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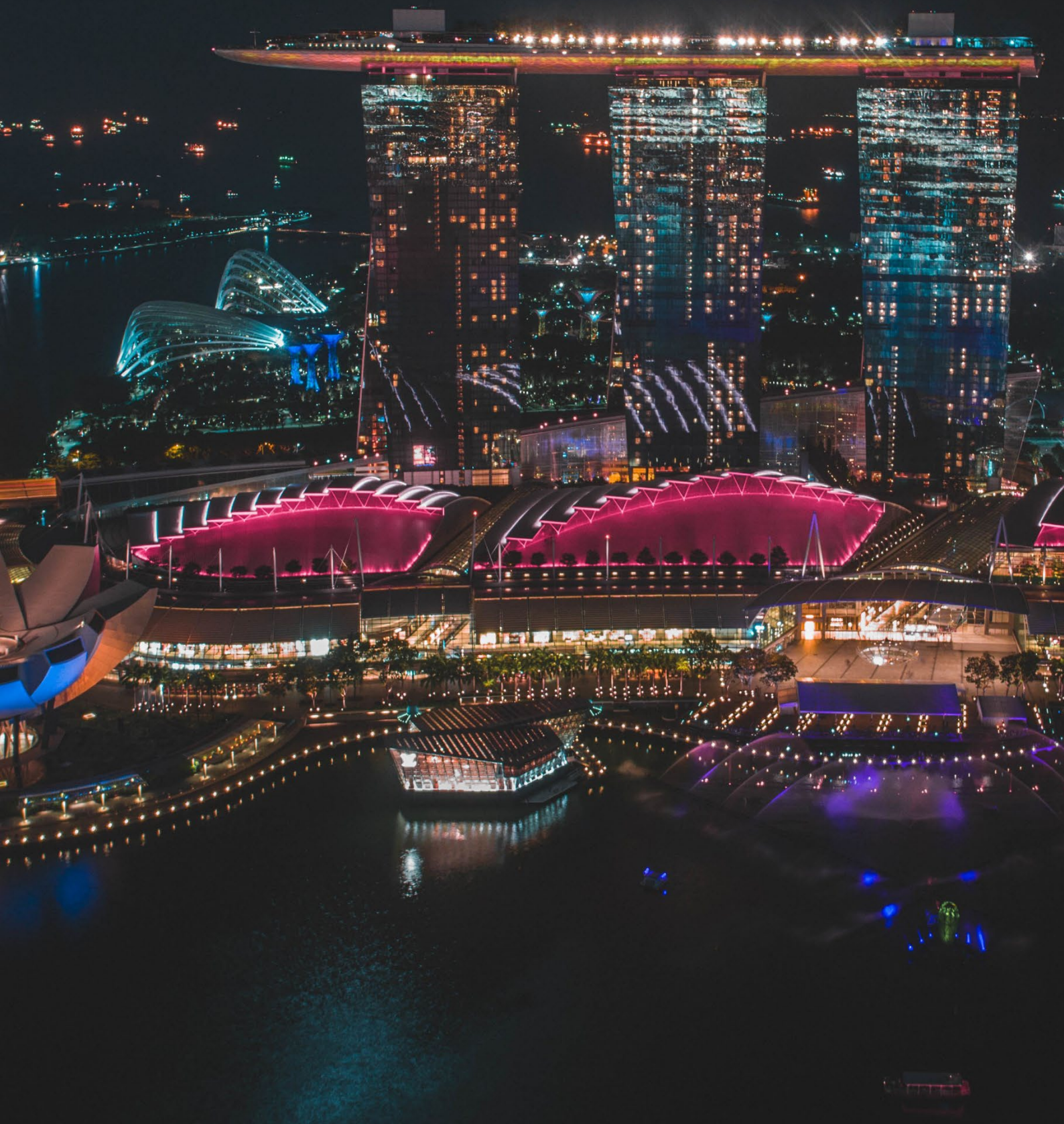
SINGAPORE BUDGET 2026 - 27



Foreword

Budget 2026, the first Budget of the new term of Government, sets out a strategic roadmap to secure Singapore's future in a more fragmented, uncertain and competitive global environment. Against rising geopolitical tensions, economic restructuring and rapid technological disruption, it outlines decisive measures to strengthen economic resilience, social cohesion and long-term sustainability.

On the economic front, the Government will advance a refreshed growth strategy, including a 40% Corporate Income Tax rebate for Year of Assessment ("YA") 2026, enhanced internationalisation support, enhancement of the Market Readiness Assistance grant to 70% for SMEs, expanded tax incentives and higher financing limits under the Enterprise Financing Scheme. These measures aim to help businesses manage cost pressures while accelerating transformation and overseas expansion.

Recognising Artificial Intelligence ("AI") as a key growth driver, Budget 2026 has set-up a National AI Council helmed by PM Wong, introduces National AI Missions with focus on advanced manufacturing, connectivity, finance and healthcare, expands enterprise support for AI adoption and strengthens workforce upskilling to ensure Singaporeans remain competitive in an AI-enabled economy.

The Government has also committed to invest S$37billion under the Research, Innovation and Enterprise (RIE2030) plan as commitment to research and innovation. This Budget 2026 further reinforces support for workers and families through Skills Future enhancements, measures to uplift lower-wage workers, targeted Central Provident Fund ("CPF") top-ups for seniors and continued cost-of-living assistance. Sustained investments in defence, cybersecurity and climate transition underscore the Government's commitment to long-term security and resilience.

Overall, Budget 2026 reflects a calibrated and disciplined approach providing near-term support while positioning Singapore for sustained, inclusive and resilient growth in a changed world. We have discussed below some of the key tax announcements in Budget 2026.

Corporate Tax

Corporate Income Tax ("CIT") Rebate and cash grant

Budget 2026 announced that, to provide support for companies to manage cost pressures, a CIT rebate of 40% of tax payable will be granted for the YA 2026.

In addition, active companies that employed at least one local employee (i.e., a Singapore Citizen or Permanent Resident for whom CPF contributions were made, excluding shareholders who are also directors) in Calendar Year 2025 will receive a CIT Rebate Cash Grant of S$1,500. The total maximum benefits, comprising the CIT rebate and the cash grant, that a company can receive is capped at S$30,000.

Eligible companies will automatically receive these benefits from the second quarter of calendar year 2026 onwards.

Enhancements to the Double Tax Deduction for Internationalisation ("DTDi") Scheme

Under the existing DTDi scheme, businesses could claim a 200% tax deduction on eligible expenses incurred on 16 qualifying market expansion and investment development activities. For nine of these activities, businesses could automatically claim a 200% deduction on the first S$150,000 of eligible expenses per YA without prior approval, while expenses exceeding S$150,000 or incurred on the remaining seven qualifying activities required prior approval from Enterprise Singapore or the Singapore Tourism Board. Certain overseas market development and investment study trip expenses also required prior approval.

As per the announcements made in Budget 2026, enhancements have been made to further support business internationalisation. From YA 2027, the expenditure cap for claims without prior approval, will be increased from S$150,000 to S$400,000 per YA. In addition, the scope of claims which do not require prior approval will be expanded to cover eligible expenses incurred on overseas market development trips and overseas investment study trips, as well as the following activities: investment feasibility/due diligence studies, master licensing and franchising, market surveys/feasibility studies, overseas business development, and production of corporate brochures for overseas distribution.

Expenses exceeding S$400,000 per YA or incurred on overseas trade office and e-commerce campaigns will still require prior approval, with detailed guidance to be provided by Enterprise Singapore by second quarter of 2026.

Enhancements to the Enterprise Innovation Scheme ("EIS") for AI Adoption

The EIS encourages businesses to engage in research and development, innovation, and capability development activities. Under EIS, qualifying businesses can claim a 400% tax deduction or allowance on qualifying expenditure for the following activities -

(a) Qualifying Research and Development activities undertaken in Singapore;
(b) Registration of Intellectual Property ("**IP**")
(c) Acquisition and licensing of IP rights;
(d) Training courses that are eligible for SkillsFuture Singapore funding and aligned with the Skills Framework; and
(e) Innovation projects carried out with polytechnics, the Institute of Technical Education, or other qualified partners (collectively known as partner institutions).

