Building a Future-Ready Singapore:

Transformation | Technology | Trust

2026 Budget Recommendations

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Foreword

Foreword

Singapore stands at a pivotal juncture amidst rapid global transformation, evolving trade dynamics and technological advancement. To secure our nation's future competitiveness and resilience, it is essential to strengthen our economic foundations and adapt proactively to emerging opportunities and risks.

Recent economic indicators present a nuanced outlook. Singapore's economy grew by 4.8% in 2025, up from 4.4% the year before[1] but the Ministry of Trade and Industry projects a slower pace of 1% to 3% in 2026.[2]

Business sentiment, as reflected in the Singapore Business Federation's National Business Survey 2025 – Annual Business Sentiments Edition (NBS 2025), remains cautious – 37% anticipate deteriorating macroeconomic conditions, compared to 14% expecting improvement over the next year.[3]

Against this backdrop, SBF-PwC's Budget 2026 recommendations are designed to build a Future-Ready Singapore – one that is globally competitive, sustainable and inclusive. The focus is on creating a conducive environment to help companies build capabilities to leverage technology, expand overseas, decarbonise and be socially responsible.

The recommendations emphasise the need to maintain the pace of Transformation at both the firm/sector level and the individual/ workforce level. Structural and business model changes are needed for our firms to remain competitive, with jobs evolving alongside and workforce skills upgraded to stay relevant.

Technology is central to the transformation – the ability of our firms and workers to leverage frontier technology, in particular AI and robotics, will determine whether we drift into slow, mature growth, or leap onto the next "S-curve" to overcome our immutable constraints in land, manpower and carbon.

Amidst increased geopolitical contestations, tariff fights and global policy chaos, Trust is the new gold. We have prospered as a safe harbour, and as a regional hub for trade, services and human capital.

We need to enhance our attractiveness as a global/regional hub as competition heats up while building capabilities to capture flows of the new economy in innovation, sustainability and regional economic integration. Finally, businesses need to earn the social licence to operate and play their part in building an inclusive society.

[1] Singapore's GDP grew by 5.7 per cent in the fourth quarter of 2025 and by 4.8 per cent in 2025, Ministry of Trade and Industry, 2 January 2026

[2] MTI upgrades GDP growth forecast for 2025 to "around 4.0 per cent" and forecasts GDP growth of "1.0 to 3.0 per cent" for 2026, Ministry of Trade and Industry, 21 November 2025

[3] SBF National Business Survey 2025 - Annual Business Sentiments Edition, SBF

The recommendations are structured around five key areas:

A. Ease resource constraints

Businesses must navigate a high-cost environment driven by resource constraints that challenge their viability and transformation efforts. Our recommendations focus on boosting senior employment, enhancing flexibility in foreign manpower management to address manpower shortages, implementing targeted measures to ease decarbonisation transition costs and alleviate overall business cost pressures on local enterprises.

B. Break growth bottlenecks

To accelerate innovation-led and scalable growth, our recommendations seek to broaden technology adoption across enterprises, with a focus on empowering SMEs through targeted R&D incentives and accelerating AI adoption. We believe the green transition presents opportunities, but businesses need to be better guided and supported. Businesses also need help adapting to the more complex global trade environment and be encouraged to scale inorganically through M&A.

C. Strengthen hub status

Singapore's global hub status for headquarters activities and asset management is facing rising competition and global regulatory changes. To stay competitive, our recommendations focus on modernising tax incentives, enhancing workforce flexibility for HQs of service providers, and supporting innovation in asset and wealth management.

D. Capture new flows

To sustain its role as a global hub, Singapore must not only compete for traditional cross-border flows of trade, investment, and talent, but also develop new capabilities to capture emerging opportunities in innovation and the green economy—especially as it prepares to chair ASEAN in 2027. Our recommendations seek to build Singapore into an IP Financing Hub and Carbon Credit Trading Hub and contribute towards ASEAN economic integration.

E. Build an inclusive Singapore

To foster an inclusive and resilient Singapore, businesses should play a greater role in social sustainability by supporting vulnerable communities and promoting workforce harmony. Our recommendations seek to catalyse business participation in CSR activities with a focus on corporate volunteering and supporting employment of vulnerable groups, as well as stepping up efforts to foster integration of foreign professionals at workplaces.

Collaboration between Government, businesses and workers is central to build a Future Ready Singapore. By working together, we can align expertise and resources to keep Singapore's status as a dynamic global hub intact. We will need to build trust among stakeholders through more intentional collaborations, co-sharing of risks and pooling of resources in execution. We invite all partners to play an active role in shaping Singapore's future.

By harnessing the strengths of our economy and embracing forward-thinking strategies, Singapore can transform challenges into opportunities. Our collective efforts will drive Singapore's evolution into a dynamic hub of innovation and inclusivity. As we advance these initiatives, we must remain committed to creating a resilient and equitable society, ensuring that every Singaporean and every business operating here can thrive in a rapidly changing world.

Marcus Lam

Executive Chairman

PwC Singapore

Kok Ping Soon

Chief Executive Officer

Singapore Business Federation

Our recommendations

A. Ease resource constraints

1. Increase senior employment
2. Increase access to foreign manpower
3. Mitigate decarbonisation transition costs
4. Extend Corporate Income Tax (CIT) Rebate

B. Break growth bottlenecks

1. Accelerate technology innovation in SMEs
2. Hasten AI diffusion to SMEs
3. Achieve economy-wide adoption of InvoiceNow
4. Support businesses' decarbonisation
5. Help businesses adapt and innovate in a more complex global trade environment
6. Facilitate companies to accelerate growth via M&A

C. Strengthen hub status

1. Enhance Singapore's attractiveness as a global/regional HQ hub
2. Reinforce Singapore's position as an asset and wealth management hub

D. Capture new flows

1. Develop Singapore as an IP financing hub
2. Establish Singapore as a carbon credit trading hub
3. Accelerate ASEAN economic integration

E. Build an inclusive Singapore

1. Catalyse corporate social impact
2. Incentivise corporate volunteering
3. Foster inclusion of foreign professionals at workplaces

02

Ease resource constraints

A. Ease resource constraints

Businesses in Singapore are under mounting pressure from resource constraints as they navigate structural shifts. According to NBS 2025,[4] the Business Sentiment Index (BSI) slipped to 52.2 in Q3 from 55.4 in Q2.

Some 63% of businesses cited rising manpower costs as their top challenge in NBS 2025. These pressures are compounded by demographic and labour market trends. Singapore's workforce participation has dipped to 67.9% in 2025,[5] reflecting an ageing population and tighter labour supply, while unemployment has inched up to 2.9% in June from 2.8% in March.[6] At the same time, employers are struggling to fill roles, with 83% reporting difficulty hiring skilled talent.[7]

Environmental costs add another layer of complexity. Singapore's carbon tax is expected to increase further in the coming years. SMEs cited customer uncertainty, rental costs and utilities among their top business challenges and sources of cost increases.

Taken together, the outlook on profitability remains under strain with only 4% of businesses reporting an increase over the past year compared to 34% that experienced a decline.[8] Both targeted and broad-based measures are therefore needed to alleviate increased business costs arising from our resource constraints amidst economic uncertainties.

[4] SBF National Business Survey 2025: Annual Business Sentiments Edition, SBF
[5] Labour force in Singapore advance release 2025, Ministry of Manpower, 28 November 2025
[6] Singapore unemployment rate rises for under-30s, over-60s in second quarter, cna, 17 September 2025
[7] 83% of employers in Singapore struggle with finding skilled talent in 2025, Manpower, 24 January 2025
[8] Business confidence continues to slide with cautious outlook for 2026, SBF, 27 November 2025

A1. Increase senior employment

Singapore's plan to progressively raise retirement and re-employment ages to 65 and 70, respectively, by 2030 presents distinct challenges for businesses. Existing initiatives like the Senior Employment Credit and Part-Time Re-employment Grant provide foundational support but fail to address complex sectoral and operational challenges. Heightened insurance and safety concerns, the lack of practical implementation guidance for employers, insufficient job-matching platforms, low upskilling rates among seniors and persistent age bias hinder an improvement in senior participation rates in the labour force.

We have six recommendations to increase senior employment.

A1a. Develop sector-specific senior employment packages with aligned incentives and practical tools

We recommend a public-private effort to co-develop frameworks and implementation playbooks to promote hiring of seniors, incorporating actionable steps, case studies and model policies. These resources must be adaptable to sector-specific norms and firm sizes, including HR and operational guidelines for companies in physically demanding sectors to ensure safe, flexible and productive employment models for older workers. Trade Associations and Chambers (TACs) should be resourced to provide targeted support for SMEs navigating workforce transitions due to an ageing employee base, offering tailored advisory services and diagnostic tools to assess readiness and implementation needs.

A1b. Strengthen job matching and skills enablement infrastructure for seniors

We recommend funding modular, job-relevant training pathways for seniors with streamlined course navigation and a focus on emerging growth sectors. Employers should be equipped with workflow-level diagnostic toolkits to help identify appropriate roles and upskilling opportunities for senior employees. Additionally, market gaps arising from job placement agencies not being incentivised to support fractional over full-time roles should be addressed.

A1c. National campaign and recognition of senior-inclusive workplaces

We recommend launching a national campaign to reduce age-based stigma and raise awareness of the business case for senior employment, backed by sector-specific success stories and data on productivity and health outcomes. The Government could recognise and elevate sectoral champions and inclusive employers through awards, case features and peer learning platforms to drive mindset shifts.

A1d. Government to lead by example in senior-inclusive hiring and workplaces

The Government should lead by example in senior-inclusive hiring and workplaces by updating public sector HR policies to institutionalise flexible, age-inclusive practices, including fractional and portfolio roles as a model for the private sector. Demonstrating these approaches will showcase the benefits of age diversity, foster a culture of flexibility and encourage broader adoption by businesses, thereby enhancing workforce adaptability, driving economic growth and strengthening social cohesion.

A1e. Targeted help for senior workers in technology roles

Senior workers in technology-driven fields, such as engineering, IT and software development, face a higher risk of displacement due to the rapid pace of technological change. While automation and AI often impact specific tasks rather than entire jobs, the speed of technological evolution demands targeted support. A boot-camp-like programme to upskill senior workers in new tools and technologies can help mitigate the increased risk of displacement for this category of workers.

A1f. Support SMEs in managing health and insurance costs of ageing workforce

We recommend three measures to address health and insurance costs for SMEs with ageing employees to ensure operational sustainability and promote older worker retention.

