

Productivity & Innovation Credit

31 March 2010

Productivity & Innovation Credit

What is the scheme for? Who will it benefit?

- Key Budget 2010 measure
- Encourage businesses to invest in productivity and innovation
- Broad-based tax scheme
- All businesses benefit, especially SMEs

“We will provide tax incentives for businesses in all sectors to invest in upgrading their operations and creating new value...”.

Productivity & Innovation Credit

What the scheme covers

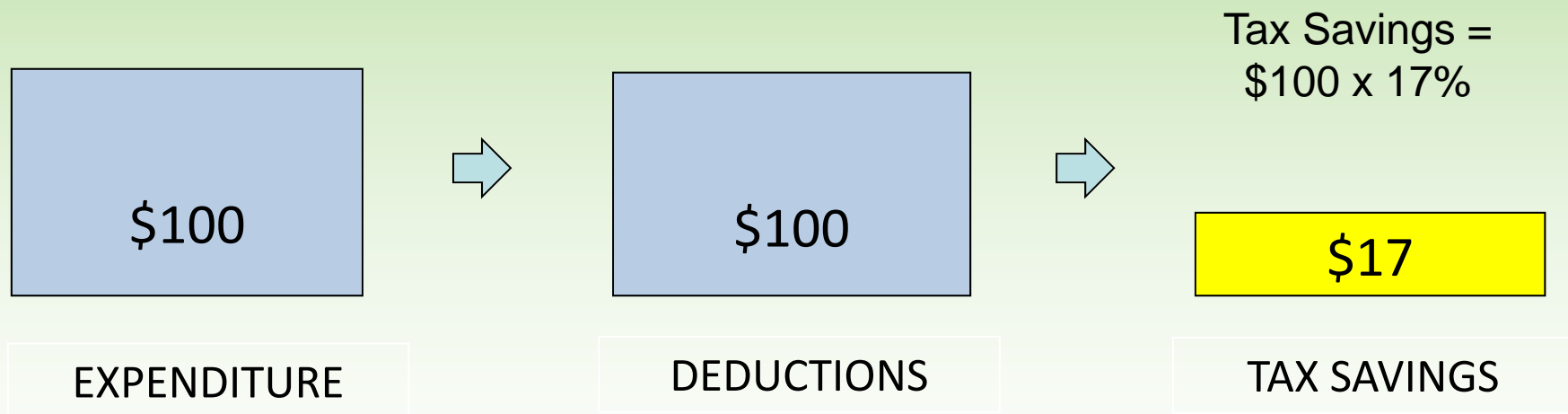
- R&D;
- Registration of Intellectual Property;
- Acquisition of Intellectual Property;
- Design activities;
- Automation through technology or software;
- Training of employees.

Why these 6?

Activities along innovation value chain to help all businesses upgrade and develop business capabilities.

