

Singapore's Carbon Tax in 2026

A Quick Guide for SMEs



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Why does the carbon tax matter to SMEs?

Singapore's climate tax is rising.

Singapore's carbon tax rate has risen sharply in 2026, from S\$25 per tonne of carbon dioxide equivalent (tCO₂e) to S\$45 per tCO₂e. It is expected to increase further in the years ahead.

Since only heavy emitters are taxed, it's easy to think that your SME is unaffected by the carbon tax increase.

However, electricity, fuel and supplier prices will inevitably rise as a result of the increase in the carbon tax. This means you'll still feel the impact through higher business costs.

This quick guide explains:

- What's changing for Singapore's carbon tax
- How these changes affect SMEs
- What you can do to stay competitive, even with limited resources



What is carbon tax?

Singapore aims to reach net-zero emissions by 2050. It has implemented a carbon tax to support this goal.

What is carbon tax?

A carbon tax puts a price on emissions. The more a taxable business emits, the more it has to pay. The carbon tax incentivises businesses to switch to low-carbon operations or technologies.

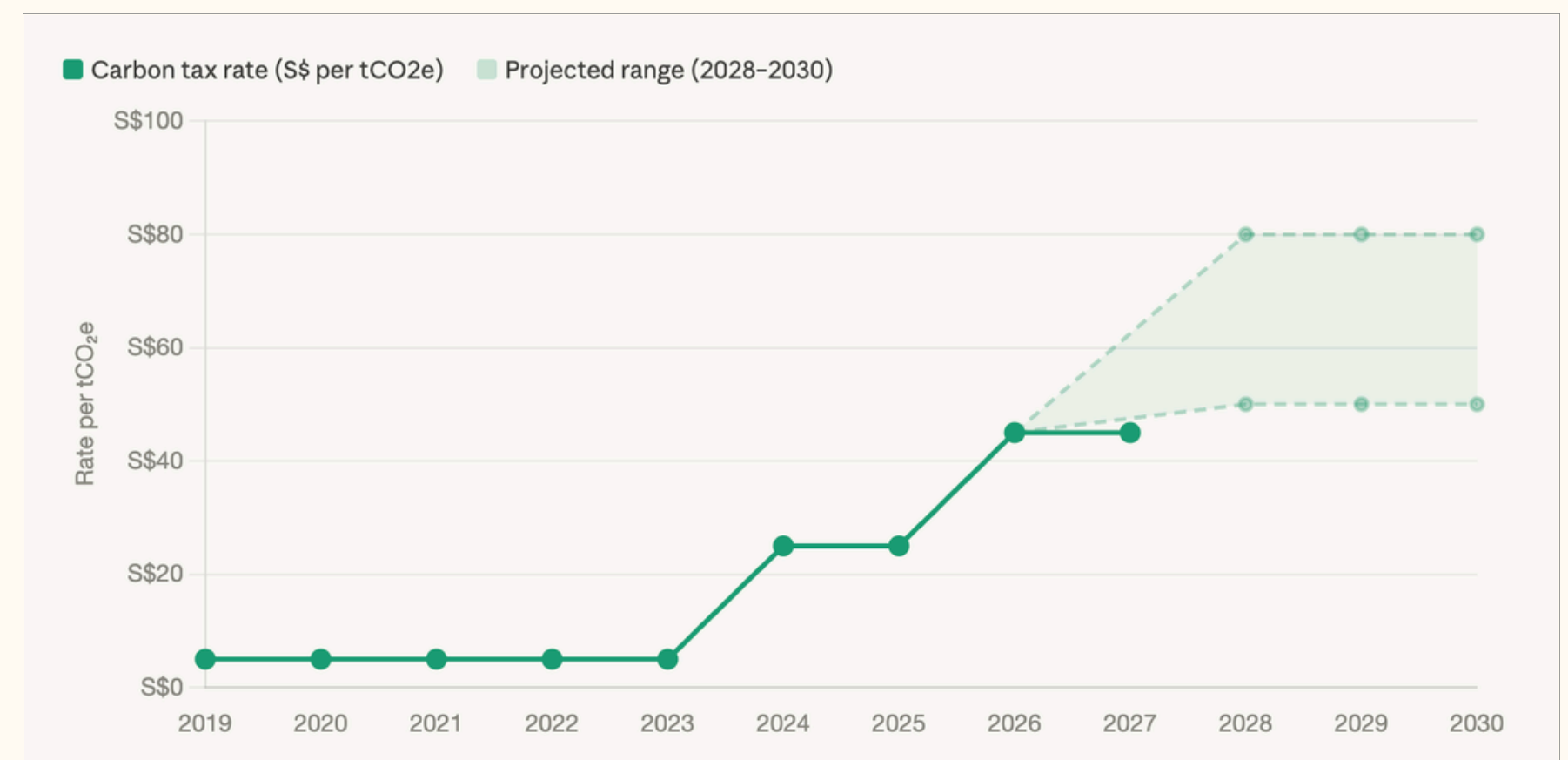
The revenue from Singapore's carbon tax is used to fund decarbonisation efforts and mitigate the impact on businesses and households.

