BDO BUDGET BULLETIN

Singapore Budget 2025: Paving the Path to a Stronger Future

On 18 February 2025, Prime Minister and Minister for Finance, Mr. Lawrence Wong, unveiled the Singapore Budget 2025, which is pivotal as it coincides with the nation's 60th anniversary. As we reflect on Singapore's remarkable transformation from a small island nation to a global economic powerhouse, we now stand at the crossroads of a rapidly evolving global landscape, where economic and trade barriers are reshaping the world.

Budget 2025 builds upon the success of previous initiatives, setting a clear path forward to help Singapore navigate global challenges, support economic transitions, and leverage our nation's core strengths—our exceptional workforce, robust defence capabilities, diplomatic expertise, and steadfast national unity. This Budget is not merely a response to current challenges faced by businesses and individuals; it is also a comprehensive roadmap designed to unlock future opportunities, elevate Singapore to the next phase of growth, and secure long-term prosperity for generations to come.

Corporate Tax

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

- To assist companies in meeting their cash flow requirements, a CIT Rebate of 50% of tax payable will be granted for the Year of Assessment ("YA") 2025.
- Companies that are active and 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 ("CIT Rebate Cash Grant"), which will be disbursed from the second quarter of 2025 onwards.
- A company is considered to have met the one local employee condition if it has made Central Provident Fund ("CPF") contributions to at least one employee who is a Singapore Citizen or Permanent Resident, excluding shareholders who are also directors of the company in 2024.
- The maximum benefits of CIT Rebate and CIT Rebate Cash Grant that a company may receive is capped at S$40,000.

Double Tax Deduction for Internationalisation ("DTDi") scheme

- To further support businesses in their internationalisation efforts, the DTDi scheme will be extended till 31 December 2030.

What's in this Bulletin

Mergers and Acquisitions ("M&A") scheme

- To further support companies in driving growth through M&A, the scheme will be extended till 31 December 2030.

Payments to holding company or special purpose vehicle ("SPV") for issuance of new shares under employee equity-based remuneration ("EEBR") schemes

- To ensure that our tax regime remains relevant and competitive, companies will be allowed to claim a tax deduction on payments made to the holding company or a SPV for the issuance of new shares of the holding company under EEBR schemes.

- The tax deduction will be the lower of:

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

  less any amount payable by employee for the shares.

- The changes will take effect from YA 2026.

Section 13W of the Income Tax Act 1947

- To offer companies greater certainty regarding the non-taxation of disposal gains, the sunset date of 31 December 2027 will be removed, and the following enhancements will be made:

  (a) Expand the scope of eligible gains to include gains from the disposal of preference shares that are accounted for as equity by the investee company under the applicable accounting standards; and

  (b) Allow the shareholding threshold condition to be done on a group basis.

- The changes above will take effect for disposal gains derived on or after 1 January 2026.

Approved cost-sharing agreement ("CSA")

- To foster collaborative innovation activities, a 100% tax deduction will be introduced for payments made by companies under an approved CSA for innovation activities, effective from 19 February 2025.

Land Intensification Allowance ("LIA") scheme

- To further encourage businesses to intensify their land use, the LIA scheme will be extended till 31 December 2030.

- In addition, the shareholding requirement for building users to be considered as "related" will be reduced from "at least 75%" to "more than 50%".

- The change will apply to LIA applications made from 1 January 2026.

Tax incentives for Project and Infrastructure Finance

- To ensure our tax incentives remain relevant, the qualifying project debt securities ("QPDS") scheme will lapse after 31 December 2025.
- Project bond investors can continue to benefit from tax incentives for debt securities such as the Qualifying Debt Securities ("QDS") scheme, provided the debt securities qualify as QDS and conditions of the scheme are met.
- Investors of QPDS issued on or before 31 December 2025 will continue to enjoy the tax benefits under QPDS scheme for the remaining life of the securities, provided the conditions of the QPDS scheme are met.
- To support Singapore-based infrastructure project sponsors that leverage on Singapore's financial ecosystem to invest in and finance overseas infrastructure projects, the tax exemption on qualifying foreign-sourced income from qualifying offshore infrastructure projects/assets received by approved Singapore Exchange-listed entities will be extended till 31 December 2030.