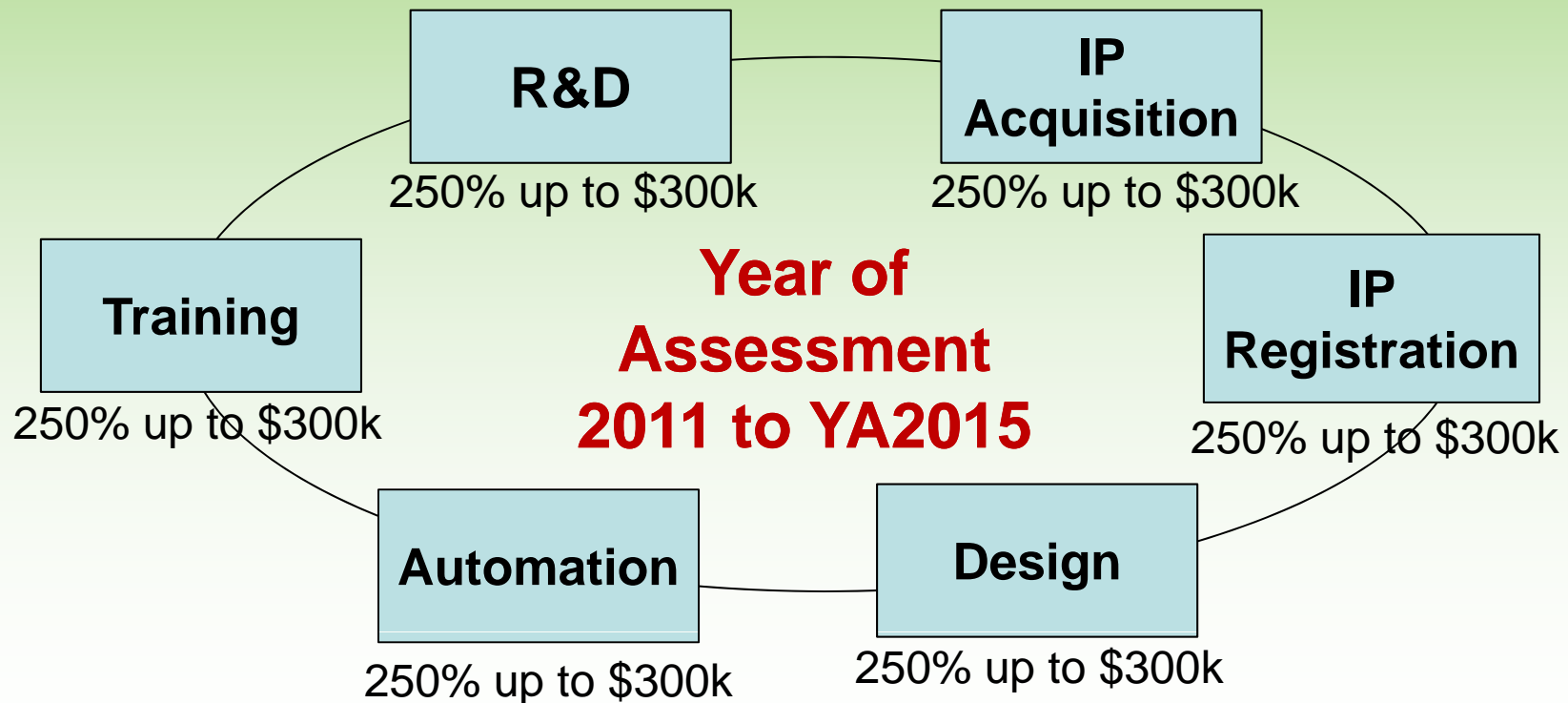
Before Productivity & Innovation Credit

Currently, businesses can typically deduct their expenses at cost i.e. 100% as part of the general tax regime.



