Budget 2025

Feb 18, 2025

FOREWORD

While addressing the Budget 2025, the Prime Minister and Finance Minister Lawrence Wong projected Singapore's economic growth to moderate between 1% and 3% in 2025, following a robust 4.4% expansion in 2024. He acknowledged the challenges posed by escalating global tensions, particularly between the United States and China, and the economic and trade barriers which are expected to impact Singapore's open economy.

Titled “Onward Together for a Better Tomorrow” Budget 2025 has been introduced as a Budget for all Singaporeans. The Budget has provided a plethora of relief for all strata of society whether it is families, seniors, young children, senior workers or people with disabilities. The Budget has introduced measures to tackle challenges such as inflation, cost of living as also providing a SG60 package to celebrate 60 years of nationhood.

Immediate term relief by way of generous CDC vouchers, USave rebartes, LifeSG credits, Edusave top-ups, Climate vouchers and personal tax rebate has been offered alongwith SG60 vouchers, SG Culture pass and SG Active Credits. At the same time, structural and long terms changes by way of enhancements to Skills Future scheme and measures for seniors and for encouraging large families which has been a priority for Singapore have been provided for while also providing measures for the vulnerable.

For businesses, corporate tax rebates, and offsets by way of schemes such as Progressive Wage Credit Scheme, Senior Employment Credit, CPF Transition Offset and Uplifting Employment Credit and Enabling Employment Credit have been provided for.

From an overall economic perspective, defining priority areas such as giving a fillip to the stock market, doubling down on expansion of transportation modes including buses trains and more importantly a new airport Terminal, significant top-ups to the National Productivity Fund and the Future Energy Fund for clean energy sources as also the Coastal and Flood Protection Fund are well thought through measures to keep Singapore relevant and strong in the global landscape.

All in all, the Budget 2025 while being prudent has given enough reason for joy to all segments of society while ensuring long term priorities and focus areas are given sufficient attention for a sustainable long term and economic future to the nation and its residents.

CORPORATE INCOME TAX

CIT rebate and cash grant

To provide support for companies' cash flow needs, a CIT rebate amounting to 50% of their tax payable will be granted for Year of Assessment ("**YA**") 2025. Additionally, companies that are active and employed at least one local employee (defined as a Singapore Citizen or Permanent Resident for whom CPF contribution has been made), excluding shareholders who are also directors of the company during the calendar year 2024 will be eligible for a CIT Rebate Cash Grant of S$2,000. The combined total of the CIT rebate and the cash grant that a company can receive is capped at S$40,000. Eligible companies will automatically receive the benefits from the second quarter of 2025 onwards.

Enhancement of safe harbour rules relating to non-taxation on gains on disposal of shares

Section 13W of the Income Tax Act 1947 ("**SITA**") currently exempts companies from taxation on gains derived from the disposal of ordinary shares from taxation, provided certain conditions are met. These conditions include maintaining a minimum shareholding of 20% in the investee company for at least 24 months prior to its disposal.

As per the announcement made in Budget 2025, the sunset date under Section 13W will now be removed. Additionally, the scope of eligible gains will be expanded to include gains from the disposal of preference shares that are accounted for as equity by the investee company under applicable accounting principles. Furthermore, the assessment of the shareholding threshold condition will be conducted on a group basis, providing greater flexibility for companies.

These enhancements aim to provide companies with greater certainty and flexibility in their investment and divestment strategies.

The Inland Revenue Authority of Singapore ("**IRAS**") will provide further details by the third quarter of 2025.

When the details would need to be analysed, this is already a very welcome move and in line with various representations made by industry.

Introduction of tax deduction for payments related to issuance of new shares under Employee Equity-Based Remuneration ("EEBR")

Currently, Singapore companies can claim tax deductions for treasury shares or previously issued shares that are transferred to employees under EEBR schemes, however, no such deduction is available for the issuance of new shares.

To maintain the competitiveness of Singapore's tax regime, starting from YA 2026, Singapore companies will be permitted to claim a tax deduction for payments made to a holding company or Special Purpose Vehicle ("**SPV**") for issuing new shares under EEBR schemes. The deductible amount will be the lesser of:

(a) the payment made by the company, or
(b) the fair market value or net asset value of the shares (if the fair market value is not readily available) at the time they are allocated for the employee's benefit,

minus any amount payable by the employee for the shares.

The IRAS will provide further details on this change by the third quarter of 2025.

Tax deduction for payments made under an approved cost-sharing agreement ("CSA") for innovation activities

Currently, payments made under a CSA (being an agreement or arrangement made by two or more persons to share the expenditure of innovation activities to be carried out) are not deductible if it does not meet the definition of "research and development" under Section 2 of the SITA.

With effect from 19 February 2025, a 100% tax deduction will be introduced for payments made by the companies under an approved CSA for innovation activities to support collaborative innovation activities.

Economic Development Board ("**EDB**") will provide further details by second quarter of 2025.

Tax Incentives Proposed by Equities Market Review Group to Boost Singapore's Equities Market

In an effort to invigorate Singapore's equities market, the Equities Market Review Group has recommended tax incentives aimed at attracting new listings and boosting investment in Singapore-listed equities. The government has accepted these recommendations and will introduce the following tax incentives:

(i) **Listing CIT rebate for new corporate listings in Singapore**: This incentive offers a 20% CIT rebate for companies achieving a primary listing and a 10% rebate for those with secondary listings involving share issuance on a Singapore exchange. To qualify, companies must remain listed for five years and commit to increased local business spending or fixed asset investments, and incremental employment of skilled workers. The rebate is capped at S$6 million per YA for entities with a market capitalization of at least S$1 billion, and S$3 million per YA for those below this threshold. This scheme is open for applications until December 31, 2027. This rebate will be administered by Economic Development Board and Enterprise Singapore.

(ii) **Enhanced Concessionary Tax Rate ("CTR") for New Fund Manager listings**: Aimed at encouraging fund managers to expand their operations through public fundraising in Singapore, this measure introduces a 5% CTR under Financial Sector Incentive-Fund Manager ("**FSI-FM**") on qualifying income for newly listed fund managers. Eligibility criteria include achieving a primary listing on a Singapore exchange, maintaining the listing for five years, distributing a portion of profits as dividends, and meeting minimum requirements for professional headcount and assets under management ("**AUM**"). This incentive is available until December 31, 2028. This incentive will be administered by Monetary Authority of Singapore ("**MAS**").

(iii) **Tax exemption on fund managers' qualifying income from funds Investing in Singapore-listed equities**: To stimulate the launch and growth of funds with substantial investments in local equities, this incentive will offer a tax exemption to fund managers on qualifying income derived

from such funds. Fund managers must meet minimum professional headcount and AUM requirements, while the qualifying funds are required to invest at least 30% of their AUM in Singapore-listed equities. Existing funds are also required to achieve specific net inflow benchmarks. This exemption is applicable until December 31, 2028. This incentive will be administered by MAS.

These strategic incentives are designed to enhance Singapore's appeal as a hub for corporate listings and fund management activities, thereby strengthening the local equities market.

Introduction of a 15% CTR for the Financial Sector Incentive ("FSI") scheme

A new concessionary tax rate of 15% will be introduced for the FSI-Standard Tier, FSI-Trustee Company and FSI-Headquarter Services Schemes effective from 19 February 2025. Presently, approved incentive recipients are eligible for a CTR of 10% or 13.5% on qualifying income (where applicable) under the FSI scheme.

Further details will be provided by second quarter of 2025 by MAS.

