

Frequently Asked Questions on Tax Deferral under the Productivity and Innovation Credit (PIC) Tax Scheme ("PIC Tax Deferral") (Updated as at 19 Jul 2011)

1. What is PIC Tax Deferral?

To help SMEs with their cash flow and fund investments in productivity, businesses can opt to defer paying their tax for the current Year of Assessment (YA) if they have incurred PIC expenditure in the current financial year.

The option is available for the deferment of tax payable for YA 2011 to YA 2014 based on the qualifying PIC expenditure incurred for the corresponding financial years 2011 to 2014.

The amount of tax that can be deferred is subject to a cap of \$100,000 and is the lower of:

- the tax payable assessed for the current Year of Assessment; and
- the qualifying PIC expenditure incurred in the current financial year.

Example:

Company A's financial year ends on 31 Dec 2011. It purchased computers on 1 Feb 2011 for \$80,000 that would qualify for PIC in YA 2012. The company also has a tax payable of \$200,000 for YA 2011 which remains unpaid as at Feb 2011.

The company can apply to defer \$80,000 of its tax payable for YA 2011, which is capped at the amount of qualifying PIC expenditure incurred in its financial year 2011.

2. How long can I defer my tax payable?

The tax payable can be deferred to the time when the first assessment for the following Year of Assessment is raised. For a company, the first assessment for a YA is usually due when the company provides an estimate of its chargeable income (to be provided within 3 months from its financial year-end). Where no assessment is due/raised 3 months after your current financial year ends, any deferred tax for the previous YA will become due for payment then.

IRAS will notify you when the deferred tax is due for payment.

In the example above, if an assessment for YA 2012 is raised on 1 Mar 2012 and the tax is payable by 30 Mar 2012, you will be notified to pay the \$80,000 deferred tax for YA 2011 at the same time. If no assessment for YA 2012 is raised because your estimated chargeable income is nil, you will be notified at the end of 3 months from your current financial year-end, i.e. 31 Mar 2012 to pay your deferred tax of \$80,000.

If you decide to pay the tax deferred earlier, you can inform IRAS in writing together with the cheque for payment of the deferred tax.

3. Who is eligible for PIC Tax Deferral?

Any business (including companies, sole-proprietors and partners) that has incurred qualifying PIC expenditure can apply for tax deferral.

4. How do I apply for PIC Tax Deferral?

You can submit a PIC Tax Deferral Form to IRAS anytime after a qualifying PIC expenditure is incurred during the financial year. The Form should be submitted no later than the end of the financial year.

5. When can I apply for PIC Tax Deferral?

As tax assessed is to be paid within one month from the date of the Notice of Assessment, you should apply for tax deferral within the same one-month period.

6. Is there a minimum PIC expenditure I need to spend before I can apply for PIC Tax Deferral?

No, there is no minimum PIC expenditure before an application can be made.

7. Can I still claim enhanced deduction/allowances or cash payout if I apply for PIC Tax Deferral?

Yes, you can. The claim for enhanced deduction/allowances or cash payout is independent of the PIC Tax Deferral.

8. Can I apply for PIC Tax Deferral for YA 2011 tax based on qualifying expenditure incurred in financial year ended 2011 if I have already utilised the combined expenditure cap for tax deduction/allowances available for YA 2011 & 2012 in YA 2011?

No, the tax deferral option will not be available for expenditure above the expenditure cap.

Under PIC, enhanced deduction/allowances are available to qualifying expenditure incurred on each of the six qualifying activities, subject to a cap:

- For YA 2011 and YA 2012 - \$800,000 for each of the qualifying activity; and
- For YA 2013 to YA 2015 - \$1,200,000 for each of the qualifying activity.

9. How long does IRAS take to process the PIC Tax Deferral Form?

Generally, IRAS will process the application within 30 days of the receipt of the Form.

10. I purchased five printers at \$4,000 in May 2011. Can I apply for PIC Tax Deferral if I have filed my YA 2011 Estimated Chargeable Income and paid the assessment of \$3,000?

Yes, you can. If you have already paid the tax of \$3,000 for YA 2011, IRAS will refund the \$3,000 to you within 30 days of the receipt of your PIC Tax Deferral Form.

11. How will the refund of taxes under PIC Tax Deferral be made?

Any tax refund arising from PIC Tax Deferral will be credited into your GIRO account as per IRAS' records. If you do not have an existing GIRO account with IRAS, you will receive a cheque.

Please deposit the cheque into your bank account within 3 months from the date of the cheque.

12. How does the PIC Tax Deferral apply to partnerships when there is no tax payable at the partnership level?

The amount of tax that can be deferred by the partners will be according to the qualifying PIC expenditure incurred by the partnership. The basis of sharing the amount of tax to be deferred is to be determined and agreed by all partners. This basis may vary from the profit/loss sharing ratio of the partnership. The PIC Tax Deferral is therefore available for the deferment of tax payable of the partners and the amount of tax that can be deferred by a partner will be the lower of:

- the individual partner's tax payable for the current Year of Assessment; and
- the partner's share of tax to be deferred.

13. How will refund of taxes from PIC Tax Deferral be made for partnerships?

In the case of partnership, the tax refund will be credited into the partners' existing GIRO accounts (according to IRAS' records) or the partners will receive refunds by cheques if they do not have existing GIRO accounts with IRAS.

14. Will the refund from PIC Tax Deferral be used to set-off against other outstanding taxes of the business or individual?

Yes, any refund to be made will first be used to set-off against any outstanding taxes of the business, or the individual sole-proprietor or partner (in the case of sole-proprietorship or partnership business), and the remaining amount will be refunded.

15. Can partners alter their share of tax to be deferred after the precedent partner has submitted the PIC Tax Deferral Form?

The partner who wishes to alter his share of tax to be deferred by transferring his unutilised share to a fellow partner listed in the PIC Tax Deferral Form may do so by writing to IRAS. The partners concerned will be required to state in the letter the amount to be transferred or deferred and the letter has to be signed by both the partners.

16. How do I pay the deferred tax when it is due?

You can pay the deferred tax using existing payment arrangements. Companies have to pay the full amount of deferred tax within 30 days of IRAS' notification. For sole-proprietors and partners with GIRO instalment plans, your instalment plan will be revised to incorporate the deferred tax. You will have to pay the full amount of deferred tax within 30 days of IRAS' notification, if you do not have a GIRO instalment plan with IRAS.