

Productivity & Innovation Credit

生产力及创新优惠计划

**Briefing to
Taxpayer Feedback Panel**

4th March 2010

Productivity & Innovation Credit

What is the scheme for? Who will it benefit?

- Key Budget 2010 measure
- Encourage businesses to invest in productivity and innovation
- Broad-based tax scheme
- All businesses benefit, especially SMEs

“We will provide tax incentives for businesses in all sectors to invest in upgrading their operations and creating new value...”

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What the scheme covers

- R&D 研发项目开支;
- Registration of Intellectual Property 知识产权注册开支;
- Acquisition of Intellectual Property 知识产权购买开支;
- Design activities 设计相关的开支;
- Automation through technology or software 通过科技或软件进行自动化的开支;
- Training of employees 员工培训开支.

Why these 6?

Activities along innovation value chain to help all businesses upgrade and develop business capabilities.

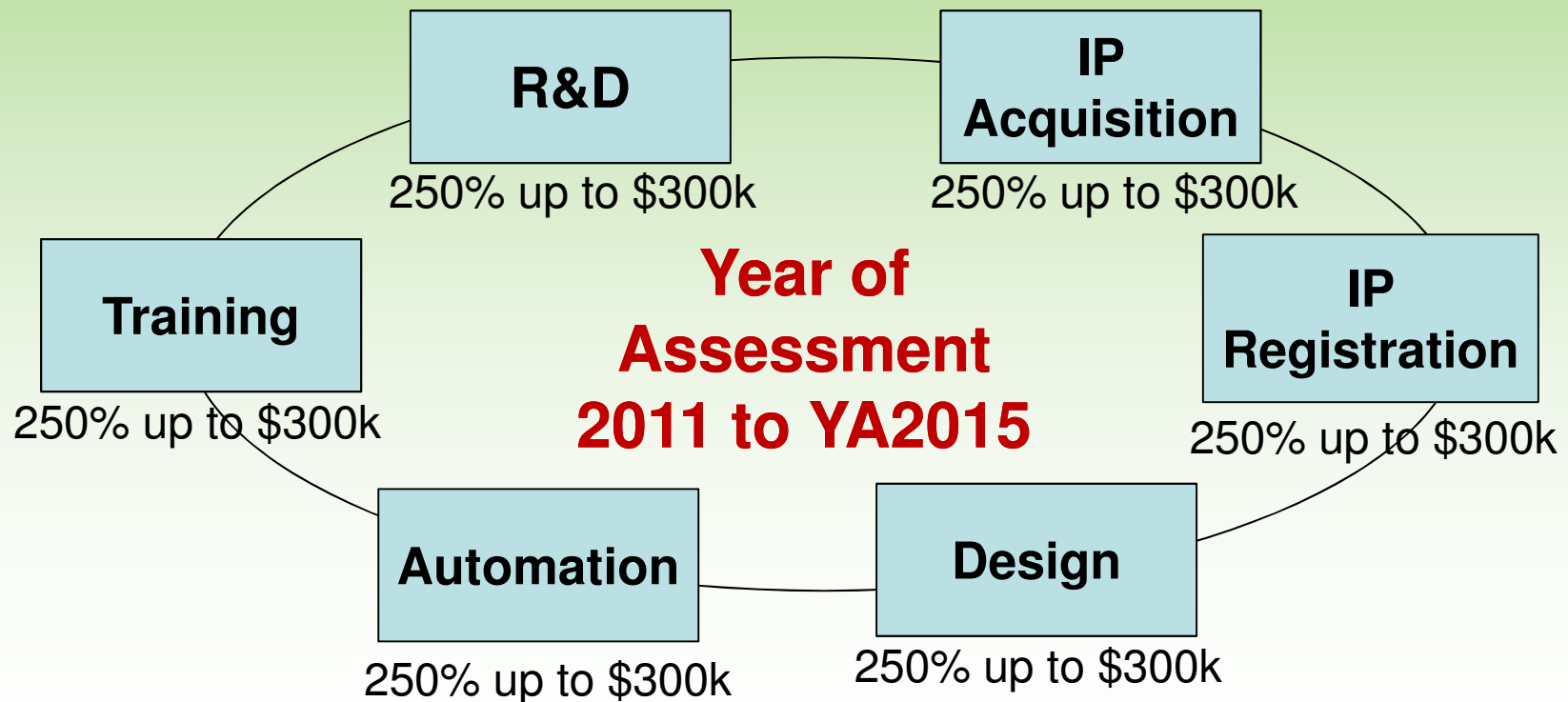
Before Productivity & Innovation Credit

Currently, businesses can typically deduct their expenses at cost i.e. 100% as part of the general tax regime.



