



Designing Singapore's future together

Ready, refreshed and resilient for tomorrow

Singapore Budget 2025 proposal





Foreword

As we enter 2025, Singapore faces an increasingly complex business landscape. Rising trade protectionism, geopolitical tensions, shifts in global supply chains and the rapid pace of technological change are redefining how businesses operate.

Prime Minister Lawrence Wong, in his 2024 National Day Rally speech, noted that Singapore is wholly reliant on international trade and a stable global environment. As a small nation on the global stage, we will have to navigate the emerging challenges.

Preparation is key, and this lies at the heart of the recommendations in the Singapore Budget 2025 proposal by KPMG in Singapore and the Singapore Institute of Directors. Our proposal focuses on three crucial areas where Singapore should act to maintain and boost its competitiveness in what we call the 3Rs:

1. Ready: Leading with sustainable impact regionally and into the future
2. Refreshed: Uplifting tomorrow's workforce
3. Resilient: Driving innovation in a dynamic global business landscape

Firstly, to be future-ready, Singapore has to lead with sustainable impact in the region. Singapore's position as a leading global financial hub makes it a pioneer in mobilising funding for green

initiatives, which will be key to accelerating the green transition. Advancing this leadership will require Singapore to institute changes in areas like tax and financial incentives for the green transition – including for R&D and for “hard to abate” industries like heavy industry, aviation and maritime shipping. Businesses will also need the right support and frameworks in meeting their sustainability goals.

Secondly, as Singapore looks to an increasingly tech-driven and automated future, its workforce must evolve in tandem. Taxation policies and workforce skills can be enhanced to meet changing demands. More can be done to upskill workers, including further investment in micro-credentialling, promoting skills-based programmes, and helping to future-proof specific industries by looking beyond traditional qualifications. A vibrant, invigorated, adaptable workforce has been at the heart of Singapore's past successes, and will remain so in the future.

Furthermore, Singapore should also do more to enhance corporate governance at the board level by instituting board apprenticeship programmes, enhancing the role of nominating committees, and improving boardroom culture by requiring regular, independent performance reviews. Such steps would drive long-term value in Singapore companies and ensure that businesses are well-equipped to tackle the challenges that lie ahead.



Thirdly, Singapore must take bold steps to drive innovation and retain its status as one of the world's most digitally advanced economies. As emerging technologies like artificial intelligence (AI) redefine the way we work, the Government can support businesses by: enhancing enterprise innovation and digital transformation (with grants and skills development programmes for SMEs); building cybersecurity resilience and digital trust (with funding and tax incentives for AI governance tools and training); boosting the business ecosystem and economy (with a corporate governance hub); and empowering local businesses for global growth (with tax relief, financing and incentives for supply chains to grow their competitiveness).

In conclusion, Singapore should take steps to further cement its leadership in these three areas related to sustainability, human capital and digital readiness. Doing so will position the nation, its economy and people to be climate-resilient, future-ready and digitally savvy. After all, to be Ready, Refreshed and Resilient is to be prepared as best we can for a century that, navigated well, will deliver enormous benefits and underpin Singapore's long-term success.



Lee Sze Yeng
Managing Partner
KPMG in Singapore



Ajay Kumar Sanganeria
Partner, Head of Tax
KPMG in Singapore



Yeoh Oon Jin
Chair
Singapore Institute of Directors

Contents

▶ Ready: Leading with sustainable impact regionally and into the future	05
▪ 1A. Shoring up Singapore's climate resilience with environmental innovation	
▪ 1B. Singapore's vital role as a hub in ESG reporting and social capital development	
▪ 1C. Mobilising green financing for a more sustainable future	
<hr/>	
▶ Refreshed: Uplifting tomorrow's workforce	20
▪ 2A. Evolving talent strategies in the future of work	
▪ 2B. Nurturing regional business leaders and boards that drive long-term value and governance for Singapore	
<hr/>	
▶ Resilient: Driving innovation in a dynamic global business landscape	29
▪ 3A. Enhancing enterprise innovation and digital transformation	
▪ 3B. Building cybersecurity resilience and digital trust	
▪ 3C. Boosting business ecosystem and economy	
▪ 3D. Empowering local businesses for global growth	
<hr/>	
▶ Appendix of other proposed tax changes	42

CHAPTER 01

Ready: Leading with sustainable impact regionally and into the future

- 1A ▶ Shoring up Singapore's climate resilience with environmental innovation 06
- 1B ▶ Singapore's vital role as a hub in ESG reporting and social capital development 10
- 1C ▶ Mobilising green financing for a more sustainable future 15



Ready: Leading with sustainable impact regionally and into the future

1A: Shoring up Singapore's climate resilience with environmental innovation

→ Background, Issues, Opportunities

Singapore is adopting a three-pillar transition approach to achieve a low-carbon future, focusing on carbon, energy and economic transitions. This strategy emphasises the role of technological innovations in facilitating these transitions. For an island nation like Singapore which relies heavily on energy imports, potential solutions include electrification, hydrogen power and cleaner-energy sources.

Singapore has also integrated nature-based solutions into its infrastructure to improve climate resilience, such as urban greenery and naturalised gardens and parks, as well as mangrove restoration to protect coastal erosion. In collaboration with the private sector, efforts are underway to develop cutting-edge carbon capture and storage techniques.

Despite the promise of these innovations, scaling them up requires substantial investment. For instance, the supply chains

for alternative energy sources are still developing, and building the infrastructure to support them has a high price tag. Additionally, importing greener fuels like hydrogen and ammonia entails significantly higher cost. Consequently, businesses aiming to utilise these alternative fuels may struggle to maintain cost competitiveness compared to traditional energy sources.

To address these challenges, the Government has established the S\$5 billion Future Energy Fund to support investments in low-carbon electricity infrastructure, including projects such as undersea cables to import low-carbon electricity and new hydrogen terminals and pipelines. Singapore also offers a wide range of grants and tax incentives to support businesses in their green initiatives, such as the research and development (R&D) enhanced tax deductions to encourage environmental innovation capabilities.



Ready: Leading with sustainable impact regionally and into the future

Meanwhile, in line with Singapore's goal to phase out internal combustion engine (ICE) vehicles, the Government has introduced two key rebate schemes to help consumers make the switch: the EV Early Adoption Incentive (EEAI) and the Vehicle Emissions Scheme (VES). As reported by the National Environment Agency, however, it is unlikely to be feasible for the Government to continue providing significant subsidies in the medium- to long-term, posing potential financing challenges for households.

Aside from financing, the shortage of skilled professionals brings challenges in implementing and managing green technologies within the sector. Additionally, certain areas of the economy,

particularly SMEs, require guidance and clarity on the necessary steps to effectively manage green initiatives. Another obstacle is that cost sometimes holds them back from implementing green initiatives.

Nevertheless, increasing demand for net-zero solutions across various sectors presents substantial opportunities for cross-sector collaboration in forward-thinking approaches to environmental innovation. This momentum can also offer opportunities for the Government to enhance tax policies and incentives, such as in green transport, to maximise their benefits.



1A: Recommendation 01



→ Provide greater transparency in the use of proceeds from the carbon tax

Enhance transparency in the allocation of carbon tax proceeds for green infrastructure to support businesses and drive climate ambition.

Singapore's carbon tax plays a crucial role in funding green infrastructure and supporting the nation's climate goals. Implemented on 1 January 2019, the carbon tax covers 80 percent of Singapore's greenhouse gas emissions from about 50 facilities in the manufacturing, power, waste and water sectors.

In alignment with Singapore's long-term decarbonisation goals, we recommend that the Government provide clearer, detailed disclosures on how proceeds from the carbon tax are allocated to support green infrastructure. The increased transparency would send a strong signal to the private sector about where public support is directed and which types of projects will receive funding, allowing businesses to align their investment strategies accordingly. This approach parallels Canada's guide, which outlines transparent methods for using carbon-pricing proceeds to fund emissions-reduction projects and support industries transitioning to greener practices.

The use of carbon tax revenue is critical to funding high-cost,

low-carbon infrastructure, which is essential to Singapore's green transition. Investments in energy storage, renewable energy grids, low-carbon fuel networks and EV-charging infrastructure are capital-intensive and may be financially unviable without government funding and support. Having greater clarity in public funding allocations will help businesses re-organise their funding strategy and look towards private collaborations if public funding is not available. The signalling effect of this transparency could stimulate a ripple effect of private sector engagement, motivating industries to reallocate resources and innovate in line with sustainable practices. In addition, detailed allocations provide businesses with the insight needed to plan their low-carbon investments over time, considering that significant infrastructure projects require long lead times to implement and achieve full operational efficiency.

