Singapore International Chamber of Commerce

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Singapore Budget 2025 – Wish List

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SICC Budget Wish-List 2025

Singapore's Overall Tax Regime

Taxation Affecting Businesses			
(A) Making Singapore's Taxation Regime More Business Friendly			
No.	**Tax Issues**	**Comments**	**Proposed Recommendations**
New			
1	Inconsistency in the requirement for assets to be "in use" as at the end of the basis period under Section 19 versus Section 19A of the Singapore Income Tax Act.	The policy intention to impose the "in use" condition for Section 19 capital allowance claim is not clear. Under Section 19A, taxpayers are entitled to accelerate their capital allowance claim upon incurring the cost of acquiring the asset. From the business perspective, as long as the Company has incurred the expenditure to acquire the asset with the intention to use the asset for its business, the Company should be entitled to claim the capital allowances accordingly, even if it was subsequently decommissioned for commercial reasons.	Unless there is a clear policy intention to have different conditions for Sections 19 and 19A, we suggest removing the requirement for the assets to be in use as at the end of the basis period in order to claim capital allowances under Section 19 of the Singapore Income Tax Act.
2	Gain on disposal of investments.	Section 13W of the Income Tax Act (ITA) applies to disposal up to 31 December 2027. Currently, for situations where qualifying conditions under Section 13W of the Income Tax Act are not met, normal tax rules will apply in determining whether the gain / loss are capital or revenue in nature.	To extend the applicable period until 31 December 2037 or indefinitely to continue providing certainty to investors in Singapore. Given the number of advanced rulings on the same topic and the implementation of new Section 10L on taxation of foreign-sourced capital gains, would suggest that guidance on disposal of investments be updated to provide more scenarios /

			examples (e.g., restructuring) on the factors in determining the nature of the gain / loss.
3	Remove the cap on deduction for insurance costs for employee health insurance benefits provided by employers.	Healthcare is becoming more expensive in Singapore and employees are seeking to provide employees with better healthcare are often unable to deduct the full expenses for the provision of employee health insurance.	To remove the cap on the deductibility of employee health care insurance costs as set out in section 14(6A) and section 14(6B) of Singapore's Income Tax Act.
(B) Addressing BEPS 2.0 / QRTC (Qualified Refundable Tax Credit) Implementation Issues & How to Maintain Singapore's Attractiveness to Businesses			
No.	**Tax Issues**	**Comments**	**Proposed Recommendations**
New			
1	Singapore introduced a new alternative tonnage tax regime for the Maritime Sector Incentive (MSI) companies.	It is currently unclear how companies would benefit from the alternative tonnage tax regime as compared to the usual tax exemption for international shipping profits since the shipping profits are expected to qualify for exemption from the GloBE income.	To offer lower commitments (e.g., lower headcount or local business spending) for the alternative tonnage tax regime.
2	Refundable Investment Credit (RIC)	The implementation of the RIC in 2025 seeks to support business and enhance Singapore's attractiveness. Given the impending timeline, companies would require certainty and clarity on the RIC mechanism and greater flexibility to ensure that it achieves its policy intent. Based on the current list of qualifying activities for RIC, it would benefit new industry players but may not be beneficial to existing companies who already have established presence in Singapore.	To preserve the intent of the RIC in keeping Singapore's attractiveness, we would suggest simplifying the mechanism for RIC to ease administrative and compliance burden on companies and providing companies with the flexibility in utilizing the RIC, such as: • Making RIC available for offset against taxes due on non-incentive income or domestic top up taxes. • Transferability of RIC for offset between group entities within the four years.

