

Determining the dates that expenditure is incurred for PIC cash payout purposes

As announced in the Budget 2016, the PIC scheme will lapse after YA 2018. Expenditure incurred after YA 2018 will therefore, not qualify for PIC. In addition, the cash payout rate will be reduced from 60% to 40% for qualifying expenditure incurred on or after 1 Aug 2016.

The following examples provide guidance on determining the incurred date of qualifying expenditure for PIC cash payout purposes. The determination of incurred date is largely a question of facts that should be made based on full facts and circumstances of the relevant transaction(s).

In all the examples that follow, it is assumed that the business' financial year ends on 31 Dec, and the business operation has already commenced unless otherwise stated.

Category

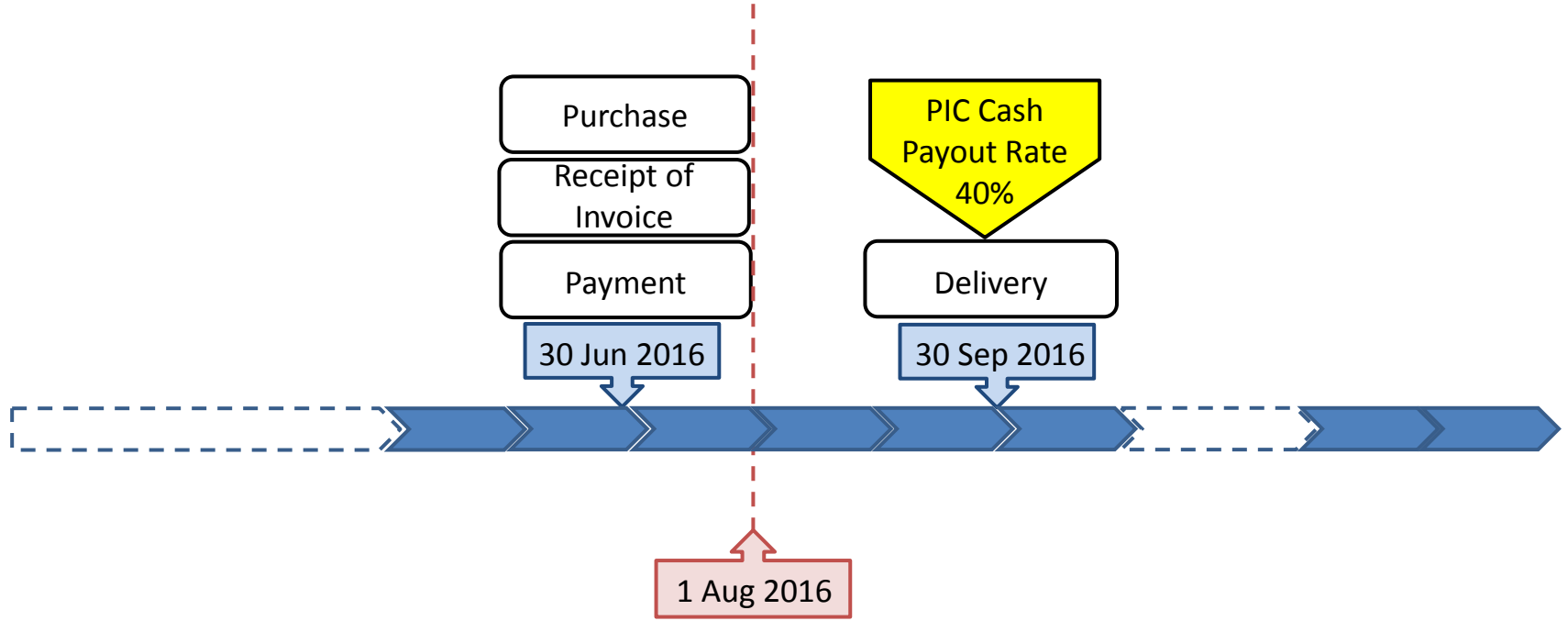
- 1) Equipment Purchase
 - (a) [Payment made on purchase & invoice receipt date](#)
 - (b) [Payment made on delivery date](#)
 - (c) [Hire Purchase](#)
 - (d) [Custom-Build Equipment \(e.g. IT system, construction equipment\)](#)
- 2) [Equipment Lease](#)
- 3) Training
 - (a) [Full payment upon registration](#)
 - (b) [1-year diploma course](#)
- 4) Trade Mark Registration
 - (a) [Filed directly with Registrar](#)
 - (b) [Filed through agent](#)
- 5) New Businesses
[Equipment purchased, delivered prior to commencement of business](#)