How much is the carbon tax?

Singapore's carbon tax rate has been raised to S\$45 per tCO₂e in 2026 and 2027. It's expected to further increase to S\$50–80 per tCO₂e by 2030.

What businesses are taxable?

About 50 heavy emitters in Singapore, each releasing at least 25,000 tCO₂e per year, are currently subject to tax. They are mainly from the power, water, waste and manufacturing industries. These businesses account for about 70% of the country's emissions.



Singapore's carbon tax rate, 2019–2030

The key terms you need to know

Emissions

The gases and substances released into the atmosphere. Emissions include greenhouse gases (GHGs), which trap heat and contribute to global warming. The GHGs covered under Singapore's carbon tax are carbon dioxide (CO₂), methane (CH₄), nitrous oxide (N₂O), hydrofluorocarbons (HFCs), perfluorocarbons (PFCs), sulphur hexafluoride (SF₆) and nitrogen trifluoride (NF₃).

Scopes 1, 2 and 3 emissions

Your company's carbon footprint is the total of your Scope 1, 2 and 3 emissions.

- **Scope 1:** direct emissions during operations, such as from onsite fuel combustion and vehicle use.
- **Scope 2:** indirect emissions from purchased electricity, steam, heating and cooling.
- **Scope 3:** indirect emissions from activities across an organisation's value chain, such as business travel, goods and services purchased, and end-of-life treatment of products.