The qualifying expenditure cap is $400,000 per YA for each of the activities (a) to (d), and $50,000 per YA for activity (e). Businesses may also elect to convert up to $100,000 of total qualifying expenditure into a 20% non-taxable cash payout, in lieu of tax deductions or allowances.

To encourage the adoption of AI, Budget 2026 has enhanced the EIS for the YAs 2027 and 2028 as follows:-

(a) The list of approved partner institutions will be expanded to include the Sectoral AI Centre of Excellence for Manufacturing.

(b) In addition, a new qualifying activity will be introduced for qualifying AI expenditures, allowing businesses to claim a 400% tax deduction or allowance on up to $50,000 of qualifying AI expenditure per YA. However, this new AI-specific expenditure will not be eligible for conversion into a cash payout.

Inland Revenue Authority of Singapore ("**IRAS**") will provide further details by mid-2026.

Extension of Withholding Tax Exemptions for Interest Payments to Non-Residents

Under the existing tax framework in Singapore, interest payments made to non-resident persons are generally subject to a withholding tax of 15%. However, a range of withholding tax exemptions is available to financial institutions for payments made under specific types of financial transactions.

These exemptions which apply to following payments were scheduled to lapse after 31 December 2026 –

(a) All Section 12(6) payments made by specified entities for the purpose of their trade or business[1];
(b) Payments on structured products offered by financial institutions in Singapore;
(c) Payments on over-the-counter financial derivatives made by qualifying financial institutions;
(d) Payments made under cross currency swap transactions by Singapore swap counterparties to issuers of Singapore dollar debt securities;
(e) Interest payments on margin deposits made under all derivatives contracts by approved exchanges, approved clearing houses, members of approved exchanges and members of approved clearing houses;
(f) Specified payments made under securities lending or repurchase agreements by specified institutions; and
(g) Payments made under interest rate or currency swap transactions by The Monetary Authority of Singapore ("**MAS**").

In Budget 2026, the Government announced that to maintain the competitiveness of Singapore's financial sector, the withholding tax exemptions for these payments will be extended until 31 December 2031.

MAS will provide further details by the second quarter of 2026.

Updates in relation to tax incentives for treasury and trading activities and non-profit organisations

The Financial and Treasury Company ("**FTC**") incentive, which provides approved FTCs with a concessionary tax rate of 8% or 10% on qualifying income and withholding tax exemptions on interest payments for loans used for qualifying activities or services, was scheduled to lapse after 31 December 2026. Budget 2026 extends the FTC incentive until 31 December 2031 with a view to encourage companies to conduct treasury management activities in Singapore. In addition, the withholding tax exemption scope will be expanded to cover interest-like borrowing costs subject to withholding tax, applicable to loans used for qualifying activities or services. This expanded exemption applies to payments made on or after 13 February 2026. The Economic Development Board ("**EDB**") will provide further details by 13 February 2026.

The Global Trader Programme ("**GTP**"), offering approved global trading companies concessionary tax rates of 5%, 10%, or 15% on income from qualifying transactions in qualifying commodities, was also scheduled to lapse after 31 December 2026. Budget 2026 extends the scheme until 31 December 2031 with a view to further strengthen Singapore's position as a global trading hub. Further, the list of qualifying commodities will be expanded to include Environmental Attribute Certificates, effective from 13 February 2026. Enterprise Singapore will provide more details by second quarter of 2026.

[1] Specified entities are also not required to withhold tax on all Section 12(6) payments made to permanent establishments in Singapore

The Not-for-Profit Organisation Tax Incentive ("**NPOTI**"), which grants tax exemption on income derived by an approved Not-for-Profit Organisation ("**NPO**"), was scheduled to lapse after 31 December 2027. To maintain Singapore as an attractive location for NPOs, the NPOTI will now be extended until 31 December 2032.

Tax Deduction for CPF Cash Top-Ups Made by Platform Operators

Under the current tax treatment, employers are allowed to claim a tax deduction for CPF cash top-ups made on behalf of their employees under the Voluntary Contributions to MediSave Account ("**VC-MA**") scheme. However, platform operators are not permitted to claim a tax deduction for CPF cash top-ups made on behalf of their platform workers.

As announced in Budget 2026, to encourage platform operators to make CPF cash top-ups on behalf of their platform workers (who are eligible for the Matched MediSave Scheme), platform operators will be allowed to claim a tax deduction for CPF cash top-ups made on behalf of their platform workers under the VC-MA scheme.

This change will take effect from YA 2027 for CPF cash top-ups made on or after 1 January 2026.

Expiry of Investment Allowance for Emissions Reduction ("IA-ER") and double tax deduction for Upfront Costs for Rated Retail Bonds

The IA-ER scheme provides an investment allowance on qualifying capital expenditure for approved projects that improve energy efficiency or reduce greenhouse gas emissions.

Under the Seasoning Framework and Exempt Bond Issuer Framework, bond issuers carrying on a trade or business in Singapore can claim up to a 200% tax deduction on qualifying upfront costs incurred in relation to rated retail bonds issued during the qualifying period from 19 May 2021 to 31 December 2026 (both dates inclusive).

As per the announcement made in Budget 2026, both the schemes are scheduled to lapse after 31 December 2026.

The Government will continue to support efforts to improve energy efficiency or reduce greenhouse gas emissions via existing schemes such as the Resource Efficiency Grant for Emissions and the Refundable Investment Credits for Decarbonisation.

Other schemes such as the Qualifying Debt Securities scheme and the Global-Asia Bond Grant Scheme continue to be available to bond issuers.

Extension of 250% Tax Deduction for Qualifying Donations

Qualifying donations made to approved Institutions of a Public Character ("**IPCs**") or eligible institutions allow donors to claim a 250% tax deduction.

The enhanced deduction applies to the following donations:
Where donations are made by individual donors or corporate donors

- Cash donations to IPCs or the Singapore government
- Gifts of parcels of land or buildings to IPCs
- Gifts of artefacts to approved museums
- Donation, installation, and maintenance of sculptures and works of art for public display to National Heritage Board ("**NHB**") or other approved recipients (subject to NHB approval)

Where donations are made by individual donors only

- Gift of shares listed on Singapore Exchange ("**SGX**") to IPCs
- Gifts of units in unit trusts traded in Singapore or listed on the SGX

As per the announcement made in Budget 2026, to strengthen Singapore's culture of philanthropy and promote sustained giving, the Government has extended the 250% tax deduction for qualifying donations made to IPCs and other approved recipients for donations made between 1 January 2027 to 31 December 2029.

Extension of Corporate Volunteer Scheme ("CVS")

Under the existing CVS scheme, all businesses carrying on a trade or business in Singapore are eligible to claim a 250% tax deduction on qualifying expenditure (e.g. employee wages) incurred in respect of:

- The deployment of qualifying employees to volunteer with or provide services to IPC; or
- The secondment of qualifying employees to IPCs.

From 1 January 2024, the qualifying expenditure is subject to an annual cap of $250,000 per business per Year of Assessment and $100,000 per IPC per calendar year.
As per the announcement made in Budget 2026, the scheme (which was previously scheduled to lapse for expenditure incurred after 31 December 2026) has been extended to cover qualifying expenditure incurred from 1 January 2027 to 31 December 2029 to support corporate volunteering.

Enhancements to Support Schemes for Internationalisation

In Budget 2026, the Government announced enhancements to existing support schemes to encourage more businesses to deepen their presence in overseas markets and diversify into new markets

Enhanced Grant Support for Overseas Market Access

The Market Readiness Assistance ("**MRA**") grant provides funding support for expenses relating to overseas market promotion, business development and market set-up costs. Currently, eligible local Small and Medium Enterprises ("**SMEs**") may receive support of up to 50% of qualifying costs, subject to a cap of S$100,000 per company per new market. The enhanced S$100,000 cap was previously scheduled to lapse after 31 March 2026.

From 1 April 2026, the MRA grant will be enhanced, as follows:

(a) Local SMEs will receive support of up to 70% of eligible costs. The higher support level is applicable until 31 March 2029.
(b) The enhanced grant cap of $100,000 will be extended. Local SMEs will continue to receive grant support of up to $100,000 per company per new market.