Establishing a robust framework for transparent allocation and updating stakeholders on the distribution of carbon tax proceeds aligns with best practices in green finance and positions Singapore as a leader in sustainable development within the region. This approach enhances investor confidence, ensuring that both domestic and foreign investments can support Singapore's net-zero emission target.



1A: Recommendation 02



→ Holistic framework to support green transport

Broaden incentives on temporary rebates for green vehicle adoption and support long-term investments in green energy infrastructure for transportation.

While existing subsidies and rebates are available to encourage households to transition from internal combustion engine (ICE) vehicles to green-energy-powered options, Singapore could adopt a broader framework that incentivises foundational green energy infrastructure – such as renewable energy sources for charging stations, renewable energy grids, hydrogen fuel facilities, and clean-energy transport networks. This will more effectively advance Singapore's low-carbon ambitions in alignment with its 2050 net-zero goal.

Focusing on a holistic approach, by broadening current incentives and rebates alongside long-term green infrastructure investment will lead to more significant, lasting benefits.

Encouraging manufacturers to produce cost-effective alternative energy technologies for the infrastructure value chain, can ultimately lower energy costs for consumers and making green energy a more financially viable, sustainable choice. With robust, publicly supported green infrastructure, green transportation should become both more accessible and less costly to maintain for households over time, promoting a cleaner, more cost-efficient transport system.

This approach also signals to private investors Singapore's commitment to a sustainable, long-term energy transition. Clear infrastructure incentives can foster co-investment and innovation in green transport solutions, positioning Singapore as a leader in green finance and sustainable technology.



Ready: Leading with sustainable impact regionally and into the future

1B: Singapore's vital role as a hub in ESG reporting and social capital development

→ Background, Issues, Opportunities

When it comes to areas like social capital development or ESG reporting and assurance, Singapore has actively positioned itself to advance in these initiatives in Asia. Take ESG reporting: From FY2025, listed issuers in Singapore will be required to report their Scope 1 and Scope 2 greenhouse gas (GHG) emissions and align climate-related disclosures with the [IFRS Sustainability Disclosure Standards](#) established by the International Sustainability Standards Board (ISSB). (Hong Kong and Malaysia will adopt these requirements in FY2025.)

By adopting the ISSB standards, Singapore is promoting transparent and comprehensive ESG reporting, with companies required to assess how climate change affects their financial performance over different time horizons. This is particularly important for supply chain sustainability, with Scope 3 reporting for large, listed companies potentially commencing in FY2026. This would improve firms' assessments of their supply chain carbon footprints and encourage closer collaboration with suppliers on decarbonisation efforts.

While such reporting requirements can be onerous – challenges include the complexity of data collection, compliance costs and

the need to adapt to evolving regulation regarding Scope 1, 2 and 3 emissions in Singapore and abroad – they do bring significant benefits. These include improved brand reputation, greater access to sustainable finance and a wider pool of interested investors.

Those advantages are worth bearing in mind, particularly for Singaporean firms operating in other regions, where compliance requirements are more onerous still. Firms must navigate new regulations such as the [Corporate Sustainability Reporting Directive](#) (CSRD), which entered into force in 2023 and covers company reporting on environmental and social information, and the [Corporate Sustainability Due Diligence Directive](#) (CSDDD), which entered into force in 2024 and which requires companies to “identify and address adverse human rights and environmental impacts of their actions inside and outside Europe”. Another key piece of European Union legislation is the [Carbon Border Adjustment Mechanism](#) (CBAM), which will enter into full force in 2026, and which is designed to ensure that carbon-intensive goods entering the market factor in a fair price for the carbon emitted during their production.





Ready: Leading with sustainable impact regionally and into the future

While businesses in Singapore are increasingly focused on ESG reporting, prioritising ESG assurance alongside it is essential, as these aspects are interconnected. Assurance plays a pivotal role in verifying the accuracy and reliability of ESG data, which is critical for transparency and building stakeholder trust. Listed companies, with their resources and expertise, are well-positioned to implement quality assurance practices. By establishing necessary controls and developing robust strategies, they can enhance the reliability of ESG information, ensuring that collected data is both comprehensive and credible.

Furthermore, Singapore is a recognised leader when it comes to social capital development – with its sustainable philanthropy efforts improving corporate ESG performance and reputation by showcasing a commitment to social responsibility and community well-being. Companies engaged in meaningful philanthropy strengthen their reputation, build stakeholder trust and attract socially conscious investors.

Pursuing a sustainable philanthropy course requires overcoming challenges like limited resources, a lack of expertise and difficulties measuring its impact. However, partnering with experienced non-governmental organisations (NGOs), investing in training and adopting clear evaluation metrics can overcome these. Firms that align their philanthropic efforts with sustainability goals can reap important benefits including accessing new markets, increasing social capital, boosting brand loyalty and attracting customers who prioritise corporate social responsibility. Aligning also fosters partnerships with other like-minded businesses and NGOs, and can drive innovation and shared value.



1B: Recommendation 01



→ Create a centralised ESG reporting hub

Develop a centralised ESG reporting hub to empower Singapore's sustainability journey.

For many Singapore firms, the requirements and procedures around ESG reporting are a major challenge. The complex nature of new reporting requirements, particularly due to the focus on providing an integrated view of financial and non-financial reporting, means that firms face challenges in numerous areas. To address these, we recommend that Singapore develop a centralised ESG reporting hub which could be in partnership with the Government and industry, with strong support from trade associations and enhanced government backing. This will give enterprises with cost and capability considerations for ESG greater confidence to come onboard the sustainability journey.

What's different from current state is that the centralised reporting hub will provide companies the ability to measure and value in monetary terms the risks and opportunities associated with sustainability. Currently, companies may face challenges due to data availability and quality, and the fact that valuation methodologies are still being developed. Furthermore, greenwashing risks remain high, particularly for companies that venture beyond their traditional reporting boundaries to rely on information provided by business partners upstream and downstream, as they do not control that data and might not have visibility over it.

The ESG reporting hub can also guide companies how to interpret frameworks and standards so that they can apply the rules and adopt them consistently. This is especially since many of these regulations are being drafted and legislated, which is putting

companies under pressure to comply or face penalties. By providing a range of resources, templates and best practices that companies could access and utilise to streamline their reporting processes. This would keep reporting fit for purpose, with companies remaining competitive and staying responsible in their business practices as they grow.

In addition, greater efforts are required to execute and implement job transformation roadmaps, to redesign roles and to upskill the workforce, while ERP systems, technology infrastructure and operating models are needed to support the increasing complexities faced by businesses – which they are currently unable to do to a sufficient extent.

As a talent hub, Singapore is in a unique position to provide a strong pool of expertise in finance, science and engineering – all of which are necessary for companies to embark on their ESG journey. Importantly, Singapore provides the innovation infrastructure to blend this expertise seamlessly, and then deploy it to support businesses through a strong network of trade associations, chambers of commerce and institutes of higher learning that companies can rely on.

With strong corporate governance, the centralised ESG reporting hub's vibrancy would grow as global companies converge here to exchange best practices through the clear articulation of business performance, and would help to drive the progress of emerging sustainability issues, powered by a seamless, smart-nation digital infrastructure.



1B: Recommendation 02



→ Introduce cash grants for sustainable supply chain practices

Introduce cash grants that will encourage companies to adopt sustainable supply chain practices.

While there is much that firms can do to make their supply chains more sustainable, incentives that would encourage action are lacking. To encourage sustainable supply chain practices, the Government could consider providing cash grants to offset the upfront costs companies face when developing sustainable supply chains or procurement frameworks and when certifying products. Introducing such cash incentives would boost sustainability along local and regional supply chains, and further heighten the reputation of Singaporean companies globally.

Take Scope 3 reporting, for instance – these requirements constitute the start to more sustainable supply chains, because they provide companies with a clear view of their emissions hot-spots and the extent to which they can reduce emissions. To that end, the cash incentives should be focused first on helping companies to report on their Scope 3 emissions. For material Scope 3 emissions categories, such as procurement, establishing and using eco-certification would be helpful as companies could rely on this to inform their procurement decisions.

Eco-certifications help clarify complex sustainability metrics, such as life cycle analysis and emissions measurement, making these concepts more accessible to businesses. Eco-certifications translate technical data into clear standards which can promote and encourage behaviour change across supply chains by empowering companies to adopt greener practices confidently. For these certifications to be effective, they must be backed by rigorous technical assessments, and the audit process must be robust enough to reduce greenwashing risks. Additionally, offering cash incentives to promote the adoption of certified products can further drive sustainable behaviour change, leading to measurable environmental improvements.

