



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.

You get to boost your business' performance and productivity while turning your expenses into tax savings. As announced in Budget 2013, businesses that spend a minimum of \$5,000 in qualifying PIC investments in a Year of Assessment will receive a dollar-for-dollar matching cash bonus. The Bonus is capped at \$15,000 over YA 2013 to YA 2015.

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!

What Activities Qualify for PIC?

The productivity improvement activities covered under PIC are:

1. Acquisition or leasing of PIC Information Technology (IT) and Automation Equipment
2. Training of Employees
3. Acquisition and In-licensing of Intellectual Property Rights
4. Registration of patents, trademarks, designs and plant varieties
5. Research and development activities
6. Design projects approved by Design Singapore Council

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 60% for YA 2013 to YA 2015. This will 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 cash payout is not taxable.
- To be eligible for the cash payout, your business must employ at least three local employees (Singapore Citizens or Permanent Residents with CPF contributions, excluding sole-proprietors and partners under contract for service).
- The maximum cash payout is:
 - a total of **\$60,000** for YA 2011 and YA 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 YA 2015.

How to claim the Cash Payout?

To apply for cash payout, simply send in the "PIC Cash Payout Application Form" to IRAS, anytime after the end of your financial quarter(s) and not later than the filing due date of the income tax return for the YA. The "PIC Cash Payout Application Form" is available at the IRAS website www.iras.gov.sg

400% Tax Deduction/Allowances

- You can enjoy **400%** tax deduction/allowances on up to **\$400,000** of your investment spending each year in each of the six activities.
- In addition, you can combine your spending across YAs for each activity to enjoy the maximum benefits from PIC.
- 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
- You need to submit the "PIC Enhanced Allowances/Deductions Declaration Form for Sole-Proprietors & Partnerships" available at the IRAS website www.iras.gov.sg with your income tax return by the filing due date.

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 by the end of the current financial year in which the expenditure is incurred. You will hear from IRAS within 30 days.

PIC Bonus

The PIC Bonus is paid in addition to the existing PIC benefits of 400% tax deduction/allowances and 60% cash payout. The PIC Bonus is taxable.

How to apply for PIC Bonus?

- You do not need to apply for the PIC Bonus separately.
- If you had claimed 60% cash payout for YA 2013 or YA 2014, IRAS will compute the amount of PIC Bonus upon approval of the PIC cash payout claim, and disburse the PIC Bonus for these cases from July 2013.
- If you had claimed 400% tax deduction/allowances for YA 2013, IRAS will compute the amount of PIC Bonus upon approval of the PIC claim, and disburse the PIC Bonus from October 2013.
- More payment details will be released by March 2013.

Taxpayers can call 6351 3534 for queries.