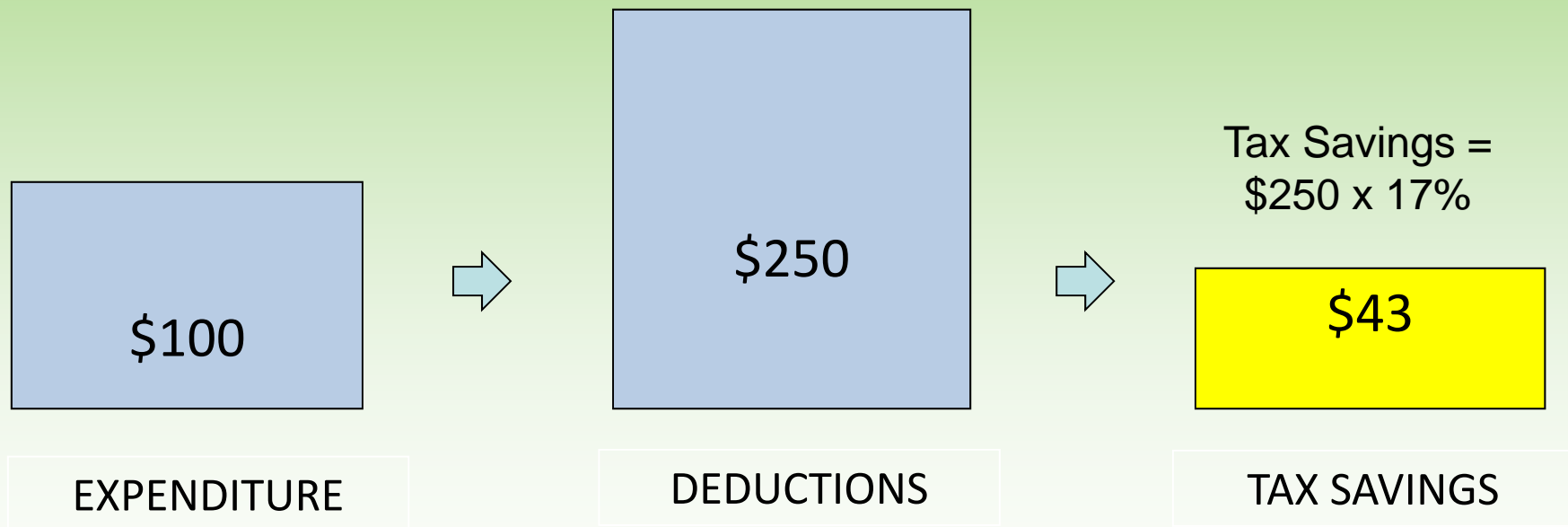
With Productivity & Innovation Credit

Businesses can deduct from taxable income 250% of their first \$300,000 spending for each of the 6 activities.



With Productivity & Innovation Credit

Businesses can now enjoy 250% deduction on the cost of the same expenditure.



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Common Examples:

Automation – Purchases of office and graphics software, computers and laptops, Automatic Storage and Retrieval System of warehouses.

Training – External course fees or internal WSQ courses for employees' skills upgrading

Design – Fees to engage external designer to create new product design (approved by Design Singapore).

IP Registration – Fees to IPOS for registering trademark or patent

IP Acquisition – Price paid to buy an overseas trademark to accelerate inroad into the offshore market

R&D – Fees to R&D institute in Singapore to do R&D, Salaries for your R&D personnel

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- **250% tax deduction**
- **For the first \$300,000 expenditure on each activity**
- Can claim all or any of the 6 activities

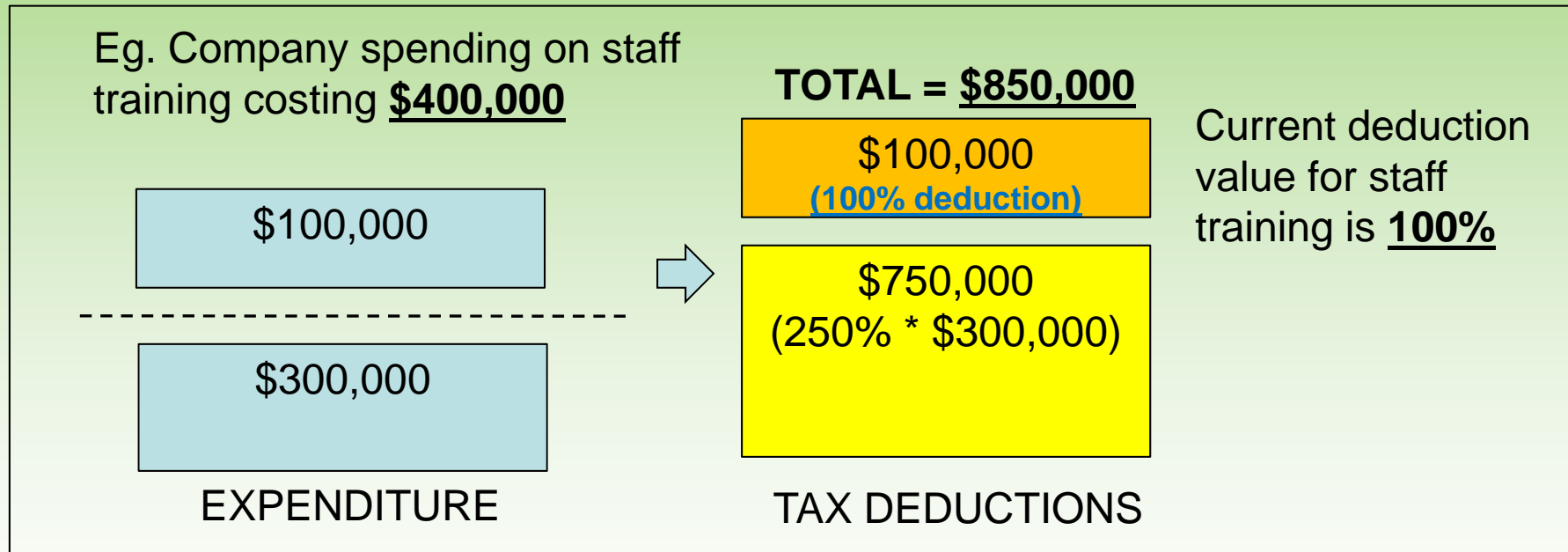
Example:

