CLIENT MEMORANDUM

February 18, 2025

SINGAPORE BUDGET 2025

Singapore did well in 2024. The Singapore economy grew by 4.4% despite a turbulent external environment and global uncertainties. Singapore anticipates a fiscal surplus of S$6.8 billion for the financial year 2025. The positive fiscal outlook is primarily attributable to an unexpected increase in corporate income tax revenue which has become the largest contributor to Singapore's total revenue. However, there is considerable uncertainty regarding future government revenues especially in light of potential global tax environment changes such as the implementation of BEPs Pillar 2 which requires a minimum 15% tax and rising geopolitical tensions.

Budget 2025 was unveiled on February 18, 2025 and is part of the next instalment to move Singapore forward with a focus on sustainable growth, digital transformation and workforce resilience. The Government emphasised prudent spending and effective resource allocation to maintain a balanced budget over the medium term.

For 2025, growth is projected at 1% to 3% and inflation is expected to average 1.5% to 2.5%. The focus will be on technology and innovation, Singapore's enterprise ecosystem and infrastructure investments amidst resource constraints. The Government announced a series of strategic investments aimed at fostering technology and innovation, supporting enterprise growth and maintaining its status as a hub for technology and business. Measures include:

- **National Productivity Fund Enhancement**: an additional S$3 billion will be allocated to the National Productivity Fund which seeks to enhance productivity and workforce training.

- **Research and Development Investments**: Approximately S$1 billion will be set aside for research infrastructure, focusing on semiconductor and biotechnology sectors. This includes establishing a national semiconductor R&D fabrication facility and upgrading biosciences and medtech research.

- **Enterprise Compute Initiative:** up to S$150 million will be used to assist companies in adopting artificial intelligence ("AI") solutions. This initiative will partner eligible companies with major cloud service providers to access AI tools, computing power and expert consulting services.

- **Private Credit Growth Fund:** a new S$1 billion fund will be introduced to provide financing options for high-growth local enterprises and address the gap in private credit funds focusing on Singapore-based companies.

Additionally, Singapore will continue to invest and upskill its workforce with key initiatives which include:

- **SkillsFuture Workforce Development Grant:** this grant offers up to 70% funding support for job redesign activities, consolidating existing schemes to simplify the application process for employers.

- **SkillsFuture Enterprise Credit Redesign**: From the second half of 2026, eligible companies with at least 3 resident employees will receive a S$10,000 credit to offset costs related to workforce transformation and training, accessible through an online wallet system.

- **Progressive Wage Credit Scheme Enhancement:** The Government's co-funding for wage increases will rise from 30% to 40% in 2025 and from 15% to 20% in 2026 to aid businesses in uplifting lower-wage workers.

The details of the main tax incentives are explained below.

CORPORATE TAX MEASURES

1. Extension of the Corporate Income Tax ("CIT") Rebate

Similar to YA 2024, a CIT Rebate of 50% of tax payable will be granted for YA 2025.

Companies that have employed at least one local employee (referred to as "local employee condition[1]") will receive a minimum benefit of S$2,000 in the form of a cash payout (referred to as "CIT Rebate Cash Grant"). Unlike YA 2024, there is an additional condition i.e., only "active"[2] companies qualify.

[1] A company is considered to have met the local employee condition if it has made CPF contributions to at least one local (i.e., Singapore Citizen or Permanent Resident) employee, excluding shareholders who are also directors of the company, in the calendar year 2024.

[2] An active company refers to one that is carrying on a trade or business at the point of disbursement of the CIT Rebate Cash Grant. On the other hand, inactive companies include:

i. Companies that are not carrying on any trade or business;
ii. Companies that are under liquidation;
iii. Companies that are under receivership; and
iv. Amalgamating companies that are removed from the register by the Registrar of Companies upon an amalgamation coming into effect.

The CIT Rebate, less any CIT Rebate Cash Grant received, will be automatically incorporated in companies' tax assessments raised after they file their CIT returns for YA 2025.

The maximum total benefits of CIT Rebate and CIT Rebate Cash Grant that a company may receive is S$40,000.

