

Worked Examples on Computing the Productivity and Innovation Credit (PIC) Expenditure Cap for Companies whose Functional Currency is in Non-S\$

- Company ABC's functional currency is US Dollars (US\$)
- The company's financial year ends on 31 Dec
- The company is not a qualifying SME for the purpose of the PIC+ Scheme
- The combined expenditure cap for YA 2016 to YA 2018 is \$1.2 million. For more information on the cap, refer to [How the PIC Scheme Benefits You](#)
- The qualifying PIC expenditure incurred on training and average exchange rate are as follows:

Year of Assessment (YA)	Qualifying PIC expenditure incurred on training	Average exchange rate
2016	US\$300,000	US\$1: S\$1.2 [^]
2017	US\$400,000	US\$1: S\$1.3 [^]
2018	US\$350,000	US\$1: S\$1.4 [^]
Total	US\$1,050,000	

[^]The average exchange rate used in this example is for illustrative purpose only and is not reflective of the actual exchange rate. For the lists of foreign exchange rate, please refer to the [MAS webpage](#).

There are two methods that your company can adopt to compute and track the PIC combined expenditure cap. The method you adopt must be applied consistently across all years and to other expenditure that are also subject to expenditure cap, e.g. section 14Q expenses:

Method A: Convert S\$ combined expenditure cap to non-S\$ upfront in first YA

Method B: Track utilisation of combined expenditure cap in S\$

Method A: Convert S\$ combined expenditure cap to non-S\$ upfront in first YA

- Convert the S\$ combined expenditure cap to non-S\$ equivalent upfront in the first YA using the average exchange rate of that YA.
- Claim PIC qualifying expenditure for the three YAs up to the non-S\$ equivalent combined expenditure cap that was computed in the first YA.

	US\$	S\$	Average exchange rate used
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Computation of PIC Qualifying expenditure for YA 2016

Combined expenditure cap	1,000,000 ¹	1,200,000	1.2
Less: Qualifying expenditure YA 2016	<u>(300,000)</u>		
Balance c/f	<u>700,000</u>		

Computation of PIC Qualifying expenditure for YA 2017

Combined expenditure cap b/f	700,000		
Less: Qualifying expenditure YA 2017	<u>(400,000)</u>		
Balance c/f	<u>300,000</u>		

¹ The S\$1.2m combined expenditure cap is converted to US\$ equivalent upfront in the first YA (S\$1,200,000 / 1.2 = US\$1,000,000)

Computation of PIC Qualifying expenditure for YA 2018

Combined expenditure cap b/f	300,000
Less: Qualifying expenditure YA 2018(restricted)	<u>(300,000)</u>
Balance c/f	<u>NIL</u>

Method B: Track utilisation of combined expenditure cap in S\$

- Convert the yearly PIC expenditure in non-S\$ to S\$ at the average exchange rate of each YA.
- Track the utilisation of the combined expenditure cap in S\$ for the three-year period.
- In the YA in which the remaining balance of the combined expenditure cap will be utilised, convert the balance in S\$ to non-S\$ using the average exchange rate for that YA.

	<u>US\$</u>	<u>S\$</u>	<u>Average exchange rate used</u>
<u>Computation of PIC Qualifying expenditure for YA 2016</u>			
Combined expenditure cap		1,200,000	
Less: Qualifying expenditure YA 2016	(300,000)	<u>(360,000)²</u>	1.2
Balance c/f		<u>840,000</u>	

Computation of PIC Qualifying expenditure for YA 2017

Combined expenditure cap b/f		840,000	
Less: Qualifying expenditure YA 2017	(400,000)	<u>(520,000)²</u>	1.3
Balance c/f		<u>320,000</u>	

Computation of PIC Qualifying expenditure for YA 2018

Combined expenditure cap b/f		320,000	
Less: Qualifying expenditure YA 2018(restricted)	(228,572) ³	<u>(320,000)⁴</u>	1.4
Balance c/f		<u>NIL</u>	

² Convert the PIC-qualifying expenditure in US\$ to S\$.

³ Convert the balance of the combined expenditure cap of S\$320,000 to US\$ using the average exchange rate for YA 2018 [S\$320,000 / 1.4 = US\$228,572].

⁴ The PIC-qualifying expenditure in S\$ for the third YA (YA 2018) is restricted to the available balance of the expenditure cap that is tracked in S\$.

This information aims to provide a better general understanding of taxpayers' tax obligations and is not intended to comprehensively address all possible tax issues that may arise.

This information is correct as at 3 Aug 2018. While every effort has been made to ensure that this information is consistent with existing law and practice, should there be any changes, IRAS reserves the right to vary our position accordingly.