Determining the dates that expenditure is incurred for PIC cash payout purposes

1) (a) **Category** : Equipment Purchase

Scenario : Payment made on purchase & invoice receipt date

Invoice Terms : Cash on Delivery

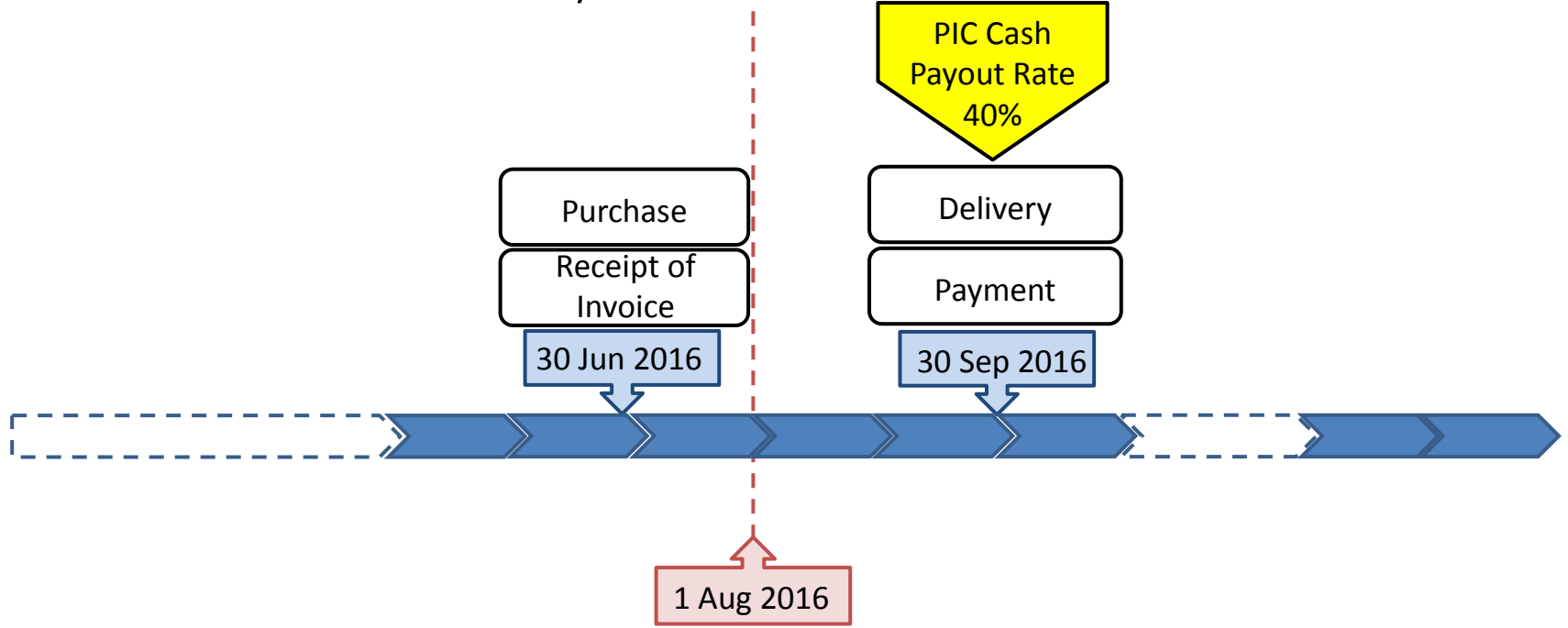


Rationale

The amount paid on 30 Jun 2016 is considered prepayment. The expenditure is considered incurred when the equipment is delivered (i.e. on 30 Sep 2016), upon which the legal liability to pay arises.

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1) (b) **Category** : Equipment Purchase
Scenario : Payment made on delivery date
Invoice Terms : Cash on Delivery