Insurance Business Development ("IBD") scheme

- To further strengthen Singapore's position as an Asian insurance and reinsurance hub, the IBD and IBD-Captive Insurance ("IBD-CI") schemes will be extended till 31 December 2030.
- To ensure our tax incentives remain relevant and competitive, an additional concessionary tax rate ("CTR") tier of 15% will be introduced, effective from 19 February 2025, for the IBD, IBD-CI, and IBD-Insurance Broking Business schemes.

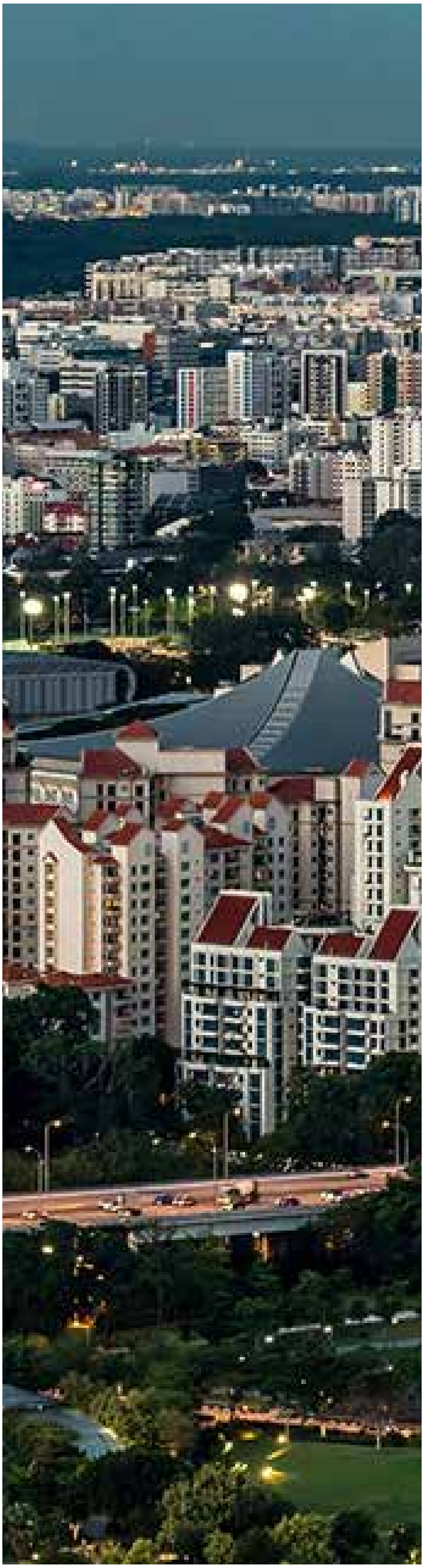
Additional CTR tier for the Financial Sector Incentive ("FSI") scheme

- An additional CTR tier of 15% will be introduced, effective from 19 February 2025, for the FSI-Standard Tier, FSI-Trustee Company and FSI-Headquarter Services schemes.

Tax incentives recommended by Equities Market Review Group

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

  (a) Listing CIT Rebate of 10% or 20% for new corporate listings in Singapore for qualifying entities, subject to the rebate cap of:
    - S$6 million per YA for qualifying entities with market capitalisation of at least S$1 billion; or
    - S$3 million per YA for qualifying entities with market capitalisation of less than S$1 billion;



(b) Enhanced CTR of 5% for new fund manager listings in Singapore under the FSI-Fund Management ("FSI-FM") scheme, subject to meeting certain conditions; and

(c) Tax exemption on fund managers' qualifying income arising from funds investing substantially in Singapore-listed equities under the FSI-FM scheme, subject to meeting certain conditions.

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

- To further promote the listing of REITs in Singapore and strengthen the country's position as a global REIT hub, the tax concessions granted to S-REITs and their investors will be extended till 31 December 2030.
- The scope of specified income eligible for 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, effective from 19 February 2025:

  (a) Qualifying foreign-sourced income will include rental and ancillary income received in Singapore, 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.