The CIT Rebate Cash Grant is also extended to active registered business trusts and variable capital companies, whether resident or not, that meet the local employee condition. The CIT Rebate Cash Grant will not be taxable.

Companies will receive the CIT Cash Rebate by Q2 2025.

2. Enhance Section 13W of the Income Tax Act 1947 ("ITA"): Exemption of gains or profits from disposal of ordinary shares

Currently, gains from the disposal of ordinary shares by companies are not taxed if:

- The company holds at least 20% of the ordinary shares in the investee company for at least 24 months before disposal; and
- The shares are disposed of between June 1, 2012, and December 31, 2027.

To provide greater certainty to companies, the sunset date under Section 13W will be removed.

Further, for disposal gains derived from January 1, 2026, the following enhancements will be made:

- Gains from the disposal of preference shares that are accounted for as equity by the investee company under the applicable accounting principles will be eligible for exemption; and
- The 20% shareholding condition can be assessed on a group basis.

Further details will be provided by the Inland Revenue Authority of Singapore ("IRAS") by 3Q 2025.

3. Introduce tax deduction on payments to the holding company or special purpose vehicle ("SPV") for issuance of new shares of the holding company under employee equity-based remuneration ("EEBR") schemes

Currently, under Section 14L of the ITA, companies are only allowed tax deduction for treasury shares or previously issued shares of the company or the holding company that are transferred to employees under EEBR schemes.

The new tax treatment will allow companies to claim a tax deduction on payments to the holding company or a SPV for the issuance of new shares of the holding company under EEBR schemes.

The deduction will be the lower of:

a) The amount paid by the company; and

b) The fair market value, or net asset value of the shares (if the fair market value is not readily available), at the time the shares are applied for the benefit of the employee,

less any amount payable by employees for the shares.

The changes will take effect from YA 2026.

IRAS will provide further details by 3Q 2025.

4. Introduce tax deduction for payments made under an approved cost-sharing agreement ("CSA[3]") for innovation activities

Currently, payments made under a CSA for innovation activities that do not meet the definition of "research and development[4]" under Section 2 of the ITA are not deductible.

With effect from February 19, 2025, payments made by companies under an approved CSA for innovation activities will be allowed a 100% tax deduction.

The Economic Development Board ("EDB") will provide further details by 2Q 2025.

5. Enhance the support schemes for Internationalisation and Mergers and Acquisitions

a) *Extend the Enhanced Cap for the Market Readiness Assistance Grant*

The Market Readiness Assistance ("MRA") grant is designed to help companies expand into new overseas markets by defraying costs related to overseas market promotion, business development, and market set-up.

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3 CSAs are agreements or arrangements made by two or more persons to share the expenditure of innovation activities to be carried out under the agreements or arrangements.

4 "research and development" means any systematic, investigative and experimental study that involves novelty or technical risk carried out in the field of science or technology with the object of acquiring new knowledge or using the results of the study for the production or improvement of materials, devices, products, produce, or processes, but does not include -

a. quality control or routine testing of materials, devices or products;
b. research in the social sciences or the humanities;
c. routine data collection;
d. efficiency surveys or management studies;
e. market research or sales promotion;
f. routine modifications or changes to materials, devices, products, processes or production methods; or
g. cosmetic modifications or stylistic changes to materials, devices, products, processes or production methods

Local SMEs can receive up to 50% of eligible costs, with support capped at S$100,000 per company per new market. This support covers activities under three pillars: overseas market promotion (capped at S$20,000), overseas business development (capped at S$50,000), and overseas market set-up (capped at S$30,000). Each application is limited to one activity in a single overseas market.

The enhanced grant cap of S$100,000 per new market, initially set to expire after March 31, 2025, will now be extended until March 31, 2026 to continue aiding local SMEs in their international expansion efforts.

b) *Extend the Double Tax Deduction for Internationalisation ("DTDi") scheme*

Currently, businesses are allowed a tax deduction of 200% on qualifying market expansion and investment development expenses under the DTDi scheme.