Such cash incentives could also be extended to companies that are keen to embark on life cycle analysis and other technical studies that would help them and their customers understand the carbon footprint of their product line-up. This would be particularly helpful where companies are exporting their goods to countries where there are green import taxes or strict import regulations around sustainability.



1B: Recommendation 03



→ Create a National Social Sustainability framework and platform

Implement a National Social Sustainability framework and platform for integrating corporate social sustainability.

Many Singapore companies would benefit from a framework that would help them to integrate social sustainability into their corporate strategy, along with a platform that would assist them in measuring and reporting their social impact.

Armed with such a framework, firms would be well positioned to align their charitable initiatives with their mission and sustainability goals, and to focus on projects that promote environmental stewardship and social equity.

Some of the examples the framework could cover include:
(i) guidelines for incorporating social sustainability into the core

business strategy of companies, ensuring that social impact is not an afterthought but a central aspect of operations, (ii) best practices for aligning CSR activities with business goals, and how these efforts contribute to long-term social sustainability, and (iii) a standardised approach for measuring social impact, ensuring that companies and charities can track and report their contributions consistently.

KPMG, for instance, recently launched the [ESG Playbook for Charities](#), which supports Singapore's ambition to be a regional philanthropy leader, aligns with its national sustainability objectives and aims to shape a sustainable future for the country's charity sector.



Ready: Leading with sustainable impact regionally and into the future

1C: Mobilising green financing for a more sustainable future

→ Background, Issues, Opportunities

Implementing green initiatives often requires significant upfront investment, which can impact companies' short-term profitability. Limited access to capital to fund these investments is one of the biggest obstacles faced by companies seeking to augment their resilience against climate change. Additionally, they also struggle to strike a balance between financial returns and climate goals.

To address these challenges, Singapore is leveraging its established capital markets, strong financial sector and drive for innovation to provide the necessary financial support to companies in their green transition. Positioning itself as a leading centre for green and sustainable finance in Asia and globally, Singapore has introduced various green financing schemes such as FiNZ (Finance for Net Zero Action Plan), EFS-Green (Enterprise Financing Scheme – Green) and the Sustainable Bond Grant Scheme.

To meet the increasing requirements for large-scale, long-tenor sustainable financing in the region, such as for adaptation financing, there is an urgent need to support the scaling up of blended finance. As a recent report from the [Climate Policy Initiative](#) noted, the total amount of concessional capital deployed needs to increase at least fivefold by 2030 to ensure the world

stays on track to meet the decarbonisation targets of the Paris Agreement.

Achieving this will require the deployment of funding structures which effectively capture the requirements of both concessionary and commercial capital within the blended finance ecosystem – from development finance institutions (DFIs), philanthropic funds and family offices to commercial banks and investors, while also identifying potential new enabling actors such as insurance companies. A programmatic approach aligned to specific sectoral and geographic regions would support the standardisation of blended finance terms and support the replication of deal structures, which would accelerate the deployment and scaling up of funding.

A mix of government support through tax incentives, government-backed funds, credit guarantees, growing private sector investment, and the issuance of green bonds and sustainability-linked loans has facilitated Singapore's rise as a regional leader in financing green investments. This is supported by Singapore's efforts to foster collaboration across Southeast Asia to promote platforms for knowledge-sharing and investments. The FAST-P (Financing Asia's Transition Partnership), for example, is set to mobilise up to US\$5 billion in investments for green transition projects across the region.





Ready: Leading with sustainable impact regionally and into the future

By harnessing green capital, Singapore is setting up opportunities for companies to not only reduce the risks associated with climate change, but also potentially to help them access new markets, realise efficiencies and savings over the long term, and remain competitive in the marketplace. Sustainable financing, whether in the form of green loans used to fund capital expenditure in, for example, renewable energy assets, or sustainability-linked loans with key performance indicators (KPIs) that support environmental or social objectives, encourages businesses to develop and execute their sustainability strategy, which can improve their brand image and attract ESG-conscious investors and customers.

While financial incentives can be powerful catalysts for sustainability, Singapore also applies fiscal tools on companies through, for example, the adoption of a carbon tax. Currently set at S\$25/tCO₂e for 2024 and 2025, the carbon tax is slated to rise

to S\$45/tCO₂e in 2026 and 2027, with a projected increase to between S\$50 and S\$80/tCO₂e by 2030. This substantial escalation underscores the growing costs companies could face if they do not make meaningful progress in their decarbonisation programmes. In the short term, these costs may be passed on to consumers, highlighting the broader economic impact of delayed sustainability efforts.

A greater range of green financing options will enable companies to undertake or scale up decarbonisation initiatives, especially SMEs and companies in “hard to abate” industries, without them bearing the full financial burden of the transition. By introducing both private and public financing streams, setting up policy frameworks and developing global collaborations, Singapore will clearly demonstrate its commitment to build a sustainable tomorrow for all.



1C: Recommendation 01

→ Continue to support the development of the blended finance ecosystem

Provide incentives for the deployment of commercial and concessionary capital.

The Government has an opportunity to support the scaling up of blended finance through the provision of grants, incentives and support for blended finance transactions. This can include, for example, providing first-loss guarantees, in particular for large-scale projects which are aligned to Singapore's strategic objectives including the Green Plan 2030. Other potential areas for investment could include defraying the cost of technical assistance, particularly if that support could be deployed in a scaled, replicable manner.

1C: Recommendation 02

→ Adaptation financing

Incorporate adaptation financing to protect vulnerable communities.

Adaptation financing refers to capital used to enhance communities' resilience against the impacts of climate change, including projects such as seawalls, social safety nets and knowledge-building initiatives for informed decision-making. Strategic use of adaptation financing allows Singapore to preemptively reduce long-term economic and social burdens from climate change, particularly for its most vulnerable populations.

Supporting vulnerable communities early can mitigate the future financial strain from climate adaptation costs. For example, providing subsidies for home energy-efficiency upgrades for low-income households would reduce long-term utility costs, protecting these groups from the impact of rising energy prices. This approach aligns with adaptation financing by helping vulnerable groups adopt climate-resilient practices.

Singapore can consider establishing a fund targeted at adaptation financing to be used for funding social safety programmes that provide emergency relief during extreme weather events causing flash floods, heatwaves or strong winds, which are expected to increase with climate change.



1C: Recommendation 03



→ Invest in sustainable growth by providing green incentives for innovation and entrepreneurship

Establish a tax deduction scheme and other incentives to encourage businesses to adopt sustainable practices and to engage in research and development.

Singapore can build a community of businesses that are focused on green innovation through a combination of financing, tax incentives and skills training. Established businesses can be nudged to adopt sustainability practices, grow their R&D functions and invest in green technology.

To encourage this, the Government can establish a tax deduction scheme (similar to the Productivity and Innovation Credit

Scheme). This could be introduced to offer additional tax deductions for qualifying investments aimed at enhancing sustainability. This will allow companies to wholeheartedly participate in the green transition without fear of losing their competitive edge or risking financial losses.

Beyond established businesses, expanding government initiatives can support a vibrant ecosystem of start-ups and foster green entrepreneurship. The Government can look at establishing mentorship and skills-development programmes in areas such as sustainable agriculture and renewable energy that can equip young local talent to contribute to the changing economy.



1C: Recommendation 04



→ Increase assistance for “hard to abate” industries to decarbonise

Design a decarbonisation assistance facility combining long-term financing and capacity development.

Sectors that require more support in their green transition include those where the technology to enable significant carbon emissions reduction is not yet commercially available or remains prohibitively expensive, as well as “hard to abate” industries – including vital pillars of Singapore’s economy like heavy industry, aviation and maritime transport.

The Government has an opportunity to deliver financial and capacity development support to the transition plans of companies in these industries. We recommend the creation of a decarbonisation assistance facility that offers long-term financing in the form of grants and loans for a period of up to 10 years. Companies can proactively leverage these attractively priced financial instruments to quickly implement energy efficiency and clean energy measures across their value chain. It is also important to support pilot programmes and marginally bankable projects, which may otherwise be ignored, to fully explore the range of potentially impactful technology solutions for these industries.

The Government can also support these industries by expanding and refining the carbon tax policies. A reduction in the transaction costs of trading carbon credits will promote their listing on the Singapore exchange, providing another avenue for companies to offset their emissions. At the same time, industries will benefit from clarifications on the trajectory of carbon tax by 2030 and a broadening of the carbon tax application for covered facilities by reducing current thresholds of 25,000 tCO₂e.

