

## Frequently Asked Questions on Productivity and Innovation Credit (Updated as at 13 Jan 2012)

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## **A1. Overview of PIC**

### **1. What is the Productivity and Innovation Credit?**

The Productivity and Innovation Credit (thereafter referred to as “PIC”) provides significant tax deductions for investments in a broad range of activities along the innovation value chain. This includes qualifying expenditure incurred on [PIC Automation Equipment](#), training of employees, acquisition of Intellectual Property Rights (“IPRs”), registration of certain IPRs, research & development (“R&D”) and approved design projects.

PIC is available for five Years of Assessment (YA), i.e. from YA 2011 to YA 2015. Under the PIC, 400% tax deductions / allowances are applicable to qualifying expenditure incurred on each of the six qualifying activities, subject to a cap (“expenditure cap”):

- a. For YA 2011 and YA 2012 – a combined cap of \$800,000 of expenditure for each qualifying activity; and
- b. For YA 2013 to YA 2015 – a combined cap of \$1,200,000 of expenditure for each qualifying activity.

The balance expenditure exceeding the expenditure cap incurred in the basis period will continue to enjoy tax deduction or allowance based on current tax rules.

For YA 2011 to YA 2013, eligible businesses can opt to convert the qualifying expenditure to a non-taxable cash payout subject to the cap (“cash payout cap”) at a conversion rate of 30%. The maximum cash payout is:

- a. For YA 2011 and YA 2012 – \$60,000 in total. This is based on 30% of the combined expenditure cap of \$200,000 (but not less than \$400 for each YA) for all six qualifying activities; and
- b. For YA 2013 – \$30,000. This is based on 30% of expenditure cap of \$100,000 (but not less than \$400) for all six qualifying activities.

Please refer to our [FAQs on PIC Cash Payout](#) for more details.

### **2. Who is eligible for PIC?**

All businesses are eligible for PIC, if they have incurred expenditure in any of the six qualifying activities.

Branches and subsidiaries with the parent or holding company being a foreign incorporated company are also eligible for PIC.

### **3. What is the qualifying period for PIC?**

The PIC is available for five years from YA 2011 to YA 2015.

For example, if you incurred qualifying expenditure in November 2009 and your accounting year ended on 30 June 2010, you are eligible to claim PIC in your tax return for YA 2011.

**4. Will qualifying expenditure that is fully or partially funded by the Government or a statutory board qualify for PIC?**

The enhanced deductions / allowances under the PIC scheme is computed based on qualifying expenditure **net** of the grant and subsidy received.

**5. If I am a newly set up company, can I enjoy both PIC and the tax exemption scheme for new start-up companies?**

Yes, if your company meets the conditions under PIC and "Tax exemption scheme for new start-up companies" respectively.

**6. Does PIC apply to companies that are taxed at the concessionary rate?**

Yes. Even though the income is taxed at concessionary rate, PIC will be applicable as long as the company incurs qualifying expenditure during the basis period for YA 2011 to YA 2015.

**7. My business undertakes a number of R&D projects. Is the expenditure cap applied on each of the R&D project or on the entire R&D amount incurred for the YA?**

The cap is on the total amount incurred on qualifying R&D expenditure for the YA and is regardless of the number of projects handled by the business.

**8. What if I am in a loss position? How can I utilise the enhanced deduction / allowance under PIC?**

Subject to the existing tax provisions, unutilised trade loss or allowance arising from PIC that cannot be fully utilised against other income of the business can be:

- carried forward to future YAs;
- carried back to the immediate preceding YA; and/ or
- transferred under the Group Relief System.

**9. Is there a minimum ownership period of the assets claimed as qualifying expenditure incurred under PIC?**

There is a minimum ownership period of one year imposed for PIC Automation Equipment acquired, IPRs acquired and IPRs for which registration costs are claimed.

If the assets are disposed of within a year, the full cash payout / enhanced allowances or deductions granted previously will be recovered. However the recovery / claw-back provision can be waived for PIC Automation Equipment under certain circumstances. Please refer to Question 35 for more details.

For disposal of acquired IPRs within 2 to 5 years, a proportionate amount of cash payout granted previously will be recovered.