If spend \$300,000 on 1 activity, deduct up to **\$750,000**
(250% * \$300k) from taxable income.

If spend \$300,000 each on 2 activities, deduct up to **\$1.5mil.**

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- Balance expenditure in excess of \$300,000 will enjoy deductions at current levels.

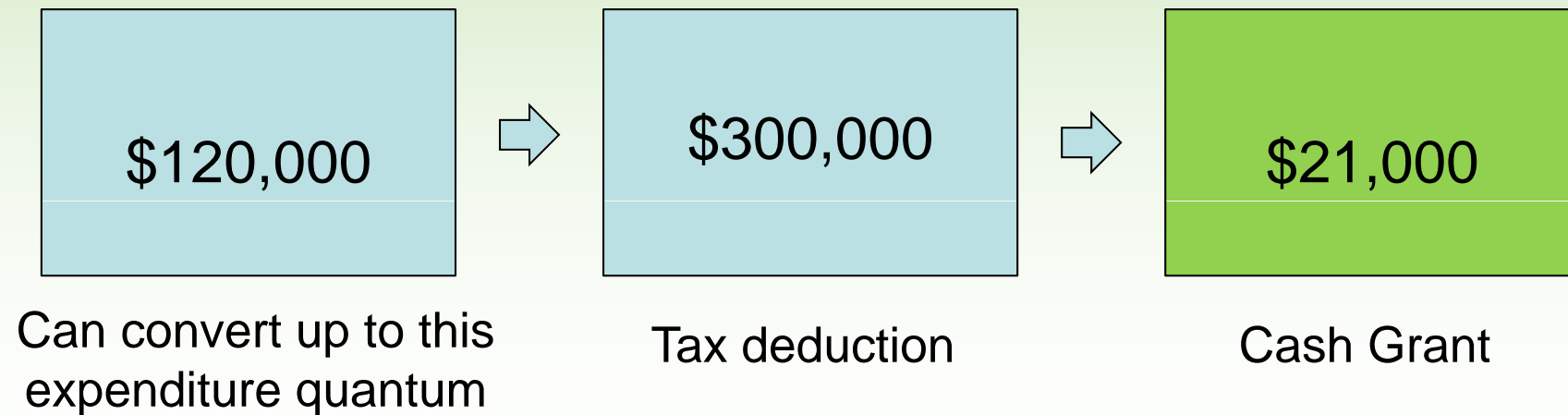


- Tax deductions can be carried forward to reduce taxes in future years.

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Cash conversion:

Businesses have new option to convert up to \$300,000 of their tax deduction into a cash grant of up to \$21,000 for each year.



