



INLAND REVENUE
AUTHORITY OF
SINGAPORE



Acquisition and Leasing of PIC IT
and Automation Equipment

Training of Employees



Acquisition and Licensing
of Intellectual Property Rights



Registration of Patents, Trademarks,
Designs and Plant Varieties

Research and Development



Investment in Design Projects

6

QUALIFYING ACTIVITIES

TO BOOST YOUR TAX SAVINGS

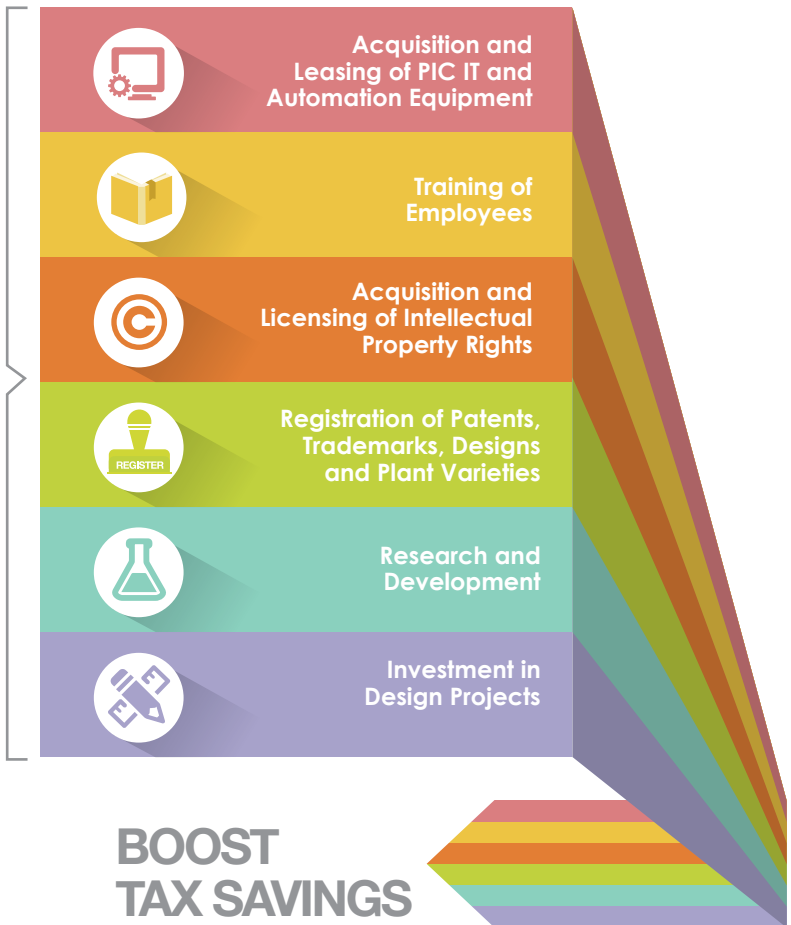
with Productivity and
Innovation Credit (PIC) Scheme

2015 Edition

What is PIC?

The PIC scheme supports investments in six productivity improvement activities. From YA 2011 to YA 2018, businesses can enjoy huge tax savings in the form of Cash Payout and/or Tax Deduction. From YA 2013 to YA 2015, businesses can also receive PIC Bonus of up to \$15,000¹.

6 QUALIFYING ACTIVITIES



¹ As announced in Budget 2015, the PIC Bonus will expire in YA 2015.

How Does PIC Benefit Me?

There are two ways you can benefit from your spending in any of the six qualifying activities.



Convert up to \$100,000 of your total spending in all six qualifying activities into a non-taxable cash payout instead of claiming tax deduction.

This option is generally more beneficial for businesses with low or no taxable income.

The maximum cash payout is \$60,000 (60% x \$100,000) for each YA from YA 2013 to YA 2018.

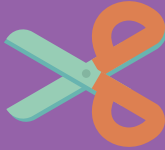


To qualify for cash payout, your business must:

- have employed at least three local employees (Singapore Citizens or Permanent Residents with CPF contributions, excluding sole-proprietors, partners under contract for service and shareholders who are directors of the company) in the relevant month(s); and
- carry on business operation in Singapore.

From YA 2016 to YA 2018, if you are claiming cash payout on PIC IT and Automation Equipment, the equipment must be used by your business at the point of electing for cash payout.

