

Expiry of PIC scheme after YA 2018

As announced in Budget 2016, the PIC scheme will lapse after YA 2018. Expenditure incurred in the basis periods for YA 2019 onwards will therefore, not qualify for PIC. Hence, the PIC cash payout option will no longer be applicable for expenditure incurred after the basis period for YA 2018. However, businesses may continue to enjoy 100% deductions/allowances on expenditure incurred after YA 2018 subject to the existing tax rules.

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

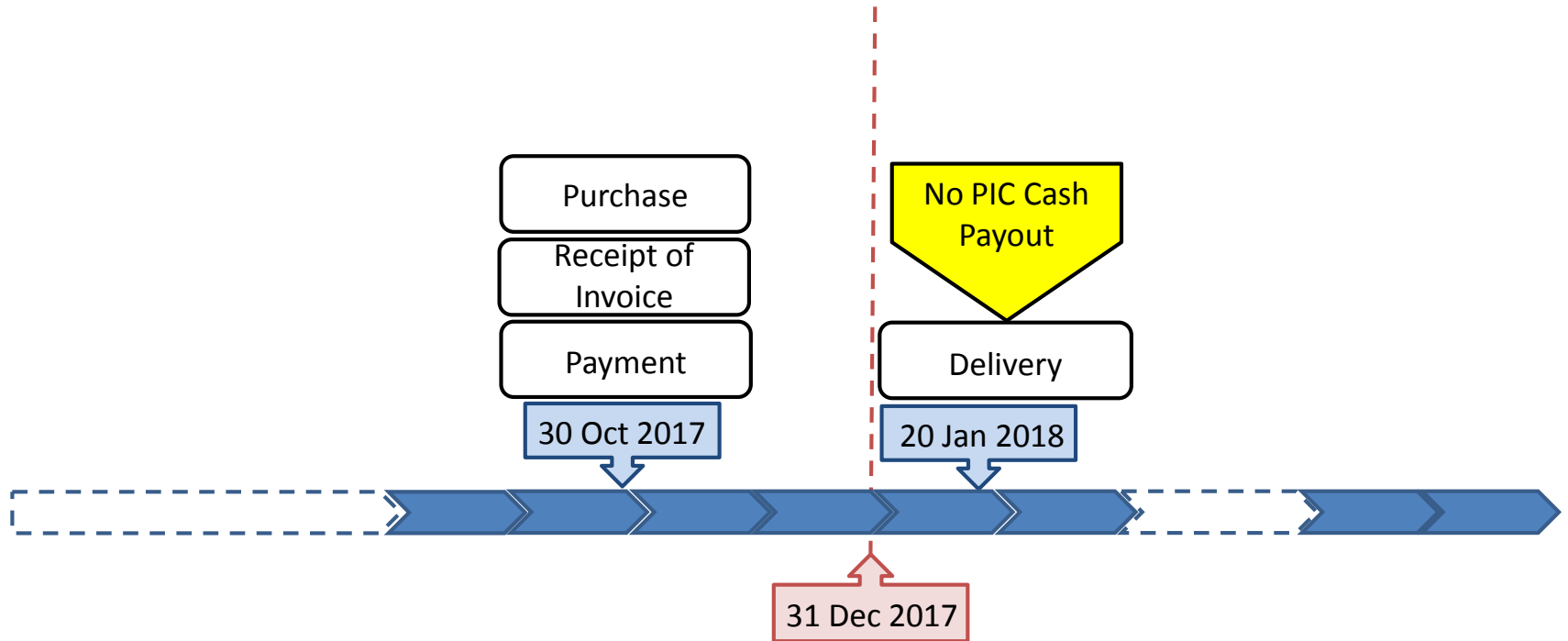
- 1) Equipment Purchase
 - (a) [Payment made on purchase & invoice receipt date](#)
 - (b) [Payment made on delivery date](#)
 - (c) [Hire Purchase](#)
 - (d) [Custom-Build Equipment \(e.g. IT system, construction equipment\)](#)
 - (e) [Purchase and payment of equipment in year 2017 that relate to YA 2019](#) (per company's financial year-end)
- 2) [Equipment Lease](#)
- 3) Training
 - (a) [Full payment upon registration](#)
 - (b) [Tuition semester fee paid after YA 2018](#)
- 4) Trade Mark Registration
 - (a) [Filed directly with Registrar](#)
 - (b) [Filed through agent](#)
- 5) New Businesses
[Equipment purchased, delivered prior to commencement of business](#)
- 6) Sole Proprietor (SP) owned by company
[SP expenditure incurred in Dec 2017](#)
- 7) [Deferred billing for registration of Intellectual Property Rights \(IPR\), R&D and Approved Design](#)

