

Singapore: Budget 2026 — Key Tax Updates

Budget 2026 confirms Singapore's Pillar Two commitment, and supports businesses through AI adoption support, incentives extension and other measures.

In brief

Singapore Budget 2026 focuses on adapting to rapidly shifting geopolitical and technological circumstances and, among others, aims to help businesses stay competitive while promoting the strategic adoption of Artificial Intelligence (AI).

Singapore remains committed to implementing Pillar Two, and this is expected to also include the adoption of the recent Side-by-Side Package. In addition, Singapore also recognises the need to strengthen its investment promotion toolkit and maintain its attractiveness as a global business hub amid the global competitive landscape, and has introduced various measures, including extending and enhancing the Finance and Treasury Centre (FTC) incentive and the Global Trader Programme (GTP). The government has also introduced a range of support measures to help businesses stay competitive.

We highlight the key tax developments from Budget 2026 below.

In this issue

Key takeaways

In more detail

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2. Enhanced support for businesses
3. Strengthening Singapore as a philanthropy hub
4. Other tax changes

Key takeaways

- As Singapore continues to implement the Domestic Top-up Tax (DTT) & Multinational Enterprise Top-up Tax (MTT), which is expected to also include the adoption of the recent Side-by-Side Package into domestic legislation, the government will continue to monitor shifts in the global landscape to ensure Singapore remains an attractive place for companies to do business. Singapore is committed to updating and strengthening its investment promotion tools, including by significantly increasing the Ministry of Trade and Industry's (MTI) budget, given that other countries are investing in generous incentives to encourage the reshoring and onshoring of investments.
- The FTC incentive will be extended to encourage more companies to conduct treasury management activities in Singapore, and the scope of the withholding tax (WHT) exemption will be expanded to include interest-like borrowing costs.
- The GTP will be extended to further strengthen Singapore's position as a global trading hub, and the list of qualifying commodities will be expanded to include Environmental Attribute Certificates.
- The Enterprise Innovation Scheme (EIS) will be enhanced to support businesses undertaking AI transformation, by granting 400% tax deductions/allowances on up to SGD 50,000 of qualifying AI expenditures for Years of Assessment (YA) 2027 and 2028.
- The government has also introduced various schemes providing support for businesses, including a Corporate Income Tax (CIT) rebate for YA 2026, enhancement of the Double Tax Deduction for Internationalisation (DTDi) scheme, enhanced grant support for overseas market access, enhanced grant support levels for internationalisation schemes, and enhanced loan quantum under the Enterprise Financing Scheme (EFS).
- The Not-for-Profit Organisation Tax Incentive (NPOTI) scheme, 250% tax deduction for qualifying donations to Institutions of a Public Character (IPCs) and eligible institutions, and the Corporate Volunteer Scheme (CVS) will be extended to ensure that Singapore remains a philanthropic hub, and encourage philanthropic giving and private sector support for charitable causes.

In more detail

Budget 2026 was delivered by Singapore's Prime Minister and Minister for Finance, Mr. Lawrence Wong, on 12 February 2026.

Amid rising geopolitical tensions and a global economy disrupted by technology, Budget 2026 seeks to reinforce Singapore's long-term economic competitiveness while ensuring that domestic tax policy remains in step with global tax developments.

Significantly, Budget 2026 puts to rest any uncertainty to Singapore's continued commitment to implement the Pillar Two rules. One key focus of Budget 2026 is extending and enhancing the government's investment promotion toolkit to continue encouraging businesses to grow and expand their operations in Singapore. On the flipside, a set of enhancements will also be implemented to promote the overseas expansion of Singapore businesses.

In this update, we focus on the key tax changes that will impact businesses in Singapore.

1. Pillar Two updates and changes to key incentive schemes

A. Continued implementation of Pillar Two

Singapore has affirmed that it will proceed with the implementation of the DTT and MTT under Pillar Two of the Organization for Economic Co-operation and Development (OECD) Base Erosion and Profit Shifting (BEPS) 2.0 initiative. The Multinational Enterprise (Minimum Tax) Act 2024 (MMT Act) was enacted in 2024 to implement the MTT and DTT in Singapore from 1 January 2025. The MTT and DTT apply to in-scope multinational enterprise (MNE) groups with a Financial Year (FY) beginning on or after 1 January 2025, and the government expects increased corporate tax collections from FY 2027 onwards as a result.