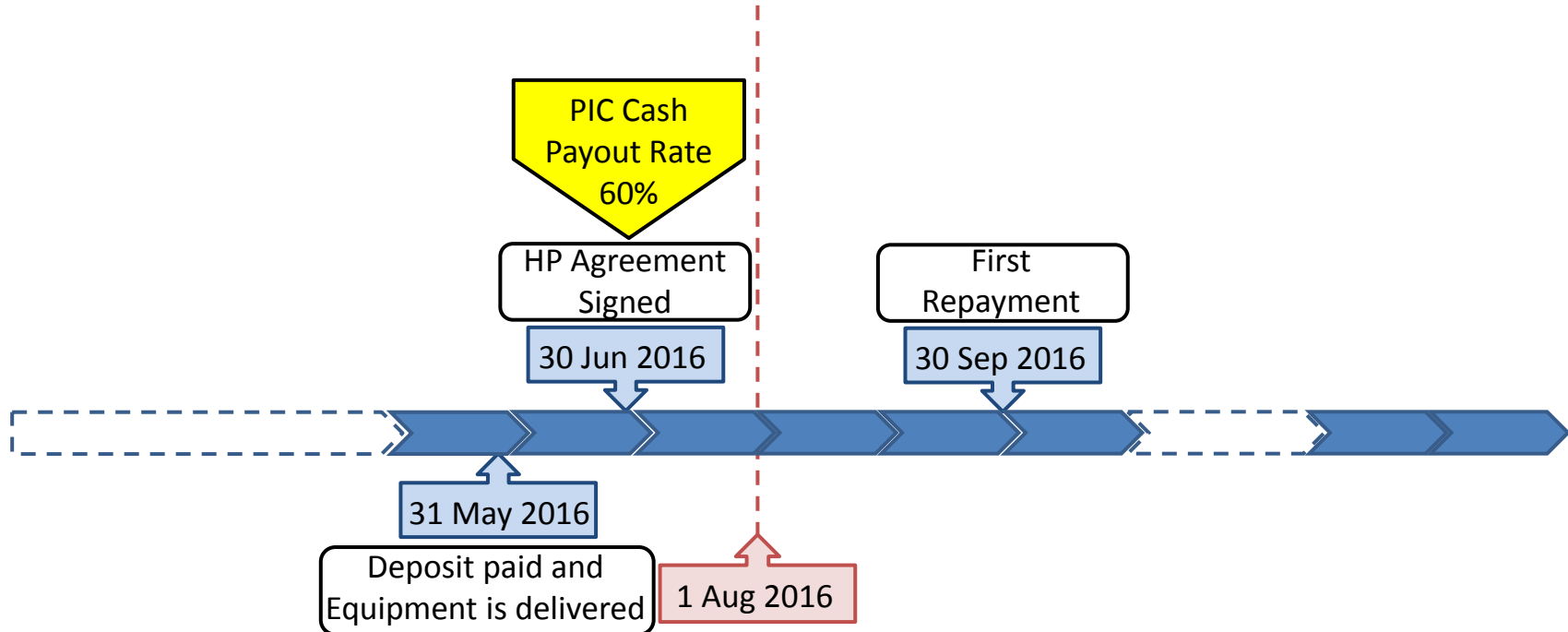


Rationale

As the full amount is due only when the equipment is delivered on 30 Sep 2016, the legal liability to pay crystallises on that day. This applies regardless of whether the amount is paid at the point of delivery, or at a later date within an agreed credit period (if any).

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1) (c) **Category** : Equipment Purchase
Scenario : Hire Purchase



Rationale

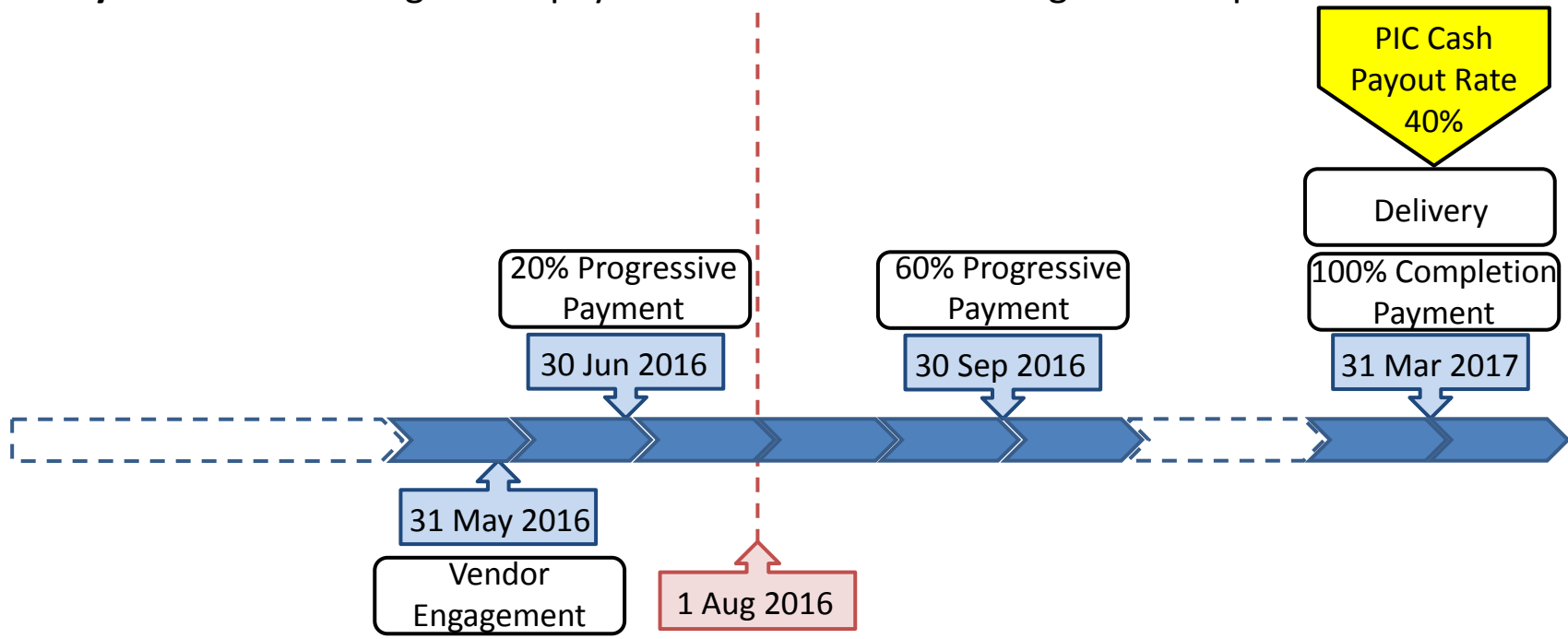
The expenditure conversion cap and cash payout rate to be applied are determined based on the YA relating to the period in which the HP agreement is signed - on 30 Jun 2016 in this instance.

