Singapore International Chamber of Commerce

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Singapore Budget Wish List 2027

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SICC Budget Wish List 2027

Singapore's Overall Tax Regime

Part I – Singapore's Incentive Architecture after Pillar Two			
(A) Keeping and Anchoring the Existing MNC Base			
No.	**Tax Issues**	**Comments**	**Proposed Recommendations**
New			
A1	Make existing grants and subsidies more flexible to: (a) support anchoring new pilot activities in Singapore; (b) support second headquarters set up to manage geopolitical risk; (c) recognise the regional "plus-one" ecosystem; and (d) support industries that depend on an ecosystem of companies at different levels of the value chain.	(a) **Pilot activities:** Existing investment support measures such as the Refundable Investment Credit (**RIC**) are geared towards larger-scale projects with significant upfront commitments. Companies often first seed new activities in Singapore on a small scale, e.g. with one or two employees building capability, testing commercial viability and setting up the operating model. If successful, these can scale up over time, with more functions, decision-making, flows and value-creating work anchored here. Without early-stage support, companies may be less inclined to locate exploratory activities here, especially where the business case is still developing. (b) **Second HQ:** Pillar Two has neutralized the headline tax rate that once anchored the Singapore HQ case, leaving high operating costs (salaries, real estate, energy and carbon) without an offsetting fiscal benefit. Yet two decades of multinational corporation (**MNC**) investment have created a Singapore legacy that is qualitatively different from a paper HQ, and	(a) **Pilot activities:** Introduce targeted grants, subsidies or other upfront support for companies anchoring new or strategic activities in Singapore at an early stage, even where initial headcount or investment is modest. Support could be tied to clear conditions, such as the activity's strategic nature, scaling potential, commitment to build local capability and phased growth milestones. This would complement existing large-scale schemes by helping companies take the first step here, making it more likely that future expansion, regional flows, decision-making and higher-value work are routed through Singapore. (b) **Second HQ:** Introduce a strategic-presence or "second global HQ" incentive recognising Singapore's legacy and control-and-command roles (including China-facing hub functions), with appropriate transfer pricing alignment. (c) **Plus-one ecosystem:** Introduce a regional ecosystem credit for eligible "plus-one" activity

		China-facing operations are increasingly difficult to run from China (capital movement) or Hong Kong (longer- term certainty), making Singapore the natural control-and-command alternative. (c) **Plus-one ecosystem:** Singapore, Malaysia and Batam operates in practice as a single managed ecosystem, with Singapore as the orchestration layer. That orchestration is the value delivered from Singapore, but incentive criteria do not recognise it. (d) **Industry ecosystems:** Some industries, such as petrochemicals, need an ecosystem of producers (e.g. base chemicals and intermediates) to support high value-add apex players. Without them, Singapore becomes a less attractive production location.	managed from Singapore, recognising Singapore's orchestrator role without subsidising offshore jobs. (d) **Industry ecosystems:** Introduce differentiated incentive and grant programmes to support players at different levels of the value chain in key priority industries, so that the whole ecosystem is anchored in Singapore.
A2	Singapore's incentive framework should be recalibrated to help mature, steady-state operations retain the highest-value functions they have already anchored in Singapore.	MNCs have spent over twenty years anchoring their highest-value functions in Singapore. The incremental design of current incentives keeps asking for further commitments when there is little more to give, making the HQ conversation difficult for long-tenured groups. Once a function leaves Singapore – typically for Malaysia, Thailand, Indonesia or the Middle East – it is very difficult to win back.	Shift the centre of gravity of Singapore's incentive framework from incremental investment towards capability retention and strategic presence, including a dedicated retention track for long-tenured operations that does not require incremental spend or headcount for renewal. Retention support could be conditioned on the nature of existing activities and whether they meet defined high-value thresholds.

(B) Rebuilding Singapore's Incentive Toolkit under BEPS 2.0 and the OECD Side-by-Side Package (QTIs, etc)			
No.	**Tax Issues**	**Comments**	**Proposed Recommendations**
New			
B1	Strengthening Singapore's Incentive Framework through Qualified Tax Incentives (**QTIs**) under Pillar Two.	The OECD's Side-by-Side Package and QTI framework have fundamentally changed how jurisdictions design tax incentives. Despite the RIC, it remains unclear how existing Singapore incentives are treated under Pillar Two, including whether and how such incentives may qualify as QTIs. In particular, taxpayers cannot assess whether a bespoke, negotiated incentive meets the OECD's "generally available" requirement, which is delaying investment decisions and incentive negotiations. Income-based incentives such as the Global Trader Programme (**GTP**) and Finance and Treasury Centre (**FTC**) incentives have also lost much of their value for in-scope groups under the global minimum tax, weakening the business case for locating strategic activities in Singapore. Other jurisdictions are already introducing QTI-compatible incentives linked to expenditure, production, revenue or economic activity.	We recommend that IRAS, EDB and EnterpriseSG publish a roadmap, with indicative timelines, for Singapore's Side-by-Side / QTI architecture, together with guidance covering: (a) the RIC's treatment as a Qualified Refundable Tax Credit (**QRTC**) and, where applicable, as a QTI for the Substance-Based Tax Incentive (**SBTI**) Safe Harbour; (b) worked examples on how QTIs, QRTCs and existing Singapore incentives interact in Pillar Two calculations; (c) which existing incentives and grants (e.g. R&D, innovation, digitalisation and workforce transformation) can be recognised or redesigned as QTIs; (d) Singapore's interpretation of the "generally available" requirement, with design parameters or a safe harbour for bespoke, negotiated incentives; (e) a review and redesign of income-based regimes such as the GTP and FTC schemes so that they remain competitive under the Global Anti-Base Erosion (**GloBE**) rules; (f) new QTI-compatible models aligned with economic substance (see B2 on production- and outcome-based credits).

