



Prospering in a new global landscape

Singapore Budget 2026 proposal





Prospering in a new global landscape

Foreword

As the global economy grows more complex, few nations can afford to chart this path alone. For Singapore, prosperity will hinge on forging and sustaining strategic connections across markets, technologies and talent ecosystems to stay competitive and resilient.

Three powerful forces are reshaping the global business landscape: a new global order; rapid technological advances; and a profound transformation of talent. Navigating this new reality demands a deliberate approach to establishing the right links and a resilience for unpredictability.

For Singapore, this means rethinking its role in global supply chains, investing in platforms that enhance transparency and trust, and reinforcing hub status through digital infrastructure and agile regulatory support. This need for leadership and unity is especially important as the world becomes more turbulent, with changing trade patterns reshaping trade blocs.

Technology convergence – artificial intelligence (AI), data and automation – is also transforming operations. Success in the Intelligent Age requires not just capability but responsible

integration across borders and shared international rules. Singapore is well-placed to lead by expanding AI governance and digital trust standards, ensuring innovation is matched by accountability.

Talent transformation also calls for making strategic connections that can align skills with opportunity. Budget 2026 presents a chance to embed next-generation skills – especially in areas such as digital fluency and sustainability – across all levels of the workforce, including at executive levels, to ensure that the workforce is globally relevant and ready. Board leadership will need to evolve in tandem to be able to support and lead a workforce with these new capabilities to uplift Singapore's national leadership as a whole. Peer networks and global leadership circles will be crucial for leaders looking to anticipate change and make informed decisions.

For six decades, Singapore has transformed its limitations into strategic advantages. As the world evolves, the nation's next phase of growth will hinge on forging purposeful and resilient connections that sustain its relevance and success.



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Contents

01 ▶ **A New Global Order: Resilience as a pivotal growth strategy** **04**

02 ▶ **Intelligent Age: Smart solutions for an innovative era** **10**

03 ▶ **Next-Gen Talent: Empowering tomorrow's leaders today** **16**

04 ▶ **Appendix** **22**

A new global order: Resilience as a pivotal growth strategy

- 1.1 Elevating Singapore's role in global supply chains amid heightened volatility
- 1.2 Strengthening Singapore's leadership in the sustainable transition



A new global order: Resilience as a pivotal growth strategy

Background

As a trusted hub, Singapore continues to attract businesses and investors with its connectivity, credibility and global leadership. However, with the global economy becoming more fragmented, Singapore must embrace resilience as a pivotal growth strategy, rather than simply viewing resilience as a response to emerging challenges. This will be crucial for reinforcing Singapore's hub status in the new global order.

Budget 2026 brings opportunities to further promote this strategy in the face of challenges such as supply chain shocks and geopolitical uncertainty. Bilateral partnerships will be increasingly important in a turbulent world, with the Johor-Singapore Special Economic Zone (JS-SEZ) serving as an example of how Singapore can leverage trade corridors to elevate its value in the region. Singapore has also embarked on an Economic Strategy Review to chart a forward-looking blueprint to further strengthen its relevance amid structural shifts.

Building on such initiatives, Singapore can serve as a connector in a fragmented world by leveraging its timeless assets of trust and reputation to gain competitive advantages. Amid global difficulties to assess the country of origin of goods and services, the country can differentiate itself by setting a global benchmark in secure trade flows. This will be especially critical for the semiconductors industry, which has seen burgeoning demand for AI chips amid growing AI adoption and the rise of quantum computing.

Enterprises that can better leverage Singapore's strong network of free trade agreements will also be able to elevate their value and earn a larger market share. By seizing such opportunities, Singapore will be able to build more resilient supply chains and trade networks that will position it well for long-term growth.

To achieve resilient growth, Singapore will also need to help its businesses tackle regulatory changes and higher compliance costs amid fast-changing tariff rules. Among Professionals, Managers, Executives & Technicians (PMETs) and business owners who experienced supply chain difficulties when entering new markets, 59 percent said that regulatory changes were the biggest challenge. This was according to a recent survey of 1,000 PMETs and business owners conducted by KPMG in Singapore and the Singapore Institute of Directors (SID).

As the world becomes more fragmented, another challenge and opportunity in the new global order stems from the sustainable transition being put on the back burner. With major economies dialling back on climate commitments, Singapore has a unique opportunity to accelerate decarbonisation, even as it balances the green transition with the need to reinforce energy security and affordability for households and businesses.

Singapore's green transition must involve concerted efforts to further enhance the country's attractiveness as a carbon services hub. To this end, Singapore can actively identify opportunities for decarbonisation and innovation and communicate its value creation through robust sustainability reporting. The sustainable transition also goes beyond the environment – efforts to advance equitable growth will further strengthen Singapore's attractiveness to investors for whom sustainability is no longer a distant consideration but rather, a strategic priority.

By serving as a critical node on the world stage and advancing the global agenda on sustainability, Singapore can demonstrate that it is not just a relevant hub but more importantly, a global model for resilient and purpose-driven growth.



A new global order: Resilience as a pivotal growth strategy

Elevating Singapore's role in global supply chains amid heightened volatility

Strengthen support for businesses to elevate the role they play in regional and global supply chains

► **As global trade becomes increasingly uncertain, it will be crucial to establish Singapore's role as a trusted hub.**

The new global order is forcing businesses to transform and elevate their role in regional and global trade networks. To this end, a Government-backed, enhanced trade platform will further strengthen trust in Singapore's supply chains, especially in critical industries such as semiconductors.

The platform would be an extension of the Singapore Trade Data Exchange, the country's digital infrastructure which facilitates the secure sharing of data between supply chain ecosystem partners. By leveraging advanced technologies such as blockchain and AI, the platform would further facilitate the flow of trusted payments and make it even easier to validate transactions. It would also be able to offer smart recommendations on how to increase the efficiency of such transactions.

These efforts will enable Singapore to seal its status as a trusted trade partner in the global semiconductor market. Once established, the enhanced platform could also cater to other industries such as pharmaceuticals, rare earth minerals sourcing and refining and advanced industrial manufacturing.

Singapore could also help businesses take better advantage of existing measures to invest in automation, advanced inventory management and AI-driven supply chain planning. These include measures such as the Business Adaptation Grant, which supports companies in engaging with consultants to adapt their business operations and strengthen supply chain resilience.

By accelerating the take-up of such measures through education and awareness, Singapore can elevate the role of businesses within global supply chains and help them mitigate the impact of global shocks. This will reinforce the country's status as a world-class hub for logistics and trade.



Develop a unified digital platform for Free Trade Agreement (FTA) management

- ▶ Trade agreements help Singapore businesses gain a foothold in new markets, enhancing the country's regional and global competitiveness. However, these agreements will only be effective if businesses are able to navigate them well.

A unified digital platform paired with stronger grant support would help businesses unlock the full benefits of FTAs. Although there are FTA management software solutions in the market, a platform that is seamlessly integrated with government systems will further drive cost-effectiveness and compliant FTA adoption. Local enterprises would especially benefit from increased Government support in these areas.

It could automate origin calculations, streamline documentation, provide real-time monitoring and alerts and centralise records to strengthen compliance and audit readiness. This would simplify supplier management, certificate validation and knowledge sharing, ultimately driving the overall competitiveness of local businesses and positioning Singapore as a regional leader in the harmonisation of rules and compliance.

To complement the platform, Singapore could introduce a specific grant to help businesses more easily determine the country of origin of goods and services, as well as streamline processes and enhance IT systems for such assessments. The grant could also be used to subsidise workforce training to develop the necessary competencies for such assessments, through dedicated SkillsFuture courses or certifications.

Enhance working capital access to accelerate local enterprises' strategic transformation and implement industry-specific governance frameworks

- ▶ Businesses face challenges in transforming themselves for the future while keeping up with new rules and regulations. Increased access to working capital and industry-specific governance frameworks would alleviate compliance burdens for local enterprises.