Introduction of an Approved Shipping Financing Arrangement ("ASFA") award for ships and containers

To support the ownership and management of ships and sea containers from Singapore, the ASFA award will be introduced, providing withholding tax ("**WHT**") exemption on interest and related payments made by approved entities to non-tax-resident lenders. This applies to qualifying arrangements made on or before 31 December 2031 for financing the purchase or construction of ships and containers.

Additionally, ship and container lease payments to non-tax-resident lessors (excluding those related to operations in Singapore through a permanent establishment) under finance lease agreements for ASFA Award recipients will also be exempt from WHT.

The ASFA Award, administered by the Maritime and Port Authority of Singapore ("**MPA**"), will take effect from 19 February 2025.

The MPA will provide further details by the second quarter of 2025.

Extension and enhancement of the Maritime Sector Incentive ("MSI"):

To enhance Singapore's position as an international maritime centre, the MSI will be extended until 31 December 2031. The WHT exemption on qualifying payments made by MSI entities to non-residents to finance the construction or purchase of qualifying assets such as ships or containers will also be extended for qualifying payments under financing arrangements entered into on or before 31 December 2031. These schemes / exemptions were scheduled to lapse after 31 December 2026.

MSI as referred to above comprises:

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.

The scope of qualifying activities under the MSI will also be expanded as follows:

a) The inclusion of emission management services under prescribed ship management services for MSI-SRS, MSI-AIS, and MSI-SSS;

b) Extension of offshore renewable energy activities under MSI-SRS and MSI-AIS to cover subsea distribution of renewable energy generated onshore;
c) Inclusion of ships supporting subsea distribution of renewable energy as part of ships used for offshore renewable energy activities under MSI-ML (Ship);
d) Recognition of assets leased-in from third parties under finance lease agreements as qualifying assets under MSI-ML (Ship) and MSI-ML (Container) awards; and
e) Expansion of MSI-SSS to include maritime technology services.

These changes will take effect from 19 February 2025. The MPA will provide further details by second quarter of 2025.

Extension of WHT Exemptions for Maritime Sector Leases

The WHT exemption for lease payments to non-tax-resident lessors under operating lease ("**OL**") agreements for qualifying containers used in the carriage of goods by sea has been extended to agreements entered into by 31 December 2031. This exemption was previously set to lapse after 31 December 2027.

Additionally, the WHT exemption for ship and container lease payments under finance lease ("**FL**") agreements made by specified MSI recipients to non-tax-resident lessors has also been extended to agreements entered into on or before 31 December 2031. This exemption was previously set to lapse after 31 December 2028.

These extensions aim to strengthen Singapore's position as an international maritime centre by providing continued tax incentives for the leasing of maritime assets.

Extending the Double Tax Deduction for Internationalisation ("DTDI") scheme, and Mergers and Acquisitions ("M&A") scheme

Under DTDI scheme, businesses are allowed a tax deduction of 200% on qualifying market expansion and investment development expenses (e.g. airfare or hotel expenses in relation to Participation in Overseas Market Development Trip / Mission or Overseas Investment Study Trip / Mission).

Under M&A Scheme, a Singapore company that makes a qualifying acquisition of the ordinary shares of another company can claim tax benefits such as M&A allowance based on 25% of up to S$40 million of value of all qualifying acquisitions to be written down over five years and double tax deduction on transaction costs.

Both DTDI scheme and M&A scheme which were scheduled to lapse after 31 December 2025 are now extended till 31 December 2030. For DTDI scheme, EnterpriseSG will provide further details by second quarter of 2025.

Extending the Enhanced Cap for the Market Readiness Assistance ("MRA") Grant

The MRA grant supports companies in expanding into new international markets by offsetting expenses related to overseas market promotion, business development, and market establishment.

The enhanced grant cap of $100,000 per new market was initially set to lapse after 31 March 2025. However, to continue assisting local Small and Medium Enterprises ("**SMEs**") in expanding into new markets overseas, the enhanced cap will be extended until 31 March 2026.

Extend and enhance the Land Intensification Allowance ("LIA") scheme

The LIA supports enhanced land usage among industrial users and can be claimed on qualifying capital expenditure incurred on the construction or renovation of a qualifying building or structure.

An approved LIA recipient will enjoy the following: -

a) An initial allowance of 25% of the qualifying capital expenditure incurred on the qualifying building; and

b) An annual allowance of 5% of the qualifying capital expenditure incurred over 15 years, upon issuance of the temporary occupation permit for the completed building, subject to conditions.

One of the LIA qualifying criteria is 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, the users must have at least 75% of their shareholdings held in common (or have entitlement to at least 75% of the income in the case of a partnership), whether directly or indirectly. The scheme is scheduled to lapse after 31 December 2025.

This Budget has extended the LIA scheme up till 31 December 2030 to continue encouraging businesses to intensify their land use. Also, the shareholding requirement for building users 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.

Extending and refining the Insurance Business Development ("IBD") scheme

Previously, approved insurers and insurance brokers benefited from a CTR of 10% on qualifying income under these schemes, with the IBD and IBD-Captive Insurance ("**IBD-CI**") schemes scheduled to expire after December 31, 2025.

Budget 2025 has announced that both the IBD and IBD-CI schemes will be extended until December 31, 2030, providing a longer period of tax incentives for industry participants. Additionally, a new CTR tier of 15% has been introduced, effective from February 19, 2025, for the IBD, IBD-CI, and IBD-Insurance Broking Business ("**IBD-IBB**") schemes. This tiered approach offers greater flexibility and potential tax savings for qualifying entities. The MAS is expected to provide further details on these changes by the second quarter of 2025.

Extending and enhancing the income tax concessions for Real Estate Investment Trusts listed on the Singapore Exchange ("S-REITs")

Several enhancements to the income tax concessions for S-REITs have been announced aiming to reinforce Singapore's position as a global REIT hub.

The existing tax concessions in relation to tax exemption on qualifying foreign sourced income and final WHT rate of 10% for S-REITs distributions to qualifying investors, which were set to expire on December 31, 2025, have been extended until December 31, 2030. This extension provides greater certainty and support for the growth of S-REITs in Singapore.

Effective July 1, 2025, the definition of specified income eligible for tax transparency treatment will be expanded to include all co-location and co-working income. This change allows S-REITs to benefit from tax transparency on a broader range of income sources.

Further **refinements** have been introduced to the Foreign-Sourced Income Exemption ("**FSIE**") for S-REITs as below:

- Qualifying foreign-sourced rental and ancillary income received in Singapore from 19 February 2025 will be included under the FSIE, subject to specific conditions.

- The requirement for wholly-owned companies of S-REITs to be incorporated in Singapore has been removed.
- Repayment of shareholder loans and return of capital are now recognized 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.
- Singapore sub-trusts will be allowed to deduct other operational expenses against their income before passing the remaining amount to S-REITs.

These enhancements are designed to strengthen the attractiveness of S-REITs and ensure their continued growth and competitiveness in the global market. IRAS will provide further details by second quarter of 2025.

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

At present, the income tax concessions for S-REIT ETFs include tax transparency for trustees on distributions received by S-REITs ETFs from S-REITs income, tax exemptions on such distributions for individual investors, and a final withholding tax rate of 10% for qualifying tax non-resident non-individuals and funds. The tax transparency and withholding tax concessions were set to lapse after December 31, 2025.

To further support the growth of the S-REIT ETFs sector, it has been decided to remove the sunset date for the tax transparency concession and to extend the 10% withholding tax rate concession until December 31, 2030.