If enhanced allowances/deduction has been claimed previously:

You are required to submit the [Disposal of Qualifying Assets Form](#) together with the Income Tax Return for the Year of Assessment in which the PIC Automation Equipment was disposed of/leased out, unless the claw-back provisions have been waived, by the filing due date (15 Apr for sole-proprietorship and partnership and 30 Nov for company).

If cash payout has been claimed previously:

You are required to submit the [Disposal of Qualifying Assets Form](#) to IRAS within 30 days from the date of lease/disposal, and repay the cash payout upon receipt of IRAS' Productivity & Innovation Credit Cash Payout Recovery notice.

#### **10. How long am I required to keep the supporting documents for my claims under PIC?**

The existing record keeping requirements for businesses apply. You are required to maintain all the supporting documents such as invoices for a period of 5 years.

For example, if you purchase PIC Automation Equipment during the basis period for YA 2011 and make a claim for cash payout for YA 2011, you are required to keep the relevant documents for the purchase till 31 Dec 2015.

#### **11. What should I do if I have omitted my claim of PIC enhanced tax allowances/deduction in the Income Tax Return?**

You can email or write to us not later than 30 days from the date of your Notice of Assessment/Allocation of Profit/Loss to Partners, giving us your full name, tax reference number and details of amendment as stated below.

##### **For sole proprietors/partnerships:**

Please provide us with the revised 4-line statement by including the amount of qualifying PIC enhanced allowances/deduction under the "Allowable Business Expenses" of the 4-line statement. In addition, please complete and submit the PIC Enhanced Allowances/Deductions Declaration Form for Sole-proprietors & Partnerships ([www.iras.gov.sg](http://www.iras.gov.sg) <Quick links><Forms><Individual>).

For businesses with revenue of \$500,000 or more, the completed PIC declaration form is to be submitted together with a revised tax computation.

##### **For companies:**

Please complete the Form for Filing Revised Income Tax Computation(s) available at ([www.iras.gov.sg](http://www.iras.gov.sg) <Quick links><Forms><Business & Employers><Corporate Tax forms>) and submit a revised income tax computation incorporating the computation of PIC claims.

## 12. How are the tax deductions and allowances under PIC computed?

Qualifying expenditure	Total tax deductions or allowances under PIC	Remarks
a. Acquisition or Leasing of PIC Automation Equipment	400% tax allowance / deduction on qualifying expenditure subject to the expenditure cap*; and 100% tax allowance / deduction on the balance expenditure exceeding the cap.	See Section <a href="#">A2</a>
b. Training of Employees	400% tax deduction on qualifying expenditure subject to the expenditure cap*; and 100% tax deduction on the balance expenditure exceeding the cap.	See Section <a href="#">A3</a>
c. Acquisition of IPRs	400% tax allowance on qualifying expenditure subject to the expenditure cap*; and 100% tax allowance on the balance expenditure exceeding the cap.	See Section <a href="#">A4</a>
d. Registration of certain IPRs	400% tax deduction on qualifying expenditure subject to the expenditure cap*; and 100% tax deduction on the balance expenditure exceeding the cap.	See Section <a href="#">A5</a>
e. R&D	400% tax deduction on qualifying expenditure subject to the expenditure cap*; 150% tax deduction on the balance of qualifying expenditure exceeding the cap for R&D done in Singapore; and 100% tax deduction on the balance of all other expenses, including expenses for R&D done overseas.	See Section <a href="#">A6</a>
f. Approved Design Projects	400% tax deduction on the first \$400,000 of qualifying expenditure subject to the expenditure cap*; and 100% tax deduction on the balance expenditure exceeding the cap.	See Section <a href="#">A7</a>

*\*For YA 2011 and YA 2012 - a combined expenditure cap of \$800,000 for each activity.  
For YA 2013 to YA 2015 - a combined expenditure cap of \$1,200,000 for each activity.*

## **A2. Enhanced tax allowance/deduction for Acquisition/Leasing of PIC Automation Equipment**

### **13. What are the qualifying expenditures for investments in automation equipment?**

The purchase and leasing of [PIC Automation Equipment](#) qualify for PIC.

The expenditure cap is applied to both expenditure incurred on acquisition and leasing of PIC Automation Equipment.

### **14. Can installation costs incurred on the automation equipment qualify for PIC?**

If the installation costs (for example site preparation, delivery, assembly costs etc) have been incurred as part of the costs of acquiring the equipment, they would qualify for PIC.