Net zero

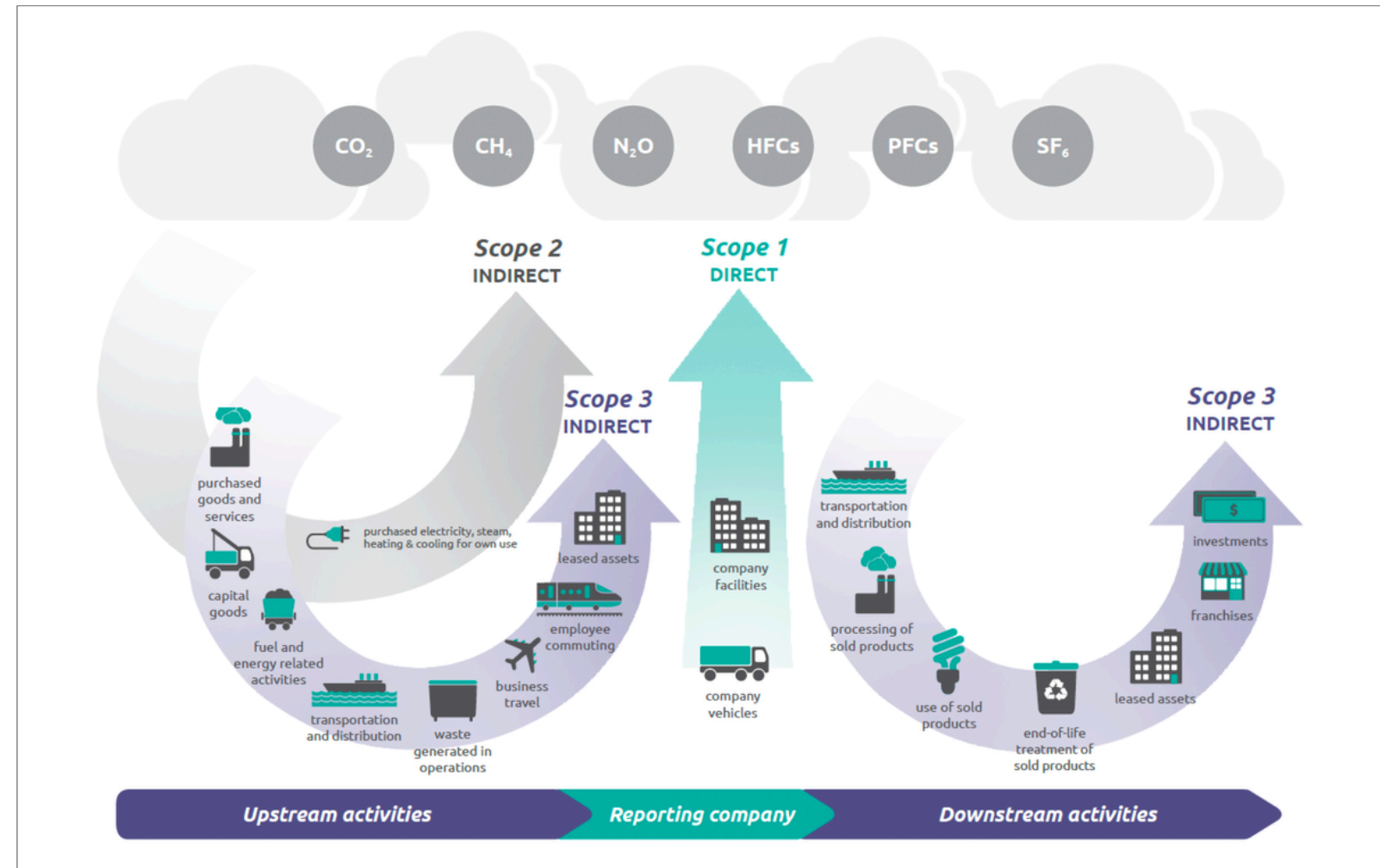
A state in which an organisation or country cuts the GHGs it emits as much as possible and cancels out the rest by removing or offsetting an equal amount. Its overall contribution to climate change is thus effectively zero.

Carbon offset

The compensation for emissions by avoiding, reducing or removing an equal amount elsewhere. This usually involves the emitter buying verified carbon credits to fund climate projects.

Carbon credit

A carbon credit is a verified certificate issued for a climate project like renewable energy or forestation. One credit represents one tonne of emissions avoided, reduced or removed. Businesses can buy these credits on carbon markets.



Overview of GHG Protocol scopes and emissions across the value chain. (Source: Greenhouse Gas Protocol)

How does the carbon tax affect SMEs?

Even if your SME isn't directly taxed, you can feel the impact through higher costs of doing business.



As a reportable facility

Most SMEs won't come close to the threshold of 2,000 tCO₂e per year to be classified as a reportable facility.

But if your business is energy-intensive and does cross the threshold, you'll need to measure your emissions, submit a report annually to the National Environment Agency, and appoint both a GHG manager and a designated representative. These obligations add to your administrative and compliance costs.



As a business

The carbon tax can drive up energy costs for SMEs because taxable companies such as power generation companies and refineries are likely to pass down some of the extra costs to their customers. This means tighter margins for some SMEs, particularly those in energy-intensive sectors.

You'll also see higher prices from your suppliers as they raise their own prices to offset their rising business expenses.

While you may not feel the immediate impact of these price increases, they can add up. Taking early measures, such as switching to more energy-efficient equipment and reducing waste, can help mitigate higher costs over time.



As a supplier

More customers, whether carbon-taxable or not, are now asking suppliers for emissions data for their own Scope 3 reporting or as part of procurement requirements.

