



Turn Your Expenses Into Savings!

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

Sole-proprietors and partnerships will, with immediate effect, 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 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 SMEs who 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 a good option for businesses that have little or no taxable income and therefore, may not benefit from a tax deduction.
- ❖ 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 **\$30,000** for YA 2013.

How to claim for the Cash Payout?

- ❖ To apply for cash payout, simply send in the "PIC Cash Payout Application Form" to IRAS, anytime before the 18 Apr, the tax filing due date. The "PIC Cash Payout Application Form" is available on IRAS website (www.iras.gov.sg > Quick links > Forms > Individuals).

- ❖ Sole-proprietors and partnerships will receive their payout within three months from the date IRAS receives the PIC cash payout application form.

Tax Deduction Option

- ❖ You can enjoy **400%** tax deduction on up to **\$400,000** of your investment spending per year in **each** of these **six activities**:
 1. Purchase/Lease of Prescribed Automation Equipment (e.g. fax machine, printer, scanner, computer and other IT devices)
 2. Training of Employees
 3. Acquisition of Intellectual Property
 4. Registration of Intellectual Property
 5. Research & Development
 6. Approved Design

- ❖ This means your business will be entitled to a tax deduction of up to \$1.6 million (400% x \$400,000) for each activity per YA.

How to claim for the Tax Deduction?

- ❖ To claim tax deduction, provide the relevant information under the "Allowable Business Expenses" of the 4-line Statement when you file your income tax return Form B/P for YA 2011.

- ❖ 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 Form B/P.

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.

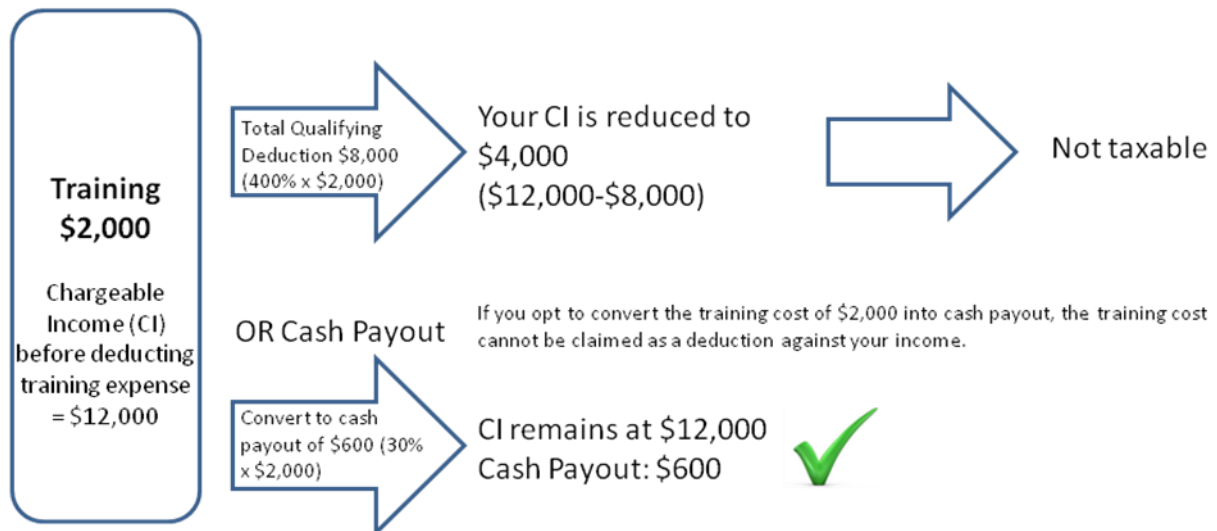
How to apply for the Tax Deferral?