The scheme covers a wide range of expenses. Below are the nine qualifying categories:

- Overseas Business Development Trips/Missions
- Overseas Investment Study Trips/Missions
- Overseas Trade Fairs
- Local Trade Fairs approved by Enterprise Singapore
- Virtual Trade Fairs approved by Enterprise Singapore
- Product/ service certification approved by Enterprise Singapore
- Overseas Advertising and Promotional Campaigns
- Design of packing for overseas markets
- Advertising in approved local trade publication

For expenses up to S$150,000, businesses can automatically claim the 200% tax deduction without needing prior approval for the nine qualifying categories per year of assessment.

For expenses exceeding S$150,000 and eligible expenses on qualifying activities outside the nine qualifying categories, businesses must seek approval from Enterprise Singapore.

The DTDi scheme, initially set to lapse after December 31, 2025, will now be extended until December 31, 2030 so as to continue supporting businesses in their internationalisation efforts.

Enterprise Singapore will provide further details by 2Q 2025.

c) *Enhance the Enterprise Financing Scheme*

The Enterprise Financing Scheme ("EFS") is a comprehensive initiative designed to help Singapore enterprises access financing at various stages of growth. It covers seven key areas: green loans, working capital loans, fixed asset loans, venture debt loans, trade loans, project loans, and Merger & Acquisition loans.

Two enhancements have been made to the EFS.

Firstly, the maximum loan quantum for the EFS - Trade Loan has been permanently increased from S$5 million to S$10 million. This change aims to help businesses meet their increased trade financing needs, especially amid rising costs, and support their internationalisation efforts.

Secondly, the scope of the EFS – Mergers and Acquisitions Loan will be enhanced beyond equity acquisitions to include targeted asset acquisitions from April 1, 2025 to March 31, 2030. This enhancement will provide more flexible and holistic financing support for Singapore enterprises pursuing inorganic growth opportunities.

6. Extend the Mergers and Acquisitions ("M&A") scheme

The M&A scheme allows a Singapore company that makes a qualifying acquisition of the ordinary shares of another company to claim specific tax benefits, subject to certain conditions. The M&A scheme seeks to encourage Singapore companies, especially small and medium enterprises ("SMEs"), to grow through strategic acquisitions.

The scheme provides two primary tax benefits for qualifying acquisitions:

a) *M&A Allowance*

Companies can claim an M&A allowance that is based on 25% of the acquisition value, up to a maximum of S$40 million of the value of all qualifying acquisitions per Year of Assessment ("YA"). This translates to a maximum allowance of S$10 million per YA. The allowance is to be written down over five years.

b) *Tax Deduction on Transaction Costs*

Companies can also claim a 200% tax deduction on transaction costs incurred on qualifying acquisitions. This deduction is subject to an expenditure cap of S$100,000 per YA.

The M&A scheme, initially set to lapse on December 31, 2025, will now be extended until December 31, 2030 so as to continue supporting companies to grow through M&A.

7. Rationalise the Tax Incentives for Project and Infrastructure Finance

Currently, the above includes the following tax incentives that are scheduled to lapse after December 31, 2025:

- Exemption of qualifying income from qualifying project debt securities ("QPDS"); and
- Exemption of qualifying foreign-sourced income from qualifying offshore infrastructure projects / assets received by approved entities listed on the Singapore Exchange.

To ensure that Singapore's tax incentives remain relevant, the QPDS scheme will be allowed to lapse after December 31, 2025. Investors of QDPS issued on or before December 31, 2025 will still qualify for tax benefits for the remaining life of the issue of the securities, if the conditions for QPDS scheme are satisfied.

After the lapse of QPDS scheme, project bond investors can continue to avail themselves of tax incentives for debt securities such as the Qualifying Debt Securities ("QDS") scheme, if the debt securities qualify as QDS and the conditions of the scheme are satisfied.

In addition, to support Singapore-based infrastructure project sponsors that leverage Singapore's financial ecosystem to invest in and finance overseas infrastructure projects, the exemption of qualifying foreign-sourced income from qualifying offshore infrastructure projects / assets received by approved entities listed on the Singapore Exchange will be extended till December 31, 2030.

