Singapore makes voluntary RECs and carbon credits tax deductible from YA 2026 - Northmore Gordon

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Details:

Singapore makes voluntary RECs and carbon credits tax deductible from YA 2026

If you buy Renewable Energy Certificates (RECs) or carbon credits for your Singapore business, the new tax deduction is a reason to review your next purchase and retirement together. The certificate must fit your sustainability objective, meet the relevant eligibility conditions and have the records to support the claim.

At Northmore Gordon, we help businesses connect those decisions. Our energy and carbon specialists work across Australia and Singapore, with certificate procurement and retirement support across Asia-Pacific. We can review your existing portfolio, assess the instruments against your intended claim and help you plan procurement and retirement. Your tax adviser should confirm how Section 14ZJ applies to your business.

What has changed from YA 2026?

Singapore businesses can now claim a 100% tax deduction for qualifying RECs and carbon credits that are surrendered or retired to meet voluntary sustainability commitments, under Section 14ZJ of the Income Tax Act 1947.

The change applies from Year of Assessment 2026 and puts qualifying voluntary purchases on the same tax footing as certificates and credits surrendered to meet statutory or regulatory obligations. Before YA 2026, IRAS generally allowed deductions where green certificates and credits were used to meet legal or regulatory requirements, while voluntary sustainability commitments were not covered in the same way.

For companies already buying RECs or carbon credits to support renewable electricity, net zero or other sustainability commitments, the change can reduce the after-tax cost of those purchases.

What could the new deduction be worth?

Singapore’s headline corporate income tax rate is 17%, so the new deduction can have a material impact on the effective cost of qualifying certificates.

As a simple illustration, a business with sufficient taxable income that incurs S$100,000 of qualifying expenditure could reduce its gross corporate income tax liability by up to S$17,000, before taking account of company-specific rebates, exemptions or other tax circumstances.

The important point is that the deduction is based on the actual qualifying expenditure incurred, rather than the market value of the certificate when it is ultimately surrendered or retired. IRAS confirms that qualifying costs can include the purchase price, transaction fees paid to intermediaries, exchange and

trading fees and professional service costs related to the purchase.

When you compare procurement options, look at the full transaction cost: the certificate, fees and retirement arrangements. We can help you review the certificate strategy; your finance team and tax adviser can then assess its after-tax cost using the applicable treatment.

The deduction follows retirement, not purchase

The timing rule is equally important for finance and sustainability teams.

Under Section 14ZJ, the deduction is claimed for the Year of Assessment relating to the basis period in which the qualifying Green Certificate or Green Credit is surrendered or retired. It does not automatically follow the year in which the certificate was purchased.

A company that buys certificates in one financial period and retires them in another may therefore recognise the tax deduction later than the cash expenditure.

Before you commit to a purchase, bring your procurement timetable, intended retirement date and reporting period together. We can help you plan the certificate procurement and retirement steps so your finance and sustainability teams are working from the same information.

Which Renewable Energy Certificates qualify?

The REC definition under the new tax treatment is narrower than simply asking whether a certificate was issued by a recognised registry.

IRAS defines a qualifying Renewable Energy Certificate as representing renewable electricity that is generated in Singapore or elsewhere and supplied, in accordance with the Electricity Act 2001, to a person or premises in Singapore. For renewable electricity generated overseas, IRAS points to approved electricity import projects recognised by the Energy Market Authority.

For corporate buyers, this distinction matters.

A Singapore REC associated with renewable electricity supplied into the local grid may qualify, as may a certificate linked to an approved cross-border electricity import. A standalone overseas I-REC from a project in Vietnam, Malaysia or another market should not be assumed to qualify simply because the certificate itself is valid.

The underlying electricity supply and the purpose for which the certificate is being used both need to be checked. Our environmental-attribute due diligence supports the assessment of renewable attributes and carbon offsets before procurement and retirement. For this Singapore tax measure, the electricity-supply condition still needs to be established; a registry label alone is not enough.

Carbon credits are also covered

Section 14ZJ also applies to qualifying carbon credits.

IRAS defines carbon credits broadly to include certificates representing greenhouse gas emissions reductions, removals or avoided emissions, as well as certain instruments used to satisfy emissions-related regulatory obligations. The definition also includes carbon credits issued by Singapore's National Environment Agency for businesses meeting carbon tax obligations.

The change therefore extends beyond voluntary renewable electricity procurement and can affect broader corporate carbon strategies where qualifying credits are surrendered or retired.

Which fees and costs qualify?

The new rules cover more than the certificate purchase price.

IRAS lists qualifying expenditure including:

acquisition costs paid to an originator, broker or market

transaction fees paid to intermediaries

exchange and trading service fees

professional service costs related to the purchase

certain registration and compliance costs where a business generates and registers qualifying certificates for its own eventual surrender or retirement.

There is, however, an important distinction for project developers.

IRAS states that validation and verification costs incurred by project developers do not qualify under Section 14ZJ where the developer is not the party surrendering or retiring the certificates. Those costs are typically reflected in the price charged to buyers instead. By contrast, a business that generates, registers and later retires its own qualifying certificates may be able to deduct relevant validation and verification costs.

That is a useful distinction for both buyers and project owners when assessing the real tax treatment of certificate-related expenditure.