### **15. If a piece of equipment that will automate processes and enhance productivity is not in the PIC Automation Equipment List, can I still claim for enhanced allowance or opt for a cash payout?**

You may apply to IRAS to have your equipment approved for PIC on a [case-by-case basis](#). You should not claim enhanced allowance or opt for a cash payout until approval has been granted.

### **16. Do I need to apply for my equipment to be considered as PIC Automation Equipment, so that it can qualify for PIC?**

No. There is no need to make any application for the equipment to be considered as PIC Automation Equipment. You can make a claim for PIC as long as the equipment falls within the [PIC Automation Equipment List](#).

### **17. If I purchase a piece of second-hand PIC Automation Equipment, will it qualify for PIC?**

Yes, second-hand automation equipment will qualify for PIC.

### **18. Can I still claim capital allowances on equipment purchased if I am claiming PIC?**

With the PIC, you can claim an additional allowance of 300% on the cost of the PIC Automation Equipment, making up a total PIC of 400% on the cost of the equipment.

If you have opted for the cash payout, the qualifying cost of the equipment will be converted into a cash payout, subject to the cash payout cap. There will be no further deduction of capital allowance and enhanced allowance for the same piece of automation equipment.

**19. Must I claim enhanced allowance on the cost incurred for purchase of PIC Automation Equipment on a “per equipment basis”?**

Generally, enhanced capital allowances (“CA”) is granted on the full cost of the equipment. However, if the total expenditure incurred on the provision of automation equipment exceeded the expenditure cap, you can claim enhanced CA on the partial cost of one piece of equipment.

If you opt to convert the qualifying expenditure into a cash payout, partial conversion is not allowed and conversion has to be done on a “per equipment basis” on the full cost of the automation equipment. Where the qualifying expenditure of the equipment is greater than the amount qualifying for cash payout conversion, the excess expenditure incurred will be forfeited and will not be available for capital allowance claim against the business income.

**20. Can I defer the claim for enhanced allowance (i.e. 300%) but continue to claim the base allowance (i.e. 100%) of automation equipment purchased in the YA?**

No. The enhanced allowance has to be claimed and allowed together with the base allowance.

**21. Will I qualify for PIC if I lease PIC Automation Equipment for use in my business?**

Yes. The lease payment incurred on PIC Automation Equipment will qualify for PIC provided the equipment is not onward leased to another party during the same basis period. Expenditure on both the purchase and lease of PIC Automation Equipment will be capped under one combined activity.

**22. Will equipment under a sale and lease-back arrangement qualify for PIC?**

Expenditure incurred in respect of equipment under a sale and lease-back arrangement would not qualify for enhanced deduction if capital allowance has previously been allowed for that equipment prior to the sale and lease-back arrangement.

**23. Will expenditure incurred on cloud computing qualify for PIC?**

Yes, expenditure incurred on procuring cloud computing services will qualify for enhanced deduction for PIC purposes.

Notwithstanding the above, as payments for cloud computing are payments for services, withholding tax would apply if such payments are made to non-residents for services rendered in Singapore.

**24. Do I need to give a breakdown of the cloud computing payment?**

No. The full cloud computing payment will qualify for PIC.

**25. I am a cloud computing vendor. Will my expenditure incurred on PIC Automation Equipment used in the provision of cloud computing services to my customers qualify for PIC?**

Expenditure incurred to acquire/lease hardware

The expenditure you incurred to acquire/lease PIC Automation Equipment (hardware) will qualify for PIC.

Expenditure incurred to acquire/lease software

Your expenditure to acquire/lease software will not qualify for PIC. Only the cloud computing customers, who are the end-users of the software, can claim the PIC benefits.

Expenditure incurred to develop software

If you develop the software, you can claim PIC on qualifying expenses incurred to develop the software provided the project qualifies as [Research and Development](#).

**A. Software**

**26. Will expenditure incurred on upgrading of software fall under PIC Automation Equipment?**

Yes, expenditure incurred on software upgrades qualifies for enhanced allowance.

**27. Will expenditure incurred on leasing of office system software qualify for PIC?**

Yes, expenditure incurred on leasing of office system software will qualify for enhanced deduction.