Creating or harnessing a national project-listing platform or marketplace can help match industry projects with financing and technology, while a project-aggregating platform (using this marketplace) can identify economies of scale that will enable the use of better technology solutions, with stronger implementation partners and green finance institutions.

Lastly, capacity development and awareness programmes in partnership with educational institutions will boost knowledge in current or emerging technology. Singapore must also educate the industry through a combination of awareness training and dissemination of use cases to grow the knowledge-base within the industry.

CHAPTER 02

Refreshed: Uplifting tomorrow's workforce

2A	▶ Evolving talent strategies in the future of work	21
2B	▶ Nurturing regional business leaders and boards that drive long-term value and governance for Singapore	26



Refreshed: Uplifting tomorrow's workforce

2A: Evolving talent strategies in the future of work

→ Background, Issues, Opportunities

Singapore's future success depends in large part on ensuring its workforce has the skills to deliver. Opportunities to refresh and invigorate its workforce can be found in prioritising human capital development, attracting the right talent, and upskilling and improving global mobility strategies. The global financial crisis and Covid-19 have shifted perspectives on how employers and employees view global mobility of talent.

The breakdown of the traditional connection of employment to a role, entity and geography has implications for Singapore's ability to attract and retain a diverse mix of talent. For one, taxation issues related to residency and work location are becoming increasingly significant in decisions about deploying talent and in attracting a more fluid, highly skilled workforce. At the same time, the OECD's Base Erosion and Profiting Shifting (BEPS) policy, which seeks to close gaps that multinationals use to cut their tax burden, has affected the types of strategies Singapore can adopt to attract businesses.

A related challenge in terms of attracting highly skilled talent is that immigration to Singapore remains challenging for some. Although the COMPASS system is intended to ensure the quality of incoming workers is high, it can present barriers to fringe cases.

The cumulative effect of these aspects – shifting connections between a role and its geography, and the need to attract highly skilled talent – means that Singapore will need to evolve its strategies to reinforce its appeal to employers and highly-skilled workers. This need to remain competitive in the global market for talent is likely to get more urgent, particularly as Singapore must ensure the development of skillsets like accountancy and ESG to maintain its role as a regional hub for organisations and their financiers, and meet evolving business requirements.



Refreshed: Uplifting tomorrow's workforce

According to KPMG's research, more than 56 percent of financial services job roles, amounting to more than 50,000 existing financial services professionals in Singapore, will require upskilling in sustainability topics in the next few years. These professionals will need to augment their knowledge and skills in sustainability trends impacting their organisations' clients, the structuring and selling of sustainable financing products, managing ESG risks, and ensuring accurate reporting and assurance of ESG-related disclosures, among other sustainability-related skills. The findings reinforce our view that Singapore's competitive advantage in financial services relies on a highly skilled workforce to continue to be relevant and ready to meet the latest financing demand trends in Singapore and the region. Similarly, skills like ESG assurance and accounting are crucial for strengthening business assurance and building trust

within the business ecosystem – vital contributions in an increasingly unstable economic environment where businesses face accelerating scrutiny and risk.

Critical assurance services will require Singapore to establish a robust, sustainable talent pipeline for professions like accountancy. Strengthening these services will help Singapore businesses stay fit for purpose and reinforce the nation's reputation as a leader in service excellence.

In short, Singapore will need to evolve its talent strategies to meet the growing demands associated with being a key global financial centre, business hub, and accountancy and assurance leader to attract the best young talent to supplement the local talent pool.



2A: Recommendation 01



→ Establish a government-backed leadership index

Establish a leadership index to ensure alignment with national goals with the right talent pipeline in place.

The goal of a National Leadership Competency Index, which would outline key competencies like strategic vision, cross-cultural leadership and innovation management, can help to support organisations to assess and grow leadership talent. The index would achieve this by setting clear criteria for leadership progression, offering benchmarks for skills and encouraging structured leadership development.

This would provide a standardised metric for tracking leadership performance across industries and ensure companies are fostering leadership that can drive local and global growth, contributing to Singapore's long-term competitiveness.

To develop a highly globalised economy, Singapore will require a resilient and adaptable workforce that can respond to changing global dynamics, including shifts in trade, technology and geopolitics. This leadership index should also include measuring the competencies of company directors, and can be co-developed by professional bodies to ensure it is sector agnostic.

Having a leadership index provides an evidence-based approach to track and enhance skills relevant to this environment, and helps companies and institutions to systematically invest and nurture the next-generation workforce that is prepared for the complexities of regional and international markets. Having an index will also allow for alignment with national development goals, such as Singapore's aims to be a global hub for technology, innovation and finance.



2A: Recommendation 02



→ Continue investments in micro-credentialling, and provide mechanisms to enable greater access to SkillsFuture funding

Incentivise firms and other institutions to invest in short-term certification programmes to boost talent in high-demand areas such as sustainability, AI or cybersecurity. Consider creating a funding mechanism similar to the CPF system, focused on SkillsFuture.

With the business landscape evolving at a rapid pace, the need for the workforce to evolve just as quickly is important. Investments into micro-credentialling will provide flexibility and may be more cost-effective compared to traditional degrees, making it easier for employees and employers to address immediate skills gaps. This can also allow employees to indicate interest or showcase their potential in the relevant knowledge domains.

For example, firms should be further incentivised via enhanced tax deductions or grants to support employees to gain credentials, such as by ensuring upskilling programmes cover as wide a range of sectors as possible. Additionally, firms should be encouraged to create rewards programmes for certifications in critical areas like sustainable finance or digital transformation, which can help to fast-track the careers of employees in these

areas. Other than the green economy and financial services, industries that would benefit from micro-credentialling should align to economic goals in the areas of the digital economy, advanced manufacturing and healthcare, all of which Singapore wants to develop.

Singapore may also benefit from having a funding mechanism for upskilling, similar to how the Central Provident Fund (CPF) contributions are designed. Currently, an insufficient number of people tap the SkillsFuture programme. Having a system where organisations contribute to existing SkillsFuture allowances and where organisations and employees receive a minimum number of annual credits to take up upskilling programmes could help to boost motivation to upskill. Each organisation could be required to ensure employees are trained in a set of high-demand skills, ensuring that such schemes are adequately utilised, and pushing those who are eligible to tap courses and credits for self-improvement.



2A: Recommendation 03



→ Strengthen talent pipeline for assurance services such as the role of the accountant

Help the profession to attract and recruit young foreign talents, such as through international outreach programmes, to strengthen the talent pipeline for the profession.

With business assurance requirements growing, more must be done to take an active role in growing and attracting new talent, especially for sectors such as accountancy that will play a crucial role in navigating these complexities.

For example, Singapore should continue to develop specialised courses and programmes in partnership with local universities and recognised professional bodies that focus on the application of critical thinking and innovative skillsets – for example, data analytics and design innovation.

Foreign talent also plays a role in maintaining Singapore's competitive edge, as they can bring in diverse perspectives and

expertise to foster creativity and drive innovation. However, immigration policies, such as the COMPASS system, may pose as a barrier to this. While the system ensures the quality of incoming workers is high, it also presents barriers to fringe cases that need attention. Efforts to attract foreign talent must be balanced. One way is to consider exempting foreign talents entering the country through international outreach initiatives already announced by professional bodies in attracting young foreign talents to pursue their professional training and career in Singapore.

As the accounting profession continues to change along with the business environment, future accountants will need to be more than just functional professionals. Above all, the profession must retain trust at its core – as this commodity will become increasingly valuable going forward, particularly in areas like ESG assurance and AI explainability.



Refreshed: Uplifting tomorrow's workforce

2B: Nurturing regional business leaders and boards that drive long-term value and governance for Singapore

→ Background, Issues, Opportunities

Invigorating Singapore's workforce demands a fresh approach from business leaders and boards, who are well-placed to drive long-term value and governance and advance the nation's talent strategies.

Talent and culture constitute vital competitive advantages for firms. Success requires that boards broaden their traditional focus from key management roles, and concern themselves with comprehensive succession-planning for other critical positions. Doing so falls within the Government's Forward Singapore (Forward SG) agenda, which launched in 2022, and which aims to build a consensus about Singapore's future. In this regard, boards can play an essential role in adopting an agile and adaptive leadership approach that can combine business strategies with national priorities like Forward SG.

Boards also face the need to maintain rigorous standards on various issues, including governance on tax issues, crucial given

the increasingly complex tax environment and sustainability agenda. This creates an effective boardroom culture, ensuring greater diversity on the board and participation in talent strategy discussions – particularly in the light of the advance of artificial intelligence and its impact on the workforce and job transformation.