You can apply for the tax deferral as soon as a PIC qualifying expenditure is incurred. To apply for tax deferral, send in a 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 Enhanced Allowances/Deductions, Cash Payout and Tax Deferral under PIC Scheme

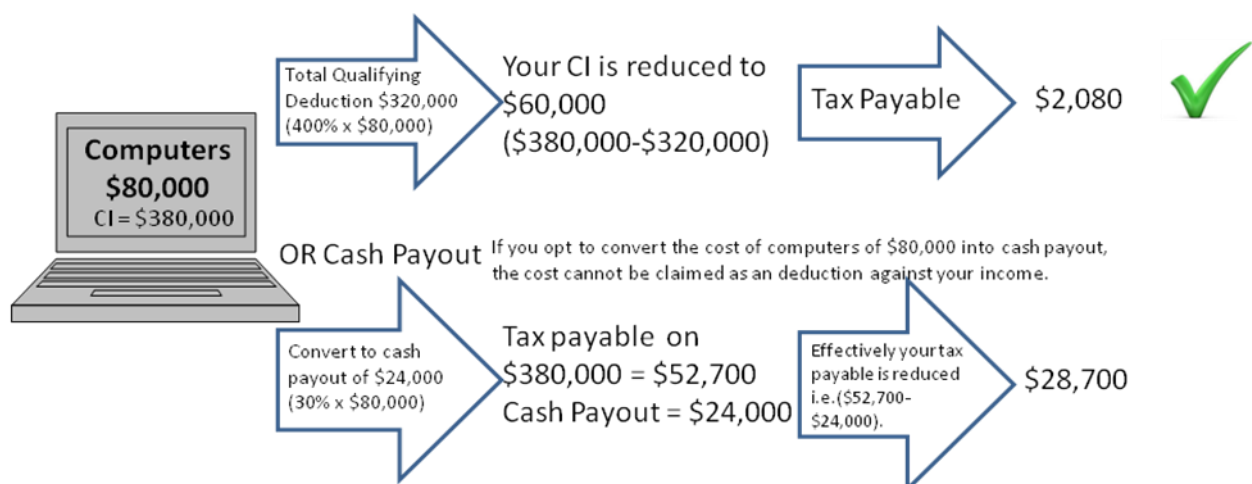
Example 1

You spent \$2,000 on staff training in Year of Assessment (YA) 2011 and you are not taxable. You should apply for cash conversion instead of claiming enhanced deduction on the training cost incurred to enjoy a cash payout of \$600.



Example 2

You spent \$80,000 on computers in YA2011 and you have to pay tax after claiming the enhanced capital allowance.



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

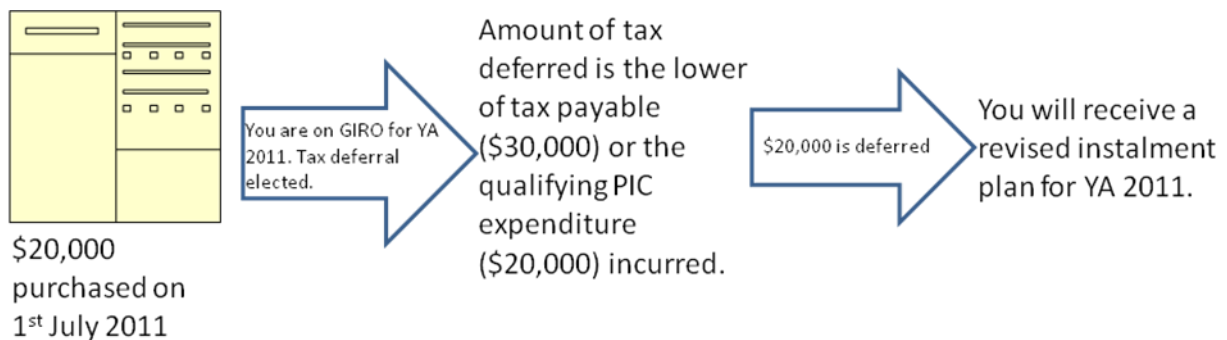
Example 3

Your sole-proprietorship's accounting year ends on 31st December 2011. You purchase 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 its accounting year 2011. This tax payable 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 already on GIRO for YA 2011, you will receive a revised instalment plan for YA 2011.



- b) If you have already 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.