Rationalising the tax incentives for Project and Infrastructure Finance

In Singapore's Project and Infrastructure Finance sector, significant tax incentive adjustments have been implemented to enhance the nation's competitiveness and align with evolving global standards. Previously, the tax incentives included exemptions on qualifying income from Qualifying Project Debt Securities ("**QPDS**") and exemptions on qualifying foreign-sourced income from approved entities investing in offshore infrastructure projects. These incentives were scheduled to expire after December 31, 2025.

As per the Budget 2025 announcements, the QPDS scheme will lapse as planned on December 31, 2025. However, investors in project bonds can continue to benefit from the Qualifying Debt Securities ("**QDS**") scheme, provided the debt securities qualifies as QDS and meets the necessary criteria under QDS Scheme.

Additionally, 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. To support Singapore-based infrastructure project sponsors that leverage Singapore's financial ecosystem to invest in and finance overseas infrastructure projects, the exemption of qualifying foreign-sourced income from qualifying offshore infrastructure projects / assets received by approved entities listed on the Singapore Exchange will be extended till 31 December 2030.

Lapse of the Venture Capital Fund Incentive ("VCFI") and the Venture Capital Fund Management Incentive ("FMI")

The VCFI offers tax exemptions on qualifying income for approved venture capital funds, while the FMI provides a concessionary tax rate of 5% on management fees and performance bonuses for approved fund management companies managing authorized investments of approved venture capital funds. Both incentives were scheduled to lapse after 31 December 2025.

To ensure that our tax incentives remain relevant, the VCFI and the venture capital FMI will be allowed to lapse after 31 December 2025.

Withholding Tax Concessions to lapse for non-resident arbitrators and mediators

Presently, non-tax-resident arbitrators and mediators conducting arbitration and mediation work respectively in Singapore benefited from a concessionary withholding tax rate of 10% on their gross income up to 31 December 2027.

On the other hand, all other non-tax resident professionals are subject to WHT at a rate of 15% on gross income or upon election 24% on net income. To ensure parity in the tax treatment of income of non-tax resident professionals, the concessions for non-resident arbitrators and mediators will lapse after 31 December 2027.

Progressive Wage Credit Scheme ("PWCS")

The PWCS, introduced in Budget 2022, offers transitional wage support to assist employers in raising wages for lower-wage workers from calendar years 2022 to 2026. This initiative aims to encourage employers to voluntarily increase wages for these employees.

As announced at Budget 2025, PWCS will be enhanced for wage increases given in the qualifying years 2025 and 2026 as follows:-

Qualifying Year (i.e., year that wage increase was given)	Payout Period	Current	New
2025	First quarter of 2026	30%	40%
2026	First quarter of 2027	15%	20%

Extension and Enhancement of Employment Support Schemes

The Government announced the extension and enhancement of three key employment support schemes: the Senior Employment Credit ("SEC"), Uplifting Employment Credit ("UEC"), and Enabling Employment Credit ("EEC").

(i) **SEC**

The SEC provides wage offsets to employers hiring Singaporean workers aged 60 and above, earning up to $4,000 monthly. The scheme scheduled to lapse after 31 December 2025 has been extended until 2026. Additionally, the qualifying age group for the highest SEC wage support tier has been raised to 69 years from 68 years, aligning with the increase in re-employment age. As a result, companies will receive wage offsets of up to 7% for eligible employees.

(ii) **UEC**

The UEC offers wage offsets to employers hiring local ex-offenders earning below $4,000 monthly, released within three years prior to employment. Employers receive wage offsets of up to 20% of the local ex-offenders' wages for the first nine months of employment, capped at $600 per month per employee. The scheme scheduled to lapse after 31 December 2025 has been extended until 31 December 2028.

(iii) **EEC**

The EEC provides wage offsets to employers hiring local employees with disabilities aged 13 and above, earning below $4,000 monthly. The EEC scheduled to lapse after 31 December 2025 has been extended until 31 December 2028. Employers will receive wage offsets of up to 20% of the employees' monthly income, capped at $400 per month for each employee. An additional 20% wage offset is given to employers hiring local employees with disabilities who have not been working for at least six months, capped at $400 per month for each employee, for the first nine months of employment.

Further details about the extension of the SEC, UEC, and EEC will be announced at the Ministry of Manpower's Committee of Supply.

PERSONAL INCOME TAX ("PIT")

PIT Rebate

In celebration of the Singapore's 60th anniversary under the SG60 package, a PIT rebate of 60% of the tax payable will be extended to all tax-resident individuals for the YA 2025. The rebate will be capped at S$200 per taxpayer.

Matched Medisave Scheme ("MMSS")

Starting January 2026, the Singapore government will launch the MMSS, which is a five-year initiative designed to assist seniors with lower MediSave balances.

Under this scheme, the government will match voluntary cash top-ups to eligible MediSave Accounts ("**MAs**") on a dollar-for-dollar basis, up to S$1,000 annually. Contributions can be made by family members, employers, or community organisations; however, contributors will not be eligible for Central Provident Fund ("**CPF**") Cash Top-Up Relief for matched top-ups from the YA 2027 onwards given the MMSS matching grant is already a significant benefit extended by the Government.

GOODS AND SERVICES TAX ("GST")

Extension of the GST remission for Singapore-listed Real Estate Investment Trusts ("S-REITs") and Singapore-listed Registered Business Trusts ("RBTs") in the infrastructure business, ship leasing and aircraft leasing sectors

The GST remission for S-REITs and RBTs operating in the infrastructure, ship leasing, and aircraft leasing sectors has now been extended until 31 December 2030. This remission previously was set to lapse on 31 December 2025.

The GST remission allows these entities to claim input GST on –

- business expenses, irrespective of whether they hold underlying assets directly or through multi-tiered structures such as SPVs or sub-trusts;
- business expenses incurred in establishing SPVs that are solely used to raise funds for the S-REITs or RBTs and do not directly or indirectly hold qualifying assets, and
- business expenses of financing SPVs mentioned above.

OTHER TAXES

Introduction of the Additional Flat Component ("AFC") of road tax for electric heavy goods vehicles ("HGVs") and buses

This Budget has introduced the AFC, which is a lump-sum tax for electric HGVs and buses.

The electric HGVs and buses registered from 1 January 2026 onwards will be subject to the following AFC based on their Maximum Laden Weight ("**MLW**"):

For electric HGVs (goods vehicles with a MLW > 3.5 metric tonnes):-

Licensing period	6-monthly AFC
1 January 2026 to 31 December 2026	$50
1 January 2027 to 31 December 2027	$75
1 January 2028 onwards	$125

For electric buses with a MLW ≤ 3.5 metric tonnes:-

Licensing period	6-monthly AFC
1 January 2026 to 31 December 2026	$25
1 January 2027 to 31 December 2027	$50
1 January 2028 onwards	$95

For electric buses with a MLW > 3.5 metric tonnes:-

Licensing period	6-monthly AFC
1 January 2026 to 31 December 2026	$100
1 January 2027 to 31 December 2027	$175
1 January 2028 onwards	$275

For electric HGVs and buses registered up till 31 December 2025, AFC will be waived until 1 January 2029. There is no change to the other components of the road tax schedule for HGVs and buses.

KEY TAX DEVELOPMENTS OVER LAST ONE YEAR

Other Key Income Tax Developments and Updates during 2024

In 2024, global economic growth was projected at 3.2%, with inflation creating challenges. U.S. stock markets surged, driven by AI advancements, despite broader economic uncertainties. Protectionist trade policies and climate change heightened concerns about future growth. The U.S. dollar strengthened, adding pressure on emerging economies' debt.