**28. Does purchase of software (e.g. shrink-wrap software) qualify for PIC?**

Yes, the cost of purchase will qualify for the enhanced allowances.

**29. Do fees paid for maintenance of software qualify for PIC?**

Payments for maintenance of software (e.g. debugging, helpdesk support) will not qualify for PIC. You can continue to claim deduction of such maintenance fees under the current rules.

**30. Can my business claim enhanced allowance on the development of software in Singapore?**

If the software is developed for business use, enhanced allowance can be claimed on the development costs.

If the software is developed for commercial sale to multiple customers, it will qualify for PIC as a qualifying R&D expenditure if it satisfies the R&D definition under Section 2 and conditions under Section 14DA of the Income Tax Act.

## **B. Equipment acquired on hire purchase**

### **31. For automated equipment bought on hire purchase, how do I compute the enhanced allowance under PIC?**

The enhanced allowance will be computed up-front based on the full cost of equipment. The full cost of the equipment (instead of repayment made during the basis period) will be used for the purpose of computing the expenditure cap for the relevant YA. Thereafter, the enhanced allowance will be allowed proportionately to the business based on the actual principal repayment made during the year. This does not include interest cost incurred for the hire purchase.

For a computation of the enhanced allowances on equipment acquired on hire purchase, you can refer to Page 28 of the "[Productivity and Innovation Credit e-Tax Guide](#)".

### **32. What if the repayment schedule of a hire purchase agreement straddles over more than one basis period or extend beyond the basis period for the last qualifying YA (i.e. YA 2015)?**

You can continue to claim enhanced allowance on the PIC Automation Equipment based on the repayment schedule.

However, the cash payout option will not be available for assets purchased on hire purchase with repayment schedule straddling over two and more basis periods.

## **C. Equipment qualifying for investment allowance**

### **33. Can I claim PIC for equipment that qualifies for investment allowance?**

Yes, but you cannot claim both investment allowance and enhanced allowance on the same dollar of the asset cost incurred. Investment allowance can be claimed on the portion of the asset cost that does not qualify for enhanced deduction (e.g. remaining cost of the equipment exceeding the expenditure cap).

## **D. Disposal of equipment**

### **34. How do I compute the balancing adjustment and cash payout to be recovered if I dispose of my PIC Automation Equipment within 1 year?**

If enhanced allowances/deduction claimed previously:

For equipment that is disposed of within a year with enhanced allowance claim, balancing adjustments will be computed as per current tax rules on the base allowance of 100%. The enhanced allowance of 300% granted will be deemed as income chargeable to tax in the year of disposal, unless the disposal/lease comes within the auto-waiver from claw-back provisions (see [Question 35](#)).

You are required to submit the [Disposal of Qualifying Assets Form](#) together with your Income Tax Return for the Year of Assessment in which the asset was disposed of by the filing due date (15 Apr for sole-proprietorship and partnership and 30 Nov for company)

If cash payout has been claimed previously:

For equipment that is disposed of within a year with cash payout claimed, the cash payout will be fully recovered, unless the disposal/lease comes within the auto-waiver from claw-back provisions (see [Question 35](#)). No balancing adjustment needs to be computed.

You are required to submit the [Disposal of Qualifying Assets Form](#) to IRAS within 30 days from the date of lease / disposal, and repay the cash payout upon receipt of IRAS' Productivity & Innovation Credit Cash Payout Recovery notice.

**35. Can the claw-back provision be waived if I disposed of my PIC Automation Equipment within 1 year?**

The claw-back / recovery provision can be waived under the following circumstances:

a) Waiver will be given automatically:

If in the year of disposal, the cost of remaining qualifying equipment (excluding cost of the equipment disposed of) acquired in the same basis period as the equipment disposed of is more than or equals the expenditure cap applicable for the period. You only need to make this declaration in your tax return. There is no need to apply or get prior approval of the waiver.

Example:

Company A acquired \$1,000,000 worth of qualifying equipment during its accounting year ended 31.12.2010. It claims enhanced allowances on equipment cost of \$800,000 (which is the combined expenditure cap for YA 2011 and YA 2012) in its return for YA 2011).