(i) Introduce a one-time Employer Health Rebate to replace tax deductions, as many SMEs cannot fully benefit from deduction-based relief. A one-time rebate for qualifying medical costs would provide immediate cashflow support, sustain healthcare investment amidst rising costs and streamline fragmented schemes.

(ii) Provide a Healthcare Productivity Grant to fund workplace redesign, including ergonomic equipment, safety automation and health-promotion measures that reduce injuries, medical claims, absenteeism and insurance costs while supporting the safe retention and productivity of older workers.

(ii) Set up a National SME-Pooled Insurance Scheme to stabilise premiums through a government-facilitated, opt-in insurance pool that aggregates risk across SMEs, reducing premium volatility and long-term cost pressures.

A2. Increase access to foreign manpower

Ensuring access to skilled foreign manpower is critical as businesses face rising costs and sectoral pressures. According to NBS 2025, 45% rank foreign manpower policies that raise costs among their five biggest challenges. The impact is most pronounced in Manufacturing, Construction & Civil Engineering, and Logistics & Transportation sectors.[9] Some 32% of businesses are unable to reduce dependence on foreign manpower, while 41% face stricter supply limits under current policies.[10]

Businesses acknowledged the need to raise qualifying salaries and levies for S Pass holders, aligning them with the top one-third of local Associate Professionals and Technicians (APT) wages and ensure a level playing field for locals.

To help businesses adjust to the S Pass moves, the Government had introduced the Non-Traditional Sources Occupation List (NTS OL), enabling Services and Manufacturing firms to hire Work Permit Holders (WPHs) from non-traditional sources such as Thailand and the Philippines for selected roles that are less localisable. Businesses welcomed the inclusion of manufacturing operator roles under the NTS OL announced in Budget 2025.

The Government has also allowed cross-deployment of foreign workers within the same sector for firms in the Construction and Process sectors, and between wholly owned companies in the Manufacturing and Services sectors. This flexibility allows businesses to manage labour efficiently across operational peaks and lulls.

We have two recommendations to further enable businesses to access skilled foreign workers and optimise the existing foreign manpower pool in Singapore.

[9] SBF National Business Survey 2025: Manpower & Wages Edition, SBF
[10] Ibid.

A2a. Expand the NTS OL to include more roles in Civil Engineering, Manufacturing & Logistics

We recommend expanding the NTS OL further to allow access to higher-skilled WPHs in the Construction & Civil Engineering and Logistics & Transportation sectors. Based on SBF's 2025 National Business Survey (Manpower and Wages Edition), 45% and 47% of businesses in the respective sectors plan to continue workforce expansion over the next 12 months,[11] while facing significant upskilling challenges, and cost pressures from current foreign manpower policies. This expansion would provide critical labour market flexibility, helping firms in these sectors manage cost pressures while investing in productivity improvements and workforce transformation.

A2b. Allow greater flexibility in cross-deployment of foreign workers

We recommend allowing foreign workers to be deployed between majority-owned entities operating in different sectors with the same Dependency Ratio Ceiling (DRC), such as between Construction and Process sectors. Additionally, cross-deployment could be permitted from sectors with stricter DRCs to those with looser DRCs. For example, from Services to Manufacturing, enabling businesses to optimise workforce allocation across related operations.

Cross-deployment of foreign workers should also be allowed between firms with strategic contractual ties, such as subcontractors or supply chain partners. This provides greater flexibility for businesses operating within integrated supply chains and supports more efficient workforce management across collaborative networks.

[11] National Business Survey 2025: Manpower & Wages Edition, SBF

A3. Mitigate decarbonisation transition costs

Singapore's sustainability agenda has made meaningful progress, underpinned by strong growth in green finance and rising investor demand for ESG-integrated strategies. However, as regulatory pressures intensify, businesses face difficult choices in trying to comply while simultaneously staying competitive.

Key sectors, particularly those that are hard to abate or emissions-intensive, face complex, industry-specific challenges that cannot be addressed through generic approaches. Targeted capability building is essential to close technical knowledge gaps and support effective transition planning.

Looking ahead, rising carbon taxes present a significant cost burden. Policy flexibility will be crucial to balance environmental objectives with economic realities, ensuring businesses remain viable while advancing Singapore's climate ambitions.

We have three recommendations to retain our economic competitiveness even as we strive towards fulfilling Singapore's net-zero target by 2050.

A3a. Increase carbon credit offsetting cap from 5% to 10%

Under Singapore's carbon tax regime, companies may use high-quality international carbon credits (ICCs) to offset up to 5% of taxable emissions from 2024. This helps cushion the impact for companies that can source eligible carbon credits in a cost-effective manner, creates local demand for high-quality credits and catalyses the development of well-functioning and regulated carbon markets.

We recommend raising the carbon credit offset cap from 5% to 10%. This adjustment will provide flexibility for large emitters, stimulate carbon market growth and support Singapore's ambition to be a global carbon trading hub while balancing economic impact with sustainability goals. To support this, we urge the Government to accelerate efforts to expand international carbon credit supply under Singapore's International Carbon Credit Framework.

A3b. Expand decarbonisation support to businesses

With carbon taxes increasing from S$25 to S$45 per tonne in 2026 and projected to reach S$50 to S$80 by 2030,[12] energy costs could increase by 12% to 20%. Higher energy costs will exacerbate cost pressures on SMEs.

Higher carbon taxes will also disproportionately affect Energy-intensive and Trade-exposed (EITE) sectors such as chemicals and refining. For such sectors, Singapore's cost structure will grow increasingly uncompetitive relative to regional peers. Unlike many of these other jurisdictions, the impact of these higher taxes is not offset by comparable indirect cost compensation schemes. At the same time, decarbonisation pathways for these sectors are complex, costly and in some cases too nascent. For example, next-generation heating technologies remain at mid-range Technology Readiness Levels (TRLs). Such sectors are thus caught in a catch-22 where costs are rising but the business case for investing in decarbonisation is not there.

To alleviate this, we recommend the following:

(i) Introduce carbon tax vouchers for SMEs to cushion the impact of higher carbon taxes on electricity prices. If necessary, these could be tiered based on SME size.

(ii) Expand the scope and coverage of Enterprise Singapore's Energy Efficiency Grant and address sectoral-level and equipment restrictions to enable broader participation and increase utilisation.

Develop alternative funding modalities such as climate credits, vouchers, or Contracts for Difference (CfDs) to lower upfront costs for businesses and support projects where abatement costs exceed prevailing carbon prices.

(iii) Channel part of the carbon tax revenue to a Decarbonisation Fund to support decarbonisation projects in the EITE sectors. As these sectors contribute the lion's share of revenue for carbon taxes and face significant challenges in decarbonisation; such funding would help spur decarbonisation efforts which would be the most needle-moving in reducing Singapore's carbon footprint.

(iv) Moderate the pace of compliance requirements and accelerate support measures, including for example, carbon tax allowances for the EITE sectors benchmarked against regional competitors, to avoid eroding our competitive advantage and imposing an unnecessarily high compliance burden on Singapore-based firms.

(v) Develop systems and schemes to enhance visibility of energy costs through utility billing systems that display carbon cost breakdowns and projected tax impacts. This will strengthen adoption and maximise business uptake of existing energy efficiency support measures. In addition, introduce carbon intensity labels for energy products on a life-cycle basis to enable transparent, comparable information for customers in Singapore and the region.

[12] The Big Read: Can a higher carbon tax lead Singapore to the promised green land?, cna, 7 March 2022

A3c. Lower the carbon tax upper target between 2028-30 from S$80 to S$50

To support business readiness and effective transition planning, we recommend that the Government provide greater clarity on the carbon tax trajectory between 2028–2030 and guidance on the longer-term pathway beyond 2030. This will enable businesses to incorporate future carbon costs into multi-year energy contracts, operational and investment decisions.

We recognise that the Government may not be able to stipulate exact figures at this stage and may choose to retain flexibility amidst global economic uncertainties. Nonetheless, we recommend narrowing the current wide band of S$50–S$80 per tonne to a more certain range for 2028–2030. Given global macroeconomic and geopolitical uncertainties, setting the band closer to S$50 would help reduce operating costs while providing businesses with a clear financial rationale to reduce their carbon footprints.

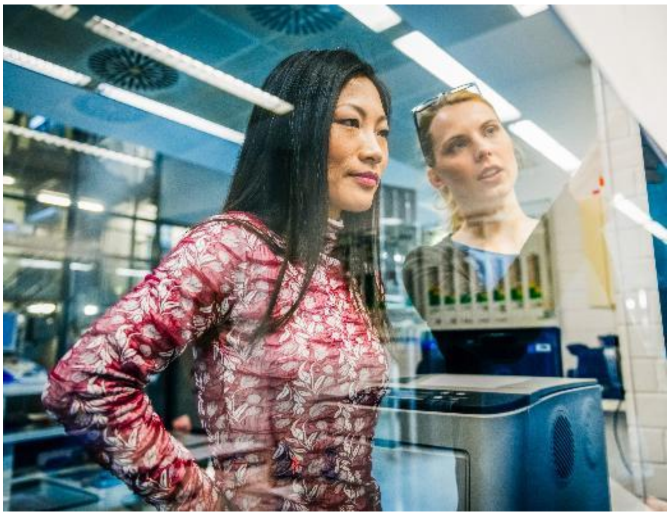
A4. Extend Corporate Income Tax (CIT) Rebate

While the Singapore economy has performed better than expected in 2025, the global economic outlook remains uncertain. We recommend maintaining the CIT Rebate at 50% of income tax payable for all taxpaying companies for year of assessment (YA) 2026, with an increased cap to better support SMEs as they tackle the economic uncertainty. To further ease cashflow pressures, this should be accompanied by a CIT Rebate Cash Grant for smaller companies with low or no tax payable.

03

Break growth bottlenecks

B. Break growth bottlenecks



The current economic climate calls for bold strategies to reignite growth. Rising costs and global uncertainties have tempered optimism, yet opportunities abound for businesses willing to innovate.

Compared to the last 12 months, NBS 2025 shows strong increases in business intentions in expanding into overseas markets (+11%), re-engineering business processes (+8%), and diversifying supply chains (+7%).[13]

PwC's Global Investor Survey 2025: Singapore highlights found that 91% of Singapore-focused respondents observed marked improvements in AI-led productivity over the past year in companies they invested in or covered.[14]

We need to step up efforts to break the bottlenecks constraining the growth of our businesses, particularly SMEs in leveraging technology, capturing green opportunities, expanding overseas and scaling through acquisitions.