			Clear direction on QTI adoption would reduce uncertainty, support long-term investment planning and keep Singapore's incentive framework competitive and effective in a post-Pillar Two environment.
B2	Explore production-based and outcome-based refundable credits or other metrics.	Other jurisdictions are moving to Pillar Two – compatible refundable investment and production tax credits. Australia: a Critical Minerals Production Tax Incentive providing a refundable 10% tax offset on eligible processing costs (1 July 2027 to 30 June 2040, for up to 10 years). Canada: refundable clean economy investment tax credits for clean technology, clean electricity, clean hydrogen, clean technology manufacturing, carbon capture and related investments. The Bahamas: a Business Development Incentive Programme giving a refundable credit based on a percentage of revenue from supplies to non-Bahamian customers, where executive authority for those supplies sits in the Bahamas. Competing jurisdictions are thus starting to reward outcomes and revenue, encouraging MNCs to centralise commercial decision-making and headquarters functions there.	We recommend that Singapore study production- or outcome-based refundable credits (e.g. based on cost of goods sold or product/shipping volumes) for priority sectors such as energy transition, sustainable fuels, advanced manufacturing, commodity trading, supply chain resilience and digital infrastructure. Any such credits should be reviewed against WTO countervailing-duty rules so that Singapore's exports do not attract countervailing duties in destination markets.
B3	The production-volume reading under the RIC appears too narrow: only	Traded volumes matter both to GDP and to Singapore's standing as a trading hub; excluding	We propose that volume-based measures under the RIC, any new production/volume QTI and other incentive criteria expressly recognise

	volumes produced or manufactured are recognised, and volumes traded through Singapore appear to be excluded.	them penalises the hub and orchestration activity Singapore has spent decades building.	volumes traded through Singapore, not only those produced or manufactured here.
B4	The substance-based safe harbour favours asset-heavy operations and gives limited relief to service, IP and hub functions.	The substance-based income exclusion and the SBTI mechanism are keyed to payroll and tangible assets, so favour capital- and payroll-heavy operations. Singapore's advantage lies in asset-light, high-value service, IP and orchestration functions, which benefit least.	We propose that Singapore advocate at OECD level for a substance measure that recognises high-value service, IP and hub functions, and in the interim design domestic QTIs to offset the carve-out's asset-heavy bias.
B5	Singapore should work with like-minded jurisdictions at OECD level to broaden the scope of QTIs and secure a Pillar Two safe harbour for shipping.	Pillar Two presents significant challenges to Singapore's ability to anchor MNCs and well-paying jobs. The Side-by-Side package has added flexibility, and peer jurisdictions (the US, Ireland, the UK, India, China and now Switzerland and Germany) are designing incentives to support their own policy objectives. Working with like-minded jurisdictions would let Singapore help shape the QTI framework constructively while managing the risk of being seen as non-cooperative.	We propose that Singapore work with like-minded jurisdictions (e.g., Switzerland, Ireland and the UAE) at OECD / Inclusive Framework level to broaden the scope of QTIs, and pursue a Pillar Two shipping safe harbour extending beyond the existing international shipping income exclusion (e.g., to qualified ancillary shipping income and related maritime activities).
Repeated from			
B6	To introduce RIC for FTC companies and include treasury activities as a qualifying RIC activity.	Under the global minimum tax, FTC companies may pay top-up tax despite their concessionary rate, eroding the value of the FTC incentive.	Allow FTC companies to elect for the RIC and WHT exemption instead of the concessionary rate, so the FTC incentive remains attractive and the Pillar Two effective tax rate impact is minimised.