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

- The sunset date of 31 December 2025 for the tax transparency treatment in the hands of the trustee of S-REIT ETFs on distributions received by S-REIT ETFs from S-REITs, paid out of the latter's specified income, will be removed.
- The final withholding tax ("WHT") rate of 10% for S-REIT ETFs distributions received by qualifying non-tax-resident non-individuals and qualifying non-tax-resident funds, will be extended till 31 December 2030.

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

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

Approved Shipping Financing Arrangement ("ASFA") Award

- To support ownership and management of ships and sea-containers from Singapore, the ASFA Award will be introduced to provide WHT exemption on the following:
  - (a) Interest and related payments made by approved entities to non-tax-resident lenders for qualifying financing arrangements entered into on or before 31 December 2031 to finance the purchase or construction of ships and containers; and
  - (b) Ship and container lease payments made to non-tax-resident lessors (excluding payments derived from operations through a permanent establishment in Singapore) under finance lease ("FL") agreements.
- The ASFA Award will be introduced effective from 19 February 2025 and will be administered by the Maritime and Port Authority of Singapore.

Maritime Sector Incentive ("MSI")

- To further develop Singapore as an international maritime centre, the MSI will be extended till 31 December 2031.
- The WHT exemption will also be extended for qualifying payments made on qualifying financing arrangements entered into on or before 31 December 2031, for the purchase or construction of ships and containers.
- To ensure the MSI remains relevant, the following qualifying scope will be updated, and will take effect from 19 February 2025:
  - (a) Expand the scope of prescribed ship management services under MSI-Shipping Enterprise (Singapore Registry of Ships) ("MSI-SRS"), MSI-Approved International Shipping Enterprise ("MSI-AIS"), and MSI-Shipping-related Support Services ("MSI-SSS") to include emission management services;
  - (b) Expand the scope of offshore renewable energy activities under MSI-SRS and MSI-AIS to cover subsea distribution of renewable energy generated onshore;
  - (c) Expand the scope of ships used for offshore renewal energy activities under MSI-Maritime Leasing (Ship) ("MSI-ML (Ship)") to include ships that support subsea distribution of renewable energy generated onshore;
  - (d) Allow assets leased-in from third parties under FL treated as sale agreements to be recognised as qualifying assets under the MSI-ML (Ship) and MSI-ML (Container) awards; and
  - (e) Expand the scope of shipping-related support services under MSI-SSS to include maritime technology services.

Broad-based WHT exemption for container lease payments

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

Broad-based WHT exemption for ship and container lease payments

- The WHT exemption for ship and container lease payments made by specific MSI recipients to non-tax resident lessors under FL agreements will be extended to agreements entered into on or before 31 December 2031.

Personal Tax

Personal Income Tax ("PIT") Rebate for YA 2025

- As part of the SG60 package, a PIT rebate of 60% of tax payable will be provided to all tax resident individuals for YA 2025. The rebate will be capped at S$200 per taxpayer.

Matched MediSave Scheme ("MMSS") and CPF Cash Top-Up Relief

- The Government will introduce a five-year MMSS from January 2026 to enhance MediSave adequacy for seniors with lower balances.
- Under the MMSS, the Government will match every dollar of voluntary cash top-ups to the MediSave Account ("MA") for eligible CPF members, up to an annual cap of S$1,000.
- Anyone, including their families, employers, and the community, can make the top-ups to eligible members' CPF MA. However, givers will not receive income tax relief ("CPF Cash Top-Up Relief") for cash top-ups that attract the MMSS matching grant.
- To be eligible for the MMSS, the CPF member whose CPF MA is being topped up must:
  - Be a Singapore Citizen aged 55 to 70;
  - Own no more than one property;
  - Have a residential Annual Value of not more than S$21,000;
  - Have an average monthly income of not more than S$4,000; and
  - Have a CPF MA balance that is less than half the prevailing Basic Healthcare Sum.
- MMSS eligibility is automatically assessed every year, and the CPF Board will notify eligible members at the beginning of each year, from January 2026. Members can also check their eligibility via the CPF website from January 2026.