Determining the dates that expenditure is incurred for PIC cash payout purposes

1) (d) **Category** : Equipment Purchase

Scenario : Custom-Build Equipment (e.g. IT system, construction equipment)

Payment Terms : Progressive payment in accordance to stages of completion



Rationale

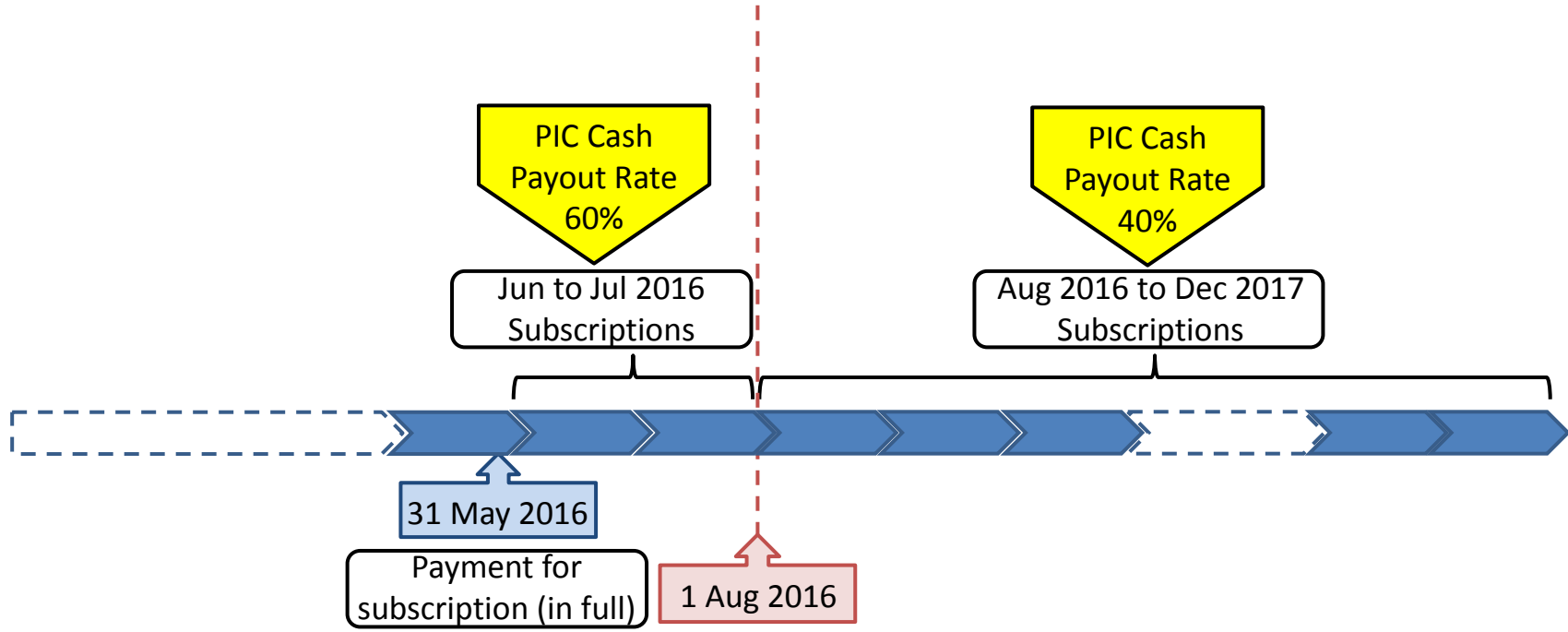
To convert this qualifying expenditure into a PIC cash payout, the conversion must be done on “per equipment basis” based on full cost of the equipment, subject to the expenditure cap at the end of construction. Partial conversion is not allowed.