With effect from second half of 2026, as announcement made in Budget 2026, the "new to market" criterion[2] will be removed, allowing local enterprises to access MRA support to deepen their presence in existing overseas markets.

Enhanced loan quantum under the Enterprise Financing Schemes ("**EFS**")

The EFS facilitates access to financing for Singapore enterprises at different stages of growth and across a range of business financing needs.

With effect from 1 April 2026, borrower and borrower group level caps under the EFS – SME Fixed Assets Loan (currently S$30 million) and EFS – Trade Loan (currently S$10 million per borrower and S$20 million per borrower group) will be removed.

An overall loan exposure limit of S$50 million per borrower group across all EFS facilities will apply.

[2] Under MRA today, companies can only receive support for market entry activities if they are new to the target overseas market, whereby the company's annual sales in the target market must not have exceeded S$ 100,000 in any of the preceding three years.

Enhanced grant support levels for internationalisation schemes

Between 1 April 2026 and 31 March 2029, support for internationalisation schemes will be increased. Local SMEs may receive funding of up to 70% of eligible costs, while local non-SMEs may receive up to 50% of eligible costs. The enhanced support applies to the following grants:

Grant scheme	Description
Business Adaptation Grant (until 6 October 2027)	To assist local enterprises affected by tariffs in adapting their operations and enhancing supply chain resilience through advisory services and reconfiguration support.
Global Innovation Alliance ("GIA") schemes^	To enable Singapore startups to scale overseas through market access programmes and in market expert support, with a focus on technology and innovation.

^ Enhanced support levels will apply to all outbound GIA schemes and programmes (e.g., GIA Discovery,GIA+, GIA Acceleration Programmes, GIA Co-Innovation Programmes, GIA Proof-of-Concept Grant).

CPF Transition Offset

In response to the higher CPF contribution rates for employees aged above 55 - 70 announced in Budget 2026 (see personal tax section below), the Government will provide employers with a one-year CPF Transition Offset to mitigate the resulting increase in business costs.

This offset will cover half of the increase in employer CPF contributions in year 2027 for each Singaporean and Permanent Resident employee aged 55–65.

Please note that the offset will be applied automatically and hence no application is required from employers.

Productivity Solutions Grants ("PSG")

The PSG helps Singapore companies improve their productivity and automate existing processes through IT solutions and equipment. The PSG provides financial support for businesses to adopt pre-scoped IT solutions, equipment and consultancy services to improve productivity and enhance processes with technology. Eligible businesses can receive funding support of up to 50% of qualifying costs for implementing these solutions, making it more affordable to invest in technology and accelerate growth

As announced at Budget 2026, with a view to support businesses on AI adaption, the PSG will be expanded to include a broader range of AI-enabled solutions to help businesses further embrace artificial intelligence and accelerate their digital transformation.

The Ministry of Digital Development and Information will provide additional details during the Committee of Supply 2026 debates.

Updates in Progressive Wage Credit Scheme ("PWCS")

The PWCS provides transitional wage support to help employers adjust to Progressive Wage requirements and incentivize voluntary wage increases for lower-wage workers.

Following enhancements announced in Budget 2025, co-funding support has been increased to 40% for 2025 and 20% for 2026 respectively.

As announced at Budget 2026, PWCS co-funding will be increased for wage increments in qualifying year 2026 to further support employers in raising wages for lower-wage employees. This enhanced support will also apply to wage increases made in 2025 if they are sustained into 2026. Additionally, the PWCS will be extended to cover wage increases in qualifying years 2027 and 2028 subject to conditions. Please see details in the table below:-

Qualifying Year (i.e., year that wage increase was given)	Payout Period	Current	New
2026	1Q 2027	20%	30% (+10%-pt)
2027	1Q 2028	-	30%
2028	1Q 2029	-	20%

Personal Income Tax

Updates to Employment Pass ("EP") and S Pass minimum qualifying salaries and work permit licenses

Budget 2026 announced that the Ministry of Manpower ("**MOM**") will revise the minimum qualifying salaries for EP and S Pass holders with a view to:

(a) Maintain a high quality and complementary foreign workforce; and

(b) Support industry transformation to achieve a more productive and leaner foreign workforce and create better jobs for locals

The EP minimum qualifying salary for new applications will increase from S$5,600 to S$6,000, while for the Financial Services ("**FS**") sector, the minimum qualifying salary for the new applications will increase from S$6,200 to S$6,600. These revised thresholds will apply to new EP applications from 1 January 2027 and to renewal applications from 1 January 2028, with progressive increases based on age.

The S Pass minimum qualifying salary for new applicants will rise from S$3,300 to S$3,600, and from S$3,800 to S$4,000 for the FS sector, effective from 1 January 2027 and 1 January 2028 for new and renewal applications respectively.

Foreign Worker Levy ("**FWL**") Rates for the Marine Shipyard, for Basic-Skilled ("**R2**") Work Permit holders ("**WPHs**") will be raised by $100, from $500 to $600 per month. For the Process Sectors, for R2 WPHs from Malaysia, North Asian sources and China, the monthly levy rate will be raised by $150, from $450 to $600 per month. For R2 WPHs from non-traditional sources, the monthly levy rate will also be raised by $150, from $650 to $800.

Senior worker CPF contribution rates

Following the recommendations of the Tripartite Workgroup on Older Workers, the Government announced in 2019 a phased increase in CPF contribution rates for Singaporean and Permanent Resident workers aged above 55 to 70.

Age Band	2016 - 2021	Current CPF Contribution Rates (As of 1 January 2026)	Target Contribution Rates by ~2030
55 and below	37.0%	No change	
Above 55 to 60	26.0%	34.0%	37.0%
Above 60 to 65	16.5%	25.0%	26.0%
Above 65 to 70	12.5%	16.5%	16.5%
Above 70	12.5%	No change	

Notes:

a. The timeline is subject to change, depending on prevailing economic conditions.

b. The CPF contribution rates are stated as a percentage of wages above $750 per month.

The annual increases have been implemented since 1 January 2022, with target contribution rates for workers aged above 65 to 70 achieved in 2024. Once fully implemented by around 2030, workers aged above 55 to 60 will have CPF contribution rates aligned with those of younger workers.

The next adjustment to CPF contribution rates for senior workers aged above 55 to 65 will take effect on 1 January 2027. With this increase in 2027, the target contribution rates for senior workers aged 60 to 65 will be reached.

Other Updates

Preferential Additional Registration Fee ("PARF") rebate

To promote the timely renewal of the vehicle fleet, enhancing safety and reducing pollution, PARF rebates are offered to car and taxi owners. These rebates are calculated as a percentage of the ARF paid and are tiered according to the vehicle's age at deregistration.

As electric and hybrid vehicles are cleaner and are becoming increasingly widespread, the relevance of PARF has been diminishing. Consequently, PARF rates will be reduced by 45 percentage points across the board, and the PARF rebate cap will be lowered from $60,000 to $30,000. The existing PARF rebate and new PARF rebate are as follows:

Age of Vehicle at Deregistration	PARF Rebate * (Current)	PARF Rebate ^ (New)
Age ≤ 5 years	75% of ARF	30% of ARF
5 years < Age ≤ 6 years	70% of ARF	25% of ARF
6 years < Age ≤ 7 years	65% of ARF	20% of ARF
7 years < Age ≤ 8 years	60% of ARF	15% of ARF
8 years < Age ≤ 9 years	55% of ARF	10% of ARF
9 years < Age ≤ 10 years	50% of ARF	5% of ARF
Age > 10 years	N/A	N/A

** PARF rebates are capped at $60,000.*

^ PARF rebates will be capped at $30,000.

The revised PARF rebate schedule, with a cap of $30,000, will apply to cars registered with COEs secured from the second Certificate of Entitlement ("**COE**") bidding exercise in February 2026.

For cars that do not require COE bidding (i.e. taxis), the revised rebate schedule and $30,000 cap will apply to those registered on or after 13 February 2026.

The revised PARF rebate schedule and cap do not apply to vehicles that are not eligible for PARF rebates.

Further details will be announced by Land Transport Authority.