B. Commitment to update and strengthen Singapore's investment promotion tools

The Prime Minister observed in his Budget Statement that, notwithstanding the global implementation of the BEPS 2.0 initiative, many countries are rolling out generous incentives to encourage the reshoring and onshoring of investments. Singapore must update and strengthen its investment promotion toolkit to remain attractive in today's competitive landscape. Reflecting this imperative, the government has forecast a sharp increase in the MTI's expenditure in this year's Budget, and expects spending to remain elevated in future years.

C. Extension and enhancement of the FTC

The FTC incentive is designed to encourage companies to grow treasury management capabilities and use Singapore as a base for conducting strategic finance and treasury management activities. Approved FTCs enjoy a concessionary tax rate of 8% or 10% on qualifying income derived from qualifying services provided to approved network companies and qualifying FTC activities on their own account using qualifying sources of funds. A WHT exemption is also granted on interest payments made by the FTC under certain specified loans where they relate to the conduct of qualifying FTC services and activities. The FTC is administered by the Economic Development Board (EDB).

Originally scheduled to lapse after 31 December 2026, the FTC incentive will be extended until 31 December 2031. Further, effective for payments made on or after 13 February 2026, the scope of the WHT exemption will be expanded to include interest-like borrowing costs for loans used for qualifying FTC services and activities. The EDB has released a factsheet on 13 February 2026 with further details, including a list of interest-like borrowing costs.

D. Extension and enhancement of the GTP

The GTP is designed to strengthen Singapore's position as a global trading hub, and offers tiered concessionary tax rates of 5%, 10% or 15% on, among others, qualifying income derived by an approved global trading company from international trading activities in qualifying commodities. The GTP is administered by Enterprise Singapore.

Originally scheduled to lapse after 31 December 2026, the GTP will be extended until 31 December 2031. Further, from 13 February 2026, the list of qualifying commodities will be expanded to include Environmental Attribute Certificates. Enterprise Singapore is expected to provide more details by the second quarter of 2026.

Commentary

The Budget Statement affirms Singapore's commitment to the implementation of the MTT and DTT under its Pillar Two rules, putting to rest any uncertainty since the Side-by-Side Package was originally announced by the G7 and the US in September 2025, and the detailed implementation of the same was published by the OECD in January 2026. This is opportune, as it comes at a time when in-scope MNE groups may have been wondering how Singapore would react to these global developments.

Singapore's position is unsurprising, as the Inclusive Framework had clarified that the Side-by-Side Package does not impact the implementation of Qualified Domestic Minimum Top-Up Taxes (QDMTT), including Singapore's DTT regime.

We expect Singapore to adopt the Side-by-Side Package consistent with the details published by the OECD by amending the MMT Act and/or any subsidiary legislation. If implemented, this would include, for example, the Side-by-Side Safe Harbour, which, among others, exempts constituent entities from the MTT (i.e., Singapore's Income Inclusion Rule (IIR)), where the ultimate parent entity is located in a jurisdiction with a Qualified Side-by-Side Regime (e.g., the US).

It is welcome to hear the Singapore government's acknowledgement that the international investment landscape remains competitive and that Singapore must continue to update and strengthen its investment promotion toolkit. It is also encouraging that the government has demonstrated its commitment to refreshing and improving its investment promotion tools by directing a substantial share of the increase in development expenditure to the MTI and by extension, the EDB.

Given that the government did not announce the introduction of any new incentive regimes, it remains to be seen how the increase in expenditure allocation will translate to the enhancement of existing regimes, such as the Refundable Investment Credit scheme, various cash grant schemes, etc. We look forward to seeing further updates from the key Singapore economic agencies, such as the EDB and Enterprise Singapore, and hope that Singapore will continue to strive to remain an attractive business location for global enterprises that are looking to establish or deepen their presence here.

Apart from the above, the extension and enhancement of the existing FTC incentive and GTP are welcome moves and signal the government's commitment to maintaining and strengthening Singapore's position as a finance and treasury hub, and a global trading hub.

2. Enhanced support for businesses

A. Enhanced EIS for AI expenditure

The EIS currently provides businesses with 400% tax deductions/allowances on qualifying expenditures on activities such as research and development, registration, acquisition and licensing of intellectual property rights, innovation projects with specified partner institutions, etc.

To support businesses undertaking AI transformation, the EIS will be enhanced by introducing an additional qualifying activity for qualifying AI expenditures for YAs 2027 and 2028. Specifically, businesses will be able to claim tax deductions/allowances of 400% on up to SGD 50,000 of qualifying AI expenditures incurred for each YA. Additionally, the list of partner institutions for carrying out innovation projects will be expanded to include the Sectoral AI Centre of Excellence for Manufacturing.