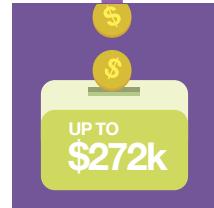
Note: Please deduct any government grant or subsidy given on your investment and claim PIC benefits only on the net spending.



Option 2: 400% Tax Deduction²



MAX.
\$400k
/ACTIVITY/YA



Enjoy 400% tax deduction³ on up to \$400,000 of your spending in each of the six qualifying activities per YA. This means a tax deduction of up to \$1.6 million (\$400,000 x 400%) for each activity per YA.

At the corporate tax rate of 17%, your tax savings can be up to \$272,000 for each activity per YA.

In addition, you can combine your spending across YAs for each activity to enjoy the maximum PIC benefits as follows:

YA	Combined Spending Cap per Qualifying Activity	Tax Deduction per Qualifying Activity	Potential Tax Savings @ 17% (for companies)
2013 to 2015	\$1.2 mil. (\$400,000 x 3)	\$4.8 mil. (\$1.2 mil. x 400%)	\$816,000 (\$4.8 mil. x 17%)
2016 to 2018	\$1.2 mil. (\$400,000 x 3)	\$4.8 mil. (\$1.2 mil. x 400%)	\$816,000 (\$4.8 mil. x 17%)

PIC+

From YA 2015 to YA 2018, qualifying SMEs can enjoy an additional \$200,000 in qualifying expenditure for each of the six activities per YA. This means that the cap of \$400,000 referred to above is increased to \$600,000.

² The 400% tax deduction comprises a 300% enhanced deduction and a 100% base deduction.

³ For sole-proprietorships, the expenditure cap for each activity is applicable at the sole-proprietor level.

In addition, you can combine your spending across YAs for each qualifying activity to enjoy the maximum PIC benefits as follow:

YA	Combined Spending Cap per Qualifying Activity	Tax Deduction per Qualifying Activity	Potential Tax Savings @ 17% (for companies)
2013 to 2015	\$1.4 mil. ⁴ (\$400,000 + \$400,000 + \$600,000)	\$5.6 mil. (\$1.4 mil. x 400%)	\$952,000 (\$5.6 mil. x 17%)
2016 to 2018	\$1.8 mil. (\$600,000 x 3)	\$7.2 mil. (\$1.8 mil. x 400%)	\$1,224,000 (\$7.2 mil. x 17%)

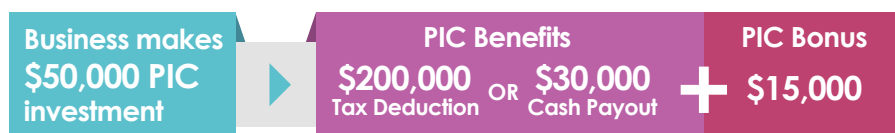


To be a qualifying SME, your business must:

- carry on operation in Singapore; and
- have revenue of not more than \$100 million or employment size of not more than 200 employees. This criterion will be applied at the group level if your business is part of a group.

PIC Bonus

From YA 2013 to YA 2015, PIC bonus, which is a dollar-for-dollar matching cash bonus, will be provided on top of existing PIC benefits⁵. The PIC bonus is capped at \$15,000⁶ over all three YAs combined. The PIC bonus is taxable.



To qualify for PIC bonus in any of the three YAs, your business must:

- have spent a minimum of \$5,000 on PIC-qualifying expenditure (net of government grant/subsidy) in the basis period for that YA (i.e. during the financial year);
- have employed at least three local employees (Singapore Citizens or Permanent Residents with CPF contributions, excluding sole-proprietors, partners under contract for service and shareholders who are directors of the company); and
- carry on business operation in Singapore.

You do not need to apply for the PIC bonus. IRAS will compute the PIC bonus upon approval of your cash payout claim or upon filing of your Income Tax Return. For sole-proprietors/partnerships, a PIC Enhanced Allowances/ Deductions Declaration Form needs to be filed with the Income Tax Return.

⁴ The combined expenditure cap of \$1.4 million is only applicable for YA 2015 as the additional expenditure cap of \$200,000 (\$600,000 - \$400,000) is not available for YA 2013 and YA 2014.

