

IRAS CIRCULAR

**CLAIM FOR ONE –YEAR WRITE-OFF FOR NEW
DIESEL-DRIVEN GOODS VEHICLES AND BUSES
REGISTERED ON OR AFTER 15 FEB 2007**



INLAND REVENUE
AUTHORITY
OF SINGAPORE

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CLAIM FOR ONE-YEAR WRITE-OFF FOR NEW DIESEL-DRIVEN GOODS VEHICLES AND BUSES REGISTERED ON OR AFTER 15 FEB 2007

INTRODUCTION

1. In 1999, the Government introduced a one-year write-off of the capital expenditure incurred for the purchase of new goods vehicles and buses that replace the old ones registered prior to 1 Jan 1991 and deregistered on or after 27 Feb 1999. The scheme, which is provided under section 19A(9) of Income Tax Act (Revised Edition 2004), allows a person to write off the capital expenditure incurred in respect of such new goods vehicles or buses for the purposes of its trade, business or profession, in one year instead of over 3 or 6 years. The objective of the scheme is to reduce the number of old diesel-driven goods vehicles and buses on our roads and ensure our ambient air quality does not deteriorate. Details of the scheme and its qualifying conditions are explained in IRAS e-Tax guide 1999/IT/2.
2. With effect from 1 Oct 2006, all new diesel-driven vehicles are required to comply with Euro-IV emission standard. The standard for diesel vehicles prior to 1 Oct 2006 was the Euro II emission standard. Euro IV diesel vehicles emit at least 70% less PM 2.5¹ compared to Euro II diesel vehicles.
3. To encourage owner of pre-Euro IV diesel-driven goods vehicles and buses that are registered on or after 1 Jan 1991 but before 1 Oct 2006, to replace them with new vehicles meeting the Euro IV emission standards, Second Minister for Finance has decided to extend the one-year write off to such owner in respect of the capital expenditure incurred by him in respect of new vehicles meeting the Euro IV emission standards. Capital expenditure incurred on diesel-driven goods vehicles and buses meeting the new Euro-IV emission standard that replace existing pre-Euro IV vehicles registered on or after 1 January 1991 are allowed to be written-off over either 3 or 6 years.
4. Under the new scheme announced, any person who, for the purpose of its trade, business or profession, registers during the period from 15 Feb 2007 to 14 Feb 2012, a diesel-driven goods vehicle or bus, as a replacement for an existing diesel-driven goods vehicle or bus which was registered on or after 1 Jan 1991 but before 1 Oct 2006, will be entitled, if he so elects, to write off the capital expenditure incurred in respect of such new goods vehicles or buses in one year instead of over 3 or 6 years.
5. This Circular sets out the conditions that must be met before a claim for the one-year write-off can be made under the new scheme and the obligations of a taxpayer who makes such claim.

¹ The purpose is to lower our PM2.5 (particulate matter below 2.5 microns) levels in ambient air to US Environmental Protection Agency (USEPA) standards. USEPA standards stipulate a maximum limit for PM2.5 of 15 ug/m³. The ambient concentration of PM 2.5 in Singapore in 2006 exceeds the standard of 15 ug/m³ set by USEPA. High levels of PM2.5 pose health risks.

QUALIFYING CONDITIONS

6. 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 diesel-driven goods vehicle or bus is registered during the period from 15 Feb 2007 to 14 Feb 2012;
 - (b) the new diesel-driven goods vehicle or bus is registered within one month before, or within six months after, the deregistration of the existing vehicle (see paragraph 7 for illustration);
 - (c) the new diesel-driven 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 8 to 10);
 - (d) the existing vehicle was registered before 1 Oct 2006 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 at the date of deregistration 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.
- (Condition (f) is further explained in paragraphs 11 to 13).
7. Condition (a) specifies the time limit within which the new vehicle must be registered. For example, if the existing vehicle is deregistered on 15 May 2007, the new vehicle, to be considered for the one-year write-off, must be registered on or after 15 Apr 2007 but not later than 15 Nov 2007.
8. 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 diesel-driven 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.

9. 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 “GBA to GZZ 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; and

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

10. 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 (b) would be satisfied if a new bus registered under the “PA” index series were to replace an existing bus under the “PB PH PZ” index series.
11. 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 1991, would reach the end of its statutory lifespan of 20 years on 7 Apr 2011). 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 for those registered before 1 Sep 2003 and 17 years for those registered on or after 1 Sep 2003.
12. 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.

13. 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

14. 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 6.
15. 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 5 years from the year of assessment concerned.
16. Taxpayers who make a claim for the 1-year write-off would have to ensure that the claim satisfies all the qualifying conditions. It is an offence under the Income Tax Act to make a claim if the claim does not satisfy all the conditions.

ENQUIRIES

17. Taxpayers who have any enquiries on this Circular may call:
 - (a) National Environment Agency (which is administering the scheme) at 1800-2255632; or
 - (b) Inland Revenue Authority of Singapore at
 - (i) 1800-3568622 (Corporate); or
 - (ii) 1800-3568300 (Individual).