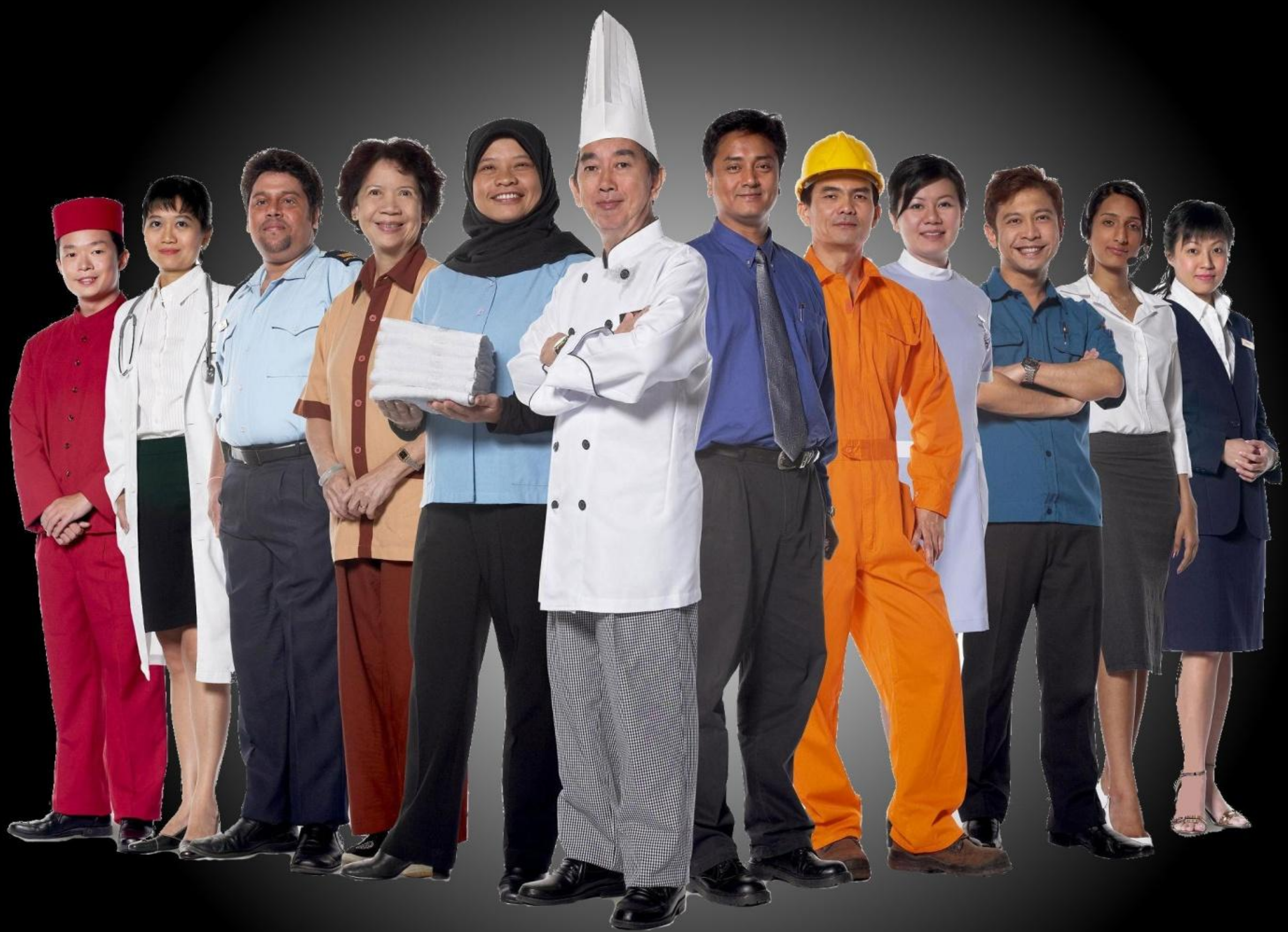
SINGAPORE BUDGET 2010

TOWARDS AN ADVANCED ECONOMY:

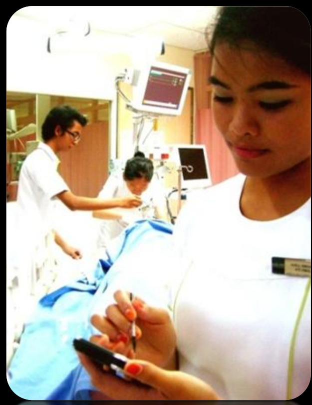
SUPERIOR SKILLS, QUALITY JOBS, HIGHER INCOMES

The Government will commit $5.5 billion over the next 5 years in tax benefits, grants and training subsidies towards the national effort to raise productivity by upgrading skills and supporting enterprise investments in innovation.



Supporting Innovation and Productivity Growth

Productivity and Innovation Credit (PIC)



- All businesses are eligible.
- 250% tax deduction for the first $300,000 of expenditure in each of 6 qualifying activities[#]:
  - **Research & Development (R&D)** (e.g. Salaries for R&D personnel);
  - **Registration of Intellectual Property** (e.g. Fees to Intellectual Property Office of Singapore and patent lawyer to register patent);
  - **Acquisition of Intellectual Property** (e.g. Payments to buy a patented technology for use in a manufacturing process);
  - **Design activities** (e.g. Fees to an outsourced designer);
  - **Automation through technology or software** (e.g. Payments to buy a point of sales system to be installed in a restaurant); and
  - **Training of employees** (e.g. Course fees for front-line staff).
- Lower taxable income by $750,000 for the first $300,000 spent on each activity. So, if $300,000 each is spent on 2 activities, taxable income can be reduced by $1.5 million ($750,000 x 2).

