SINGAPORE CORPORATE TAX: 17% IS ONLY THE HEADLINE

17%	**SMEs**	**Stage**	**Plan**
Singapore's headline CIT rate.	Effective rate can be lower.	Reliefs change as the company grows.	Tax planning starts before filing.

1. SINGAPORE CORPORATE TAX AT A GLANCE

Tax Benefit	Qualifying New Company - First 3 YAs	Established Company - From 4th YA
Headline CIT Rate	**17%**	**17%**
Tax Exemption Scheme	Start-Up Tax Exemption (SUTE)	Partial Tax Exemption (PTE)
First Band	75% exemption on first S$100,000 of normal chargeable income	75% exemption on first S$10,000 of normal chargeable income
Second Band	50% exemption on next S$100,000 of normal chargeable income	50% exemption on next S$190,000 of normal chargeable income
Maximum Income Exempted	**Up to S$125,000 per qualifying YA**	**Up to S$102,500 per YA**
Budget 2026 Relief	50% CIT rebate for YA 2026, subject to overall benefit cap*	50% CIT rebate for YA 2026, subject to overall benefit cap*

* Overall benefit from the YA 2026 CIT rebate and any CIT Rebate Cash Grant (if eligible) is capped at S$40,000 per company. We illustrated at below example.

SUTE AND PTE FOLLOW THE SAME CORE PRINCIPLE

*Both are exemptions applied to normal chargeable income for that YA. If the company has less income than the exemption bands, the unused portion of the bands is **not** carried forward. Actual unutilised trade losses are different: they may generally be carried forward, subject to the shareholding test.*

SUTE EXAMPLE + YA2026 TAX REBATE (WITH CAP)

Illustration across the first three consecutive YAs of a qualifying company

Item	YA1	YA2	YA3 — YA2026
Profit/(loss)	(S$50k)	S$200k	**S$700k**
B/F tax loss utilised	–	(S$50k)	–
Normal chargeable income before SUTE	Nil	**S$150k**	**S$700k**
75% exemption on first S$100k	Nil	S$75k	S$75k
50% exemption on next S$100k	Nil	S$25k *(only S$50k remains)*	S$50k
Total SUTE exemption	**Nil**	**S$100k**	**S$125k**
Income after SUTE	Nil	S$50k	S$575k
Tax @ 17%	Nil	S$8.5k	S$97.75k
50% YA2026 CIT rebate (before cap)	–	–	S$48.875k → capped
Maximum CIT rebate benefit (incl. $2k Cash Grant)	–	–	**S$40k***
Net tax after maximum rebate	–	–	**S$57.75k***
Effective tax rate *(Net tax ÷ Profit)*	–	*4.25%*	***8.25%****
"Unused SUTE" carried forward	None	None	None

KEY POINTS

- SUTE reduces chargeable income and does not carry forward.
- YA2026 CIT rebate (50%) and the $2,000 Cash Grant are applied **after** tax is computed, subject to a **maximum combined benefit of $40,000.**

YA2026 TAX REBATE (50% + $2,000 CASH GRANT)

- Applied **after** corporate tax is computed.
- 50% of corporate tax payable.
- Eligible active companies meeting the local employee condition receive a $2,000 Cash Grant.
- Combined benefit (rebate + cash grant) is capped at $40,000 per company.

In this example:

- Tax @ 17% = $97.75k
- 50% rebate (before cap) = $48.875k
- Maximum combined benefit = $40k
- Net tax after rebate = $57.75k

If eligible for the $2,000 Cash Grant, the subsequent CIT rebate will be $38,000 (i.e. $40k cap – $2k grant). Net tax remains $57.75k.

YA2027 AND YA2028 — CURRENT POSITION

- No general CIT rebate currently announced for YA2027 and YA2028.
- Headline CIT rate remains 17%. SUTE/PTE continue to apply where applicable.
- **Enhanced AI deduction** (400% on up to $50k qualifying AI expenditure per YA) is available for YA2027 and YA2028 under the Enterprise Innovation Scheme (EIS), subject to qualifying conditions.