Inland Revenue Authority of Singapore (IRAS) is expected to provide more details by 30 June 2026.

B. 40% CIT rebate

A CIT rebate of 40% of CIT payable will be granted for YA 2026. Active companies that have made Central Provident Fund (CPF) contributions to at least one local employee in calendar year 2025 will automatically receive a minimum benefit of SGD 1,500 as a CIT rebate cash grant. The aggregate benefit of the CIT rebate and cash grant is capped at SGD 30,000. Eligible companies will automatically receive the benefits from the second quarter of calendar year 2026 onwards.

C. Enhancement of DTDi scheme

The DTDi scheme supports businesses in their internationalisation efforts and allows businesses to claim a 200% tax deduction on eligible expenses incurred on qualifying market expansion and investment development activities. To further support internationalisation efforts, the DTDi scheme will be enhanced starting from YA 2027.

The expenditure cap for claims that may be filed without prior approval will be raised from SGD 150,000 to SGD 400,000 per YA from YA 2027. The scope of claims which 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 new qualifying activities:

- (a) Investment feasibility/due diligence studies
- (b) Master licensing and franchising
- (c) Market surveys/feasibility studies
- (d) Overseas business development
- (e) Production of corporate brochures for overseas distribution

Businesses can continue to apply to Enterprise Singapore or the Singapore Tourism Board for expenses exceeding SGD 400,000 per YA or expenses incurred on overseas trade office and e-commerce campaigns. Enterprise Singapore is expected to provide more details by the second quarter of 2026.

D. Enhanced 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 Small and Medium Enterprises (SMEs) at a support level of up to 50% of eligible costs, capped at SGD 100,000 per company per new market. This was scheduled to lapse after 31 March 2026.

From 1 April 2026, the MRA grant will be further enhanced as follows:

- (a) The grant support level will be increased. Local SMEs will receive support of up to 70% of eligible costs, with the higher support level applicable until 31 March 2029.
- (b) The enhanced grant cap of SGD 100,000 will be extended, and local SMEs will continue to receive grant support of up to SGD 100,000 per company per new market.

From the second half of 2026, the “new to target overseas market” criterion of the MRA grant will be removed, and local enterprises will be able to receive grant support to deepen their presence even in their existing overseas markets. This will be implemented as part of Enterprise Singapore’s refresh of its grant schemes.

Enterprise Singapore is expected to provide more details by the second half of 2026.

E. Enhanced 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. This will apply to the following grants:

Grant scheme	Description
Business Adaptation Grant (until 6 October 2027)	To help local enterprises impacted by tariffs to adapt their business operations and strengthen supply chain resilience through advisory and reconfiguration support.
Global Innovation Alliance (GIA) schemes	To support Singapore-based startups to expand overseas, through participating in market access programs and connecting with in-market experts, with a focus on technology and innovation.

F. Enhanced loan quantum under the EFS

The EFS enables Singapore enterprises to access financing more readily across all stages of growth. From 1 April 2026, the maximum loan under the EFS — SME Fixed Assets Loan and EFS — Trade Loan facilities will be enhanced, as follows:

Facility	Current maximum loan quantum	Revised maximum loan quantum
EFS — SME Fixed Assets Loan To finance Singapore enterprises’ investments in domestic and overseas fixed assets	<ul style="list-style-type: none"> SGD 30 million per borrower and borrower group. Subject to an overall loan exposure limit of SGD 50 million per borrower group across all EFS facilities. 	<ul style="list-style-type: none"> The borrower and borrower group caps for each loan facility will be lifted. Subject to an overall loan exposure limit of SGD 50 million per borrower group across all EFS facilities.
EFS — Trade Loan To support Singapore enterprises’ trade financing needs, which include the financing of short-term import, export, and guarantee needs.	<ul style="list-style-type: none"> SGD 10 million per borrower and SGD 20 million per borrower group. Subject to an overall loan exposure limit of SGD 50 million per borrower group across all EFS facilities. 	

Commentary

Two of the key themes from the Budget Statement were advancing Singapore’s refreshed economic strategy and harnessing AI as a strategic advantage.

While the widening of the EIS' scope to include qualifying AI expenditures is a welcome change for businesses seeking to harness AI and provides economic incentives for them to do so, the enhanced scheme will likely be more helpful for SMEs seeking to adopt and integrate AI into their businesses, given the cap of SGD 50,000. A question also remains as to the scope of qualifying AI expenditures, as no further details have been provided on this point at this time, and we will need to await IRAS to provide further details in mid-2026.