The current Enterprise Financing Scheme - Working Capital Loan (EFS-WCL) is a broad-based scheme to boost local enterprises' operational cashflow, covering a wide range of needs. With geopolitical shifts driving a more complex regulatory landscape, the EFS can be enhanced with a separate dedicated category to prioritise and assist local enterprises undergoing strategic transformation or facing supply chain disruptions. Increased and dedicated funding would enable them to act on governance recommendations and ensure their competitiveness in a fast-changing business landscape.

A multi-year, tiered funding model could be considered to support implementation. For example, funding could cover up to 90 percent of projected costs in the first year, 75 percent in the second year and 50 percent in the third. This approach could offer strong initial support while encouraging progressive self-sufficiency.

Industry-specific governance playbooks could also be introduced to equip boards with essential tools to respond to evolving governance standards and cross-border regulations, while taking into consideration unique industry needs. The SID can take the lead in developing these playbooks in collaboration with relevant industry bodies.

This dual approach would strengthen governance agility and resilience, reinforcing Singapore's position as a trusted, adaptive business hub.



A new global order: Resilience as a pivotal growth strategy

Strengthening Singapore's leadership in the sustainable transition

Strategic transformation will be more important than ever for Singapore to distinguish itself as a leader in the sustainable transition. Amid global uncertainty around climate goals, the country has reinforced its commitment to sustainable growth. It has already made significant headway as a carbon services hub, by forging carbon trading pacts with other countries, for example. Singapore has also ramped up its investments in emerging energy options and low-carbon technologies, with Jurong Island illustrating how resources have been increasingly set aside for new energies. Looking ahead, Singapore can continue to leverage its strong governance, robust digital and financial infrastructure, and skilled workforce to serve as a global conduit for a green and equitable transition.



Develop an exchange to enable collaborative climate action

► **Regional collaborations will be increasingly important for Singapore to advance the green transition and be a hub for environmental data harmonisation.**

A Singapore-based ASEAN Environmental Data Exchange would facilitate the sharing of standardised and interoperable environmental data between Singapore and its regional trade partners, thereby improving the flows of green trade and green capital.

Setting up the data exchange would enable Singapore to position itself as a regional hub for environmental data harmonisation. This federated platform – aligned with global frameworks and with capacity-building for neighbouring countries – would leverage Singapore's robust digital infrastructure and reputation for trusted governance.

The hub would drive alignment on key environmental indicators – including carbon emissions, air and water quality – and enable collaborative climate action across Southeast Asia.



Transform carbon taxes and tax incentives to reward decarbonisation

- **To drive meaningful climate action, Singapore's carbon tax system must evolve post-2030 with progressive tax rates and conditional rebates that reflect business realities and incentivise decarbonisation.**

Singapore has already moved to raise carbon taxes, with further increases planned for the years ahead, to reach S\$50-80 per tCO₂e by 2030. To drive meaningful climate action, carbon taxes must evolve to take into account unique business needs and businesses' decarbonisation plans.

While the Government has already introduced a transition framework to provide support for emissions-intensive, trade-exposed companies, we recommend a broader transformation of the carbon tax system. Singapore could implement progressive carbon tax rates post-2030 based on facility emissions volume, emissions per unit of output and sectoral abatement potential. This would preserve fairness, send a strong signal to major polluters and align with the Polluter-Pays Principle.

In parallel, the Budget should introduce permanent conditional tax rebates for energy-intensive, trade-exposed sectors. These rebates could be based on set criteria such as verified year-on-year reductions in carbon intensity, investments in low-carbon technology and the implementation of phased decarbonisation roadmaps.

By taking these crucial steps, Singapore can preserve its competitiveness, reward decarbonisation efforts and establish transparent, performance-based pathways for large emitters.

Establish a S\$100 million fund to advance social impact reporting

- **To strengthen its leadership in sustainability, Singapore needs to advance not only a green transition but also an equitable one.**

As Singapore pursues long-term resilience, it must ensure that economic growth is sustainable and inclusive. To this end, businesses increasingly recognise that the sustainable transition encompasses not only decarbonisation, but also efforts to uplift the wider communities they operate in.

Singapore can enable businesses to measure and amplify their positive impact on their communities by introducing a \$100m fund to help enterprises upskill talent in social impact reporting. In doing so, the fund will also advance the Forward Singapore agenda to strengthen Singapore's social compact.

The fund could be used to train professionals in the reporting of social metrics, support academic modules in social sustainability and certify social auditors and advisers. These efforts are especially important, given that social sustainability is a more nascent space compared with environmental sustainability. The fund's quantum was estimated based on the \$50m SG Eco Fund which supports ground-up projects that advance environmental sustainability, as well as other incentives.

By advancing not only a green transition, but also an equitable one, Singapore would be able to strengthen interest from socially conscious global investors and secure sustained investments for future growth.

Intelligent Age: Smart solutions for an innovative era

2.1 AI with accountability: governance tools
for a trusted digital future

2.2 AI for all: empowering businesses to
scale with confidence



Intelligent Age: Smart solutions for an innovative era

Background

The world is entering a new epoch – the Intelligent Age – characterised by the convergence of advanced technologies, ubiquitous data and human ingenuity. Beyond digital transformation, this era marks an exponential shift in how businesses operate, compete and create value. As generative AI, quantum computing and emerging technologies advance, the boundaries between physical and digital worlds continue to blur, reshaping industries and redefining the future of work.

Innovation brings complexity. The Intelligent Age presents a dual reality: unprecedented opportunities for growth and productivity, alongside a multilayered risk landscape that demands vigilance and foresight. Success hinges on the ability of governments and enterprises to innovate responsibly, embedding trust, transparency and resilience into the architecture of technological systems.

Singapore is uniquely positioned to lead this transformation. However, realising this potential requires moving from experimentation to enterprise-wide innovation. Scaling AI and emerging technologies must become strategic imperatives – supported by a digitally fluent workforce and leadership that understands how to harness both human and digital full-time equivalents (FTEs) to drive performance.

Yet, capability gaps persist. The KPMG Insights Survey 2025 indicates that many organisations lack the expertise and confidence to deploy AI effectively, with strong demand for subsidised AI training underscoring the urgency of upskilling. Similarly, our KPMG-SID poll of 1,000 PMETs and business-owners reveals that many remain underprepared to engage meaningfully with AI and digital tools.

These concerns are echoed at the highest levels. According to the KPMG 2025

Global CEO Outlook, 77 percent of global CEOs cite workforce upskilling – particularly in AI – as a key challenge, while 70 percent are concerned about competition for AI talent. Moreover, 75 percent identify the successful AI integration as a top barrier to growth, underscoring the need for guided frameworks and shared infrastructure to support transformation.

Addressing these gaps is critical. Success in the Intelligent Age depends on moving beyond isolated pilots to embedding AI across the entire value chain – achieving scalability, interoperability and long-term differentiation. Budget 2026 presents a timely opportunity to support this shift, including targeted programmes to help senior executives understand and lead digital workforce transformation.

Public trust will be a cornerstone of this transformation. As AI systems become increasingly pervasive, citizens and consumers will demand stronger assurance that these technologies are fair, safe and transparent. Internationally, several frameworks demonstrate that risk-based governance can safeguard rights while enabling innovation. For Singapore, evolving formalised guidelines for ethical AI use would extend far beyond public confidence to provide regulatory clarity and a competitive edge. KPMG's Trusted AI Framework offers a practical model – helping organisations accelerate AI value while embedding fairness, transparency, explainability and accountability.

By advancing digital trust, strengthening governance and investing in capability-building, the Budget can catalyse enterprise-led innovation anchored in accountability and long-term resilience. The following recommendations outline how Singapore can position itself to lead globally as a “model responsible AI nation”, where innovation thrives within a trusted and inclusive digital ecosystem.