⁵ As announced in Budget 2015, the PIC Bonus will expire in YA 2015.

⁶ For sole-proprietorships, the overall cap is applicable at the sole-proprietor level.

How do I apply?

How to Apply

When to Submit



Cash Payout

Submit PIC Cash Payout Application Form through myTax Portal (mytax.iras.gov.sg)⁷

Anytime after the end of your financial quarter(s), but not later than the filing due date of the Income Tax Return (Form C-S/Form C/ Form B/Form P)



400% Tax Deduction

For Sole-proprietors/ Partnerships

Claim tax deduction in "Allowable Business Expenses" of the 4-line statement in your Income Tax Return (Form B/Form P). Complete PIC Enhanced Allowances/Deductions Declaration Form for Sole-proprietors and Partnerships (www.iras.gov.sg)

By the filing due date of 15 April or 18 April (if you e-File Form B/Form P) for the relevant YA

For Companies

Claim tax deduction in your Income Tax Return (Form C-S/Form C)

By the filing due date of 30 Nov or 15 Dec (if you e-File your Income Tax Return) for the relevant YA

⁷ To apply for PIC Cash Payout via myTax Portal, please authorise an employee or a third party via e-Services Authorisation System (EASY) first. Please note that sole-proprietors do not have to be authorised via EASY.

Commonly Claimed



Training of Employees

You can claim PIC benefits on training of your employees for the purposes of the trade and business⁸.

EXTERNAL TRAINING
Training of your employees by external service providers

IN-HOUSE TRAINING
Training of your employees by your in-house trainers



Qualifying Training Costs

- Course fees
- Salary and other remuneration paid to in-house trainers for conducting the training
- Rental of training facilities for the training
- Training materials and stationery used for the training
- Meals and refreshments provided during the training

In-house training must be:



A Workforce Skills Qualification (WSQ) training course accredited by the Singapore Workforce Development Agency (WDA) and conducted by a WSQ in-house training provider



A course approved by the Institute of Technical Education (ITE) under the ITE Approved Training Centre scheme



On-the-job training by an on-the-job training centre certified by ITE



In-house training not accredited/certified by WDA/ITE (with effect from YA 2012 and subject to spending cap of \$10,000 per YA)*

*Note: Spontaneous consultation, day-to-day problem-solving or meetings and coaching/mentoring sessions between supervisors and subordinates are excluded.

⁸ As business owners are not employees, training costs incurred by sole-proprietors/partners under contract for service will not qualify for PIC benefits.

**Commonly
Claimed**



Acquisition and Leasing of PIC IT and Automation Equipment

You can claim PIC benefits on costs of acquiring or leasing any PIC IT and Automation Equipment used in your business⁹.

Equipment in Prescribed List of PIC IT and Automation Equipment

The PIC IT and Automation Equipment List is available at www.iras.gov.sg.

Examples from PIC IT and Automation Equipment List:

- Computer
- Software
- Point-of-sale system
- Computer numerical control (CNC) cutting machine
- Self-climbing scaffold system
- Automated warehousing equipment and software

Equipment Approved on Case-by-Case Basis

If your equipment is not in the PIC IT and Automation Equipment List, you may apply to IRAS to have the equipment approved for PIC on a case-by-case basis, subject to the following conditions:

- 1) The equipment automates or mechanises the work processes of the business; and
- 2) The equipment enhances productivity of the business.

⁹ Cash conversion is on the full acquisition costs of each piece of equipment, subject to the conversion cap.

Other Qualifying Activities



Registration of Patents, Trademarks, Designs and Plant Varieties

- Your business must be the legal and economic owner of the Intellectual Property Right (IPR).

Qualifying Costs

- Official fees paid to respective Registry
- Professional fees for registration of IPRs



Acquisition and Licensing of Intellectual Property Rights (IPRs)¹⁰

- Cost in acquiring the legal and economic ownership of the IPR for use in your trade (not applicable to sole-proprietorships).
- Qualifying cost excludes legal fees, registration fees, stamp duty and other costs related to the acquisition.
- License fees incurred on IPR licensing from YA 2013.

Examples of IPRs

- Patents
- Copyrights
- Trademarks[#]

[#] Do not qualify for IPR licensing.