In Oct 2011 (YA 2012), it disposed of a piece of qualifying equipment with a cost of \$100,000 which it acquired in year 2010 and claimed enhanced allowances of \$300,000 (300% x \$100,000) in YA 2011.

As the cost of the remaining qualifying equipment is \$900,000 (\$1 mil - \$100,000) and this is higher than the expenditure cap of \$800,000, the enhanced allowances of \$300,000 will not be clawed back (i.e. \$300,000 will not be deemed as income chargeable to tax in the year of disposal).

b) Waiver will be considered on a case-by-case basis:

Where in the year of disposal, the cost of remaining qualifying equipment acquired in the same basis period as the equipment disposed of is less than the expenditure cap applicable for the period and IRAS is satisfied with your commercial reason(s) for the disposal.

### **Application for Waiver**

If enhanced allowance was claimed previously:

You are required to submit the [Disposal of Qualifying Assets Form](#) together with your Income Tax Return for the Year of Assessment in which the asset was disposed of by the filing due date (15 Apr for sole-proprietorship and partnership and 30 Nov for company.)

If cash payout was claimed previously:

You are required to submit the [Disposal of Qualifying Assets Form](#) to IRAS within 30 days from the date of disposal.

## **A4. Enhanced tax deduction for Training of Employees**

### **36. What training expenditure can qualify for enhanced tax deduction under PIC?**

The qualifying training expenditure are:

- a. in-house training (conducted by the employees of the businesses) - expenditure incurred in relation to the provision of:
  1. Workforce Skills Qualification (WSQ) training courses accredited by the Singapore Workforce Development Agency and conducted by a WSQ in-house training provider;
  2. courses approved by the Institute of Technical Education (ITE) under the ITE Approved Training Centre scheme;
  3. on-the-job training by an on-the-job training centre certified by ITE
- b. outsourced training – course fees paid to the external training service provider.

The qualifying training costs are computed net of any grant or subsidy from the Government or statutory boards.

For more information on the schemes administered by WDA & ITE, please refer to WDA's website ([www.wda.gov.sg](http://www.wda.gov.sg)) and ITE's website ([www.ite.edu.sg](http://www.ite.edu.sg)).

### **37. Do training costs pertain only to local employees or all employees?**

The qualifying training costs include training cost incurred for training of all employees i.e. both local and foreign employees.

### **38. Do training costs incurred for overseas trainings or seminars qualify for PIC?**

Yes, there is no restriction on where the training is conducted.

### **39. What are the allowable training costs for in-house training?**

The qualifying training costs are:

- salary and other remuneration of in-house trainers for the delivery of the training courses (i.e. based on the hours spent delivering the courses), excluding directors' fees,
- rental of external training premises,
- meal and refreshments provided during the courses, and
- training materials and stationery.

Examples of expenditure that are not allowed include:

- salary and other remuneration paid to in-house trainers for their other duties, including time spent in the preparation of course contents and training material for accredited WSQ/ITE or other training courses,
- salary and other remuneration paid to employees who provide administrative support to the training department,
- absentee payroll (i.e. salaries and other remuneration of any employee attending the training courses),
- accommodation, travelling and transportation expenditure, and
- imputed overheads like rental and cost of utilities.

**40. What are the allowable training costs for courses conducted by external training provider?**

For external training courses, training fees paid to the external training provider qualify for the enhanced deduction under PIC. This includes registration or enrollment fees, examination fees, tuition fees and aptitude test fees. Rental expenses for external training premises, meal and refreshments provided during the courses, training materials and stationery separately incurred would also qualify for enhanced deduction under PIC.

However, expenses such as accommodation, travelling and transportation expenditure incurred by the employees attending the course will not qualify for PIC.

**41. When computing the enhanced deduction on training expenditure, should the qualifying expenditure incurred be net of Absentee Payroll funding?**

No, there is no need to deduct the Absentee Payroll funding to arrive at the qualifying expenditure for PIC. This is because the Absentee Payroll funding is given separately to help employers defray the manpower costs incurred of employees attending training.

**42. Are air fare and accommodation costs of the external trainer allowable for PIC?**

Yes, expenses such as hotel accommodation, travelling (e.g. air fare) and transportation expenditure incurred by your business for the external trainer will qualify for PIC.