Excise duties for tobacco products

With effect from 12 February 2026, tobacco duties will be increased by 20% across all tobacco products to discourage consumption of tobacco products.
The excise duty for cigars, cheroots, cigarillos, cigarettes and other manufactured tobacco will rise from $491 per kg or 49.1 cents per stick to $589 per kg or 58.9 cents per stick of cigarette.
Duties on beedies, ang hoon and other smokeless tobacco will increase from $378 per kg to $454 per kg, while duties on unmanufactured and cut tobacco and other tobacco refuse will increase from $446 per kg to $535 per kg.

Key tax developments and updates over last one year

In 2025, Singapore's economy demonstrated strong resilience and adaptability amid a shifting global landscape, expanding by 5.0 per cent, slightly easing from 5.3 per cent in 2024 but exceeding earlier expectations. Growth was underpinned by a powerful rebound in the fourth quarter, where GDP surged 6.9 per cent year-on-year, driven primarily by a sharp upswing in manufacturing.

The electronics cluster led the charge, recording exceptional growth on the back of robust global demand for AI-related semiconductors, servers and server related products. This momentum spilled over to wholesale trade, particularly the machinery, equipment and supplies segment, while the finance and insurance sector posted steady, broad-based gains amid accommodative financial conditions.

Construction remained firm, supported by public and private sector projects, and sectors such as information and communications continued to benefit from sustained digitalisation and AI adoption. However, consumer-facing segments, notably food and beverage services, remained subdued despite an increase in the sales volume of food caterers which helped offset the decline in restaurant sales.

Reflecting stronger-than-expected global growth, resilient trade flows despite US tariffs, and continued momentum in the AI investment cycle, the Ministry of Trade and Industry upgraded Singapore's 2026 GDP growth forecast to 2.0 to 4.0 per cent, signalling cautious optimism even as risks from geopolitical tensions, trade barriers and potential volatility in AI-related investment remain on the horizon.

Below are some of the major updates and developments over the past year which may be of interest to businesses and investors operating in Singapore.

1. Corporate tax Updates

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

Budget 2025 introduced significant enhancements to Section 13W of the Singapore Income Tax Act ("**SITA**"), reinforcing Singapore's position as a competitive hub for investment activities. The objective of these changes was to provide companies with greater certainty and flexibility in planning their investment and divestment strategies.

One of the key reforms was the removal of the existing sunset date of 31 December 2027 for Section 13W of the SITA. This change effectively makes the regime open-ended, offering long-term certainty for businesses and investors contemplating equity investment structures in Singapore.

In addition, for disposal gains arising on or after 1 January 2026, the following enhancements have been introduced to broaden and strengthen the applicability of the 13W scheme:

- *Expanded scope of eligible gains* – The definition of qualifying gains has been widened to expressly include gains arising from the sale or disposal of qualifying preference shares, in addition to gains from ordinary equity holdings. This change reflects evolving investment practices and supports a wider range of corporate financing structures.
- *Group-based shareholding threshold assessment* – The current requirement to meet a 20% direct shareholding threshold on a single-entity basis has been made more flexible by allowing companies to satisfy this test on a group basis. This group-level approach will enable multinational enterprises and complex corporate groups to pool shareholding interest across related entities in meeting the eligibility criteria.

To assist taxpayers in understanding these enhancements and their practical implications, the IRAS published an updated e-tax guide on 30 September 2025 titled *Certainty of Non-taxation of Companies' Gains on Disposal of Equity Investments (Fourth Edition)*. The revised guide provides detailed guidance, illustrative examples, and clarifications on the application of the enhanced Section 13W rules, including eligibility conditions, compliance requirements, and the interaction with other tax provisions.

1.2. Establishment of the Johor–Singapore Special Economic Zone ("JS-SEZ")

Malaysia and Singapore have agreed to establish the JS-SEZ with the agreement signed on 7 January 2025. The JS-SEZ aims to strengthen bilateral economic ties and jointly attract global investment by enhancing cross-border connectivity, facilitating the movement of people and strengthening the regional business ecosystem.

The JS-SEZ is focussed on economic cooperation across 11 key sectors across nine designated flagship areas in Johor, with a target of attracting 50 to 100 major investments over the next five to 10 years and creating around 20,000 skilled jobs.

The key initiatives also include improvement of cross-border mobility through streamlined immigration and transport measures, development of a competitive talent pool with higher wage offerings and enhanced ease of doing business through regulatory support and a one-stop investment facilitation centre.

The JS-SEZ offers attractive tax incentives in Malaysia, including preferential corporate and personal income tax rates and reduced entertainment duties. Singapore companies expanding into the JS-SEZ may further benefit from the Market Readiness Assistance grant, which supports overseas expansion and has been extended until 31 March 2026.

1.3. Singapore Enhances Financial Sector Incentives to Strengthen Capital Markets

The Monetary Authority of Singapore ("**MAS**") has introduced targeted enhancements to the Financial Sector Incentive ("**FSI**") scheme through a circular dated 3 July 2025, following announcements made in Budget 2025.

The enhancements include two new fund management-focused incentives (i) FSI-FM Listing and (ii) FSI-FM Singapore Equities aimed at deepening Singapore's capital markets by encouraging public listings and greater investment in Singapore-listed equities. These schemes offer concessionary tax rates of 5% and 0% respectively, subject to meeting prescribed AUM, investment professional, and prescribed annual conditions.

In addition, MAS has introduced Basic Tier FSI schemes across fund management, trustee companies, and headquarter services, providing a 15% concessionary tax rate to complement existing FSI tiers and align with BEPS Pillar Two requirements. Together, these measures reinforce Singapore's competitiveness as a fund management and capital markets hub while maintaining alignment with evolving global tax standards.

1.4. Refundable Investment Credit ("RIC") Regulations Gazetted and came into Effect on 1 September 2025

As part of Singapore's implementation of the OECD/G20 Pillar Two minimum tax framework, the RIC regime was introduced to preserve Singapore's competitiveness as an investment hub while remaining compliant with the global minimum tax rules. Unlike traditional tax incentives that reduce taxable income or tax payable, RICs are structured as refundable credits, ensuring the status quo in Singapore tax regime by the 15% minimum effective tax rate under Pillar Two.

The Income Tax (Refundable Investment Credits) Regulations 2025 came into effect on 1 September 2025 pursuant to section 93B of the SITA, following amendments introduced under the Income Tax (Amendment) Act 2024 as part of Singapore's implementation of the OECD/G20 Pillar Two framework, alongside the Multinational Enterprise (Minimum Tax) Act 2024.

The regulations set out a wide scope of qualifying activities and expenditure, with RICs granted at rates of 10%, 30% or 50% based on the scale, nature, and economic impact of the investment, including sustainability outcomes where relevant. An irrevocable election allows RICs to be paid in stages over two to four years, enhancing payout certainty but requiring upfront cash-flow planning. The framework also introduces prescribed look-back rules and clawback mechanisms, while preserving the deductibility or capital allowance treatment of the underlying expenditure, subject to revised tax filings within a two-month timeframe.

1.5. Key Changes in the Third Edition of the VCC e-Tax Guide

The third edition of IRAS' VCC e-Tax Guide reflects recent tax policy updates, including Budget 2025 measures and clarifications on allowable deductions. Key changes include:

- Non-deductible expenses: Clarifies that payments under innovation cost-sharing arrangements are not deductible.
- Budget 2025 incentives: Incorporates the corporate income tax rebate and cash grant for eligible VCCs.
- Share disposal exemption: From 1 January 2026, gains from the disposal of ordinary or qualifying preference shares by a VCC or its sub-funds are tax-exempt, subject to a 20% shareholding held for at least 24 months.
- Control guidance: Provides guidance on determining control for VCCs and their sub-funds.

These updates clarify tax treatment, compliance requirements, and the interaction of incentives for VCCs and sub-funds.

1.6. Key Focus Areas of Audit

For YA 2025, the IRAS compliance focus remains on areas with a higher risk of misstatement or incorrect claims, underscoring the need for robust documentation and accurate tax positions.

There is also enhanced scrutiny on related party services and transfer pricing fees must be priced at arm's length with appropriate mark-ups on direct and indirect costs, supported by contemporaneous transfer pricing documentation to mitigate the risk of adjustments and surcharges.