Research and Development (R&D)

- R&D refers to any systematic, investigative and experimental study that involves novelty or technical risk carried out in the field of science or technology, to acquire new knowledge or to use the results of the study for the production or improvement of materials, devices, products, produce, or processes.
- R&D may be conducted by your business or outsourced to an R&D organisation.
- R&D may be carried out in Singapore or overseas. If the R&D is done overseas, it must be related to your trade in Singapore.
- R&D cost sharing arrangement qualifies for PIC from YA 2012.

Qualifying Costs

- Staff costs and consumables for R&D activities carried out by your business
- 60% of outsourced costs or shared costs deemed to be staff costs and consumables; any percentage above 60% should be substantiated by supporting documents



Investment in Design Projects

- This is administered by DesignSingapore Council.
- The approved design activities may be conducted by your business or outsourced to an approved design service provider.
- More details, including how to apply for approval, can be found on DesignSingapore Council's website at http://www.designsingapore.org/for_enterprises/grants/pic_for_design.aspx

Qualifying Costs

- Staff costs of qualified design professional
- 60% of payments to approved design service provider deemed as cost of qualified designers; any percentage above 60% should be substantiated by supporting documents

¹⁰ Cash conversion is on the full registration/acquisition costs of each IPR, subject to the conversion cap.

Case Study

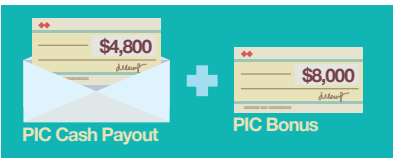
for companies

Applying for CASH PAYOUT

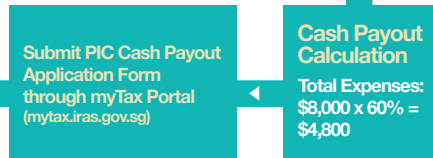
Company A runs a retail outlet and employs at least three local employees in the relevant month

It invested in a point of sale (POS) system and sent staff for customer service courses in financial year 2014 (YA 2015)

Choose the benefits



Receive \$4,800 cash payout + \$8,000 PIC bonus



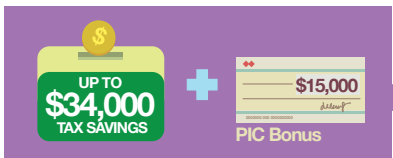
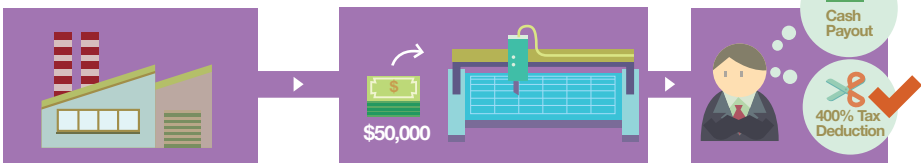
Apply anytime after the end of its financial quarter(s), but not later than 30 Nov 2015/15 Dec 2015 (if e-File Income Tax Return). The expenditure of \$8,000 cannot be claimed as a deduction against income in the income tax return.

Claiming TAX DEDUCTION

Company B is a manufacturing company and employs at least three local employees in the relevant month

It invested in Computer Numerical Control (CNC) cutting machines in financial year 2014 (YA 2015)

Choose the benefits



Receive tax savings of up to \$34,000 (based on corporate tax rate of 17%) + \$15,000¹¹ PIC bonus



Claim tax deduction in its Income Tax Return for YA 2015 by 30 Nov 2015/15 Dec 2015 (if e-File Income Tax Return)

¹¹ Company B will receive the maximum PIC bonus of \$15,000 on the assumption that it has not received any PIC bonus before.