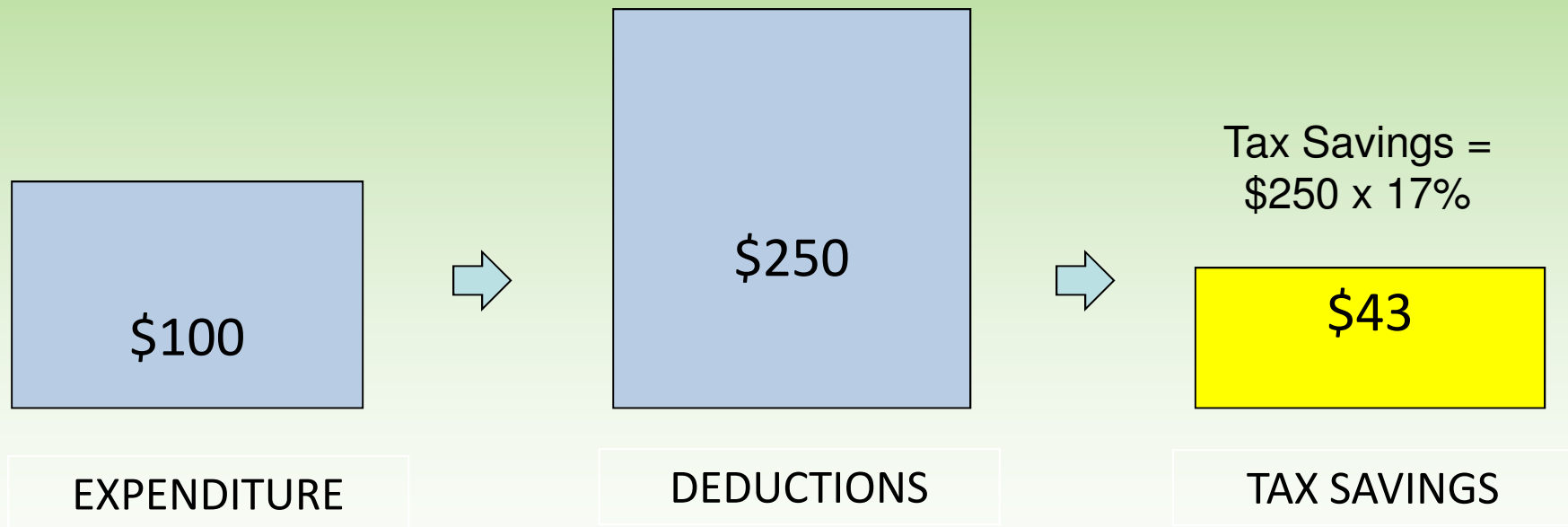
With Productivity & Innovation Credit

Businesses can deduct from taxable income **250% of their first \$300,000** spending for **each** of the 6 activities.



With Productivity & Innovation Credit

Businesses can now enjoy 250% deduction on the cost of the same expenditure.



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Common Examples:

Automation – Purchases of office and graphics software, computers and laptops, Automatic Storage and Retrieval System of warehouses.

Training – External course fees or internal WSQ courses for employees' skills upgrading

Design – Fees to engage external designer to create new product design (approved by Design Singapore).

IP Registration – Fees to IPOS for registering trademark or patent

IP Acquisition – Price paid to buy an overseas trademark to accelerate inroad into the offshore market

R&D – Fees to R&D institute in Singapore to do R&D, Salaries for your R&D personnel

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- **250% tax deduction**
- **For the first \$300,000 expenditure on each activity**
- Can claim **all or any** of the 6 activities

