

SINGAPORE BUDGET 2025



FOREWORD

As Singapore marks its 60th anniversary, the SG60 budget presented by Prime Minister Mr. Wong strikes a fine balance between the growth, business, social support as well as the fiscal balance.

For households, the budget provides for vouchers to offset inflation, tax rebate, significant additional support for skills development, support to 'large' families with more than 2 kids and various other support measures.

On the corporate and business front, the SG60 budget provides for a corporate tax rebate of up to S\$ 40,000, enhancement of wage credits, extension of certain grants and tax incentives, additional funding to National Productivity Fund as well as air, energy and R&D Infrastructure to help with the business competitiveness.

Removal of the sunset clause from safe harbour provisions related to exemption of disposal gains (earlier slated to expire in 2027) as well as broadening of its scope are welcome moves to enhance the global competitiveness of Singapore as a top investment hub. Additionally, the tax incentives and other measures to enhance the appeal of listing on Singapore Stock Exchange as well as Private Credit Fund to support high growth businesses in Singapore should help in making Singapore Capital Markets more vibrant.

Recognizing the need for transforming the businesses to address challenges arising from new technologies like artificial intelligence ('AI'), the budget provides for a new Enterprise Compute Initiative, which will support the local businesses to "leverage AI more effectively in their transformation journey".

Despite the various credits, tax incentives and financial support offered to households and businesses, Singapore expects a fiscal surplus of S\$6.8 billion, or 0.9 per cent of gross domestic product for the 2025 financial year. Thus, SG60 budget does not burden the future generation while enhancing the present as well as future positioning of Singapore economy and its inclusiveness.

With the above backdrop, we summarise the specific topics of the budget proposal and recent developments over the last one year in this publication for your reading and reference.





Corporate Tax

Corporate Income Tax (CIT) Rebate and CIT Rebate Cash Grant



- To provide support for companies' cash flow needs, the Government has announced the following measures:
 - CIT Rebate of 50% will be granted to all tax-paying companies for the Year of Assessment (YA) 2025.
 - Companies that are active* and satisfying the "local employee condition^" will receive a minimum benefit of S\$2,000 in the form of a CIT Rebate Cash Grant.
- The CIT Rebate Cash Grant will be automatically received by second quarter of 2025. In addition, the CIT Rebate will be automatically computed and allowed in companies' tax assessments after their YA 2025 estimated chargeable income and CIT returns are filed.
- The CIT Rebate and CIT Rebate Cash Grant are capped at a maximum of S\$40,000. Accordingly, corporate tax rebate is optimised at a taxable income of ~ S\$573,000 after factoring into the partial tax exemption.

** An active company refers to one that is carrying on a trade or business at the point of disbursement of the CIT Rebate Cash Grant.*

^ Local employee condition is met if a company has made Central Provident Fund (CPF) contributions to at least one Singapore Citizen or Permanent Resident, excluding shareholders who are also directors of the company, in the calendar year 2024. The local employee may include an individual who is deployed to the company under a centralised hiring arrangement or secondment arrangement, subject to fulfilment of certain conditions.

Extended the Double Tax Deduction for Internationalisation (DTD_i) scheme



- In order to continue supporting businesses in their internationalisation efforts, a tax deduction of 200% on qualifying market expansion and investment development expenses allowed to businesses under the DTD_i scheme has been extended till 31 December 2030 (earlier scheduled to lapse after 31 December 2025).
- Enterprise SG will provide further details by second quarter of 2025.



Mergers and Acquisitions (M&A) Scheme



- The M&A scheme originally introduced in Budget 2010 for a 5-year period and with subsequent extensions, the sunset date was 31 December 2025. It has now been proposed to extend the said Scheme till 31 December 2030 to continue supporting companies to grow through M&A.
- Under the existing M&A scheme, an M&A allowance is granted to the acquiring Singapore company that makes a qualifying acquisition of the ordinary shares of another company on a straight-line basis over 5 years. The M&A allowance rate is 25% of the value of all qualifying acquisitions per YA (upto S\$ 40 million), thereby capping it at S\$10 million per YA. In addition, double tax deduction (200%) is granted on transaction costs (with a cap of S\$100,000 per YA) incurred on qualifying acquisitions.

Enhancement of Section 13W of Income Tax Act, 1947 (ITA)



- Singapore's Budget 2012 introduced a scheme providing upfront tax certainty for disposal of ordinary shares under Section 13W of ITA (commonly known as safe harbour rule). Gains derived from disposal of ordinary shares by companies during the period of 1 June 2012 to 31 December 2027, in an investee company (subject to certain exclusions) are non-taxable if the divesting company held at least 20% of those shares for at least 24 months prior to the said disposal.
- In order to provide greater certainties to companies, the sunset date under Section 13W will be removed and following enhancements have been proposed:
 - Expand the scope to include gains from the disposal of preference shares that are accounted for as equity by the investee company under the applicable accounting principles. Until now, only disposal of ordinary shares were eligible under Section 13W.
 - Additionally, the shareholding threshold condition of 20% will be tested on a group basis.
- These changes will take effect for disposal gains derived on or after 1 January 2026. IRAS will provide further details by third quarter of 2025.

Lapse of Venture Capital Fund Incentive (VCFI) and the venture capital Fund Management Incentive (FMI) to lapse



- The VCFI granted tax exemption to approved venture capital funds on qualifying income and the venture capital FMI tax incentive granted a CTR of 5% on qualifying income of approved fund management companies derived from managing an approved venture capital fund. At present, the sunset date for both the incentives is 31 December 2025.
- To ensure that the tax incentives remain relevant, both the incentives will be allowed to lapse after 31 December 2025. The Government remains committed to supporting the venture capital sector through a holistic suite of policies and initiatives.