B1. Accelerate technology innovation in SMEs

Singapore can boost tech innovation by strengthening SME readiness for advanced R&D and creating a supportive environment for in-house research, thereby fostering competitiveness, growth and global leadership in technology.

B1a. Increase accessibility of public R&D expertise through 'Lite' versions of "T-Up" or "Scale-Up"

A*STAR currently supports local innovation champions primarily through the T-UP and Scale-Up programmes, which focus on deep technology development, strong IP creation and start-ups with significant R&D potential.

However, a large segment of promising SMEs does not yet meet the criteria for these programmes. Many are poised for transformation but require targeted, lower-touch support to achieve the level of technological sophistication needed for deeper innovation partnerships.

We recommend partnerships between our Research Institutes and suitable TACs on a "T-UP Lite" or "Scale-Up Lite" programme to help SMEs overcome scaling barriers through technology adoption complemented by strengthened business model readiness.

[13] National Business Survey 2025 - Annual Business Sentiments edition, SBF

[14] PwC's Global Investor Survey 2025: Singapore highlights, PwC Singapore, 9 December 2025

TACs could play the role of a strategic business advisor and sector connector to identify SMEs with clear needs, potential and ambition. The programme could comprise three progressive components:

1. Business-needs assessment to clarify pathways for scaling.
2. Technology advisory and roadmapping, leveraging A*STAR's STORM methodology and SIMTech expertise.
3. Pilot micro-projects enabling short-term feasibility studies or prototyping with A*STAR engineers.

Success metrics would be defined for each case, and SMEs that meet these benchmarks could graduate into full T-UP or Scale-Up programmes, ensuring continuity and deeper value creation. This approach reinforces Singapore's broader objective of helping SMEs become globally competitive, IP-generating enterprises.

B1b. Incentivise in-house R&D activities

R&D is the backbone of innovation, driving economic growth, fostering technological advancement and securing a competitive edge in the global market. However, the costs of conducting R&D can be significant for businesses.

Currently, in-house R&D expenditure in Singapore qualifies for a 100% tax deduction under section 14C and enhanced deductions under section 14D. These provisions, however, exclude expenses specifically prohibited under section 15 of the Income Tax Act (ITA), such as share option costs and depreciation. While non-deductible under section 15, these costs are critical and unavoidable for the success and viability of in-house R&D projects.

In contrast, businesses may claim a tax deduction on the full amount of service fees incurred for outsourced R&D, creating a disparity in tax treatment between in-house and outsourced R&D.

To incentivise in-house R&D activities and support related employment in Singapore, we recommend introducing an administrative concession that allows expenditure (including prescribed section 15 expenses) incurred for in-house R&D activities in Singapore to qualify for a 100% deduction under sections 14C and 14D. This measure would eliminate the current disparity and strengthen the competitiveness of Singapore-based businesses in innovation.

B2. Hasten AI diffusion to SMEs

According to the IMDA Singapore Digital Economy Report 2025, 95% of SMEs have adopted at least one of six measured digital areas in 2024, with an average of 2.3 areas.[15] However, SMEs' adoption of AI at 14% is much lower than the larger companies at 60%.

Accelerating AI adoption in SMEs is essential to enhance productivity, competitiveness and innovation. For SMEs, where resources and time are often limited, AI acts as a "force multiplier". The biggest AI opportunity is automating routine tasks to significantly boost efficiency, cut costs, and free up time for strategic growth. However, SMEs are deterred by the high costs of implementation, the complexity of AI solutions and a lack of relevant talent.

We have three recommendations to increase SMEs adoption of AI solutions.

B2a. Enhance Productivity Solutions Grant (PSG) with an AI booster add-on

The use of basic pre-approved solutions is no longer sufficient for the next bound of digitalisation. Solution providers are also innovating rapidly, introducing new features and functionalities such as AI-powered services. Businesses increasingly require customised solutions and the flexibility to combine different offerings to achieve integrated end-to-end outcomes.

The subscription-based nature of Software as a Service (SaaS) solutions means existing features are frequently upgraded or new functionalities are added. However, current PSG support for subscription-based solutions is limited to one year, requiring companies to bear significant additional costs to maintain subscriptions thereafter. Furthermore, the current PSG framework mandates that solutions be delivered exactly as detailed in the pre-approved package, restricting access to useful updates for businesses already utilising PSG-supported solutions.

We recommend introducing a PSG-Plus scheme with greater flexibility to support SMEs in the next phase of their digitalisation journey with the following features:

(i) Support for modular add-ons

New features or modules launched for existing PSG-supported solutions should be eligible for support at prevailing PSG rates. For example, if a new AI-powered feature is introduced at S$10,000 per year for an existing HR Management System, subscribers should be able to apply for an add-on grant covering 50% of the feature cost (i.e., S$5,000). Alternatively, the Government could provide an additional grant cap (e.g., S$10,000 per lifetime of the adopted solution) on top of the current PSG cap to encourage timely adoption of the latest technologies.

[15] Singapore's digital economy at 18.6% of GDP, up from 14.9% in 2019; growth fuelled by accelerating digitalisation and AI adoption across sectors and firms, IMDA. The six digital areas are Cybersecurity, Cloud, E-payment, E-commerce, Data Analytics and AI.

(ii) Greater flexibility for customisable packages

The PSG currently allows vendors to create up to five fixed packages but does not offer flexibility to mix and match different offerings. To better support businesses with diverse needs, PSG should allow vendors to curate packages that include a range of modular options, including professional services to assist with integration into existing systems. This is crucial as even mid-sized projects often require system integration, such as connecting a new order processing platform with existing customer relationship management systems to achieve meaningful productivity gains.

(iii) Wallet-mode funding mechanism

We recommend introducing a wallet-mode funding mechanism like the SkillsFuture Enterprise Credit (SFEC), giving SMEs a pool of technology adoption credits for PSG-supported solutions. This gives agency to businesses to draw down funds as needed across multiple projects and timeframes, providing greater flexibility for phased digital transformation journeys and reducing the administrative burden of multiple grant applications.

B2b. Implement sectoral AI pathfinder programmes

The Monetary Authority of Singapore's (MAS) Pathfinder Programme[16] for financial sector AI adoption is instructive in fostering knowledge exchange in AI implementations. Participating financial institutions share their experience implementing AI solutions while also gaining insights from the collective experiences of their peers.

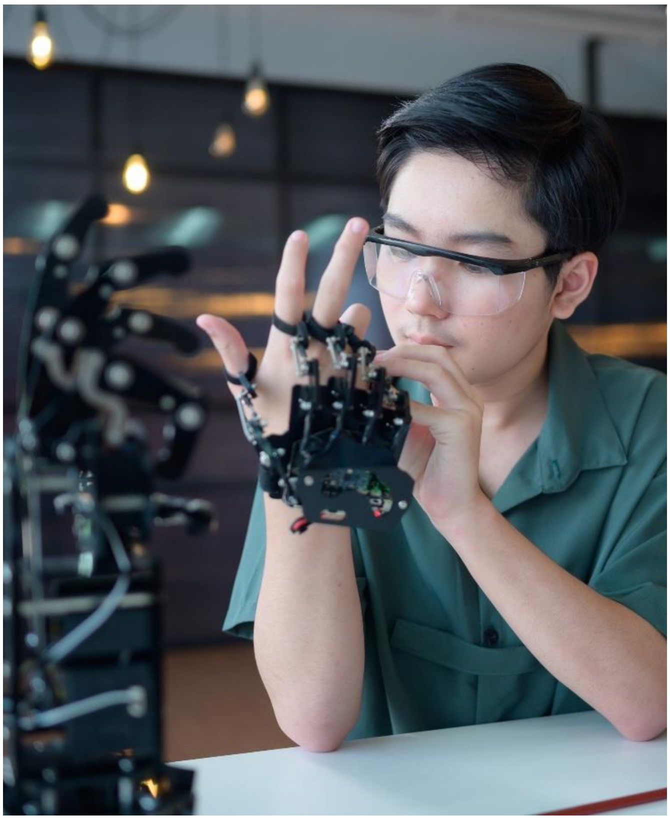
We recommend a similar collaborative approach between the relevant sectoral agencies and their TACs to create a knowledge hub showcasing adoption examples and case studies, while leveraging consultants for deeper engagement with SMEs. The hub would serve as a repository of best practices, offering real-world insights into successful technology implementations.

Engaging SMEs through TACs by sector, size and strategy will ensure broad yet targeted outreach. Each sectoral AI pathfinder programme should also facilitate collaborations between large local enterprises (LLEs) and SMEs for knowledge transfer and co-adoption of proven technology solutions. The programme can leverage Big Tech companies' forward-deployed technical advisers to aggregate common SME use cases across sectors. This will enable the development of plug-and-play AI solutions tailored to recurring business challenges, reducing the need for bespoke development and enabling quicker adoption.

[16] MAS Pathfinder Programme – PathFin.ai, Monetary Authority of Singapore, 1 August 2025

These sector-specific AI solution packs can be supported through existing programmes such as SME Go Digital, PSG and Industry Digital Plans. Pre-screened vendors and clear outcome benchmarks such as cost savings, error reduction and reduced time-to-implement will ensure that benefits of adoption are realised and sustained.

These pathfinder programmes must include upskilling of the right professionals within SMEs. This includes redesigning job roles and workflows to maximise worker productivity, ensuring technology adoption translates into meaningful improvements across the organisation. Through these concerted efforts, SMEs can build trust, enhance digital capabilities and strengthen competitiveness in the marketplace.



B2c. Provide "AI Verify" recognition to pre-vetted solutions to increase trust

SMEs are hesitant to implement AI because of the fast-moving landscape, lack of trust and understanding of how AI works. This can lead to scepticism, with business owners questioning the accuracy of AI-driven insights or hesitating to integrate AI into their operations. The responsibility of building trust in AI should not fall to businesses alone—it requires a collaborative effort among software developers, governments, industry groups and businesses.

We recommend streamlining and integrating "trusted AI" pathways into existing SME support schemes, such as PSG, so that responsible AI adoption becomes easier, faster and more attractive for SMEs.