Intelligent Age: Smart solutions for an innovative era

AI with accountability: governance tools for a trusted digital future

Establish a regional “Trusted AI” mark to drive harmonisation and innovation

- **In a new global order, Singapore can lead in shaping trusted AI by anchoring its governance framework to a regional trust mark – enabling cross-border recognition, reducing regulatory friction and expanding innovation across ASEAN.**

Singapore’s Model AI Governance Framework, first introduced in 2019 and updated in 2024, provides a strong foundation for responsible AI deployment. However, as AI technologies – particularly Generative AI – evolve rapidly, Singapore has an opportunity to build on this by championing a regional “Trusted AI” mark – a recognised assurance label for companies that have implemented controls consistent with Singapore’s AI governance standards. This would allow firms to deploy AI solutions across ASEAN without duplicative compliance, accelerating cross-border innovation and trade.

Such a trust mark would serve as a platform for mutual recognition, enabling alignment on ethical standards, data governance policies and assurance tools across the region. As a globally connected economy, Singapore must deepen its role in regional ecosystems – leveraging partnerships to scale innovation and influence. Positioning its framework as a reference

blueprint for ASEAN collaboration would reinforce Singapore’s leadership in a multipolar world. Drawing on best practices from leading jurisdictions would also ensure that Singapore’s approach remains agile, inclusive and globally relevant.

To support this, Singapore can promote “Trusted AI by Design” principles through tools like AI Verify and recognised technical benchmarks. Complementary measures could include sector-specific playbooks and the adoption of cyber-risk quantification tools such as the Factor Analysis of Information Risk (FAIR), helping organisations assess and manage AI-related risks in measurable, enterprise-relevant terms.

To sustain trust and innovation, governance efforts should be paired with long-term investments in digital skills, public consultation and ethical AI literacy across education, professional certification and public discourse. This will foster societal resilience and ensure widespread understanding and buy-in, enabling Singapore to lead responsibly and competitively in the Intelligent Age.



Establish an AI governance and board-readiness fund

- **Supporting hands-on AI governance training for directors and executives to close the expertise gap and foster organisational collaboration and innovation.**

Budget 2026 could establish a dedicated fund to support structured AI governance training for board members and senior executives. This would complement existing SkillsFuture programmes which focus primarily on AI awareness, by expanding the emphasis to address strategic and operational gaps at the leadership level – covering ethical deployment, change management and cross-domain applications. With 75 percent of CEOs identifying AI integration as a top barrier to growth, equipping boards with the right capabilities is critical to unlocking enterprise-wide transformation and avoiding misaligned or low-impact investments.

Beyond subsidising training costs, the fund could support tailored programmes that build digital oversight capabilities and prepare boards to guide responsible, high-value technology adoption.

Crucially, board-level readiness fosters a culture of collaboration and innovation – championing experimentation, empowering cross-functional teams and embedding agile feedback loops. As enterprises redesign their workforce to embrace agentic working models – where human and digital FTEs operate in tandem – board-level leadership will be essential to driving trust, adaptability and sustained value creation.

Craft a guided data governance framework toolkit for data quality and accuracy

- **To empower enterprises to safely deploy AI, good data governance practices must be present across all Singapore businesses. A toolkit would provide firms with greater clarity on such practices and help businesses to harness high-quality, accurate data that fuels innovation and sustainable growth.**

Robust data governance is the foundation of responsible and effective AI deployment. By providing organisations a practical baseline on data governance, AI governance and risk management, this initiative would reinforce responsible data practices across sectors and help firms build AI use cases that drive innovation along with process improvements and operational efficiency.

The toolkit could mirror the SG Cyber Safe Programme, incorporating trust marks to recognise organisations that meet defined governance and quality standards. Such recognition would promote accountability, transparency and public confidence in the ethical use of AI, while motivating businesses to continuously strengthen their data management practices.



Intelligent Age: Smart solutions for an innovative era

AI for all: empowering businesses to scale with confidence

Expand the Enterprise Compute Initiative (ECI) with tiered tracks to support AI

► **Budget 2025 allocated \$150m to help businesses access AI tools via cloud partnerships. Budget 2026 could build on this to accelerate transformation.**

Insights from the recent KPMG-SID poll indicate that businesses are increasingly calling for Government-supported open-source tools and clearer frameworks to align AI adoption with sustainability goals.

Building on the \$150m allocation in Budget 2025, which enabled enterprises to access AI tools through strategic cloud partnerships, the Budget 2026 could further expand the ECI by introducing tiered support tracks tailored to organisational size, sector and AI maturity levels.

To address these needs, the aforementioned tiered ECI model could include entry-level tracks to help local enterprises embark on AI transformation journeys through access to off-the-shelf

solutions such as analytics, process automation and market optimisation tools. This track, supported by complementary policy levers such as Productivity Solutions Grant and the SMEs Go Digital Programme, would empower local enterprises to enhance competitiveness as well.

Meanwhile, larger firms would be supported with advanced tracks in scaling GenAI and IoT pilots into full enterprise deployments, accelerating innovation across sectors.

Originally focused on cloud enablement, the ECI was extended to cover AI last year. Going forward, a more targeted programme is needed to support AI governance readiness – particularly for leadership teams. By integrating AI governance training into the ECI, businesses can build the internal capabilities required to deploy AI responsibly and strategically, ensuring alignment with national goals and sector-specific priorities.



Enhance the PPP framework to accelerate AI adoption in Singapore

- **An enhanced public-private partnership (PPP) framework would link Government AI initiatives with business growth.**

As firms navigate high costs and limited guidance surrounding AI adoption, there is a timely opportunity for the Government to act as a “lighthouse,” providing strategic direction while sharing development risks and costs. Beyond financial support, the Government could also facilitate public data sharing and provide infrastructure access to lower barriers for AI experimentation and deployment. Building on the existing framework, this approach would harness Singapore’s strengths as a business and talent hub, fostering collaboration between government agencies, academia and industry to integrate emerging AI into business strategies.

The PPP framework could also promote cross-sector collaboration in key industries such as finance, advanced manufacturing and logistics, enabling firms to benefit from tailored AI solutions, and incentivise partnerships that drive open innovation ecosystems, co-investment in skills training, and the development of shared standards and regulations.

To nurture local talent, the programme could offer subsidised traineeships and mentorships and encourage the co-development of content with organisations like SID, ensuring that leadership is equipped to guide responsible and impactful AI transformation, among others.

Co-fund sector-specific shared data pools with guided AI adoption support

- **For many local enterprises, AI adoption is hindered by cost and lack of strategic guidance. Shared data pools, paired with targeted support, would overcome this.**

Access to proprietary datasets remains a costly barrier to AI adoption, especially for smaller enterprises. To address this, the Budget could incentivise co-funding by Government and trade associations to establish shared, anonymised data pools tailored to specific sectors such as logistics and retail. The Southeast Asian Languages in One Network (SEA-LION) initiative by AI Singapore, which is a national cross-border data collaboration initiative, offers a reference model for how such pools can be structured and governed. Such initiatives enable participating organisations from different industries and sectors to contribute and access anonymised datasets under a trusted framework, facilitating benchmarking, model training and experimentation while safeguarding data privacy.

However, cost is not the only barrier. Many local enterprises lack the strategic clarity to identify where AI can augment their operations. Shared data initiatives could therefore be paired with guided AI adoption support – helping businesses understand which parts of their value chain can benefit from AI to improve efficiency and competitiveness. This dual approach would enable fairer and broader adoption of digital solutions while accelerating innovation across industries.

Next-Gen Talent: Empowering tomorrow's leaders today

3.1 Strengthening workforce competencies
for global and regional leadership roles

3.2 Empowering boards to accelerate the
sustainable transition



Next-Gen Talent: Training tomorrow's leaders today

Background

The world has entered the Intelligent Age, marked by the convergence of AI, advanced technologies and sustainability imperatives. To remain globally competitive, Singapore is redefining the competencies its workforce must possess to position itself as a global leader and drive sustainable growth. This forms a core part of the Government's commitment to ensuring the social compact is robust for all.

Budget 2026 presents a strategic opportunity to meet these goals and accelerate the skills shift by embedding next-gen capabilities across the workforce and cultivating leaders equipped to navigate volatility, drive transformation and meet evolving national, regional and global demands.