(C) Making Incentive Conditions Fit for AI, Automation and Economic Volatility			
No.	**Tax Issues**	**Comments**	**Proposed Recommendations**
New			
C1	Spend- and headcount-based incentive conditions are increasingly difficult to meet through no commercial fault of the taxpayer and penalise the AI and automation investment that Singapore is encouraging.	The RIC and other incentives rely on spend and headcount metrics that are structurally declining as AI and automation reshape MNC operating models. Routine roles are moving to best-cost locations and are likely to be automated within a few years; a Singapore functional role can be filled in Malaysia at about one-third of the cost. Absolute headcount is therefore a poor proxy for the value of the Singapore operation. Taxpayers that invest in AI and automation risk breaching headcount commitments as a direct result, even though the shortfall reflects technology adoption rather than disinvestment.	We propose: (a) rebalancing incentive criteria from spend and headcount towards substance, volume (including traded volumes – see B3) and capability measures (e.g., skill level, seniority and decision-making authority); (b) expressly recognising qualifying AI and automation investment as a substitute for headcount commitments under the RIC and other incentives; and (c) a formal re-baselining process where commitments are overtaken by AI, automation or business-model change, so good-faith taxpayers are not placed in default.
C2	Incentive risk-sharing is asymmetric: commitments are fixed upfront and clawbacks penalise shortfalls, but outperformance is not recognised and there are no banded mechanisms to absorb volatility.	Incentive conditions are set as fixed point commitments, including industries that are exposed to commodity cycles and geopolitical disruption. Shortfalls trigger clawbacks, while outperformance goes unrecognised. There is also limited flexibility to reflect later changes in business conditions. This may reduce the incentive to exceed targets once the original conditions are met and does not support the long-term sustainability of existing investments.	We propose a more flexible, performance-based incentive framework under which: (a) incentive conditions are set as bands or ranges rather than fixed points, to absorb commodity and geopolitical volatility; (b) support is calibrated to actual delivery within the agreed range; and (c) companies that exceed their commitments – e.g., through higher local business spend, additional strategic functions or Singapore headcount, capability building, sustainability outcomes or new regional/global mandates – are

			eligible for enhanced support, such as additional RIC quantum, bonus credits or accelerated utilisation. This would reward actual economic contribution rather than upfront projections and encourage existing investors to keep expanding and upgrading their Singapore operations.

(D) The Refundable Investment Credit (RIC): Certainty, Pillar Two Treatment and Administration			
No.	**Tax Issues**	**Comments**	**Proposed Recommendations**
New			
D1	Clarification on the Pillar Two treatment of the **RIC.**	Following the OECD Side-by-Side Package, businesses need certainty on how Singapore incentives, including the RIC, are reflected in Pillar Two calculations. Open questions include when the benefit is recognised for GloBE purposes, whether recognition is based on approved, earned or utilised amounts, and the interaction between covered taxes and GloBE income where the accounting and tax treatment of the RIC differ. Without clear guidance, taxpayers face inconsistent approaches, higher compliance costs and uncertainty over the effectiveness of Singapore's incentives under Base Erosion and Profit Shifting (**BEPS**) 2.0.	IRAS to clarify the interaction between the RIC and the GloBE rules, including the Multinational Enterprise Top-up Tax (**MTT**) and Domestic Top-up Tax (**DTT**), as well as QTI calculations, including whether the RIC is recognised on approved, earned or utilised amounts, and confirm that the numerator and denominator mechanics are applied consistently to avoid unintended effective tax rate outcomes. This would provide certainty and consistent treatment across taxpayers and support the competitiveness of Singapore's incentive framework under BEPS 2.0. See also B1 on the broader roadmap for the treatment of Singapore incentives (including the RIC as a QRTC) under the Side-by-Side Package.
D2	Improving the pace, transparency, certainty and administration of the RIC regime.	The RIC is central to Singapore's incentive framework under BEPS 2.0, but its effectiveness depends not only on quantum but also on the certainty, timeliness and ease with which businesses can access and utilise the incentive. The pace and transparency of the process is itself a competitiveness issue. We understand that few, if any, RIC Letters of Award have been issued notwithstanding negotiations running since 2025. The EDB–IRAS process is perceived as siloed, procedure-heavy and slow. Delay and opacity at this level are read at group HQ as	We recommend that the Government establish a clearer and more streamlined RIC approval, utilisation and compliance framework by: (a) publishing a clear pathway from negotiation to Letter of Award, with defined approval milestones and indicative timelines; (b) ensuring early disclosure of all material conditions, including retention requirements and other utilisation restrictions; (c) aligning the timing of RIC approvals and credit

		policy risk. Businesses also need certainty on award conditions and how RICs can be utilised before making investment, headcount and operational commitments in Singapore. Unclear material conditions, and misalignment between RIC availability and corporate tax payment obligations, may dilute the intended value of the incentive. RIC claim and audit procedures may also impose significant compliance burdens. Requirements to audit substantial portions of qualifying expenditure, including detailed manpower costs and supporting documentation, and ongoing reviews of local business spend commitments and project milestones, can be time-consuming and costly.	availability with corporate tax payment obligations to improve cash-flow certainty; (d) enhancing coordination between EDB, other approving agencies and IRAS throughout approval and implementation; (e) simplifying RIC claim and audit requirements through risk- and materiality-based approaches, with fewer and narrower audits and surveys where appropriate; (f) allowing reliance on statutory audit work, agreed-upon procedures or alternative forms of assurance where suitable; and (g) introducing practical documentation thresholds to reduce unnecessary compliance costs. These measures would enhance certainty, reduce administrative burdens and strengthen Singapore's attractiveness for long-term investment under BEPS 2.0.