- To encourage new listings in Singapore and increase investment demand for Singapore-listed equities, the following tax incentives will be introduced:

A. Listing CIT Rebate for new corporate listings in Singapore:

To encourage companies to raise public capital and grow their economic activities in Singapore, qualifying entities may apply for a 10% or 20% Listing CIT Rebate. The details of the same are provided below:

Parameters	Details
Qualifying entities	Companies and registered business trusts that are tax residents in Singapore
Tax benefit	Primary listings: 20% CIT rebate Secondary listings (with share issuance): 10% CIT rebate Subject to rebate cap of: a. S\$ 6 million per YA for qualifying entities with market capitalisation of at least S\$ 1 billion; or b. S\$ 3 million per YA for qualifying entities with market capitalisation of less than S\$ 1 billion
Minimum criteria	<ul style="list-style-type: none">Achieve a primary or secondary (with share issuance) listing on a Singapore exchange and remain listed for 5 years.Commit to incremental local business spending or fixed asset investments, and incremental skilled employment by the end of the award tenure.
Award tenure	5 years per qualifying entity, non-renewable
Scheme duration	Open for award until 31 December 2027
Administering agency	EDB and EnterpriseSG





B. Enhanced concessionary tax rate (CTR) of 5% for new fund manager listings in Singapore:

An enhanced CTR of 5% has been announced under the Financial Sector Incentive – Fund Management (FSI-FM) scheme for newly listed fund managers in Singapore, encouraging fund managers to expand their operations through public fundraising and grow their investment activities in Singapore. The details of the same are provided below:

Parameters	Details
Qualifying entities	Singapore fund managers
Tax benefit	5% CTR on qualifying income. Qualifying income is fees earned from qualifying fund management and investment advisory activities under FSI-FM
Minimum criteria	<ul style="list-style-type: none">Fund manager or its holding company achieves a primary listing on a Singapore exchange and remains listed for 5 years.Fund manager must distribute a portion of its profits as dividends.Fund manager must also meet minimum requirements for professional headcount and assets under management (“AUM”).
Award tenure	5 years per fund manager, non-renewable
Scheme duration	Open for award until 31 December 2028
Administering agency	Monetary Authority of Singapore





C. Tax exemption on fund managers' qualifying income arising from funds investing substantially in Singapore-listed equities

To encourage investment in Singapore's listed equities, fund managers launching and managing qualifying funds that invest substantially Singapore's listed equities will enjoy a corporate tax exemption that will be introduced under the FSI-FM scheme. The details of the same are provided below:

Parameters	Details
Qualifying entities	Singapore fund managers
Tax benefit	<p>Tax exemption on qualifying income</p> <p>Qualifying income is fees earned from fund management and investment advisory activities related to the qualifying funds (as defined below in the minimum criteria)</p>
Minimum criteria	<ul style="list-style-type: none"> Fund managers must meet minimum requirements for professional headcount and AUM, as currently required of FSI-FM companies. Qualifying funds must meet the following criteria: <ul style="list-style-type: none"> a. For new funds: At least 30% of AUM invested in Singapore-listed equities b. For existing funds: <ul style="list-style-type: none"> i. At least 30% of AUM invested in Singapore-listed equities; and ii. Annual net inflows (i.e., subscriptions less redemptions to fund) equivalent to at least 5% of fund's AUM in the preceding year
Award tenure	5 years per fund managed by fund manager, non-renewable
Scheme duration	Open for award until 31 December 2028
Administering agency	Monetary Authority of Singapore

Financial Sector Incentive (FSI) Scheme



- Under the existing provisions, the FSI scheme provides for CTR of 10% and 13.5% on qualifying income (where applicable). To ensure that Singapore tax incentives remain competitive and relevant, an additional CTR tier of 15% will be introduced with immediate effect from 19 February 2025 for the FSI-Standard Tier, FSI-Trustee Company and FSI-Headquarter Services schemes.
- MAS will provide further details by the second quarter of 2025.

Deduction on payments for the issuance of new shares of the holding company under Employee Equity-Based Remuneration (EEBR) schemes



- To ensure that the tax regime remains relevant and competitive, 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 under EEBR schemes. In other words, expenses incurred on stock-based compensation recharges are now deductible even if employee receives newly issued shares (not treasury shares). This update is in alignment with a well-established market practice across industries wherein a significant part of compensation for employees is equity based.
- The amount of deduction shall be calculated as below:

A. Lower of:	xxx
i. The amount paid by the company; and	
ii. 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	
B. Less: any amount payable by employees for the shares	(xxx)
Deduction allowed (A-B)	xxx

- IRAS will provide further details by third quarter of 2025.

Payments made under Cost-Sharing Arrangements (CSA)



- To further encourage businesses to build their own innovations and to support collaborative innovation activities, the Government has revised the scope of tax deductibility of payments made under a CSAs* for innovation activities.
- With effect from 19 February 2025, a 100% tax deduction for payments made under an approved CSA for innovation activities shall be introduced. The tax deduction may be available even if the activities for which such payments are made do not meet the definition of ‘research and development’ in Section 2 of the ITA (however payment should be made under an approved CSA). This update indicates a potential relaxation on tax deductibility expenses incurred on approved CSAs for innovation activities which may have a bearing on companies operating in the IT industry.
- Further details will be available by the second quarter of 2025 on the Economic Development Board (EDB) website.

** For the purposes of this tax deduction, CSAs are agreements or arrangements made by two or more persons to share the expenditure of innovation activities to be carried out under the agreements or arrangements.*



