

From the desk of Benedict Ong, Managing Partner of A Garanzia LLP

Take Advantage of Government PIC before it expires on 31 December 2014

Productivity and Innovation Credit (PIC)

In 2010, the Singapore Government in an effort to encourage Singapore businesses in the area of productivity and innovation has decided to set up the PIC scheme to support businesses who invest in innovation and productivity with Cash Pay-out or Tax deductions. The following are the six qualifying activities:

Qualifying Activities	Qualifying Expenditure	Total Limits and Deductions
Acquisition of Automation Equipment	Cost incurred to acquire/lease Automated Equipment. Claims are limited to the amount paid during the year under review.	400% deduction for qualifying expenses subject to expenditure cap for each year.
Acquisition of Intellectual Property Rights ("IPR")	Costs incurred to acquire IPRs for use in trade	400% deduction for qualifying expenses subject to expenditure cap for each year.
Registration of Patents, Trademarks, Design and Plant Varieties	Cost to register Patents, Trademarks, Design and Plant Varieties	400% deduction for qualifying expenses subject to expenditure cap for each year.
Research and Development (R&D)	Costs incurred on staff costs and consumables for <u>qualified</u> R&D done in Singapore and overseas. R&D done must relate to trade or business in Singapore	400% deduction for qualifying expenses subject to expenditure cap for each year. Exceeding the cap, R&D done in Singapore can claim 150% deductions.
Training Expenses	Costs incurred on: a. All external training b. In-house training certified by WDA or approved/certified by ITE c. In-house training not accredited by WDA is cap at S\$10,000 per year from YA 2012 -2015.	400% deduction for qualifying expenses subject to expenditure cap for each year.
Design Projects approved by Design Singapore Council	Costs incurred to create new products and industrial designs where activities are primarily done in Singapore	400% deduction for qualifying expenses subject to expenditure cap for each year.

Expenditure Caps

Business can enjoy 400% up to S\$400,000 each year in each of the six activities. In addition, business can combine your spending across the years. From Year of Assessment 2011 & 2012 combined spending cap of S\$800,000 and Year of Assessment 2013 – 2015 combined spending cap of S\$1,200,000.

Cash Payout Option

Businesses can also opt for a Cash Payout Option for all the above six activities but will be restricted to S\$100,000 cap for each activity. This will benefit business with less than S\$300,000 taxable profits or no taxable profits. Payout for YA 2011 and 2012 is 30% and increased to 60% for the YA 2013 – 2015.

Additional conditions for payout qualification are as follows:

1. Employ at least 3 Local Employees (Citizens or Permanent Residents) with CPF contributions (not including shareholders and directors).
2. Carry on business in Singapore.

For year of assessment 2011 and 2012, one-time application, will be need to be submitted no later that the income tax filing due date. For year of assessment 2012 to 2015, these claims can be submitted on a quarterly basis for approval.

Conclusion

If you want to take advantage of the PIC benefits, please contact our tax specialist and we will be very willing to assist you with the relevant applications and claims. Do not wait, the clock is clicking you only have up to 31 December 2014 to take advantage of these benefits.