Part II – Growth Capabilities			
(E) Enhancing Singapore's Innovation, IP and Digital Transformation Ecosystem (incl. AI, cybersecurity and digital resilience)			
No.	**Tax Issues**	**Comments**	**Proposed Recommendations**
New			
E1	Modernisation of Singapore's R&D Incentive Framework.	Broadening the R&D incentive scheme would strengthen Singapore's competitiveness as an innovation and R&D hub.	Broaden scope of qualifying expenditure that may not fall into the traditional definition of R&D e.g., artificial intelligence implementation and development, software engineering, advanced analytics, digital process innovation, cybersecurity solutions, industrial digitalisation projects and sustainability technology deployment. These are now the main ways businesses innovate and improve productivity. Enhance benefits, e.g., by removing or raising the $400,000 cap, offering refundable credits instead of enhanced deductions, and clarifying eligibility criteria.
E2	Singapore has the legal and judicial foundations to be a leading IP ownership and high-value R&D location but lacks a headline IP-hub measure that retains value under Pillar Two.	Strong legal protection, judicial reliability and talent make Singapore a credible location for IP ownership and high-value R&D. However, existing IP incentives are income-based and so are eroded by top-up tax.	We propose QTI-compliant IP-hub measures, with outcomes tracked and publicly reported, to anchor IP ownership and high-value R&D in Singapore.
E3	R&D and innovation support is calibrated to expenditure and headcount inputs rather than to innovation outputs.	As AI and automation reduce the labour intensity of R&D, input-based measures increasingly understate the value of Singapore-based innovation.	We propose that R&D and innovation support recognise capability and output measures, including IP created and retained in Singapore, alongside expenditure and headcount, and that existing R&D grants and incentives be confirmed as QTI-eligible.

E4	R&D and innovation activity that is directed and owned from Singapore but executed overseas or across the regional ecosystem is not recognised.	Only local R&D expenditure qualifies for enhanced deductions, but geographical and expertise constraints mean some design, experimentation and testing must take place overseas. Singapore, Malaysia and Batam operate as a managed ecosystem, including for development and testing. Confining R&D relief to Singapore-located activity understates the Singapore contribution and discourages groups from placing programme ownership here.	We propose that R&D and innovation incentives recognise overseas and regionally executed projects that are directed, owned and managed from Singapore, with the resulting IP held in Singapore. For example, enhanced deductions of 150% could be extended to overseas R&D expenditure, subject to a cap of $200,000 per Year of Assessment (**YA**) or no more than 50% of the local R&D expenditure. For Pillar Two in-scope groups, the measure should be QTI-compliant.
E5	R&D tax deduction.	R&D rules are technically complex and difficult to satisfy. Claims require extensive documentation and often attract protracted IRAS queries.	Simplify the qualifying conditions for R&D projects and the administrative requirements, such as claim forms and write-ups for projects above a certain threshold.
E6	Expand and refine tax support for enterprise AI adoption, including the new deduction for qualifying AI expenditure (section 14ZK).	Budget 2026 introduced the section 14ZK deduction for qualifying AI expenditure, but large-scale AI transformation projects involve much higher investment, including software licences, implementation costs, model training, governance frameworks, data transformation, employee upskilling and integration with business processes. Two design features also limit the Section 14ZK deduction. First, the requirement to apportion bundled expenditure on a “reasonable basis” creates uncertainty without objective criteria, particularly	We recommend: (a) expanding the scope and cap of existing AI-related tax incentives, including through Pillar Two-compatible enhanced deductions or refundable credits for enterprise-wide AI transformation projects. Eligible expenditure could include AI software, implementation services, employee training, AI governance systems and responsible AI controls; (b) providing prescribed apportionment guidelines, safe-harbour percentages or acceptance of vendor-provided cost breakdowns for bundled expenditure, to provide certainty,

		where AI functionalities are integrated into broader software or SaaS solutions. Second, the blanket exclusion of hardware overlooks that deploying, operating and developing AI systems often requires dedicated computing infrastructure, such as GPU servers, AI accelerators, high-performance computing equipment and specialised edge devices, which differ from general-purpose IT hardware.	minimise disputes with the Comptroller and reduce compliance burdens; and (c) allowing a deduction for hardware expenditure that is wholly and directly attributable to the deployment, operation or development of a qualifying AI system. This would align the incentive with the actual costs of AI transformation and support broader adoption, while maintaining the integrity of the tax system.
E7	Introducing QTI-compliant support for investment in digital transformation, cybersecurity and digital resilience, including related workforce training.	Cybersecurity and digital resilience are now business necessities, not discretionary expenditure. As threats, operational disruption risks and regulatory requirements grow, organisations are investing significantly in cybersecurity software, cloud security solutions, threat monitoring, data protection technologies, incident response capabilities, business continuity planning and employee cyber awareness training. This spending is also an operational and compliance necessity, including for e-invoicing and GloBE Information Return (**GIR**) reporting. It supports Singapore's digital resilience objectives but receives little targeted tax support and falls between the existing R&D and automation reliefs.	We propose a digital transformation and resilience credit, designed in QTI-compliant form (or alternatively an enhanced tax deduction, investment allowance or grant), for qualifying expenditure on: (a) AI deployment and digital resilience tooling; (b) cybersecurity software, managed security services, cloud-security investments, and cyber monitoring and threat-detection platforms; (c) cyber risk and resilience assessments, incident response capabilities, resilience testing and related compliance projects; and (d) related workforce and employee cybersecurity training. Targeted support would encourage businesses to strengthen cyber resilience and support Singapore's position as a trusted digital business hub.