Rationalise the tax incentives for Project and Infrastructure Finance

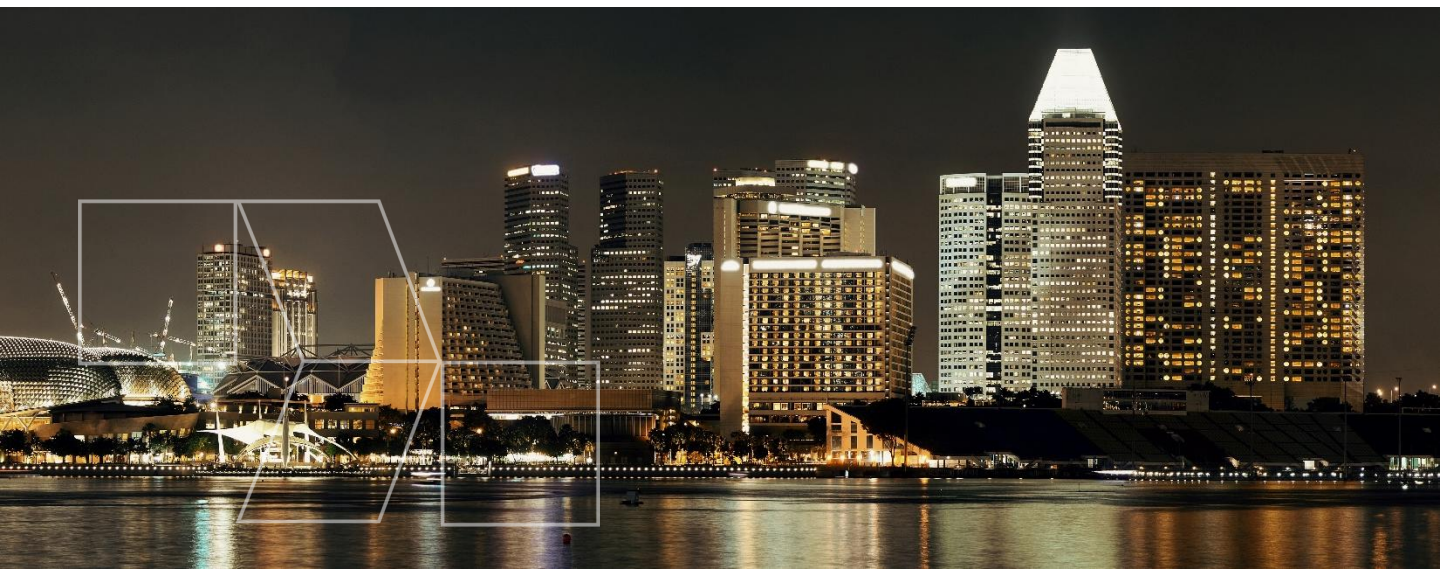


- The existing Project and Infrastructure Finance scheme (scheduled to lapse after 31 December 2025) provides tax incentives which include:
 - a. Exemption of qualifying income from qualifying project debt securities (QPDS); and
 - b. Exemption of qualifying foreign-sourced income from qualifying offshore infrastructure projects / assets received by approved entities listed on the Singapore Exchange. (QOIP)
- The QPDS scheme shall be allowed to lapse after 31 December 2025. Project bond investors can continue to avail the tax incentives for debt securities such as the Qualifying Debt Securities (QDS) scheme, if the debt securities qualify as QDS and the conditions of the QDS scheme are satisfied. Investors of QPDS issued on or before 31 December 2025 will continue to enjoy the tax benefits under the QPDS scheme for the remaining life of the issue of the securities, if the conditions of the QPDS scheme are satisfied.
- In respect of the existing tax incentives under the QOIP scheme [mentioned in b) above], the same will be extended till 31 December 2030 in order to support Singapore-based infrastructure project sponsors that leverage Singapore's financial ecosystem to invest in and finance overseas infrastructure projects.

Extension and refinement of the Insurance Business Development (IBD) scheme



- Under the existing scheme, a CTR of 10% on the relevant qualifying income is granted to approved insurers and insurance brokers under the IBD, IBD-Captive Insurance (IBD-CI) and IBD-Insurance Broking Business (IBD-IBB) schemes. The IBD and IBD-CI schemes are scheduled to lapse after 31 December 2025.
- To continue supporting Singapore's value proposition as an Asian insurance and reinsurance centre, the IBD and IBD-CI schemes will be extended till 31 December 2030.
- In addition to the extension, an additional CTR tier of 15% will also be introduced with effect from 19 February 2025 for the IBD, IBD-CI and IBD-IBB schemes.
- Further details on the additional CTR tier are expected to be provided by MAS by second quarter of 2025.



Extension and enhancement of the income tax concessions for Real Estate Investment Trusts listed on the Singapore Exchange (S-REITs)



- The existing income tax concession granted to S-REITs has been extended until 31 December 2030. Further, there are certain refinements in the scope as follows:
- The scope of specified income for the tax transparency treatment will be expanded to include all co-location and co-working income derived from 1 July 2025.
- The following refinements will be introduced for FSIE-REIT from 19 February 2025:
 - a. Qualifying foreign-sourced income will include rental and ancillary income received in Singapore from 19 February 2025, subject to conditions;
 - b. The requirement for wholly-owned companies of S-REITs to be incorporated in Singapore will be removed. The wholly-owned companies must still be Singapore tax residents to qualify for the concession;
 - c. Repayment of shareholder loans and return of capital will now be recognised as qualifying modes of remittance for wholly-owned Singapore sub-trusts and wholly-owned Singapore tax resident companies to pass remitted income through to S-REITs; and
 - d. Singapore sub-trusts will be allowed to deduct other operational expenses against their income before passing the remaining amount to S-REITs.
- IRAS will provide further details by second quarter of 2025.

Extension of the income tax concessions for Real Estate Investment Trust Exchange-Traded Funds (REIT ETFs) listed on the Singapore Exchange (S-REIT ETFs)



- The existing income tax concessions granted to S-REIT ETFs and their investors have been extended and refined as follows:

Income tax concessions	Refinements in Budget 2025
Tax transparency in the hands of the trustee of S-REIT ETFs on distributions received by S-REIT ETFs from S-REITs, which are paid out of the latter’s specified income. The same is scheduled to lapse after 31 December 2025.	The sunset date for the said tax concession will be removed.
Final WHT rate of 10% for S-REIT ETFs distributions received by qualifying non-tax-resident non-individuals and qualifying non-tax-resident funds. The same is scheduled to lapse after 31 December 2025.	The sunset date for the said tax concession has been extended till 31 December 2030.

Extension: GST remission for S-REITs and RBTs



- The GST remission for Real Estate Investment Trusts listed on the Singapore Exchange (S-REITs) and Singapore-listed Registered Business Trusts (RBTs) in the infrastructure business, ship leasing and aircraft leasing sectors has been extended until 31 December 2030.
- This extension allows these entities to continue claiming GST on their business expenses, helping maintain Singapore’s competitiveness as a hub for REITs and business trusts. The remission was originally set to expire on 31 December 2025.