Additionally, IRAS is increasingly focusing on new and expanded compliance disclosures, such as reporting on foreign asset disposals and other detailed items in the tax return, which require careful review and clear documentation to avoid audit challenges and penalties.

There is also increased focus on claiming of private expenses, classification of income and expenses in cases of companies enjoying concessionary tax rate, taxability on sale of properties and deductibility of interest expenses.

1.7. Introduction of subsidiary legislation on BEPS 2.0 Pillar Two

Singapore has published a subsidiary legislation supplement on 30 December 2024 to support the implementation of BEPS 2.0 Pillar Two, following the enactment of the Multinational Enterprise (Minimum Tax) Act and related regulations.

Effective from 31 December 2024, the subsidiary legislation provides detailed operational rules for Singapore's global minimum tax regime and reflects alignment with the OECD's Global Anti-Base Erosion ("**GloBE**") Model Rules. It sets out the framework for determining in-scope multinational enterprise groups, computing consolidated group revenue, Globe adjustment, safe harbours and calculating top-up tax liabilities.

The subsidiary legislation also elaborates on the application of key mechanisms under Pillar Two, including the Multinational Enterprise Top-up Tax ("**MTT**") and the Domestic Top-up Tax ("**DTT**"), as well as the availability of safe harbours such as the Qualified Domestic Minimum Top-up Tax. Transitional provisions are addressed to facilitate the initial adoption of the regime, with further guidance expected from IRAS to clarify practical implementation issues over time.

In addition, the subsidiary legislation clarifies compliance and administrative requirements, including registration, filing, and record-keeping obligations for affected groups. It also addresses the income tax treatment of Pillar Two taxes and foreign tax credit. Overall, the issuance of the subsidiary legislation reinforces Singapore's commitment to international minimum tax standards while providing greater certainty to multinational groups as they prepare for compliance under the new regime.

1.8. Updates to IRAS e-Tax Guide on MTT and Domestic Top-up Tax ("DTT")

The IRAS has released the Second Edition of its e-Tax Guide on the MTT and DTT, providing key clarifications on Singapore's implementation of Pillar Two (Global Minimum Tax). The update incorporates legislative changes under the Multinational Enterprise (Minimum Tax) Act and aligns Singapore's framework with the OECD GloBE Model Rules and Administrative Guidance.

Key highlights of the updated e-Tax Guide include:

- **Scope and applicability**: MTT (IIR) and DTT apply to financial years starting on or after 1 January 2025.
- **Transitional status**: Confirmation that Singapore's MTT regime retains transitional qualified status.
- **Entity treatment**: Clarifications on revenue thresholds and the treatment of special, hybrid, and reverse hybrid entities.
- **Administrative guidance**: Detailed requirements on registration, MTT/DTT filings, and GloBE Information Return (GIR) submissions.
- **Interaction with domestic tax rules**: Guidance on foreign DTT and GloBE taxes in relation to Singapore's foreign-sourced income exemption and foreign tax credit framework.
- **Practical support**: Expanded FAQs and illustrative examples to assist with calculations, elections, and compliance timelines.

In summary, the guide demonstrates Singapore's focus on delivering a Pillar Two framework that balances technical precision with practical administration, ensuring clarity, documentation, and consistent compliance.

1.9. Introduction of BEPS 2.0 Pillar Two registration form

Singapore has entered the implementation phase of BEPS 2.0 Pillar Two following the enactment of the Multinational Enterprise (Minimum Tax) Act 2024. The IRAS released a one-time registration form on 31 December 2025, together with explanatory notes for multinational enterprise groups potentially subject to the MTT, DTT and the GloBE Information Return ("**GIR**"). These measures give effect to the OECD's GloBE rules which impose a 15% global minimum effective tax rate and apply in Singapore for financial years beginning on or after 1 January 2025.

Registration is mandatory and required only once for MNE groups that meet the consolidated revenue threshold of €750 million in at least two of the four preceding financial years and that have entities in Singapore.

The registration portal is expected to open in May 2026 and affected groups must register within six months from the end of their first financial year in scope. The form collects information on the MNE group and parent entity, Singapore entities subject to MTT and DTT, GIR filing arrangements and any changes in tax residency. IRAS has indicated that complete registrations will generally be processed within one month and late registration may attract a 10% surcharge.

2. Transfer Pricing updates

2.1 IRAS Eighth Edition Transfer Pricing Guidelines: Overview of Changes

On 19 November 2025, the IRAS published Transfer Pricing Guidelines (8th Edition) ("TPG 8"), introducing enhanced transfer pricing requirements and aligning more closely with global tax developments.

The revised guidelines particularly emphasises on intra-group financing, simplified transfer pricing documentation preparation, strict pass-through costs and Mutual Agreement Procedure ("**MAP**") rules, raising the bar for economic substance and documentation quality. IRAS also introduced a pilot Simplified & Streamlined Approach ("**SSA**"), which is a safe-harbour regime for qualifying routine distribution and marketing functions (from 1 January 2026 to 31 December 2028), which could reduce benchmarking burden and audit risk.

One important update in TPG 8 is in relation to domestic related-party loans. Under the previous edition for such loans, taxpayers were obliged to adopt IRAS's indicative margin or conduct a full transfer-pricing analysis to determine interest rates for such loans. Following feedback from taxpayers and advisors to allow interest free related party domestic loans, this obligation has now been dispensed with unless the borrower or lender is in the business of borrowing or lending. Specifically, IRAS has clarified that it will no longer make transfer-pricing adjustments for domestic related party loans where the borrower or lender are not in the business of borrowing or lending. Where the loan is interest-free, any claim for deduction of interest expense will be assessed under section 14(1)(a) of the Singapore Income Tax Act and subject to interest restriction, where appropriate.

For cross-border outbound related-party loans, IRAS has clarified that it will make transfer pricing adjustments only when interest is remitted into Singapore. If the loan is interest-free, no transfer pricing adjustment will be done since no interest is remitted. Similarly, for cross border inbound related party loan where the taxpayer in Singapore is the borrowing party and no interest is charged by the lending party or the interest charged is below arm's length amount, IRAS will not impute an arm's length interest expense as it is not tax deductible.

Apart from the above, IRAS has also made stricter conditions on relying on qualifying past TPD. TPG 8 now requires a formal declaration along with the existing conditions that simplified TPD can only be prepared where there are no material changes to the transaction.

2.2 Singapore's 2026 Transfer Pricing Indicative Margin for Related-Party Loans

IRAS announced the revised indicative margin for related-party loans to 1.80% (180 basis points) from 1.70% (+170 basis points) above the applicable risk-free rates for the period from 1 January to 31 December 2026. The indicative margin can be applied for all related-party loans not exceeding SGD 15 million. In addition in case of related domestic party loans entered into after 1 January 2025 where both the borrowing and the lending parties are not in the business of borrowing and lending, the indicative margin may be applied.

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. Individual Tax

3.1 Changes to foreign workforce policy

In March 2025, the Ministry of Manpower announced targeted updates to Singapore's foreign workforce policies aimed at maintaining a high-quality, complementary foreign workforce while supporting productivity-led industry transformation and stronger local job outcomes.

These changes include increased salary requirements for S Pass holders, simplification of the Work Permit regulations and enhancement of the Manpower for Strategic Economic Priorities (M-SEP) Scheme. Under the M-SEP Scheme, eligible companies may receive temporary increases to their S Pass and Work Permit quotas of up to 5% above their base workforce headcount, allowing them to hire additional foreign manpower to meet short-term or critical business needs.

S Pass salary and levy requirements
From 1 September 2025, higher qualifying salary thresholds apply to new S Pass applications, and to renewals expiring on or after 1 September 2026.

For non-financial services sectors, the minimum salary has increased to SGD 3,300 for applicants aged 23 or below, rising progressively to SGD 4,800 for those aged 45 and above. For the financial services sector, the minimum salary has increased to SGD 3,800 for applicants aged 23 or below, rising progressively to SGD 5,650 for those aged 45 and above. In addition, the S Pass Tier 1 levy has increased to SGD 650 per month from 1 September 2025, harmonising levy rates across all sectors.