- Reduce tax bill by $42.50 for every $100 spent on each activity.
- For businesses without adequate taxable income, they can use their excess tax deductions for future years. Or they can convert up to $300,000 of Productivity and Innovation Credit into a cash grant of up to $21,000 (7% conversion rate).

For more details on PIC, please visit IRAS' website at http://www.iras.gov.sg/irashome/PIcredit.aspx.

[#] Businesses can combine the $300,000 cap per Year of Assessment (YA) for the first two years into a $600,000 cap for 2 years. They can therefore deduct from their taxable income 250% of the first $600,000 expenditure on each activity for YA 2011 and YA 2012 combined.

Example of businesses benefiting from Productivity and Innovation Credit

Businesses spending $100 on word-processing software can enjoy $42.50 in tax savings under the scheme.

$100 → $250 → $42.50

Expenditure → Tax Deduction → **Tax Savings**

250% deduction on $100 = $250 Credit

Tax savings = 17% x $250 = **$42.50**

If they do not have adequate taxable income in the current year to use up the $250 tax deduction, they can use the excess Credit to deduct taxable income for future years.

Or they can choose to convert their $250 tax deduction into a cash grant of $17.50.

$100 → $250 → $17.50

Expenditure → Tax Deduction → **Cash Grant**

Cash = $250 Credit x 7% conversion rate = **$17.50**

National Productivity Fund

- $2 billion Fund for initiatives customised to specific industries, clusters and enterprises with focus on sectors with potential for large gains in productivity. To start, $1 billion will be injected in 2010.
- The Fund can also serve to develop centres of expertise for a range of industries, which will grow a knowledge base to tap on to develop productivity solutions.

Investing in Continuing Education

- The Government will spend $2.5 billion over the next 5 years on Continuing Education and Training (CET) to develop expertise in every trade and profession, including the development of centres of excellence focused on specific industries and clusters of enterprises.

Enhancing Workfare

- Introduce a 3-year Workfare Training Scheme (WTS):
  - Subsidise 90% to 95% of absentee payroll and course fee outlay for employers, when they send their low-wage workers for training;
  - Introduce a structured training programme for those with very low skills, including those who are unemployed.
- Increase Workfare Income Supplement (WIS) by between $150 and $400.

Supporting Restructuring through Mergers and Acquisitions (M&A)

Tax Allowance to Defray M&A Costs

- A new one-off tax incentive to defray part of acquisition costs for qualifying M&As.
- Allowance will be based on 5% of the value of the M&A deal, capped at $5 million per YA, and written down over 5 years.

Stamp Duty Relief for Acquisition of Unlisted Shares

- A new one-off concession to waive stamp duty, capped at $200,000 per year, for the transfer of unlisted shares.

Improving Access to Growth Finance

Tax Deductions for Angel Investors

- Eligible angel investors committing a minimum of $100,000 equity investment in a qualifying start-up in a YA can claim a 50% tax deduction of the investment at the end of a 2-year holding period.
- This deduction is subject to a cap of $500,000 investment per YA.

Catalysing Growth Investments through Co-Investment

- The Government will mobilise up to $1.5 billion of growth capital for companies by seeding a range of funds over 10 years, with contributions up to half the capital.

Building Capabilities through Partnerships

Developing Partnerships for Capability Transformation (PACT)

- To build stronger partnerships between local enterprises and MNCs, $250 million will be set aside over 5 years to help local enterprises develop competencies to meet MNCs' stringent manufacturing quality and certification requirements.

Scaling Up Support for Business Associations

- The Government will commit $100 million over 5 years to scale up its support for business associations to drive productivity at the industry level, and help companies build capabilities and access international markets.

Nurturing Next Generation of Business Leaders

- Enhance SPRING's Business Leaders Initiative to groom a future generation of SME managers and entrepreneurs.

Developing Public-Private Co-Innovation Partnership

- The Government will commit $450 million over 5 years to start a programme for government agencies to work with companies to co-develop innovative solutions for medium to long term needs.

Enhancing Industrial Land Productivity

Land Intensification Allowance

- Encourages land intensification for 9 sectors that have large land take:
  - All businesses in 9 sectors* will be eligible if they meet or exceed the benchmark Gross Plot Ratios (GPRs) for their sector;
    *The 9 sectors are: pharmaceuticals, petroleum, other chemicals, aerospace, solar cell manufacturing, petrochemicals, chemical specialties, semiconductor-wafer fabrication as well as marine and offshore engineering
  - Benchmark GPRs set at around the 75th percentile of the actual GPRs of each of these sectors;
  - Costs of building can be deducted over 15 years:
    - 25% in the first year; and
    - 5% per annum thereafter.
- Industrial Building Allowance (IBA) to be phased out with effect from 22 February 2010. Existing IBA claimants can continue to claim their remaining IBA on qualifying capital expenditures until they are written down.

For details on all Budget 2010 initiatives, please visit our website at

www.singaporebudget.gov.sg