The cash payout option is available when the construction of the automated equipment is completed and provided that no claim for capital allowances had been made on the expenditure incurred in the prior YAs. In addition, cash payout will only be granted if the equipment is used by your business at the point of electing for cash payout.

Therefore, you can only elect for cash payout after 31 Mar 2017, when the equipment has been completed and the in-use condition is fulfilled.

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2) **Category** : Equipment Lease
Scenario : 3-Year Software License Subscription
Period : 1 Jun 2016 to 31 May 2019



Rationale

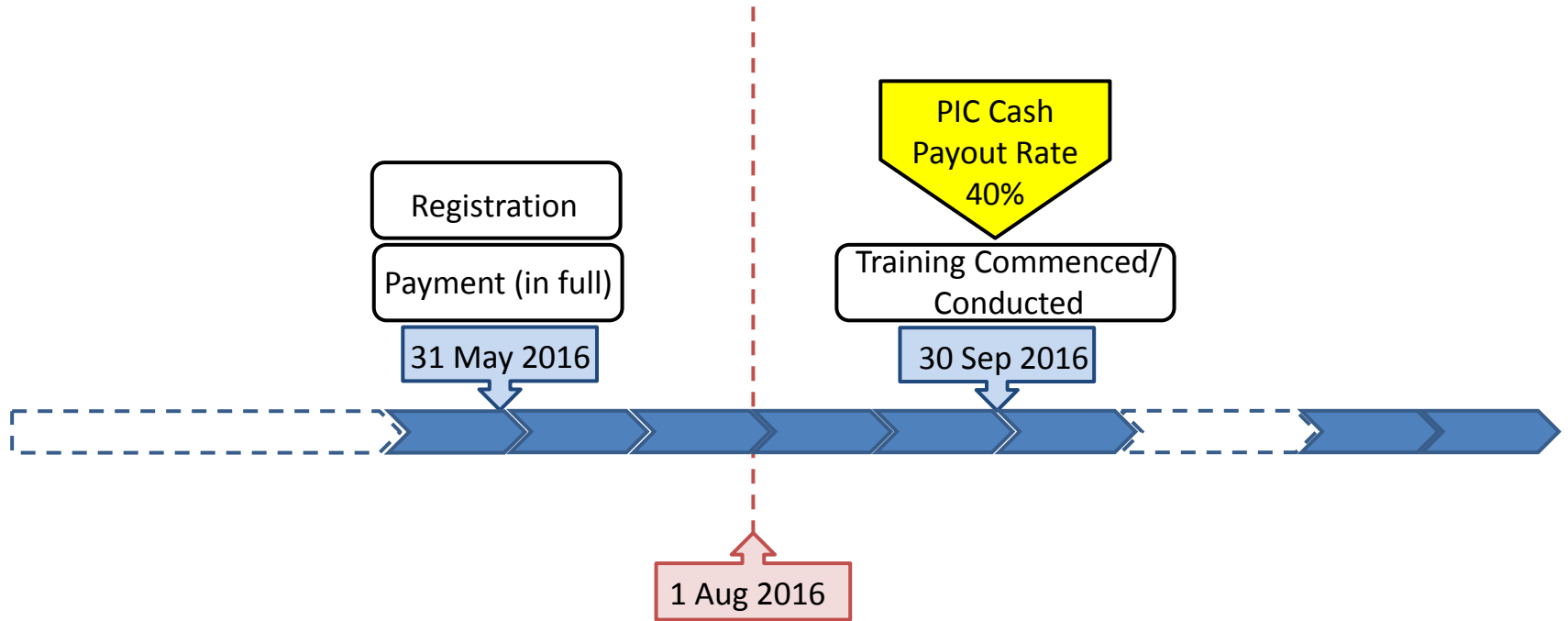
The amount paid on 31 May 2016 is considered prepayment. The expenditure is considered incurred in the month for which the software subscription is paid for, upon which the legal liability to pay arises.

The software subscription from Jan 2018 to May 2019 will not be eligible for PIC benefits as the PIC scheme is only available up to YA 2018.

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3) (a) Category : Training

Payment Terms : Full payment upon registration



Rationale

The amount paid on 31 May 2016 is considered prepayment. The PIC cash payout conversion rate is 40% as expenditure is considered incurred only when the employees attend the training on 30 Sep 2016.

For the purpose of claiming PIC benefits, the training course **must be attended by an employee of the company**, i.e. PIC benefits will not be granted if the employee(s) did not attend the training.

