

Introduction

The Singapore economy grew by a strong 5% in financial year (FY) 2025, significantly higher than the 1% to 3% range forecast during Budget 2025. The gross domestic product (GDP) growth came from strong external demand in key industry clusters, including electronics and biomedical manufacturing.

In Budget 2026, the measures proposed are focused on helping businesses stay competitive, harnessing artificial intelligence (AI) as a strategic advantage, building a resilient and skilled workforce and giving more support to families.

Prime Minister and Minister for Finance Lawrence Wong has reaffirmed that Singapore will proceed with the implementation of the top-up tax under Pillar Two of the Base Erosion and Profit Shifting global initiative. Higher corporate tax collections are expected from FY 2027 onwards.

This alert highlights the key tax and non-tax measures impacting businesses.

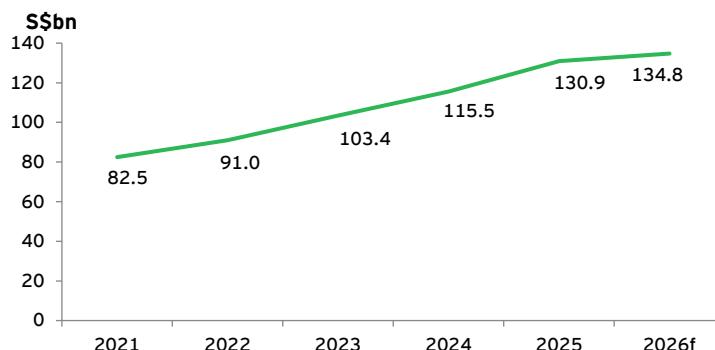


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For more insights on the new proposed Budget measures, please go to www.ey.com/sg/budget.

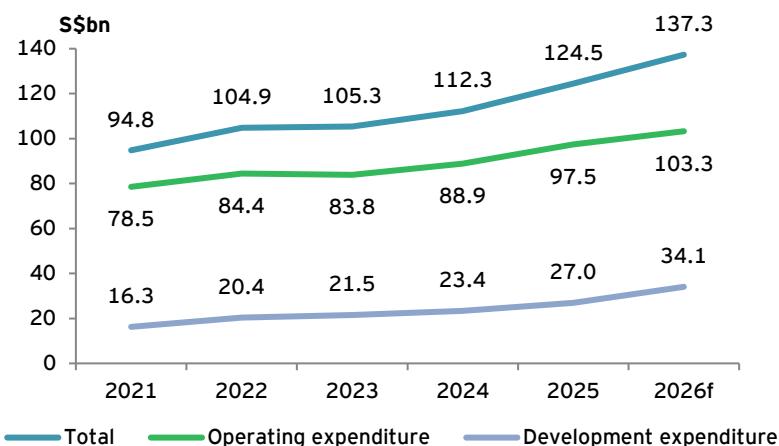
Fiscal position

Government operating revenue



The estimated FY 2026 operating revenue is S\$134.8bn (16.0% of GDP). This is an increase of S\$3.9bn (3.0%) over the revised FY 2025 operating revenue of S\$130.9bn. The projected increase is mainly due to higher collections expected from corporate income tax, personal income tax, goods and services tax and vehicle quota premiums.

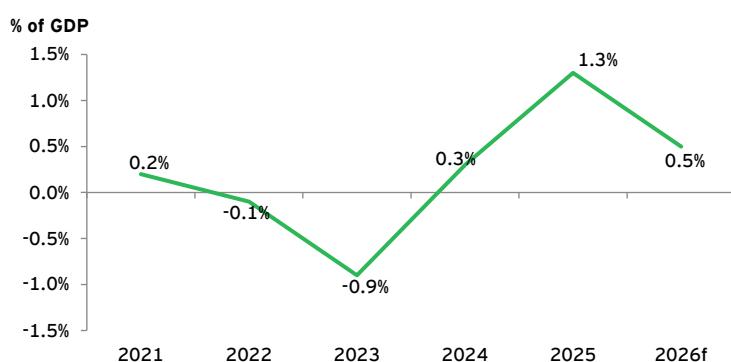
Government expenditure



Government development expenditure for FY 2026 is projected to increase by S\$7.1bn. Most of the increase will be directed towards healthcare facilities and initiatives to enhance Singapore's economic competitiveness in an uncertain global environment.

Budget 2026 is expected to be a balanced budget, with a projected overall budget surplus of S\$4.2bn (representing 0.5% of GDP), and overall fiscal surplus of S\$8.5bn.

Budget surplus or deficit



Notes:

- f = forecast
- The Government's financial year is from 1 April of the calendar year to 31 March of the following year. FY 2026 refers to the financial year 1 April 2026 to 31 March 2027.

Source:

- "Analysis of Revenue and Expenditure Financial Year 2026", *The Ministry of Finance website*, accessed 12 February 2026.

Key proposals

Tax measures

Provide 40% corporate income tax (CIT) rebate in Year of Assessment (YA) 2026 with a minimum benefit of S\$1,500 for eligible active companies

- To provide support for companies to manage cost pressures, a CIT rebate of 40% of tax payable will be granted in YA 2026.
- Active companies that employed at least one local employee in calendar year (CY) 2025 will receive a minimum benefit of S\$1,500 in the form of a CIT rebate cash grant.
- The total maximum benefits (i.e., sum of CIT rebate and CIT rebate cash grant that a company can receive is S\$30,000. Eligible companies will automatically receive the benefits from the second quarter of CY 2026 onwards.

Enhance the Double Tax Deduction for Internationalisation (DTDi) scheme

- Under the DTDi scheme, businesses are allowed a 200% tax deduction on eligible expenses incurred on 16 qualifying market expansion and investment development activities. Businesses can automatically claim 200% tax deduction on the first S\$150,000 of eligible expenses for nine activities per YA without prior approval. Prior approval is required for expenses exceeding S\$150,000 on these nine activities or expenses incurred on the remaining seven qualifying activities. Prior approval is also required for certain expenses incurred on overseas market development trips and overseas investment study trips.
- To further support businesses in their internationalisation efforts, the expenditure cap for claims that may be filed without prior approval will be raised from S\$150,000 to S\$400,000 per YA. Businesses can continue to apply to the Enterprise Singapore and the Singapore Tourism Board for expenses exceeding S\$400,000 per YA or expenses incurred on overseas trade office and e-commerce campaigns.
- The scope of claims that do not require prior approval will also be expanded to cover all eligible expenses incurred on overseas market development trips and overseas investment study trips, and the following qualifying activities:
 - Investment feasibility and due diligence studies
 - Master licensing and franchising
 - Market surveys and feasibility studies
 - Overseas business development
 - Production of corporate brochures for overseas distribution
- The changes will apply to expenses incurred from YA 2027.

Key proposals

Tax measures

Enhance the Enterprise Innovation scheme (EIS)

- Under the EIS, qualifying businesses can claim 400% tax deductions or allowances on qualifying expenditure incurred on five prescribed qualifying activities.
- To support businesses in adopting AI, the EIS will be enhanced for YA 2027 and YA 2028.
 - The list of partner institutions will be expanded to include the Sectoral AI Centre of Excellence for Manufacturing.
 - An additional qualifying activity will be introduced for qualifying AI expenditures. Businesses can claim tax deduction or allowances of 400% on up to S\$50,000 of qualifying AI expenditures incurred for each YA. The option to convert qualifying expenditure into a cash payout will not be available for this new qualifying activity.

Allow tax deduction for Central Provident Fund (CPF) cash top-ups made by platform operators on behalf of their platform workers under the Voluntary Contributions to MediSave Account (VC-MA) scheme

- To encourage platform operators to make CPF cash top-ups on behalf of their platform workers who are eligible for the Matched MediSave Scheme, platform operators will be allowed to claim tax deduction for CPF cash top-ups made on behalf of their platform workers under the VC-MA scheme.
- This change will apply with effect from YA 2027 for CPF cash top-ups made from 1 January 2026.

Key proposals

Tax measures (extension)

Extend the withholding tax (WHT) exemptions for the financial sector

- A range of WHT exemptions is available to financial institutions (FIs) for payments made under specific types of financial transactions.
- The WHT exemptions for the following payments made to non-resident persons (excluding permanent establishments in Singapore) that are scheduled to lapse after 31 December 2026 will be extended until 31 December 2031:
 - All section 12(6) payments made by specified entities for the purpose of their trade or business
 - Payments on structured products offered by FIs in Singapore
 - Payments on over-the-counter financial derivatives made by qualifying FIs
 - Payments made under cross currency swap transactions by Singapore swap counterparties to issuers of Singapore dollar debt securities
 - Interest payments on margin deposits made under all derivatives contracts by approved exchanges, approved clearing houses, members of approved exchanges and members of approved clearing houses
 - Specified payments made under securities lending or repurchase agreements by specified institutions
 - Payments made under interest rate or currency swap transactions by the Monetary Authority of Singapore (MAS)

Extend and enhance the Finance and Treasury Centre (FTC) incentive

- Under the FTC incentive, approved FTCs are eligible for a concessionary tax rate of 8% or 10% on qualifying income. Approved FTCs are also eligible for WHT exemption on interest payments on loans used for qualifying activities or services. The incentive is scheduled to lapse after 31 December 2026.
- The FTC incentive will be extended until 31 December 2031.
- The scope of the WHT exemption for approved FTCs will be expanded to include interest-like borrowing costs that are subject to WHT, for loans used for qualifying activities or services. This applies to payments made on or after 13 February 2026.

Key proposals

Tax measures (extension)

Extend and enhance the Global Trader Programme (GTP)

- Approved global trading companies are eligible for a concessionary tax rate of 5%, 10% or 15% on income from qualifying transactions in qualifying commodities. The scheme is scheduled to lapse after 31 December 2026.
 - The scheme will be extended until 31 December 2031.
 - The list of qualifying commodities will be expanded to include Environmental Attribute Certificates from 13 February 2026.

Extend the Not-for-Profit Organisation Tax incentive (NPOTI)

- The NPOTI provides tax exemption on the income derived by an approved Not-for-Profit Organisation. The NPOTI is scheduled to lapse after 31 December 2027.
- The NPOTI will be extended until 31 December 2032.

Extend the 250% tax deduction for qualifying donations to Institutions of a Public Character (IPCs) and eligible institutions

- Donors are eligible for a 250% tax deduction for qualifying donations made to IPCs and eligible institutions. This is scheduled to lapse for donations made after 31 December 2026.
- The tax deduction will be extended to qualifying local donations made from 1 January 2027 to 31 December 2029.

Extend the Corporate Volunteer scheme (CVS)

- All businesses carrying on a trade or business in Singapore can claim 250% tax deduction on qualifying expenditure incurred to undertake volunteer work by their employees. From 1 January 2024, the qualifying expenditure is subject to an annual cap of S\$250,000 per business per YA and S\$100,000 per IPC per CY. The tax deduction is scheduled to lapse for expenditure incurred after 31 December 2026.
- The tax deduction will be extended to qualifying expenditure from 1 January 2027 to 31 December 2029.

Key proposals

Tax measures (others)

Allow the Investment Allowance for Emissions Reduction (IA-ER) scheme to lapse

- Under the IA-ER scheme, investment allowance can be granted to companies for capital expenditure incurred for approved projects that improve energy efficiency or reduce greenhouse gas emissions. The IA-ER scheme will be allowed to lapse after 31 December 2026.

Allow the double tax deduction for qualifying upfront costs attributable to rated retail bonds to lapse

- Bond issuers that are carrying on a trade or business in Singapore can claim a 200% tax deduction on qualifying upfront costs incurred that are attributable to rated retail bonds issued from 19 May 2021 to 31 December 2026 under the Seasoning Framework and Exempt Bond Issuer Framework. The scheme will be allowed to lapse after 31 December 2026.

Preferential Additional Registration Fee (PARF) rebate

- PARF rebates are provided to car and taxi owners. It is calculated as a percentage of the additional registration fee paid and tiered based on the age of vehicle at deregistration.
- PARF will be reduced by 45 percentage points across the board. PARF rebate cap will be reduced from S\$60,000 to S\$30,000. The revised PARF rebate schedule and cap of S\$30,000 will apply to cars registered with Certificates of Entitlement (COEs) obtained from the second COE bidding exercise in February 2026. For cars that do not need to bid for COEs, the revised PARF rebate schedule and cap of S\$30,000 will apply to those that are registered on or after 13 February 2026.

Excise duties for tobacco products

- Tobacco duties will be raised by 20% across all tobacco products with effect from 12 February 2026.

Key proposals

Other support for businesses

Enhance grant support for overseas market access

- The Market Readiness Assistance (MRA) grant helps enterprises to expand overseas by defraying the costs of overseas market promotion, business development and market set-up. The MRA grant is available to local small and medium enterprises (SMEs), at a support level of up to 50% of eligible costs, capped at S\$100,000 per company per new market. The enhanced S\$100,000 cap is scheduled to lapse after 31 March 2026.
- From 1 April 2026, the MRA grant will be enhanced, as follows:
 - Local SMEs will receive support of up to 70% of eligible costs. The higher support level is applicable until 31 March 2029.
 - The enhanced grant cap of S\$100,000 will be extended. Local SMEs will continue to receive grant support of up to S\$100,000 per company per new market.

Enhance grant support levels for internationalisation schemes

- From 1 April 2026 to 31 March 2029, grant support levels for other internationalisation schemes will be enhanced. Local SMEs will receive support of up to 70% of eligible costs and local non-SMEs will receive support of up to 50% of eligible costs.

Enhance loan quantum under the Enterprise Financing scheme

- From 1 April 2026, the maximum loan quantum under the Enterprise Financing scheme (EFS) - SME fixed assets loan and EFS - trade loan facilities will be enhanced, as follows:
 - The borrower and borrower group caps for each loan facility will be lifted.
 - The overall loan quantum will be limited to S\$50mn per borrower group across all EFS facilities.

Key proposals

Other support for businesses

Artificial intelligence (AI)

- The Government will set up an inter-ministerial committee, the National AI Council, to provide strategic direction and drive the national AI agenda.
- The Government will launch a set of national AI Missions to transform four key sectors of the economy using AI, namely advanced manufacturing, connectivity, finance and healthcare.
- A new Champions of AI programme will provide tailored support for firms with the ambition to use AI to comprehensively transform their businesses.
- To support businesses in AI adoption, a wider range of AI-enabled solutions will be made available for businesses under the Productivity Solutions Grant scheme.
- The Government will establish an AI park as a focal point for innovating, test-bedding and scaling AI solutions.
- To raise the AI fluency of the workforce, TechSkills Accelerator will be expanded to support AI skills training in non-tech, cross-sectoral occupations, starting with the accountancy and legal professions and progressively extending to other fields.
- To encourage learning-by-doing with AI, the Government will provide six months of free access to premium versions of AI tools to Singaporeans who take up selected AI training courses listed on the MySkillsFuture portal.

Strengthen equities market

- Under the Startup SG Equity scheme, the Government provides initial capital to catalyse and crowd in private funding for promising startups. The Government will set aside S\$1bn to enhance the Startup SG Equity and expand its scope to cover growth-stage companies.
- The Anchor Fund was set up to attract and anchor high-quality public listings. The Government will launch a second S\$1.5bn tranche of the Anchor Fund, which will be a co-investment between the Government and Temasek.
- The Equity Market Development Programme was launched to develop the fund management industry and increase investor participation in Singapore equities. The Government will expand the programme with a S\$1.5bn top-up to the Financial Sector Development Fund.

Key proposals

Other support for businesses

Enhance the Progressive Wage Credit scheme (PWCS)

- The PWCS co-funding support by the Government will be increased from 20% to 30% for wage increases given in qualifying year 2026. The enhanced co-funding will also apply to wage increases given in qualifying year 2025 that are sustained in 2026. In addition, the PWCS will be extended to cover wage increases in qualifying years 2027 and 2028, at co-funding rates of 30% and 20% respectively.

Extend the Senior Employment Credit

- The Senior Employment Credit will be extended until 31 December 2027 to continue providing wage offsets to employers that hire senior workers aged 60 and above, who earn less than S\$4,000.

Increase in senior workers' CPF contributions rates

- From 1 January 2027, CPF contribution rates for workers aged above 55 to 60 will rise by a total of 1.5 percentage points, with employer contributions increasing by 0.5 percentage points. For workers aged above 60 to 65, the overall CPF contribution rate will increase by 1.0 percentage points, with employer contributions also rising by 0.5 percentage points. The Government will continue to provide employers with a one-year CPF transition offset equivalent to half of the 2027 increase in employer CPF contribution rates for these workers.

Foreign workforce policies

- The minimum qualifying salary for Employment Pass (EP) will be raised from S\$5,600 to S\$6,000. For the financial services sector, this will be raised from S\$6,200 to S\$6,600. The changes will apply to new EP applications from 1 January 2027, and renewal applications from 1 January 2028.
- The minimum qualifying salary for S Pass will be raised from S\$3,300 to S\$3,600. For the financial services sector, this will be raised from S\$3,800 to S\$4,000. The changes will apply to new S Pass applications from 1 January 2027, and renewal applications from 1 January 2028.
- The monthly levy rate for basic-skilled (R2) work permit holders (WPHs) in the marine shipyard sector will be raised by S\$100, from S\$500 to S\$600. For the process sector, the monthly levy for R2 WPHs from Malaysia, North Asian sources and People's Republic of China (PRC) will be raised by S\$150, from S\$450 to S\$600. For R2 WPHs from non-traditional sources, the monthly levy rate will also be raised by S\$150, from S\$650 to S\$800.

Key proposals

Other support for businesses

Others

- Firms hiring foreign workers are required to pay all their local workers at least the Local Qualifying Salary (LQS). The LQS will be raised from S\$1,600 to S\$1,800 per month for full-time local workers. The foreign worker quota computation will correspondingly be adjusted with the new LQS. The changes will be implemented from 1 July 2026.

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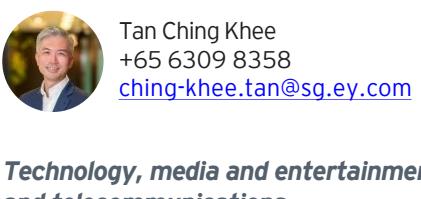


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