What if the business is loss-making?

A business without taxable income will not necessarily receive an immediate cash tax benefit from the deduction.

Depending on the company's circumstances, qualifying tax losses may instead contribute to unutilised losses carried forward for future periods, subject to Singapore's normal loss-utilisation rules.

For that reason, the headline 17% example should be treated as an illustration rather than an automatic saving for every business.

What should businesses check now?

For businesses already buying RECs or carbon credits in Singapore, there are five practical questions worth resolving before the next retirement:

Does the certificate meet the Section 14ZJ definition of a qualifying Green Certificate or Green Credit?

For RECs, does the underlying renewable electricity satisfy the Singapore supply requirement?

When will the certificate be surrendered or retired?

Which acquisition, trading and professional fees form part of the qualifying expenditure?

Does the business have the records needed to support the claim if IRAS asks for them?

Businesses should retain the records supporting their claim and provide them if IRAS requests them. Filing requirements depend on the return used: companies filing Form C-S or Form C-S (Lite) generally retain their financial statements, tax computation and supporting schedules, while Form C filers must submit the documents required for that return.

How Northmore Gordon can help with your next certificate purchase

We bring certificate procurement and retirement together with carbon advisory. That helps you assess what you are buying, the claim it is intended to support and the practical steps needed to complete the retirement.

Review the portfolio: identify the instruments, generation locations, reporting periods and sustainability objectives involved.

Assess the purchase: consider instrument selection, environmental-attribute due diligence, commercial terms and the evidence available.

Plan procurement and retirement: agree the timing, beneficiary and records needed for the intended claim.

Our moREnewable100 service supports renewable certificate procurement without requiring you to replace your existing electricity supply contracts. That can be useful when you want to review certificate sourcing while retaining your current electricity arrangements. The instrument, market and intended claim still need to be assessed for your portfolio.

For a focused first discussion, bring your site locations, electricity volumes, reporting period, existing certificate holdings and proposed retirement date. Include any purchase or retirement records you already hold. We can use that information to review the certificate strategy and identify the questions your tax adviser needs to resolve.

Talk to Northmore Gordon about your Singapore REC and carbon credit portfolio. You can also explore our certificate trading and retirement services .

This article provides general information only and is not tax advice. Businesses should confirm the application of Section 14ZJ to their circumstances with their tax adviser.

Official guidance

Green certificates and green credits — IRAS

Corporate income tax rate — IRAS

Unutilised losses — IRAS

Corporate return filing requirements — IRAS

What change is Singapore making to the tax treatment of voluntary RECs and carbon credits, and from when?

From YA 2026, qualifying voluntary REC (Renewable Energy Certificate) and carbon credit expenditure is tax deductible in Singapore, with eligibility and retirement timing determining what businesses can claim.

What tax deduction can Singapore businesses claim for qualifying RECs and carbon credits?

Singapore businesses can claim a 100% tax deduction for qualifying renewable energy certificates and carbon credits surrendered or retired to meet sustainability commitments from YA 2026. A REC must represent renewable electricity generated in Singapore or elsewhere and supplied, in accordance with the Electricity Act 2001, to a person or premises in Singapore. A recognised registry alone does not establish eligibility.

What was the previous rule for tax deductions on certificates in Singapore before this change?

Previously, deductions were available only for certificates surrendered to meet statutory or regulatory obligations, rather than for voluntary retirements made to meet sustainability commitments.

How much could a business save in gross tax under this new deduction, using Singapore's corporate tax rate?

At Singapore's 17% headline corporate tax rate, S$100,000 of qualifying expenditure could reduce gross tax by S$17,000, before rebates, exemptions and company-specific circumstances.

Does the tax deduction apply based on the purchase date or the retirement date of the certificate?

The deduction applies to the Year of Assessment (YA) associated with the retirement period of the certificate, rather than automatically following the purchase date.

Are broker and professional fees related to REC or carbon credit purchases included in the deductible expenditure?

Yes, qualifying costs include broker, exchange and professional fees related to the purchase.

Which types of RECs may qualify for the tax deduction in Singapore?

A Singapore REC associated with renewable electricity supplied into the local grid may qualify, as may a certificate linked to an approved cross-border electricity import.

Does a standalone overseas I-REC automatically qualify for the Singapore tax deduction?

No. A standalone overseas I-REC (International Renewable Energy Certificate created under the International REC Standard) from a project in Vietnam, Malaysia or another market should not be assumed to qualify simply because the certificate itself is valid.

How can Northmore Gordon help us review our Singapore REC and carbon credit strategy?

We can review your certificate portfolio against its intended sustainability objectives, support instrument selection and environmental-attribute due diligence, and plan procurement and retirement. Bring your site locations, electricity volumes, reporting period, certificate holdings and proposed retirement date. Your tax adviser should confirm the Section 14ZJ treatment for your business.

Can we review renewable certificate procurement without changing our electricity contracts?

Our moREnewable100 service supports renewable certificate procurement without requiring you to replace existing electricity supply contracts. We assess the instrument, market, reporting period and intended claim for the portfolio. This does not make every REC eligible for the Singapore tax deduction; the Singapore electricity-supply requirement and other qualifying conditions still apply.