

CLAIM FOR ONE-YEAR WRITE-OFF FOR NEW GOODS VEHICLES AND BUSES

INTRODUCTION

- 1 To encourage owners of older diesel-driven vehicles to replace their old vehicles with new ones, the Minister for Finance announced in his Budget Statement for 1999 that the one-year accelerated depreciation allowance scheme would be extended to the purchase of new goods vehicles and buses. The one-year depreciation allowance scheme allows the capital expenditure incurred on the provision of machinery or plant for the purposes of a trade, profession or business to be written off in one year.
- 2 Under the extension announced, capital expenditure incurred on the provision of a new goods vehicle or a bus to replace an existing old diesel-driven vehicle may, on due claim, be written off in one year provided certain conditions are satisfied. Some of these conditions had already been made known by the Minister in his Budget Statement.
- 3 This Practice Note sets out the conditions that must be met before a claim for the one-year write-off can be made and the obligations of a taxpayer who makes such claim.

ADMINISTRATIVE PRACTICE

Qualifying Conditions

- 4 A claim for one-year write-off of the capital expenditure incurred on the provision of a **new** goods vehicle or bus to replace an existing vehicle can be made only if all the following conditions are satisfied:
 - a the new goods vehicle or bus is registered on or after 27 Feb 1999;
 - b the new goods vehicle or bus is registered within one month before, or within six months after, the deregistration of the existing vehicle (see paragraph 5 for illustration);
 - c the new goods vehicle or bus is of the same index series as the index series of the existing vehicle (this condition is further explained in paragraphs 6 to 8);
 - d the existing vehicle was registered before 1 Jan 1991 and uses diesel oil as fuel;
 - e the existing vehicle is not a vehicle bearing the index mark "RU" for use within certain restricted areas; and
 - f the existing vehicle is deregistered on or after 27 Feb 1999 and, at the date of deregistration, it has:

- (i) at least one year of statutory lifespan left; and
- (ii) at least one year remaining in its certificate of entitlement (COE) or a COE which can be renewed after its expiration

(This condition is further explained in paragraphs 9 to 11.)

5 Condition (b) specifies the time limit within which the new vehicle must be registered. For example, if the existing vehicle is deregistered on 15 May 1999, the new vehicle, to be considered for the one-year write-off, must be registered on or after 15 Apr 1999 but not later than 15 Nov 1999.

6 Condition (c) requires the new vehicle and the existing vehicle which is being replaced to belong to the same index series as classified under the rule made under the Road Traffic Act. Therefore, a new goods vehicle is considered as a replacement of another vehicle only if the latter is a goods vehicle classified under the same index series as the new vehicle. Similarly, a new bus is a replacement of another vehicle if the latter is a bus belonging to the same index series as the new bus.

7 To ascertain whether the new vehicle and the existing vehicle belong to the same index series, reference can be made to the registration numbers of the two vehicles. If the index marks (i.e. the alphabet(s) before the registration number, e.g. the index mark of a goods vehicle bearing registration number GH1234X is GH) of the two vehicles belong to the same index series, the two vehicles would be considered to have satisfied condition (c). The following index series are used currently:

Goods vehicles

“G” index series, i.e. index marks “G GA GB GC etc.”

“Y” index series, i.e. index marks “Y YA YB YC etc.”

“X” index series, i.e. index marks “X XA XB XC etc.”

Buses

“CB” index series for school buses

“TIB CSS SBS” index series for omnibuses

“PA” index series for general purpose buses

“SH” index series for omnibuses operated by Singapore-Johore Express Pte Ltd and for tourist related buses, e.g. Singapore trolley buses

8 There had been a change in the index series used for general purpose buses. Currently, the index series is PA while in the past such buses were classified using the “PB PH PZ” index series. Therefore, condition (c) would be satisfied if a new bus registered under the “PA” index series is to replace an existing bus under the “PB PH PZ” index series.

- 9 Under condition f(i), the existing vehicle which is being replaced must have at least one year of statutory lifespan left as at the date when it is de-registered. The statutory lifespan of a vehicle is the period during which a vehicle licence can be taken out on the vehicle and commences from the registration date of the vehicle (e.g. a goods vehicle registered on, say 8 Apr 1990, would reach the end of its statutory lifespan of 20 years on 7 Apr 2010). Currently, the statutory lifespan of a goods vehicle and a bus (other than an omnibus) is 20 years. Omnibuses, which are buses operated by the 3 public bus operators (which bear the index marks “SBS”, “TIB” or “CSS”) and Singapore-Johore Express Pte Ltd (which bear the index marks “SH”), have a statutory lifespan of 15 years.
- 10 Condition f(i) is imposed in addition to condition f(ii) because it is possible for a vehicle to have a COE which is valid for a period extending beyond its statutory lifespan. Nonetheless, such a vehicle can only ply on the road up to the end of its statutory lifespan. Therefore, to ensure that an old vehicle which is taken off the road is one which still has at least one year left to ply on the road and not one which would anyway be scrapped shortly, condition f(i) has been imposed.
- 11 Condition f(ii) is not applicable to vehicles which are exempted from obtaining a COE, e.g. omnibuses and school buses.

Obligations of Taxpayers who Make Claims

- 12 No prior approval is required for any claim for the one-year write-off. A claim will be allowed so long as it meets all the conditions set out in paragraph 4.
- 13 For administrative purposes, IRAS would not require a taxpayer who makes a claim for the one-year write-off to submit supporting documents to substantiate the claim at the time of filing of the tax return. However, the taxpayer should keep and retain the necessary documents to support the claim and produce them to the Comptroller of Income Tax if requested. Under the law, a taxpayer is required to keep and retain in safe custody sufficient records to enable his income to be ascertained for a period of 7 years from the year of assessment concerned.
- 14 The documents which need to be retained include the vehicle registration books or cards of the existing and new vehicles, the Certificate of Entitlement of the existing vehicle and the approved De-registration Application Form for the de-registration of the existing vehicle.

- 15 Taxpayers who make a claim for the one-year write-off would have to ensure that the claim satisfies all the qualifying conditions. It is an offence under the Income Tax Act (ITA) to make a claim if the claim does not satisfy all the conditions.

Provision in the Income Tax Act

- 16 The extension of the one-year accelerated depreciation allowance scheme to the purchase of new goods vehicles and buses is provided for under S19(9) of the ITA (Revised Edition 2004)¹.

Enquiries

- 17 Taxpayers who have any enquiries on this Practice Note may call IRAS or the Ministry of the Environment² (which is administering the scheme) for clarification.

¹ The original paragraph 16 has been revised on 13 Dec 2004

² Now known as Ministry of the Environment and Water Resources with effect from 1 Sep 2004.