Meeting this need goes beyond conventional training and upskilling employees. It requires closing critical gaps across board and executive levels in the areas of technology-related governance, sustainability and risk – domains that will increasingly shape long-term value creation and resilience. Traditional leadership capabilities – such as managing teams and coordinating across functions – will no longer suffice in their current form. These skills must transform to meet new demands, including engaging diverse stakeholders and leading in a world that is changing at unprecedented pace.

To build an AI-ready but yet a sustainability-ready workforce, Singapore requires solutions that address both immediate and long-term capability needs. Key skills include problem-solving, AI literacy and cybersecurity, alongside softer skills such as empathy, ethical judgement and adaptive leadership.

Achieving these goals calls for a multi-faceted approach, including encouraging deeper public-private partnerships, deploying digital platforms to match talent with emerging work opportunities, or instituting a special work-pass category for international experts. Together, these initiatives can upskill the workforce and future-proof Singapore's position in this new global order.

As businesses move towards a decarbonised future while balancing growth needs, they require support in identifying at-risk roles and designing effective reskilling pathways for employees.

By adopting the proactive, expansive recommendations outlined below, Budget 2026 would put in place measures for a future-ready workforce – one that supports Singapore's national talent development goals. In doing so, it ensures that Singapore remains not only competitive, but also cohesive and inclusive in an increasingly intelligent and sustainable world.



Next-Gen Talent: Training tomorrow's leaders today

Strengthening workforce competencies for global and regional leadership roles

A dedicated work-pass for “master trainers” and mentors – with incentives

- ▶ **A dedicated work-pass category would attract international professionals with proven expertise in leadership, innovation and workforce development. Tying incentives to results for leadership programmes would further boost resilience.**

Creating a special work-pass category would encourage international professionals to join local companies, public agencies and training institutions to lead structured upskilling or leadership development programmes. This would accelerate skills transfer, expose workers to global best practices and build a capable leadership pipeline – without requiring overseas travel.

Additionally, the Budget should incentivise such efforts – like tax benefits, grants or fast-track work-pass renewals and increased quotas – by tying them to measurable outcomes in organisations' skills development initiatives.

Finally, a workforce market place could help these “master trainers” or mentors to be matched with local firms that need their expertise, whether it is on a full-time, part-time or even on a gig-sharing basis. In turn, companies and institutions hosting international experts must show tangible results, like numbers mentored, upskilled or promoted into leadership roles.



Bridge skills gaps through flexibility and career exploration

► Flexible work arrangements and a digital platform would bridge gaps and help people test new career paths.

Bridging skills gaps requires tapping underutilised talent by offering flexible work arrangements like remote work or part-time positions to people not in full-time work such as retirees, caregivers and overseas professionals. Incentivising such an approach through the Budget would expand the talent pool, subject to the ability to manage any cross-border tax implications with regard to overseas professionals.

Linked to this, the Budget could allocate funds for a national digital platform to match people with virtual assignments, micro-projects and job-shadowing opportunities across industries. This creates opportunities for professionals to test new career paths, gain exposure to emerging sectors and make informed decisions about reskilling or upskilling.

Co-funded training and certification initiatives

► Stronger industry partnerships and tailored training initiatives for local businesses

The rise of AI is reshaping businesses, requiring professionals to implement AI solutions and understand the governance, ethics and risk management issues around their use. At the same time, Singapore faces demographic challenges and a scarcity of local talent. What is needed are job transformation roadmaps that outline sector-specific workforce disruptions, challenges and opportunities. While there are existing upskilling initiatives such as SkillsFuture, the speed of disruption by AI would vary across sectors. Hence, having roadmaps with co-funded training and certification initiatives tied closely to the needs of each sector would help firms to prepare workers effectively and continue to build a strong local core. This is especially critical as the talent landscape grows increasingly competitive, with leading economies also investing heavily to strengthen their AI-ready workforce.

Industry-recognised certification also provides a structured and credible way to assess whether workers have acquired the necessary skills to perform in transformed roles, especially in fast-evolving sectors where traditional qualifications may no longer suffice. When tailored to sectoral needs, these certification programmes can ensure that training is not only relevant but also measurable and portable across firms and industries.

Public-private partnerships could help, with co-funded industry-recognised programmes delivered by local institutes in collaboration with industry partners. For example, there could be dedicated training for local businesses to help them be better prepared for International Sustainability Standards Board (ISSB) adoption and disclosures.





Next-Gen Talent: Training tomorrow's leaders today

Empowering boards to accelerate the sustainable transition

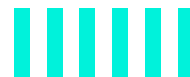
Enhance environmental, social and governance (ESG) competence on boards with a pool of accredited sustainability committee members

► Enhancing ESG competence through accredited leaders and a shared database for better decision-making

Similar to how audit committees require its chairperson to be trained, sustainability committees should have at least one member who is certified in ESG. Using microbadge certifications can support scalable implementation. This will ensure informed oversight and strategic integration of sustainability into governance.

Establishing a national registry of certified sustainability committee members who can be matched to boards and committees across sectors can also help to expand access to qualified board resources, especially for local enterprises.

A national database of sustainability and innovation metrics – similar to but broader than the SGX ESGenome – would be helpful in sharing key data for policymaking, investment and ecosystem-wide decision making. Some suggested metrics could include best practices on governance, workforce development, revenue and impact.





Corporate tax incentives to encourage companies to achieve sustainability targets

- **Targeted corporate tax incentives to encourage companies to meet sustainability goals, such as through executive training or remuneration targets.**

The Budget should introduce corporate tax incentives to encourage companies to meet sustainability targets such as by linking executive compensation to sustainability metrics or ensuring boards and management align long-term value creation with measurable sustainability goals, including carbon reduction and resource efficiency. While there are some companies that have demonstrated intent to link executive compensation to sustainability metrics, targeted incentives could help to drive greater adoption.

For example, this could include incentive schemes for companies that align executive compensation with verified ESG targets, introduce tax credits for firms that complete external ESG assurance, or for firms that voluntarily report on Scope 3 disclosures ahead of the mandatory timeline.

Lastly, to encourage firms to build ESG capacity (including at senior levels), the Budget should offer enhanced tax deductions or targeted tax credits for companies investing in ESG training.

Green-focused skills subsidies and transformation training for leaders



- **Targeted subsidies for worker training and career conversion should focus on sustainability, while leaders need access to programmes to drive strategic transformation.**

With more emphasis on the sustainability transition, existing roles could be redefined to incorporate new sustainability-related responsibilities, and current employees may not have the right skillsets needed to adapt to this transition. Creating a suitable framework would ensure firms can apply for subsidies to re-skill their workers where needed, with subsidies contingent on redeploying employees at risk of job-loss.

In addition, sustainability impacts the entire organisation, and hence business leaders must be equipped to strategically drive sustainability transformation across their organisations. However, leaders will need to be equipped with the foresight to redesign roles and workflows before regulatory or market shifts take full effect.

To enhance the effectiveness of leadership development, structured leadership development programmes should include expanded support for executive upskilling. For example, these could include peer-sharing platforms tailored for C-suite leaders, with strong public sector support and industry involvement to ensure that these sessions are in line with market needs. Such platforms would foster strategic dialogue, exchange of best practices, and collective learning on key sustainability capabilities – such as green finance, carbon management, and circular economy principles – empowering leaders to proactively redesign roles and workflows ahead of regulatory or market shifts.



Appendix

- 4.1 Corporate Income Tax
- 4.2 Goods and Services Tax
- 4.3 Property Tax
- 4.4 Stamp Duties
- 4.5 Personal Income Tax



► Corporate Income Tax

Amend section 10L of the ITA to include a carve-out for internal reorganisation

► Recommendation

"Currently, section 10L of the ITA imposes tax on gains from the disposal of foreign assets received in Singapore by an entity of a relevant group, to the extent that the gains are capital in nature (not taxable) or exempted from Singapore income tax under other sections of the ITA, unless specific carved-out provisions apply. Among others, Section 10L of the ITA will not apply to gains from disposal or transfer of foreign assets (not being a foreign intellectual property rights) by:

- prescribed financial institutions where the sale or disposal is carried out as part of, or incidental to, their business activities;
- entities under prescribed tax incentive schemes where the sale or disposal is carried out as part of, or incidental to, activities that qualify for exemption or concessionary tax rates under those schemes; or
- entities (i.e. pure equity holding entity and non-pure equity holding entity) that are able to meet the economic substance requirements in Singapore in the basis period in which the sale or disposal occurred.

