

Tax treatment of computer software

| Category | Tax treatment | Comments |
|--|---|---|
| Software acquired where taxpayer is granted the right to use only | Write-off over 1 year (Section 19A(2)) | <p>The purchaser has no rights other than the right to use the software.</p> <p>It may be acquired separately from the computer hardware or together with the computer hardware.</p> <p>Examples of this category of software are shrink-wrap software, software downloaded from the licensor's designated network, site license and software pre-installed in the computer hardware.</p> |
| Software acquired where taxpayer possesses the full economic and legal ownership | Write-off over 5 years (Section 19B) | <p>The rights acquired are more than just the right to use the software.</p> <p>It is a bundle of rights acquired which allows the purchaser to, amongst others, use the software, modify the computer program or exploit the copyright in the software e.g. by granting license-to-use to end-users.</p> |
| Software which is developed, either in-house or outsourced, by taxpayer | <p>Expenses incurred in the development of the software may be claimed under Sections 14, 14D, 14DA or 14E, subject to meeting conditions.</p> <p>If these conditions cannot be met, write-off over 1 year (Section 19A(2))</p> | The taxpayer possesses all the rights, interest and benefits attached to the software. |