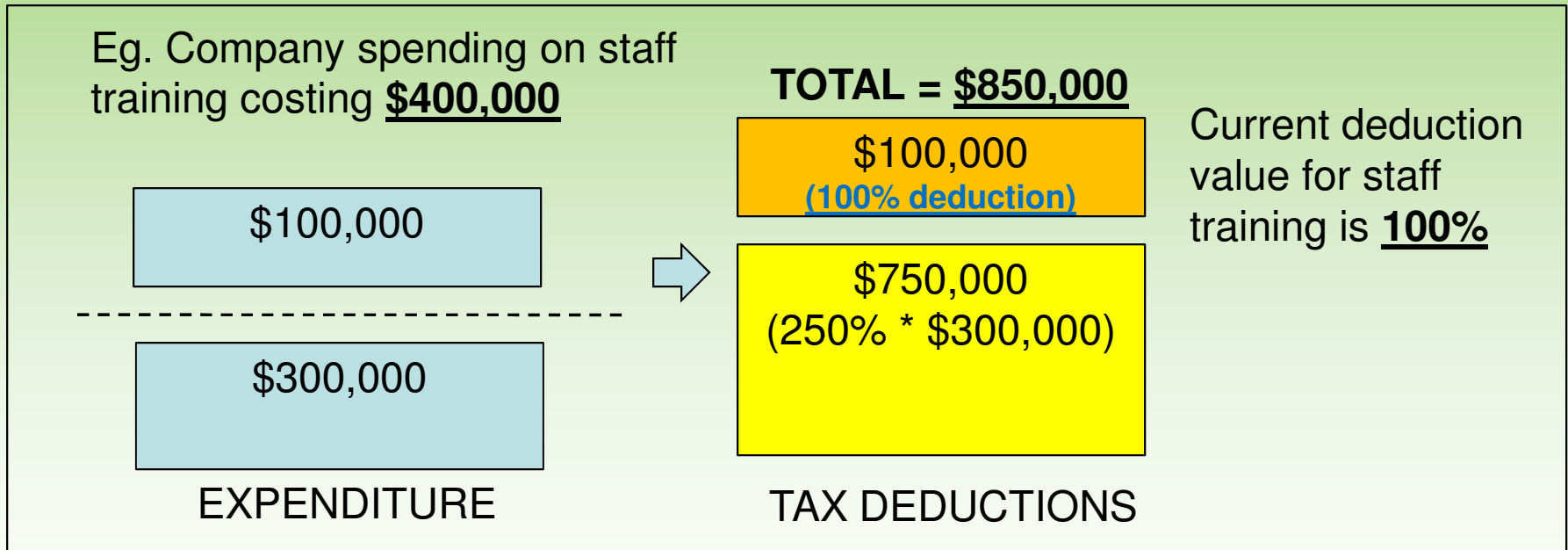
Example:

If spend \$300,000 on 1 activity, deduct up to **\$750,000**
(250% * \$300k) from taxable income.

If spend \$300,000 each on 2 activities, deduct up to **\$1.5mil.**

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- Balance expenditure in excess of \$300,000 will enjoy deductions at current levels.

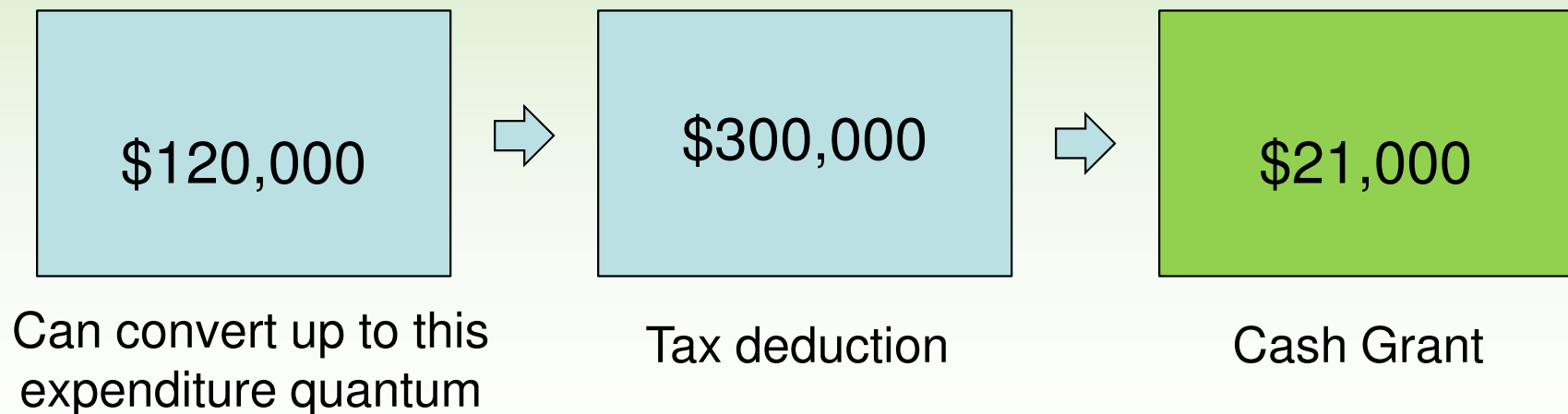


- Tax deductions can be carried forward to reduce taxes in future years.