E8	Introducing a Digital Services Export Incentive.	Tax is a key factor for global AI firms choosing a stable, well-regulated Asia-Pacific hub. A competitive, predictable digital export incentive would differentiate Singapore and anchor AI talent, data repositories, and proprietary models. It would also strengthen Singapore's position as a regional headquarters for AI and software firms and grow high-margin digital exports.	Introduce a Digital Services Export Incentive for qualifying income from digital services exports in high-growth sectors such as SaaS, AI services, digital subscriptions, consulting and fintech products. For Pillar Two in-scope groups, the incentive should take QTI-compliant form (e.g., a refundable, expenditure- or outcome-based credit linked to qualifying digital services activity in Singapore), as a preferential rate would be neutralised by top-up tax. For out-of-scope groups, a concessionary rate (e.g. 5% to 10%) could apply, subject to substance requirements and OECD's harmful tax practices standards.

(F) Talent and Workforce Transformation (incl. globally mobile talent, upskilling, internship stipends, inclusive employment)			
No.	**Tax Issues**	**Comments**	**Proposed Recommendations**
New			
F1	Strengthening Singapore's Competitiveness in Attracting and Retaining Globally Mobile Talent.	Singapore's ability to attract and retain senior leaders, specialists and decision makers is increasingly central to HQ location decisions. Rising costs and competing talent regimes in the UAE, Switzerland and Hong Kong have intensified competition for this talent. Investment in innovation, digital transformation and AI also depends on access to specialist skills. A competitive, well-defined tax framework would help Singapore retain these roles and functions.	We recommend enhancing the tax framework for globally mobile talent by: (a) Introducing targeted personal income tax concessions for qualifying senior regional and strategic leadership roles; (b) Benchmarking Singapore's talent measures against these competing jurisdictions; (c) Strengthening schemes to attract, develop and retain talent in innovation, R&D, AI and other strategic sectors; (d) Clarifying how foreign tax credits and tax equalisation arrangements interact with Singapore's tax treatment of mobile employees and relocated executives. These measures would strengthen Singapore's competitiveness for global talent and its position as a regional business hub.
F2	The cost of Singapore talent for regional hub roles is now exposed without an offsetting fiscal benefit.	Singapore's multilingual, multicultural workforce, able to operate across Western, regional and Greater China contexts, is a genuine differentiator for hub roles. After Pillar Two, however, its higher salary and property costs are no longer offset by a headline rate advantage.	We propose targeted, QTI-compliant relief for the incremental cost of senior regional hub roles in Singapore (e.g. an enhanced deduction for qualifying regional-role remuneration).

F3	Upskilling pathways exist but adoption is patchy, and fiscal support does not reach the redeployment of workers displaced by automation.	Where routine roles are automated, redeploying affected Singapore workers into higher-value roles is the outcome policy should reward, as it keeps the function in Singapore.	We propose enhanced deductions or a QRTC-style credit for accredited upskilling and redeployment of Singapore-based employees displaced by automation, with take-up tracked and publicly reported.
F4	Align the taxing point for equity incentive plans for non-employees with that for employees.	Start-ups often use equity incentive plans to attract high-calibre employees and non-employee advisors. However, the deferral of tax on exercised options subject to selling restrictions applies only to employees. Non-employee advisors are therefore taxed on exercise even though they may never be able to monetise the shares.	We propose extending the employee deferral to non-employee consultants and advisors.

(G) Energy Transition, Carbon and Sustainability			
No.	**Tax Issues**	**Comments**	**Proposed Recommendations**
New			
G1	Tax incentives for green industrial and commercial buildings.	Retrofitting industrial and commercial properties for environmental performance, energy efficiency and resilience requires significant investment. Such projects can involve substantial capital expenditure and long payback periods.	Introduce temporary tax rebates or reduced property tax rates for buildings achieving recognised sustainability certifications or implementing approved energy-efficiency improvements. This would accelerate investment in sustainable infrastructure while supporting Singapore's climate objectives.
G2	Enhanced tax deductions, grants or incentives, to accelerate adoption of low-carbon and sustainable energy products.	Many sustainable products such as Bio-LNG, Sustainable Aviation Fuel (**SAF**), renewable marine fuels and other low-carbon alternatives remain at an early stage of market development. They carry a significant price premium over conventional alternatives but offer early adopters limited commercial benefit. As a result, adoption and market growth remain slow.	Introduce targeted Pillar Two-compatible support measures to encourage the early adoption of sustainable and low-carbon products. Possible measures include enhanced deductions, grants or refundable tax credits linked to the purchase or consumption of qualifying products. This would stimulate demand and strengthen Singapore's position as a regional hub for sustainable fuels and energy transition.
G3	The carbon tax pass-through allowance means industrial users effectively bear the carbon cost twice, while gencos are insulated from the price signal.	Under the pass-through allowance gencos recover the carbon tax from energy users, so industrial users pay the carbon tax on their own emissions and again through higher electricity tariffs. Shielded from the price signal the tax was meant to create, gencos have little incentive to decarbonise. Energy costs, compounded by carbon pricing, are among Singapore industry's most acute competitiveness issues and show no sign of easing.	We propose reviewing the pass-through allowance so that gencos bear meaningful exposure to the carbon price and industrial users are not charged twice for the same tonne of carbon.
G4	The carbon price trajectory is ahead of the region, and	The rest of the region is not moving at the same pace, so the burden of carbon pricing falls largely	We propose targeted relief for trade-exposed industrial users whose regional competitors face