This can be done by:

1. Embedding simplified, standardised assurance pathways for common SME AI use cases into existing programmes, aligned with the National AI Strategy 2.0 (NAIS 2.0) and current governance frameworks (e.g., Personal Data Protection Act, Data Protection Trust Mark, AI Verify); and

2. Providing clear recognition and commercial upside (e.g., "trusted adopter" status, visibility in supplier programmes) for SMEs that follow these trusted pathways.

Rather than having to navigate new regulations or complex processes, SMEs should be enabled with pre-vetted solutions, clear guidance and tangible business benefits for responsible AI adoption, ensuring trust and compliance are maintained while competitiveness is strengthened.

B3. Achieve economy-wide adoption of InvoiceNow

GST InvoiceNow requirements were introduced in May 2025 for early adopters and became mandatory for newly incorporated businesses applying for voluntary GST registration from 1 November 2025. While rollout plans for the remaining GST-registered businesses are pending further announcements, the Infocomm Media Development Authority (IMDA) and the Inland Revenue Authority of Singapore (IRAS) have been encouraging businesses to plan ahead and join the InvoiceNow journey early.

We have two recommendations to achieve earlier economy-wide adoption of InvoiceNow:

B3a. Provide certainty on rollout timelines with ample lead time for taxpayers

Clear and timely announcements of definitive rollout plans, along with sufficient lead time, will enable businesses to prepare for compliance with GST InvoiceNow requirements. This will also allow them to integrate GST InvoiceNow more effectively into their technology roadmaps and broader business transformation strategies.

B3b. Re-introduce financial support to facilitate adoption of GST InvoiceNow

Previous financial incentives for InvoiceNow adoption have ended, and current support schemes such as the Productivity Solutions Grant (PSG) primarily target SMEs. We recommend expanding financial assistance to include both SMEs and larger enterprises that adopt GST InvoiceNow early. This support should cover integration and additional software costs incurred to align existing processes with GST InvoiceNow requirements. Promoting widespread adoption across all business sizes will help Singapore achieve critical mass participation sooner and fully realise the benefits of a nationwide B2B InvoiceNow network.

B4. Support businesses' decarbonisation

Singapore's transition to a green economy requires coordinated action across sectors to meet net-zero targets and strengthen sustainability capabilities. Businesses need clear guidance, supportive frameworks and skilled professionals to navigate evolving requirements and seize opportunities in the low-carbon future.

We have four recommendations to better support decarbonisation of Singapore businesses.

B4a. Establish public-private Carbon Transition Council and develop sectoral transition roadmap

To strengthen engagement and track progress on net-zero targets among businesses, we recommend establishing a public-private Carbon Transition Council comprising senior government officials and business leaders to oversee businesses' transition plans at a whole-of-economy level.

The Council would oversee sectoral transition plans and horizontal enablers. This could include, for example, developing guidance on sector-specific best practice and roadmaps, and identifying cross-sectoral interdependencies and trade-offs. It should support companies in navigating the mandatory climate-related disclosures, particularly with the imminent shift towards disclosures aligned with the International Sustainability Standards Board (ISSB). This would help reduce duplicative compliance efforts, ease reporting burdens, and promote consistency and clarity in climate-related disclosures across whole-of-Singapore. The Council could also drive efforts on green procurement (see B4b) and development of sustainable financing solutions.

To guide Singapore's long-term net-zero transition, the Council could commission an annual Net Zero Census to assess progress and emerging trends across sectors. Continuous monitoring would enable early identification of decarbonisation challenges, highlight both leaders and laggards, and support timely policy adjustments to keep national strategies adaptive and effective.

This tracking mechanism could also serve as a recurring platform to spotlight industries making strong progress and those requiring additional support, encouraging organisations to actively engage in the net-zero conversation. Such visibility could be a key driver of greater action across sectors.

By modelling the survey on established frameworks such as the UK's Net Zero Business Census (administered by the UK Business Climate Hub in partnership with Planet Mark), Singapore could gain valuable benchmarking insights, offering a clearer pulse check on how our industries compare with peers in leading climate-action nations. In turn, this would provide policymakers and financial institutions with actionable insights, updated on a cyclical basis, to refine policies and fine-tune support measures that enable businesses to advance their net-zero progress.

B4b. Leverage procurement to drive decarbonisation

The introduction of sustainability criteria for the Information and Communications Technology (ICT) and construction sectors has been instrumental in mobilising these industries to adopt and disclose green practices. With the Government committing to incorporating environmental sustainability considerations into all public procurement by 2028 under the Singapore Green Plan 2030, it is crucial to provide greater definition and clarity on green procurement criteria well in advance. This will give businesses early visibility of the intended requirements and sufficient lead time to adjust operations and build the necessary capabilities to comply.

Sustainability requirements should adopt a scaled approach commensurate with procurement quantum. In other countries, obligations apply only to contracts exceeding certain thresholds or within specified industries. For example, the UK's Procurement Policy Note (PPN) 06/21 requires suppliers bidding for major government contracts valued at £5 million or more annually to submit a Carbon Reduction Plan (CRP) demonstrating their commitment to achieving Net Zero by 2050.

Similarly, Australia's Environmentally Sustainable Procurement (ESP) Policy mandates suppliers to submit a Supplier Environmental Sustainability Plan (SESP) only for contracts above specified thresholds in four high-impact categories.

We recommend adopting a similar tiered framework with sustainability requirements scaled according to procurement size. For instance, contracts below S$1 million could begin with reporting basic Scope 1 and 2 emissions, which can be readily calculated using resources such as the Singapore Emission Factors Registry and Gprnt's free disclosure platform. Larger contracts could then incorporate more comprehensive obligations, such as mandating emission reduction targets or requiring specific carbon reduction initiatives. This approach would drive actionable change by incentivising companies of all sizes to strengthen sustainability capabilities to access government contracts. It would also prepare them for the long term, as private sector customers increasingly request sustainability data from suppliers. Ultimately, this would help businesses meet growing market expectations for sustainable offerings while reinforcing the Government's commitment to embedding sustainability in procurement without disadvantaging smaller or local suppliers.

Early definition of these criteria will promote consistent standards across industry, avoiding the need for businesses to navigate differing requirements from multiple buyers. The Government should work with TACs and businesses to support adoption of green procurement practices through a national campaign that connects suppliers and buyers and enables public and private sector "queen bees" to green their SME networks. This can be supported by existing industry-led initiatives, including the National Sustainable Procurement Roundtable, a grouping of sustainable procurers.

B4c. Extend EFS – Green beyond 31 March 2026

Under the Enterprise Sustainability Programme, the EFS – Green scheme is scheduled to end on 31 March 2026. The existing scheme provides financing support to project developers, system integrators, and technology and solution providers that reduce waste, resource use or greenhouse gas emissions, as well as to adopters of green solutions, particularly in clean energy, circular economy, green infrastructure and clean transportation.

Given its role in driving growth within the green economy and enabling the financing of green initiatives, we recommend extending the EFS – Green scheme. This would ensure that companies continue to have access to the financing support needed to invest in and scale their green initiatives, while contributing to the targets set out in the Singapore Green Plan 2030.

B4d. Establish certification body for sustainability professionals

Professionalising sustainability practitioners is critical to Singapore's transition to a green and resilient economy. Ensuring that practitioners possess internationally recognised green skills strengthens Singapore's credibility to deliver on its sustainability targets and contribute to shaping global best practices, supporting the nation's ambition to be a leading regional hub for the green economy.

We acknowledge the important work of the Green Skills Committee (GSC) in preparing Singapore's workforce for a low-carbon future, particularly through its comprehensive report and Skills Plan framework that outline practical pathways to build the capabilities needed to thrive in the green economy. The appointment of SBF as the Skills Development Partner (SDP) for Green Skills by SkillsFuture Singapore (SSG) provides an opportunity to translate this framework into practical measures for companies. Where required, SBF, in its role as SDP, can convene green skills advisory panels to ensure competencies remain relevant and address challenges faced on the ground.

Although the GSC will soon be disbanded, its efforts should be built upon by developing clear pathways to professionalise the sector and uplift the capabilities of Singapore's sustainability workforce.

Drawing on the example of the Institute for Human Resource Professionals (IHRP) – a national HR certification recognising the skills of HR professionals in Singapore – a way forward for green skills would be to leverage globally recognised membership bodies for sustainability professionals while adapting their frameworks to Singapore's context. This ensures that competencies acquired are both locally applicable and internationally recognised.

We therefore recommend establishing a Singapore Institute for Sustainability Professionals in the medium term to provide structured pathways to build a certified community of green professionals. In the interim, SBF could – as SDP for Green Skills – take the initiative to organise and mobilise sustainability professionals in Singapore.

B5. Help businesses adapt and innovate in a more complex global trade environment

Singapore businesses face mounting challenges in a volatile global trade environment marked by tariff shocks, stricter export controls and rising ESG-linked requirements. Building financial resilience, compliance capabilities and innovation in trade infrastructure is critical to help firms adapt swiftly and compete effectively on the international stage.

B5a. Enhance BizAdapt and strengthen trade financing support

Businesses face working capital pressures due to rising global trade tensions and the reimposition of tariffs by major economies. According to NBS 2025[17], one in three Singapore businesses are dissatisfied with the global business environment, citing ongoing uncertainty and expectations of headwinds.

Firms managing supplier switches, buffer stock requirements and dual-running operations during market transitions may face financing gaps. Traditional trade financing mechanisms may be inadequate to meet the liquidity needs created by sudden tariff adjustments, forcing businesses to absorb significant costs or delay critical adaptations. SMEs are particularly vulnerable as they lack the cash reserves and credit lines available to larger corporations.

In October 2025, the Government introduced the Business Adaptation Grant (BizAdapt) to help enterprises adapt their operations and strengthen supply chain resilience through advisory and reconfiguration support, capped at S$100,000. We propose two enhancements to the current measures.

(i) First, in addition to tariff adaptation, BizAdapt should be expanded to address tightening export controls and dual-use goods regulations. Global scrutiny of strategic goods such as semiconductors and AI-related technologies is intensifying, creating complex compliance requirements for firms. SMEs in high-growth sectors often lack the resources to implement robust compliance systems, exposing them to operational and reputational risks. To strengthen resilience holistically, BizAdapt could incorporate:

- Subsidised compliance technology adoption to help firms deploy digital tools for export control management and end-user screening.
- Training grants to build workforce capability in navigating strategic goods regulations and international trade compliance frameworks.

[17] National Business Survey 2025 - Annual Business Sentiments Edition, SBF

This integrated approach positions BizAdapt as a comprehensive trade resilience instrument supporting businesses not only in adapting to tariff shocks but also in meeting evolving regulatory demands.