Additionally, as board members age, boards will need to ensure that proper succession plans are in place so that necessary skills and institutional knowledge are not lost. Board succession can help to promote board independence and encourage renewal, and these can be advantages that will be useful in building the next generation of directors. An enhanced role for nominating committees is also of crucial importance.

Boards and nomination committees that fail to advance could expose their firms to a range of risks that they should otherwise be able to avoid, and will hamper their ability to operate with the agility that is necessary in a fast-changing business environment.



2B: Recommendation 01



→ Introduce board apprenticeships or a board-shadowing programme

Boards should establish programmes that enable younger staff to become apprentices to the board or to shadow it.

Boards need to ensure that younger professionals have exposure to board dynamics, processes and governance as this will allow them to learn and contribute where appropriate. This can be done by way of directorial apprenticeships or board-shadowing.

Through such programmes, future leaders and potential board directors can observe the existing established board, giving them valuable insights into governance and decision-making processes.

To that end, the Government could facilitate the process of board-matching in the same way that the National Volunteer and Philanthropy Centre does for charity boards. In this way, the Government could promote board apprenticeships and board-

shadowing, which would help to cultivate the next generation of leaders and prepare them to step into full board roles in the future. It would also build a pipeline of emerging talent that could bring fresh perspectives while learning from the experience of more seasoned board members. In this way, boards can better ensure a smooth transition of leadership and expertise from one generation to the next.

Linked to this, boards should ensure that talent strategy discussions are a standing agenda item, and actively engage management activity on key talent decisions. By taking a strategic, big-picture approach, boards can ensure the organisation's culture and talent management approach align with its long-term goals. With AI, for example, boards should focus on the impact on the workforce and on job transformation, not solely on aspects of its use.



2B: Recommendation 02



→ Formal and rigorous board evaluations each year

Firms should conduct formal, rigorous annual reviews of the performance of the board as well as of board committees, board chairpersons and individual directors.

Firms should commission a regular externally facilitated board performance review at least once every three years – as the UK's code requires. In the UK, it is stipulated that evaluation of the board should be facilitated by an external party once every three years.

Applying a formal, rigorous approach – which codes in other jurisdictions require – would, when done well, accomplish two crucial goals: ensuring fairness and transparency. Currently, while the use of an external facilitator was mentioned in the Singapore Code, it was mentioned lightly, and the Code does not place sufficient importance on this. Having regular, externally-

facilitated board evaluations by independent external parties brings an unbiased, objective perspective to the review process, free from the influence of any internal politics, relationships or conflicts of interests.

At the same time, evaluations could include a review that assesses how effectively the board ensures that all voices, including those of younger generations, are considered. The regulator could also consider issuing standard questions that firms would be required to report and file.

Having independent evaluation results is also likely to give regulatory bodies and stakeholders more confidence. In this way, boards can create an effective boardroom culture, which can drive enhanced performance outcomes and ensure these are closely aligned with the broader organisational culture.

CHAPTER 03

Resilient: Driving innovation in a dynamic global business landscape

3A	▶ Enhancing enterprise innovation and digital transformation	30
3B	▶ Building cybersecurity resilience and digital trust	33
3C	▶ Boosting business ecosystem and economy	36
3D	▶ Empowering local businesses for global growth	39



Resilient: Driving innovation in a dynamic global business landscape

3A: Enhancing enterprise innovation and digital transformation

→ Background, Issues, Opportunities

Singapore's status as one of the world's most digitally advanced economies is anchored in its open innovation ecosystem, which fosters the adoption of cutting-edge technologies like artificial intelligence (AI). This ecosystem not only encourages the integration of new technologies but also facilitates collaboration among various stakeholders, enabling the development of innovative use cases that leverage these advancements.

As the pace of technological advancement accelerates, companies grapple with implementing multiple and complex technological systems for their business and achieving maximum ROI for their IT investments. The effective deployment of these technologies across industries hinges on having a skilled talent pool, robust digital infrastructure and effective innovation ecosystems. However, the disparity in deployment between large and small companies reveals inadequate access to capital-spending, talent and implementation know-how among small and medium-sized enterprises (SMEs).

Businesses also struggle to scale AI due to issues like fragmented systems and a lack of governance. AI's heavy dependence on quality data introduces risks in data management, privacy and compliance, while regulations often lag technological advancements. Additionally, there is a growing gap between the supply of AI talent and industry demand.

Nevertheless, the rapidly evolving nature of technology offers exciting opportunities for companies to leverage an integrated tech ecosystem and more powerful emerging capabilities such as quantum computing to expand the range of potential use cases for commerce. While generative AI has captured the public's imagination, the true potential of AI lies in its integration with technology ecosystems like the Internet of Things (IoT), robotics, big data and more. These intersections of technology constitute fertile ground for innovation and competitive advantage.

For innovation to continue to catalyse Singapore's digital economy, a flourishing innovation ecosystem driven by collaborations between startups, academia, government and the private sector will be indispensable.



3A: Recommendation 01



→ Narrow the AI gap between SMEs and large enterprises

Encourage adoption of government-built technology enablers and grants to accelerate AI in the industry, and support the alignment of data standards.

SMEs form the backbone of Singapore's economy. As such, this important economic group cannot be left behind in the advance towards AI. To address the increasing gap in the AI capabilities of SMEs and large enterprises, the Government should encourage the adoption of tech enablers for businesses to stay competitive, and enhance and expand existing grant programmes to alleviate financial, infrastructure and talent constraints for SMEs and accelerate their AI adoption.

These initiatives can serve as a short-term boost, providing SMEs with the foundational resources needed to implement AI without spending significant capital. An example of a tech enabler would be a collaborative project between an academic institution and a consulting firm to develop a low-code Gen AI platform for SMEs.

Additionally, government should support the alignment of data standards and digitalisation with a view towards greater implementation of AI.

This support combined with these enablers and grants would not only push SMEs up the AI curve faster; it would also foster a culture of collaboration that enables SMEs to quickly test and deploy AI technologies, facilitating their entry into the digital transformation era by lowering barriers to entry.

3A: Recommendation 02



→ Support AI skills development to ensure workforce competitiveness

Fund programmes for upskilling and tech-literacy skills at all levels of the workforce.

As AI is a relatively new and fast-evolving field, finding skilled talent can be a challenge for any organisation. Looking to the future, AI literacy and technical proficiency such as coding, IT and prompt engineering will become increasingly paramount for workforce competitiveness. A concerted push towards AI-focused transformation in the workforce to enhance tech-literacy skills across all levels will require financial support.

Regardless of business size, investments must also include building soft skills that enable workers to remain adaptable in the face of an ever-changing technological landscape. Beyond technical skills, the know-how to integrate AI into business processes, change management and innovation management can help ensure smooth AI adoption and maximise AI's benefits for the organisation. Companies should transition from a solely skills-based culture to one that makes employees feel engaged and valued as they learn to work effectively with AI, where a culture of continuous learning is essential. This comprehensive skillset ensures that employees are not only meeting the challenges of today but can remain agile in the rapidly evolving digital age.



3A: Recommendation 03



→ Establish AI governance and standards to provide businesses with reassurance

Increase funding for collaborative efforts to develop AI standards and governance.

The establishment of AI governance and standards such as Testing, Inspection and Certification (TIC) frameworks is an essential step towards providing businesses with the necessary reassurance to invest in AI technologies.

Uncertainty surrounding AI integration and regulations can lead to inertia in industry as companies worry about reputational and financial risks. Funding collaborative efforts between private and public sectors to set national standards for AI governance – as, for example, the IMDA has done with the [AI Verify Foundation](#), and as the [Cyber Security Association](#) is doing with its guidelines on securing AI systems – can run alongside incentives to upskill a digital workforce that is proficient in harnessing cutting-edge AI technologies and tools for efficiency. These efforts could incentivise major stakeholders to play an active role in finding the optimal balance between regulation and innovation that is fit for Singapore's unique needs.

The middle ground between overly prescriptive regulations and fully voluntary compliance is one that can spur businesses to confidently embrace AI technologies and innovation while adhering to responsible and ethical practices.



Resilient: Driving innovation in a dynamic global business landscape

3B: Building cybersecurity resilience and digital trust

→ Background, Issues, Opportunities

With new digital technologies come new risks and concerns, from data security to ethical and regulatory issues. Establishing the guardrails for responsible and ethical AI practices is crucial for building public trust while promoting sustained innovation.