Notably, there are currently no specific carve-out provisions for the transfer of foreign assets arising from an internal group restructuring exercise. Internal group restructuring is often undertaken to improve operational efficiency, reduce costs and enhance competitiveness. By providing a carve-out under section 10L for internal group restructuring, businesses can reorganise their structures without incurring additional tax liabilities, thereby promoting a more efficient and competitive business environment in Singapore. Businesses that can restructure efficiently are better positioned to expand their operations, create jobs, and contribute to the overall economic development of Singapore. Additionally, a carve-out for internal restructuring would simplify the tax compliance process for businesses and reduce the administrative burden on both taxpayers and the IRAS. This would allow the IRAS to allocate resources more effectively and focus on other areas of tax administration.

We propose amending Section 10L of the ITA to include a carve-out for internal restructuring. This amendment would support business efficiency, promote economic growth, and reduce administrative burdens."



► Corporate Income Tax

Include cryptocurrency trading as well as related services to be part of the qualifying activities under the Financial Sector Incentive - Standard Tier (FSI-ST)

► Recommendation

Cryptocurrencies trading has gained significant traction globally, with increasing adoption by institutional investors, hedge funds, and retail investors. The rapid growth of this asset class presents both opportunities and challenges for financial markets. As a forward-thinking financial centre, Singapore has the potential to capitalise on these opportunities by providing a conducive environment for cryptocurrency trading and related activities/ services.

We propose that the list of qualifying activities under the FSI-ST be expanded to include the trading of cryptocurrencies (e.g., Bitcoin, Ether) as well as the related services. This proposal will help to align Singapore's financial sector with the evolving global financial landscape and to enhance the country's position as a leading financial hub.

Enhance the S13W Safe Harbour Rule to include insurance / reinsurance companies

► Recommendation

We believe the scope of the exemption should be expanded to include insurance / reinsurance companies as there are circumstances where insurance / reinsurance companies can also hold investments as capital assets.

The proposed changes will enhance Singapore's attractiveness as a location to set up businesses, conduct businesses and re-organise businesses.

Introduce a new Financial Sector Incentive (FSI) scheme for Fintech companies

► Recommendation

To strengthen Singapore's position as a global Fintech hub, we propose introducing a dedicated FSI scheme for Fintech companies, offering a 10 percent / 15 percent concessionary tax rates for companies undertaking qualifying Fintech activities (e.g. digital asset management, tokenised securities, and blockchain-based financial services). A lower minimum headcount and assets under management (AUM) thresholds for Fintech startups can also be considered. This will help attract the growth of the Fintech industry in Singapore.



► Corporate Income Tax

Broaden the WHT exemption to include finance and treasury centres (“FTCs”) into the WHT regime for specified entities under Section 45I(2) of the ITA

► Recommendation

Currently, WHT exemption is granted to FTCs on interest payments to overseas banks and approved network companies where the funds borrowed are used for approved activities.

We propose to broaden the WHT exemption by incorporating FTCS into the liberalisation of the WHT exemption regime for specified entities under Section 45I(2) of the ITA. By extending the WHT exemption to FTCs, Singapore can enhance its attractiveness as a regional hub for treasury activities. This will encourage more multinational corporations to establish their treasury operations in Singapore, thereby boosting the country's status as a leading financial centre. Additionally, providing a clear and broad-based WHT exemption regime will offer greater tax certainty to businesses. This can reduce the administrative burden on companies and the tax authorities, leading to a more efficient tax system.

WHT exemption on interest and related payments made in respect of arrangements obtained to finance the purchase or construction of vessels, or the purchase of containers and intermodal equipment

► Recommendation

Currently, the treatment covers conventional forms of financing arrangements, as follows:- Plain vanilla loan, loan with sell down option, Bridging Loan, Revolving Loan, Intercompany Loan, Novated Loan, Refinancing Loan, Promissory Note, Syndicated Loan.

In view of newer and emerging financing models in the maritime sector that go beyond traditional loan structures, we propose to expand the scope to include alternative forms of financing arrangements, such as bonds, hybrid instruments with debt classification.

This would enable Singapore maritime companies to have additional ways to raise capital for vessel and container acquisitions and/or enhancements, to keep up with green shipping initiatives via purchasing new or retrofitting existing assets. Overall, this should strengthen Singapore's position as a maritime and financial hub, by keeping up with global maritime finance and green shipping initiatives.



► Corporate Income Tax

To relax the requirement of direct ownership in the definition of “qualifying company” under Section 13A to better mirror the rules under Section 13E, as there should not be any difference between both set of rules, save for the flagging consideration

► Recommendation

Section 13A

Currently, qualifying income of a shipping enterprise in Section 13A includes income derived on or after 24 February 2015 by the shipping enterprise from providing prescribed ship management services to a qualifying company in respect of Singapore ships owned or operated by the qualifying company.

Qualifying company, as defined in Section 13A in relation to a shipping enterprise, means a company at least 50 percent of the total number of the issued ordinary shares of which are beneficially and directly owned by the enterprise.

Section 13E

However, qualifying income of an approved international shipping enterprise in Section 13E includes income derived on or after 19 February 2020 from providing prescribed ship management services to:

- (i) any qualifying special purpose vehicle of the approved international shipping enterprise or another approved international shipping enterprise; or
- (ii) any qualifying shareholder of the approved international shipping enterprise, in respect of ships owned or operated by the qualifying special purpose vehicle or qualifying shareholder (as the case may be), unless the conditions of its approval otherwise provide.

Unlike Section 13A, Section 13E defines qualifying special purpose vehicle to also include an approved company, at least 50 percent of the total number of the issued ordinary shares of which are beneficially owned, whether directly or indirectly, by the approved international shipping enterprise, or a company which beneficially owns (whether directly or indirectly) at least 50 percent of the total number of the issued ordinary shares of the approved international shipping enterprise.



► Corporate Income Tax

Incentivise interest income incidental to shipping activities under the MSI-schemes

► Recommendation

Currently, interest income that is derived incidentally from MSI-qualifying activities do not qualify for tax exemption (i.e. taxed at 17 percent).

We recommend such incidental passive-sourced income from MSI-qualifying activities to be treated as part of the incentivised income under the relevant MSI-schemes (considering that the GTP incentive allows interest income derived incidentally to qualifying GTP activities to be subject to tax at the concessionary tax rate).

Relax the alternative basis of taxation - tonnage tax

► Recommendation

Currently, incidental / ancillary income (e.g. interest income) derived by qualifying MSI-electing entities would not qualify for tonnage tax in Singapore. We recommend that these incidental / ancillary income derived by qualifying MSI-electing entities be included under the tonnage tax basis of taxation.

This will encourage more MSI qualifying entities to elect for tonnage tax.



► Corporate Income Tax

Accord tax transparency treatment for real estate investment trusts (“REITs”) listed on the Singapore Exchange (“S-REITs”)

► Recommendation

We recommend allowing tax transparency treatment to apply on rent and related income derived by S-REIT Groups (i.e. which include S-REIT's corporate subsidiaries). This approach is aligned with the practices of UK REITs and US REITs, which have similar concepts in place. This treatment allows S-REITs to readily enjoy tax transparency treatment upon acquisition made via shares deal without the need to convert their corporate subsidiaries into limited liability partnerships.

Allow ESG-related income derived by S-REITs to be eligible for tax transparency treatment

► Recommendation

We recommend allowing tax transparency treatment to apply to ESG-related income derived by S-REITs, such as income from the sale of solar energy or renewable energy certificates, provided the S-REITs comply with ESG guidelines. We believe this will promote sustainable practices amongst S-REITs.