(ii) To further support the financing needs of enterprises adapting to the new trading environment, the Government could introduce a temporary increase in loan support under the EFS-Trade Loan scheme – the government risk-share loan programme to finance trade needs by raising the proportion of its risk-share from 50% to 70–80% tiered by enterprise size, growth stage and the type of market the enterprise is operating in. Such additional financing support could be tied to qualifying for BizAdapt. There is precedent for this approach: in past shocks, the Government has gone as high as 90% risk-share under the Temporary Bridging Loan Programme (TBLP).

B5b. Establish a Future of Trade Innovation Fund for resilience

Trade disruptions and tariff unpredictability are increasing, while ESG-linked requirements, such as those related to Carbon Border Adjustment Mechanism (CBAM), EU Deforestation Regulations (EUDR) and Forced Labour rules, are fast becoming more prevalent and intrusive. To enable Singapore to respond swiftly and resiliently to these emerging demands, a Future of Trade Innovation Fund could be introduced to support pilot projects in areas such as AI-driven risk assessment, green customs practices and advanced trade facilitation technologies. Such a fund could further strengthen the resilience and future-readiness of Singapore's trade infrastructure.

B6. Facilitate companies to accelerate growth via M&A

The total worth of M&As involving Singapore companies rose 3.2% to US$35.2 billion in the first half of 2025 from a year ago. There were at least nine deals involving Singapore companies valued between US$1 billion and US$3 billion totalling US$14.9 billion in the first half of 2025, compared with five in the same period of 2024.[18] Despite this growth, many Singapore companies face significant barriers to pursuing M&As as a growth strategy. Around 51% of businesses believe government measures should better support enterprises to scale up and compete globally.[19]

Complex transaction costs, limited access to professional advisory support and restrictive legal frameworks currently deter companies, particularly SMEs, from pursuing M&As, limiting their ability to achieve the scale needed for global competitiveness.

B6a. Establish a deals advisory unit with TACs

A targeted deals advisory unit could be established through TACs to educate SMEs on non-organic growth strategies, including mergers, acquisitions and joint ventures with foreign partners. This should encompass capital stack solutions beyond traditional debt financing and extend from deal origination through to ideation and execution to ensure post-deal success. A structured awareness programme should promote M&A opportunities, JV partnerships and strategic divestment options to foster bolder growth mindsets, particularly in sectors with strong foreign market potential.

B6b. Allow universal succession of rights and obligations for cross-border M&A

Singapore should enable companies to undertake cross-border corporate amalgamations with foreign jurisdictions, allowing universal succession of rights and obligations without third-party consent. Unlike traditional asset purchases that require contract novation and incur corporate income taxes, amalgamations would allow the surviving entity to retain legal and tax attributes statutorily. Reciprocal agreements with key trading partners should be established, including as a cooperative feature of the Johor-Singapore Special Economic Zone (JS-SEZ).

[18] More healthcare, digital asset M&As in S'pore expected in 2026, but mega deals on the wane, Straits Times, 15 September 2025
[19] SBF National Business Survey 2025: Singapore Budget Edition, SBF

B6c. Allow consolidated entities to retain brand continuity

To facilitate seamless integration, consolidated entities should be allowed to retain legacy certifications and operational track records through 'brand continuation' clauses filed with regulatory bodies. A brand registry could archive legacy identities and performance data for future contracts, while legislative changes should permit goodwill transfer without carrying over legal liabilities.

B6d. Treat M&A-related expenses as qualifying capital expenditure

Businesses should be allowed to treat M&A-related expenses, including legal and advisory costs, as qualifying capital expenditure when applying for industrial land lease renewals under JTC. This would incentivise businesses to scale operations through strategic consolidation while optimising the use of Singapore's limited industrial land resources.

04

Strengthen hub status

C. Strengthen hub status

Singapore’s position as a leading global hub for finance, trade and regional headquarters of multinational corporations is central to its economic strategy. In an increasingly competitive and fast-evolving landscape, strengthening this hub status is critical to attract investment, talent and high-value activities.

Yet the global business landscape is undergoing profound shifts. Taxation reforms, sustainability imperatives and rapid technological advances are reshaping business priorities and challenging traditional models. These changes demand agility and forward-looking policies to ensure Singapore remains a preferred destination for multinational corporations and regional enterprises.

Singapore must therefore adapt its incentives and frameworks to foster innovation, resilience and growth while safeguarding its attractiveness. The following recommendations outline measures to enhance Singapore’s attractiveness as a global/regional HQ and reinforce Singapore’s role as a premier hub for asset and wealth management.

C1. Enhance Singapore’s attractiveness as a global/regional HQ hub

Singapore has competed successfully as a Global/Regional Hub by leveraging its strategic location, stable politics, world-class infrastructure, skilled talent and business-friendly policies. Singapore is widely regarded as one of the world’s most competitive economies, often ranking among the top three globally. But competition is heating up regionally with cities including Hong Kong, Dubai and Shanghai vying for similar status with investments in infrastructure and the introduction of new incentives.

Enhancing Singapore's status as a leading hub for multinational corporations requires strategic adjustments in the country’s tax and foreign workforce management policies to retain high-value functions and remain competitive in attracting foreign investments. Our businesses also need guidance and support to comply with the implementation of the EU’s Carbon Border Adjustment Mechanism (CBAM) in 2026.

C1a. Implement tax reforms to enhance business competitiveness

Timely changes to the tax system are critical to sharpening the economy's competitiveness. Streamlined, predictable rules reduce compliance costs, unlock investment, and encourage innovation, while aligning incentives with productivity and sustainability. Modernising the tax system—broadening bases, ensuring neutrality, and digitising administration—helps enterprises scale, attract talent and capital, and compete in global value chains.

(i) Grant RIC based on economic outcomes and qualifying expenditure

The Pillar 2 regime introducing a global minimum tax rate may place a floor on tax competition internationally, but it does not change the fact that competition for foreign direct investment (FDI) remains as intense as ever. The effectiveness of concessionary tax rates, which have long been an integral part of Singapore's fiscal toolkit for attracting FDI, is expected to be diminished as taxes forgone in Singapore will be collected elsewhere through the top-up mechanism.

To maintain its position as the preferred FDI destination, the government has introduced new tiers of incentive tax rates and proposed the Refundable Investment Credit (RIC) scheme in Budget 2024. The RIC provides businesses with tax credits of up to 50% of qualifying expenditure incurred. Subject to conditions, these credits can be used to offset corporate tax liability or be paid in cash to the taxpayer within four years.

To enhance the attractiveness of the RIC scheme, we recommend granting the RIC based on economic outcomes achieved, in addition to expenditure incurred.

Such economic outcomes could include indicators such as sales generated from new technology developed, new production volumes achieved through investments in plant and machinery, or reductions in greenhouse gas emissions. These contributions to the economy should be recognised and rewarded.

With advanced technologies such as AI and robotics, coupled with the ongoing drive to improve productivity of inputs such as labour, businesses will be able to deliver more output with fewer resources or less expenditure. As companies continue to push productivity boundaries, linking the RIC solely to expenditure incurred may no longer provide the right incentive for businesses already facing significant cost pressures. Tagging the RIC to outcome-based measures can help address this issue and enhance its attractiveness, aligning economic objectives with business incentives to strengthen our appeal to global businesses.

(ii) Provide writing down allowances for structures which function as plant in the taxpayer's business

Under Singapore case law, fixed assets classified as "structures" cannot qualify for capital allowance claims even if they serve a specific function in the taxpayer's business. Examples include airport runways, taxiways, aprons and cement silos. This narrow interpretation potentially disadvantages Singapore businesses, making operations less tax-efficient compared to jurisdictions that adopt a more liberal approach. For instance, taxpayers in the UK can claim capital allowances for structures and buildings used for qualifying purposes, including any trade, profession or vocation.

We recommend introducing a new writing down allowance for capital expenditure incurred by taxpayers whose operations require the construction of specialised structures, resulting in significant capital outlay. This would provide certainty that such expenditure qualifies for the allowance and enhance the competitiveness of Singapore's tax system, particularly for capital-intensive businesses. An exclusion list could be provided to omit certain buildings or structures, such as those predominantly used for offices, to the extent it aligns with government policy objectives.

(iii) Grant tax deduction on notional interest rate on equity

Currently, interest expenses are generally tax deductible, but no such deductions apply when a business raises funds through equity. This asymmetric tax treatment creates a bias towards debt financing. By imputing a notional interest on equity and granting tax deduction on that notional interest, a level playing field can be established between debt and equity from a tax perspective, encouraging businesses to seek funding through equity. Similar notional interest deductions on equity exist in several countries, including Cyprus, Portugal and Switzerland, albeit in different forms. On 11 May 2022, the European Commission (EC) also issued a proposal for a directive introducing a tax allowance on increases in company equity, together with a limitation on the tax deductibility of debt interest payments, to place debt and equity financing on equal footing.

We recommend granting notional interest deductions on equity paid in cash, whether in the form of ordinary or preference shares, redeemable shares or convertible shares, which are specifically used to finance income-producing assets. The notional interest could be computed based on "new" equity multiplied by a notional interest rate referenced to certain market rates, such as those of long-term government bonds. Such a deduction should also be subject to the same restrictions applicable to interest expense arising from debt liability. If implemented, a corresponding recapture mechanism should apply for decreases in equity.

(iv) Align tax treatment on employee share plans with OECD

Most jurisdictions follow the guidance of the Organisation for Economic Co-operation and Development (OECD) to determine the sourcing, and therefore taxation, of share-based rewards in cross-border situations. Under this approach, stock options and other stock-related awards are sourced based on the number of days an individual has worked in each country during the vesting period.

Singapore has not adopted the OECD guidance in this respect. Current tax legislation defines the source of an employee's right to acquire shares based on whether the right or benefit is granted in respect of employment exercised in Singapore. Shares granted while an individual is working in Singapore, which vest after the individual has transferred to an overseas entity, remain fully taxable in Singapore under sections 10(6) or 10(7) of the ITA.

This creates two key issues:

First, many expatriate employees face tax on unvested stock awards deemed to vest under section 10(7) upon departure, requiring them to fund tax payments even though the equity awards have not yet vested.

Second, as these awards are likely to be taxable in the new destination country, employees face double taxation. With time limits on claiming double tax relief in Singapore, awards vesting beyond this window do not qualify for relief.

