



INLAND REVENUE
AUTHORITY
OF SINGAPORE

Turn Your Expenses Into Savings!

Productivity and Innovative Credit (PIC) for Sole-Proprietors and Partnerships

Sole-proprietors and partnerships can enjoy huge tax savings under the PIC scheme. PIC supports investment in **Innovation** and **Productivity**. You get to boost your business' performance and productivity while turning your expenses into tax savings.

How does the PIC work for my business?

You have two options: The Cash Payout Option and/or the Tax Deduction Option. In addition, you can also ask for Tax Deferral for PIC!

Cash Payout Option

- You can apply to convert up to \$100,000 of your investment spending into a **non-taxable** cash payout at a conversion rate of 30%. This is to benefit businesses that pay little or no taxes currently, but wish to invest in productivity and grow the business. You will receive the cash payout within 3 months after you apply for the option.
- The PIC cash payout option is available from Year of Assessment (YA) 2011 to YA 2015 at a conversion rate of 30% for YA 2011 and YA 2012, and 60% for YA 2013 to YA 2015. The higher cash conversion rate of 60% was announced in Budget 2012 to further support businesses in investing in innovation and productivity.
- To be eligible for the cash payout, your business must employ at least three local employees (Singapore Citizens or Permanent Residents with CPF contributions).
- The maximum cash payout is:
 - a total of **\$60,000** for YAs 2011 to 2012 (30% x combined spending cap of \$200,000)
 - a sum of **\$60,000** (60% X \$100,000) for each YA from YA 2013 to YA2015.

How to claim the Cash Payout?

- To apply for cash payout for YA2012, simply send in the "PIC Cash Payout Application Form" to IRAS, anytime before the filing due date of the income tax return for YA2012. The "PIC Cash Payout Application Form" is available on IRAS website (www.iras.gov.sg > Quick links > Forms > Individuals).
- You will receive your payout within three months from the date IRAS receives the PIC cash payout application form.

400% Tax Deduction/Allowances

- You can enjoy **400%** tax deduction/allowances on up to **\$400,000** of your spending per year in **each** of the following **six activities**:
 1. Acquisition or leasing of PIC Automation Equipment
 2. Training of Employees
 3. Acquisition of Intellectual Property Rights
 4. Registration of patents, trademarks, designs and plant varieties
 5. Research and development activities
 6. Investment in approved design projects
- In addition, you can combine your spending across YAs for each activity to enjoy the maximum benefits from PIC. For YA 2011 and 2012, a combined spending cap of \$800,000 applies for each qualifying activity. This means a combined tax deduction of up to \$3.2m (400% x \$800,000) for each activity.
- For YA 2013 to YA 2015, a combined spending cap of \$1.2m applies for each qualifying activity. This means a combined tax deduction of up to \$4.8m (400% x \$1.2m) for each activity.

How to claim the Tax Deduction?

- To claim tax deduction, include the claim amount in "Allowable Business Expenses" of the 4-line Statement when you file your income tax return for YA 2012.
- You need to submit the "PIC Enhanced Allowances/Deductions Declaration Form for Sole-proprietors & Partnerships" (www.iras.gov.sg > Quick links> Forms > Individuals) with your income tax return.

Tax Deferral under PIC

For every dollar of the PIC qualifying expenditure incurred in the current accounting year, you can defer a dollar of your tax payable for the current YA, up to a maximum of \$100,000.

The Tax Deferral option is available for tax payable for YA 2011 to YA 2014, and the PIC qualifying expenditure must be incurred in the accounting years 2011 to 2014. The tax deferred will have to be paid when the tax assessment for the following YA is issued.

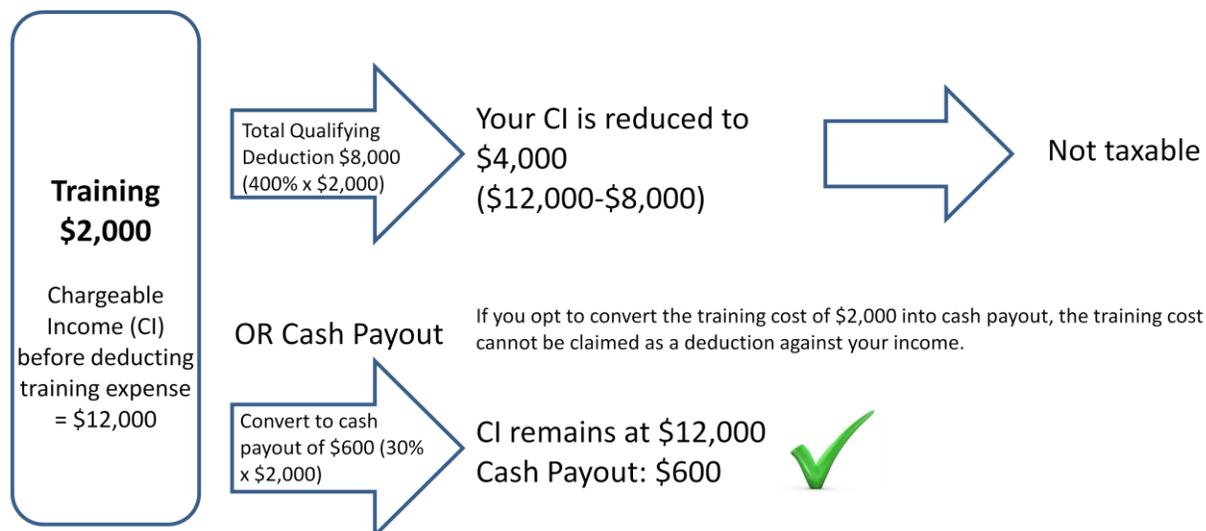
How to apply for the Tax Deferral?