Provide enhanced tax deductions of 150 percent for overseas R&D expenditure

► Recommendation

Currently only local R&D expenditure is eligible for enhanced tax deductions.

Due to geographical and expertise limitations, companies may have to conduct some design activities, experimentations and testing overseas.

We recommend to provide 150 percent deductions for overseas R&D expenditure either to a cap of \$200K per YA or no more than 50 percent of the local R&D expenditure.

This will encourage Singapore companies to collaborate with overseas entities in R&D activities benefiting companies with international operations.



► Corporate Income Tax

Introduce alternative investment incentive policies

► Recommendation

Singapore has implemented the Minimum Top-up Tax ("MTT") and Domestic Minimum Top-up Tax ("DTT") under Pillar Two of BEPS 2.0 initiative, which impose a minimum effective tax rate ("ETR") of 15 percent on businesses' profits from financial years starting on or after 1 January 2025. As a result of this minimum tax legislation, certain types of incentives (e.g., incentives that provide a concessionary tax rate) would lower the jurisdictional ETR of an in-scope Multinational Enterprise ("MNE") Group, causing permanent book-to-tax difference. Conversely, certain incentives such as grants, subsidies and tax credits, may generally have a lower impact on the ETR where they are treated as an increase to GloBE Income (e.g. grants, subsidies, qualified refundable tax credits, marketable transferrable tax credits, etc.) compared to those treated as a reduction to Covered Taxes (e.g. non-qualifying tax credits).

Companies with existing tax incentive schemes must continue to meet incentive conditions, such as maintaining business activities through headcount and local business expenditure. To remain attractive to foreign investors, Singapore must reform its incentives to stay competitive in the new Pillar Two environment. The implementation of such reforms could influence the viability of future expansionary investments in Singapore by these in-scope companies, as well as impact existing business operations due to additional top-up taxes. Further, such companies may find it increasingly challenging to maintain the same scale of operations in light of the current volatile economic environment. Accordingly, it is also necessary that any policy options should consider supporting existing operations.

Although Singapore has introduced the Refundable Investment Credit in Budget 2024, being expenditure-based, the RIC offers significantly lower benefits compared to previous tax incentives for highly profitable businesses. To continue to anchor highly profitable businesses in Singapore, Singapore should continue to expand its incentive toolkit.

We therefore propose the following alternative investment incentive policies:

1. **Introduce a Production Tax Credit ("PTC") Incentive that can qualify as Qualified Refundable Tax Credits (QRTCs) and/or Marketable Transferrable Tax Credit (MTTCs)**

The PTC incentive can mirror administration of existing tax exemption / concessionary tax rate schemes such as the Pioneer Incentive or the Development & Expansion Incentive, giving EDB the leeway to offer the incentive on an application basis, in return for economic commitments. A PTC is offered in the US for sustainability-related activities. Similarly, a PTC for green energy and critical minerals is also announcement in Australia. We recommend that a PTC be introduced to target a wider range of activities, which can include sustainability-related activities as well as other types of advanced manufacturing activities that introduces technology advancements into Singapore.

2. **Introduce Building Allowance Incentive**

Under this incentive, certain costs of buildings, fixtures and fittings can qualify for tax allowances without meeting the requirements under the Land Intensification Allowance.

3. **Provide an exemption for property tax on certain building projects**

The exemption for property tax can be granted for companies undertaking large-scale industrial projects, such as advanced manufacturing, that can result in substantial spin-offs and benefits to the economy.



► Corporate Income Tax

Provide SME transformation fund and increase co-funding ratios for capability building programs

► Recommendation

Budget 2025 provided top-ups to the National Productivity Fund, supporting AI adoption and private credit growth fund. Government can consider a dedicated “SME transformation fund” specially for SMEs.

Additionally, to help Singapore companies, particularly SMEs, to build capabilities on business strategy, innovation, market access and capture new opportunities, Government can consider an increase in the co-funding ratios for capability building programs, especially for smaller private enterprises.

Expand existing grants and subsidies to specially support SMEs in adopting AI technologies. Co fund for AI software, hardware, training programmes and consultancy services

► Recommendation

To support companies to tap AI solutions, Government can consider to expand existing grants and subsidies to specially support SMEs in adopting AI technologies. The Government can also consider co-funding for AI software, hardware, training programmes and consultancy services.

Offer a 50 percent corporate tax rebate (capped at \$40,000) for companies that meet certain ESG benchmarks or sustainability reporting standards

► Recommendation

We believe that offering a 50 percent tax rebate (capped at \$40,000) for companies meeting specific benchmarks or sustainability reporting standards will encourage companies to adopt sustainable business practices, improve transparency to investors and align with international standards. This will help reinforce Singapore's commitment to sustainability, attract responsible investment and support businesses in their transition to greener operations.

Provide a 200 percent tax deduction on financing costs and rental of green properties

► Recommendation

We believe that offering a 200 percent tax deduction on financing costs and rental of green properties will attract more investors to the green building sector. This will lead to increased capital inflow, boosting the construction and real estate industries. The construction and retrofitting of green buildings will create numerous jobs in various sectors, including construction, engineering, and renewable energy. Furthermore, green buildings are designed to be energy-efficient and environmentally friendly. Implementing this tax incentive will encourage the construction of buildings that reduce greenhouse gas emissions and contribute to Singapore's sustainability goals.



► Corporate Income Tax

Allow M&A allowances and double tax deduction (DTD) on transaction costs to be transferred to other Singapore group companies

► Recommendation

Currently, the M&A allowance and DTD on transaction costs cannot be transferred under the Group Relief system.

We propose to allow M&A allowance and DTD on transaction costs to be transferrable under the group relief system to better reflect commercial reality when acquisitions are made for group restructuring or regional consolidation.

Increase the tax deduction limit for costs of medical benefits incurred by employers for their employees

► Recommendation

The tax change to cap the deductibility of expenses on medical benefits by employers to 2 percent of total employee remuneration was introduced in 1993 in order to contain health costs and to prevent misuse of health services, as conveyed by the then-Minister for Finance when delivering the second reading speech of the Income Tax (Amendment) Bill 1993. The caps were subsequently revised in 2005 to encourage portable medical benefits by reducing the cap to 1 percent. Employers are entitled to a higher cap of 2 percent of total employee remuneration if they adopt the portable medical benefits scheme or transferable

medical insurance scheme. With effect from YA 2008, employers who provide inpatient medical insurance benefits in the form of portable medical shield plans or make ad-hoc contributions to their employees' MediSave accounts can also qualify for the higher cap of 2 percent.

With the rising costs of healthcare over the years and the deduction limit of 1 or 2 percent, employers are often unable to deduct the full amount of expenses incurred on medical benefits provided to their employees. We therefore recommend the deduction limit to be increased. This will provide financial relief to businesses.

Introduce mechanisms to allow loss-making companies to carry forward foreign tax suffered for future foreign tax credit claims or to allow such foreign tax suffered to be transferred under the group relief system

► Recommendation

Currently, companies need to be in a tax paying position to claim foreign tax credits. We recommend introducing mechanisms to allow loss-making companies to carry forward their foreign tax suffered to subsequent years of assessment for the purposes of computing the foreign tax credit claimable. Alternatively, such companies may be allowed to transfer their foreign tax suffered to a related company under the group relief system. This would ensure that the benefits of foreign tax credits are not lost.



► Corporate Income Tax

Extend the section 24 to align the tax neutral treatment of intangible assets with that of tangible assets

► Recommendation

Currently, under section 19B of the ITA, companies can claim writing-down allowances (WDA) on capital expenditure incurred to acquire IPRs, subject to meeting conditions. The WDA can be claimed over a 5-year, 10-year or 15-year period from the YA of the basis period in which the capital expenditure is incurred.

Section 19B(4) and 19B(5) further provided that where the company sells, transfers or assigns all or any part of the IPRs to its related companies:

- If the proceeds are greater than the tax written down value (TWDV), balancing charge is computed; and
- If the proceeds are less than the TWDV, no balancing allowance is granted.