The misalignment with global norms makes Singapore less attractive for foreign talent. The deemed exercise rule on cessation of employment creates significant cash flow challenges. While the Inland Revenue Authority of Singapore (IRAS) offers an alternative "tracking option" to address this issue, its qualifying and reporting requirements are onerous and often difficult to implement in practice.

This issue is particularly significant for senior foreign talent, who are often granted substantial share awards rather than cash bonuses to align their interests with company objectives. The large cash outflows under section 10(7) and the risk of double taxation act as strong deterrents. Singaporeans relocating overseas for career progression or business opportunities face similar challenges, albeit to a lesser degree, as they are not subject to section 10(7) but still encounter double taxation due to differences in sourcing rules and time limits for relief claims.

We recommend aligning Singapore's taxation of share-based remuneration with the OECD's approach to avoid double taxation and remove deemed exercise provisions, while allowing trailing share award reporting similar to trailing bonuses. Alternatively, without overhauling the regime, the Government could consider liberalising the qualifying and reporting rules for the tracking option mentioned above. This would support the national strategy to expand access to global talent, one of the four key enablers for driving economic growth and creating quality jobs in Singapore's future.

C1b. Provide workforce flexibility to support regional HQ service providers, ensuring retention of high-value functions

Regional HQ service providers are integral to Singapore's competitiveness as a hub for multinational corporations. These firms deliver specialised, high-value services that complement HQ functions and reinforce Singapore's position as a regional command centre.

For example, many providers have relocated manpower-intensive functions such as basic call-centre work offshore, while retaining high-value, knowledge-based roles in Singapore. These roles often involve complex, multilingual and culturally nuanced functions that require foreign expertise.

Current manpower policies, particularly Employment Pass (EP) salary thresholds and S Pass quotas, are creating significant challenges and prompting some firms to shift HQ-linked functions to neighbouring countries. Without intervention, Singapore risks losing these service providers, which could undermine the ecosystem that supports regional HQs.

(i) Review business classification for quota allocation

Current business classification does not accurately reflect the specialised nature of regional HQ support services, resulting in restrictive S Pass quotas. The Government could consider reclassification or create a new category for "Regional HQ Service Providers" to better align quota policies with business realities.

(ii) Extend HQ-linked quota benefits to strategic service providers

The Government could explore mechanisms to allow companies that directly support regional HQs to access quota flexibilities similar to those granted to HQs themselves. Regional HQs could be enabled to nominate key service partners for quota extensions, ensuring alignment with ecosystem needs and safeguarding critical support functions.

(iii) Introduce transitional measures to EP and S Pass hiring

Temporary relief could be provided through moderated EP salary thresholds for roles requiring native language and cultural expertise. Additionally, time-bound quota enhancements could be considered for firms demonstrating strong regional HQ linkages and delivering high-value services.

C1c. Commission a study to evaluate the EU's Carbon Border Adjustment Mechanism (CBAM) impact on Singapore businesses

Feedback from SBF's roundtable on EU Sustainability Measures in August 2025 highlighted CBAM as a primary concern among Singapore businesses. Participants noted that CBAM targets embedded carbon emissions in carbon-intensive products such as aluminium, cement and chemicals, and that mapping emissions to specific products remains highly complex. Businesses also emphasised the importance of accurate Harmonised System (HS) code classification and reliable emissions data to comply effectively with CBAM regulations.

We recommend commissioning a focused study on the impact of EU's CBAM on Singapore industries. This will help businesses prepare for compliance from 2026, give policymakers practical insights, and enable companies to act early and stay competitive. The study should provide clear guidance for exporters, reduce regulatory uncertainty, and create channels for industry feedback and engagement with EU partners. By closing knowledge gaps—especially for SMEs—this will strengthen Singapore's readiness for CBAM and help minimise business risks and disruptions.

C2. Reinforce Singapore's position as an asset and wealth management hub

Singapore's strong regulatory framework and strategic location make it a leading financial centre and gateway for global investors. To maintain its edge as an Asset and Wealth Management (AWM) hub amidst growing regional competition, Singapore should focus on attracting private credit for SMEs, incentivising AWM headquarters, and supporting SME treasury solutions. Continued innovation is essential as the sector expands post-COVID-19.

C2a. Enhance attractiveness as a private credit hub for SMEs in the region

Singapore can strengthen its role as a private credit hub by introducing targeted tax incentives, such as a 5% tax rate on management fees for Singapore-based private credit asset managers establishing funds for SME lending. Co-investment funds could be created to invest alongside these managers, complemented by setup grants to encourage the use of local fund structures such as the Variable Capital Company (VCC).

Tax relief measures should also be extended to Singapore-based SMEs securing financing through accredited private credit fund platforms. A national digital platform aggregating SME credit data can streamline due diligence processes, while collaboration with industry and academia aims to upskill local talent in credit risk assessment, supporting capacity-building in private credit.

C2b. Solidify Singapore as AWM HQ of choice in Asia

To attract foreign asset managers to establish regional headquarters in Singapore, existing tax incentives should be refined to create a bespoke AWM Headquarters (HQ) Incentive Scheme offering refundable investment credits and business support. These incentives should cover high-value functions such as product development, technology and corporate development. Fast-track work passes and operational cost subsidies can further enhance Singapore's attractiveness as a regional hub.

C2c. Launch a centralised treasury fund asset manager programme for SMEs

A programme pooling SME funds into accredited treasury funds managed by approved Singapore-based asset managers can provide diversified, low-risk investments and access to short-term funding with preferential credit lines. Local fund structures such as VCCs should be utilised for this initiative.

Robust governance and risk management standards should be implemented to address Anti-Money Laundering/Know Your Customer (AML/KYC) obligations and liquidity risks, supported by transparent reporting to safeguard SMEs and build trust. Tax exemptions for SME investors in these treasury funds as well as concessionary tax rates on asset managers' fee income should be introduced.

Educational resources and advisory support will be essential to improve SMEs' understanding of investment risks and treasury management. Leveraging fintech solutions can enable digital onboarding, performance tracking, cash sweeps, cash forecasting and financial reporting for SMEs.

05

Capture new flows

D. Capture new flows

As a global hub, Singapore must not only enhance its attractiveness in competing for cross-border flows of trade, investment and talent in traditional economic activities, but also build new capabilities and distinctiveness to capture new economic flows arising from innovation and the green transition. With Singapore assuming ASEAN Chairmanship in 2027, we should do more to strengthen ASEAN economic integration to attract new flows of investments into the region, from which Singapore benefits as the hub for ASEAN.

D1. Develop Singapore as an IP financing hub

Singapore's Global Innovation Index ranking slipped from fourth to fifth in 2025, reflecting challenges in maintaining its competitive edge. While Singapore excels in areas like government effectiveness and high-tech manufacturing, it lags in creative outputs (ranked 15th).[20]

A key gap is the limited ability to use intellectual property (IP) as financing collateral. Existing schemes such as the Enterprise Financing Scheme for IP have low uptake, as financial institutions lack expertise in valuing IP and prefer traditional assets such as property and business equipment for loan applications.

With regional competitors, particularly China, Hong Kong and South Korea advancing IP financing initiatives such as IP collateralisation schemes and IP financing sandboxes, Singapore must develop a robust IP financing ecosystem to strengthen its position as Asia's IP hub and maintain innovation leadership.

D1a. Establish a government co-investment IP financing fund

We recommend creating a fund modelled on Enterprise Singapore's private credit co-investment strategy to catalyse specialised IP financing players. This fund could provide 50–70% risk-sharing alongside private IP financing institutions to de-risk IP collateralisation and target alternative financing players such as non-traditional banks with IP expertise, including specialised debt funds and IP-focused venture debt providers.

D1b. Launch an IP financing sandbox and build valuation capabilities

We recommend developing a regulatory sandbox for financial institutions to pilot innovative IP valuation methodologies and collateralisation structures under regulatory oversight. Singapore could partner with WIPO to establish IP valuation certification programmes for financial institutions and corporate finance professionals. Additionally, IP valuation costs for SMEs could be subsidised with up to 70% co-funding, while developing Singapore IP Valuation Standards aligned with international best practices.

[20] WIPO Global Innovation Index 2025: Switzerland, Sweden, US, the Republic of Korea and Singapore top ranking; China enters top 10; innovation investment growth slows, WIPO, 16 September 2025

D1c. Create IP financing infrastructure and credit enhancement

We recommend establishing a centralised digital IP collateral registry to improve transparency and enable better risk assessment. Enterprise Singapore's risk-sharing schemes could be expanded to explicitly cover IP-backed financing with enhanced ratios of 70–80% for qualifying transactions. Furthermore, the Government could introduce government-backed IP securitisation platforms and first-loss guarantees for pioneering IP financing transactions.

D1d. Strengthen IP commercialisation and ecosystem development

We recommend enhancing support to develop financeable IP portfolios for technology transfer and improve Singapore's creative outputs ranking, which currently stands at 15th. Tax incentives could be provided to attract international IP valuation firms and specialised lending institutions to establish regional headquarters in Singapore. Additionally, bridge financing mechanisms could be created for pre-commercialisation IP from universities and research institutions.

D2. Establish Singapore as a carbon credit trading hub

As a major maritime and aviation hub with strong expertise in finance, trading and risk management, Singapore is primed to develop as a carbon credit trading hub to meet regional decarbonisation needs. According to Enterprise Singapore, Singapore is already home to approximately 150 carbon services and trading firms.[21] We can strengthen our leadership position further with the following recommendations.

D2a. Provide tax concessions for carbon credit issuers

The carbon credit generation process typically has a long gestation period, and traders may incur expenditure for feasibility studies, project accreditation and related activities many years before the credits can be issued. Such expenses are not deductible if they are considered to be incurred before the commencement of business.

To avoid disputes over when a business is deemed to have commenced, we recommend introducing a concession to allow tax deductions for these expenses, providing certainty to businesses. Similar concessions have been granted to other long-gestation industries, such as property development, and would allow expenses to be carried forward so that they may be deducted against future income generated by carbon credit traders. This concessionary treatment would address practical realities and provide clarity for businesses involved in carbon credit generation.