You can apply for the tax deferral as soon as a PIC qualifying expenditure is incurred. To apply for tax deferral, send in the "PIC Tax Deferral Form" to IRAS no later than the end of the accounting year in which the expenditure is incurred. You will hear from IRAS within 30 days.

Illustration of 400% tax deduction/allowances, Cash Payout and Tax Deferral under PIC Scheme

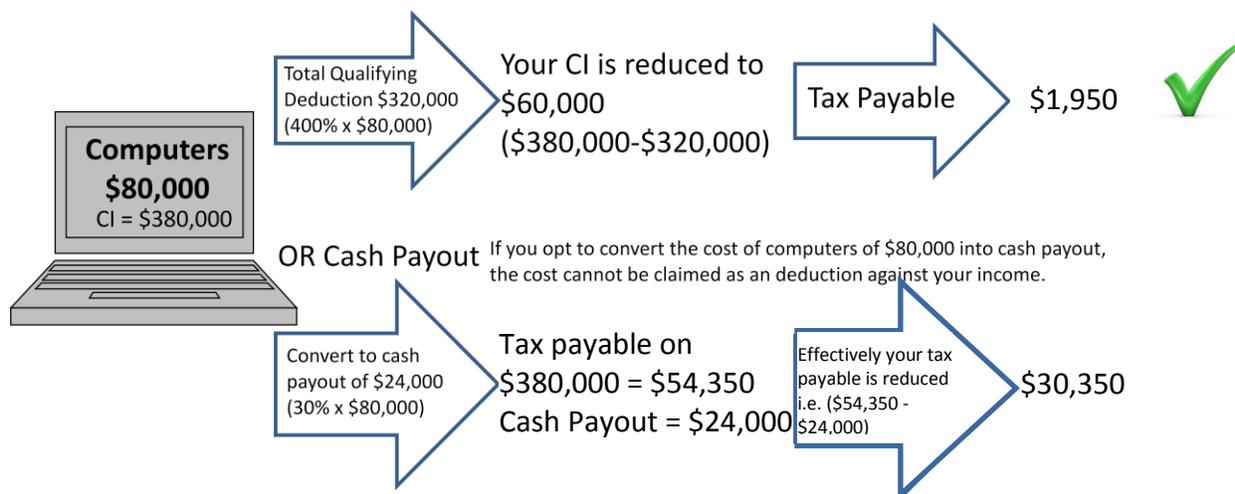
Example 1

Your chargeable income for YA 2012 is \$12,000 and you spent \$2,000 on staff training in YA 2012. As you are not taxable, you should apply for cash payout to enjoy a payout of \$600 instead of claiming enhanced deduction/allowances on the training cost incurred.



Example 2

You spent \$80,000 on computers in the basis period for YA2012. Your chargeable income before deducting the expenditure of \$80,000 was \$380,000.



You will enjoy a greater tax benefit if you claim for enhanced capital allowance instead of the cash payout.

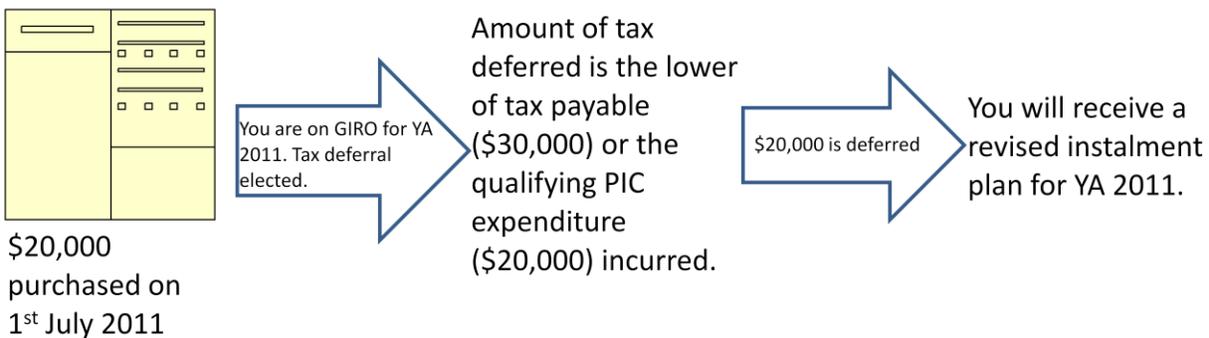
Example 3

Your sole-proprietorship's accounting year ends on 31st December 2011. You purchased an automation equipment on 1st July 2011 for \$20,000 that qualifies for PIC in YA 2012. Your tax bill for YA 2011 dated 16th May 2011 shows a tax payable of \$30,000.

You may elect to defer \$20,000 of your tax payable for YA 2011, which is up to the amount of qualifying PIC expenditure incurred in your business accounting year ended in 2011. This tax payable amount can be deferred till the time when the first assessment for YA 2012 is raised.

When you elect for tax deferral:

- a) If you are on GIRO for YA 2011, you will receive a revised instalment plan for YA 2011 to incorporate the deferred tax.



- b) If you have paid your tax of \$30,000 prior to your election and do not have any outstanding tax, \$20,000 will be refunded to you within 30 days of the receipt of the Tax Deferral Form.