Introduction of Approved Shipping Financing Arrangement (ASFA) Award (for Ships and Containers)



- To support the ownership and management of ships and sea-containers from Singapore, a new ASFA Award will be introduced.
- The Award shall provide WHT exemption on 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. Such arrangements should be entered to finance the purchase or construction of ships and containers.
- Ship and container lease payments made to non-tax resident lessors (excluding payments derived from any operation carried on by the non-tax-resident through its permanent establishment in Singapore) under finance lease (FL) agreements for ASFA Award recipients will also be exempted from WHT.
- The ASFA Award will be administered by Maritime and Port Authority of Singapore (MPA) and shall be introduced with effect from 19 February 2025.
- Further details on the award scheme shall be provided by the MPA by second quarter of 2025.

Extension and enhancement of the Maritime Sector Incentive (MSI)



- Ship operators, maritime lessors and providers of certain shipping-related support services can enjoy various tax concessions by way of exemption, CTR or the alternative net tonnage basis of taxation, subject to conditions under the below mentioned current incentive 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-ML (Container) Award; and
 - e. MSI-Shipping-related Support Services (MSI-SSS) Award
- In addition, WHT exemption is granted on qualifying payments made by qualifying MSI entities to non-tax-residents (excluding a permanent establishment in Singapore) in respect of qualifying financing arrangements entered to finance the construction or purchase of qualifying assets (e.g., ships, containers), subject to conditions.
- To claim the exemptions under the existing schemes, the arrangements must be entered into on or before 31 December 2026. Further, 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.
- To continue developing Singapore as an international maritime centre, the MSI will be extended till 31 December 2031. Similarly, the WHT exemption will be extended for qualifying payments made on qualifying financing arrangements entered on or before 31 December 2031.



Extension and enhancement of the Maritime Sector Incentive (MSI) (cont'd)



- Further to ensure that the MSI remains relevant, the qualifying scope will be updated as below:
 - a. Emission management services will be included as a prescribed ship management services under the MSI-SRS, MSI-AIS and MSISSS
 - b. The subsea distribution of renewable energy generated onshore shall be covered in the scope of offshore renewable energy activities under the MSI-SRS and MSI-AIS;
 - c. Ships that support subsea distribution of renewable energy generated onshore shall be included as ships used for offshore renewable energy activities under the MSI-ML (Ship);
 - d. Assets leased-in from third parties under FL treated as sale agreements shall be recognised as qualifying assets under the MSI-ML (Ship) and MSI-ML (Container) awards; and
 - e. Maritime technology services shall be included in the scope of shipping-related support services under the MSI-SSS
- These changes will take effect from 19 February 2025.
- Further details on the schemes shall be provided by the MPA by second quarter of 2025.

Extension and refinement of Land Intensification Allowance (LIA)



- To continue encouraging companies to intensify their land use, the LIA will be extended for another five years till 31 December 2030.).
- Further, the shareholding requirement for building users to be considered as related will be lowered from “at least 75%” to “more than 50%”. This change will apply to LIA applications made from 1 January 2026.
- Building and Construction Authority (BCA) and EDB will provide further details by third quarter of 2025.



Withholding Tax (WHT) sunset date and some refinements



- The WHT exemption for container lease payments made to non-tax-resident lessors under Operating Lease (OL) agreements has been extended to agreements entered on or before 31 December 2031 (it was originally scheduled to lapse after 31 December 2027) to continue supporting local container lessees in Singapore.
- The WHT exemption for ship and container lease payments made by specified Maritime Sector Incentive (MSI) recipients to non-tax-resident lessors under Finance Lease (FL) agreements has been extended to agreements entered on or before 31 December 2031 to further develop Singapore as an international maritime centre. The said exemption was originally scheduled to lapse after 31 December 2028.
- This extension ensures that Singapore remains attractive for maritime businesses by reducing financing costs for vessel and container leasing, reinforcing its status as a global hub for shipping and maritime services.
- At present, non-tax-resident arbitrators and mediators enjoy a concessionary tax treatment on their income derived from arbitration and mediation work in Singapore. The said concession is scheduled to lapse after 31 December 2027. Accordingly, once the concession expires, their income which is currently subject to a concessionary WHT rate of 10% will be taxed under the general WHT rules applicable to non-resident professionals.
- To ensure parity in the treatment of income for non-tax-resident professionals, the tax concession for non-tax-resident arbitrators and mediators will be allowed to lapse after 31 December 2027.
- Despite the above change, the Singapore Government will continue supporting the international arbitration and the commercial mediation sectors through a holistic suite of policies and initiatives.





Personal Income Tax

Personal Income Tax Rebate



- As part of the SG60* package to share the gains of Singapore's progress, a personal income tax rebate of 60% will be granted to all tax resident individuals for the YA 2025. The rebate will be capped at S\$200 per taxpayer.

**SG60 is a nationwide movement celebrating Singapore's 60th year of independence.*

CPF Cash Top-up Relief



- Cash top-ups made from 1 January 2026 to the MediSave Account (MA) of a Matched MediSave Savings Scheme (MMSS) eligible CPF member that attract the MMSS matching grant will not qualify for CPF Cash Top-Up Relief from YA 2027.
- This aligns with the current tax treatment for the Matched Retirement Savings Scheme (MRSS), where cash top-ups to the Retirement Account (RA) or Special Account (SA) of an MRSS-eligible CPF member that receive the MRSS matching grant do not qualify for CPF Cash Top-Up Relief.
- CPF Cash Top-Up Relief remains available (up to S\$16,000 per year as detailed below) for eligible cash top-ups not receiving MMSS or MRSS matching grants.
 - Upto S\$8,000 per year for top-ups to the giver's own SA, RA, or MA.
 - Upto S\$8,000 per year for top-ups to the SA, RA, or MA of loved ones.
- This change ensures that the MMSS matching grant remains the key government support measure, preventing double benefits while maintaining tax relief for other voluntary CPF top-ups.





Other Key Income Tax Developments and Updates of 2024

THE YEAR 2024 IN RETROSPECT

The year 2024 unfolded as a transformative period, shaped by geopolitical, trade, technological and environmental challenges and opportunities. Rising nationalism, further accentuated by U.S. presidential elections, added complexity to international dynamics. Technological advancement continued to reshape industries and societies with Artificial Intelligence seeing widespread adoption - driving innovation across sectors albeit raising ethical questions.