		Refund mechanism of unutilized RIC after 4 years does not provide immediate relief to taxpayer companies for anchoring substantive and high value economic activities in Singapore. Surveys, mandatory audits, etc. for RIC will increase the compliance burden for taxpayers.	• To expand the scope of qualifying activities to include existing business activities and not just incremental activities. • Allow taxpayers flexibility to choose between a cash grant (e.g., loss making Year of Assessment (YA)) and RIC during the award period. • Tap on surveys and audits for other incentives e.g., Global Trader Programme (GTP) where companies are awarded other incentives or reduce frequency / sample size of such survey and audits.
3	GloBE Safe Harbours.	The proposed Multinational Enterprise (Minimum Tax) Act 2024 (MMT Act) contains general provisions in relation to application of GloBE Safe Harbours. However, this term is not clearly defined in the legislation and no details are provided.	To provide certainty to MNEs, regulations and guidelines on the details of the GloBE Safe Harbour rules should be released promptly.
4	Income subject to Income Inclusion Rule (IIR) and Qualified Domestic Minimum Top-up Tax (QDMTT).	Currently, there is no carve out for tax incentives for companies engaged in energy transition or green technology. Given the importance of ensuring that energy transition occurs expeditiously to meet net-zero commitments and the challenges of climate change, Singapore should engage the OECD to create a carve out for tax incentives for energy transition and green technology initiatives from the IIR and QDMTT rules.	Singapore should engage the OECD to create a carve out for tax incentives for energy transition and green technology initiatives from the IIR and QDMTT rules.

5	Adoption of Amount B (of the OECD BEPS Pillar 1) to be clearly stated.	Singapore has signed up to the political commitment for Amount B (in the Inclusive Framework) - if another jurisdiction adopts Amount B and qualifies for the political commitment, then Singapore will respect the proper application of Amount B. This may result in uncertainty for taxpayers in applying Amount B.	Singapore should provide clarity on the adoption of Amount B, which applies Transfer Pricing (TP) rules to baseline marketing and distribution activities.
6	New incentive for businesses willing to digitalize / undergo transformation.		Emulate the previous Productivity and Innovation Credit (PIC) scheme and existing Enterprise Innovation Scheme (EIS) by providing enhanced deductions for cost incurred to digitalize and / or transform businesses.
7	Incentives and grants programmes should be simplified, especially for mid-caps that are not subject to GloBE Pillar 2 rules.	For mid-cap companies that are not subject to GloBE Pillar 2 rules, incentives and grants remain useful tools to attract foreign investments as they offer significant funding and tax benefits without being curbed by GloBE restrictions. Existing incentive and grant programmes can be complex and confusing due to elaborate eligibility criteria and varying compliance requirements. If these incentives and grants can be simplified, Singapore's incentives and grant programmes can serve as important tools to attract foreign investments.	Some aspects that can be simplified include: • Eligibility criteria. • Application process. • Post-approval compliance and reporting requirements. It would also improve Singapore's competitiveness if the amount of time required for approval and the disbursement of grants can also be reduced.
8	Currently, taxpayers generally need to apply for and obtain	The amount of time taken to apply for tax incentives can be protracted. However, other jurisdictions like Hong Kong have taken the	Suggest reviewing the current incentive regimes to determine which regimes could

	approval for tax incentives to apply.	approach where taxpayers decide whether the tax incentive applies and if they are subsequently found not qualified for the incentive conditions in an audit, penalties and tax claw backs would apply. We would suggest adopting this approach for some tax incentive programmes (e.g., fund incentives (to be competitive with Hong Kong), Development and Expansion Incentive (DEI) and Global Trader Programme (GTP) incentives (e.g., for the 15% or 10% incentive rates).	transition from an approval regime to a self-declaration regime.
(C)	**Withholding Tax Issues**		
No.	**Tax Issues**	**Comments**	**Proposed Recommendations**
New			
1	Challenge in filing withholding tax return for prepayments for maintenance services.	The withholding tax return is due and payable within 2 months from the date of payment of the maintenance fees. However, where this is a prepayment for a mixture of remote and on-site services, it may not be known at the point of payment whether any work will indeed to be done in Singapore.	For such scenarios, to allow companies to file withholding tax return within 1 month from the point when it is certain that work will be rendered in Singapore (i.e., payment should be subject to withholding taxes).