Singapore's economy grew at a moderate pace driven by strong performance in its financial sector and investments in technology and AI. Global protectionism and supply chain disruptions posed challenges, but the country's robust fiscal policies helped mitigate the impact. Rising inflation and interest rates affected consumer spending. Despite a stronger Singapore dollar impacting export competitiveness, the country remained attractive to foreign investments, highlighting its resilience in navigating global economic challenges. Notable tax related changes included the adoption of the Globe rules by way of introduction of the Multinational Enterprise Top-up Tax legislation, revisions to the transfer pricing framework and revisions to the fund tax incentives framework. This section of publication highlights the tax developments and updates during the year 2024.

1. Corporate tax Updates

1.1. Updates on deduction for Renovation and Refurbishment expenses

Effective from YA 2025, Section 14N of the SITA has been enhanced to ease compliance and improve the relevance of the scheme. The key amendments are:

1. **Expanded Scope of Qualifying Expenditure**: The scope now includes designer fees or professional fees, which were previously excluded.

2. **Fixed Three-Year Period for Expenditure Cap**: The relevant three-year period for computing the Renovation and Refurbishment ("R&R") expenditure cap is now standardized for all businesses. The first fixed period is from YA 2025 to YA 2027, with an expenditure cap of $300,000 for each period.

3. **Option for One-Year Write-Off**: Businesses have the option to claim the R&R deduction in a single YA, subject to the prevailing expenditure cap, instead of spreading it over three years.

These enhancements aim to simplify the compliance process and make the scheme more relevant to current business needs.

1.2. Updates on the list of deductible donations under 'Cash donations for overseas causes'

The IRAS has updated its guidelines on tax-deductible donations, particularly concerning cash donations for overseas causes. Notably, the Philanthropy Tax Incentive Scheme ("**PTIS**") for Family Offices and the Overseas Humanitarian Assistance Tax Deduction ("**OHATD**") Scheme have been included in the list of qualifying donations.

PTIS for Family Offices: Under this scheme, tax deductions are available for qualifying donations made by family offices. The tax deduction is capped at 40% of the donor's statutory income. This cap is to be jointly shared with the Overseas Humanitarian Assistance Tax Deduction Scheme.

OHATD Scheme: This scheme provides a 100% tax deduction for qualifying overseas cash donations made towards approved overseas emergency humanitarian assistance causes through designated charities with a valid Fund-Raising for Foreign Charitable Purposes permit obtained from the Commissioner of Charities. The tax deduction is capped at 40% of the donor's statutory income.

These updates aim to encourage philanthropic contributions by providing tax incentives for donations supporting both local and overseas causes.

1.3. **New form for dormant companies which recommence the business**

When a dormant company in Singapore resumes business activities or starts receiving income, it must inform the IRAS within one month. This is done by completing the "Recommencement of Business" form available on the IRAS website. The requisite information includes:-

- Name of requestor and Unique Entity Number ("UEN")
- Valid email address and contact number
- Date of recommencement of business **OR** the date of receipt of other source(s) of income (e.g. interest, dividend, rent), whichever is earlier
- Only if applicable, the new principal activity and the effective date of change, together with a copy of your business profile extracted from the Accounting and Corporate Regulatory Authority ("**ACRA**") BizFile+ portal

Failing to notify IRAS promptly is an offence and may lead to enforcement actions.

1.4. **New form to request for income tax return for newly incorporated companies**

If the newly incorporated companies closes its first set of accounts and commences business or receives any income in the year of incorporation, the companies are required to file the income tax return for the year of assessment immediately after the year of incorporation, even though the companies have not received any income tax return filing notification.

The companies must fill out the form to request for the income tax return for newly incorporated companies.

1.5. **Key Updates to the e-Tax Guide: Income Tax Computations in Functional Currencies and Property Transfer Elections**

IRAS released an updated e-Tax Guide on August 12, 2024, titled "Filing of Income Tax Computations in Functional Currencies Other Than Singapore Dollars". The key updates are as follows –

- Section 25 Property Transfers: When electing under Section 25 for property transfers, the Tax Written Down Value ("**TWDV**") of assets should be converted from the transferor's to the transferee's functional currency using the exchange rate on the transfer date.

- Singapore Interest and Real Estate Investment Trust ("**REIT**") Distributions: Tax withheld at source on Singapore interest from loan stocks or distributions from REITs will be allowed based on the actual amount withheld in Singapore dollars by the paying company, as indicated in the Singapore dividend statements.

These updates aim to provide clearer guidance on tax computations involving functional currencies other than the Singapore dollar.

1.6. **Introduction of the Refundable Investment Credit ("RIC") to Attract High-Value Investments**

Singapore has long been a magnet for multinational companies ("**MNCs**"), offering favourable tax incentives such as the Pioneer Certificate Incentive ("**PC**") and the Development and Expansion Incentive ("DEI"), which provide corporate tax rates as low as 5% or 10%. These incentives have been instrumental in encouraging MNCs to establish and expand their operations in Singapore. However, the evolving landscape of international tax regulations, notably the Global Anti-Base Erosion ("**GloBE**") rules and the establishment of a 15% global minimum tax rate, has diminished the effectiveness of traditional tax incentives.

In response, Singapore introduced the RIC to maintain its competitive edge and continue attracting high-quality investments. The RIC is a refundable tax credit designed to encourage companies to undertake significant investments that contribute substantively to Singapore's economic growth. Unlike traditional tax incentives, the RIC offers direct financial support to projects in key sectors, including manufacturing, research and development ("**R&D**"), the green economy, and digital transformation.

Depending on the nature of the project, the RIC covers a range of qualifying expenditures, such as capital expenditures, manpower costs, training costs, professional fees, intangible asset costs, fees for work outsourced in Singapore, materials and consumables, freight and logistics costs

The key features of the RIC are as follows -

- The EDB and Enterprise Singapore ("EnterpriseSG") grant RICs on an approval basis.
- Each RIC award to have a qualifying period of up to 10 years.
- The RIC supports up to 50% of qualifying expenditures for qualifying activities on an approval basis.
- The credits are to be offset against corporate income tax payable. Any unutilised credits will be refunded to the company in cash within four years from when the company satisfies the conditions for receiving the credits.

1.7. **Updates in the fourth edition of e-Tax guide on deductibility of borrowing costs other than interest expenses**

IRAS had updated its e-Tax Guide on the deductibility of borrowing costs other than interest expenses, specifically addressing front-end fees charged by lenders.

According to the updated guidelines in e-Tax guide, the front-end fees incurred on capital account loans are deductible if it is considered as "interest equivalent" i.e. either such fees is a replacement of the interest expense or it is reducing the interest expense. However, it is important for the borrowers to maintain the substantive documentation (e.g. facility agreements, fee letters, and correspondences) to demonstrate that such front-end fees are incurred as a substitute for interest expenses or to reduce interest costs.

The deductibility of front-end fees varies depending on the type of loan. For bilateral or club loans, where minimal coordination or underwriting services are provided, the front-end fees should be treated as "interest equivalent" and eligible for tax deduction. However, for syndicated loans, where a group of lenders and an arranger are involved in sourcing or underwriting, the fees for services rendered are not tax deductible. IRAS has classified loans into bilateral, club, and syndicated types, with corresponding tax treatments for front-end fees outlined.

