Examples on When to Claim PIC Cash Payout

Example 1 – For Companies

Company A, which runs a retail outlet, invested in a Point-of-Sale (POS) system and sent its staff for customer service courses in the financial year 2016 (YA 2017). The company paid for the staff training in Jul 2016 but the staff only attended the training in Sep 2016. The company has met the relevant qualifying conditions for PIC and decided to elect for the cash payout option.

Description	Date Incurred	Qualifying Cost [2]	Qualify for PIC expenditure?	PIC Cash Payout [3]
POS System [1]	14 Jun 2016	$5,000	Yes	$5,000 x 60% [4] = $3,000
Customer service courses (Attended by the staff)	10 Sep 2016	$2,000	Yes	$2,000 x 40% [5] = $800

1: The POS System is on the prescribed list of PIC IT and automation equipment and has been put to use by the business at the point of electing for PIC cash payout.

2: The qualifying cost of $7,000 ($5,000 + $2,000) cannot be claimed as capital allowance/ tax deduction against Company A's income in the Income Tax Return.

3: As compulsory e-Filing is required from 1 Aug 2016, taxpayer will need to submit the PIC cash payout application form via mytax.iras.gov.sg any time after the end of the relevant financial quarter(s), but not later than 30 Nov/ 15 Dec 2017 (if e-Filing Form C-S/ C).

4: The PIC cash payout conversion rate is 60% as the expenditure is considered incurred before 1 Aug 2016 as the equipment was delivered before 1 Aug 2016.

5: The PIC cash payout conversion rate is 40% as the expenditure is considered incurred only when the staff attended the training on 10 Sep 2016. The payment made in Jul 2016 is considered as prepayment.

6: The total cash payout the company will receive is $3,800.

Example 2 – For Sole-Proprietors

Mr Lee runs a retail sole-proprietorship business and the business' relevant financial period is from Jan 2016 to Dec 2016 (YA 2017). He bought computers for his business which were delivered in Jun 2016. In addition, he paid training cost for his staff in Jul 2016 but his staff only attended the training in Sep 2016. Mr Lee met the relevant qualifying conditions for PIC and decided to elect for the cash payout option.

Description	Date Incurred	Qualifying Cost [2]	Qualify for PIC expenditure?	PIC Cash Payout [3]
Computers [1]	14 Jun 2016	$8,000	Yes	$8,000 x 60% [4] = $4,800
Industrial Training (Attended by his staff)	10 Sep 2016	$4,000	Yes	$4,000 x 40% [5] = $1,600

1: Computers are qualifying equipment on the prescribed list of PIC IT and automation equipment and have been put to use by the business at the point of electing for PIC cash payout.

2: The qualifying cost of $12,000 ($8,000 + $4,000) cannot be claimed as capital allowance/ tax deduction against Mr Lee's income in his Income Tax Return.

3: As compulsory e-Filing is required from 1 Aug 2016, taxpayer will need to submit the PIC cash payout application form via mytax.iras.gov.sg any time after the end of the relevant financial quarter(s), but not later than 14 Apr/ 18 Apr 2017 (if he e-Files Form B).

4: The PIC cash payout conversion rate is 60% as expenditure is considered incurred before 1 Aug 2016 as the equipment was delivered before 1 Aug 2016.

5: The PIC cash payout conversion rate is 40% as expenditure is considered incurred only when the staff attended the training on 10 Sep 2016. The payment made in Jul 2016 is considered as prepayment.

6: Mr Lee will receive a non-taxable cash payout of $6,400 ($4,800 + $1,600). His chargeable income without deducting the qualifying cost of $12,000 is $28,000 and his tax payable is $160. Tax payable is calculated based on the progressive individual income tax rates. Thus, his net cash received will be $6,240 ($6,400 - $160).

Examples on When to Claim PIC Tax Deductions/ Allowances

Example 3 – For Companies

Company B, which runs a manufacturing company, invested in Computer Numerical Control (CNC) cutting machines and sent its staff for customer service courses in the financial year 2016 (YA 2017). The company has met the relevant qualifying conditions for PIC and decided to claim PIC enhanced allowance/ deduction in its Income Tax Return for YA 2017.

Description	Date Incurred	Qualifying Cost	Qualify for PIC expenditure?	PIC Base Allowance/ Deduction	PIC Enhanced Allowance/ Deduction
CNC cutting machines [1]	10 Sep 2016	$50,000	Yes	$50,000 x 100% = $50,000	$50,000 x 300% = $150,000
Customer service courses (Attended by the staff)	20 Oct 2016	$2,000	Yes	$2,000 x 100% = $2,000	$2,000 x 300% = $6,000

1: The CNC cutting machine is on the prescribed list of PIC IT and automation equipment.

2: The total allowance/ deduction is $208,000 ($50,000 + $2,000 + $150,000 + $6,000), which is deductible against Company B's business income. Thus, the total tax savings, based on the prevailing corporate tax rate of 17% on the total allowance/ deduction, is $35,360.

Example 4 – For Sole-Proprietors

Mr Tan runs a manufacturing sole-proprietorship business and the business' relevant financial period is from Jan 2016 to Dec 2016 (YA 2017). He bought computers in Jul 2016 and a Computer Numerical Control (CNC) cutting machine in Nov 2016 for his business. Mr Tan met the relevant qualifying conditions for PIC and decided to elect for PIC enhanced allowance/ deduction in its Income Tax Return for YA 2017.

Description	Date Incurred	Qualifying Cost	Qualify for PIC expenditure?	PIC Base Allowance/ Deduction	PIC Enhanced Allowance/ Deduction
Computers [1]	10 Jul 2016	$8,000	Yes	$8,000 x 100% = $8,000	$8,000 x 300% = $24,000
CNC cutting machine [1]	16 Nov 2016	$3,000	Yes	$3,000 x 100% = $3,000	$3,000 x 300% = $9,000

1: Computers and CNC cutting machine are on the prescribed list of PIC IT and automation equipment.

2: Before electing for PIC enhanced allowance, his chargeable income (CI) is $200,000 and his tax payable is $21,150. Mr Tan's total allowance will be $44,000 (i.e. $8,000 + $3,000 + $24,000 + $9,000) which is deductible against the business income. His CI will be reduced to $156,000 ($200,000 - $44,000) and his revised tax payable is $13,350. Thus, his total tax savings will be $7,800 [3] ($21,150 - $13,350).

3: The total tax savings of $7,800 is calculated based on the progressive individual income tax rates.