2024 saw Singapore maintain an excellent GDP growth rate of 4%, a record since the beginning of this decade. Singapore implemented strategic policies to support resilience and innovation while balancing public revenue with a phased increase in GST to 9% Singapore expanded the Enterprise Innovation Scheme ('EIS') with enhanced tax deductions and cash payouts to encourage innovation, digital transformation, and sustainability, among businesses. These measures fostered productivity and growth, particularly for SMEs and startups.

Singapore's tax policies reflected a commitment to long-term growth, leveraging fiscal tools to drive innovation, support enterprises, and maintain economic stability amidst global uncertainties.

With the above backdrop, we have summarised below the key tax related developments during 2024.

TAX DEVELOPMENTS AND UPDATES OF 2024

CORPORATE INCOME TAX

New: Tax Treatment of Gains or Losses from the Sale of Foreign Assets under section 10L (dealing with economic substance requirements)

On 8 December 2023, Inland Revenue Authority of Singapore ('IRAS') issued a set of guidelines on tax treatment of Gains or Losses from the sale of any movable or immovable property situated outside Singapore (referred to as "foreign asset") in certain situations. The guidelines were updated again on 9 December 2024 to clarify the following key points:

- a. If foreign assets are distributed to shareholders without consideration under liquidation process, it does not fall under Section 10L, as no gains are received in Singapore.
- b. Transfers of foreign assets in a corporate merger are treated as disposals under Section 10L, unless a qualifying corporate amalgamation election is made.
- c. Foreign disposal gains kept outside Singapore and used for paying Singapore one-tier exempt dividends, are not considered received in Singapore.
- d. Section 10L applies to situations where there is a sale or transfer of shares (or rights/interest) during share capital reductions, buybacks, or redemptions. However, if these actions only involve the cancellation or extinguishment of shares without a sale or transfer, Section 10L does not apply.



Other Key Income Tax Developments and Updates of 2024

Income Tax Advance Ruling available to confirm the Adequacy of Economic Substance under section 10L

Foreign-sourced disposal gains from the sale or disposal of a foreign asset (not being an intellectual property rights) should not be treated as income chargeable to tax (under Section 10L) in Singapore if the entity has adequate economic substance in Singapore.

Taxpayers can now apply for an advance ruling to seek certainty on the adequacy of economic substance if the proposed sale or disposal of foreign asset is expected to occur within one (1) year from the date of the application.

New: Alternative Net Tonnage Basis of Taxation

As announced in Budget 2024, to better align Singapore's tax regime for shipping entities with common international practices, an alternative net tonnage basis of taxation ("NTT basis") is available for (i) shipping enterprises under Section 13A, (ii) approved international shipping enterprises under Section 13E and (iii) approved shipping investment enterprises under Section 13P with effect from Year of Assessment (YA) 2024.

Update: Guidelines on Functional currencies other than Singapore Dollars

On 12 August 2024, IRAS updated the guidelines issued under e-Tax Guide for filing of Income Tax Computations in Functional Currencies other than Singapore Dollars. The key updates were as follows:

- a) Election under Section 25: For transfers of property during business conversion (of legal form of entity), both, the transferor and transferee, can elect for the transferee to claim unutilized capital allowances. The transferor's property value in their functional currency should be converted to the transferee's functional currency using the exchange rate at the date of transfer.
- b) Singapore REIT Distributions: Tax withheld on Singapore interest or REIT distributions will be based on the actual amount withheld, which should be shown on the Singapore dividend statements.

Updated: Tax Exemption under Section 13(12) for REIT

On 10 June 2024, IRAS updated the e-Tax Guide to clarify that, for tax exemption under Section 13(12), the remitted income (net of 'Qualifying expenses') must be passed through to the Singapore Real Estate Investment Trust (S-REIT) as dividends or trust distributions.

This applies to wholly owned Singapore companies or sub-trusts of an S-REIT. Qualifying expenses include financing, statutory, administrative, and incidental expenses related to the remittance and overseas property investments.

Updated: Tax framework for Variable Capital Companies (VCC):

On 31 May 2024, the IRAS updated the e-Tax Guide on the tax framework for VCC. The changes include the following:



Other Key Income Tax Developments and Updates of 2024

- a) **Expense Deductions:** The update clarifies that certain business expenses are not deductible for VCCs under specific sections of the Income Tax Act (ITA), such as:
- Intellectual property protection (14A).
 - Expenditures related to trade fairs, overseas investment & employee salaries (14B, 14H, 14I).
 - Research and development costs (14C, 14D, 14E).
 - Various deductions for building modifications, employee remuneration, and intangible assets (14F, 14J, 14L, 14M, 14S, 14U, 14ZG).

Updated: Tax Treatment of REIT ETFs

On 30 April 2024, IRAS updated the e-Tax Guide to highlight that tax over-deducted should only be claimed once, either by the trustee/manager of the REIT or as tax credit under section 46(1)(d) by the beneficiary.

Updated: Tax Treatment of R&D and IP-Related Expenditure

On 20 March 2024, IRAS updated the e-Tax Guide on Tax Treatment of R&D and IP-Related Expenditure to align with introduction of Enterprise Innovation Scheme (EIS). The guide also revises the tax treatment for writing down allowances under Section 19B for Intellectual Property Rights (IPRs), with further enhanced allowances available under the EIS for qualifying IPR acquisition costs.

The R&D tax measures under Sections 14C and 14D have been extended to YA 2028, with specific tax deductions available for pharmaceutical companies.

Updated content: Dormant Companies - Form for Recommencement of Business

Once a dormant company recommences business or starts to receive any income, the company must notify IRAS within 1 month from the date of commencement of business or earning / receiving the income by filing out the form for Recommencement of Business to request for the Form C-S/ Form C-S (Lite)/ Form C.

Updated: Tax Deductions for Renovation and Refurbishment (R&R)

On 8 August 2024, the IRAS updated the guidelines issued under the e-Tax Guide on Tax Deductions for Renovation and Refurbishment (R&R) with two key changes:

- a) Incorporated the tax change announced in Budget 2023, i.e., taxpayers can now choose to claim qualifying R&R expenditures in the year incurred (YA 2024) instead of spreading it over three years.
- b) Incorporated the tax change announced in Budget 2024, i.e., expands the scope of qualifying R&R expenses to include designer and professional fees that do not affect the structure of the premises. It also provided for the fixed three-year claim period, while retaining the option to claim it in one year.