**43. The overseas course fees charged by the service provider included accommodation and airfare for your staff attending but there is no breakdown for charges provided in the invoice. Can the company claim the full amount of the billing under PIC?**

No, staff accommodation and travelling do not qualify for enhanced deduction. If there is no breakdown of the fees incurred, you may use the market rate for accommodation and airfare to compute the disallowable amount.

**44. For outsourced training, must the external trainer be a certified trainer?**

There is no specific requirement for the external trainer to be a certified trainer.

**45. My holding company conducts training for my employees. Is this considered in-house or outsourced training and will the training expenses qualify for PIC?**

Your holding company is considered an external training service provider. Qualifying training expenses in relation to training of your employees will qualify for PIC.

**46. If I need to send my employees for training to use a software that I have recently purchased, will the training expenses incurred qualify for PIC?**

The course fees paid to the external training service provider will qualify for the enhanced deduction under PIC.

**47. My employees have to take an examination after the course. Do they have to pass the examination before I can claim PIC on the training expenses?**

There is no requirement that the employees have to pass the examination after the course.

**48. Can training costs incurred by a sole-proprietor/partner qualify for PIC?**

Training fees incurred by a sole-proprietor/partner do not qualify for tax deduction under the PIC scheme as a sole proprietor / partner except for non-equity salaried partner\*, is a business owner and not an employee. Such expenditure, being personal and private in nature is not deductible as a business expense.

\*A non-equity salaried partner who is under a contract of services is considered an employee.

**A4. Enhanced tax allowance for Acquisition of IPRs**

**49. What is the scope of IPRs for the purpose of claiming enhanced Writing-Down Allowance (WDA) under PIC?**

The scope of IPRs under PIC covers the IP rights under Section 19B (patent, copyright, trademark, registered design, geographical indication, lay-out design of integrated circuits, trade secret or information with commercial value) and includes plant variety.

Certain IPRs and IPRs relating to media and digital entertainment contents approved by EDB are excluded.

**50. Does sole-proprietorship qualify for enhanced allowance or cash payout for IPR acquisition?**

No. Sole-proprietorships do not qualify for claim of allowance under Section 19B of the Income Tax Act. Hence, the cash payout option is also not applicable to them.

**51. Can the amount of enhanced WDA on IPRs acquired be claimed in one year?**

No. The current tax treatment under Section 19B is for the costs of IPRs to be written down over 5 years.

**52. Must I claim enhanced WDA on the full cost of the IPR on a “per IPR basis”?**

Generally, enhanced WDA is granted on the full cost of the IPR. However, if the total expenditure incurred on the acquisition of IPR exceeded the cap, taxpayer can claim enhanced WDA on the partial cost of one IPR.

However, if you opt to convert the qualifying expenditure into cash, partial conversion is not allowed and conversion has to be done on a “per IPR basis” up-front in the year of IPR acquisition (notwithstanding the writing-down period of 5 years) on the full cost of the IPR. Where the qualifying expenditure of the IPR is greater than the cash payout cap, the excess expenditure will be forfeited and will not be available for deduction against the business income.

**53. How do I compute the balancing adjustment and cash payout to be recovered if I sell my ownership of the IPR?**

Companies and partnership must own the related IPRs for a minimum period of 1 year from the date of acquisition of the IPR.

For IPR that is sold within a year of making enhanced allowance claim, balancing charge will be computed on the base allowance of 100% while balancing allowance will not be made. The enhanced allowance granted previously will be deemed as income chargeable to tax in the year of sale. Balance of the unclaimed enhanced allowance will be forfeited.

For IPR that is sold within a year with cash payout claimed, the cash payout will be fully recovered.

For IPR that is sold within 2 to 5 years of claiming enhanced allowance, balancing charge will be computed on the base allowance of 100% while balancing allowance will not be made. The enhanced allowance granted previously will not be deemed as income chargeable to tax. However, the balance of the unclaimed enhanced allowance will be forfeited.

For IPR that is sold within 2 to 5 years with cash payout claimed, the cash payout will be recovered accordingly:

Amount to be recovered = [(5 - No. of complete years which the IPR was held) / 5] x cash payout

You are required to complete and send the [Disposal of Qualifying Assets Form](#) to IRAS within 30 days from the date of lease / disposal, and repay the cash payout upon receipt of IRAS' **Productivity & Innovation Credit Cash Payout Recovery** notice.