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

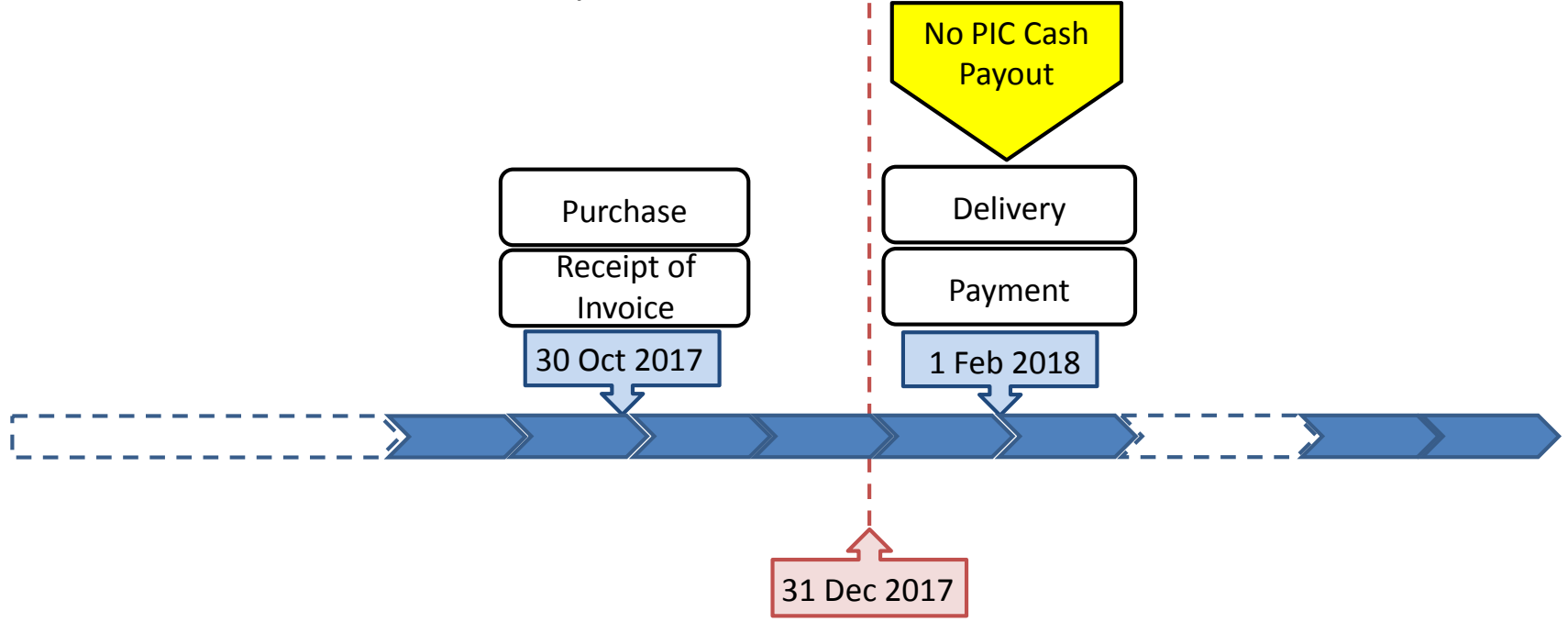


Rationale

The amount paid on 30 Oct 2017 is considered prepayment. The expenditure is considered incurred when the equipment is delivered (i.e. on 20 Jan 2018), upon which the legal liability to pay arises.

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

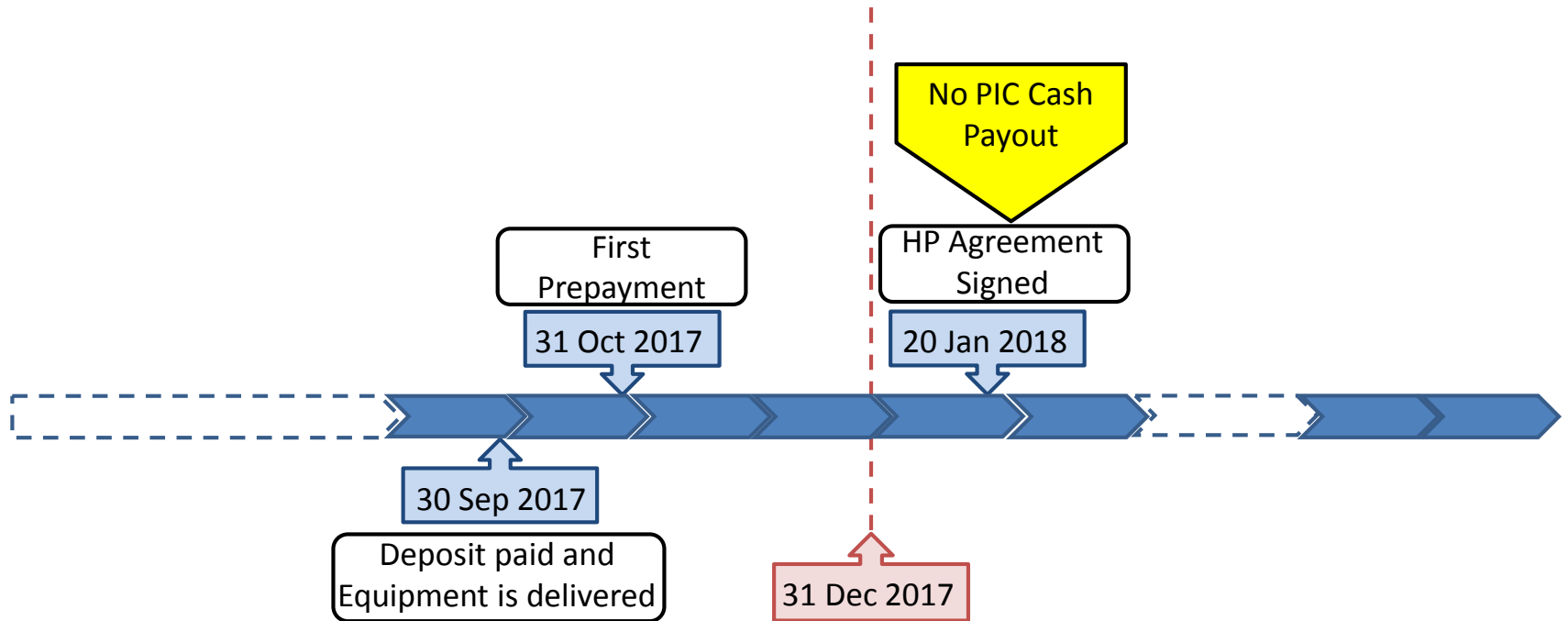
1) (b) **Category** : Equipment Purchase
Scenario : Payment made on delivery date
Invoice Terms : Cash on Delivery



Rationale
As the full amount is due only when the equipment is delivered on 1 Feb 2018, 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).