It appears that section 24 of the ITA does not provide for transfer of IPRs to a related party where WDA was claimed under section 19B of the ITA, unless the transfer is in the form of qualifying amalgamation under section 34C of ITA.

We recommend the Government to consider extending the section 24 tax treatment to WDA claimed under section 19B of ITA in relation to IPRs. This extension would align the tax neutral treatment of intangible assets with that of tangible assets.

The current rules can act as a barrier to simplification of group structures, which may have grown over time organically or through M&A activity. The costs of maintaining several entities in a particular territory are high in terms of direct costs of compliance as well as management time and governance. Many businesses are looking to reduce their costs of compliance through legal entity rationalisation and this measure would remove a potential barrier to this.



► Corporate Income Tax

Expand group relief to include all Singapore entities directly or indirectly owned by a common 75 percent parent

► Recommendation

For group relief purposes, two Singapore incorporated companies are members of the same group when:

- at least 75 percent of the ordinary share capital in 1 company is beneficially held, directly / indirectly, by the other; or
- at least 75 percent of the ordinary share capital in each of the two companies is beneficially held, directly / indirectly, by a third Singapore incorporated company.

We recommend to include all Singapore entities directly or indirectly owned by a common 75 percent parent rather than having to be owned directly or indirectly by a Singapore entity. Many groups operate in divisions and it is not practical from an operational perspective to have all Singapore entities owned by a single Singaporean entity. The rules as currently set may preclude businesses from setting up in Singapore owing to the grouping rules.

Also, allowing a Singapore PE to be a member of a group relief group will allow greater flexibility and remove a key difference between operating as a subsidiary in Singapore or a PE.

Extend the CIT rebate of 50 percent to YA 2026 and to increase the cap beyond \$40,000

► Recommendation

Currently, a CIT rebate of 50 percent of the corporate tax payable is granted to all taxpaying companies for YA 2025. Active companies that have employed at least one local employee in 2024 will receive a minimum benefit of \$2,000 in the form of a CIT rebate cash grant. The total maximum benefits of CIT rebate and CIT rebate cash grant that a company may receive is \$40,000.

To provide further support for companies' cash flow needs, we propose to extend the CIT rebate of 50 percent to YA 2026 and to increase the cap beyond \$40,000.

Stagger corporate tax filing deadlines based on financial year-end of companies

► Recommendation

Currently, all companies are required to file their corporate tax returns by the statutory deadline of 30 November, regardless of their financial year-end. This often creates certain administrative burdens and stresses for companies as they often struggle with the collation of data many months after the financial year-end, especially with staff turnover and changes of systems.

We propose the corporate tax-filing deadline be staggered based on the financial year-end of companies. This can reduce the risk often associated with the loss of knowledge or data due to staff turnover and changes of systems, thereby enhancing the accuracy of tax filing and improving tax governance.



► Goods and Services Tax

Extend definition of carbon credit to include Renewable Energy Certificates (“RECs”)** and regard the supply of RECs as not a supply for GST purpose.]

*** REC is an Energy Attribute Certificate that represents the environmental attributes of the generation of a one-megawatt hour (“MWh”) of energy produced by renewable sources.*

► Recommendation

Currently, the supply of RECs is a taxable supply.

We propose to extend the definition of carbon credit to include RECs and regard the supply of RECs as not a supply for GST purpose.

Pursuant to paragraph 6 of the GST (Excluded Transactions) Order (“the Order”), the issuance or transfer (including by way of sale) of any carbon credit or any digital representation of a carbon credit is treated as neither a supply of goods nor a supply of services.

Paragraph 6(3) of the Order defines carbon credit as follows: “carbon credit” means —

- a) a certificate representing an amount of greenhouse gas emissions reduction or removal, generated from any project or programme, and (to avoid doubt) includes a certificate representing the avoidance of an amount of such emissions;
- b) a right to emit any greenhouse gas; or
- c) a means to satisfy any tax or regulatory obligation arising from the emission of any greenhouse gas, and includes a carbon credit as defined in Section 2(1) of the Carbon Pricing Act 2018.

For all intent and purposes, carbon credits should not be confined to traditional green projects such as forestry. Instead, it should be wide enough to capture all forms of projects such as those from renewable energy like solar farms, solar panels, dams and wind turbines – of which solar farms and solar panels are not uncommon in Singapore.

After all, renewable energy is an area that the Government has been promoting with the building of solar farms. Additionally, the trading of RECs has gained popularity and serves as another avenue to contain the emission of greenhouse gas. Aligned with this national agenda, we propose that the IRAS adopts a liberal interpretation and extends the definition of carbon credits to include RECs. Consequently, the supply of RECs would not be regarded as a supply for GST purposes.



► Goods and Services Tax

Expand the Enterprise Innovation Scheme (“EIS”) to cover IRAS’ initiatives such as GST InvoiceNow

► Recommendation

Currently, the EIS provides enhanced tax deductions or cash payouts to businesses for qualifying R&D, innovation and capability-development activities.

We recommend the EIS be expanded to cover GST InvoiceNow so that businesses would be able to claim enhanced tax deductions or cash payouts on qualifying expenditures related to the implementation and use of GST InvoiceNow solutions. We believe that additional support would be highly beneficial as this would further drive digitalisation efforts and encourage greater participation from taxpayers.

Increase the \$200 threshold for gifts

► Recommendation

Currently, deemed output tax is to be accounted for where the GST-registered business has claimed GST on the gift given away and the cost of the gift is more than \$200.

We propose the \$200 threshold be increased.

The \$200 threshold was set in 1994, at the inception of GST, and has not been adjusted since to account for inflation or the increased . In light of these changes, we believe it is crucial to reconsider the \$200 threshold and explore the possibility of raising it to better reflect the current economic conditions.

Treatment of input tax pertaining to the provision of loans to a REIT or its related Singapore entities by the REIT financing company

► Recommendation

Currently, any loan extended by a REIT financing company (after raising funds) to a property owning SPV or any intermediate SPV has GST consequences in terms of input GST being denied. This is because the provision of loan is an exempt supply which does not fall within regulation 33 of the GST (General) Regulations. Hence, input GST attributable to this exempt supply is not claimable.

We recommend the input tax pertaining to the provision of loans to a REIT or its related Singapore entities by the REIT financing company be treated as if it is attributable to taxable supplies. The proposal would make the input tax for such cases be claimable and would enhance the REITs’ competitiveness by reducing the GST cost.



► Property Tax

Provide certainty to taxpayers that property tax will not be imposed on machinery and equipment used for business purposes as well as those which promote environmental sustainability

► Recommendation

Property tax is currently imposed on all immovable properties situated in Singapore, including machinery which is regarded as “fixtures”. A limited exemption is currently available where the machinery is

1. used in the making of articles,
2. alteration, repairing, ornamenting or finishing of articles, or
3. adaptation for sale of articles.

Property tax exemption should be granted to machinery where the taxpayer is able to substantiate that the said machinery automates or facilitates trade/business processes, increases efficiency/productivity, reduces workplace-related risks or promotes environmental sustainability, etc.

Examples of such machinery (which is currently taxable for property tax purposes) include

1. automatic storage and retrieval systems,
2. automatic sorting systems,
3. machinery used for the provision of contamination-free or sterile environment for the sciences industry and
4. machinery such as robotics, Internet of Things-enabled (IoT) carts and automated guide vehicles used for the lifting and conveying of goods.

The expansion of the scope of the property tax exemption is in line with the Government's push for companies to automate and adopt technology, including those that will help Singapore meet its climate targets.

To adopt a common base date when revising the Annual Values of properties

► Recommendation

Currently, the Chief Assessor may choose to revise the Annual Value (AV) of properties with effect from anytime within the year.

In practice, the Chief Assessor has been revising HDB flats and private residential properties with effect from 1 January of the year with advance notification. For example, for year 2025, Valuation Notice to revise the AV, where applicable, was issued to residential property owners around December 2024.