Singapore companies have access to tools and frameworks such as the AI governance testing framework and toolkit, AI Verify and AI Verify Project Moonshot. At the same time, the Government has launched the Model Governance Framework for Generative AI for the implementation and management of the technology. Adherence to best practices and ethical standards helps companies maintain their competitiveness, attract new investors and new talent, improve operational efficiency and promote long-term business sustainability.

Given the technical complexity of AI algorithms and the rapid evolution of AI technologies, continuous updates to governance frameworks and policies can be an uphill battle. This is reflected in the challenge of finding the sweet spot between ensuring data privacy and security, and complying with stringent data protection rules when using large datasets for AI training.

While the challenges can be weighty, businesses have opportunities to enhance their technology, processes and data management, as well as educate and train employees in best practices. That said, capital constraints and a lack of access to skilled professionals may hinder smaller businesses from being able to fully implement the above-mentioned actions. However, there is ample room for collaborative approaches to build digital trust and resilience.



3B: Recommendation 01



→ Provide substantial funding for AI governance research and development

Allocate funding to support research and development (R&D) in AI governance technologies including bias detection, data privacy solutions and transparent AI decision-making frameworks.

Singapore has developed AI governance tools for businesses such as AI Verify through partnerships between the Government and the private sector. In a similar fashion, promotion of the utilisation of R&D for AI governance tools and methodologies will drive innovation in how businesses can tackle the technical complexities and ethical challenges of AI deployment.

The development of these AI governance technologies will help address fundamental issues around the use of the technology, leading to more effective and reliable AI systems, increasing transparency and reducing bias in AI models, and improving data protection – ultimately enhancing trust in AI use cases. These AI innovations will also position Singapore as a global leader in AI governance, underpinning the long-term success and competitiveness of businesses based in the country.

3B: Recommendation 02



→ Offer grants for AI governance training and certification

Introduce grants for companies that invest in comprehensive AI governance training and certification programmes for their employees.

To ensure that AI activities remain ethical and compliant, it is imperative to constantly monitor and regularly review AI models against established best practices and guidelines. Employees are the first line of defence when it comes to ensuring compliance with this process. As such, building and nurturing a skilled workforce is crucial for effective AI governance, and investing in employee upskilling and training on AI ethics, data privacy and security is paramount.

Financial incentives such as grants will encourage businesses to provide continuous learning opportunities to staff, ensuring that employees are well-equipped to adopt ethical AI practices and integrate them into the work culture. When employees are clear about their responsibilities around the use of AI, overall AI and data governance is likely to be more robust.

In addition, AI literacy will allow employees to be more effective partners to the business, aligning their efforts with business goals and helping companies become market leaders in their fields.



3B: Recommendation 03



Form a National AI Governance Advisory Council composed of members with diverse backgrounds and areas of specialisation, including experts from academia, industry, government and civil society to provide ongoing guidance and oversight on AI governance issues.

Collaboration across various stakeholder groups is key to ensuring AI works for the good of society. A dedicated advisory council representing major stakeholders will ensure continuous updates to AI governance policies, reflecting the latest technological advancements and ethical considerations from a broad range of perspectives. With a high-level organisation providing guidance and oversight on AI governance issues, businesses can have more assurance about their AI implementation. At the same time, such an approach will foster a cohesive approach to AI governance across the economy.

3B: Recommendation 04



Fund public awareness and education campaigns to inform businesses and the public about the importance of AI ethics and governance, including the benefits and risks of AI technologies.

Raising awareness about AI ethics and governance will foster a culture of responsibility and transparency. Involving key stakeholders such as customers, employees and regulators in the AI governance process ensures that diverse perspectives are considered and enhances societal trust. The public communication of AI governance practices further builds consumer confidence, with consumers more likely to engage with businesses that demonstrate a commitment to ethical and secure AI practices.



Resilient: Driving innovation in a dynamic global business landscape

3C: Boosting business ecosystem and economy

→ Background, Issues, Opportunities

Singapore has taken crucial steps in recent years to cement its regional leadership in corporate governance – for instance, mandates requiring companies to disclose their corporate governance practices, with an emphasis on internal controls and risk management. Companies are also advised to seek external assurance to boost transparency and credibility.

Principle 9 of the Singapore Code of Corporate Governance (2018) emphasises the board's duty to ensure robust risk management and internal control systems. While the "comply or explain" approach provides flexibility in following the Code, there must be clear justification for any deviations. As part of their annual review, companies may obtain external assurance to validate their internal controls and risk management, which enhances governance credibility and helps them to manage key risks effectively.

Meanwhile, subdued activity in the equity market has raised concerns about corporate disclosure practices. For this reason,

enhancing overall transparency and strengthening corporate governance would give greater assurances of transparency to investors, catalysing more investment in Singapore companies and trading in the local exchanges, thus boosting the business ecosystem and economy.

Corporate governance is the purview of company boards. Although sound corporate governance aligns the interests of management with those of shareholders – and ensures the firm is focused on long-term value creation rather than short-term gains – some boards may not consider that good corporate governance is material to the business' financial performance.

Furthermore, the heightened focus on ESG provides another lens through which investors can evaluate a company's corporate governance, under the "G" in ESG. Aside from evaluating the environmental and social aspects of a business, a robust ESG framework, specifically strong governance, also assesses how well a board oversees the firm's strategies and risk management.



3C: Recommendation 01

→ Incentivise companies to adopt leading governance practices

Offer financial incentives to companies that voluntarily disclose more information and adopt leading corporate governance practices.

Government support and its emphasis on the value of good corporate governance will help companies appreciate its importance. Firms can be empowered to proactively lead governance practices, and those that voluntarily disclose more information should be recognised for doing so.

There are various award and benchmark platforms that recognise companies with good governance standards. The Government can extend support by providing rebates or incentives to companies that achieve certain accolades. This can encourage peers to equal or outperform corporate governance champions.

Additionally, regulators could consider facilitating connections between such firms and potential partners or customers – adding to the existing incentive that the SGX Fast Track programme offers by recognising listed firms that have high corporate governance standards and a good track record of compliance. Singapore could also seek to attract overseas firms that have a good track record of corporate governance to list by providing financial incentives or tax rebates, positioning itself as a premier destination for high-quality listings, further enhancing the overall corporate governance landscape.

3C: Recommendation 02

→ Empowering company directors for leadership

Supporting company directors with the skills needed for ESG navigation and innovative business strategy.

To ensure companies are guided by directors who are competent, informed and equipped to lead in an evolving business landscape, firms should be incentivised to support ongoing professional development. This could include participation in programmes such as a Directorship Accreditation Programme, which requires a commitment to accumulating 40 hours of continuous professional development over two years.

Meeting the growing demands for sustainable, innovative business practices calls for making these resources accessible to all directors – not only first-time appointees of SGX-listed companies, but also those leading family-owned businesses, startups and subsidiaries. By empowering directors to navigate complex ESG issues and drive sustainable and innovative decision-making, Singapore can set a new benchmark for leadership in corporate governance and long-term value creation.

With government backing, this initiative would elevate the professional standards of directors across sectors, ensuring that the nation's top leadership is well-prepared to address both current challenges and future opportunities, ultimately raising the bar for governance excellence throughout Singapore's business landscape.



3C: Recommendation 03



→ Incorporate the adoption of good tax governance

Strengthening corporate governance through enhanced tax governance practices.

To further strengthen Singapore's corporate governance practices, the Government can incorporate tax governance as an integral part of corporate governance requirements, particularly companies benefitting from tax incentives or grants. This can be achieved with alignment with the Inland Revenue Authority of Singapore's (IRAS) Tax Governance Framework (TGF) or the Tax Risk Management and Control Framework for Corporate Income Tax (CTRM).

The TGF, for instance, underscores the importance of board-level oversight in tax strategy, emphasising the need for boards to establish clear protocols and mechanisms to better manage tax risks. In this way, it encourages the instillation of good tax governance practices among companies that are awarded tax incentives or grants, with responsibility resting with the highest level of decision-makers – the board of directors.

Companies that adopt good tax governance and tax risk management practices can give confidence to stakeholders and the public that they are transparent in their tax matters and contribute their fair share of taxes.

3C: Recommendation 04



→ Build a corporate governance practices hub as part of the centralised ESG Hub

Centralise information and resources on corporate governance and integrate it with the centralised ESG Hub.

Assistance should be provided to companies so they can better understand and carry out strong corporate governance disclosures and practices.

The proposed hub could review corporate governance practices and offer additional support (such as examples of local corporate governance practices adopted by firms listed on the Singapore Stock Exchange), as well as benchmark local firms against overseas peers – particularly in jurisdictions that have more mature practices.