Tax measures may change in future Budgets. Please refer to IRAS for the latest updates.

** The $40,000 cap applies to the combined YA2026 CIT rebate and $2,000 Cash Grant (where applicable). This cap does not apply to SUTE/PTE exemptions or EIS deductions/allowances.*

2. INNOVATION IS REWARDED

The Enterprise Innovation Scheme (EIS) is the umbrella innovation tax scheme. R&D is one of its qualifying activities, and qualifying AI expenditure becomes a new EIS activity for YA 2027 and YA 2028. EIS is available from YA 2024 to YA 2028.

1. ENTERPRISE INNOVATION SCHEME (EIS)

EIS is the umbrella scheme for enhanced innovation tax deductions and allowances from YA 2024 to YA 2028.

Qualifying activities include:

- R&D undertaken in Singapore
- Acquisition / licensing of IP rights
- Innovation projects with approved partner institutions
- IP registration
- Eligible SSG-supported training
- Qualifying AI expenditure (YA 2027 & YA 2028)

Partner-institution innovation projects may involve: research & experimental development; engineering, design & other creative work; IP-related activities; and software development & database activities.

A start-up may claim SUTE/PTE and EIS together if the respective conditions are met.

2. R&D UNDER EIS

For qualifying R&D undertaken in Singapore (YA 2024-YA 2028):

UP TO 400% DEDUCTION

on the first S$400,000 of qualifying R&D expenditure.

A qualifying R&D project must:

· Have an R&D objective - new knowledge, a new/improved product or process

· Involve novelty OR technical risk

· Use systematic, investigative and experimental work in science or technology

Typical qualifying expenditure:

· Staff costs (excluding directors' fees)

· Consumables used in the R&D

· Outsourced R&D: generally 60% of service fee, or actual qualifying staff costs + consumables if substantiated and higher

Routine testing, market research and routine/cosmetic modifications generally do not qualify.

3. NEW: AI ADOPTION UNDER EIS

For YA 2027 and YA 2028:

400% DEDUCTION

on up to S$50,000 of qualifying AI expenditure per YA.

Simple illustration:

· S$50,000 qualifying AI expenditure -> up to S$200,000 tax deduction

· This is not S$200,000 cash back

· EIS cash-payout option is not available for this AI category

CURRENT IRAS POSITION

IRAS has confirmed the 400% deduction and S$50,000 annual cap. The current EIS guidance does not yet set out detailed qualifying AI cost categories. Do not assume general AI subscriptions, consultancy, hardware or development costs qualify unless detailed rules confirm them.

WHATIF THE COMPANY IS LOSS-MAKING

LOSS-MAKING COMPANY – R&D EXAMPLE

Most common presentation: the accounting/tax loss already includes the normal 100% R&D expense.

Tax loss before EIS enhancement	**(S$50k)**
+ **Additional EIS deduction:** 300% x S$100k	**(S$300k)**
= **Unutilised tax loss carried forward**	**(S$350k)**

The loss may generally be carried forward subject to the shareholding test and other applicable rules.

WHAT HAPPENS IF THE DEDUCTION CANNOT BE USED?

EIS enhanced deductions that cannot be fully offset against current-year income are treated as unutilised trade losses or allowances.

This is different from SUTE/PTE: unused exemption bands expire, while qualifying unutilised tax losses may be carried forward.

For the new AI category, the EIS framework supports enhanced deductions, but detailed qualifying-expenditure rules should be checked once IRAS publishes the final guidance.

PLAN EARLY. CLAIM CONFIDENTLY.

Tax incentives depend on the nature and timing of expenditure, whether the project qualifies, and whether supporting documentation has been maintained from the start.

The tax analysis should be considered before the investment is committed, not only when the return is filed.

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