1.8. **Updates on criteria to strike off a company in Singapore**

Before applying to strike off a company with the ACRA, it is essential to settle all outstanding tax liabilities and obligations with the IRAS. Failure to do so will result in IRAS objecting to the strike-off application, causing delays in the process.

If the objection remains unresolved within two months from the date of the objection, the company must submit a new strike-off application after addressing the outstanding tax matters.

1.9. **Introduction to alternative net tonnage basis of taxation**

Singapore introduced an alternative net tonnage basis of taxation ("**NTT basis**") to better align its tax regime for shipping entities with international practices. Effective from the YA 2024, this option is available to shipping enterprises under Section 13A of the SITA, approved international shipping enterprises under Section 13E of the SITA, and approved shipping investment enterprises under Section 13P of the SITA.

Under the NTT basis, qualifying shipping entities can compute their income tax base by referencing the net tonnage of their ships, applying a deemed daily income per net ton and the number of operational days during the YA. Once elected, this method is irrevocable and applies to all qualifying ships owned or operated by the entity.

It is important to note that under the NTT basis, partial tax exemptions, tax exemptions for new start-up companies, and deductions do not apply. Additionally, unutilized items such as capital allowances, trade losses, and donations cannot be deducted against the income computed under this basis, and the entity is not eligible for carry-back of capital allowances and losses or group relief.

However, foreign tax credits can be claimed subject to existing tax rules and relevant double taxation agreements.

Administrative Guidelines for NTT Election

Qualifying companies wishing to elect for the NTT under Section 34K of the SITA must submit an election form to the IRAS and the MPA by the filing due date of the income tax return for that YA. If the income tax return for YA 2024 was already filed and a company wishes to elect for the NTT basis, it was required to submit the election form by November 30, 2024, along with a revised tax computation to IRAS by the same date.

1.10. **Significant enhancements on Economic Expansion Incentives**

Singapore introduced significant enhancements to its Economic Expansion Incentives (Relief from Income Tax) Act to bolster economic growth and attract high-value investments. The key updates are as follows:

1. Introduction of a 15% Concessionary Tax Rate for the DEI:

   A new concessionary tax rate of 15% was introduced under the DEI, effective from 17 February 2024.

2. Extension of Tax Relief Periods:

   The tax relief periods under the DEI have been extended, with incentives now granted up to

31 December 2028, providing companies with greater certainty and support for long-term planning.

3. Ministerial Authority to Exclude Certain Activities:

   The Minister for Trade and Industry has been granted the authority to exclude specific activities from the scope of qualifying activities for relevant 'development and expansion companies', ensuring that incentives are aligned with strategic economic priorities.

4. Enhancement of the Investment Allowance ("IA") Scheme:

   The IA scheme has been enhanced to provide upfront certainty regarding the nature of qualifying projects and qualifying fixed capital expenditure. This enhancement aims to streamline the approval process and offer greater clarity to businesses.

5. Regulatory Provisions for Existing Incentive Recipients:

   Regulations may be established to prescribe the treatment of existing incentive recipients when any service or activity previously approved as a qualifying activity under the DEI or IA is removed. This ensures that changes to qualifying activities are managed effectively and fairly.

   These enhancements reflect Singapore's commitment to fostering a dynamic and competitive business environment, encouraging companies to invest in high-value activities that contribute to the nation's economic development.

1.11. **Singapore's adoption of GloBE Rules**

In 2024, Singapore took significant steps to align with the OECD's Base Erosion and Profit Shifting ("**BEPS**") 2.0 framework by adopting the GloBE Rules. These rules introduce a global minimum tax on large multinational enterprises ("**MNEs**") with annual consolidated revenue of at least €750 million in two out of the four preceding years, aiming to discourage profit shifting and ensure that they pay a minimum 15% tax in every jurisdiction where they operate.

Starting from January 2025, the Domestic Top-up Tax ("**DTT**") will apply to in-scope entities of an MNE group in Singapore. If the Effective Tax Rate ("**ETR**") of an MNE's Singapore operations falls below the 15% threshold, a top-up tax will be imposed to bridge the gap. Similarly, the Multinational Enterprise Top-up Tax ("**MTT**") will apply to MNE groups located in Singapore and its stateless entities but does not apply to its ownership interest in its domestic entities, ensuring their foreign operations meet the ETR of 15%. The Undertaxed Profits Rule ("UTPR"), which targets profits that are undertaxed in jurisdictions where the MNE does not have sufficient economic substance, is expected to be introduced at a future date, providing businesses more time to adapt.

A critical milestone in this process was achieved in September 2024 when the Multinational Enterprise (Minimum Tax) Bill was tabled in Parliament on 9 September and passed on 15 October 2024. The IRAS has also released an e-Tax guide titled "Multinational Enterprise Top-up Tax and Domestic Top-up Tax" on 31 December 2024. The Bill and e-tax guide introduced the DTT and MTT, detailing their application to financial years starting on or after 1 January 2025. It also empowered the Comptroller of Income Tax with enforcement capabilities, including penalties for non-compliance, tax evasion, and inadequate record-keeping. These enforcement

provisions align with the powers already established under the SITA.

The introduction of the DTT and MTT reflects Singapore's commitment to international tax standards while maintaining clarity and competitiveness in its tax system. MNEs operating in or headquartered in Singapore must reassess their tax strategies and compliance processes to align with these new regulations.

1.12. **IRAS released new e-Tax Guide titled "Multinational Enterprise Top-up Tax and Domestic Top-up Tax"**

On 31 December 2024, the IRAS published an e-Tax guide titled "Multinational Enterprise Top-up Tax and Domestic Top-up Tax". This guide outlines the key parameters of the MTT and DTT, as provided in the Multinational Taxation Act and its subsidiary legislations. Further guidance on MTT and DTT, including information on transition rules and safe harbours, will be released progressively.

The key differences of MTT and DTT is MTT is imposed on the low-taxed income of constituent entities ("CEs"), joint ventures ("**JV**") and JV subsidiaries located outside Singapore and stateless CEs, while DTT is imposed on the low-taxed income of CEs, joint ventures and JV subsidiaries located in Singapore, and reverse hybrid entities formed, registered or incorporated in Singapore which are not responsible members.

The e-Tax guide is pertinent to MNE groups with annual revenue of EUR 750 million or more in the consolidated financial statements of the ultimate parent entity in at least two of the four preceding financial years, in line with the Pillar Two GloBE rules.

1.13. **Revision to Fund Management Tax Incentives in Singapore**

In October 2024, the Ministry of Finance ("**MoF**") had announced updates to fund tax incentive schemes in Singapore, specifically under Sections 13D, 13O, and 13U of the SITA.

The key changes include extending aforesaid tax exemptions until 2029 and introducing "closed-end fund" treatment, allowing funds with fixed lifespans to waive certain asset requirements after the sixth year of the fund life. While earlier there was no minimum AUM requirement for the Section 13O funds, MoF have now introduced a minimum AUM of S$5 million, which will be applicable in a phased manner over the years. With regards to funds incentivised under Section 13U of the SITA, the AUM requirement of S$50 million remains status quo.

MoF also introduced a new Section 13OA scheme which will extend tax incentive scheme under Section 13O of the SITA to the Limited Partnerships, which will be helpful for smaller private equity and venture capital funds. Furthermore, the previous requirement that funds must be newly established to qualify for Section 13O of the SITA has been removed, making it easier for existing funds to apply.

Additionally, annual local business spending conditions will be tiered based on AUM, allowing funds to meet requirements cumulatively. The requirement for prior approval of changes in investment strategy has also been eliminated, although funds must inform the MAS of any updates. These changes enhance the attractiveness of Singapore as a fund management hub and support the growth of diverse fund structures.