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

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



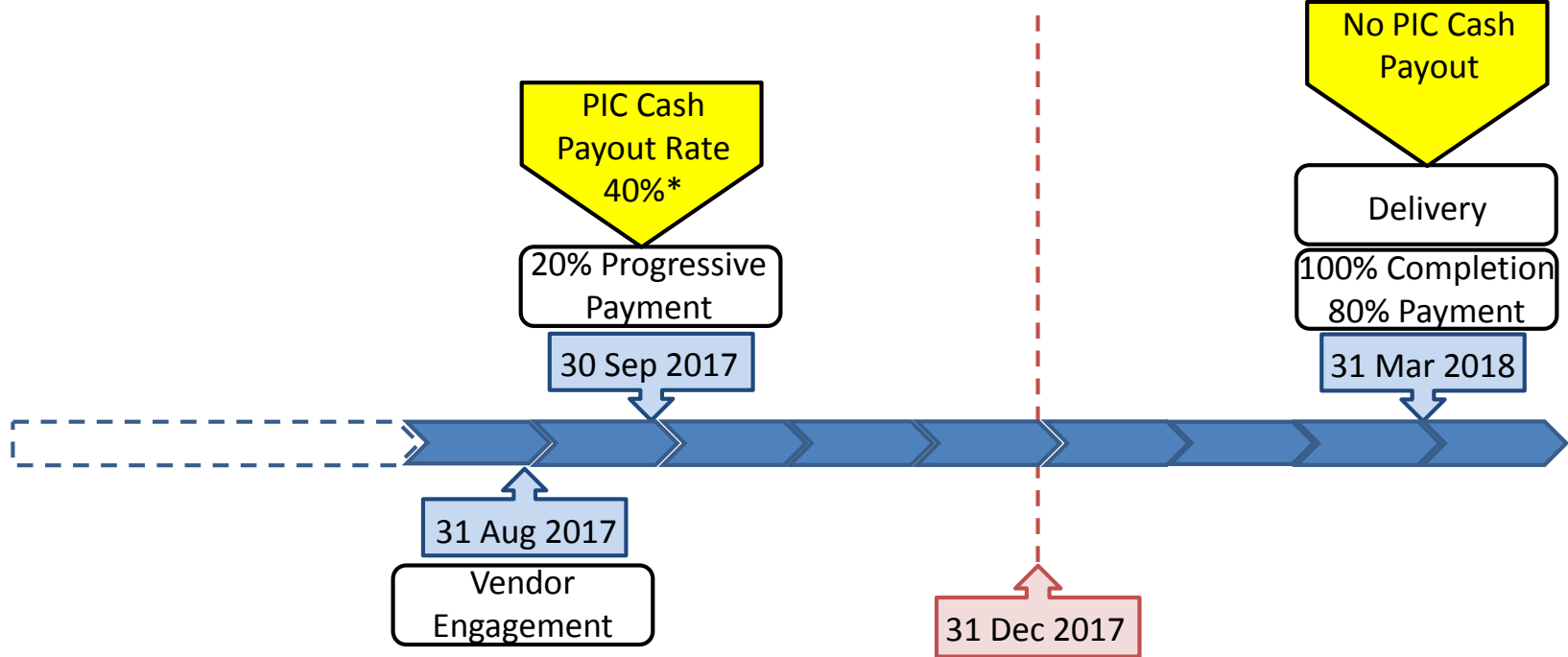
Rationale
The expenditure conversion cap and cash payout rate to be applied are determined based on the YA relating to the period in which the HP agreement is signed - on 20 Jan 2018 in this instance.

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. However, in view that **the PIC scheme will lapse after YA 2018**, cash payout will be allowed on the accumulated construction costs incurred up to YA 2018 provided the following conditions* are met:

- (1) the construction of the automated equipment is completed and the equipment is used in your business operations at the point of electing for cash payout, and
- (2) no claim for capital allowances had been made on the expenditure incurred in the prior YAs.

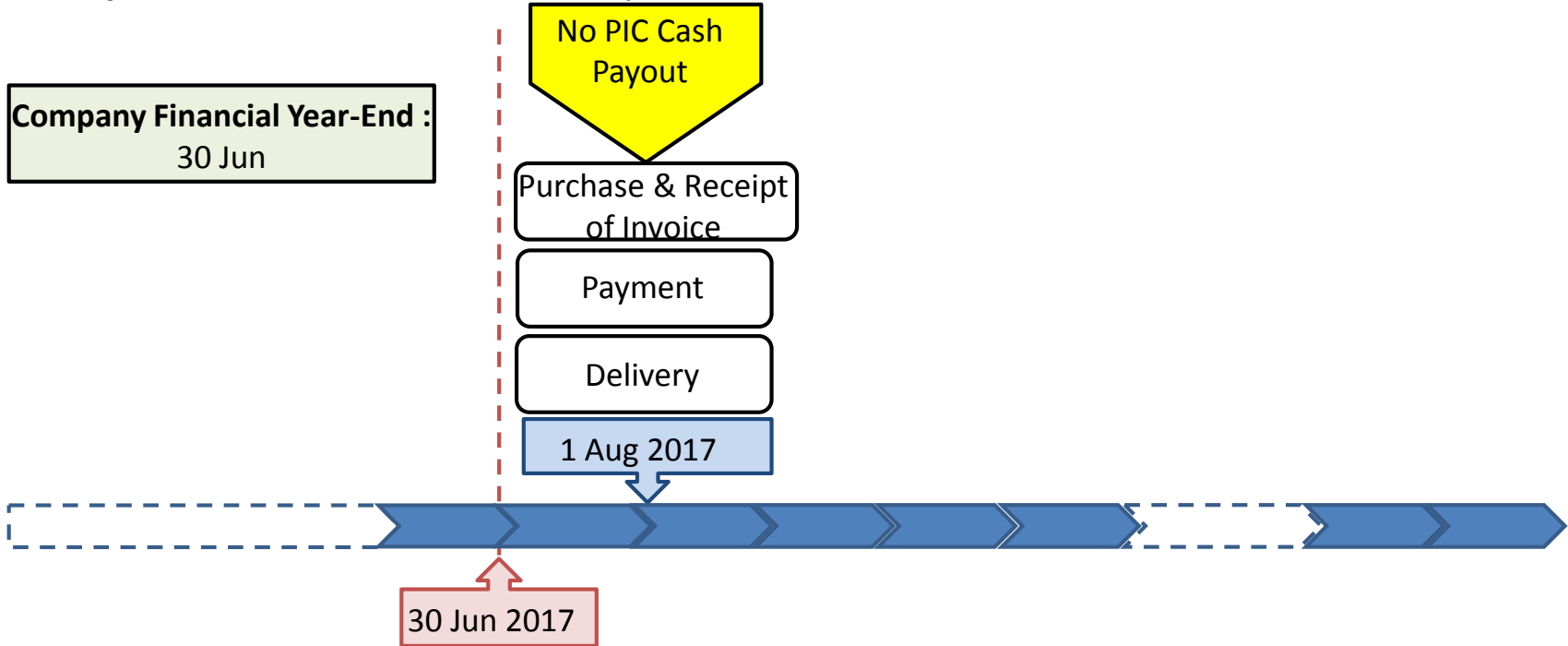
The remaining balance of 80% progressive payment incurred is allowed 100% capital allowance in YA 2019.