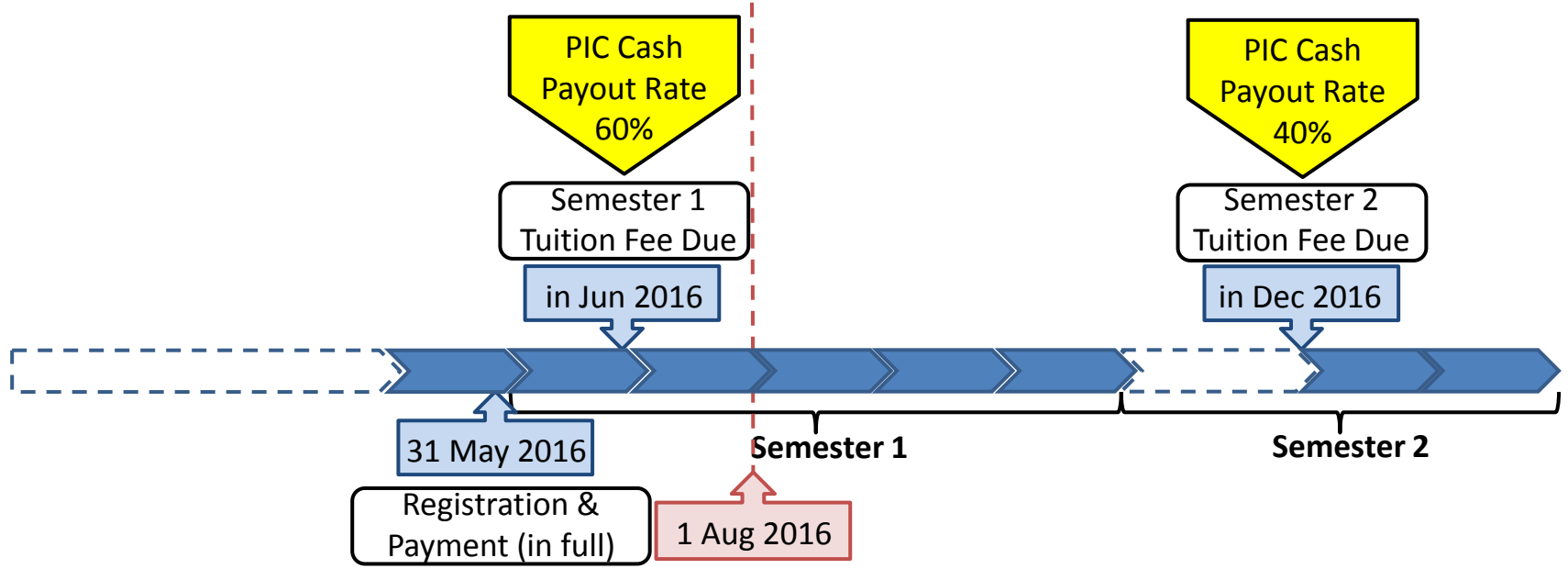
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3) (b) Category : Training

Scenario : 1-Year Diploma Course

Period : Semester 1 (1 Jun 2016 to 31 Oct 2016) & Semester 2 (1 Dec 2016 to 30 Apr 2017)

Payment Terms : Tuition Fee due in **June 2016** for Semester 1 & **December 2016** for Semester 2