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- Businesses that have:
 - incurred the expenditure during the accounting period; and
 - employed at least 3 local employees (Singapore Citizens or Permanent Residents with CPF contributions)

are eligible to claim the cash grant after the end of the accounting period

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Capping of Expenditures

- For YA 2011 and YA 2012 – a combined cap of \$600,000 of expenditures is set for each activity for the two Years of Assessment
- For YA 2013 to YA 2015 – a cap of \$300,000 of expenditures is set for each activity for each Year of Assessment
- This is to help small and medium enterprises benefit from the Credit scheme without rushing the implementation of their investments

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Capping of Cash Conversion

- For YA 2011 and YA 2012, businesses can convert up to a combined total of \$600,000 at a rate of 7% for the two Years of Assessment
- This means that businesses can opt for a total cash grant of up to \$42,000 for YA 2011 and YA 2012
- For YA 2013 – businesses can convert up to \$300,000 of their tax deduction into a cash grant of up to \$21,000

In short

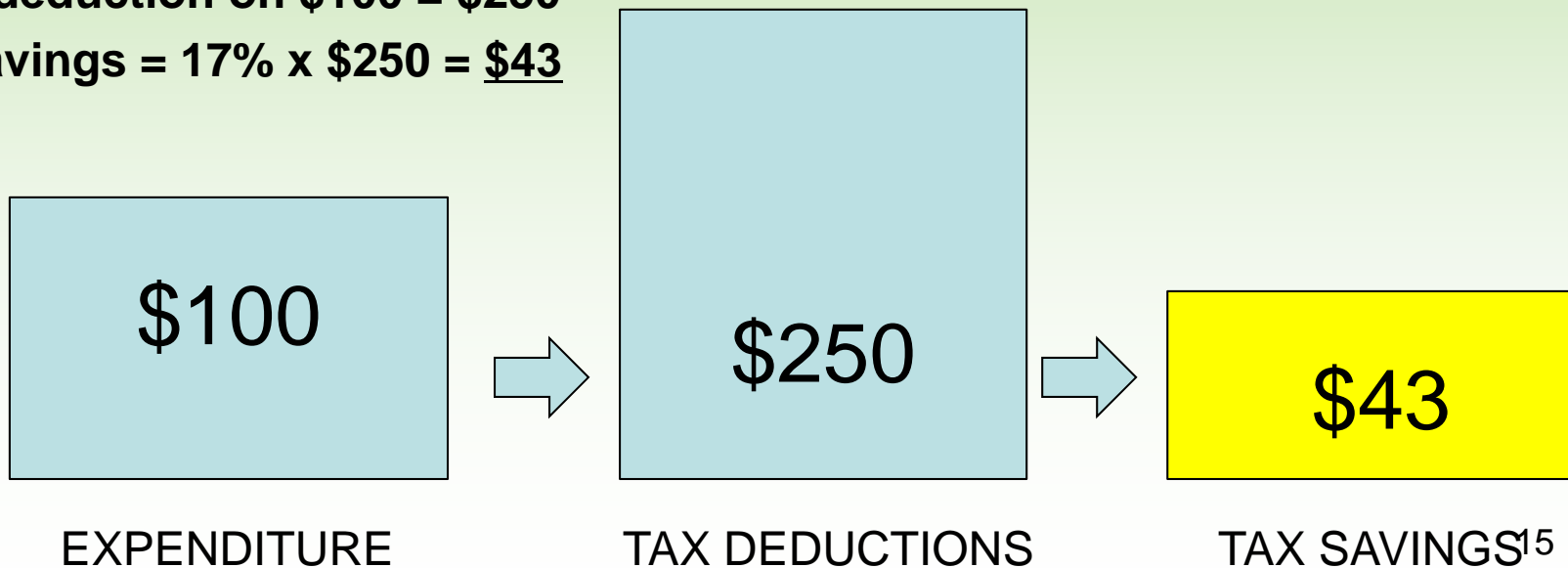
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Enhanced tax deduction:

Company spending \$100 on MS Office software can enjoy \$43 in tax savings.