**54. Can I apply for waiver of the claw-back provision if I disposed of my ownership of the IPR?**

Waiver is not applicable for acquisition of IPRs.

## **A5. Enhanced tax deduction for Registration of Patents, Trademarks, Designs and Plant Variety**

### **55. What can be claimed as registration cost for enhanced deduction?**

Registration cost is broadly divided into two categories, official fees and professional fees.

- a. Official fees refers to payments made to the Registry of Patents, Registry of Trade Marks, Registry of Designs or the Registry of Plant Variety in Singapore or elsewhere for :
  - i. filing of an application for a patent, for registration of a trade mark or design, or for the grant of protection of a plant variety;
  - ii. search and examination report on the application for a patent;
  - iii. examination report on the application for grant of protection for a plant variety; or
  - iv. grant of a patent.
  
- b. For Professional fees, it must be incurred in relation to the registration of the qualifying IPRs and will cover payments made to any person acting as an agent for:
  - i. applying for any patent, for registration of a trade mark or design, or for the grant of protection of a plant variety, in Singapore or elsewhere;
  - ii. preparing specification or other documents for the purpose of the Patents Act (Cap. 221), the Trade Mark Act (Cap. 332), the Registered Design Act (cap. 266), the Plant varieties Protection Act (Cap. 232A) or the intellectual property law of any other country in respect of patents, trademarks, designs or plant varieties; or
  - iii. giving advice on the validity or infringement of any patent, trade mark, design or plant variety.

Examples of allowable costs include prior art searches and translation costs where overseas intellectual property offices require documentation or specifications to be submitted in their native languages.

### **56. If I am not successful in my application to get the trademark or patent registered, can I still qualify for PIC?**

Yes. The enhanced deduction is granted regardless of the outcome of the application as long the business has incurred the registration cost.

### **57. Do renewal costs for trademarks qualify for enhanced deduction PIC?**

No. Only the cost of registration allowable under Section 14A qualifies for enhanced deduction. Renewal cost for trademarks is an allowable deduction under Section 14(1) if it is wholly and exclusively incurred in the production of the income.

**58. Must I claim enhanced deduction on the full filing / registration cost of the IPR on a “per filing basis”?**

No, the enhanced deduction is granted on the costs incurred on the qualifying IPRs during the basis period subject to the expenditure cap.

However, if you opt to convert the qualifying expenditure into cash, partial conversion is not allowed and conversion has to be done on a “per filing basis” on the full filing / registration cost of the IPR. Where the qualifying expenditure of the IPR exceeds the amount qualifying for cash payout conversion, the excess expenditure will be forfeited and will not be available for deduction against the business income.

**59. Is there a minimum ownership period of the IPR and how do I compute the balancing adjustment and cash payout to be recovered if I sell the IPR within a year?**

You are required to hold the IPR for a minimum period of one year from the date of filing of the IPR.

For IPR that is sold within a year with enhanced deduction claim, the lower of sale price of IPR or deduction granted previously shall be deemed as income in the year of sale as per current practice and the enhanced allowance of 300% granted will be deemed as income chargeable to tax in the year of sale. For IPR that is sold within a year with cash payout claimed, the cash payout will be fully recovered.

You are required to complete and send the Disposal of Qualifying Assets Form to IRAS within 30 days from the date of lease / disposal, and repay the cash payout upon receipt of IRAS' **Productivity & Innovation Credit Cash Payout Recovery** notice.

**60. Can I apply for waiver of the claw-back provision if I disposed of the IPR within a year?**

Waiver is not applicable for registration of IPRs.

## **A6. Enhanced tax deduction for R&D**

### **61. What is the definition of R&D?**

R&D generally means any systematic, investigative and experimental study that involves novelty or technical risk carried out in the field of science or technology with the object of acquiring new knowledge or using the results of the study for the production or improvement of materials, devices, products, produce, or processes, but does not include —

- a. quality control or routine testing of materials, devices or products;
- b. research in the social sciences or the humanities;
- c. routine data collection;
- d. efficiency surveys or management studies;
- e. market research or sales promotion;
- f. routine modifications or changes to materials, devices, products, processes or production methods;
- g. cosmetic modifications or stylistic changes to materials, devices, products, processes or production methods; or
- h. development of a computer software that is not intended to be sold, rented, leased, licensed or hired to 2 or more persons who are not related parties to each other and to the person who develops the software or on whose behalf the development of the software is undertaken

### **62. What are the qualifying R&D expenditures for the purpose of claiming enhanced tax deduction under PIC?**

The qualifying R&D expenditures for the purpose of claiming enhanced tax deduction under PIC are R&D expenditures incurred in respect of R&D projects carried out in Singapore or overseas, if the R&D done overseas relates to the taxpayer's Singapore trade or business.