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

1) (e) Category : Equipment Purchase

Scenario : Purchase and payment of equipment in year 2017

Payment Terms : Cash on Delivery



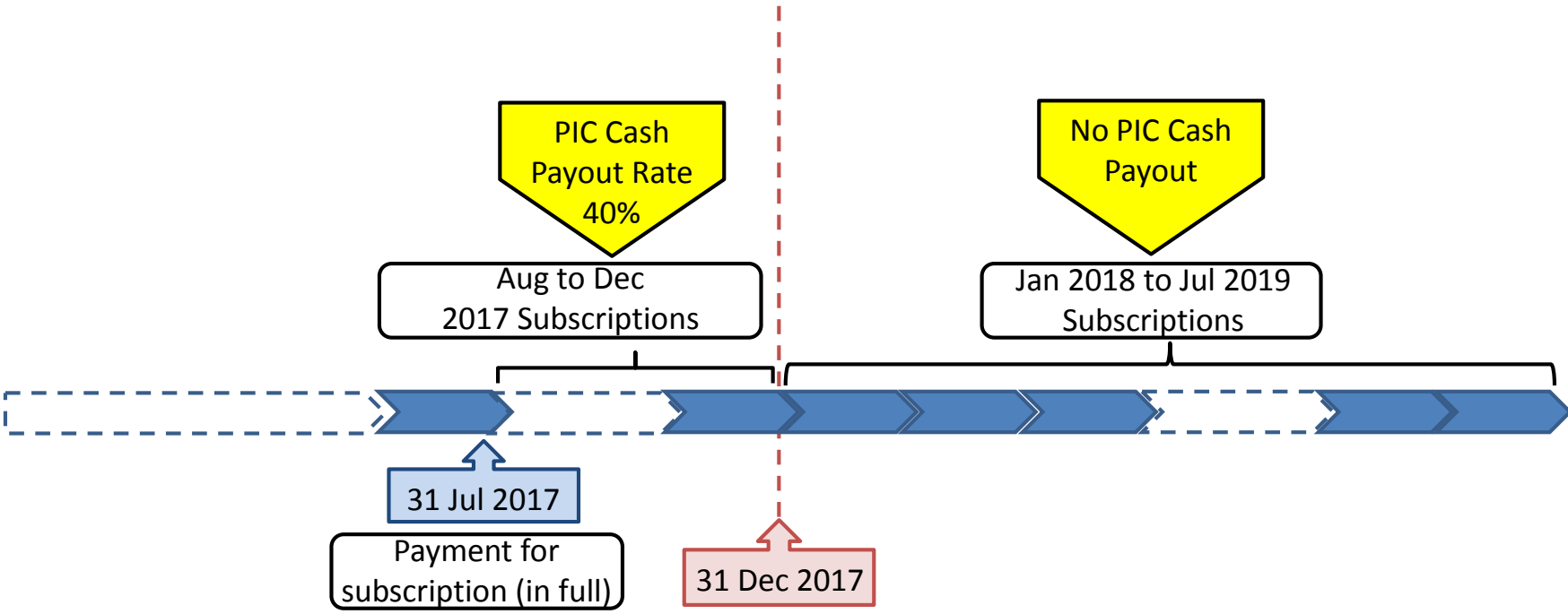
Rationale

The expenditure is incurred on 1 Aug 2017, which falls within the Company's financial period from 1 Jul 2017 to 30 Jun 2018 i.e. YA 2019.

The expenditure incurred on 1 Aug 2017 for YA 2019 will not be eligible for PIC cash payout as the PIC scheme is only available up to YA 2018.

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

2) **Category** : Equipment Lease
Scenario : 2-Year Software License Subscription
Period : Aug 2017 to Jul 2019



