

## Frequently Asked Questions

**I intend to purchase some automation equipment for my company and claim PIC. Do I have to get IRAS' prior approval for this equipment to qualify for PIC benefits?**

If the automation equipment is listed in the PIC Automation Equipment List, there is no need to seek approval from IRAS to claim PIC. If it is not listed but is a specialised equipment which automates your core work processes and increases productivity, you may apply to IRAS to have the equipment approved for PIC before making a claim. Any other automation equipment will not qualify for PIC.

For more information, please refer to [www.iras.gov.sg](http://www.iras.gov.sg) | Businesses | For companies | Productivity and Innovation Credit.

**My company invested \$300,000 in staff training, provided by an external training service provider. Can I apply for the maximum cash payout as well as enjoy a tax deduction?**

Yes! For YA 2011 and YA 2012, the combined spending cap for training is \$800,000. As your investment of \$300,000 is below \$800,000, your company can:

- apply for cash payout of \$60,000 (30% x \$200,000 of training cost), and
- enjoy a total tax deduction of \$400,000 (400% x \$100,000 of training cost).

**What are the types of training cost that will qualify for PIC tax benefits?**

The qualifying training costs are:

- (a) External Training  
Course fees paid to an external training service provider.
- (b) In-House Training (i.e. training conducted by the company's employees)  
Costs incurred in providing:
  - Workforce Skills Qualification (WSQ) training courses accredited by the Singapore Workforce Development Agency and conducted by a WSQ in-house training provider;
  - courses approved by the Institute of Technical Education (ITE) under the ITE Approved Training Centre scheme; or
  - on-the-job training by an on-the-job training centre certified by ITE.

## enhanced Productivity and Innovation Credit (PIC) for Companies



turn your  
innovation  
& investments  
into **SAVINGS**

For more information on PIC, contact us:

Helpline for Companies: 1800-356-8622

Email: [picredit@iras.gov.sg](mailto:picredit@iras.gov.sg)

Website: <http://www.iras.gov.sg>

| Businesses | Productivity and Innovation Credit (Budget 2011) |

## What is PIC?

The PIC scheme supports investments in Innovation and Productivity. Companies investing in productivity improvements can now enjoy huge tax savings under PIC.

## 400% Tax Deduction

You can enjoy **400%** tax deduction on up to **\$400,000** of your investment spending per year in each of these six activities:

1. Purchase/Lease of Prescribed Automation Equipment
2. Training of Employees
3. Acquisition of Intellectual Property
4. Registration of Intellectual Property
5. Research & Development
6. Approved Design Projects

This means your business will be entitled to a tax deduction of up to \$1.6 million (400% x \$400,000) for each activity per Year of Assessment (YA).

Year of Assessment	2011 and 2012	2013 to 2015
Combined Spending Cap Per Activity	\$800,000	\$1,200,000
Maximum Tax Deduction Per Activity	\$3,200,000 (400% x \$800,000)	\$4,800,000 (400% x \$1,200,000)
Potential Tax Savings @ 17% Corporate Tax Rate	\$544,000	\$816,000



## CASH Payout Option

- You can apply to convert up to **\$100,000** of your investment spending per year into a **non-taxable** cash payout at a conversion rate of **30%**.
- You will receive a cash payout instead of a tax deduction. The cash payout is a good option for businesses that have low or no taxable income and therefore, may not benefit from a tax deduction.
- To be eligible for the cash payout, your business must employ at least three local employees (Singapore Citizens or Permanent Residents with CPF contributions).
- The maximum cash payout is:
  - a total of **\$60,000** for YA 2011 and YA 2012 (30% x combined cap of \$200,000); and
  - a sum of **\$30,000** (30% x \$100,000) for YA 2013.

## Example :

Convert Investment into Cash Payout

$$30\% \times \$5,000 = \$1,500$$

Cash you will receive :  
**\$1,500**

TRAINING CENTRE INVOICE	
TRAINING FOR STAFF	\$5,000
TOTAL	\$5,000

Claim Tax Deduction

$$\text{Total Deduction } 400\% \times \$5,000 = \$20,000$$

$$\text{Tax savings : } \$20,000 \times 17\% = \$3,400$$

Enjoy 68% (\$3,400 of \$5,000) savings on your training costs

\* Based on current corporate tax rate of 17%

## How do I apply for PIC?

For	400% tax deduction	Cash payout
Qualifying Period	YA 2011 to YA 2015	YA 2011 to YA 2013
How to Claim	Claim tax deduction in Income Tax Return (Form C)	Submit PIC Cash Payout Application Form ( <a href="http://www.iras.gov.sg">www.iras.gov.sg</a>   Quick Links   Forms)
When to Submit	Submit Income Tax Return by the filing due date, 30 November	Anytime after accounting year-end but not later than 30 November

## Tax Deferral Option

- For every dollar of your investment spending in the six qualifying activities in the current accounting year, you can defer paying the same amount in tax (up to **\$100,000**) for the current YA till next year.
- The deferral allows you to defer your tax payable for YA 2011 to YA 2014 based on the qualifying PIC expenditure incurred in the accounting years 2011 to 2014. This option helps SMEs with their cashflow and investments in productivity as it allows them to realise their tax benefits in advance.
- To opt for tax deferral, please complete and submit the PIC Tax Deferral Form (available on [www.iras.gov.sg](http://www.iras.gov.sg) | Quick Links | Forms).

## Example

Company A spends \$5,000 on its employees' training in May 2011. Its tax payable for YA 2011 is \$8,000 and due for payment in June 2011. Company A can apply for \$5,000 of its YA 2011 tax to be deferred and paid together with its YA 2012 tax. It can continue to claim PIC tax deduction or a cash payout on the \$5,000 training costs.