1.14. Taxation on gains of disposal of foreign assets

Effective from January 1, 2024, new Section 10L in the SITA, was introduced to tax the gains arising from the sale or disposal of foreign assets. Under this section, such gains will be taxable in Singapore if they are received by an 'entity of a relevant group' and do not meet certain economic substance requirements.

This marks a shift from the previous regime where capital gains from the sale of 'foreign assets' were generally not taxable in Singapore. The key points of Section 10L include:

1. Taxable Gains: Gains from the sale or disposal of foreign assets will be taxable if they are received in Singapore and the entity does not have adequate economic substance in Singapore. This includes gains from the disposal of foreign intellectual property rights ("**IPRs**").

2. Economic Substance Requirement: Entities must demonstrate adequate economic substance in Singapore to avoid taxation on these gains. This involves having significant business activities and presence in Singapore.

3. Scope: The rules apply to entities that are part of a relevant group, defined as a group with entities not all incorporated, registered, or established in Singapore, or with any entity having a place of business outside Singapore.

4. Examples of Foreign Assets: The assets covered include immovable property outside Singapore, equity and debt securities registered in a foreign exchange, intercompany loans where the creditor is resident outside Singapore, and IPRs where the owner is resident outside Singapore.

5. Alignment with International Standards: The introduction of Section 10L aligns Singapore's tax regime with international anti-tax avoidance norms, particularly the European Union Code of Conduct Group's guidance.

Overall, Section 10L aims to ensure that gains from foreign assets are taxed appropriately when received in Singapore, encouraging substantial economic activities to be anchored in the country.

2. Transfer Pricing updates

2.1. Revisions in Singapore's TP Guidelines for 2024

On 14 June 2024, IRAS introduced significant updates in the Seventh Edition of its Transfer Pricing Guidelines ("**TPG**"), reflecting a stricter regulatory environment and heightened expectations for compliance and documentation in related-party transactions. Key changes include increased exemption thresholds for transfer pricing documentation ("**TPD**"), with the threshold doubling from SGD1 million to SGD2 million for most transactions from YA 2026.

However, certain categories like the purchase and sale of goods and intercompany loans remain subject to existing thresholds. Simplified TPD now requires contemporaneous preparation and dating, while long-term intercompany loans must undergo annual reviews to maintain compliance with the arm's-length principle.

In financial transactions, the use of interest restriction as a proxy for compliance will be discontinued from 2025, requiring businesses to apply arm's-length interest rates with proper analysis. Additionally, IRAS has provided guidance on transitioning loans from Interbank Offered Rates ("**IBOR**") to risk-free rates ("**RFRs**"). Audit processes have become more stringent, with IRAS imposing a 5% surcharge on non-arm's-length adjustments and bypassing informal discussions, necessitating robust and defensible TPD. Businesses with a clean compliance

history may qualify for surcharge remission, further underscoring the importance of proper record-keeping.

The guidelines also clarify that TP adjustments do not apply to non-taxable capital gains or losses from capital transactions, although fixed asset transfers may still be reviewed. For government assistance, benefits are not expected to be passed to related parties unless independent party practices justify it. The Mutual Agreement Procedure ("MAP") has been streamlined by removing the pre-filing phase, requiring businesses to prepare more comprehensive applications upfront. IRAS has also eased the documentation burden for pass-through costs by allowing simple email evidence, provided specific conditions are met.

Overall, the Seventh Edition TPG signals IRAS' intent to enforce more robust transfer pricing practices while offering some easing measures like increased exemption thresholds. Businesses must reassess their intercompany arrangements, particularly in financing, and ensure compliance with the arm's-length principle. Proactive adjustments and thorough documentation will be critical to minimizing risks, including audit adjustments and surcharges, in Singapore's increasingly demanding transfer pricing landscape.

2.2. Singapore's 2025 Transfer Pricing Indicative Margin for Related-Party Loans

On 2 January 2025, the IRAS announced the revised indicative margin for related-party loans to 1.70% (170 basis points) from 2.20% (+220 basis points) above the applicable RFR for the period from 1 January to 31 December 2025. This adjustment applies to related-party loans not exceeding SGD 15 million.

Notably, the SGD 15 million threshold is waived for domestic related-party loans initiated on or after 1 January 2025, provided that neither party is engaged in borrowing or lending as a business. In such cases, the IRAS indicative margin can be applied regardless of the loan amount.

The indicative margin serves as an optional alternative to conducting a detailed transfer pricing analysis, assisting taxpayers in determining arm's length interest rates for related-party loans.

3. GST Updates

3.1. Threshold for correcting GST Return Errors increased

Effective January 1, 2024, IRAS increased the threshold for correcting errors in Goods and Services Tax returns. **Under** the administrative concession, businesses can now adjust errors in their next GST F5 return if the net GST amount payable in error for all affected accounting periods does not exceed S$3,000. Previously, this threshold was set at S$1,500.

To qualify for this concession, two conditions must be met:

1. The net GST amount payable in error for all affected accounting periods must not exceed S$3,000.
2. The total amount in error for all other boxes, except Box 6 (Output Tax) and Box 7 (Input Tax), and Box 12 (pre-registration input tax) for each affected accounting period must not exceed 5% of the total value of supplies (Box 4) declared in the submitted GST return.

If both conditions are satisfied, businesses can correct the errors in their next GST F5 return. Otherwise, they are required to submit a GST F7 form to correct the errors.

This adjustment aims to streamline the correction process for minor errors, reducing administrative burdens for businesses.

3.2. Clarification on conditions to claim input tax on expenses incurred for beneficiaries

One of the conditions for claiming input tax credit is that the input tax is incurred for the purpose of the business. IRAS has clarified that GST on expenses incurred for beneficiaries are not eligible for input tax claims as the expenses incurred are for the direct benefit of the beneficiaries (i.e. third parties unrelated to the business) (e.g. GST incurred on corporate social initiatives).

3.3. Changes in administrative concession for gold trade-ins

Effective January 1, 2025, the IRAS has revised the administrative concession for GST on gold jewellery trade-ins. Previously, GST-registered jewellers could opt to charge GST only on the difference between the value of the new jewellery and the traded-in piece (does not apply to the trade-ins of other goods, such as gold bar) regardless of the customer's GST registration status.

Under the new guidelines, this concession is applicable only when the customer is not registered for GST at the time of the transaction. If the customer is GST-registered, the jeweller must charge GST on the full selling price of the new jewellery, adhering to the standard GST rules. This change aims to ensure equitable tax treatment and compliance with GST regulations.

3.4. Phased Extension to implementation of E-Invoicing

The IRAS announced implementation of a phased adoption of InvoiceNow for GST-registered businesses (“GST InvoiceNow Requirement”), starting from November 2025. This initiative, starting with newly incorporated businesses that voluntarily register for GST, will require GST-registered businesses to use InvoiceNow solutions to transmit invoice data to IRAS for tax administration purposes.

To support the transition, the implementation of InvoiceNow is to occur in phases:

1. From **1 May 2025**, for voluntary early adoption by GST-registered businesses, as a soft launch.

2. From **1 November 2025**, for newly incorporated companies that register for GST voluntarily. Newly incorporated companies are companies that are incorporated within six months from the time they submit their application for GST registration.