[21] Carbon services and trading, Enterprise Singapore

D2b. Allow voluntary GST registration for businesses in carbon credit sales

Since 23 November 2022, the issuance, transfer or sale of carbon credits (or any digital representation of the credit) has been treated as an "excluded transaction" for GST purposes, meaning it is not subject to GST. This has benefitted businesses purchasing carbon credits to offset their carbon footprint, as no GST is imposed on acquisitions, removing it as a cost factor in the transaction. However, this has also created unintended challenges for sellers of carbon credits:

- Registration: A business making supplies solely from the sale of carbon credits will not be eligible for GST registration under the normal taxable turnover regime. Consequently, it cannot recover input GST on its business expenses and may even be subject to reverse charge if it procures imported services exceeding the annual threshold of S$1 million. This makes GST an irrecoverable cost for sellers of carbon credits.
- Input tax restriction: Even for GST-registered businesses, GST incurred on expenses directly related to the sale of carbon credits, such as commission and legal fees, cannot be claimed as input tax credit. As a result, GST-registered businesses that incur such irrecoverable GST may also face reverse charge obligations when procuring services from overseas vendors, increasing compliance costs and requiring systems and processes to manage reverse charge rules, especially for businesses with high volumes of imported services.

We recommend allowing voluntary GST registration for businesses making solely carbon-credit sales. This aligns with current tax policy, which permits companies making solely out-of-scope supplies to apply for voluntary GST registration and recover GST on their operating expenses.

D2c. Allow input tax claims on expenses incurred for carbon credit sales

We recommend allowing GST-registered businesses to claim input tax on expenses, including overheads and related costs, incurred in connection with the sale of carbon credits. This would alleviate the burden of irrecoverable GST and reduce compliance complexity associated with reverse charge obligations on imported services. This recommendation mirrors the approach adopted by Australia and New Zealand, where the supply of carbon credits is zero-rated, allowing GST registration and input tax claims. This provides a balanced framework that supports both tax compliance and business competitiveness.

D2d. Introduce incentives to encourage local banks and finance companies to participate in regional energy transition and infrastructure financing projects

The Asian Development Bank (ADB) estimates that approximately US$1.7 trillion must be invested annually in infrastructure across Asia through 2030 to sustain economic growth, reduce poverty and mitigate climate risk.[22] While MAS has introduced the Sustainable Loan Grant Scheme, which supports companies in obtaining sustainable and transition financing, and the Sustainable Bond Grant Scheme to help companies defray incremental costs related to sustainability compliance, these grants do not provide additional incentives for banks and finance companies to fund energy transition and infrastructure projects.

We recommend cash grants for banks and finance companies that participate in energy transition and infrastructure financing activities. For example, the cash grant could be computed based on the reduction in carbon emissions achieved by the project, subject to a cap. This establishes a direct link between the amount of the grant and its impact on climate change mitigation.

D3. Accelerate ASEAN economic integration

Deepening ASEAN integration is vital for regional competitiveness and growth. Strengthening connectivity, harmonising standards and fostering collaboration will enable businesses to tap into new opportunities and build resilience in a rapidly evolving economic landscape.

D3a. Expand JS-SEZ to include Indonesia's Riau Islands

We recommend a study to expand the Johor-Singapore Special Economic Zone (JS-SEZ) to include Indonesia's Riau Islands, strengthening links between Johor-Singapore and Singapore-BBK (Batam-Bintan-Karimun).[23]

A revival of the earlier SIJORI Growth Triangle by expanding the scope of JS-SEZ to include the BBK region would significantly enhance the attractiveness of the proposition to investors. Technology companies such as Oracle are seeing such possibilities with their planned US$6.5 billion investment in Malaysia[24] and the availability of Oracle Cloud Infrastructure services in Batam.[25]

To realise the economic potential of SIJORI 2.0, the following aspects need to be considered:

a) Enhancing physical connectivity – just as the RTS link between Johore and Singapore scheduled to be operational by 2026 will be a game changer in facilitating people flow, transport connectivity between Singapore and BBK needs to be enhanced.

[22] Meeting Asia's infrastructure needs, ADB, February 2017
[23] Johor-Singapore Special Economic Zone could get power-up with Indonesia's Bintan, Batam, Karimun, Business Times, 3 July 2025
[24] Oracle to invest more than US$6.5 billion in AI and cloud computing in Malaysia, Oracle, 2 October 2024
[25] New region in Batam, Indonesia, Oracle, 15 May 2025

b) Advancing digital connectivity – investments in seamless cross-border digital connectivity are critical for enabling efficient data exchange. Developing grants and incentives for cross-border technology and research partnerships will drive innovation and sustainable development, fostering a collaborative environment among SIJORI partners.

c) Streamlining trade and investment regulations – customs procedures and regulatory requirements will need to be simplified to reduce trade barriers and enhance the region's attractiveness to investors.

d) Strengthening governance and regional coordination – a centralised framework with dedicated resources to manage SIJORI-related initiatives would be needed to ensure strategic alignment and effective progress tracking. Additionally, regular stakeholder engagement platforms should be developed to identify challenges and opportunities, improve communication and enable coordinated action.

D3b. Reduce trade frictions within ASEAN

Non-tariff barriers (NTBs) remain a significant impediment to intra-ASEAN trade, which hovers around 21–25%, with businesses facing duplicative testing, certification and regulatory requirements. According to the World Bank's Business Ready (B-Ready) 2024 Report[26] and the ASEAN Consultative Committee on Standards and Quality (ACCSQ) 2023 roadmap,[27] there is a critical need for greater regulatory coherence and technical cooperation to reduce NTBs and facilitate trade.

While the ACCSQ has made progress in implementing Mutual Recognition Arrangements (MRAs) in sectors such as electrical and electronic equipment, cosmetics and medical devices, progress has been uneven and slow.

Fragmented rules of origin and high compliance costs create daily frictions involving rules, documentation and testing, discouraging businesses from sourcing, selling and shipping within the region, particularly when faced with US tariff volatility. ASEAN's trade infrastructure remains paper-intensive despite progress with the ASEAN Single Window. Legal recognition of electronic trade documents is inconsistent across member states, with only Singapore and Thailand having adopted legislation based on the UNCITRAL Model Law on Electronic Transferable Records (MLETR). Cross-border data flow mechanisms such as ASEAN Model Contractual Clauses (MCCs) are not yet widely understood or adopted by businesses, especially SMEs. The current regulatory landscape forces SMEs to navigate inconsistent standards across member states, increasing costs and delaying market entry.

i) Establish a "common-core" rules of origin framework

A "common-core" rules-of-origin framework will help harmonise fragmented provisions and reduce compliance costs. This framework would provide simpler and more predictable rules, driving higher utilisation and greater trade flows

[26] B-Ready 2024 report, The World Bank

[27] Roadmap of ASEAN standard harmonisation to support SDGs implementation, ASEAN Consultative Committee for Standards and Quality (ACCSQ) – 2023, ASEAN Indonesia 2023

A region-wide transparency initiative should also be launched, featuring a single searchable listing of product-level requirements and timelines aligned with the Economic Research Institute for ASEAN and East Asia-United Nations Conference on Trade and Development Non-Trade Measures (ERIA–UNCTAD NTM) database. This effort could be complemented by fast-tracking mutual recognition of testing and labelling where feasible.

ii) Pursue Mutual Recognition Agreements in more sectors

Accelerating MRAs, especially in high-growth sectors such as electrical and electronic equipment, cosmetics and medical devices, is essential. Enterprise Singapore and relevant agencies should offer technical assistance and exercise stronger political commitment to expedite these agreements. We also propose identifying new areas for MRA focus, including consumer protection (aligned with the Competition and Consumer Commission of Singapore's regional lead), decarbonisation, green growth and sustainable packaging, with the Government promoting transparency and stakeholder engagement throughout regulatory processes.

We further recommend expanding the ASEAN Guidelines on Regulatory Coherence and Good Regulatory Practice to ensure consistent quality assurance while reducing duplicative testing and certification costs, particularly benefiting SMEs.

iii) Establish ASEAN COE for Paperless Trade

We recommend establishing an ASEAN Centre of Excellence for Paperless Trade to serve as a hub for technical assistance, capacity building, regional pilots and best practices sharing. Government funding and policy support should promote adoption of the UNCITRAL Model Law on Electronic Transferable Records (MLETR) across ASEAN to enable legal recognition of key digital trade documents by 2030. ASEAN-wide adoption of MLETR and digital ID interoperability, alongside harmonising customs and data standards, should also be pursued.

In parallel, Singapore should champion an ASEAN-wide customs data-sharing initiative to streamline cross-border trade and reduce non-tariff barriers. Data sharing can minimise duplication, improve risk targeting and enhance supply chain transparency. As a digital and trade hub, Singapore is well-positioned to lead this effort.

D3c. Enable interoperability across National Business Registries

Cross-border business engagement in ASEAN is hampered by the absence of trusted verification mechanisms. SMEs struggle to authenticate potential partners and access verified business information across member states. National business registries operate in silos, forcing companies to rely on informal networks or costly intermediaries for due diligence. This fragmentation increases transaction risks and prevents SMEs from efficiently identifying reliable distributors, suppliers or partners in other ASEAN markets.

A regional B2B portal could be established, integrated with national business registries and powered by the Unique Business Identification Number (UBIN) initiative to enable real-time authentication of business entities across ASEAN member states. By linking registry data through interoperable APIs, the platform would streamline due diligence processes and facilitate secure business matching while providing verified business profiles, legal status checks and compliance assurance. The portal could also incorporate smart contracting, e-invoicing and digital trade documentation to support seamless cross-border transactions.

Singapore should advocate for the adoption of UBIN across ASEAN member states and facilitate data sharing and regulatory alignment for credit assessment and digital lending. Government support would be essential to ensure interoperability and create harmonised standards for cross-border business verification and financial services.

D3d. Establish ASEAN Chambers of Commerce and ASEAN Enterprise Network

ASEAN lacks a unified business presence in key external markets such as the EU and GCC, limiting the region's ability to promote home-grown SMEs internationally and facilitate trusted connections with global partners. There is also limited discoverability of ASEAN SMEs to help them expand into international markets.

As ASEAN deepens economic integration, such foundational infrastructure for trusted business matching is needed to facilitate greater intra-region business collaborations in pursuing global opportunities.

Singapore could champion the establishment of an ASEAN Chambers of Commerce, similar to EuroCham, in at least two major external markets, such as the EU and the Gulf Cooperation Council (GCC), to promote ASEAN SMEs and perform the function of business verification.

An accompanying initiative would be the development of an ASEAN Enterprise Network, modelled after the Enterprise Europe Network (EEN) to provide business support, offering comprehensive assistance to ASEAN SMEs with aspirations to grow internationally.