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Cash conversion:

Businesses have new option to convert up to \$300,000 of their tax deduction into a cash grant of up to \$21,000 for each year.



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- Businesses that have:
 - incurred the expenditure during the accounting period; and
 - employed at least 3 local employees (Singapore Citizens or Permanent Residents with CPF contributions)

are eligible to claim the cash grant after the end of the accounting period

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Capping of Expenditures

- For YA 2011 and YA 2012 – a combined cap of \$600,000 of expenditures is set for each activity for the two Years of Assessment
- For YA 2013 to YA 2015 – a cap of \$300,000 of expenditures is set for each activity for each Year of Assessment
- This is to help small and medium enterprises benefit from the Credit scheme without rushing the implementation of their investments

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Capping of Cash Conversion

- For YA 2011 and YA 2012, businesses can convert up to a combined total of \$600,000 at a rate of 7% for the two Years of Assessment
- This means that businesses can opt for a total cash grant of up to \$42,000 for YA 2011 and YA 2012
- For YA 2013 – businesses can convert up to \$300,000 of their tax deduction into a cash grant of up to \$21,000

In short

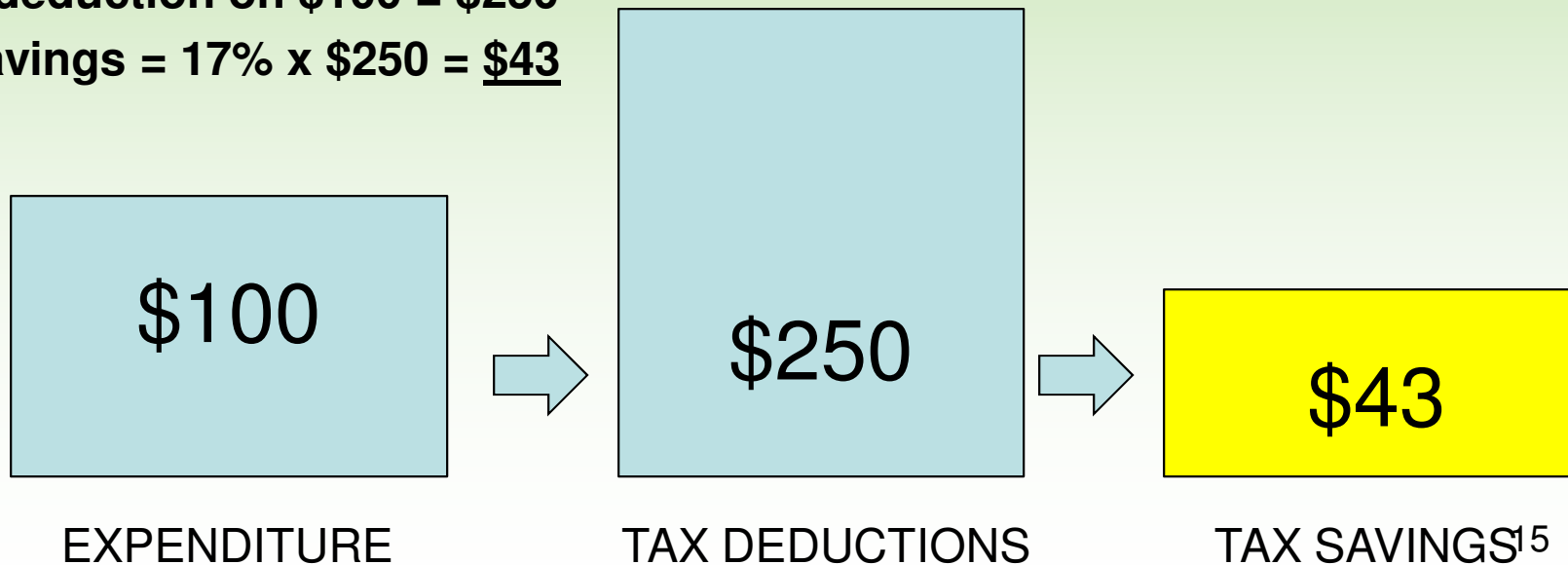
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Enhanced tax deduction:

Company spending \$100 on MS Office software can enjoy \$43 in tax savings.