3. From **1 April 2026**, for all new voluntary GST-registrants.

3.5. Alternative methods to calculate GST input tax recovery

Effective April 1, 2025, IRAS introduced a new framework for banks' input tax recovery methods. Banks, excluding newly established and digital banks, are to have the option to choose between two methods:

1. **Fixed Input Tax Recovery Rate (“FITR”)**: This method allows banks to claim input tax based on a predetermined rate corresponding to their specific license type.

2. **Special Input Tax Recovery Method (Special Method)**: This approach permits banks to attribute and apportion input tax more precisely, reflecting their actual taxable and exempt supplies.

To adopt the Special Method, banks must submit an application and obtain approval from IRAS before applying the Special Method. Banks that do not opt for the Special Method will continue to use the FITR by default.

For banks licensed by the MAS on or after April 1, 2025, it is mandatory to seek approval from the Comptroller for their chosen input tax recovery method, whether FITR or the Special Method. Digital banks holding a full or wholesale license will be permitted to use the FITR on a case-by-case basis.

These measures aim to provide banks with flexibility in selecting an input tax recovery method that aligns with their operational structures while ensuring compliance with GST regulations.

3.6. **Enhancements to GST Voluntary Disclosure Grace Periods and Compliance Initiatives**

The IRAS has updated its guidelines on voluntary disclosure grace periods, compliance initiatives, and tax governance frameworks for GST registered businesses. These updates aim to encourage proactive compliance and provide clarity on the benefits associated with various tax governance initiatives.

Extended Grace Periods for Voluntary Disclosure:

- For GST-Registered Businesses with Assisted Compliance Assurance Programme ("**ACAP**") Status: Businesses that have achieved the ACAP status are granted a one-time extended grace period of three years. This extension applies to GST errors voluntarily disclosed within two years from the approval date of their Tax Governance Framework ("**TGF**") application. Disclosures can be made under Post ACAP Review ("**PAR**"), ACAP Renewal, or related initiatives.

- For GST-Registered Businesses without ACAP Status: Such businesses are allowed a one-time extended grace period of two years for GST errors voluntarily disclosed within two years from the approval date of their TGF application.

Conditions for Reduced Penalties or Penalty Waivers:

IRAS emphasizes that to qualify for reduced penalties or penalty waivers, businesses must meet all conditions outlined in the relevant e-Tax guides. These conditions are pre-requisites for availing benefits under voluntary compliance initiatives specific to each tax type.

Submission Deadlines for ACAP Reports:

A new section has been added to the guidelines, highlighting that businesses must submit their ACAP Report by the deadline set by IRAS to qualify for a one-time penalty waiver during their first ACAP conduct.

Voluntary Disclosures under TGF and Tax Risk Management and Control Framework for Corporate Income Tax ("**CTRM**"):

Two additional sections have been introduced to address voluntary disclosures under the TGF and the CTRM, respectively. These frameworks provide structured approaches for businesses to manage tax risks and demonstrate good tax governance.

Updated Grace Periods for Assisted Self-Help Kit (“ASK”) Annual Review:

The grace period dates for GST-registered businesses under the ASK Annual Review have been updated.

4. International tax Updates

4.1. Singapore’s recent Double Taxation Agreements (“DTA”) with Kenya and Rwanda

On 23 September 2024, Singapore and Kenya signed a new Agreement for the Elimination of Double Taxation with respect to Taxes on Income and the Prevention of Tax Evasion and Avoidance. This agreement aims to enhance cross-border trade and investment by providing clarity on tax matters between the two nations. It will come into effect after ratification by both countries.

Similarly, Singapore and Rwanda have amended their existing Agreement for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes on Income. The Protocol, signed on 18 September 2024 in Singapore, updates the preamble of the DTA and introduces a new Article 26A ("Entitlement to Benefits"). This addition aligns with internationally agreed BEPS minimum standards to counter treaty abuse. Article 26A specifies that treaty benefits will not be granted if obtaining such benefits was a principal purpose of an arrangement or transaction, unless it is established that granting the benefit aligns with the treaty's objectives. The Protocol will take effect upon ratification by both countries.

4.2. Amendments to Singapore's DTAs with New Zealand

On 18 and 21 November 2024, the competent authorities of Singapore and New Zealand signed a Competent Authority Arrangement (“CAA”) to establish the mode of application of the arbitration proceedings provided for in Part VI (Arbitration) of the Multilateral Convention to Implement Tax Treaty Related Measures to Prevent Base Erosion and Profit Shifting (“MLI”). This arrangement introduces mandatory binding arbitration into the existing DTA between the two countries. Specifically, Articles 22A to 22G have been inserted, detailing procedures for arbitration.

Under this framework, if a MAP case remains unresolved after two years, taxpayers can request that the unresolved issues be submitted to an arbitration panel for resolution.

4.3. Amendments to Singapore's DTAs with Mongolia

On 30 December 2024, Singapore enacted the Income Tax (Singapore — Mongolia) (Avoidance of Double Taxation Agreement) (Modifications to Implement Multilateral Instrument) Order 2024 (referred as “Order”), which came into effect on 1 January 2025.

This Order amends the existing Double Taxation Agreement between Singapore and Mongolia to align with the MLI. The modifications aim to enhance the DTA's effectiveness in preventing tax avoidance and ensuring tax fairness between the two nations. Some of the modifications made were replacement of ‘Preamble’, insertion of Principle Purpose Test in new Article 27A, etc.

5. Judicial precedents

5.1. GIO v The Comptroller of Income Tax

In *GIO v The Comptroller of Income Tax*[1], the Income Tax Board of Review (referred as "**Income Tax Board**") ruled that profits from certain property transactions are taxable under Section 10(1)(g) of the SITA. The Income Tax Board emphasized that the repeal of Section 10F(1) of the SITA did not imply that all gains from isolated property transactions are capital in nature. Instead, the taxability depends on the taxpayer's intention at the time of property acquisition. If the intent was to make a profit, such gains are considered income and are taxable. In this case, factors such as the absence of long-term investment plans and the use of short-term financing indicated a profit-seeking motive, leading to the conclusion that the gains were income in nature.

5.2. GHZ v The Comptroller of Income Tax

In *GHZ v The Comptroller of Income Tax*[2], the Income Tax Board addressed the deductibility of expenses under Section 10D of the SITA (previously Section 10E of the SITA). The taxpayer, a trustee of a real estate investment trust, sought deductions for property-related and interest expenses totalling approximately S$5.9 million. These expenses were incurred for two properties that were closed and did not generate rental income during the relevant period. The Comptroller of Income Tax denied these deductions, leading to the appeal.

The Income Tax Board reaffirmed the Comptroller's decision, emphasizing that an investment-by-investment approach is appropriate for determining the deductibility of expenses under Section 10D(1)(b) of the SITA. This means that for each investment, it must be assessed whether the expenses are incurred in the production of income. In this case, since the said properties did not generate any income during the period the expenses were incurred, the Income Tax Board concluded that the expenses were not deductible.

5.3. GIP v The Comptroller of Income Tax

In *GIP v The Comptroller of Income Tax*[3], the Income Tax Board upheld the Comptroller's assessments, focusing on the taxpayer's arrangement to reduce income tax liability. The arrangement involved incorporating a company to receive income from the taxpayer's medical services, with the taxpayer continuing as the sole service provider.

The Board concluded that the primary effect of this arrangement was to reduce the taxpayer's income tax liability. Despite the company's formal incorporation, the business operations remained unchanged, and there was insufficient evidence of a bona fide commercial purpose for the incorporation of the company. The substantial tax savings achieved suggested that tax avoidance was a significant purpose. The Income Tax Board also rejected the argument that the tax savings fell within the intended scope of statutory tax exemption schemes, stating that these schemes were designed to encourage business growth and innovation, not to facilitate tax avoidance.