Some customers may encourage their suppliers to reduce emissions over time, for example, by improving energy efficiency or adopting cleaner technologies.

Meeting these requests can increase your administrative workload and capital and operational expenses. But they can also help you become more competitive as more customers prioritise supply chain sustainability.

What can your SME do now?

The carbon tax pushes up prices and introduces new pressures. But it also opens up opportunities for SMEs.

Here's what you can do now for quick wins to mitigate the higher costs and build a foundation for your SME's resilience and decarbonisation in the longer term:

- Track your emissions and set a baseline
- Reduce energy use and improve your energy efficiency
- Adopt renewable energy
- Access grants and financing
- Reduce waste and keep materials in use
- Develop a long-term decarbonisation roadmap





● Track your emissions and set a baseline

More customers and banks will request your emissions data as part of their Scope 3 accounting, procurement and disclosure requirements.

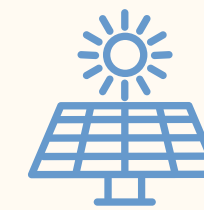
If you don't have an easy way of managing your emissions data, such requests bring added pressure and administrative costs. Additionally, you need baseline emissions data to begin your longer-term decarbonisation efforts.



● Reduce your energy use and improve energy efficiency

The more efficient your energy consumption, the less you need to spend. Here are some areas you can look into:

- Replace inefficient air-conditioning, refrigeration and lighting
- Use smart energy and analytics to take advantage of low-peak energy use and see where energy is leaking
- Switch to LED lighting and install smart lighting control to reduce energy use
- Use air-conditioning in only essential areas
- Use utilities- or energy-as-a-service solutions to lower your capital expenditure
- Optimise delivery routes to cut fuel costs
- Adopt electric vehicles in your company fleet



● Adopt renewable energy

Tap into renewable energy and lower your Scope 2 emissions:

- Install solar panels on your premises.
- Explore solar leasing or power purchase agreements with no upfront costs.
- Purchase verified renewable energy credits (RECs) to offset your emissions.



● Access grants and financing

Grants: Whether you're improving energy efficiency or transitioning to renewables, switching to a carbon accounting tool or equipping your employees with sustainability knowledge or skills, you can tap into government grants that help you do so.

Financing: Major banks have sustainability-linked programmes that build SMEs' sustainability capabilities and capacity. They offer grants or preferential financing rates to SMEs for meeting decarbonisation targets.

Banks also offer various types of financial support, from green loans to transition financing for different types of green projects. You need to demonstrate your commitment to decarbonisation and provide data to support your applications.

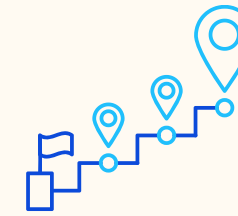
See page 14 for the details.



● Reduce waste and keep materials in use

Reduce emissions and business costs using these ways:

- Right-size packaging and save on material, storage and shipping costs
- Reduce plastic use in packaging
- Use sustainable materials
- Recycle and reuse materials and packaging



● Develop a long-term decarbonisation roadmap

Build a long-term decarbonisation plan that goes beyond quick wins. This is the roadmap towards your SME's low-carbon future, with:

- emissions data for your baseline year
- emissions reduction targets for the short, medium and long term, aligned with Singapore's national or global climate targets
- decarbonisation initiatives
- regular reviews

What if you don't take any action now?

Beware the risks of not taking action early in the carbon tax environment.



Compliance demands

All Singapore Exchange-listed companies must disclose Scope 1 and Scope 2 emissions from FY2025. Among them, the constituents of the Straits Times Index (STI) must also disclose their Scope 3 emissions from FY2026.

For other listed (non-STI) companies and large non-listed companies, Scope 3 emissions reporting remains voluntary until further notice.

But you can expect Scope 3 disclosure to eventually become standard for these companies, as the pressure to account for their full carbon footprint increases. Companies outside Singapore may also request emissions data from their suppliers.

You'll be increasingly asked to provide your emissions data for your customers' Scope 3 accounting. If you are unable to provide reliable data, you risk being excluded from contracts or scrambling for data at short notice. If you can't help your customers meet their regulatory obligations, you'll become a compliance liability, and they'll be compelled to replace you.