The 40% CIT rebate, while slightly lower than last year, should still provide some relief for businesses in managing any short-term cost pressures or operational challenges.

The enhanced support schemes for internationalisation facilitate businesses seizing opportunities abroad, and equip them in dealing with challenges such as navigating unfamiliar regulations and adapting to different business practices. The schemes alleviate some of these pressures and provide businesses with the necessary support not just to access new markets, but to continue deepening their presence in existing markets abroad.

3. Strengthening Singapore as a philanthropy hub

A. Extension of the NPOTI scheme

The NPOTI scheme grants an income tax exemption on qualifying income derived by an approved Not-For-Profit-Organisation (NPO). The scheme is administered by the EDB and is designed to encourage NPOs with a primarily global or regional mandate to conduct substantive activities in Singapore and generate positive spin-offs through partnerships with philanthropic partners in Singapore.

Originally scheduled to lapse after 31 December 2027, the NPOTI scheme will be extended to 31 December 2032.

B. Extension of the 250% tax deduction for qualifying donations to IPCs and eligible institutions

Currently, donors are eligible for a 250% tax deduction for qualifying donations made to IPCs and eligible institutions.

Originally scheduled to lapse for donations made after 31 December 2026, the deduction will be extended to 31 December 2029.

C. Extension of the CVS

Under the CVS, businesses carrying on a trade or business in Singapore can claim 250% tax deductions (up to an annual cap of SGD 250,000 per business per YA, and SGD 100,000 per IPC per calendar year) on qualifying expenditure incurred in respect of sending their qualifying employees to volunteer at or to provide services to IPCs, or seconding their qualifying employees to IPCs.

Originally scheduled to lapse for expenditure incurred after 31 December 2026, the tax deductions under the CVS will be extended to 31 December 2029.

Commentary

The extension of the NPOTI scheme demonstrates the government's commitment to strengthening Singapore as a philanthropic hub and ensures that the country remains an attractive destination for NPOs with a global or regional mandate. This is complemented by the extension of the 250% tax deduction for qualifying donations to IPCs and the CVS, which encourages philanthropic giving and greater private sector support for charitable causes.

4. Other tax changes

A. Extension of WHT exemptions for the financial sector

Generally, interest payments made to non-resident persons are subject to WHT at a rate of 15%. A range of WHT exemptions is available to financial institutions 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), which are scheduled to lapse after 31 December 2026, will be extended until 31 December 2031:

- (a) All payments under Section 12(6) of the Income Tax Act 1947 made by specified entities for the purpose of their trade or business
- (b) Payments on structured products offered by financial institutions in Singapore
- (c) Payments on over-the-counter financial derivatives made by qualifying financial institutions
- (d) Payments made under cross currency swap transactions by Singapore swap counterparties to issuers of Singapore dollar debt securities

- (e) 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
- (f) Specified payments made under securities lending or repurchase agreements by specified institutions
- (g) Payments made under interest rate or currency swap transactions by the Monetary Authority of Singapore (MAS)

MAS is expected to provide more details by the second quarter of 2026.

B. Lapse of the Investment Allowance for Emissions Reduction (IA-ER) scheme

The IA-ER scheme grants an investment allowance to companies for capital expenditure on approved projects that improve energy efficiency or reduce greenhouse gas emissions.

The IA-ER scheme will be allowed to lapse after 31 December 2026.

C. Lapse of the double tax deduction for qualifying upfront costs attributable to rated retail bonds

Bond issuers that are carrying on a trade or business in Singapore can claim a 200% tax deduction on qualifying upfront costs incurred on or after 19 May 2021 that are attributed to retail bonds issued from 19 May 2021 to 31 December 2026 (both dates inclusive) under the Seasoning Framework and Exempt Bond Issuer Framework.

The double tax deduction scheme for rated retail bonds will be allowed to lapse after 31 December 2026. Other schemes such as the Qualifying Debt Securities (QDS) scheme and the Global-Asia Bond Grant scheme continue to be available to bond issuers.

Commentary

The tax changes are part of Singapore's constant re-evaluation of its existing tax incentives and schemes. Businesses undertaking activities that are supported by Singapore's policies should still be able to rely on schemes and incentives offered by the Singapore government. For example, businesses may consider schemes such as the Resource Efficiency Grant for Emissions for support on energy efficiency projects, or the QDS and Global-Asia Bond Grant scheme for relevant financing transactions.

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