	its implications for the competitiveness of trade-exposed industry and for energy security warrant review.	on Singapore industry and cannot readily be recovered in regional markets. European benchmarks, including Germany, may be of limited relevance to Singapore, particularly in the absence of a Carbon Border Adjustment Mechanism (**CBAM**).	no equivalent carbon cost, and alignment of the carbon price trajectory with regional reality and Singapore's energy security needs. Alternatively, Singapore could consider a CBAM to protect domestic producers subject to carbon tax.
Repeated from			
G5	Energy transition initiatives / Enhanced deduction for expenses on decarbonization activities.	Companies are under increasing pressure to decarbonise their operations. These initiatives involve significant upfront costs (e.g. feasibility studies, new plant and equipment, installation and running costs). With rising costs, such outlays can be prohibitive, and companies that fail to decarbonise early face a "vicious cycle" of rising carbon taxes. As these initiatives may be voluntary and not income-producing, IRAS may disallow the expenses as not incurred in the production of income.	We propose a tax incentive or enhanced allowance / deduction (or, given Pillar Two, a grant) for energy transition projects, designed to give certainty to companies making sizeable upfront investments without being eroded by top-up tax. The carbon tax transitionary framework being developed should also ensure that companies are not caught in a "vicious cycle" of rising carbon taxes and insufficient resources to decarbonise. Finally, IRAS should confirm that expenses on green, sustainability and energy transition initiatives are deductible regardless of whether the initiative produces income.
G6	Comprehensive tax framework for carbon credits across income tax, GST and withholding tax.	(a) Income tax: To date, tax certainty has been provided only on the treatment of income and expenses arising from the trading of carbon credits. There is little clarity on the treatment of expenses incurred by other key players in the supply chain (e.g. wholesalers and project developers), or on how the accounting treatment of the expenses (e.g. as an intangible asset or prepayment) affects the timing of deduction. IRAS has indicated that deductions for	To enhance Singapore's position as a hub for carbon credit trading, we recommend: (a) Income tax: providing tax certainty for all key players in the supply chain, and allowing a deduction for expenses incurred notwithstanding their accounting classification, with the timing of deduction aligned with the accounting treatment; (b) GST on supplies: treating the trading of all

		companies investing in nature-based solutions projects would not be aligned with accounting recognition. Tracking these expenses project by project, using an allocation key over terms of up to 20 years, is burdensome and likely to discourage investment in green projects from Singapore. (b) GST on supplies: From 23 Nov 2022, the supply of any carbon credit is treated as an excluded transaction with input GST restrictions. However, financial instruments with carbon credits as the underlying asset remain exempt where they fall within the Fourth Schedule to the GST Act. This disparity affects partially exempt traders, as the value of the underlying carbon credits is never included in the denominator of the apportionment formulas. By contrast, HMRC revised the UK VAT treatment from 1 September 2024 to treat the sale of voluntary carbon credits as taxable where the place of supply is in the UK. (c) GST on related services: As a consequence of the excluded-transaction treatment, GST incurred on services relating to carbon credits is not claimable where the credits are purchased for resale and is claimable only as residual input tax (subject to apportionment) where they are purchased for compliance or voluntary offsetting. No equivalent restriction appears to apply in other jurisdictions; for example, HMRC did not restrict the claim of VAT incurred on services relating to VERs.	carbon credits as a taxable supply of services, and zero-rating the supply of carbon credits, similar to the GST treatment in New Zealand; (c) GST on related services: allowing GST incurred on services relating to carbon credits to be claimed in full, in view of the long-term economic benefits of carbon credit transactions; and (d) Consultation and guidance: IRAS consulting taxpayers and issuing guidance on the income tax, GST and withholding tax treatment of carbon credits and similar products.