It would benefit property owners if the same approach adopted for residential property is also extended to all other property types (i.e. change in AV is effective from 1 Jan of the year), even if the Valuation Notice is issued in a later month of the year.

This practice where the AV of all property is assessed from a common date such as 1 Jan of the year based on the prevailing market condition as at that point in time provides added certainty to the property owners. Exception may apply in special cases, where there are changes to the property during the year itself (e.g. completion of additional and alteration works which affects the floor area).



► Property Tax

Extend or enhance property tax rebate to lower-income households or seniors

► Recommendation

To support homeownership and affordability, Government may consider extending or enhancing the property tax rebate to lower-income households or seniors. This move will also ease the concerns for home owners.

Recalibrate our property tax system in respect of residential properties

► Recommendation

Residential properties which have been vacant for a substantial period of time (e.g. more than one year) could be subject to a higher tax rate to discourage the hoarding of such vacant properties which could otherwise be put to better use. A higher property tax rate may also be imposed (e.g. on the second and subsequent residential properties held by an owner) in line with Singapore's Additional Buyer's Stamp Duty regime.

Distinguish between commercial and industrial buildings which are “green” and those which are not

► Recommendation

Property tax is imposed on all immovable properties situated in Singapore. The applicable tax rate does not distinguish whether the immovable property is green.

Given the increasing focus on environmental sustainability in recent years, Singapore's property tax system should be refined such that commercial and industrial buildings which are green are subject to a lower property tax rate, and those which are not green are subject to a higher property tax rate.

Having different property tax rates for green and non-green buildings would provide building owners with the impetus to ensure that their building meets the definition of a green building.



► Stamp Duties

Extend the Section 15 stamp duty relief regime to cover other entities such as REITs, variable capital companies (“VCCs”) and limited partnerships (“LPs”)

► Recommendation

Section 15 stamp duty relief is currently available to companies, limited liability partnerships and statutory bodies which are undertaking internal restructuring exercises. The stamp duty relief available under Section 15 of the Stamp Duties Act should be extended to other vehicles such as REITs, VCCs and LPs, as there is no reason why they should be excluded from the stamp duty relief framework.

The extension of Section 15 stamp duty relief to these vehicles would help facilitate their internal restructuring.

Expand the scope of Section 15 stamp duty relief such that internal restructuring which is undertaken with a view to the listing of a corporate group would qualify for stamp duty relief

► Recommendation

The current stamp duty relief rules are restrictive as they do not sufficiently cater to situations where an internal restructuring is undertaken with a view to the listing of a corporate group.

The stamp duty relief framework should be specifically expanded to provide for relief in cases where an internal restructuring is undertaken with a view to the listing of a corporate group (regardless of the percentage of its market float) should not be denied the opportunity to enjoy stamp duty relief (i.e. relief granted should not be denied if transferor and transferee cease to be associated due to an initial public offering (“IPO”) exercise or a subsequent offer of shares.



► Stamp Duties

Improve the timeline of reviewing stamp duty remission cases

► Recommendation

Application for the remission of stamp duty is known to be a time-consuming process and may take up to even a year, before the outcome of the remission application is known. Such lengthy and opaque process creates significant uncertainty to businesses. We propose that a timeline of 6 months be introduced as a best practice for the relevant authorities to complete the review of stamp duty remission applications submitted.

Increase the time period for the filing of stamp duty and the submission of stamp duty relief

► Recommendation

The current time frame for filing of stamp duty and submission of stamp duty relief claim for an instrument that is executed in Singapore, is 14 days from the date of execution of the chargeable instrument, where the instrument is executed in Singapore. This puts taxpayers under significant time pressure to comply with the necessary stamp duty filing/ stamp duty relief submission requirements. We propose extending the timeline to 30-days after the execution of the instrument in Singapore.



► Personal Income Tax

Provide certainty on grant of share awards while exercising employment in Singapore

► Recommendation

Firstly, the policy stating that share awards are only taxable in Singapore if granted while exercising employment in Singapore appears to be unclear from section 10(6) and seems to contradict the HY v CIT case in the Court of Appeal. While the Budget statement from 2002/2003 clearly indicates that the Parliamentary Intent was that share benefits granted before Singapore employment should not be taxable, and shares granted under Singapore employment should be taxable, the amendment to section 10(6) in 2003 is ambiguous. It does not explicitly limit taxation to share benefits granted “by reason of any office or employment [exercised in Singapore],” as these words only appear in section 10(7)(a) (the deemed exercise/vest rules) and not in section 10(6) (the main taxing provision).

This approach based on the grant is inconsistent with the grant-vest approach adopted by the OECD and most countries and with the Court of Appeal decision in HY v CIT, which focuses on the period in which the benefit is earned. Consequently, this can lead to black hole income when an individual moves into Singapore

and double taxation of income (on a deemed vest basis in Singapore and later on an actual vesting basis) upon departure. Although IRAS addresses this by allowing a Foreign Tax Credit (FTC) or Unilateral Tax Credit (UTC), it means that Singapore relinquishes tax on share benefits granted before Singapore employment but vesting here, whereas most countries would tax on an apportioned basis.

Additionally, the mechanism to grant UTC (where no Double Tax Agreement applies) in section 50A refers to allowing a credit under section 50, which relies on a DTA to determine the credit. In situations where a DTA does not exist, this leaves a void regarding the basis and calculation of a credit, as well as the legislative authority to claim it..

Lastly, section 50(11) allows for an assessment to be amended despite being outside the 4-year period. However, it refers to an adjusted amount and does not clearly allow a credit if foreign tax is first assessed (as opposed to adjusted) after the 4-year period has lapsed. This is particularly relevant to options taxed on a deemed exercised basis and then actually exercised after more than 4 years.



► Personal Income Tax

Expand the Tax Governance Framework (“TGF”) to cover Individual Income Tax (for reporting of employee earnings by employers)

► Recommendation

The TGF currently covers only GST and Corporate Income Tax.

We recommend the scheme be expanded to cover Individual Income Tax (for the reporting of employee earnings by employers). This will align the importance of employer reporting with the other categories of taxes and help companies attain and maintain good standards of tax governance in relation to tax reporting.

The expansion of the TGF to include employer reporting of employee earnings will encourage businesses to manage their compliance risks and mitigate penalties for erroneous reporting.

Introduce new concessionary scheme for employees required to travel overseas frequently, regardless of prior year residency status

► Recommendation

The Not Ordinarily Resident (“NOR”) time apportionment scheme have lapsed with the last applicable YA for the NOR concession in YA 2024. Currently, there are no concessionary schemes for Singapore-based employees who are required to travel overseas for business purposes, which are necessary for business expansion or for Singapore-based companies venturing overseas.

We recommend the introduction of a new concessionary scheme to allow apportionment of income for Singapore-based employees who are required to travel overseas (regardless of prior year residency status) for business reasons.

The concession would help to mitigate double-taxation issues for the employees and help Singapore-based companies seeking to expand outside Singapore.



► Personal Income Tax

Allow individuals to claim tax relief on mortgage interest paid on the first property which is used as principal residence

► Recommendation

Currently, individuals are not able to claim any tax deduction on mortgage interest on their property acquired for use as residence.

We recommend allowing individuals to claim tax relief on the mortgage interest paid on their first property which is used as principal residence. This would help to reduce the financial burden of homeownership in the face of rising property prices.

Allow tax deduction for health insurance premiums

► Recommendation

Currently only life insurance premiums are tax deductible in Singapore, and this is capped at \$5,000 inclusive of CPF relief.

There is no relief granted for health insurance premiums.

As the population ages, there is an increasing demand for healthcare services. The cost of medical care in Singapore is relatively high compared to other countries.

To address this, we recommend allowing individuals to claim a tax relief on health insurance premiums paid for themselves, their spouses, dependent children and elderly parents, perhaps subject to a certain cap. This would help taxpayers manage the rising cost of healthcare.

Review the existing quantum for tax reliefs especially the dependent related reliefs in view of rising cost of living, medical expenses, etc.

► Recommendation

This would help ease tax burdens on taxpayers supporting elderly / special needs dependents.



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