General Tax Regimes			
(D) GST			
No.	**Tax Issues**	**Comments**	**Proposed Recommendations**
New			
1	GST treatment on Carbon Emission Credits and related financial instruments.	From 23 November 2022, the supply of any carbon credit is treated as an excluded transaction with input GST restrictions. This aims to standardize GST treatment across all supply sources of carbon credits. However, the GST treatment of financial instruments involving carbon credits as the underlying asset remains unchanged, i.e., exempt supply if it falls within the definition of a financial service under the Fourth Schedule to the GST Act. The disparity in GST treatment impacts a partial exempt trader when computing the GST apportionment ratio since the value of the underlying carbon credits will never be included in the denominator of either formula. In view of the growing recognition of climate change as a priority, carbon trading has gained traction globally, with the demand for carbon credits growing enormously in recent years. Given the significant developments, His Majesty's Revenue and Customs (HMRC) has revisited and revised the Value-Added Tax (VAT) treatment from 1 September 2024	Proposed that the trading of all carbon credits be regarded as taxable supply of services. To further recommend the supply of carbon credits to be <u>zero-rated, similar to the GST treatment on carbon credits in New Zealand</u>. Request for IRAS to consult with taxpayers on the nature of such businesses.

		to treat the sale of voluntary carbon credits as taxable for VAT where the place of supply is in the UK.	
2	With the implementation of the e-invoicing rules, it is timely to review the scope of the Assisted Compliance Assurance Program (ACAP) renewal in terms of its relevance and the administrative burden placed on the taxpayers.	With the e-invoicing rules (InvoiceNow), the taxable transactions would already be made apparent to the IRAS on a real-time basis. Hence, some of the testing currently required under ACAP (e.g., substantive testing on standard-rated transactions) may no longer be necessary. In addition, there would likely be resource constraints faced by the batch of taxpayers whose ACAP renewal period may overlap with the mandatory e-invoicing rules (InvoiceNow) implementation phase.	To maintain the efficiency in the program and alleviate the unnecessary administrative burden on the taxpayers, the scope of the ACAP renewal should limit the review to the categories of supplies falling outside the network of InvoiceNow. For the batch of taxpayers with the next ACAP renewal coinciding with InvoiceNow implementation (whether during voluntary adoption with effect from 1 May 2025 or subsequently due to mandatory implementation), proposed for special consideration in terms of reduced scope and / or extended timeline to be given.
(E)	**Personal Income Tax**		
No.	**Tax Issues**	**Comments**	**Proposed Recommendations**
New			
1	Tax relief for fathers.		As the role of fathers in a family nucleus changes over the years, they should be equally incentivized with a tax relief scheme similar to the Working Mother Child Relief.
2	Income Tax on Employee Share Option Plan (ESOPs).	ESOPs are a common way of attracting employees and advisors to work for start-ups. Currently, ESOPs are taxed at the point of vesting. However, for employees, the point of taxation may be deferred to when a	To incentivize advisors helping start-ups, the tax treatment of ESOPs that are granted to advisors should be aligned with the treatment that is accorded to employees (i.e., taxing point occurs at vesting or where there is a restriction on sale, when the restriction is lifted).

		restriction on sale is removed. The taxing point for non-employees (e.g., advisors) occurs at the point of vesting. The deferral that applies to employees does not apply. This becomes a disincentive for individuals to act as advisors to start-ups where there is typically no liquidity for the shares in the company until liquidity event. As such, advisors have to pay a cash tax at the point when the ESOPs vest at the latest valuation of the shares while running the risk that a liquidity event may never occur.	
(F)	**Benefits in Kind**		
No.	**Tax Issues**	**Comments**	**Proposed Recommendations**
New			
1	Corporate Social Responsibility (CSR) activities.	Currently, input GST on expenses relating to CSR activities is not claimable. There is also a need to deemed output GST on such gifting (more than $200) for CSR purposes, for example, gifting goodie bags for groceries items.	Propose to allow the input GST claim on expenses relating to CSR and remove the $200 threshold on gifting for CSR-related activities.
2	Administrative concession threshold of $200 (inclusive GST) for certain benefits-in-kind.	With a high inflationary rate and GST rate increase in the last few years, the value of the current threshold of $200 has become smaller.	To increase the administration concession threshold to be in line with the cost of living and inflation. This will help to alleviate the tax cost of the employee and administrative compliance burden for the employer.
3	Corporate Income Tax (CIT) on Corporate Social Responsibility (CSR) activities.	Currently, it is arguable that we can claim tax deduction as it is to generate income as it boosts the company's reputation / image, etc.	To have clarity that expenses relating to CSR activities are tax deductible.