Work Permit Framework
MOM also enhanced the Work Permit regime to support workforce quality and retention. From 1 June 2025, the Non-Traditional Sources (NTS) list has been expanded to include Bhutan, Cambodia and Laos, with the NTS Occupation List further broadened from 1 September 2025 to cover cooks, heavy vehicle drivers and manufacturing operators. From 1 July 2025, the maximum employment duration cap for Work Permit holders has been removed, and age limits raised, allowing new applications up to age 61 and retention of existing Work Permit holders up to age 63.

3.2 COMPASS Scoring Criteria for Employment Pass Applicants

In early August 2025, the Singapore government announced updated sector and age specific salary benchmarks under the Complementarity Assessment ("**COMPASS**") framework, effective for new Employment Pass ("**EP**") applications from 1 January 2026 and for renewals expiring on or after 1 July 2026.

In addition to meeting the EP qualifying salary, candidates must pass COMPASS, a two-stage points-based framework applicable to both new applications and renewals, with a minimum of 40 points required.
COMPASS provides greater transparency and predictability for workforce planning by enabling employers to select high-quality foreign professionals, while supporting workforce diversity and strengthening the local core.

Employers should proactively assess workforce impact, review compensation structures, and consider alternative levels such as skills bonus points or participation in Strategic Economic Priorities programs ahead of implementation.

4. Goods and Service Tax ("GST") Updates

4.1. Administrative Concession Allowing Companies to Claim Input Tax on Fringe Benefits Purchased from Overseas Vendor Registration (OVR) Regime Suppliers for Invoices Issued Directly to Employees

From 1 July 2025, IRAS has introduced an administrative concession allowing GST-registered businesses to claim input tax on certain fringe benefits procured from overseas suppliers registered under the Overseas Vendor Registration ("**OVR**") regime where invoices are issued directly to employees.

This applies to expenses such as professional membership fees and work-related training, provided GST is charged by the OVR supplier, the employee is reimbursed, the expense is recognised as a business expense, and supporting documentation is maintained.

4.2. Adopting GST Invoice Now Requirement for GST-registered Businesses

Singapore's GST InvoiceNow requirement has been soft-launched in 2025, with GST-registered businesses encouraged to transmit invoice data to IRAS via the InvoiceNow (Peppol) network using InvoiceNow-ready solutions. While adoption is voluntary at this stage, it will become mandatory for new voluntary GST registrants from April 2026, with further phased implementation expected. Early adoption is encouraged to enhance GST compliance efficiency and reduce administrative burden.

4.3. Current Areas of Audits

GST is administered under a self-assessment regime, whereby businesses are responsible for accurately assessing, reporting and paying their GST obligations in accordance with the prevailing regulations.

IRAS undertakes regular audits as part of its compliance framework to reinforce voluntary compliance and ensure that taxpayers accurately meet their tax obligations and contribute their fair share to the tax system. A GST audit involves assessing whether GST has been properly applied and reported, including the correctness of supply classifications, GST charging and accounting, validity of input tax claims, and completeness of the amounts declared in the GST returns.

IRAS identifies key areas of tax compliance risks and applies a risk-based approach to design targeted compliance programmes for industries assessed to present higher risk profiles.
Current areas of audit in 2025 included Missing Trader Fraud Arrangements, Businesses making low-value GST refund claims, Sale of Non-Residential Property, GST-registered sole-proprietors who have not accounted for the correct amount of supplies and output tax in their GST returns and other areas of audit.

Common GST errors observed
IRAS has identified several common issues, including input tax claims by dormant businesses with no taxable supplies; claims unsupported by valid tax invoices, simplified tax invoices or import permits; claims on disallowed expenses such as motor car and medical costs; claims on private or personal expenses, including household-related costs; and zero-rated export supplies not substantiated by proper export documentation. Further there have been instances where there has been failure to charge GST and late accounting of GST among other errors.

Consequences of errors
Businesses who are found to submit an incorrect return may be penalised for up to 2 times the amount of tax undercharged and may be liable to a fine and imprisonment term.

5. International tax updates

5.1. Amendments to Singapore Double Tax Agreements ("DTA") with Mongolia

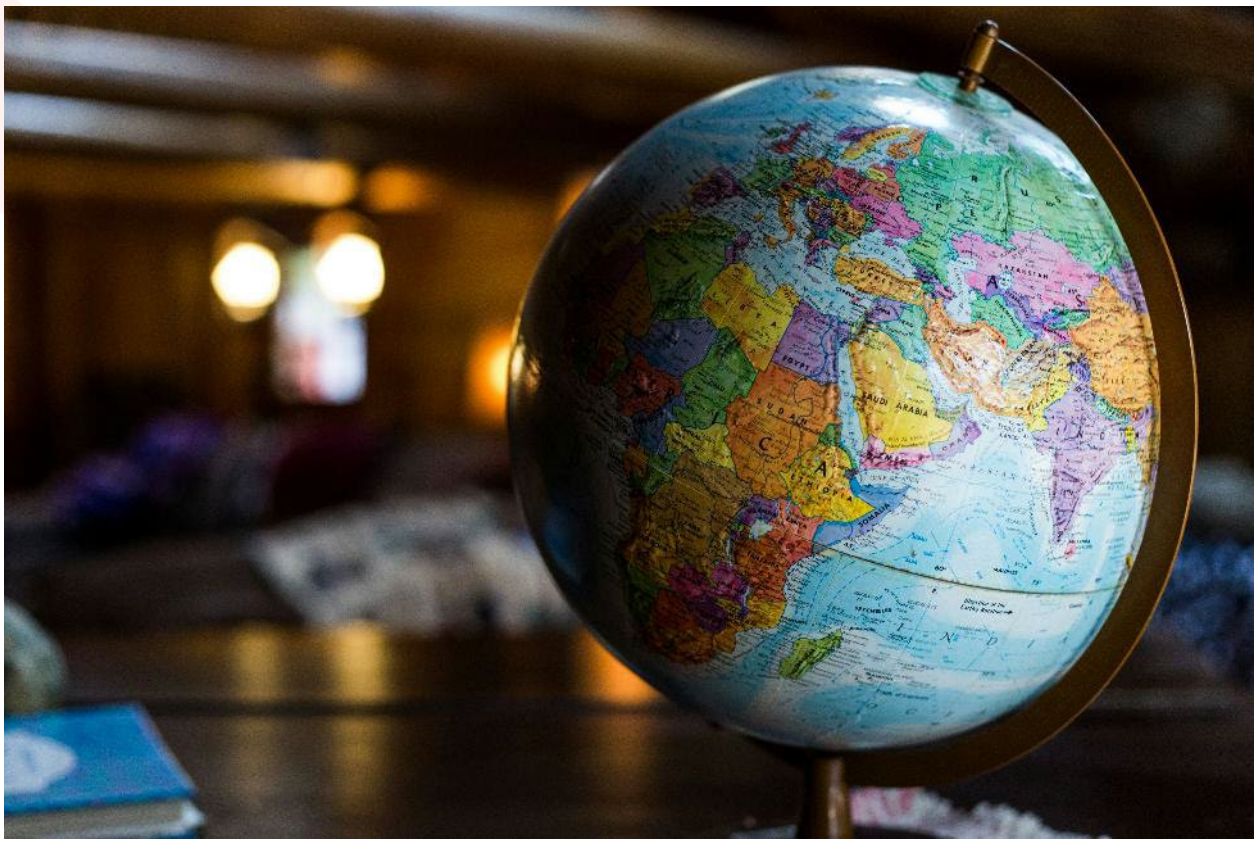
The Multilateral Instrument ("**MLI**") amends the Singapore–Mongolia DTA by replacing the preamble to expressly state that the treaty is intended to eliminate double taxation without creating opportunities for tax evasion, avoidance, or treaty shopping. Besides that, a new Article 27A (Prevention of Treaty Abuse) is introduced, which denies treaty benefits where obtaining such benefits is one of the principal purposes of an arrangement or transaction, unless the benefit is consistent with the object and purpose of the treaty.

These MLI changes take effect in Singapore for withholding taxes on amounts paid on or after 1 January 2025, and for other taxes for income derived in basis periods beginning on or after 1 July 2025.

5.2. Protocol to DTA between Singapore and Brazil for the Elimination of Double Taxation

The Protocol of DTA between the Republic of Singapore and the Federative Republic of Brazil for the Elimination of Double Taxation with Respect to Taxes on Income and the Prevention of Tax Evasion and Avoidance entered into force on 12 November 2025 following ratification.