8. Introduce Additional Concessionary Tax Rate ("CTR") Tier under the Financial Sector Incentive ("FSI") Scheme

With effect from February 19, 2025, a new 15% CTR tier is introduced for the following schemes:

- FSI-Standard Tier;
- FSI-Trustee Company; and
- FSI-Headquarter Services.

The Monetary Authority of Singapore ("MAS") will provide further details by 2Q, 2025.

9. Introduce New Tax Incentives recommended by Equities Market Review Group

In aims to encourage new listing in Singapore and increase investment demand for Singapore-listed equities, the following tax incentives will be introduced:

a) <u>Listing CIT Rebate for new corporate listings in Singapore</u>

Qualifying entities may apply for a 10% or 20 % Listing CIT Rebate. Further details are as follows:

Parameter	**Details**
Qualifying entities	Companies and registered business trusts
Tax benefit	Primary listings: 20% CIT rebate Secondary listings (with share issuance): 10% CIT rebate Subject to rebate cap of: a) S$6 million per YA for qualifying entities with market capitalisation of at least S$1 billion; or b) S$3 million per YA for qualifying entities with market capitalisation of less than S$1 billion.

Parameter	Details
Minimum criteria	Achieve a primary or secondary (with share issuance) listing on a Singapore exchange and remain listed for 5 years. Commit to incremental local business spending or fixed asset investments, incremental skilled employment by the end of the award tenure.
Aware tenure	5 years per qualifying entity, non-renewable
Scheme duration	Open for award until December 31, 2027
Administering agency	EDB or Enterprise Singapore

b) *Enhanced CTR for new fund manager listings in Singapore*

An enhanced CTR tier of 5% will be introduced under the FSI-FM for newly listed fund managers. Further details are as follows:

Parameter	Details
Qualifying entities	Singapore fund managers
Tax benefit	5% CTR on qualifying income
Minimum criteria	Fund manager or its holding company achieves a primary listing on a Singapore exchange and remains listed for 5 years. Fund manager must distribute a portion of its profits as dividends. Fund manager must also meet the minimum requirements for professional headcount and assets under management ("AUM").
Qualifying income	Fees earned from qualifying fund management and investment advisory activities under FSI-FM
Aware tenure	5 years per fund manager, non-renewable
Scheme duration	Open for award until December 31, 2028
Administering agency	MAS

c) *Tax exemption on fund managers' qualifying income arising from funds investing substantially in Singapore-listed equities.*

A corporate tax exemption on income arising from such funds will be introduced under the FSI-FM scheme. Further details are as follows:

Parameter	Details
Qualifying entities	Singapore fund managers
Tax benefit	Fund managers must meet minimum requirements for professional headcount and AUM, as currently required of FSI-FM companies. Qualifying funds must meet the following criteria: a) For new funds: At least 30% of AUM invested in Singapore-listed equities

Parameter	Details
	b) For existing funds: i. At least 30% of AUM invested in Singapore-listed equities: and ii. Annual net inflows (i.e. subscriptions less redemptions to fund) equivalent to at least 5% of fund's assets under management in the preceding year.
Qualifying income	Fees earned from fund management and investment advisory activities related to the qualifying funds
Aware tenure	5 years per fund managed by fund manager, non-renewable
Scheme duration	Open for award until December 31, 2028
Administering agency	MAS

We understand that the respective agencies will provide further details in due course.

10. Introduce an Approved Shipping Financing Arrangement ("ASFA") Award (for Ships and Containers)

The ASFA Award will be introduced with effect from February 19, 2025, to provide withholding tax ("WHT") exemptions on the following payments:

a) interest and related payments made by approved entities to non-tax resident lenders in respect of qualifying arrangements entered into on or before December 31, 2031 to finance the purchase or construction of ship and containers.

b) ship and container lease payments made to non-tax resident lessors under finance lease ("FL") agreements for ASFA Award recipients. Such payments exclude payments derived from any operation carried on by the non-tax residents through its permanent establishment in Singapore.

The ASFA Award will be administered by the Maritime and Port Authority of Singapore ("MPA").

MPA will provide further details by 2Q 2025.