4	Corporate Income Tax (CIT) deductions for non-cash donations (gifts in kind).	There is no incentive for manufacturers or distributors to give away slow-moving or obsolete products. This measure would help to collect more donations in kind as well as avoiding destruction and waste.	Donation of goods is currently not deductible because such Cost of Goods Sold (COGS) is not incurred in the production of income. Allowing deductions should contribute to Singapore's aspiration towards carbon neutrality.
(G)	**Green / Sustainability Tax Issues**		
No.	**Tax Issues**	**Comments**	**Proposed Recommendations**
New			
1	Tax treatment for carbon credit.	To date, there is only tax certainty on the tax treatment of income and expenses arising from the trading of carbon credits. However, there is almost no clarity on the tax treatment of expenses incurred by the other key players in the supply chain (e.g., the wholesaler, project developer, etc.) and how the accounting treatments of the expenses (e.g., whether intangible asset, prepayment) will impact timing of deduction. IRAS has indicated that deduction for companies investing in nature-based solutions projects would not be aligned with accounting recognition of expenses. Extensive tracking of such expenses on a project-by-project basis using recommended allocation key over tenure of the projects (which may be as long as 20 years) is administratively burdensome and impractical. This overly complex tracking mechanism will increase compliance costs and is likely to discourage companies from	To enhance Singapore's position as a hub for carbon credit trading, tax certainty should be provided to all key players in the supply chain. Expenses incurred should also be accorded tax deduction notwithstanding accounting treatments. The timing of deduction should also be aligned with accounting treatment. Would propose IRAS to consult with taxpayers on the nature of such businesses and issue guidance on the various tax treatments of carbon credit and similar products / attributes from corporate, GST and withholding tax perspective.

		investing on green projects from Singapore, hindering Singapore's sustainability agenda.	
2	Income from the sale of green energy should be incentivized by preferential corporate tax rates.	To encourage companies to invest and produce energy from clean sources, we would suggest introducing preferential tax rates for companies which generate income from the sale of clean energy. This would encourage the development of new clean energy sources as well as potentially make Singapore a clean energy hub for the Asia Pacific region.	Introduce tax incentives for income generated from the sale of clean energy.
3	Amortization rules for qualifying green / energy transition projects.	Currently, there are no specific rules that enable companies that invest in green / energy transition projects to have favorable amortization treatment for their investments. Under the current amortization rules encapsulated in section 19B of Singapore's Income Tax Act, a taxpayer is allowed to make an irrevocable election to claim the writing-down allowances over a 5-year, 10-year or 15-year period (on a straight-line basis) beginning from the Year of Assessment (YA) of the basis period in which the capital expenditure is incurred in acquiring the intellectual property rights.	Some preferential amortization treatments for green / energy transition investments could include: • A shorter writing-down period, e.g., 3 years for faster tax deductions and improved cash flow. • Accelerated write-downs e.g., allowing claims for higher percentages of allowance in the initial years. • Allowing the ability to change the writing-down period should business circumstances change. • Provide enhanced allowances (e.g., 150% or 200% of the capital expenditure) in general or for specific Intellectual Property Rights (IPRs) only.
4	Carbon tax currently applies to local businesses and not to imported goods and services.	Singapore as a path finder and leader for net-zero commitments in the Asia Pacific region should consider applying carbon tax in a manner akin to excise duties (i.e., on domestic producers (or emitters) or on	Impose carbon tax on imported goods and services that are produced with high carbon emissions to ensure that local businesses are not discriminated against and are rewarded for adopting more costly energy efficient measures in their operations.

