and optimising their workforce.

When adopting these schemes, businesses should also consider implications for their overall tax strategy and whether proper plans are made to maximise their benefits. This could include:

- examining the overall tax structure of the business group and determining whether there can be greater tax efficiencies;
- ensuring that the tax structure is supported by robust transfer pricing policies, tax compliance capabilities, and tax governance regimes; and
- considering the impact of international developments such as BEPS, U.S. tax and tariff policies, and others on the sustainability of the tax strategy.

We have significant experience assisting businesses with developing tax strategies which complement their strategic business objectives. Please do not hesitate to contact us if you have any questions.

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About WTS Taxise

Taxise Asia LLC (WTS Taxise) is a Singapore-based law firm specialising in international tax and international trade law. Founded in 2019 by some of the region's market-leading international tax and international trade lawyers and practitioners, WTS Taxise offers practical and audit conflict-free objective advice on complex local and international tax and trade matters drawn from its unique mix of professionals with law firm, in-house and academia experience.

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