11. Extend and enhance the Maritime Sector Incentive ("MSI")

Currently, qualifying MSI entities can enjoy various tax concessions by way of exemptions, CTR or the alternative tonnage basis of taxation, or WHT exemption on qualifying payments made to non-tax residents (excluding a permanent establishment in Singapore) on qualifying financing arrangements entered into on or before December 31, 2026, subject to conditions, under the following MSI sub-schemes:

a) MSI-Shipping Enterprise (Singapore Registry of Ships) ("MSI-SRS");
b) MSI-Approved International Shipping Enterprise ("MSI-AIS") Award;
c) MSI- Maritime Leasing (Ship) ("MSI-ML (Ship") Award;
d) MSI-ML (Container) Award; and
e) MSI-Shipping-related Support Services ("MSI-SSS") Award.

The MIS-AIS for qualifying entry players, MSI-ML (Ship), MSI-ML (Container) and MSI-SSS schemes which are scheduled to lapse after December 31, 2026, will be extended to December 31, 2031.

The WHT exemption will also be extended for qualifying payments made on qualifying financing arrangements entered into on or before December 31, 2031.

Further, the following key changes will be made:

a) Expand the scope of prescribed ship management services under the MSI-SRS, MSI-AIS and MSI-SSS to include emission management services;

b) Expand the scope of offshore renewable energy activities under the MSI-SRS and MSI-AIS to cover the subsea distribution of renewable energy generated onshore;

c) Expand the scope of ships used for offshore renewable energy activities under the MSI-ML (Ship) to include ships that support subsea distribution of renewable energy generated onshore;

d) Allow assets leased-in from third parties under FL treated as sale agreements to be recognised as qualifying assets under the MSI-ML (Ship) and MSI-ML (Container) awards; and

e) Expand the scope of shipping-related support services under the MSI-SSS to include maritime technology services.

These key changes will take effect from February 19, 2025.

MPA will provide further details by 2Q 2025.

12. Extend the broad-based WHT exemption for container lease payments made to non-tax-resident lessors under operating lease ("OL") agreements

Currently, WHT is exempted on container lease payments made to non-tax-resident lessors (excluding payments derived from any operation carried on by the non-tax-resident through its permanent establishment in Singapore) under OL agreements for the use of qualifying containers for the carriage of goods by sea.

The WHT exemption which is scheduled to lapse after December 31, 2027, will be extended to OL agreements entered into on or before December 31, 2031.

13. Extend the broad-based WHT exemption for ship and container lease payments under FL agreements made to non-tax-resident lessors for MSI recipients

Currently, WHT is exempted on ship and container lease payments made to non-tax-resident lessors (excluding payments derived from any operation carried on by the non-tax-resident through its permanent establishment in Singapore) under FL agreements for specified MSI recipients.

The WHT exemption which is scheduled to lapse after December 31, 2028, will be extended to FL agreements entered into on or before December 31, 2031.

14. Extend and enhance the income tax concessions for Real Estate Investment Trusts listed on the Singapore Exchange ("S-REITs")

Currently, the following income tax concessions are available to S-REITs and their investors:

a) *Tax transparency*

There is tax transparency on specified income in the hands of the trustee of the S-REIT if the trustee distributes at least 90% of its specified income to unitholders in the same year that the income is derived by the trustee.

b) *Tax exemption on foreign-sourced income*

S-REITs, S-REITs' wholly-owned Singapore sub-trusts, and S-REITs' wholly-owned companies (directly or indirectly) incorporated and tax resident in Singapore (FSIE-REIT) can receive tax exemptions on qualifying foreign-sourced income, subject to certain conditions.

c) *Tax exemption on distributions*

Distributions from S-REITs received by individuals (excluding those receiving such distributions through a partnership in Singapore or from the carrying on of a trade, business, or profession) are exempt from tax.

d) *Final withholding tax rate*

A final withholding tax rate of 10% applies to S-REITs distributions received by qualifying non-tax-resident non-individuals and qualifying non-tax-resident funds.

The tax concessions mentioned in points b) and d) are scheduled to lapse after December 31, 2025.

To further encourage the listing of REITs in Singapore and maintain Singapore's status as a global REIT hub, the tax concessions will be extended until December 31, 2030.