250% deduction on \$100 = \$250

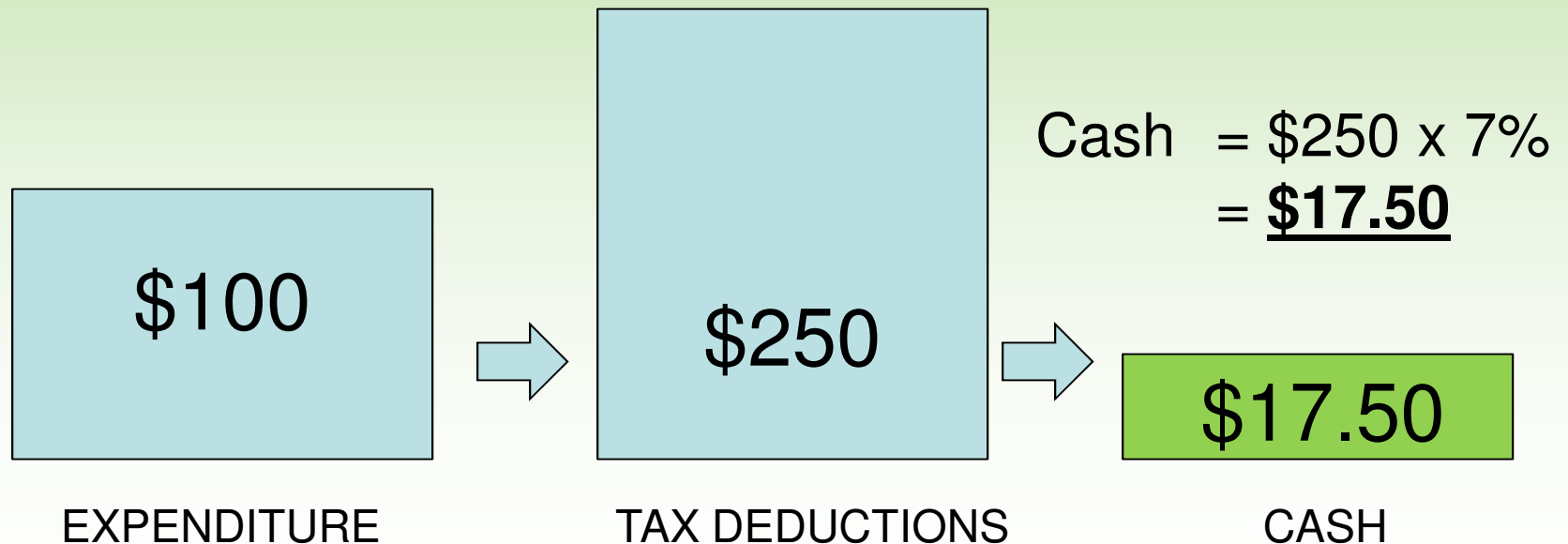
Tax savings = 17% x \$250 = \$43



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Cash conversion:

Alternatively, company could choose to convert their \$250 deduction into a cash grant of \$17.50.



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More information at IRAS website www.iras.gov.sg



The screenshot shows the IRAS website homepage. At the top left is the IRAS logo and the text 'INLAND REVENUE AUTHORITY OF SINGAPORE'. To the right is the slogan 'Our Taxes. Our Nation.' and a search bar. Below this is a navigation menu with links: Home, About IRAS, News & Events, Careers, Ask IRAS, and Useful Links. The main content area features a banner for 'Overview of Tax Changes - Budget 2010' with a 'SINGAPORE BUDGET 2010' logo. Below the banner, it says 'e-File your income tax @ myTax Portal from 1 Mar to 18 Apr 2010'. There are two main sections: 'Individuals' and 'Businesses'. Under 'Individuals', there are links for 'For locals (employees, contract staff, pensioners, working overseas...)' and 'For foreigners'. Under 'Businesses', there are links for 'Productivity and Innovation Credit (announced in Budget 2010)' and 'For companies'. The 'Productivity and Innovation Credit' link is circled in green.

Overview of Tax Changes - Budget 2010

e-File your income tax @ [myTax Portal](#)
from 1 Mar to 18 Apr 2010

Individuals

- For locals (employees, contract staff, pensioners, working overseas...)
- For foreigners

Businesses

- Productivity and Innovation Credit** (announced in Budget 2010)
- For companies

End