Qualifying costs refer to staff cost, consumables and any such expenditure prescribed by the Minister. The R&D expenditure also has to be computed net of subsidy and grant received from the government or statutory board.

### **63. What are consumables?**

Consumables refer to any materials or items used in the research and development which, upon such use, are consumed or transformed in such a manner that they are no longer useable in their original form.

Consumables exclude utilities.

### **64. For out-sourced R&D, how is the enhanced deduction under PIC computed?**

For out-sourced R&D activities, 60% of the total payments made to the R&D organisation will be deemed as qualifying staff costs and consumables allowed for enhanced deduction.

Where more than 60% of such payments are made up of staff costs and consumables, enhanced deduction based on the actual percentage of staff costs and consumables incurred is allowed. Copies of invoices issued by the R&D organisation which identify the amount relating to staff costs and consumables must be retained for verification purposes.

**65. If my business conducts R&D in Singapore and overseas, how is the enhanced deduction under PIC computed?**

You can decide on the order of claim for enhanced deduction. For example, you may claim enhanced deduction on qualifying overseas R&D expenditure first, before claiming on qualifying local R&D expenditure.

The expenditure cap for R&D is applied to expenditure for R&D activities conducted in Singapore and overseas.

**A7. Enhanced tax deduction for Approved Design Projects**

**66. Who is eligible to claim for enhanced deduction for Approved Design Projects?**

You can claim for enhanced deduction if you are the beneficiary of the design activities primarily carried out in Singapore and not a person in the trade of providing design services and the design project must have been approved by Design Singapore Council (“DSg”). To claim deductions under PIC, the design or trademark must be registered in the company's / partnership's / sole-proprietorship's capacity.

More details can be found on [DesignSingapore Council](#) website.

**67. What are the qualifying conditions for a design project to be entitled for enhanced deduction under the PIC?**

Prior approval from Design Singapore Council (“DSg”) must be obtained before you can claim the enhanced deduction under PIC. For details of the qualifying conditions and application procedure, please refer to <http://designforenterprises.sg/pic.aspx>.

You can also contact DSg at:

Helpline: 6333 3737

Email: [info@designforenterprises.sg](mailto:info@designforenterprises.sg)

**68. What is the qualifying design expenditure for the purpose of claiming enhanced tax deduction under PIC?**

For the purpose of claiming enhanced tax deduction under PIC, the qualifying design costs are:

- a. For in-house design projects – 100% of staff costs incurred on qualified design professional carrying out the approved design activities. A qualified design professional is one with tertiary academic qualification (at least a diploma) in industrial or product design approved by DSg; or
- b. For out-sourced design activities – 60% of the total payments made to the approved design service provider will be deemed as staff costs of qualified designers and allowed for enhanced deduction.

Where more than 60% of such payments are made up of staff costs of qualified designers, enhanced deduction based on the actual percentage of staff costs incurred is allowed. Copies of invoices issued by the design service provider which identify the amount relating to staff costs of qualified designers must be retained for verification purposes.

The qualifying design costs are computed net of any grant or subsidy received from the government or statutory board.

**69. Do I need to submit the Letter of Approval issued by DSg to IRAS when applying for tax deduction or cash payout?**

No, you can keep the Letter of Approval issued by DSg and provide it to IRAS only upon request.

**70. What should I do if I fail to meet the conditions specified by DSg?**

You must inform DSg immediately if you fail to meet the conditions specified under the approved project so that DSg can review the approval status of the project.

**71. What happens if I subsequently fail to satisfy any of the conditions set out by DSg?**

The enhanced deductions claimed will be deemed as income chargeable to tax whereas the cash payout claimed will be recovered. Please refer to our FAQs on PIC Cash Payout.