

Frequently Asked Questions

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

No. There is no need to seek approval from IRAS. Majority of the automation equipment such as fax machines, printers, scanners and computers will qualify. The prescribed lists of automation equipment are available on IRAS website at www.iras.gov.sg | Businesses | Productivity and Innovation Credit (Budget 2011).

My sole-proprietorship spent \$300,000 on 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 spending of \$300,000 is below \$800,000, you 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 business' 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 Sole-Proprietors & Partnerships



turn your
innovation
& investments
into **SAVINGS**

For more information on PIC, contact us:

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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. Businesses 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) |



- 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 taxpayers 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 :

TRAINING
\$5,000

Chargeable
income (CI)
before deducting
training cost
= \$100,000

Total qualifying
deduction \$20,000
(400% x \$5,000)

Your CI is
reduced to
\$80,000

Tax Payable*
\$3,440 ✓

OR

If you opt to convert the training cost of \$5,000 into cash payout, the training cost cannot be claimed as a deduction against your income.

Convert to Cash
Payout of \$1,500
(30% x \$5,000)

Tax payable
on \$100,000
= \$5,680
Cash Payout :
\$1,500

Tax payable is
reduced
\$5,680 - \$1,500
= \$4,180

You will enjoy a greater tax benefit if you claim for enhanced deduction instead of the cash payout.

* Computed based on YA 2011 tax rates

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 "Allowable Business Expenses" of the 4-line statement in Form B/Form P. Complete and submit the PIC Enhanced Allowances/Deductions Declaration Form for Sole-proprietors & Partnerships (www.iras.gov.sg Quick Links Forms) | Submit PIC Cash Payout Application Form (www.iras.gov.sg Quick Links Forms) |
| When to Submit | Submit Income Tax Return and PIC Declaration form by the filing due date, 15 April. | Anytime after accounting year-end but not later than 15 April. |

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 | Quick Links | Forms).

Example

For your sole-proprietorship, you spent \$5,000 on employees' training in May 2011. Your tax payable for YA 2011 is \$8,000 and due for payment in June 2011. You can apply for \$5,000 of your YA 2011 tax to be deferred and paid together with your YA 2012 tax. You can continue to claim PIC tax deduction or a cash payout on the \$5,000 training costs.