Other Key Income Tax Developments and Updates of 2024

New: Corporate income tax (CIT) rebate for YA 2024

As per the 2024 Budget Statement, a Corporate income tax (CIT) rebate of 50% and a CIT rebate cash grant of SGD 2,000 for eligible companies, subject to a combined (tax rebate and cash grant) cap of SGD 40,000 for year of assessment 2024, was also introduced during the year.

MONETARY AUTHORITY OF SINGAPORE (MAS) UPDATES

On 4 April 2024, MAS issued a circular clarifying how funds and managed accounts handled by Singapore-based fund managers can meet the economic substance requirements to comply with section 10L of the ITA (dealing with economic substance requirement).

Additionally, on 1 October 2024, in line with the Singapore 2024 Budget announcement that the tax incentive schemes (Section 13D, 13O and 13U) will be extended till 31 December 2029 and will undergo certain revisions, MAS issued a circular detailing the changes in the fund tax incentives which are effective 1 January 2025.

MAS has confirmed that the Goods and Services Tax (GST) remission and the withholding tax (WHT) exemption on interest and other qualifying payments made to non-residents by incentivized funds will continue to apply and remain unchanged (i.e. will be extended until 31 December 2029.)

The fixed recovery rate is determined annually based on the proportion of taxable supplies made by the industry. From 1 January 2025 to 31 December 2025, the fixed recovery rate will be 91%.

As this is an important topic for the fund industry, the key changes have been discussed in a detailed manner in our earlier news alert available [here](#).

TRANSFER PRICING

Updated: Indicative Margins for Related Party Loans (RPLs)

The IRAS had updated its website in January 2024 to provide the 2024 indicative margin for RPLs not exceeding SGD 15 million. For such RPLs obtained or provided during the period 1 January 2024 to 31 December 2024, the indicative margin (on top of the applicable base reference rate) recommended by the IRAS for adoption is 220 bps (2.20%).

The IRAS had further updated its website on January 2025 to provide the 2025 indicative margin for all domestic RPLs where neither party are in the business of borrowing and lending, and other RPLs not exceeding SGD 15 million. For such RPLs obtained or provided during the period 1 January 2025 to 31 December 2025, the indicative margin (on top of the applicable base reference rate) recommended by the IRAS for adoption is 170 bps (1.70%).

For illustration purposes, if a Singapore taxpayer had provided a floating rate loan of SGD 10 million to its related party in June 2024 referenced to the three-month Singapore Overnight Rate Average (SORA), the IRAS would be prepared to accept an RPL interest rate of 2.20% plus the 3-Month SORA as an arm's length transaction. If such loan is provided in June 2025, the IRAS would be prepared to accept an RPL interest rate of 1.70% plus the three-month SORA as an arm's length transaction.



Other Key Income Tax Developments and Updates of 2024

New: IRAS e-Tax Guide: Transfer Pricing (TP) Guidelines (Seventh Edition)

On 14 June 2024, the IRAS published the seventh edition of the TP Guidelines. In this edition, the IRAS provides updates and amendments as follows:

- Alignment of the TP guidelines to new exemption rules for related party loans entered on or after 1 January 2025
- Alignment of the TP guidelines to the increase in the threshold for exemption from TP documentation for certain transactions from S\$1 million to S\$2 million.
- Clarification regarding the making of working capital adjustment in comparability analysis
- Clarification on due date of simplified TP documentation
- Guidance on base reference rates
- Guidance on TP adjustments relating to capital account transactions
- Guidance on strict pass-through costs
- Guidance on effect on TP due to government assistance
- Update on the TP audit process and circumstances under which partial or full remission of the surcharge may be provided by IRAS

PILLAR 2 TOP-UP TAXES

New: Multinational Enterprise (Minimum Tax) Act 2024 (MMTA)

On 27 November 2024, the Multinational Enterprise (Minimum Tax) Act 2024 was published in Singapore's Official Gazette. This is applicable to enterprises for financial years beginning on or after 1 January 2025. It contains provisions relating to applicability of the (a) Income Inclusion Rule i.e. Multinational enterprise Top up Tax (MTT) and (b) Qualified Domestic Top-up tax i.e. Domestic Top up Tax (DTT). The Act also provides for provisions regarding notifications to IRAS, filing of GloBE information returns, MTT return, DTT return, payments of MTT and DTT as well as other provisions for assessments, objections, appeals and offences.

On 30 December 2024, the Multinational Enterprise (Minimum Tax) Regulations 2024 was also published in Singapore's Official Gazette. The regulations provide detailed provisions with regards to computing the GloBE income, relevant adjustments, GloBE safe harbours, transition and other relevant rules.

Further, the Singapore Official Gazette published Order No. S 1060 on 30 December 2024, which announces 1 January 2025 as the entry into force date of the Multinational Enterprise (Minimum Tax) Act 2024 (MMTA), thus making GloBE regulations a reality in Singapore. The new Act and regulations would affect large multinational enterprise group crossing the threshold consolidated revenue of EUR 750 million in at least two of the four FY preceding the tested FY.



Other Key Income Tax Developments and Updates of 2024

FY beginning on or after 1 January 2025 would be the first year where the new Act and regulations will be applicable. The first GloBE return, MTT return and/or DTT return would be due on 31 March 2027 (30 June 2027, if it is a transition year) and the payments of MTT and DTT (if any) would be due by 30 April 2027 (31 July 2027, if it is a transition year).

INTERNATIONAL TAX UPDATES

INTERNATIONAL TAX AGREEMENTS CONCLUDED BY SINGAPORE

New: Singapore signed competent authority arrangement (CAA) to establish the mode of application of arbitration proceedings with Netherlands and New Zealand

- The competent authorities of Singapore and Netherlands signed a CAA on 12 January 2024
- The competent authorities of Singapore and New Zealand signed a CAA on 18 and 21 November 2024

New: Singapore and Rwanda Sign Protocol to amend Avoidance of Double Taxation Agreement (DTA)

On 20 September 2024, Singapore and Rwanda have signed a Protocol amending the existing DTA. The Protocol amends the preamble of the DTA and introduces a new Article 26A (Entitlement to Benefits), pursuant to the internationally agreed Base Erosion Profit Shifting minimum standards for countering treaty abuse.