Resilient: Driving innovation in a dynamic global business landscape

3D: Empowering local businesses for global growth

→ Background, Issues, Opportunities

Singapore's integration into the global economy has been a mainstay of its success, anchored by robust trade relations and a stable global environment. The events of the last few years, however, have added urgency to supply chain resiliency for Singapore businesses following unexpected disruptions from the Covid-19 pandemic, geopolitical conflicts, climate change and the emergence of new technologies, amongst others. The need to embrace the shift from a "just-in-time" to a "just-in-case" approach to safeguard against these risks, therefore, looms larger than ever.

For companies navigating these complexities, a major geopolitical concern is the rivalry between Singapore's top trading partners. At the same time, the green transition brings with it increasing costs and compliance with international regulations, including carbon taxes and requirements to account for carbon emissions throughout the supply chain. In addition, there is the deepening digitalisation of commerce, which poses issues over data privacy and transaction security.

Yet there are opportunities for Singapore companies to navigate these challenges smoothly. Situated in the heart of ASEAN, an emerging global manufacturing hub, Singapore companies are well placed to tap into supply and production diversification opportunities close to home as a geographical hedge against disruptions in other manufacturing centres.

Meanwhile, the evolving international tax landscape poses challenges for Singapore companies operating across borders. These companies could face an increased risk of taxation under new global initiatives such as the OECD's Base Erosion and Profit Shifting (BEPS) Project.

Furthermore, transfer pricing involving related business entities brings its own challenges. While the new Singapore transfer pricing guidelines (TPG7) offer greater clarity, businesses must navigate the complexities of transfer pricing guidelines globally and ensure compliance in their activities.

TPG7 also introduced new restrictions on the use of interest-free loans between related domestic entities. It is common practice for family offices and firms in the funds industry to capitalise their investment-making or investment-holding vehicles with a mixture of equity and shareholders' loans to mitigate the potential cash trap associated with dividend payment on equity interest – thereby facilitating the efficient repatriation of investment returns. The advent of TPG7 potentially brings a fundamental change in the legal structuring of their investments and increases compliance costs for maintaining their structures – because shareholder loans that are put in place would need to be interest-bearing, which requires transfer pricing documentation. That, in turn, increases the cost of maintaining their corporate structures.



3D: Recommendation 01

→ Incentivise AI and green supply chain innovations

Enhance incentives or grants for AI and green investments to boost the resilience and sustainability of their supply chains.

Businesses would benefit from enhanced tax deduction or more generous grants that encourage them to invest in digital technologies, specifically artificial intelligence (AI), that could fortify the resilience and sustainability of their supply chains.

Such incentives would ensure more businesses could adopt AI technologies, the internet of things (IoT) and blockchain – allowing them to future-proof their supply chains and cost-efficiency. This would also enable businesses to comply with new ESG standards and better protect themselves in the digital domain, including on the cybersecurity front.

In addition, financial support would help businesses to leverage technological advances in AI for sustainable growth and remain competitive in a challenging global landscape.

3D: Recommendation 02

→ Strengthen support for regional and global collaboration

Enhance grants and financing schemes to encourage cross-border partnerships in the digital and green economies.

Singapore's position as the most developed nation in ASEAN affords it the resources to pursue and develop economic collaboration projects with its ASEAN neighbours. These opportunities for regional collaboration will be crucial to support Singapore companies diversifying in ASEAN. Such projects could include, for example, the development of power grids and cross-border digital payments systems – projects that are crucial for a thriving regional commerce.

To effectively enable Singapore businesses to access new markets within ASEAN and enhance their sustainability efforts, increased government support is essential. Specifically, expanding grants and financing options would allow businesses to better integrate into regional value chains, enhance competitiveness and strengthen cross-border partnerships in the high-growth areas of the digital and green economies.



3D: Recommendation 03



→ Establish a dedicated transfer pricing advisory programme

Create a government-backed programme that offers consultation and financial support to assist small enterprises in aligning their transfer pricing policies with international standards.

While transfer pricing complexities can be challenging for firms of all sizes, they are a particular obstacle for small enterprises, which may not have the resources and expertise to navigate the complexity of various jurisdictional requirements.

A government-supported programme should focus on ensuring that transfer pricing offers small enterprises access to expert advisory and financial resources. This could minimise the risk of non-compliance and any corresponding penalties, while improving firms' ability to operate efficiently in a volatile global tax environment.

3D: Recommendation 04



→ Permit interest-free shareholder loans for investment structures

Allow interest-free shareholder loans by family offices and funds to be extended to related domestic companies.

Many family offices and fund vehicles in Singapore are approved under the Singapore funds tax incentive which provides tax exemption on certain interest income. The Government should consider permitting these vehicles to extend interest-free shareholder loans to their related domestic companies. By doing so, there would be no tax leakage arising from such an arrangement, given that interest income derived by the incentivised lender would in any case be tax exempt (subject to the meeting of certain conditions).

This measure would enhance the flexibility and efficiency of investment structures in Singapore, as the use of shareholder loans helps to mitigate cash trap issues associated with Singapore private companies. This would support the growth of domestic companies without additional tax implications. By allowing this arrangement, the Government can help strengthen the local business ecosystem, encouraging family offices and fund vehicles to reinvest in Singapore-based companies.

Appendix of other proposed tax changes

▶ Corporate Income Tax	43
▶ Goods and Services Tax	54
▶ Personal Income Tax	56
▶ Property Tax	58
▶ Stamp Duties	60



▶ Corporate Income Tax

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.

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.

Currently, various grants such as the InvoiceNow Transaction Bonus, LEAD Connect and Transact Grant for businesses are available to help businesses defray the cost of adopting and utilising InvoiceNow. However, we believe that additional support would be highly beneficial as this would further drive digitalisation efforts and encourage greater participation from taxpayers.

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.



► Corporate Income Tax

Extend and enhance exemption scheme for gains or profits from the disposal of ordinary shares under Section 13W of the Income Tax Act 1947 (“ITA”).

► Recommendation

The exemption scheme under Section 13W is scheduled to lapse after 31 December 2027.

We recommend the scheme be extended for another 10 years to cover disposals of ordinary shares by companies until 31 December 2037.

Additionally, we propose the following enhancements to the exemption scheme:

1. Reduce the minimal 20 percent shareholding threshold to 5 percent, aligning with the participation exemption rules in other countries.
2. Extend the scope of exemption to include preference shares as well as other common types of financial instruments such as bonds.
3. Expand the Safe Harbour Rule to include insurance and reinsurance companies as there are circumstances where these entities hold investments as capital assets.

The proposed extension would provide upfront certainty to companies in their corporate restructuring, while the proposed enhancements would significantly boost Singapore's attractiveness as a prime location for setting up, conducting and reorganising businesses.

Extend Maritime and Port Authority (“MPA”) Withholding Tax (“WHT”) exemption.

► Recommendation

The MPA 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 is due to expire on 31 December 2026.

To allow Singapore to remain as a global shipping hub and provide certainty on financing arrangements for qualifying Maritime Sector Incentive (“MSI”) entities, we recommend the MPA WHT exemption be extended for another 10 years till 31 December 2036.



► Corporate Income Tax

Extend application period for MSI-Shipping-related Support Services (“MSI-SSS”) and MSI-Maritime Leasing (“MSI-ML”) awards.

► Recommendation

The MSI-SSS and MSI-ML incentive application period is set to expire on 31 December 2026.

To allow Singapore to remain as a global shipping hub and to allow its shipping ecosystem to thrive, we recommend the MSI-SSS and MSI-ML incentive application period be extended for another 10 years till 31 December 2036.

In addition, with the introduction of the tonnage tax basis of taxation in Singapore, without the extension mentioned above, new leasing companies which might qualify for the MSI-ML would be subject to the 17 percent CIT rate and would not qualify for the tonnage tax basis of taxation.

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

► Recommendation

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

We recommend such incidental passive-sourced income from MSI-qualifying activities 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

Further to the above, incidental/ancillary income (e.g., interest income) derived by qualifying MSI-electing entities would not qualify for tonnage tax in Singapore. Similar to the above, we recommend that this incidental/ancillary income derived by qualifying MSI-electing entities be included under the tonnage tax basis of taxation. This may encourage more MSI-qualifying entities to elect for the tonnage tax.



► Corporate Income Tax

Amend Section 34CA of the ITA to give the IRAS the discretion to grant an extension of time beyond the “prescribed date”* for the transferor to be wound up or dissolved.