Rationale

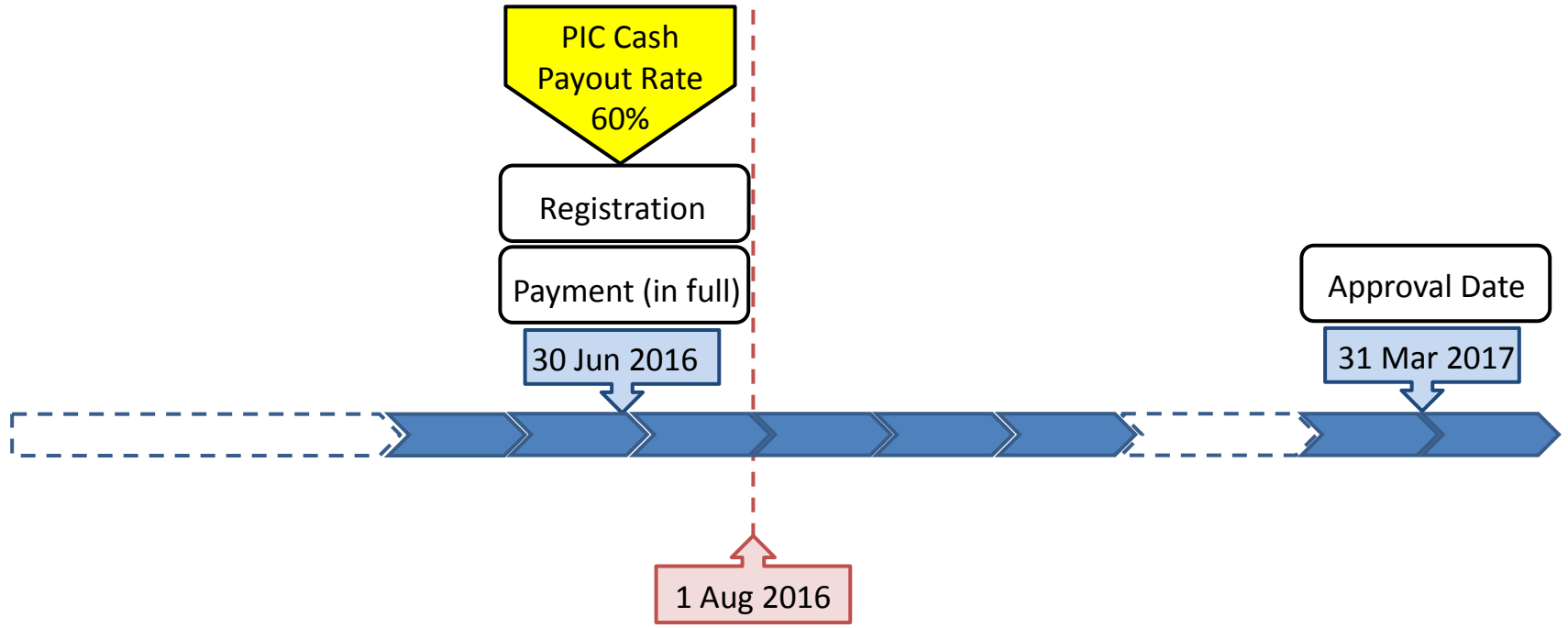
The amount paid on 31 May 2016 is considered prepayment. The expenditure is considered incurred upon payment due date for the respective semester tuition fees (i.e. in Jun 2016 and Dec 2016).

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4) (a) **Category** : Trade Mark Registration

Scenario : Filed directly with Registrar

Payment Terms : Full payment to relevant Registrar upon filing of Trade Mark Registration



Rationale

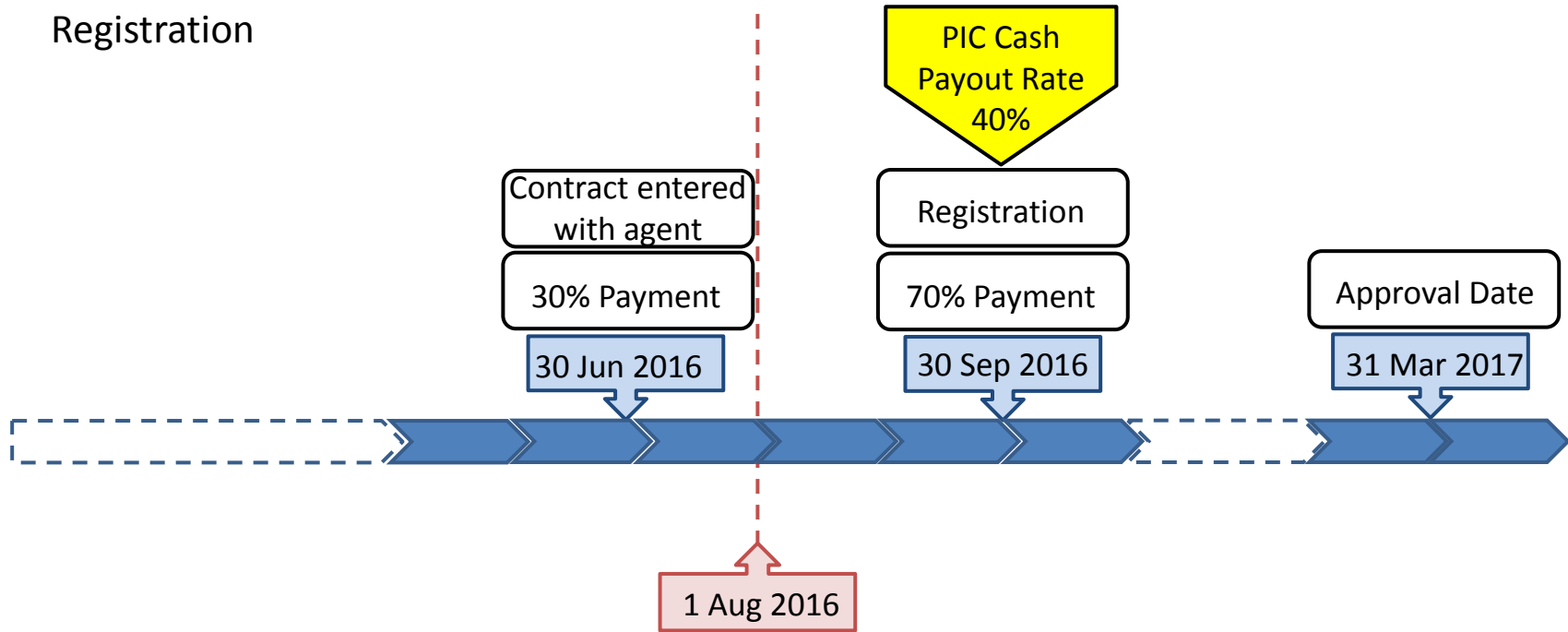
The expenditure is incurred upon which the legal liability to pay arises i.e. on 30 Jun 2016 as full payment is required at the point of registration.