		imported products/services). This would achieve two purposes: a) ensure that there is an equal playing field for local businesses; and b) cement her position as a leader in tackling the issues of climate change.	
(H)	**Other Taxes (e.g., Stamp Duty and Property Tax)**		
No.	**Tax Issues**	**Comments**	**Proposed Recommendations**
New			
1	Excise Duty for Tobacco & Liquor.	Drastic excise increases can have the unintended consequence of disrupting markets by sending an affordability shock to consumers and driving consumers towards cheaper alternatives, including illegal tobacco, vapes and liquor, and undermine governments' public health and fiscal objectives. For example, following the 15% tobacco excise hike in February 2023, there has been a worryingly significant growth in illegal vapes. In addition, retailers, the majority of whom are SMEs, will be hit hard by decreased revenues from direct (tobacco and alcohol) revenues and incidental revenues (snacks, drinks, sweets and daily essentials) from decreased footfall to the retailers.	The recent steep excise duty increase in 2023, coupled with consecutive GST hikes in 2023 and 2024, has significantly impacted consumer affordability. A substantial and sudden increase in the cost of these products can lead to a sharp affordability shock, potentially driving consumers towards illicit and unregulated alternatives like illegal cigarettes and vapes. To mitigate this risk and foster a stable business environment, it is recommended to implement a tax calendar for future excise duty adjustments. This approach involves gradual tax increases over a defined period (e.g., 5% over three years) rather than imposing a single, large hike. A tax calendar offers several advantages: • **Predictability:** Provides businesses and consumers with a clear timeline for tax changes, enabling better planning and adaptation. • **Reduced affordability shock:** Mitigates the impact on consumers' purchasing power, discouraging the

			shift towards illicit products. This is particularly important in ensuring there is no sudden fall in revenues for SMEs and heartland enterprises selling these products. • **Balanced approach:** Aligns public health objectives with the need for consumer affordability and industry stability. By adopting this strategy, the government can effectively discourage harmful consumption while minimizing the negative economic consequences associated with abrupt tax changes.
2	Relevance of current double taxation agreement ("DTA").	Singapore's recent DTAs are largely based on the Organization of Economic Co-operation and Development Model Tax Convention on Income and on Capital ("OECD MTC"), with some modifications, which is in line with the development of Singapore's economy. However, many DTA's were entered into with treaty partners several decades ago and may no longer be reflective of the economic and business environment that both Singapore and its treaty partner operates. For example, the Singapore-Australia DTA was entered into in 1969 which included elements that were more reflective of the United Nations Model Tax Convention ("UN MTC") but are not present in the OECD MTC, such as the inclusion of Article 4(3b), which recognizes "substantial equipment...	Propose that MOF actively reviews and renegotiate longstanding DTAs, especially aspects that are no longer relevant to current economic and operating environment or that are particularly unfavourable to Singapore by comparison with similar treaties, or which are incongruent with the majority of Singapore's DTAs. For example, the removal of Article 4(3b) from the Singapore-Australia DTA to be in line with other Singapore treaties, *or* an amendment to the same clause to restrict the deeming of a permanent establishment to the 'operation' of substantial equipment rather than the mere 'use' of substantial equipment.

		being used in that other State," as a permanent establishment. Not only are neither Singapore nor Australia still developing economies, most of Australia's treaties with other treaty partners that include a substantial equipment clause only recognize a Permanent Establishment (PE) from the 'operation' of substantial equipment rather than the passive use of such equipment to be a permanent establishment.	The former proposal will allow Singapore resident companies to have better alignment and achieve greater consistency across their overseas trade and activities (same DTA rules across jurisdictions) while the latter will at least help to level the playing field between Singapore and other countries with Australian DTAs.
Repeated Wishlist Items / Further Items			
No.	**Tax Issues**	**Comments**	**Proposed Recommendations**
1	Attractiveness of Singapore for foreign investors.	With BEPS Pillar 2, the efficacy of tax incentives in attracting foreign investments will no longer be what it was before. This, coupled with rising costs of hiring skilled workforce, elevated property prices, increase in carbon taxes / GST, etc. are making it more difficult to justify investing in Singapore as compared to other jurisdictions.	To help foreign investors defray the additional costs to be incurred such as providing grants (in line with BEPS Pillar 2) and subsidies on hiring skilled workforce. To also consider delaying the implementation of increase in carbon taxes in Singapore.
2	R&D tax deduction.	R&D rules and regulations are technically complex and difficult to qualify. Extensive documents were required to be submitted for claims made which were also subject to protracted queries from IRAS.	To simply qualifying conditions for qualifying R&D projects and the administrative requirements such as providing R&D claim forms and write-ups for projects exceeding a certain threshold, etc.
3	Share based compensation.	The current regulatory restrictions on the deduction claim for share based	Since the objective is to ensure the Company is only entitled to claim tax