New: Singapore Signed New DTA with Kenya

Singapore and Kenya signed a new DTA for the elimination of Double Taxation with respect to Taxes on Income and the Prevention of Tax Evasion and Avoidance on 23 September 2024. This new DTA replaces the earlier agreement signed on 12 June 2018.

Update: Multilateral Convention to Implement Tax Treaty-Related Measures to Prevent Base Erosion and Profit Shifting (“BEPS MLI”)

The amendments made by the MLI to Singapore’s DTA with Mongolia took effect from 1 January 2025

JUDICIAL DECISIONS

GIO v Comptroller of Income Tax [2024] SGITBR 1: Taxation of gains

In GIO v Comptroller of Income Tax [2024] SGITBR 1, the Income Tax Board of Review (the Board) provided guidance on the taxation of gains under Section 10(1)(g), particularly regarding the sale of immovable properties. The decision highlights the importance of the taxpayer’s intent when acquiring the property. For investors transitioning from non-real estate investments to real estate, it is essential to consider whether gains from property disposal will be classified as capital (non-taxable) or income (taxable), depending on the purpose of the acquisition.



Other Key Income Tax Developments and Updates of 2024

GIP v The Comptroller of Income Tax [2024] SGITBR 2: Invocation of GAAR

The ruling for the case *GIP v The Comptroller of Income Tax [2024] SGITBR 2*, pertains to an arrangement made by a medical practitioner incorporating a company and entering into a partnership with a leading medical service provider to render medical services. The Comptroller of Income Tax (CIT) invoked the GAAR to disregard the arrangement and attributed all of the company's income to the taxpayer for tax liability purposes. The invocation of the rule emphasizes the need for taxpayers to ensure thorough documentation and transparency to support their arrangements.

The Board upheld the CIT's additional tax assessments given the arrangement lacked bona fide commercial reasons. Accordingly, this decision reinforces the strict application of anti-avoidance provisions in Singapore, emphasizing the need for genuine existence of bona-fide commercial reasons behind business structures.

Thus, it is advisable that the taxpayers should maintain adequate documentation to support their commercial intent in respect of choosing a particular business structure and arranging their transactions, especially where it entails any tax benefit.

Changi Airport Group (Singapore) Pte Ltd v Comptroller of Income Tax [2024]: "Plant" vs "Structure"

In the case *Changi Airport Group (Singapore) Pte Ltd v Comptroller of Income Tax [2024] SGHC 281*, the Singapore High Court upheld the Income Tax Board of Review's decision, ruling that certain airport assets were classified as "structures" rather than "plant."

This meant they were not eligible for capital allowances under section 19A of the Income Tax Act 1967. The Court clarified the distinction between "plant" and "structures," emphasizing that the classification depends on an asset's primary function.

The ruling follows previous case law, notably *Singapore Cement Manufacturing Co* decision, and reinforced that assets primarily serving as physical support (like runways) are "structures," not "plant," and thus ineligible for capital allowances.

ADVANCE RULINGS

Additional matters on which advance rulings have been issued in 2024, amongst others, include the following issues.

- Tax treatment of the Tender Premium paid in relation to the early redemption of Existing Notes under the ITA accepted for purchase by issuer.
- Tax treatment of Tender Fees paid in relation to the early redemption of Notes under the ITA, specifically regarding tax exemptions, concessions, and withholding tax.
- Tax treatment of gains from disposal of shares, highlighting tax exemption under 13W and capital nature of share transfer



Other Key Income Tax Developments and Updates of 2024

- Tax treatment of liquidation proceeds
- Characterisation of hybrid instrument and related issues
- Withholding tax treatment of discount on the sale of trade receivables
- Tax treatment of Exchange Fee paid pursuant to exchange of Existing Notes
- Tax treatment of proposed transfer of Properties
- Tax transparency treatment on the income from the sale of electricity derived by a real estate investment trust
- Tax treatment of tender fees payable on notes offered for sale and accepted for purchase by the issuer of notes

COMMON REPORTING STANDARDS

New: IRAS e-Tax Guide: Common Reporting Standard (CRS)

On 12 January 2024, the IRAS published the third edition of the e-Tax guide on CRS. In this edition the IRAS provided updates as below:

- Clarification regarding the definition of “Participating Jurisdiction” and “Reportable Jurisdiction” to align with the Common Reporting Standards
- Removal of the paragraph which related to the transitional approach as the transitional approach for Participating Jurisdictions has expired
- Clarification regarding the requirements for the collection of valid self-certifications, in line with OECD’s CRS-related FAQs.

Updated: List of Participating Jurisdiction for CRS purposes

On 1 February 2024, the IRAS published the updated list of participating jurisdictions for the purposes of CRS information reporting (effective from 2 February 2024). Two new jurisdictions have been added to the list of participating jurisdictions: Kenya and Thailand.

Updated: List of Reportable Jurisdiction for Common Reporting Standard (CRS) purposes

On 1 February 2024, the IRAS published the updated list of reportable jurisdictions for the purposes of CRS information reporting for reporting year 2023. Five new jurisdictions have been added to the list of reportable jurisdictions: Aruba, Bulgaria, Kenya, Saint Kitts and Nevis, and Thailand. Antigua and Barbuda have been removed from the list of reporting jurisdictions.



Other Key Income Tax Developments and Updates of 2024

Updated: IRAS updated FAQs F.9 on CRS

On 25 July 2024, the IRAS has updated its FAQ F.9 to provide clarity on how to report the account balance or value of account holders of a trust that is an Investment Entity. The IRAS has clarified that reporting would depend on whether such trust calculates the value of its equity interests based on the purpose that requires the most frequent determination of value, and the balance or value of debt interest is its principal amount

Updated: Amended CRS XML schema

On 18 October 2024, IRAS has published OECD CRS Schema version 3.0, updated for the new requirements under the Amended CRS. From 2027, all CRS returns in XML format, including past returns, must be formatted and submitted using the CRS XML Schema Version 3.0.

New: IRAS CRS TIN Guide

On 21 November 2024, the IRAS published the CRS TIN Guide (First edition). The purpose of this guide is to facilitate Reporting Singaporean Financial Institutions (SGFI) in reviewing Tax Identification (TIN) information of their account holders. This guide contains the TIN and TIN equivalent information for the reportable jurisdictions that Reporting SGFIs must report on.