**The “prescribed date”, as indicated in the IRAS e-tax guide “Tax Framework for Transfer of Business by Insurer” published on 11 November 2022, refers to the date on which the Singapore-incorporated licenced insurer (i.e., transferor) transfers the entirety of its insurance business, along with any ancillary business, to another Singapore-incorporated company (i.e., transferee) under Section 117 of the Insurance Act 1966.*

► **Recommendation**

Currently, a licenced insurer is restricted from carrying out an amalgamation under Sections 215B to 215G of the Companies Act 1967 due to regulatory requirements. Instead, it can only transfer its insurance business (either in whole or in part) under a scheme of transfer (“SOT”) pursuant to Section 117 of the Insurance Act 1966. Following this transfer, the insurer does not automatically cease to exist but continues to exist until the process of winding up is completed and it is dissolved in accordance with the Insolvency, Restructuring and Dissolution Act 2018. This process of winding up and dissolution involves, inter alia, the clearance of all outstanding tax matters and the settlement of outstanding tax liabilities with the IRAS.

Given the above, licenced insurers that have transferred their insurance-related businesses under an SOT cannot avail themselves of the tax framework for corporate amalgamation under Section 34C of the ITA as this framework only covers certain qualifying amalgamation of companies and does not include a transfer of business via an SOT.

Although a new Section 34CA of the ITA, which closely mirrors Section 34C, was enacted in the ITA to apply the tax treatment of a qualifying amalgamation of companies to qualifying transfers of business by licenced insurers, certain modifications were made to adapt the tax legislation to a transfer by a licenced insurer under an SOT.

One of the modifications is that the timeline to fulfil the condition in Section 34C of the ITA (i.e., the date of the amalgamation) has been modified to “before the prescribed date” (i.e., the filing due date of the income tax return for the YA relating to the basis period in which date A falls as stated in the IRAS e-Tax Guide) under Section 34CA of the ITA. We understand that this modification was made to take into account the additional time required for insurers to complete the liquidation process and dissolve the company following the transfer of an insurer’s business. However, we wish to highlight the practical difficulties involved in completing the liquidation process and dissolving a company within the stipulated timeframe (i.e., before the prescribed date to meet the condition under Section 34CA(3)(d)).



► Corporate Income Tax

A full dissolution of an insurance business can be a protracted process, which in some cases can extend over several years. There are certain legal and regulatory formalities that must be completed to dissolve the Company, in accordance with the statutory requirements of the Insolvency, Restructuring and Dissolution Act 2018. All liabilities must be cleared, including tax queries for all open YAs must be concluded. The liquidators will then have to call for the final meeting, with at least one month's notice, to present the accounts to the members and to lodge a return of that final meeting with the Accounting and Corporate Regulatory Authority.

We should also mention that the "prescribed date," which is the deadline for filing the income tax return for the YA that covers the basis period, is an explanation given in the IRAS e-Tax Guide instead of the ITA.

Based on the above, we propose that the IRAS be given the discretion to grant a transferor, under Section 34CA of the ITA, an extension of time to complete the winding up or dissolution of the company. This would allow the transferor, who despite exercising best efforts to complete the winding up or dissolution process before the prescribed date but who could not do so due to practical difficulties as mentioned above, an avenue to seek the IRAS' approval for an extension of time to complete the winding up and dissolution, in order to avail the tax treatment under Section 34CA of the ITA, subject to meeting the other relevant conditions.



▶ Corporate Income Tax

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

▶ Recommendation

Cryptocurrency 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 enhance the country's position as a leading financial hub.

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.



▶ 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 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

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.

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 two 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 of the Income Tax (Amendment) Bill 1993. The caps were subsequently revised in 2005 to encourage portable medical benefits by reducing the cap to one percent. Employers are entitled to a higher cap of two 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 in-patient 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 one or two 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 be increased. This will provide financial relief to businesses.



► 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.

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

Allow expense deductions for Singapore firms that incur actual expenses in granting rights to employees to acquire new or existing shares.

► **Recommendation**

Currently, Singapore does not permit tax deductions when the remuneration involves the issuance of new shares, as opposed to the transfer of existing shares to employees. Hong Kong has a similar stance, allowing tax deductions only for shares acquired from the market. However, since 2021, Hong Kong has published guidelines on recharge arrangements between group companies, allowing tax deductions for both new issue of shares and shares acquired from the market.

We propose that Singapore adopts the same position, given that actual expenditure is incurred by the Singapore company under a recharge arrangement, regardless of whether the underlying shares are new or existing shares.

This involves amending the existing Section 15(1)(q) of the ITA to allow tax deductions to Singapore companies that incur actual

expenses, whether in the form of reimbursements or otherwise, in respect of rights granted to their employees to acquire shares of its holding company. When actual expenditure and staff costs are incurred by companies, rather than notional accounting costs, they should not be unfairly denied a tax deduction under Section 15(1)(q). For instance, when a company pays or reimburses its employees who have acquired listed shares of the ultimate parent company, the company should be allowed a deduction. This would place both the company and the employee in the same position as if a cash bonus was paid to the employee, who then chose to purchase shares in the employer.

Currently, in Singapore, the distinction between the tax treatment of recharges on treasury shares and issued shares creates disadvantages and inequity in attracting talent and establishing Singapore as a leading innovation hub. Implementing the above recommendations to refine the existing rules on employee equity-based remuneration, such as stock options, would put Singapore on par with Hong Kong.



► Corporate Income Tax

Introduce alternative investment incentive policies.

► Recommendation

Singapore will implement the Minimum Top-up Tax (“MTT”) and Domestic Minimum Top-up Tax (“DTT”) under Pillar Two of BEPS 2.0 initiative, which will 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.



► Goods and Services Tax

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

*** A 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 purposes.

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 intents 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

Increase the S\$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 S\$200.

We propose the S\$200 threshold be increased.

The S\$200 threshold was set in 1994, at the inception of GST, and has not been adjusted since to account for inflation or the increased cost of living. In light of these changes, we believe it is crucial to reconsider the S\$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 a 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 were attributable to taxable supplies. The proposal would make the input tax for such cases claimable and would enhance the REIT's competitiveness by reducing the GST cost.



► 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 has lapsed with the last applicable YA for the NOR concession in YA2024. Currently, there are no concessionary schemes for Singapore-based employees who are required to travel overseas for business purposes, which is 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.

This will encourage corporate groups to employ talent and specialist skills in Singapore when they need to be deployed globally/regionally, thereby enhancing Singapore’s status as a high-skill talent hub. Such a scheme is more compatible with new ways of working and could result in the more fluid movement of workforces across borders, thereby easing potential resource crunches.



► 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 a residence.

We recommend allowing individuals to claim tax relief on the mortgage interest paid on their first property which is used as their 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 tax relief on health insurance premiums paid for themselves, their spouse, dependent children and elderly parents, perhaps subject to a certain cap. This would help taxpayers manage the rising cost of healthcare.

Grant a one-time tax rebate based on family size and total income per household.

► Recommendation

This would help ease tax burdens for taxpayers (e.g., single income with many dependants in the same household) with the rising cost-of-living pressures.

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 the tax burden on taxpayers supporting elderly/special-needs dependents.



► 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 life 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.



▶ Property Tax

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.

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.



▶ 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. Such a 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).

Grant stamp duty remission for S-REITs.

▶ Recommendation

We recommend a temporary remission of stamp duty for a period of 2 to 3 years for S-REITs on the acquisition of Singapore real estate and Singapore shares. This measure could help revive the REIT IPO market which has seen no new REIT IPOs for more than 2 years.



Contact us

Lee Sze Yeng

Managing Partner
KPMG in Singapore
T: +65 6213 2257
E: SzeYengLee@kpmg.com.sg

Terence Quek

CEO
Singapore Institute of Directors
T: +65 9760 8292
E: terence.quek@sid.org.sg

Ajay K Sanganeria

Partner, Head of Tax
KPMG in Singapore
T: +65 6213 2292
E: asanganeria@kpmg.com.sg



www.kpmg.com.sg

The information contained herein is of a general nature and is not intended to address the circumstances of any particular individual or entity. Although we endeavor to provide accurate and timely information, there can be no guarantee that such information is accurate as of the date it is received or that it will continue to be accurate in the future. No one should act on such information without appropriate professional advice after a thorough examination of the particular situation.

The KPMG name and logo are trademarks used under license by the independent member firms of the KPMG global organization.

© 2024 KPMG Services Pte. Ltd. (Registration No: 200003956G), a Singapore incorporated company and a member firm of the KPMG global organization of independent member firms affiliated with KPMG International Limited, a private English company limited by guarantee. All rights reserved.