		compensation is complex and the information required to compute the deduction claim is administratively burdensome to collate (e.g., the weighted average cost of the shares incurred by the holding company).	deduction based on the actual cost incurred by the Group (without any step up), we suggest amending the deduction claim as follows: 1. [Only in the first year of claim] To assess the basis of the recharge to the company (e.g., whether recharge based on weighted average cost incurred with administrative charges etc). 2. Where the actual recharge is comparable to the actual costs incurred by the holding company, allow tax deduction based on the recharged amount without the need for further comparison in the subsequent year. This would relieve the administrative burden on companies when making the share-based compensation claims. Also, the rules for deduction are also different from the general deduction rules under Section 14(1) of the Singapore Income Tax Act. We suggest the rules should be consistent and tax deduction be claimed when the expenses are incurred.
4	Transfer pricing documentation.	Currently, transfer pricing documentation rules specify that documentation is required on transactions if certain thresholds are met. While the threshold was considered adequately high so as not to be burdensome to smaller companies, these thresholds are considered to be low for bigger companies.	Propose that transactions requiring documentation are based on a materiality basis (e.g., percentage of sales, percentage of business line, etc.) as opposed to a fixed number threshold. This would help to alleviate compliance burdens for the bigger companies.

		This unfortunately creates additional burdens for such companies in the event that there are variations in the arrangement / terms of an existing transaction. This is because the variations could result in a different risk profile / function / assets used. Under existing regulations, this would mean that for a certain type of sale, multiple benchmarking / reports would have to be documented, for the given type of transaction, due to the variations. Even though the variation in transaction would not be material or even in respect to that transaction from a commercial perspective.	
5	Currently, the Mergers & Acquisitions (M&A) Scheme only applies for acquiring companies which are incorporated and tax resident in Singapore (where the acquiring company belongs to a corporate group, its ultimate holding company must also be incorporated and tax resident in Singapore).	This does not incentivize Singapore-based companies which are headquartered in other countries to invest in local (i.e., Singapore-based) start-up companies which may need significant investments to scale / innovate.	To extend the M&A Scheme benefits, on a case-by-case application basis, to Singapore-based companies (which are headquartered in other countries) that invest in local start-up companies for the benefit of the Singapore economy.
6	Certainty in the characterisation of “new” payments to non-tax residents arising from the changing business landscape.	The characterisation of multiple types of payments made to non-tax residents arising from e-commerce, purchase of carbon credits, etc. are unclear and IRAS’ website on withholding tax and e-tax guides were oversimplified and outdated.	To update relevant guidance to include certainty of withholding tax treatment of “new” payments.

7	Remove the services outsourced by non-resident company to entities subjected to tax in Singapore from the scope of withholding tax.	This would help to alleviate the administrative burden of withholding tax filing and subsequent filing by the non-resident entity to claim tax deduction.	Since the local entities would already be paying tax on their share of the income (i.e., equivalent to the service fee attributable to the work done in Singapore), we suggest removing the requirement for the Singapore payer to file withholding tax on the said portion of the service fees. This would also remove the need for the non-resident to subsequently file the tax return to claim tax deduction on the expenses paid for the work outsourced to the local entity.
8	No recovery of foreign withholding tax suffered for loss making entities.	Companies currently need to be in a tax paying position in order to claim foreign tax credit.	To allow loss making companies to defer the foreign tax credit claims to subsequent Years of Assessment (YA) or to enable loss making companies to offset the foreign withholding tax against other taxes suffered by the company. Alternatively, to consider an option for the loss making company to “surrender” unclaimed foreign tax credits to another profitable company within the same group (similar to the concept of Group Relief).
9	GST incurred on services relating to carbon credits.	Supply of any carbon credit is treated as an excluded transaction from 23 November 2022 and consequently, any GST incurred on related services is not claimable if the intend of purchase is for resale. When carbon credits are purchased to offset carbon emissions for one’s compliance purposes or to voluntarily reduce the carbon footprint of one’s business, GST incurred is	In order not to burden businesses with additional tax cost, administrative burden and for Singapore businesses to remain competitive, we propose to allow such GST to be claimable in full, in view of the long-term economic benefits of carbon credit deals.