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4) (b) **Category** : Trade Mark Registration

Scenario : Filed through agent

Payment Terms : 30% upon signing of contract with agent; 70% upon filing of Trade Mark Registration



Rationale

The fee paid on 30 Jun 2016 is considered prepayment as the registration services have not been rendered by the agent.

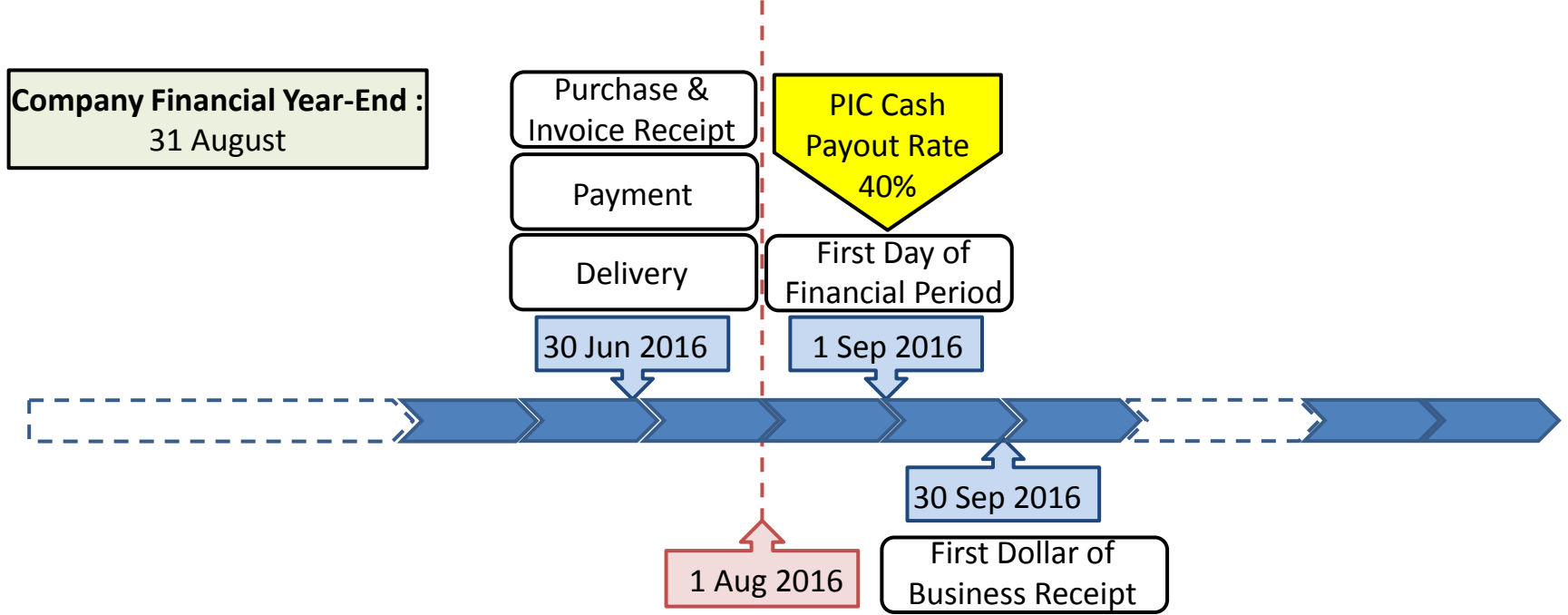
The registration fee is considered incurred when the registration is made on 30 Sep 2016 and services were considered to be substantially rendered.

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5) **Category** : New Business

Scenario : Equipment purchased, delivered prior to commencement of business

Payment Terms : Cash on Delivery



Rationale

The company is treated to have commenced business on 1 Sep 2016 as that was the first day of the financial period in which it earned the first dollar of business receipt.

The expenditure is deemed incurred on the first day of the financial period in which the first dollar of business receipt is earned i.e. 1 Sep 2016 (Financial Period: 1 Sep 2016 to 31 Aug 2017).

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 27 05 2016. 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.