The provisions of this Protocol are intended primarily to correct minor translation discrepancies in the Portuguese version of the treaty text, specifically on Article 11 (Interest) of the DTA, and Paragraph 7 of the May 2018 Protocol.



6. Judicial precedents

6.1. Changi Airport Group (Singapore) Pte Ltd v Comptroller of Income Tax ("CIT")

In *Changi Airport Group (Singapore) Pte Ltd v Comptroller of Income Tax*[3], the Appellate Division of the High Court addressed the capital allowances claim on airport assets. The court considered whether certain airport assets, including runways, taxiways, and aprons, qualified as "plant" under the SITA and were therefore eligible for capital allowances. Changi Airport Group argued that these assets should be treated as plant, while the CIT maintained that they were "structures" and not eligible for such allowances.

The court held that the runways, taxiways and aprons at Changi Airport are structures and not "plant" for the purposes of the SITA, and therefore do not qualify for capital allowances under Section 19A of the SITA. The Court found that these assets function as permanent surfaces and premises on which the airport business is carried on, rather than as apparatus used in the business, and should be assessed separately from the aerodrome equipment such as lighting and navigation systems. Applying the principles in ZF v Comptroller of Income Tax, the court concluded that the runways, taxiways and aprons are durable, permanent and analogous to roads, and that being purpose-built and essential to operations does not convert them into plant.

6.2. GIQ v The Comptroller of Income Tax [2025] SGITBR 1

In this case, the Income Tax Board of Review ("**Board**") considered whether a gain of S$18,492,555 arising from the purchase and subsequent repurchase of a portfolio of unsecured non-performing loans ("**NPLs**") by the Appellant i.e. the Bank was taxable under Sections 10(1)(a) or 10(1)(g) of the SITA. The Appellant argued that both the net recoveries from debt collection and the net gain from the repurchase were of a capital nature and outside its ordinary business. The Board found that the NPLs constituted stock in trade of the Appellant's debt collection business, and the gains arose from carrying on a scheme of profit-making. The unsolicited repurchase by the Bank did not change the nature of the gains, which represented the realisation of the Appellant's revenue assets. The Board further held that even under Section 10(1)(g) of the SITA, the gains were taxable as the Appellant had the intention to profit from the transactions. Consequently, the appeal was dismissed with costs, and both the net recoveries and net gain were confirmed as taxable income.

6.3. GIR v The Comptroller of Income Tax [2025] SGITBR 2

In this case, the taxpayer, a Financial Services Incentive (standard tier) company (referred as "**FSI (standard tier)**") which is taxed at a concessionary tax rate of 10% instead of 18%, entered into structured transactions involving redeemable preference shares with embedded foreign exchange ("**FX**") options, incurring substantial redemption losses. The appeal raised three key issues: (i) whether the transactions included a "derivative" under regulation 4(1)(j) of the FSI Regulations, (ii) whether the taxpayer was "trading in derivatives," and (iii) whether the losses were derived from such trading.

The Income Tax Board of Review held that the embedded FX options did constitute derivatives, but the taxpayer was not trading in derivatives, as the transactions were essentially short-term financing with a guaranteed return and minimal risk, evidenced by the put options and dividend terms. Consequently, the redemption losses were not linked to derivative trading and could therefore be deducted at the prevailing corporate tax rate rather than the 10% FSI concessionary rate.

[3] [2025] SGHC(A) 20

6.4. GIS and others v Comptroller of Income Tax [2025] SGITBR 3

In this case, the Board affirmed IRAS' application of the general anti-avoidance provision under Section 33 of the SITA, holding that a series of corporatisation arrangements implemented by three medical practitioners were predominantly tax driven.

The arrangements involved the interposition of multiple entities (including a joint company, medical consultancy companies and subsequently surgical companies) through which medical income was channelled, while the doctors continued to personally perform the underlying medical services. Although the appellants argued that the structures were commercially motivated and supported by tax exemptions for start-ups and partial tax exemption regimes, the Board found that the overall effect of the arrangements was to convert what was essentially personal service income into corporate income, taxed at significantly lower rates, with surplus profits extracted via dividends, low salaries and interest-free loans.

Importantly, the Board observed that the companies had limited operational substance, assumed minimal entrepreneurial risk, and that the repeated restructuring did not meaningfully alter the commercial reality of the practice. The appellants also failed to discharge the burden of proving the presence of bona fide commercial reasons within the meaning of Section 33(3)(b) of SITA.

The Board further clarified that reliance on Section 43 (Start-up Tax Exemption / Partial Tax Exemption) does not immunise a taxpayer from general anti-avoidance rules ("**GAAR**") where the resulting tax advantage falls outside Parliament's intended scope when assessed in economic substance. Accordingly, IRAS was entitled to disregard the arrangements, re-characterise the income as the doctors' personal employment income, and deny the claimed tax benefits, with the appeals being dismissed in full.

6.5. GIO v Comptroller of Income Tax [2024] SGITBR 1

In this case, the Board considered whether gains from two successive property transactions were taxable as income under Section 10(1)(g) of the SITA or were capital in nature and therefore not taxable.

The taxpayer acquired two immovable properties in 2007 and disposed of them shortly thereafter (one within weeks of acquisition). The Comptroller issued additional assessments treating the gains as taxable under Section 10(1)(g) of the SITA. The taxpayer argued that gains from immovable property are inherently capital in nature and that the repeal of Section 10F of the SITA (which previously taxed short-term property gains) showed Parliament did not intend such gains to be taxable.

The Board rejected these arguments. It confirmed that there is no absolute rule that gains from immovable property are capital in nature: the real question is whether the property was acquired with the intention, purpose or circumstances of making a profit on resale (i.e., income in nature), applying established tests including the Myers test from Australian jurisprudence, which Singapore courts have historically found useful as a guide. The Board held that the taxpayer's conduct including the circumstances surrounding acquisition, lack of clear investment purpose, and evidence such as financing conditions, supported an inference of an intention to profit rather than hold for long-term investment. The Board mentioned that the repeal of Section 10F of the SITA did not alter the general application of Section 10(1)(g) of the SITA to such transactions.

Importantly, the Board emphasized the relevance of Section 80(4) of the SITA, which places the onus on the taxpayer to prove that an assessment is excessive. The taxpayer failed to adduce sufficient contemporaneous evidence to demonstrate a capital-intent acquisition. Accordingly, the appeal was dismissed and the gains from both property disposals were confirmed as taxable income under Section 10(1)(g) of the SITA.

6.6. Modernland Overseas Pte Ltd and JGC Ventures Pte Ltd v Comptroller of Income Tax [2025] SGHC 239

In this case, the Singapore High Court considered whether debt securities that had been restructured under court-approved schemes of arrangement continued to qualify as Qualifying Debt Securities ("**QDS**") for Singapore tax purposes.

The applicants had originally issued bonds that qualified as QDS, conferring withholding tax exemption on interest and related payments to non-resident noteholders. Following COVID-19-related defaults, the bonds were restructured under pre-packaged schemes of arrangement, pursuant to which the original notes were expressly cancelled, and new global notes were issued to noteholders. The applicants argued that the restructured notes were merely amendments of the original instruments and should retain their QDS status. The High Court rejected this argument, holding that the transaction documents clearly provided for the cancellation of the existing notes and issuance of new debt instruments, accompanied by a full release of claims under the original notes. Applying a commercial and literal interpretation of the documents, the Court found that the amended notes were new securities, not a continuation of the original QDS. As the new notes did not independently satisfy the QDS conditions, they did not qualify for QDS treatment. Accordingly, the Court dismissed the applications, affirming that QDS status does not automatically carry over following a debt restructuring where the original securities are extinguished and replaced.

6.7. UZF and another v The Comptroller of Income Tax [2025] SGITBR 4

In this case, the Board considered whether payments received by two directors ("**the Appellants**") of ZDRA Pte Ltd ("Company") were taxable employment income under section 10(1)(b) of SITA or it is instead payments arising from their ownership interest.