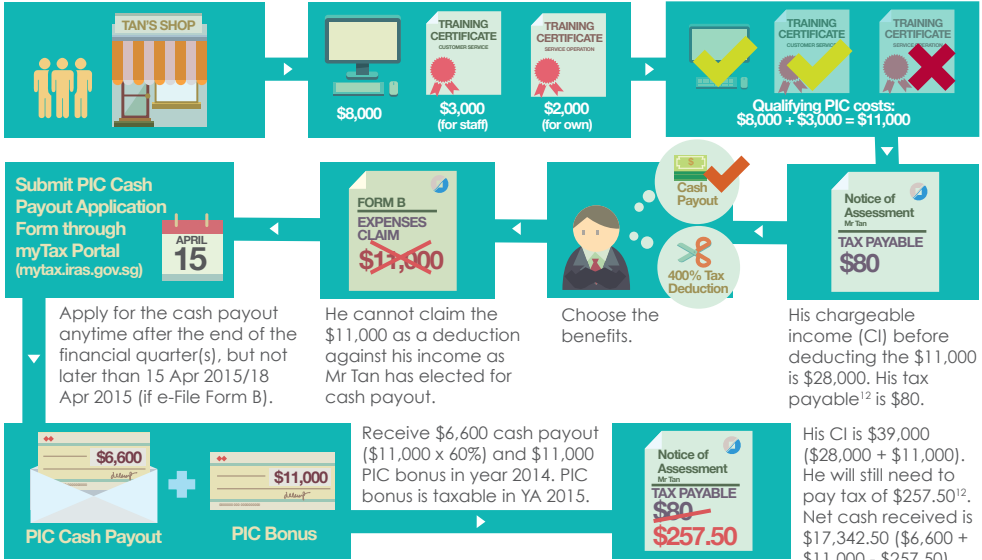
for sole-proprietors

Applying for CASH PAYOUT

Mr Tan runs a retail sole-proprietorship business and employs at least three local employees in the relevant month.

He bought computers, sent his staff for customer service training and attended a course himself on service operations, in financial year 2014 (YA 2015).

His own training cost cannot be claimed.

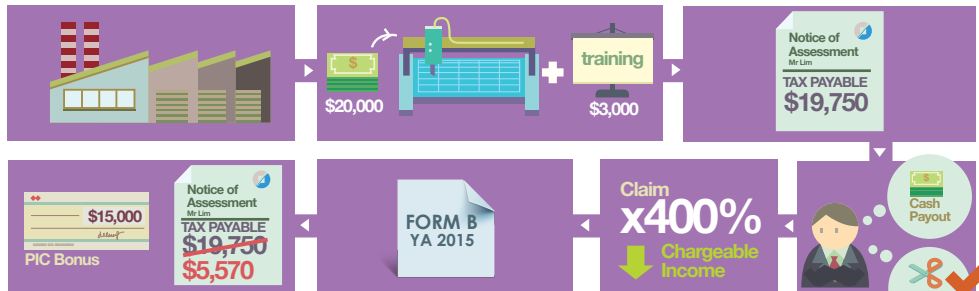


Claiming TAX DEDUCTION

Mr Lim runs a manufacturing sole-proprietorship business and employs at least three local employees in the relevant month.

He bought a Computer Numerical Control (CNC) cutting machine and sent his employees for industrial training in financial year 2014 (YA 2015).

His chargeable income (CI) before deducting the equipment and staff training costs of \$23,000 is \$200,000. His tax payable¹² is \$19,750.



He will need to pay tax of \$5,570¹². His tax savings is \$14,180 (\$19,750 - \$5,570). He will also receive the maximum PIC bonus of \$15,000¹³. The PIC bonus received in the year 2015 is taxable in YA 2016.

Claim tax deduction in his Income Tax Return for YA 2015 and complete PIC Enhanced Allowances/Deductions Declaration Form by 15 Apr 2015/18 Apr 2015 (if e-File Form B).

Tax deduction will be \$92,000 (\$23,000 x 400%). CI will be reduced to \$108,000 (\$200,000 - \$92,000)

Choose the benefits.

¹² Tax payable is calculated based on the progressive individual income tax rates and personal income tax rebate of 50% capped at \$1,000 for YA 2015.

¹³ Mr Lim will receive the maximum PIC bonus of \$15,000 on the assumption that he has not received any PIC bonus before.



For more information on PIC, please refer to:

IRAS website: www.iras.gov.sg

If you need further assistance, please contact us at:

Email: picredit@iras.gov.sg

Helpline for Companies: 1800-356 8622

Helpline for Self-employed/Partnerships: (65) 6351 3534

SME Centres: www.enterpriseone.gov.sg >

About Us > SME Centres

This information aims to provide a better general understanding of taxpayers' tax obligations and is not intended to comprehensively address all possible tax issues that may arise.

This information is correct as at 31/05/15. While every effort has been made to ensure that this information is consistent with existing law and practice, should there be any changes, IRAS reserves the right to vary our position accordingly.