Matched Retirement Savings Scheme ("MRSS") and CPF Cash Top-Up Relief

- From 1 January 2026, the Government will expand the MRSS to include eligible persons with disabilities of all ages. Currently, MRSS applies to only eligible seniors aged 55 and above.
- Anyone, including their families, employers, and the community, can make the top-ups to eligible members' CPF Special Account or CPF Retirement Account. However, givers will not receive CPF Cash Top-Up Relief for cash top-ups that attract the MRSS matching grant.
- The current eligibility criteria applicable to eligible seniors will apply to eligible persons with disabilities.

- More information on how to register a person with disability will be announced in the second half of 2025.
- MRSS eligibility is automatically assessed every year, including for registered persons with disabilities. The CPF Board will notify eligible members at the beginning of each year and members can also check their eligibility via the CPF website.

WHT concession for non-tax resident arbitrators and mediators

- The WHT concession for income derived by non-tax resident arbitrators and mediators from arbitration and mediation work carried out in Singapore will lapse after 31 December 2027.

Goods and Services Tax

GST remission for S-REITs and Singapore-listed Registered Business Trusts ("RBTs")

- The existing GST remission for S-REITs and RBTs in the infrastructure, ship leasing, and aircraft leasing sectors will be extended till 31 December 2030.
- S-REITs and RBTs will continue to enjoy the concession to claim GST on expenses (subject to certain conditions) incurred for their businesses and their SPVs.

Others

Senior workers' CPF contribution rates and CPF Transition Offset

- As announced in 2019, the CPF contribution rates would be raised gradually for Singaporean and Permanent Resident workers aged above 55 to 70. The next increase in senior workers' CPF contribution rates for workers aged above 55 to 65 will take place on 1 January 2026.

	CPF contribution rates from 1 January 2026		
Age Band	**Total**	**Employer**	**Employee**
55 & below	No change		
> 55 to 60	34% (+1.5%)	16% (+0.5%)	18% (+1%)
> 60 to 65	25% (+1.5%)	12.5% (+0.5%)	12.5% (+1%)
> 65 to 70	No change (target contribution rates were reached in 2024)		
Above 70	No change		

- To mitigate the rise in business costs due to this increase, the Government will provide employers with a one-year CPF Transition Offset equivalent to half of the 2026 increase in employer CPF contributions for every Singaporean and Permanent Resident employee they hire aged above 55 to 65.

For further information, we welcome you to speak to any of our tax specialists below:

ABNER KOH
Executive Director
+65 6990 2833
abnerkoh@bdo.com.sg

CAROL SIM
Executive Director
+65 6990 2567
carolsim@bdo.com.sg

ELIS TAN
Executive Director
+65 6990 2837
elistan@bdo.com.sg

EU CHIN SIEN
Executive Director
+65 6990 2836
chinsien@bdo.com.sg

EVELYN LIM
Executive Director
+65 6990 2830
evelynlim@bdo.com.sg

HSU CHONG HOE
Executive Director
+65 6990 2832
chonghoe@bdo.com.sg

JACKSON CAI
Executive Director
+65 6990 2834
jacksoncai@bdo.com.sg

KYLIE LUO
Executive Director
+65 6990 2838
kylieluo@bdo.com.sg

KOH YUN QI
Executive Director
+65 6990 2670
yunqi@bdo.com.sg

NELSON TAN
Executive Director
+65 6018 0230
nelsontan@bdo.com.sg

WONG SOOK LING
Executive Director
+65 6990 2831
sookling@bdo.com.sg

WU SOO MEE
Executive Director
+65 6990 2835
soomee@bdo.com.sg

BDO TAX ADVISORY PTE LTD

600 North Bridge Road
#23-01 Parkview Square
Singapore 188778
Tel: +65 6828 9118
Fax: +65 6828 9111

www.bdo.com.sg

CONNECT WITH US.

Like us, follow us, engage us through
our social media channels: