15 September 2025

Tax alert

Release of subsidiary legislation for Refundable Investment Credits (RICs)

On 1 September 2025, the Ministry of Finance (MOF) officially released the Income Tax (Refundable Investment Credits) Regulations 2025, marking a key milestone in the operationalisation of the RIC scheme. The subsidiary legislation builds upon the framework established under Section 93B of the Income Tax Act 1947 and complements earlier factsheets issued by the Economic Development Board (EDB) and Enterprise Singapore (ESG).

The subsidiary legislation provides formalised and detailed guidance on the implementation of the RIC scheme, including definitions of eligibility criteria, assessment factors for determining support rates, cash payout schedule under the cash election option as well as clarifications on tax treatment and compliance requirements in the event of an RIC recovery.

With this enhanced clarity, companies are now better positioned to evaluate the relevance of the RIC scheme to their investment plans, consider how the RIC could support their businesses and engage in more targeted incentive discussions with the relevant government authorities.

RIC qualifying activities

The RIC factsheets[1] issued by the EDB and ESG outline six broad categories of qualifying activities supported under the RIC scheme. The activities must align with Singapore's priority economic growth areas such as advanced manufacturing, international trade, supply chain management, mobility, digitalisation, artificial intelligence, and green economy.

The subsidiary legislation further expands and clarifies the specific activities that qualify under selected categories:

- **Investing in new productive capacity**: Any investment to increase a company's productive capacity in any industry, including the manufacturing of any product
- **Expanding or establishing the scope of activities in digital services, professional services, and supply chain management:** Provision of digital services, professional services and services relating to supply chain management
- **Expanding or establishing headquarters activities or centres of excellence**: The establishment or operation of a company's headquarters or a centre of excellence in Singapore
- **Carrying out R&D and innovation activities:** Any R&D or any other activity to promote innovation
- **Implementing solutions with decarbonisation objectives:** Any activity relating to energy efficiency and decarbonisation, including (i) improvement in energy efficiency, (ii) solar power deployment, (iii) reduction of emissions from greenhouse gases (other than carbon dioxide), and (iv) carbon capture, utilisation and storage
- **Setting up or expanding activities by commodity trading firms:** Undertaking any of the following (i) physical trading of commodities, (ii) trading in commodities derivative instruments, (iii) acting as a broker for physical trading of commodities or trading in commodities derivatives, and (iv) establishing supply chain management and other functions that relate to the physical trading of commodities

RIC qualifying expenditure

On the qualifying expenditure front, the RIC factsheets specify that the expenditures must be incurred in Singapore to carry out qualifying activities during the qualifying period. Depending on the type and scale of the project, one or more of the qualifying expenditure categories below may be supported:

- Manpower
- Capital expenditure
- Professional fees
- Freight and logistics costs
- Materials and consumables
- Intangible asset costs
- Training costs
- Financing costs

The subsidiary legislation provides further elaboration for the following expenditure categories:

- **Manpower costs** refer to (i) any wages, salaries and bonuses paid to the company's employees who are located in Singapore, (ii) any sums contributed to the Central Provident Fund (CPF) or other pension funds, and (iii) any cost incurred to provide any other employment benefits for the company's employees
- **Capital expenditure** refers to costs incurred on the provision of a plant, property or equipment
- **Professional fees** refer to any cost incurred (including as part of the cost of any goods or services) for professional services, consultancy services and technical testing services
- **Freight and logistics costs** refer to any freight forwarding and logistic cost for the transportation of goods, the management of such transportation, and associated supply chain and logistics process flow
- **Materials and consumables** refer to any cost of such items which, upon being used, are consumed or transformed in such a manner that they are no longer useable in their original form

[1] "Refundable Investment Credit: factsheets by the EDB and Enterprise SG", *The EY website*, https://www.ey.com/en_sg/technical/singapore-tax-alerts/refundable-investment-credit-factsheet-by-the-edb-and-esg, accessed 10 September 2025.

- **Intangible asset costs** refer to any cost relating to intangible asset acquisition, cost-sharing agreement for R&D or innovation activity, licensing fees and royalty payments

- **Training costs** include (i) any course fees paid to an external training provider, (ii) any salaries or allowances paid to an external training provider and the reimbursement of any travelling or transportation expenses incurred by an external training provider to conduct training for the company's employees, and (iii) any allowances given to the employees for attending training and any travelling or transportation expenses incurred for the employees to attend training

- **Financing costs** include interest payments and other related charges

Notably, the subsidiary legislation does not provide for an exclusion list.

Determination of support rate(s) for RIC computation

Under Section 93B(8) of the Income Tax Act 1947, one or more support rates may be applied to compute the amount of RIC awarded for each type of qualifying expenditure.

In addition to the assessment[2] of the project profile (including the scale and nature of the investments, as well as the economic spin-offs generated) as outlined in the RIC factsheets, the subsidiary legislation specifies factors that must be considered, as applicable, in determining the applicable RIC support rate(s). These factors are:

- Scale and nature of the company's investment in Singapore

- Impact of the qualifying activity on the development of any of the company's trades and businesses or of any industry in Singapore

- Specifically, for companies intending to implement solutions with decarbonisation objectives: (i) Resource efficiency of the company's trades, businesses or the relevant industry to which the trades or businesses belong or (ii) Environmental sustainability of the company's trades and businesses

Payout schedule for election for payment of RIC

The RIC awarded can be used to offset against the corporate income tax payable, including domestic top-up tax, multinational enterprise top-up tax, penalty, surcharge or interest related to the income tax liability of the awardee company or another company within the same group under the Singapore Income Tax Act 1947 or the Multinational Enterprise (Minimum Tax) Act 2024. Any unutilised RICs will be paid to the company no later than four years from when the company makes an RIC claim application.

The RIC also provides companies with the option to elect for the RICs to be received as cash payout instead.

For companies making this election, the subsidiary legislation now introduces a fixed payout schedule, as follows:

% of RIC to be paid	Payout schedule
20%	Within two years from the date of RIC claim application[3]
30%	Within three years from the date of RIC claim application
50%	Within four years from the date of RIC claim application

To opt into this payout schedule, companies must submit a written election to the relevant approving authority during the claim.

The election is irrevocable and will apply to all RICs awarded under the same application.

The cash payout election option provides companies with greater flexibility in managing their cash flows.

Others

The subsidiary legislation defines prescribed day, i.e., the cut-off date, for when RIC can be used to offset taxes or be paid in cash.

In addition, there are also provisions to address situations where a portion or the full amount of the RIC awarded to a company becomes recoverable (e.g., when the letter of award issued to the company is amended or revoked by the approving authority).

[2] "Refundable Investment Credit: factsheets by the EDB and Enterprise SG", *The EY website*, https://www.ey.com/en_sg/technical/singapore-tax-alerts/refundable-investment-credit-factsheet-by-the-edb-and-esg, accessed 10 Sep 2025.

[3] The date of the RIC claim application refers to the date when the company applies to the approving authority for RICs stated in the letter for the amount and type of expenditure, which is also the date when the company applies for the cash payout election.

Moving forward

With the subsidiary legislation now in force, companies interested in the RIC scheme are encouraged to take proactive steps to align their investment plans with the formalised RIC framework:

- **Review project eligibility:** Assess the proposed project against the detailed list of qualifying activities and expenditure set out in the subsidiary legislation to determine whether the eligibility criteria are met.

- **Refine strategic outcomes:** Evaluate how the proposed project aligns with the updated assessment factors.

- **Tailor business plans to the updated guidelines:** Develop a robust business plan that clearly demonstrates how the proposed project fulfils the RIC requirements to support effective discussions with the approving authorities.

- **Engage early with the authorities:** Initiate early discussions with the relevant approving authority to seek guidance, ensure mutual alignment, and obtain preliminary feedback on the viability of the proposed project and eligibility for RIC support.

If you would like to know more about the issues discussed or EY services, please contact one of the following or your usual EY contact:

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