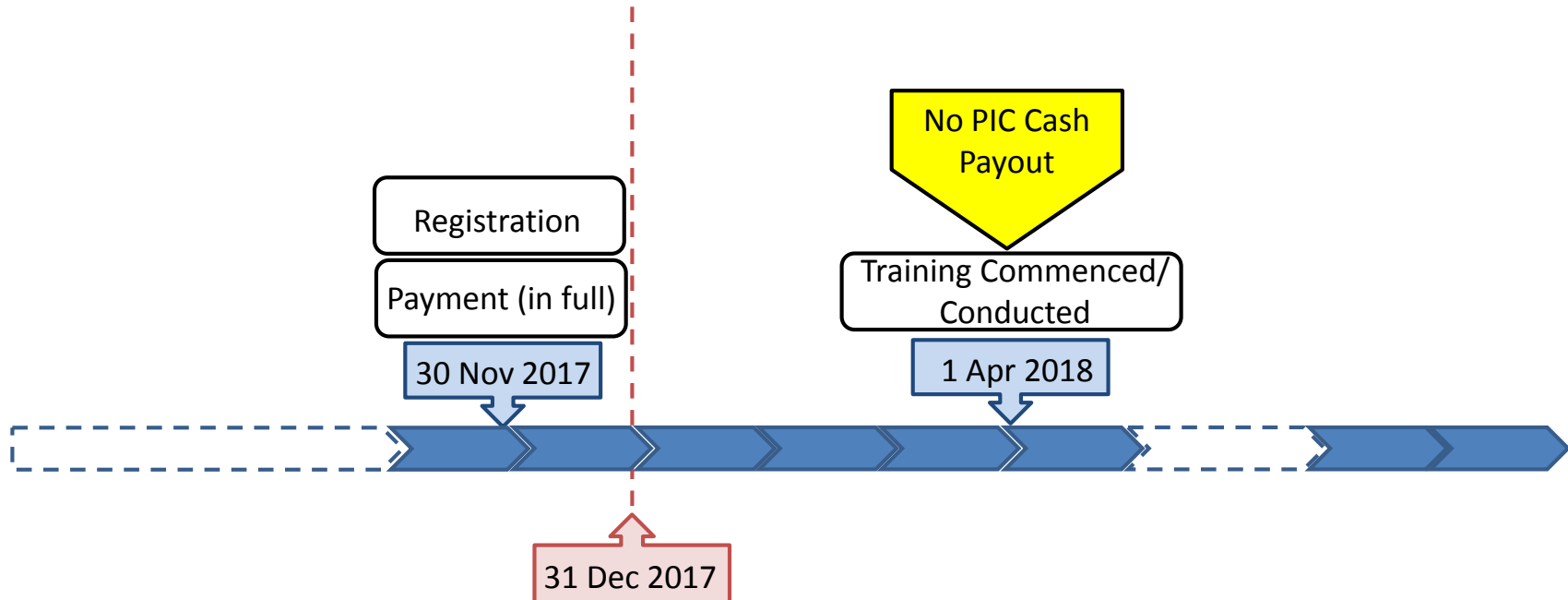
Rationale
The amount paid on 31 Jul 2017 is considered prepayment. The expenditure is considered incurred in the month for which the software subscription is paid for, upon which the legal liability to pay arises.

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

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

3) (a) Category : Training

Payment Terms : Full payment upon registration



Rationale

The amount paid on 30 Nov 2017 is considered prepayment. The expenditure is considered incurred only when the employees attend the training on 1 Apr 2018, which falls within the Company's financial period from 1 Jan 2018 to 31 Dec 2018 i.e. YA 2019, and will not be eligible for PIC cash payout as the PIC scheme is only available up to YA 2018.

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

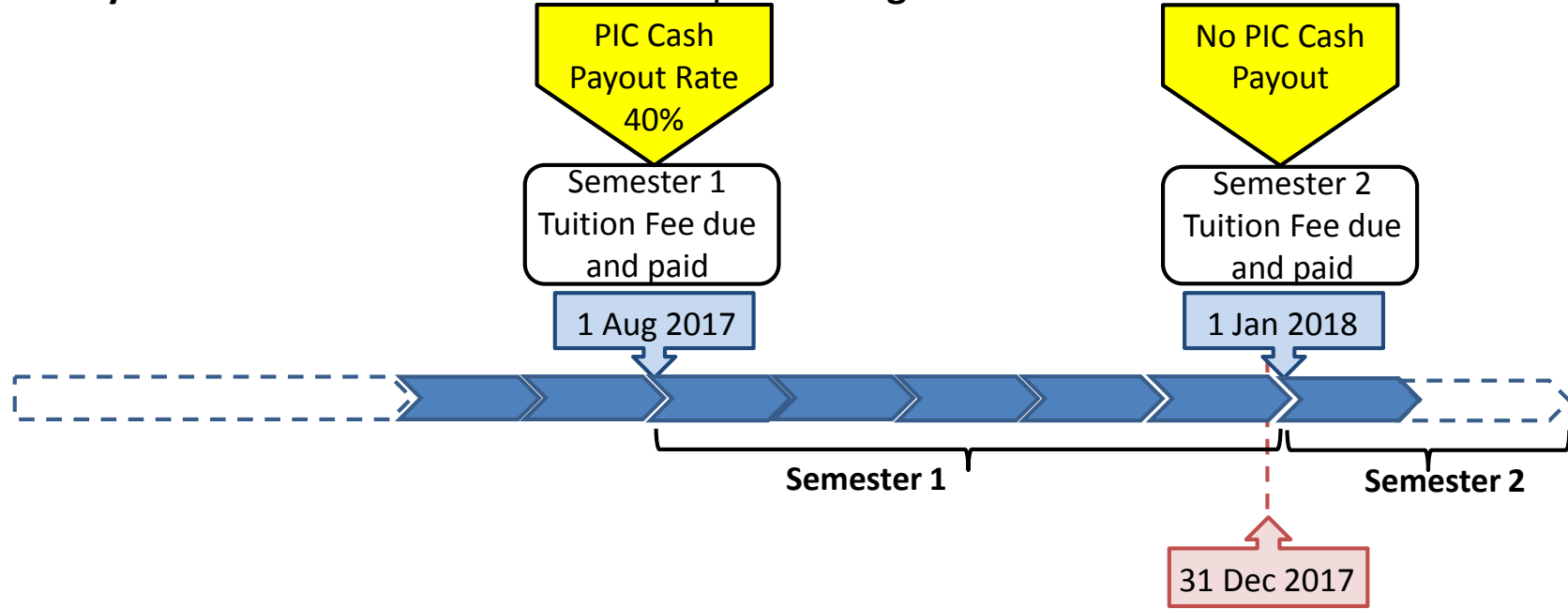
Determining the dates that expenditure is incurred for PIC cash payout purposes