Starting from July 1, 2025, the scope of specified income eligible for tax transparency treatment will be broadened to include all co-location and co-working income.

From February 19, 2025, the following refinements will be made for FSIE-REIT:

a) Qualifying foreign-sourced income will encompass rental and ancillary income received in Singapore, subject to conditions;

b) The requirement for wholly-owned companies of S-REITs to be incorporated in Singapore will be removed, but these companies must still be Singapore tax residents to qualify for the concession;

c) Repayment of shareholder loans and return of capital will be recognized as qualifying modes of remittance for wholly-owned Singapore sub-trusts and wholly-owned Singapore tax resident companies to pass remitted income through to S-REITs; and

d) Singapore sub-trusts will be allowed to deduct other operational expenses against their income before passing the remaining amount to S-REITs.

IRAS will provide further details by 2Q 2025.

15. Extend the income tax concessions for Real Estate Investment Trust Exchange-Traded Funds ("REIT ETFs") listed on the Singapore Exchange ("S-REIT ETFs")

Currently, the following income tax concessions are available to S-REIT ETFs and their investors:

a) Tax transparency

There is tax transparency in the hands of the trustee of S-REIT ETFs on distributions received by S-REIT ETFs from S-REITs, which are paid out of the latter's specified income,

b) Tax exemption

Distributions from S-REIT ETFs received by individuals (excluding those receiving such distributions through a partnership in Singapore or from the carrying on of a trade, business, or profession) are exempt from tax.

c) Final withholding tax rate

A final withholding tax rate of 10% applies to S-REIT ETFs distributions received by qualifying non-tax-resident non-individuals and qualifying non-tax-resident funds.

The tax concessions mentioned in points a) and c) are scheduled to lapse after December 31, 2025.

However, to support the continued growth of the S-REIT ETFs sector, the sunset date for tax concession a) will be removed, and tax concession c) will be extended until December 31, 2030.

MAS will provide further details by 2Q 2025.

16. Extend the GST remission for S-REITs and Singapore-listed Registered Business Trusts ("RBTs") in the infrastructure business, ship leasing and aircraft leasing sectors

GST remission is provided to S-REITs and RBTs in the infrastructure, ship leasing, and aircraft leasing sectors to allow them to claim input GST on the following, subject to conditions:

a) Business expenses, regardless of whether they hold underlying assets directly or indirectly through multi-tiered structures like SPVs or sub-trusts.

b) Business expenses incurred to set up SPVs used solely to raise funds for the S-REITs or RBTs, where such SPVs do not hold qualifying assets of the S-REITs or RBTs directly or indirectly.

c) Business expenses of financing SPVs mentioned above in b).

The GST remission which is scheduled to lapse after December 31, 2025, will be extended until December 31, 2030.

17. Extend and enhance the Land Intensification Allowance ("LIA") scheme

The LIA scheme supports enhanced land productivity among industrial users. It allows approved recipients to claim allowances on qualifying capital expenditure incurred on the construction or renovation of a qualifying building or structure.

The scheme provides:

a) An initial allowance of 25% of the qualifying capital expenditure; and

b) An annual allowance of 5% of the qualifying capital expenditure over 15 years, starting from the issuance of the temporary occupation permit for the completed building, subject to conditions.

To qualify, at least 80% of the gross floor area of the building must be used by the approved recipient or its related users. Related users must have at least 75% of their shareholdings held in common or have entitlement to at least 75% of the income in the case of a partnership, whether directly or indirectly.

The LIA scheme is scheduled to lapse after December 31, 2025. To further encourage businesses to optimize their land use, the LIA scheme will be extended until December 31, 2030.

Additionally, the shareholding requirement for building users to be considered related will be reduced from "at least 75%" to "more than 50%". This change will be applicable to LIA applications submitted from January 1, 2026.

Further details will be provided by the Building and Construction Authority ("BCA") and EDB by 3Q 2025.