Part III – Certainty, Treaties and Administration			
(H) Treaty Network and Dispute Resolution			
No.	**Tax Issues**	**Comments**	**Proposed Recommendations**
New			
H1	Singapore's treaty and free trade agreement (**FTA**) network is one of its strongest anchors and should be actively maintained and modernised as Pillar Two changes the value of treaty benefits.	Singapore remains the default jurisdiction for regional holding structures, given its logistics, finance and professional services depth and one of the region's most extensive treaty networks. That advantage will erode as counterparties renegotiate and the GloBE rules change the economics of treaty benefits. Singapore's recent double tax agreements (**DTAs**) are largely based on the OECD Model, with some modifications. However, many older DTAs no longer reflect the current economic and business environment. For example, the 1969 Singapore–Australia DTA follows the UN Model in places, such as Article 4(3)(b), which deems a permanent establishment (**PE**) to exist where "substantial equipment" is used in the other State. Neither country is a developing economy, and most of Australia's other treaties with such a clause recognise a PE only where the equipment is operated, not merely used.	We propose: (a) continued expansion and modernisation of the DTA and FTA network, with priority given to jurisdictions where Singapore-headquartered groups face the greatest controversy exposure; (b) review and renegotiation of older DTAs, particularly provisions that are outdated, less favourable to Singapore than in comparable treaties, or are inconsistent with the majority of Singapore's DTAs – e.g., removing Article 4(3)(b) of the Singapore–Australia DTA, or limiting it to the 'operation' of substantial equipment; and (c) clear guidance on treaty benefit entitlement for QTI-supported structures.
H2	IRAS's competent authority capability is a genuine competitive asset and should be resourced and positioned as one, with continued investment in treaty dispute prevention and resolution.	IRAS and the Singapore competent authority are principled, technically strong and willing to argue on the merits against larger, better-resourced authorities. For groups exposed to Korea, India and similar jurisdictions, this is a real "controversy blocker" that competing hubs cannot easily replicate. We welcome IRAS's investment in treaty	We propose continued investment in treaty dispute prevention and resolution, including more resources for the competent authority, mutual agreement procedure (**MAP**) and advance pricing arrangement (**APA**) functions, published throughput statistics, and positioning this capability as part of Singapore's hub value proposition.

		dispute resolution. Profit allocations are often complex and difficult to agree, and treaty processes do not always produce a resolution.	
H3	GIRs are being filed now and Pillar Two disputes are likely to follow, but there is little guidance on how they will be resolved.	The OECD has issued a consultation on Pillar Two dispute management, but no binding framework or definitive administrative guidance has been released.	With GIR filings and exchanges increasing, we propose guidance for taxpayers on Singapore's Pillar Two dispute resolution process.
H4	Treatment of cross-border remote working.	This should address employee-requested home working, the proportion of working time spent in Singapore, commercial reasons for the arrangement and the employee's authority and customer-facing activities. Existing Singapore guidance is largely confined to the expired COVID-19 concession.	We propose publishing a PE safe harbour for cross-border remote working, taking account of the OECD's 2025 Model update.
H5	Simplifying withholding tax treaty-relief administration.	Nil filings are currently required even for treaty-exempt business profits where the payer holds a valid certificate of residence (**COR**) and no-PE declaration, creating compliance work with no tax at stake.	We propose dispensing with nil filings for treaty-exempt business profits where the payer holds a valid COR and no-PE declaration.

(I) Simplifying Compliance and Enhancing Tax Certainty			
No.	**Tax Issues**	**Comments**	**Proposed Recommendations**
New			
I1	From an administrative perspective, it is challenging to comply with Pillar Two rules.	Taxpayers need clearer rules and more guidance to take Pillar Two filing positions with confidence.	We propose further guidance and administrative certainty, including: (a) an advance ruling facility for Pillar Two (MTT and DTT) positions, which are not currently available; and (b) additional administrative guidance and worked examples on areas of practical difficulty.
I2	Singapore should publish risk assessment guidance to allow taxpayers to assess the risk associated with their operating models.	Australia has published risk assessment guidance that helps taxpayers assess their distribution and other operating structures and address identified risks proactively. Singapore has no equivalent.	We propose publishing a risk assessment framework that allows taxpayers to identify and address operating model risks proactively, potentially reducing penalties.
I3	Use of AI by IRAS to make the provision of taxpayer services and audits more efficiently.	IRAS investment in AI (through use of technology and AI), and publicising it, would help taxpayers adapt their systems for e-invoicing and other new requirements.	We propose that Singapore outlines IRAS's investment in technology and AI and publish information to help taxpayers adapt their systems to new compliance processes.
I4	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.	Under the e-invoicing rules (InvoiceNow), taxable transactions are visible to IRAS in real time. Hence, some of the testing currently required under ACAP (e.g. substantive testing on standard-rated transactions) may no longer be necessary. Taxpayers whose ACAP renewal coincides with InvoiceNow implementation are also likely to face resource constraints.	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 of 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), special consideration in terms of reduced scope and / or extended timeline should be given.
I5	Remove the services billed centrally by non-resident company but work performed by entities subjected to tax in Singapore from the scope of withholding tax.	This would reduce the burden of withholding tax filing by the payer and the non-resident's later filing to claim a deduction.	As local entities are already taxed on their share of the income (i.e., the service fee attributable to work done in Singapore), we suggest removing the requirement for the Singapore payer to file withholding tax on that portion of the service fees. This would also remove the need for the non-resident to subsequently file a return to claim a deduction for the local entity's work.
I6	Challenge in filing withholding tax return for prepayments for maintenance services.	Withholding tax is due within 2 months of paying maintenance fees. For prepaid mixed remote and on-site services, however, it may not be known at payment whether any work will be done in Singapore.	For such prepayments, allow companies to file the withholding tax return within 1 month of it becoming certain that work will be performed in Singapore (i.e. that the payment is subject to withholding tax).
I7	Use of foreign tax credits when a company is in loss.	The present denial of use of foreign tax credits where a company is in a loss position can result in permanent double taxation because of timing mismatches.	We propose allowing unutilized foreign tax credits, including pooled credits, to be carried forward for at least five YAs.