3) (b) Category : Training

Scenario : 1-Year Diploma Course

Period : Semester 1 (1 Aug 2017 to 31 Dec 2017) & Semester 2 (1 Jan 2018 to 31 May 2018)

Payment Terms : Tuition Fee due and paid in **Aug 2017** for Semester 1 & **Jan 2018** for Semester 2



Rationale

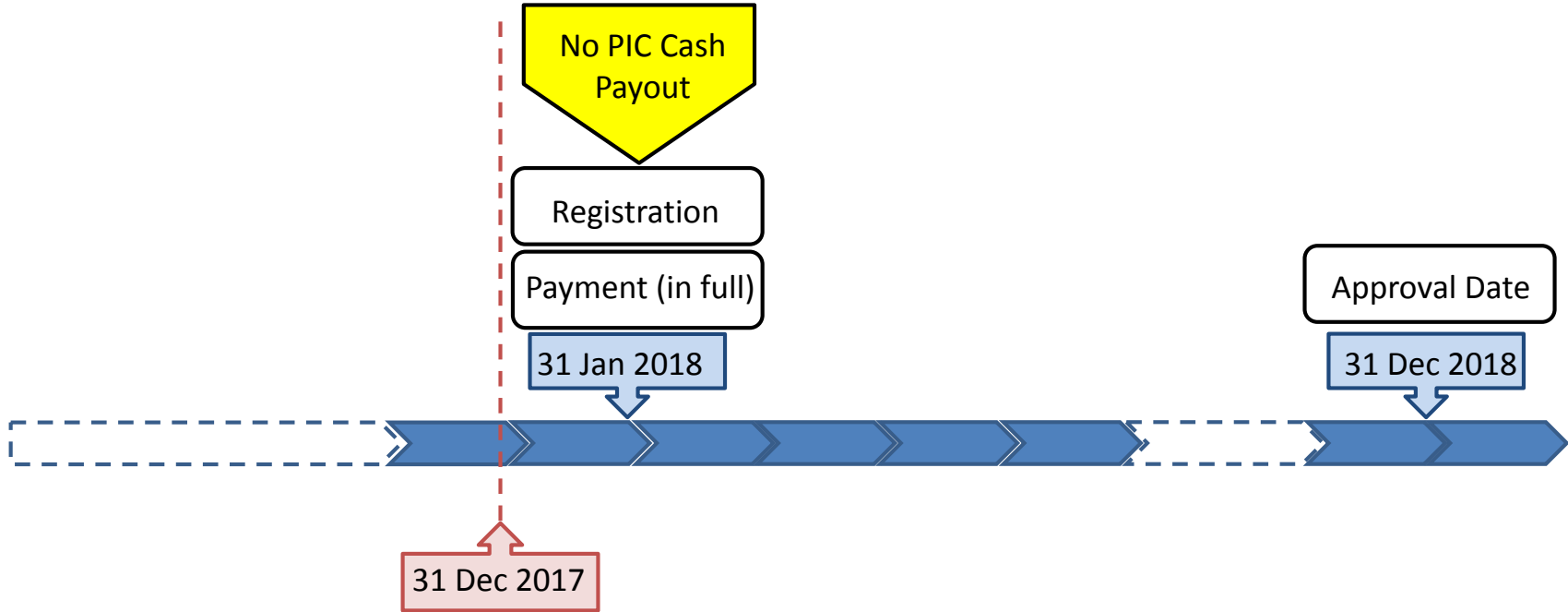
The Semester 1 tuition fee paid on 1 Aug 2017 will be considered incurred for YA 2018. However, the expenditure paid for Semester 2 tuition fee on 1 Jan 2018 i.e. YA 2019 will not be eligible for PIC cash payout as the PIC scheme is only available up to YA 2018.

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

4) (a) Category : Trade Mark Registration

Scenario : Filed directly with Registrar

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



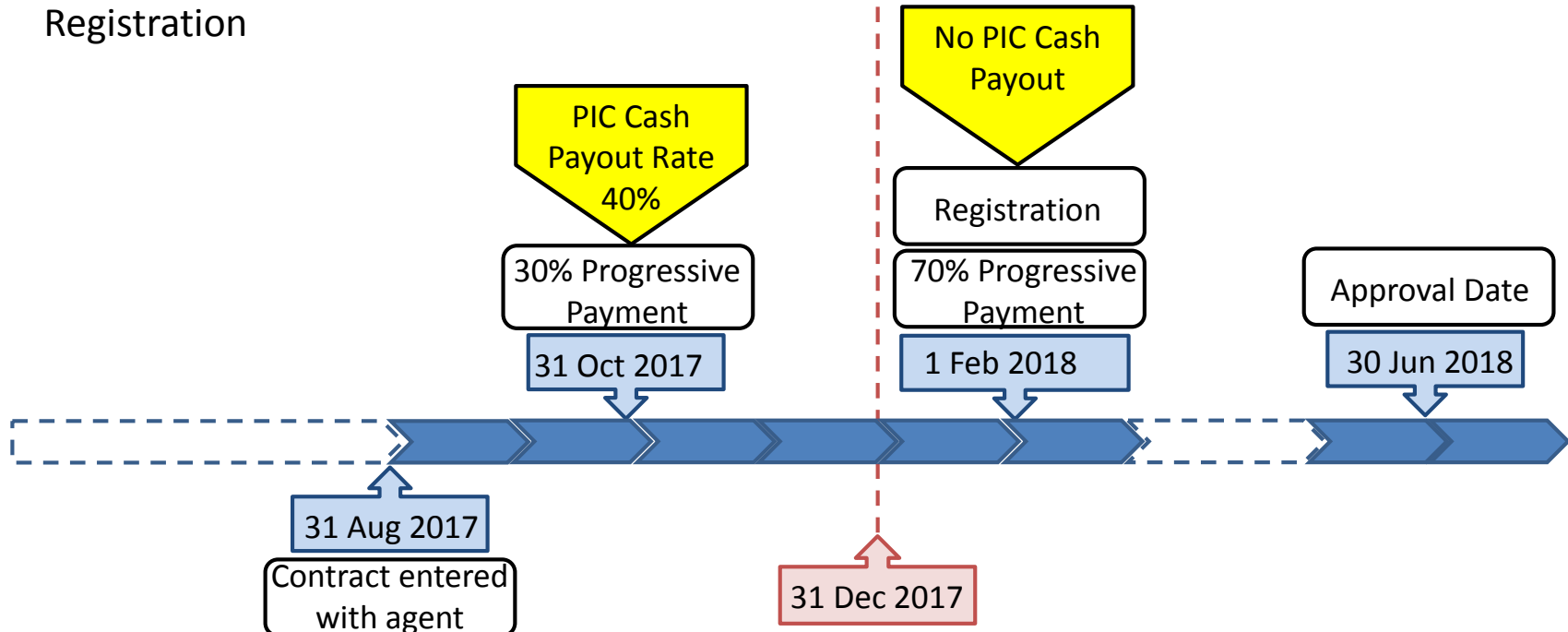
Rationale
The expenditure is incurred upon which the legal liability to pay arises i.e. on 31 Jan 2018 since full payment is required at the point of registration.