250% deduction on \$100 = \$250

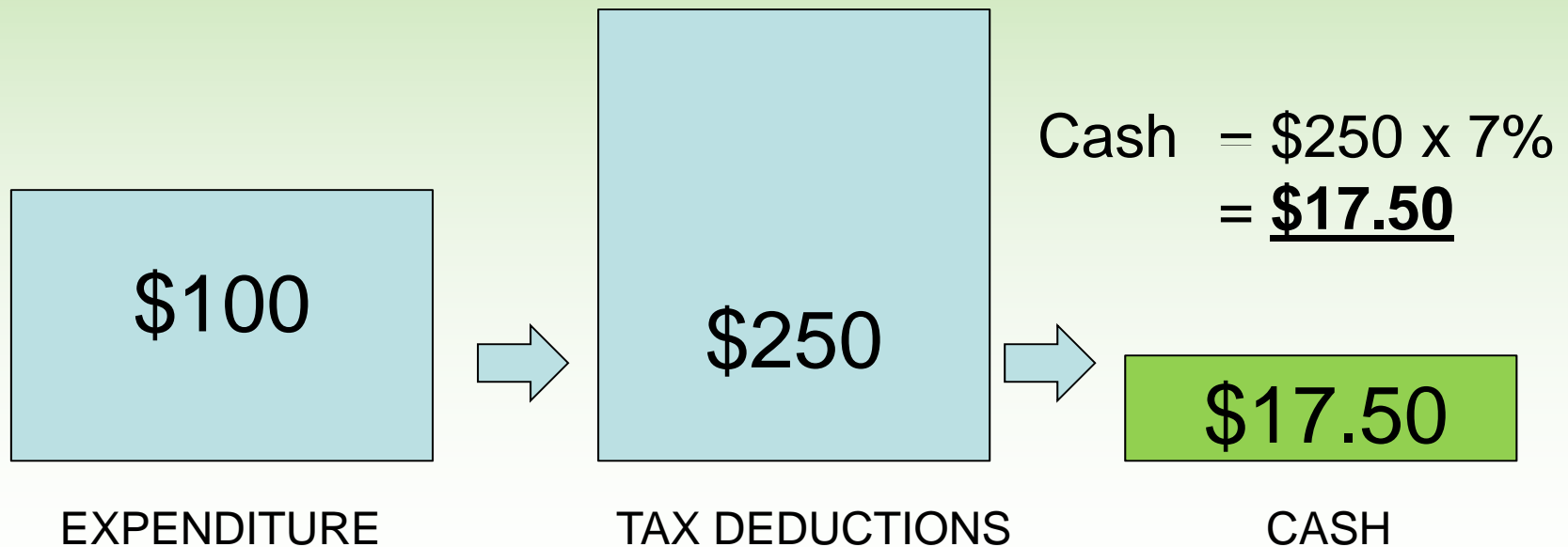
Tax savings = 17% x \$250 = \$43



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Cash conversion:

Alternatively, company could choose to convert their \$250 deduction into a cash grant of \$17.50.



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More information at IRAS website www.iras.gov.sg

The screenshot shows the IRAS website homepage. At the top left is the IRAS logo and the slogan "Our Taxes. Our Nation." Below this is a navigation menu with links for Home, About IRAS, News & Events, Careers, Ask IRAS, and Useful Links. A search bar is located on the right side. The main content area features a banner for "SINGAPORE BUDGET 2010" and a section titled "Overview of Tax Changes - Budget 2010" with the text "e-File your income tax @ myTax Portal from 1 Mar to 18 Apr 2010". Below this are two red buttons: "Individuals" and "Businesses". Under the "Businesses" button, the link "Productivity and Innovation Credit" is circled in green, with the text "(announced in Budget 2010)" next to it. Other links under "Businesses" include "For companies". Under "Individuals", there are links for "For locals (employees, contract staff, pensioners, working overseas...)" and "For foreigners".

Our Taxes.
Our Nation.

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Overview of Tax Changes - Budget 2010

SINGAPORE
BUDGET 2010

e-File your income tax @ [myTax Portal](#)
from 1 Mar to 18 Apr 2010

Individuals

- For locals (employees, contract staff, pensioners, working overseas...)
- For foreigners

Businesses

- Productivity and Innovation Credit** (announced in Budget 2010)
- For companies

End