(J) Business Restructuring, Capital Markets and SMEs			
No.	**Tax Issues**	**Comments**	**Proposed Recommendations**
New			
J1	Amend Section 10L of the Singapore Income Tax Act 1947 (ITA) to include a carve-out for internal reorganization.	Section 10L of the ITA taxes gains from the disposal of foreign assets received in Singapore by an entity of a relevant group, where the gains would otherwise be capital in nature or exempt under other ITA provisions, unless a specific carve-out applies. There is no carve-out for transfers of foreign assets in an internal group restructuring. Such restructurings are usually undertaken to improve efficiency and reduce costs, and a carve-out would let groups reorganise without additional tax.	We propose amending Section 10L of the ITA to include a carve-out for internal group restructuring, supporting business efficiency and reducing administrative burden.
J2	Stamp Duty relief for strategic business reorganisations and corporate restructurings.	Companies may need to reorganise entities, businesses and asset ownership in response to unforeseen changes such as supply chain shifts, digitalisation or geopolitical developments. Stamp duty can add frictional cost and delay such reorganisations.	Broaden stamp duty exemptions or provide automatic relief; Expand existing relief provisions by allowing broader stamp duty exemptions or automatic relief for qualifying restructurings undertaken for bona fide commercial purposes. In addition, to consider other economic factors in determining whether reorganisations / sale of assets should be subject to stamp duty, e.g. circumstances leading up to the reorganisation, profitability or loss-making nature of business prior to restructuring and whether any value was attributed / received in the case of a divestment of assets to third parties. For example, in the case of a divestment of a loss-making business / asset where minimal proceeds were received, additional significant stamp duty costs (e.g., stamp duty on immovable

			properties) would further add to the financial burden of the company carrying out the reorganisation.
J3	Updating the Section 14N Renovation and Refurbishment Cap to Reflect Current Business Costs.	Renovation and refurbishment costs have risen significantly over the years, driven by inflation, evolving workplace, digitalisation, sustainability and accessibility requirements, standards and changing business models. The Section 14N cap, qualifying expenditure and conditions may no longer adequately support these upgrades, limiting the scheme's relevance to modern business needs.	We recommend broadening the scope and accessibility of the Section 14N renovation and refurbishment deduction scheme. Given rising renovation costs and evolving business needs, the current expenditure cap and qualifying conditions may no longer adequately support businesses undertaking workplace transformation, digitalisation, sustainability upgrades and operational restructuring. The Government could consider increasing the current expenditure cap of $300,000 for each relevant period of three consecutive YAs, expanding the list of qualifying expenditures, and adopting more flexible qualifying criteria to ensure the scheme remains effective, commercially relevant and aligned with modern business practices. This would encourage continued investment in productivity, workforce transformation and sustainable business operations in Singapore.
J4	Enhancing Singapore's attractiveness as a listing venue.	Companies pursuing an SGX listing incur significant professional and regulatory costs that are typically capital in nature and therefore not tax deductible. These costs can be substantial, particularly for growth companies and regional businesses considering a public listing in Singapore.	Allow a tax deduction, or enhanced tax deduction, for qualifying IPO-related professional expenses directly attributable to a first-time SGX listing, such as legal, accounting, tax advisory, reporting accountant and regulatory compliance costs, subject to an appropriate cap.

J5	Singapore's SME grant ecosystem.	Application burden. Documentation requirements, multi-week assessment timelines, and the near-universal need for professional grant-consultant support disproportionately deter smaller and resource-constrained applicants from claiming grants they are otherwise eligible for. Eligibility disparity: A uniform 30% local-shareholding requirement is applied across almost all major schemes, regardless of whether the grant in question is a broad productivity tool or a targeted, nation-building capability grant. This blunt, one-size-fits-all test excludes fast-growing, foreign-invested SMEs and VC-backed startups from even the most basic forms of support, with limited policy justification for schemes whose benefits are ownership-agnostic.	We propose introducing: (a) a simplified, self-serve application pathway built on existing government data infrastructure; and (b) a two-tier eligibility framework that reserves the local-shareholding test for genuinely strategic, nation-building grants while opening broadly beneficial schemes to all Singapore-registered and operating businesses.