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

4) (b) Category : Trade Mark Registration

Scenario : Filed through agent

Payment Terms : Progressive payment in accordance to work done on filing of Trade Mark Registration



Rationale

To convert this qualifying expenditure into a PIC cash payout, the conversion must be done on “per IPR registration basis” based on full cost of the registration of trademark, subject to the expenditure cap at the end of filing. Partial conversion is not allowed. However, in view that **the PIC scheme will lapse after YA 2018**, cash payout will be allowed on the accumulated costs incurred up to YA 2018.

The cash payout option is available provided that no claim for deductions had been made on the expenditure incurred in the prior YAs.

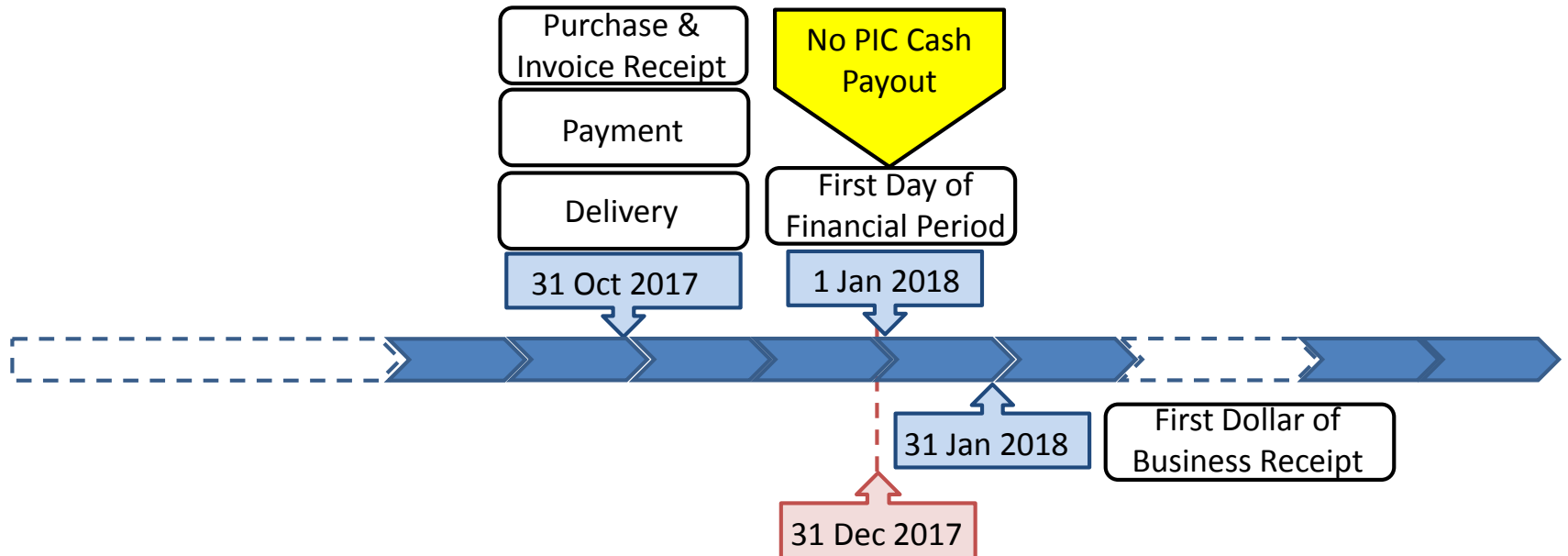
The remaining balance of 70% progressive payment incurred is allowed 100% deduction in YA 2019.