Market access

In a Bain & Company survey of B2B businesses, 49% indicated that they expect to switch out suppliers that don't meet their sustainability criteria over the next three years.

More and more procurement teams are prioritising lower-carbon suppliers to incentivise decarbonisation in their supply chain. They are using emissions data as an evaluation criterion alongside traditional metrics such as quality and cost in supplier selection.

When a potential customer reviews two comparable suppliers – one with a clear sustainability performance record and the other without – who are they likely to choose? The one that supports their own sustainability narrative.

What this means for you as a supplier: you need emissions data. Such data demands bring added pressure and increase your administrative workload. But meeting them helps you become more competitive.



Financing requirements

Several major Singapore banks, in partnership with Enterprise Singapore, offer sustainability-linked programmes to build SMEs' sustainability capabilities and capacity. Through these programmes, SMEs can apply for government grants and qualify for preferential loan rates from the banks by meeting sustainability performance targets.

Banks also offer green loans and transition financing. They increasingly need emissions data from their borrowers for their own financed emissions and regulatory reporting.

Without baseline and progress data, you'll be excluded from preferential financing while your competitors with data qualify for better terms.



Cost pressures

Electricity costs are estimated to rise by approximately 4%–7% in 2026 and 8%–12% in 2030. If you are in an energy-intensive sector such as logistics, manufacturing or F&B, you can expect a greater squeeze on your margins. You'll also see higher prices from your suppliers as they try to offset their own rising expenses.

These increases will seem small at first, but they will add up. And with the carbon tax rate continuing to rise, the pressure on your margins will increase year on year.

This is where emissions data comes in. Emissions data tracks energy and fuel use, so it can help you pinpoint where costs are the highest and where efficiency improvements will deliver the greatest savings.



Reputational risk

Corporates, investors, partners and consumers are increasingly considering sustainability performance in their business, investment and purchasing decisions.

If you haven't started your decarbonisation journey, you risk being perceived as out of touch or indifferent. Plus, if you make claims about your impact without supporting evidence, you risk being seen as greenwashing. Investors and partners conducting due diligence will pass you over for funding rounds, joint ventures or partnerships.

To protect your reputation, you need reliable data. This means measuring your emissions, setting your baseline and targets, and tracking and reporting your emissions. Then, communicate your progress with credible evidence, not vague claims.

Act early and position your SME as a trustworthy and forward-looking business. You'll gain a competitive advantage over those slower to act.

Spotlight on Containers Printers

Containers Printers provides packaging solutions to nutrition, food and medical brands in over 30 countries.



There is so much sunlight in Singapore, and we have a lot of space on our factory rooftops. For a 25-year contract where the solar leasing company installs and maintains the panels, it is a win-win situation for both parties.

Amy Chung
CEO, Containers Printers

1 Challenge

The company was facing increasing energy costs and growing stakeholder demands for emissions reduction. In response to these challenges, it began its decarbonisation journey.

2 Steps taken

The company first analysed its emissions and identified reduction areas with a sustainability consultant's help. It then built its sustainability capabilities and upskilled its teams on sustainability, supported by the government and partners like the UN Global Compact Network Singapore (GCNS).

4 Impact

Containers Printers has integrated sustainability into its operations. To date, it has achieved 20% reduction in energy costs. Its employees are empowered to drive sustainable initiatives and have adopted a culture of learning and development relating to sustainability.

3 Solutions

The company switched to energy-efficient air-conditioners, lighting and compressed air systems, supported by NEA's Energy Efficient Grant. It also installed solar panels on its factory rooftops and purchased solar energy at lower prices than the market rate.

It also made sustainability a company-wide priority:

- Trained its employees on emissions data collection and carbon accounting
- Developed its employees' capabilities to drive sustainability action across the company
- Sent its employees to industry events to keep updated on sustainability trends

What grants are available to SMEs?

Productivity Solutions Grant for Carbon Management

Supports SMEs in developing carbon accounting capabilities and using digital tools to calculate their carbon emissions. Co-funds up to 50% for the adoption of pre-approved carbon management solutions.