New: Singapore signs the Addendum to the Multilateral Competent Authority Agreement on Automatic Exchange of Financial Account Information.

On 26 November 2024, in lines with the Singapore's commitment to international tax transparency, Singapore signed the Addendum to the Multilateral Competent Authority Agreement (MCAA) on Automatic Exchange of Financial Account Information which is expected to commence exchanges under the Amended CRS by 2027

CRYPTO-ASSET REPORTING FRAMEWORK (CARF)

New: Singapore signs the Addendum to the Multilateral Competent Authority Agreement pursuant to the Crypto-Asset Reporting Framework.

On 26 November 2024, Singapore signs Multilateral Competent Authority Agreement on Automatic Exchange of Information pursuant to the Crypto-Asset Reporting Framework.

The CARF, published in June 2023, provides for the automatic exchange of tax relevant-information on Crypto-Assets and seeks to address the rapid growth of the crypto-asset market, and to ensure that recent gains in global tax transparency are not gradually eroded.





Other Key Income Tax Developments and Updates of 2024

COUNTRY-BY-COUNTRY REPORTING

Updated: Country-by-Country Reporting (CbCR) exchange relationships

During the CY 2024, Kenya, Montserrat, Papua New Guinea, Ukraine, Albania and Georgia were added to the list of jurisdictions that have exchange relationships with Singapore.

CbC Reports submitted to IRAS will be provided to tax authorities of jurisdictions with which Singapore has established bilateral Automatic Exchange of Information (AEOI) relationships under the MCA

GOODS & SERVICES TAX (GST)

Updated: Tax framework for Variable Capital Companies (VCC)

On 31 May 2024, the IRAS updated the e-Tax Guide on the tax framework for Variable Capital Companies (VCC). The changes include the following:

- a) **GST Registration Liability:** Each sub-fund of an umbrella VCC is treated as a separate entity for GST purposes, and must assess its GST registration liability, including under the reverse charge regime for imported services and low-value goods.
- b) **GST Treatment:** If a sub-fund is GST-registered, it accounts for GST on its supplies and can claim input tax on purchases.

Updated: GST Advance Ruling System

On 15 July 2024, the IRAS updated the GST Advance Ruling System to clarify that the CGST cannot make an advance ruling if the transaction is related to a GST return already submitted or due within a month. The update specifies that applications must be submitted at least one month before the GST return filing due date to allow sufficient time to file the return correctly after receiving the ruling.

Updated: Guide on exports

On 8 July 2024, the IRAS updated the GST e-Tax Guide on Exports with the following key amendments:

- a) A **shipment label** is now accepted as a valid transport document.
- b) **Transport documents** are no longer required to be endorsed.
- c) A **proof of delivery** from the postal/courier company is now required, confirming delivery to the overseas customer (e.g., online tracking record).

Update: GST treatment for Motor Vehicle Traders

On 2 December 2024, the IRAS updated its guidelines on 'hire purchase financing' from the finance company's perspective.



Other Key Income Tax Developments and Updates of 2024

Previously, the e-Tax guide stated that the sale of a motor vehicle under a hire-purchase agreement involves two separate supplies; one to the finance company and one to the hirer. The seller must account for GST on the vehicle's selling price (excluding ARF, COE, RF, and Road Tax) to the finance company. From the finance company's perspective, the amendment clarifies that the hire-purchase agreement involves:

- A taxable supply of the vehicle to the hirer.
- An exempt supply of financial services.

New: GST Provision for workers' dormitories

On 22 July 2024, IRAS updated the e-Tax Guide on the GST treatment for construction industry to incorporate provision of workers' dormitories (WD). The key provisions for WD included:

- a) Exempt vs Taxable Supplies: Rental for bare premises is exempt from GST, but rental for furniture and fittings is considered as a taxable supply and hence subject to GST.
- b) Additional Services: Services like meals, laundry, cleaning, security and maintenance of common facilities are subject to GST.
- c) Apportionment: If rental is charged on lump-sum basis, the rental components for the premises and furniture must be apportioned for GST purposes.
- d) Input Tax: Input tax related to exempt supplies is non-claimable, and common expenses must be apportioned.

Updated: GST Treatment on the Electronic Tourist Refund Scheme (eTRS)

On 1 June 2024, IRAS updated the guidelines to specify that the CRC operator (Global Tax Free Pte Ltd) will handle all refunds for tourists on behalf of CRAs IRs until 31 May 2027.

CRC fee for cash and non-cash refund for all eTRS transactions refunded are effective until 31 May 2027

Additionally, CRAs/IRs wishing to continue after their 5-year approval period must submit a fresh application at least one year before expiry and the Comptroller of GST reserves the right to appointment period of CRA/IRA

GST InvoiceNow Requirement

On 15 April 2024, IRAS announced the adoption of InvoiceNow that will allow GST-registered businesses to transmit invoice data directly to the IRAS using InvoiceNow solutions. The said system would be implemented in following phases to allow smooth transition for businesses:





Other Key Income Tax Developments and Updates of 2024

- a) From 1 May 2025, a soft launch for early adoption by allowing all existing GST-registered businesses to transmit invoice data voluntarily to the IRAS using InvoiceNow solutions via the InvoiceNow network.
- b) From 1 November 2025, for newly incorporated companies that voluntarily register for GST. Newly incorporated companies refer to those that are incorporated within six months from the time they submit their application for GST registration.

From 1 April 2026, for all new voluntary GST-registrants, regardless of their incorporation date. The GST InvoiceNow Requirement will be implemented as an additional condition for voluntary GST registration.

IRAS conducted a public consultation exercise on the draft e-Tax Guide for "Adopting InvoiceNow Requirement for GST-registered Businesses". The consultation addressed various issues such as phased implementation, scope, mandatory elements, data transmission, obligations, data protection, and government support. The key outcomes of the same are:

- IRAS will release a revised e-Tax Guide and FAQ, incorporating feedback.
- A sandbox environment is available for testing API integration and invoice data submissions.
- Existing GST businesses not participating in the soft launch are not required to activate the GST InvoiceNow feature.
- IRAS will clarify which businesses fall under each timeline.





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