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

5) **Category** : New Business

Scenario : Equipment purchased, delivered prior to commencement of business

Payment Terms : Cash on Delivery



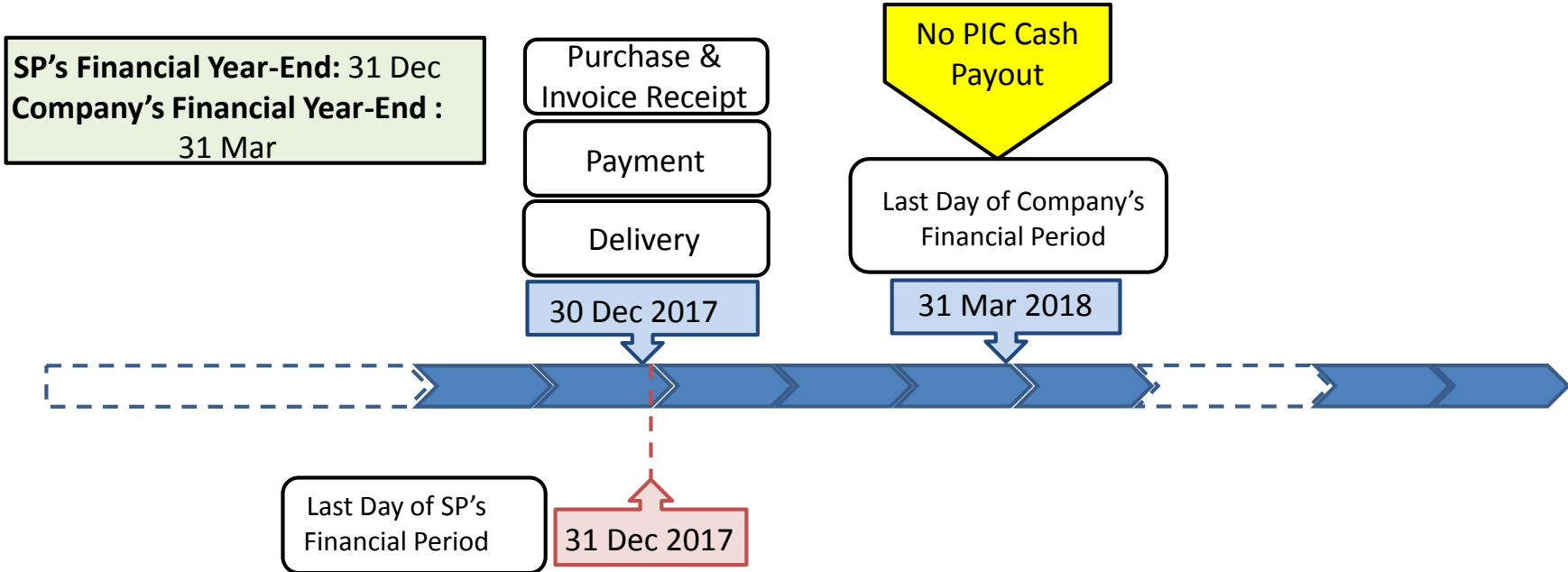
Rationale

The company is treated to have commenced business on 1 Jan 2018 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 Jan 2018 (Financial Period: 1 Jan 2018 to 31 Dec 2018).

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

6) **Category** : Sole Proprietor (SP) owned by Company
Scenario : SP incurred expenditure in Dec 2017
Payment Terms : Cash on Delivery



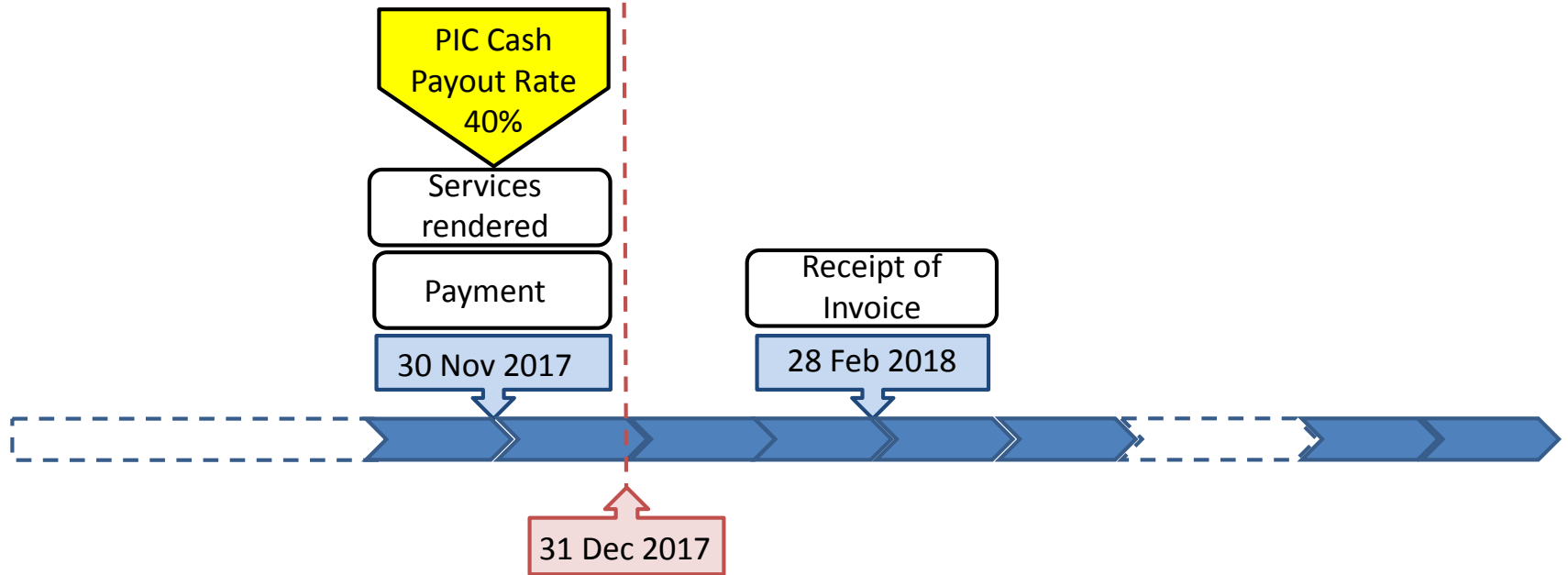
Rationale
The expenditure is incurred by the SP on 30 Dec 2017 and falls within its holding company's financial period from 1 Apr 2017 to 31 Mar 2018 i.e. YA 2019.
The expenditure is thus considered incurred in YA 2019 and will not be eligible for PIC cash payout as the PIC scheme is only available up to YA 2018.

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

7) **Category** : Deferred billing for registration of Intellectual Property Rights (IPR), Research and Development (R&D) and Approved Design

Scenario : Deferred billing for services rendered for registration of IPR, R&D and Approved Design

Payment Terms : Payment in accordance to services rendered



Rationale

The expenditure is considered incurred in YA 2018 as services had been rendered and payment had been made.

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 07 07 2017. 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.