The key issues included whether the Appellants were quasi-owners of Company, whether they gave warranties and undertakings in the Share Purchase Agreement ("**SPA**") as owners or as employees, the purpose of the disputed payments under the SPA, and whether the payments were truly employment benefits in light of relevant tax principles (including previous judgements such as ABB).

The Board found that the Appellants were quasi-owners of the Company, that the SPA obligations and resulting payments were in their capacity as quasi-owners rather than as employees, and that the payments were not conditional on employment or reflective of remuneration for services; accordingly, the disputed payments were not employment income and were wrongly assessed as such by the Comptroller, and the appeals for the relevant years of assessment were allowed with costs to the Appellants.

7. Advance Ruling

While there have been a number of advance ruling issued by the IRAS in the past year, we have summarized below some of the key advance tax rulings for the reference of our readers.

7.1 Whether a pure equity-holding entity ("PEHE") Satisfies the Prescribed Economic Substance Requirements to be Regarded as an "Excluded Entity" Under Section 10L of the ITA?

In Advance Ruling Summary No. 7/2025, the Comptroller of Income Tax ("**CIT**") confirmed that the seller, being a PEHE satisfied the prescribed economic substance requirements to be regarded as an "excluded entity" under Section 10L(16) of the Income Tax Act, 1947 ("**SITA**"). In this case, a Singapore-incorporated holding company derived gains from the sale of shares in a foreign subsidiary and sought confirmation that such gains would not be subject to tax under Section 10L of the SITA. The CIT ruled that, as the company's operations were managed in Singapore and it had adequate human resources and premises locally, it met the economic substance requirements for a PEHE and therefore qualified as an excluded entity. Consequently, the foreign-sourced disposal gains were not taxable in Singapore when remitted, and this treatment was confirmed to apply for the relevant years of assessment.

7.2 Whether a non-pure equity-holding entity ("non-PEHE") satisfies the Prescribed Economic Substance Requirements to be Regarded as an "Excluded Entity" Under Section 10L of the ITA?

In Advance Ruling Summary No. 10/2025, the CIT ruled that the seller, being a non-PEHE satisfied the prescribed economic substance requirements to be regarded as an "excluded entity" under Section 10L(16) of the SITA. In this case, a Singapore-incorporated company providing services and holding foreign investments sought confirmation that gains from the sale of shares in two foreign subsidiaries would not be subject to tax under section 10L if remitted to Singapore. The CIT confirmed that, as the company had adequate human resources, premises, local decision-making, and incurred sufficient local business expenditure, it met the economic substance requirements for a non-PEHE. Accordingly, the foreign-sourced disposal gains were not taxable in Singapore when remitted, and this treatment was confirmed to apply for the relevant years of assessment.

7.3 Whether the use of unremitted foreign-sourced income for the purpose of a share capital reduction exercise will result in such income to be considered as income received in Singapore under Section 10(25) of the SITA for Singapore tax purposes?

In Advance Ruling Summary No. 23/2025, the CIT ruled that the use of unremitted foreign-sourced income for a share capital reduction exercise does not constitute a remittance or deemed remittance into Singapore under Section 10(25) of the SITA. Where the foreign income remains in offshore bank accounts and is paid directly to shareholders' offshore accounts, without being brought into Singapore, such payments will not be regarded as income received in Singapore, provided the amounts are indeed foreign-sourced, the payments are made to the offshore bank accounts of the shareholders and have not previously been remitted or deemed remitted.

7.4 Whether foreign-sourced disposal gains remitted into Singapore by a non-pure equity pursuant to the sale or share buyback of its foreign subsidiary's shares, will fall outside the scope of Section 10L of the SITA or not by meeting the economic substance requirements and being classified as an excluded entity?

In Advance Ruling Summary No. 13/2025, CIT considered a fact pattern where a Singapore-incorporated company ("**Company A**"), being an entity of a relevant group for the purposes of Section 10L of the SITA, derived gains from a share buyback undertaken by its foreign subsidiary ("**Company B**"). Company A was a non-PEHE within the meaning of Section 10L(16) of the SITA, and the share buyback involved an actual transfer of shares from Company A to Company B.

The CIT noted that Company A's operations and activities were managed and performed in Singapore by its directors, who possessed the requisite qualifications and experience, and that all key business decisions were made in Singapore.

On this basis, the CIT ruled that Company A, being a non-PEHE satisfies the prescribed economic substance requirements and should be regarded as an "excluded entity" under Section 10L(16) of the SITA. Accordingly, foreign-sourced disposal gains derived by such an entity from the sale of shares in a foreign company, including gains arising from share buybacks (including contemplated future buybacks), would not be subject to tax under Section 10(1)(g) of the SITA when remitted or deemed remitted into Singapore.

7.5 Whether the revaluation gains arising from Singapore-incorporated company ("Sing Co"), pursuant to its overseas investments upon its liquidation, will fall within the scope of Section 10L of the SITA?

In Advance Ruling Summary No. 18/2025, the CIT considered whether revaluation gains arising from a Sing Co's overseas investments upon its liquidation would fall within the scope of Section 10L of the Income Tax Act.

Sing Co, an investment holding company, intended to liquidate and distribute its shares in foreign subsidiaries in specie to its overseas parent as part of the liquidation proceeds. As the market value of these shares was expected to exceed their book value, a revaluation gain arose to Sing Co. The CIT ruled that such revaluation gains would not fall within the ambit of Section 10L of the SITA because Sing Co would not receive any consideration for the transfer of the shares upon liquidation. Accordingly, there would be no gains received in Singapore from the transaction, and Section 10L would not apply.

7.6 Whether the gains arising from the proposed transfers of interests in the properties will be regarded as capital in nature and hence are not taxable under the provisions of the SITA?

In the Advance Ruling Summary No. 16/2025, CIT confirms that gains arising from Singapore incorporated company ("**Sing Co**") proposed transfer of long-held investment properties to its wholly-owned Singapore subsidiaries are capital in nature and therefore not taxable under the SITA.

The ruling is based on key factors including the extended holding period of the properties (20–50 years), their consistent use for rental income generation, the absence of recent or frequent property disposals, lack of supplementary work undertaken or marketing efforts leading to sale and the transfer arising on account of anintra-group restructuring.

As the transfers do not constitute a trading activity, the gains are treated as capital and fall outside the scope of taxable income.

8. Other tax updates

8.1 Business adaptation grant to support enterprises amid global trade volatility

The Business Adaptation Grant supports Singapore enterprises in adapting their operations and strengthening supply chain resilience through advisory support and reconfiguration support. Each enterprise may receive up to **S$100,000** for the following activities:

- Advisory Support (for enterprises that export to or operate in overseas markets and are impacted by tariff measures):
  - Free Trade Agreements ("**FTA**") and trade compliance (referred as "**Activity 1**");
  - Legal and contractual advisory (referred as "**Activity 2**"); and
  - Supply chain optimisation and market diversification (referred as "**Activity 3**").
- Reconfiguration Support (for enterprises with local or overseas manufacturing operations):
  - Reconfiguration costs, relating only to logistics and inventory holding costs (no pre-approved vendors required, companies may select a vendor of their choice) (referred as "**Activity 4**").

Eligibility Criteria

To qualify for the grant, enterprises must meet all the following conditions:

- The business entity is registered and operating in Singapore;
- At least 30% local equity held directly or indirectly by Singaporean(s) and/or Singapore PR(s), determined by the ultimate individual ownership;
- Additional criteria by activity:
  - For Activity 1:
    - Export to and/or have operations in overseas markets;
  - For Activities 2 and 3:
    - Export to and/or have operations in overseas markets, and was impacted by tariffs;
  - For Activity 4
    - Export to and/or have operations in overseas markets, and was impacted by tariffs; and
    - Have local or overseas manufacturing operations requiring reconfiguration support.

8.2 Revision in Seller's Stamp Duty ("SSD") regime for residential properties

On 3 July 2025, the Government announced revisions to the SSD regime for residential properties, including an extension of the holding period from three to four years and an increase in SSD rates by four percentage points across all holding period tiers. These measures apply to residential properties acquired on or after 4 July 2025, with no transitional arrangements.

The applicability of SSD and the amount payable are determined by

- the type of property sold or disposed of,
- the date of acquisition,
- the date of sale or disposal, and
- the SSD rates in force at the time

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