Energy Efficiency Grant

Co-funds up to 70% of SMEs' investments in pre-approved energy-efficient equipment. Eligible sectors include manufacturing (including food manufacturing and food services), retail, construction, data centres and maritime.

Water Efficiency Fund

Co-funds water efficiency projects across stages, including water-efficiency assessments, project feasibility, and water recycling and water-efficient equipment adoption.

3R Fund

Co-funds projects that promote recycling or waste reduction to reduce incineration or disposal.

Packaging Partnership Programme

Supports packaging suppliers and companies using packaging in adopting sustainable packaging waste management practices and fulfilling regulatory requirements.

SME Sustainability Reporting Programme

Supports non-listed SMEs in developing their first sustainability reports. Co-funds up to 50% (until 31 October 2027) or 70% (until 31 March 2026) of reporting package fees.

Enhanced Training Support for SMEs

Supports up to 90% funding for employees' attendance in SkillsFuture Singapore-supported courses.

Visit the following websites for more details about these and other grants:

[Enterprise Sustainability Programme](#)
[SME Sustainability Hub](#)



Conclusion

The carbon tax in Singapore continues to rise. By 2030, large emitters are expected to pay between S\$50 and S\$80 per tCO₂e. As the tax rate increases, the cost of doing business will rise as well. However, the shift towards decarbonisation also presents opportunities for SMEs that take action early.

By reducing its carbon footprint, your SME will be positioned to save costs, win contracts, access financing and attract investors. Those that don't start their decarbonisation journey now risk being left behind.



Starting your decarbonisation journey?

If you're worried about the complexity of decarbonisation, you're not alone.

One of the first things you can do is to use a digital tool to **track your SME's carbon footprint** and report its emissions data.

A carbon accounting tool:

- takes the hassle and guesswork out of emissions reporting
- automates data collection, accurate emissions calculations and reporting in compliance with various standards
- calculates baseline emissions, set emissions targets, identify emissions hotspots and track decarbonisation progress

Gprnt is Singapore's national digital platform for sustainability reporting backed by the Monetary Authority of Singapore. It is designed to help SMEs measure and track emissions while simplifying emissions reporting.

[Get a free basic report in minutes](#)

Generate a basic report covering Scope 1 and 2 emissions without the need for spreadsheets, in-house ESG expertise or upfront costs. You can now meet disclosure requests from customers and financial institutions quickly and with lower risk. And position your business more strongly to win tenders and access green financing.

[Single platform for collection, calculation and reporting](#)

No more tool-switching, chasing down data from internal stakeholders or figuring out emissions factors on your own. Gprnt automates data collection, calculation and reporting aligned with standards such as ISSB and GHG Protocol. So you can avoid costly errors, simplify your ESG workflow, save hundreds of hours, and stay ready for evolving compliance and procurement requirements.

[Set emissions goals and track progress](#)

Benchmark your SME's performance against that of peer companies, set your emissions targets and track your progress in Gprnt. Get AI-curated decarbonisation strategies based on your SME's specific profile and find solution providers in Gprnt's marketplace.

Get your [free emissions report](#)

Email us at hello@gprnt.ai

References

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National Climate Change Secretariat

Carbon Tax

National Environment Agency

Containers Printers: Driving sustainability through strong leadership and workforce empowerment

SME Sustainability Hub

Standards & Guidance | GHG Protocol

Greenhouse Gas Protocol

Enterprise Sustainability Programme

Enterprise Singapore

Extended Timelines for Most Climate Reporting Requirements to Support Companies

Accounting and Corporate Regulatory Authority

Good for business, good for the world

OCBC

Green Finance & Green Loans

UOB

SME Sustainability Hub

Enterprise Singapore

Sustainability Linked Financing

UOB

The Paris Agreement

United Nations Climate Change

The Visionary CEO's Guide to Sustainability 2025

Bain & Company

What the rise in carbon tax means for companies

EY

Why choose DBS as your Sustainable Financing Partner?

DBS

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