5.4. Changi Airport Group (Singapore) Pte Ltd v The Comptroller of Income Tax

In *Changi Airport Group (Singapore) Pte Ltd v The Comptroller of Income Tax*[4], the High Court addressed the capital allowances claim on airport assets. The High Court examined whether Changi Airport Group was entitled to claim capital allowances for assets used in its airport

[1] [2024] SGITBR 1
[2] [2023] SGITBR 2
[3] [2024] SGITBR 2
[4] [2024] SGHC 281

operations. The decision clarified the criteria for capital allowances, emphasizing the need for assets to be used in the production of income to qualify for capital allowances.

The High Court upheld the Income Tax Board's decision that the Runway and Taxiway Areas ("RTA") were structures and not the plant. The High Court reasoned that the RTA served as the premises of the trade, providing the space on which aircraft take off, land, travel, and rest. The High Court distinguished the RTA from plant or machinery, emphasizing that the inquiry is not whether the asset is functional or integral to the taxpayer's business, but whether it functions as a plant or building in order to be eligible to claim capital allowances.

5.5. GHY v The Comptroller of GST

In the case of GHY v. Comptroller of Goods and Services Tax, the GST Board of Review (referred as "**GST Board**") upheld the Comptroller's decision to deny the taxpayer's input tax claims. The taxpayer failed to provide sufficient evidence that the goods were actually supplied, leading the GST Board to conclude that the transactions lacked genuine substance.

The mere possession of tax invoices does not necessarily entitle one to claim input taxes. To successfully make input tax claims, businesses need to prove that there must be actual supplies of goods or services, as stated in the transaction documents. Otherwise, the Comptroller of GST can deny such input tax claims even if businesses have paid GST to their suppliers and / or have tax invoices on the alleged transactions, or are complicit in, an missing trader fraud scheme.

5.6. GIG v The Comptroller of GST

In the case of GIG v The Comptroller of GST[5], the GST Board upheld the Comptroller's decision to deny GIG's input tax claim on the purchase of Intel processors. The GST Board found that GIG failed to demonstrate that the goods were actually supplied to them.

The mere maintenance of a tax invoice along with the usual commercial documents is not insufficient to claim the input tax from purchases. Businesses must conduct due diligence on their suppliers and trace the origin of goods to verify the legitimacy of their transactions.

5.7. THM International Import & Export Pte Ltd v The Comptroller of GST

In THM International Import & Export Pte Ltd (referred as "**THM**") v. The Comptroller of GST[6], the High Court dismissed THM's appeal against the GST Board's decision to deny its input tax claim. THM had purchased "Osperia" micro-SD cards and exported them to Malaysia, but the GST Board found insufficient evidence of actual supply.

On appeal, THM argued that the Board wrongly considered supply chain events and misinterpreted evidence. The High Court ruled that the Board's findings were reasonable and that factual determinations could not be re-examined unless there was a legal misdirection.

This case highlights the strict documentation requirements for GST claims and the limited scope for judicial review in tax appeals.

[5] [2023] SGGST 2
[6] [2024] SGHC 97

5.8. Andreas Handayanto v Chief Assessor

In Andreas Handayanto v Chief Assessor[7], the Valuation Review Board dismissed an appeal by Andreas Handayanto, who challenged the annual value of his property at 19A Queen Astrid Park. His appeal was lodged late, and he sought discretionary approval to proceed despite missing the deadline.

The Chief Assessor had rejected his objection to the 2024 property tax assessment, and Handayanto attempted to argue that his prior appeals for 2022 and 2023 covered the same issue. However, the Board ruled that each year required a separate appeal and found no reasonable cause for the delay.

Ultimately, the Board declined to exercise discretion under Section 29(4) of the Property Tax Act, ruling that there was no valid justification for the late filing and that procedural deadlines must be followed.

6. Other tax updates

6.1. Updates on criteria for Certificate of Residence ("COR") applications

Starting from the calendar year 2025, IRAS has updated the criteria for foreign-owned investment holding companies applying for a COR application. In addition to demonstrating that decisions on strategic matters are made in Singapore, the company must also:

- Have at least 1 director based in Singapore who holds an executive position and is not a nominee director;
- Have at least 1 key employee (e.g. CEO, CFO, COO) based in Singapore; or
- Be managed by a related company based in Singapore (e.g. the related company makes the decisions relating to the operations of the foreign-owned investment holding company or reviews the performance of the investments of the company)

These changes aim to ensure that companies seeking Singapore tax residency have substantial economic presence and management activities within the country.

6.2. IRAS released e-Tax guide on 'Incorporation of Companies by Medical Professionals and Relevant Tax Implications'

In September 2024, IRAS released an updated e-Tax Guide titled "Incorporation of Companies by Medical Professionals and Relevant Tax Implications," replacing the previous e-Circular from November 2019 and its March 2024 update.

This guide was developed to address concerns arising from the increasing trend of medical professionals incorporating companies to manage their practices, primarily to benefit from lower corporate tax rates and various tax exemptions (e.g. Start-up Tax Exemption Scheme and Partial Tax Exemption Scheme). Where the primary purpose of such incorporation is to obtain these tax benefits without substantial commercial reasons, IRAS may consider it as tax avoidance.

The guide emphasizes that medical professionals should be aware of the tax implications when incorporating their practices into companies. It highlights the importance of ensuring that such incorporations do not result in tax avoidance, which could lead to legal consequences. The guide also provides case studies to illustrate common practices that may raise concerns and outlines

[7] [2024] SGVRB 1

IRAS's approach to addressing these arrangements. Furthermore, the guide discusses the Section 33A surcharge (General Anti-Avoidance Provision), which is the highest marginal personal tax rate, and other relevant tax-related topics. This information is crucial for medical professionals to understand the tax obligations and potential risks associated with incorporating their practices into companies.

6.3. Annual notification requirement for Overseas Networks & Expertise ("ONE") Pass holders

In early October 2024, Singapore's Ministry of Manpower ("**MOM**") outlined the annual notification requirements for ONE Pass holders.

Selected pass holders will receive instructions via their registered email addresses on how to complete this mandatory process. Regardless of employment status, as long as the ONE Pass remains valid, recipients must provide details such as current employment information (e.g., occupation, employer name), total annual income for the previous calendar year, and any professional activities outside regular employment, if applicable.

Additionally, pass holders are required to inform MOM of any changes to personal particulars, including residential address, mobile number, and passport details. The annual notification can be submitted by the pass holder, their employer, or an appointed employment agency. In cases of multiple submissions, MOM will consider only the most recent one.

Upon successful submission, an acknowledgment email will be sent, summarizing the provided information.

6.4. Reduction in Property Tax for Owner-Occupied Residential Properties in 2025

In 2025, Singapore introduced measures to alleviate property tax burdens for owner-occupied residential properties:

1. **One-off Property Tax Rebate**: A 20% rebate for owner-occupied HDB flats and a 15% rebate (capped at $1,000) for owner-occupied private residential properties. This rebate will automatically offset any property tax payable.

2. **Revision of Annual Value ("AV") Bands**: Effective January 1, 2025, the first AV band threshold was raised from $8,000 to $12,000. Consequently, all one-room and two-room HDB flats will continue to be exempt from property tax in 2025. Other HDB flats will be taxed at a marginal rate of 4% for the portion of AV exceeding $12,000.

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