

RECENT UPDATES ON SINGAPORE'S PRODUCTIVITY AND INNOVATION CREDIT ("PIC") SCHEME

A. Overview

The Productivity and Innovation Credit ("PIC") was introduced in the Singapore Budget 2010 to provide enhanced tax deductions for investments in productivity and innovation. The PIC Scheme was subsequently enhanced in Singapore Budget 2011, 2012 and recently in 2013. The 2013 enhancement now comes in the form of the additional PIC Bonus, which is a dollar-for-dollar matching cash bonus that is given to businesses in addition to the existing PIC benefits. For more details about the previous existing PIC benefits, namely the 400% tax deductions/allowances or 60% cash payouts (PIC cash payout), you may refer to our earlier July 2012 newsletter, which can be found at: <http://www.gateway-law.com/newsletter/July2012.pdf>.

B. About the new PIC Bonus

The new PIC Bonus is subject to an overall cap of \$15,000 over the Years of Assessment (YA), namely, YA 2013 to YA2015. The PIC Bonus is taxable and is taxed in the YA relating to the year of receipt. For example, if the PIC Bonus is received in 2013, it will be taxed in YA2014.

C. Eligibility for the PIC Bonus

Businesses eligible for the PIC Bonus would be sole-proprietorships, partnerships and companies that:

- incur at least \$5,000 in PIC qualifying expenditure¹ for each YA in which a PIC Bonus is claimed;
- have active business operations in Singapore; and
- employ at least 3 local employees² (Singapore citizens or permanent residents with CPF contributions) in the last month of the relevant period³.

¹ This is the amount net of any grant or subsidy by a Government or statutory board.

² Employees excludes the self-employed (e.g. sole-proprietors, partners under contract of service) and shareholders who are also directors of the company as these are considered business owners.

³ Relevant period where 400% tax deductions/allowances is claimed is the last month of the basis period for the YA to which deduction/allowance relates. Relevant period where PIC cash payout is claimed is last month of the quarter or combined consecutive quarters to which the cash payout option relates.

D. Claiming the PIC Bonus

As the new PIC Bonus is given on top of existing PIC benefits, no separate application to claim the PIC Bonus is required. The PIC Bonus is processed automatically based on declarations in the income tax return or the PIC cash payout application.

The PIC Bonus can be claimed once a year if the 400% tax deductions/allowance is claimed and up to 4 times a year if the PIC cash payout is claimed.

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This article is intended to highlight the salient issues relating to the Productivity and Innovation Credit Bonus introduced recently in Singapore, and is not intended to be comprehensive nor should it be construed as legal advice. Should you have any queries as to how this may affect your business, please do not hesitate to email us at max.ng@gateway-law.com.