18. Allow the Venture Capital Fund Incentive ("VCFI") and the venture capital Fund Management Incentive ("FMI") to lapse

Currently,

- approved venture capital funds under the VCFI are granted tax exemption on qualifying income[5]
- approved fund management companies under the FMI are granted a CTR of 5% on management fees and performance bonuses derived from managing authorised investments of an approved venture capital fund.

As part of the Government's policy to keep tax incentives relevant, these 2 incentives will lapse after December 31, 2025. The Government will continue to support the venture capital sector through a holistic suite of policies and initiatives.

[5] Qualifying income refers to:

a. dividends derived from outside Singapore and received by the company in Singapore from approved investments in any company not resident in Singapore;
b. interest derived from outside Singapore and received by the company in Singapore in respect of any approved convertible loan stock of a company not resident in Singapore; and
c. gains or profits derived from Singapore or received by the company in Singapore from outside Singapore from the disposal of any approved investment.

INDIVIDUAL TAX MEASURES

1. Personal Income Tax ("PIT") Rebate for YA 2025

A one-off PIT rebate of 60% of tax payable (capped at S$200), will be granted to all tax resident individuals for the YA 2025.

OTHER TAX AND NON-TAX CHANGES

2. Allow the WHT concession for non-tax-resident arbitrators and non-tax-resident mediators to lapse

To ensure equality in the treatment of income of non-tax-resident professionals, the concession for non-tax-resident arbitrators and mediators will lapse after December 31, 2027.

The changes to the withholding tax treatment for work carried out in Singapore are summarized as follows:

<table>
<tr><th>Period</th><th>Non-tax-resident arbitrators and mediators</th><th>All other non-tax-resident professionals</th></tr>
<tr><td>During April 1, 2023 to December 31, 2027</td><td>Subject to WHT at a concessionary rate of 10% on gross income from the profession; or
Elect to be taxed at 24% on net income.</td><td>Subject to WHT at a rate of 15% on gross income from the profession; or
Elect to be taxed at 24% on net income.</td></tr>
<tr><td>From January 1, 2028</td><td colspan="2">Subject to WHT at a rate of 15% on gross income from the profession; or
Elect to be taxed at 24% on net income.</td></tr>
</table>

The Government will continue to support the international arbitration and commercial mediation sectors through other policies and initiatives.

3. Increase in Senior Worker CPF Contribution Rates

It was announced in 2019 that the CPF contribution rates will be raised gradually over ten years for Singaporean and Permanent Resident workers aged above 55 to 70 (please see Table 1). Subject to prevailing economic conditions, this ensures that those aged above 55 to 60 will have the CPF contribution rates as younger workers once the increases are fully in place.

Table 1: Current and Target CPF Contribution Rates (Employer & Employee) by Age Band

Age Band	2016 – 2021	2022	2023	2024	Current CPF Contribution Rates from January 1, 2025	By ~ 2030
≤55	37.0%		No change			
>55 to 60	26.0%	28.0%	29.5%	31.0%	32.5%	37.0%
>60 to 65	16.5%	18.5%	20.5%	22.0%	23.5%	26.0%
>65 to 70	12.5%	14.0%	15.5%	16.5%	16.5%	16.5%
>70	12.5%		No change			

Increases have taken effect from January 1, 2022 to January 1, 2025. The next gradual increase in Senior Worker CPF contribution rates will take effect on January 1, 2026 (please see Table 2). As with previous increases, this increase will be fully allocated to the senior workers' Retirement Account to provide a larger boost to their retirement income.

Table 2: CPF Contribution Rates for Senior Workers from January 1, 2026

Age Band	CPF Contribution Rates from January 1, 2026			CPF Transition Offset for 2026
	Total (% of wage)	Employer (% of wage)	Employee (% of wage)	
≤55	No change			
>55 to 60	34.0% (+1.5)	16.0% (+0.5)	18.0% (+1)	0.25
>60 to 65	25.0% (+1.5)	12.5% (+0.5)	12.5% (+1)	0.25
>65 to 70	No change			
>70	No change			

To alleviate employers' costs due to this increase, the Government will provide employers with a one-year CPF Transition Offset equivalent to half of the 2026 increase in employer's CPF contribution rates. This will be provided automatically, and employers need not apply for the offset.