D3e. Accelerate ASEAN's green transition

ASEAN is at a pivotal moment in its green transition. The region is highly vulnerable to climate change, with the ADB estimating that Southeast Asia could suffer annual economic losses equivalent to 11% of GDP by 2100 if no action is taken.[28] Yet the economic potential for ASEAN's green transition is massive, promising trillions in GDP growth, millions of new jobs and enhanced energy security for the region.

However, carbon markets across the region remain fragmented, with varying standards and limited cross-border trading. Greenhouse gas emissions accounting is inconsistent, with uneven development of emission factors registries across the region. Progress on the ASEAN Power Grid (APG) has been slow due to infrastructure gaps, regulatory misalignment and insufficient private sector investment, while large-scale cross-border clean electricity trading is still at an early stage.

To accelerate ASEAN's green transition, we recommend the following initiatives:

(i) Develop a regional digital portal for carbon services

An ASEAN-wide digital portal for carbon services could be developed to harmonise carbon credit standards, enable mutual recognition of methodologies and improve market liquidity. This portal would support both voluntary and compliant carbon markets, with governments aligning national regulations and standards to enable effective regional integration.

(ii) Develop an ASEAN emission factors registry

An ASEAN emission factors registry could be developed to enhance convenience, accuracy and consistency in greenhouse gas emissions accounting by businesses across the region. This initiative could leverage expertise from the consortium behind the Singapore Emission Factors Registry, providing valuable experience and knowledge to support regional collaboration.

(iii) Establish a network of NetZeroHub platforms

A network of national-level NetZeroHub digital platforms could be established to assist enterprises, particularly SMEs, in their decarbonisation efforts. These platforms would facilitate the exchange of best practices through online forums, provide information on events and thought leadership, offer access to training programmes and connect SMEs with solution providers, driving climate action across the region.

(iv) Mobilise investment for the ASEAN Power Grid and accelerate clean energy trading

Private sector investment pledges could be mobilised for the ASEAN Power Grid (APG) to accelerate cross-border clean electricity trading. Governments could offer regulatory clarity on the APG to ensure seamless energy flow between ASEAN member states, while supporting cross-border investment and expediting project approvals for clean energy infrastructure.

[28] Climate change losses for Southeast Asia well above previous estimate, ADB, 7 December 2015

06

Build an inclusive Singapore

E. Build an inclusive Singapore

Building an inclusive Singapore requires businesses to play a stronger role in fostering social sustainability, supporting vulnerable communities and promoting workforce harmony. These efforts are essential to strengthen the social compact and ensure shared progress in a changing economy.

E1. Catalyse corporate social impact

Driving social impact through business is essential to building an inclusive and resilient economy. By creating pathways for employment and supporting well-designed social initiatives, companies can play a pivotal role in strengthening Singapore's social fabric.

E1a. Expand employment credits to support hiring across vulnerable communities

Current employment credits in Singapore target specific groups: the Enabling Employment Credit (EEC) for persons with disabilities (PWDs), the Uplifting Employment Credit (UEC) for ex-offenders and the Senior Employment Credit (SEC) for older workers. Since the enhancement of the EEC in 2023, employment of persons with disabilities has risen, supported by SG Enable's employer engagement efforts, which include capability building, consultancy and programmes to promote disability-inclusive hiring. The EEC has been extended until 2028 and provides employers with up to 20% wage offset (capped at S$400 per month) for hiring local PWDs aged 13 years and above, earning below S$4,000 per month, with an additional 20% wage offset for the first nine months when hiring PWDs who have been unemployed for at least six months.

However, these credits do not extend to other vulnerable communities, such as the homeless, under-resourced women and persons recovering from mental health conditions – groups supported by initiatives like SBF Foundation's (SBFF) EmployWell programme. These populations face significant barriers to employment but fall outside the scope of existing employment credit schemes. Supported institutional intermediaries can play a role in bridging business needs and inclusive employment goals.

We recommend introducing a more inclusive Employment Credit scheme that supports employers across a broader range of vulnerable populations and social circumstances. This expanded credit would follow similar parameters to existing schemes (wage caps, CPF contribution requirements) while recognising that vulnerability and employment barriers extend beyond the currently defined categories. The credit could lower barriers and risks perceived by employers and incentivise them to create employment pathways for these groups facing barriers to employment, ensuring that inclusive hiring extends to all vulnerable communities in Singapore.

E1b. Develop a unified framework on social sustainability reporting

We recommend developing a unified social sustainability (SS) framework and scoring system with tiered metrics suitable for businesses at different stages of maturity. The Government could offer additional tax or non-tax incentives for companies that demonstrate measurable community impact, rather than just participation, to encourage meaningful engagement with social sustainability initiatives.

E2. Incentivise corporate volunteering

A strong social compact is vital for Singapore's resilience as the economy restructures. SBF's Social Sustainability Report[29] shows that while many businesses recognise the value of giving back to the community through corporate volunteering, significant challenges hinder their ability to initiate or expand such programmes. This is especially true for SMEs, which often operate with limited resources. Yet, SMEs employ 70% of our workforce, which represents a significant latent pool of volunteers that could be tapped.

SMEs frequently face constraints such as insufficient funds, manpower shortages and a lack of dedicated time for volunteering efforts. Many businesses also lack access to practical support and guidance, making it difficult to start or effectively scale up corporate volunteering initiatives.

The current Corporate Volunteer Scheme (CVS) offers generous tax deductions, but uptake is limited due to low awareness and the incentive being post-volunteering. To encourage more businesses to contribute to the community, the Government could introduce more upfront support and ecosystem enablers.

E2a. Provide upfront financial incentives and seed grants (including Consultancy + Action Gap support)

We recommend establishing a new grant scheme to support corporate volunteering at the initiation stage. This initiative could be positioned as a Whole-of-Government (WOG) effort involving the Ministry of Culture, Community and Youth (MCCY), Ministry of Social and Family Development (MSF) and other relevant agencies to support companies, particularly SMEs, in initiating or expanding their corporate volunteering programmes. This scheme could include:

- Seed Funding for Programme Initiation: Support companies in launching corporate volunteering initiatives, with advisory resources such as a Government-funded social impact adviser programme to bridge the gap from intention to implementation.
- Corporate Volunteering Credit Scheme: Enable companies to earn credits for volunteer hours clocked by employees, which could be used as "merit points" in government tenders or to qualify for additional training subsidies, making social contributions more tangible to businesses.
- Consultancy + Action Gap Support: Address two key barriers – lack of expertise and upfront costs – by funding professional advisory services (3–6 months) to design credible, measurable programmes, and co-funding pilot implementation (3–12 months) to operationalise recommendations. This component would cover initiatives in corporate volunteering, inclusive employment, community partnerships and other social sustainability areas.

[29] Empowering change: A study on social sustainability in Singapore's business landscape, SBF, June 2025

E2b. Extend and enhance the Corporate Volunteer Scheme (CVS)

The Corporate Volunteer Scheme (CVS) currently provides enhanced tax deductions to encourage businesses to give back to society when their employees volunteer, provide services or are seconded to an Institution of a Public Character (IPC). However, the current cap of S$250,000 per year of assessment (YA) may not provide sufficient incentive, as businesses must agree to a scope of service and obtain endorsement from the IPC to claim the deduction, especially when compared to a cash donation, which can yield the same deduction without a cap.

As the CVS is scheduled to expire on 31 December 2026, we recommend extending the scheme by five years and enhancing it to encourage more businesses to develop corporate volunteering programmes. These could include an additional tax deduction of 400% of the agreed expenditure incurred by the business with a higher overall deduction cap of S$1,000,000 and an increase in the per IPC deduction cap to S$250,000. As an added incentive, the Government could allow partial advance claims or pre-approval for CVS tax deductions based on planned volunteering activities to lower upfront cost barriers.

E2c. Enhance GST treatment of Social Sustainability and gifts threshold

Currently, the Inland Revenue Authority of Singapore (IRAS) generally does not regard social sustainability programme expenses as being incurred for business purposes, and consequently, any input tax associated with such expenses is not claimable. To encourage businesses to undertake more corporate volunteering or contribute to meaningful social causes, we recommend that GST input tax incurred on expenditures for social impact activities or programmes be specifically deemed recoverable for all businesses, except those predominantly engaged in charitable activities (i.e., charities).

E2d. Raise awareness and increase accessibility of the Corporate Volunteer Scheme (CVS)

A national campaign could be launched in partnership with TACs and business associations to raise awareness of CVS and its benefits. The Government could develop a centralised, user-friendly portal consolidating all information, application processes and best practices for corporate volunteering and social sustainability schemes. Step-by-step toolkits and advisory support could be offered, especially for SMEs, to lower the operational burden of participation.

To simplify processes for companies and reduce the administrative burden between companies and IPCs when making claims, a standard rate of deduction for corporate volunteering-related expenses covering salary and other associated costs could be considered. This approach would mirror existing tax treatment for rental properties, where a standard tax deduction rate option is given in-lieu of providing documentary evidence of expenses.

E3. Foster inclusion of foreign professionals at workplaces

A complementary foreign workforce is essential to Singapore's economic competitiveness amidst economic uncertainty and an ever-tightening labour market. But this can only be achieved if we have inclusive workplaces that engender social cohesion.

While many large enterprises have begun efforts to better integrate their foreign employees, smaller companies still need additional resources to support integration. Supporting companies in integrating foreign professionals will strengthen workforce harmony and enable businesses to thrive in a diverse environment.

Trade Associations and Chambers (TACs) can play a larger role by providing access to shared integration services and resources. However, they currently lack the capacity to deliver such services, making government support necessary.

E3a. Support TAC-led Orientation Programme for EP Holders

The Government could work with TACs to organise orientation programmes for Employment Pass (EP) holders. These programmes would educate participants on how both locals and foreigners contribute to Singapore's multicultural and inclusive workplace environment, while signalling that Singapore is a leader in championing workplace integration best practices.

E3b. Create central repositories for integration resources

Support the development of a one-stop online repository to host resources for foreign professionals. This centralised platform would provide companies with comprehensive tools and materials to support the development of their own integration toolkits, facilitating smoother workforce integration.

E3c. Fund training courses for companies on local-foreign integration

The Government could work with TACs to identify training courses catering to local-foreign integration issues and offer them at no cost through a central training provider, such as the SBF Business Institute. This would equip companies with the knowledge and skills necessary to foster harmonious and productive multicultural workplaces.

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Index of recommendations

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