		claimable only as residual input tax and subject to apportionment. In contrast, whilst Verified Emission Reductions (VERs) specifically are outside the scope of UK Value-Added Tax (VAT), His Majesty's Revenue & Customs (HMRC) did not restrict or disallow the claim of VAT incurred on services relating to VERs. No restriction on such input VAT / GST claims have been imposed in other countries.	
10	Energy transition initiatives.	Companies are under increasing pressure to decarbonize their operations. Such energy transition initiatives involve significant upfront investments, e.g., feasibility / market studies, purchase of new plant and equipment, installation costs, run and maintain costs, etc. In a period of rising costs / high inflation, such outlays can be overwhelming for businesses. Companies which fail to decarbonize early are then caught in a “vicious cycle” where they are required to pay increasing amounts of carbon taxes. Additionally, such initiatives may be undertaken voluntarily by companies and may not always be profit driven or result in a source of income. This results in uncertainty over the tax deductibility of such expenses, as IRAS may	To support businesses in their decarbonization efforts, energy transition related projects should be accorded with some form of incentives through subsidies, grants or refundable tax credits to help defray a portion of the costs. The relief mechanism would need to be carefully considered to provide certainty to companies which are undertaking sizeable upfront investments / payments and to ensure that benefits are not eroded with the potential introduction of a global minimum effective tax rate. Separately, the carbon tax transitionary framework that is being developed should be robust, to ensure that companies are not caught in a “vicious cycle” of increasing carbon taxes and insufficient resources to decarbonize. Finally, to offer certainty on tax deductibility of expenses incurred in relation to desirable

		disallow them on the basis that they are not incurred in the production of income.	green / sustainability / energy transition related initiatives, or even enhanced tax deductions (or grants, in light of BEPS Pillar 2), regardless of whether the initiative results in the production of income.
11	Inclusion of alternative products / commodities arising from energy transition initiatives as qualifying commodity under the Global Trader Programme (GTP).	Currently, carbon emission credits have been included as a qualifying commodity for GTP purposes. However, as the energy transition journey evolves, more new products / commodities have been created which can be traded in the market by GTP companies. These include Renewable Energy Certificates (RECs), which is a market-based instrument that certifies the bearer using one megawatt-hour (MWh) of electricity generated from a renewable energy resource and Renewable Natural Gas or Renewable Thermal Certificates (which serves as proof that the *gas* originated from *renewable* or biogenic sources).	The inclusion of the new products / commodities arising from energy transition initiatives under the GTP programme will help to create a vibrant trading environment for these products in Singapore, which would enable Singapore to consolidate its position as a global trading hub and also encourage Singapore-based companies to work towards Singapore's Long-Term Low-Emissions Development Strategy (LEDS).
12	Enhanced deduction for expenses on decarbonization activities.	Many companies are now committed to a Net Zero carbon emission ambition / goal and are taking certain actions to decarbonize in order to achieve the ambition / goal. In this regard, there will likely be an increase in certain spendings such as: • purchase of carbon credits for offsets. • consultancy fee for decarbonization related matters. • registration fee / certification fee paid to Gold Standard, Verra, NEA, etc.	Propose allowing 200% tax deduction on expenses incurred on such decarbonization activities.

13	Greater policy support for sustainability efforts.	At present, there are limited policies / regulations to help enable the growth and adoption of green technology and products. As such, first-mover companies which have made significant investments in green technology are at a competitive disadvantage as their production costs, and correspondingly product prices, are higher than their “non-green” counterparts.	To consider the use of government policies and regulations to increase market demand for green technologies and products. This could include rebates on solar panel installations for households, policies to increase the demand for sustainable fuels (e.g., mobility and aviation), etc. However, this would require careful balance so as not to overburden the average consumer, in light of rising costs / high inflation.