4. Enhancement to Workfare Skills Support ("WSS") Scheme

The WSS Scheme encourages lower-wage workers to undertake training that leads to more impactful employment outcomes. From early 2026, the WSS scheme will be enhanced to better support lower-wage workers who wish to take up more substantive training. The enhanced WSS will provide a monthly training allowance ("TA"), modelled after the TA under the SkillsFuture Level-Up Programme, for lower-wage workers aged 30 and above who pursue selected long-form full-time or part-time training. The base tier of WSS will remain in place to support take-up of other courses and employer-led training. Refer to Table 1 for more details:

Table 1: Details of the Enhanced Training Allowance under WSS

Component	Support Quantum
[**New**] Monthly TA for selected part-time courses	Fixed allowance of S$300 per month
[**New**] Monthly TA for selected full-time courses	50% of average income over latest available 12-month period
[Existing] Hourly TA	S$6 per hour, capped at 180 training hours per WSS eligibility period

Every individual can receive:

a) Up to 24 months of monthly TA between ages 30 to 39.

b) Up to 24 months of monthly TA from age 40. This is a shared cap between WSS and the SkillsFuture Level-Up Programme.

c) For each age period, the cap is shared between both full-time and part-time training.

More details will be provided at the Ministry of Manpower's ("MOM") Committee of Supply.

5. Extension of Senior Employment Credit ("SEC"), Uplifting Employment Credit ("UEC") and Enabling Employment Credit ("EEC")

The SEC, UEC and EEC are scheduled to lapse after December 31, 2025. To continue supporting the employment of senior workers, ex-offenders and persons with disabilities, the Government will extend the schemes as follows:

<table>
<tr><th>Scheme</th><th>Description</th><th>Changes</th></tr>
<tr>
<td>SEC</td>
<td>The SEC provides wage offsets to employers hiring Singaporean workers aged 60 and above and earning up to S$4,000 a month.

<table>
<tr><th>Age</th><th>Wage support tier</th></tr>
<tr><td>60 – 64</td><td>Up to 2%</td></tr>
<tr><td>65 - 67</td><td>Up to 4%</td></tr>
<tr><td>68 and above</td><td>Up to 7%</td></tr>
</table>
</td>
<td>To continue supporting the employment of senior workers, the SEC has been extended until December 31, 2026.

As the increase in re-employment age comes into effect in calendar year 2026, the qualifying age for the highest SEC wage support tier in calendar year 2026 will also be raised from 68 years old to 69 years old.

<table>
<tr><th>Age</th><th>Wage support tier</th></tr>
<tr><td>60 – 64</td><td>Up to 2%</td></tr>
<tr><td>65 - 68</td><td>Up to 4%</td></tr>
<tr><td>69 and above</td><td>Up to 7%</td></tr>
</table>
</td>
</tr>
</table>

Scheme	Description	Changes
UEC	The UEC provides wage offsets to employers hiring local ex-offenders (Singapore Citizen or Permanent Resident) earning below S$4,000 and released within three years prior to employment.	To continue supporting the employment of local ex-offenders, the UEC has been extended until December 31, 2028. The extended UEC will continue to provide a wage offset of up to 20% of the local ex-offenders' wages for the first nine months of employment, capped at S$600 per month per employee. This scheme will be applicable to local ex-offenders hired from April 2023 to December 2028.
EEC	The EEC provides wage offsets to employers hiring local employees with disabilities aged 13 and above and earning below S$4,000 a month.	To continue supporting the employment of persons with disabilities, the EEC has been extended until December 31, 2028. The extended EEC will continue to provide the following: • Permanent wage offset of up to 20% of wages, capped at S$400/month per employee. • For persons with disabilities who have not been in work for at least 6 months, an additional time-limited wage offset of up to 20% of wages for the first nine months, capped at S$400/month per employee.

More details about the extension of the SEC, UEC and EEC will be announced at MOM's Committee of Supply.

FURTHER INFORMATION

Should you have any queries as to how these developments may impact your business, please do not hesitate to get in touch with your usual contact at Pioneer Associates; or please write and call us on:

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