Productivity and Innovation Credit (PIC) Scheme

1 Sep 2014

Outline

- Productivity and Innovation Credit (PIC) Scheme
  - Overview
  - Tax Benefits
  - How to Claim PIC
  - What Qualifies for PIC (commonly claimed)
    - PIC IT & Automation Equipment
    - Training of Employees
Overview


• Encourage businesses to invest in productivity and innovation

• All businesses benefit, especially SMEs
  – Either get a cash payout or claim tax deduction

Overview

• 6 activities covered under the scheme:
  – Purchase / Lease of PIC IT & Automation Equipment
  – Training of Employees
  – Registration of Intellectual Property
  – Acquisition / In-licensing of Intellectual Property
  – Research & Development
  – Approved Design Project
**Tax Benefits under PIC**

- 400% tax deductions / allowances on expenditure on each of the 6 activities for accounting years 2010 to 2017 [Years of Assessment (YAs) 2011 to 2018*]

- Opt for cash payout in place of tax deductions / allowances for accounting years 2010 to 2017 (YAs 2011 to 2018*)

- PIC Bonus (YAs 2013 to 2015)

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**400% Tax Deductions / Allowances**
Tax Deductions / Allowances

- **400% tax deductions/allowances** on up to $400,000 expenditure per year in each of the 6 activities
- To allow maximum PIC benefits, the spending cap across YAs for each activity is as shown below:

<table>
<thead>
<tr>
<th>Years of Assessment</th>
<th>Expenditure cap per activity</th>
<th>Tax deduction per activity</th>
</tr>
</thead>
<tbody>
<tr>
<td>2011 and 2012 (Combined)</td>
<td>$800,000</td>
<td>$3,200,000 (400% x $800,000)</td>
</tr>
<tr>
<td>2013 to 2015 (Combined)</td>
<td>$1,200,000</td>
<td>$4,800,000 (400% x $1,200,000)</td>
</tr>
<tr>
<td>2016 to 2018</td>
<td>$1,200,000</td>
<td>$4,800,000 (400% x $1,200,000)</td>
</tr>
</tbody>
</table>

Expenditure cap per qualifying activity applies only if carrying on a trade or business for the relevant YAs. Otherwise, combined cap is reduced accordingly.

- For newly incorporated/registered businesses whose 1st YA is YA 2014, the combined expenditure cap for YAs 2014 to 2015 per activity is $800,000.
- Expenditure is **net** of grant or subsidy by the government or statutory board.
- Expenditure exceeding the cap can still enjoy deduction based on existing rules.
Tax Deduction / Allowances

Example (YA 2014)
Assume did not claim PIC on training in YA 2013

Expenditure on staff training = $1,220,000

Total tax deduction = $4,820,000

- $1,200,000
- $20,000 (remain 100% deduction)

Cash Payout Option
Cash Payout Option

• Option to convert expenditure of up to $100,000 in all 6 activities per YA until YA 2018*
• At 60% cash payout rate (YAs 2013 to 2018)
• Example:

Expenditure incurred during the basis period for YA 2014

$100,000

60%

$60,000

Cash Payout for YA 2014

• Expenditure converted is not tax deductible
• Cash payout is non-taxable

* Budget 2014 Enhancement

Cash Payout Option

• Conditions for cash payout
  ➢ Carrying on business operations in Singapore
  ➢ From YAs 2013 to 2015
    – Employed at least 3 local employees (Singapore Citizens or PRs with CPF contributions) in the last month of the quarter or combined quarters in the basis period for the relevant YA
  ➢ From YAs 2016 to 2018*
    – Employed at least 3 local employees (Singapore Citizens or PRs with CPF contributions) in the last 3 months of the quarter or combined quarters in the basis period for the relevant YA

Note:
• Employees exclude sole-proprietors, partners under contract for service, shareholders who are also directors of companies.
• The 3-local-employee condition does not apply to 400% tax deductions / allowances.

* Budget 2014 Enhancement
### Cash Payout Option

#### 3-Local Employees Condition (YA 2013 to 2015)

<table>
<thead>
<tr>
<th>No. of options made</th>
<th>Jan – Mar</th>
<th>Apr – Jun</th>
<th>Jul – Sep</th>
<th>Oct – Dec</th>
<th>Relevant months for determining 3 local employee condition</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td></td>
<td></td>
<td>Q1 to Q3 combined</td>
<td></td>
<td>Sep</td>
</tr>
<tr>
<td>2</td>
<td></td>
<td>Q1 &amp; Q2 combined</td>
<td>Q3 &amp; Q4 combined</td>
<td></td>
<td>Jun &amp; Dec</td>
</tr>
<tr>
<td>3</td>
<td>Q1</td>
<td>Q2 &amp; Q3 combined</td>
<td>Q4</td>
<td></td>
<td>Mar, Sep &amp; Dec</td>
</tr>
<tr>
<td>4 (max.)</td>
<td>Q1</td>
<td>Q2</td>
<td>Q3</td>
<td>Q4</td>
<td>Mar, Jun, Sep &amp; Dec</td>
</tr>
</tbody>
</table>

#### Cash Payout Option

#### 3-Local Employees Condition (YA 2016 to 2018)*

<table>
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<th>No. of options made</th>
<th>Jan – Mar</th>
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<td>1</td>
<td></td>
<td></td>
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<td></td>
<td>Jul -Sep</td>
</tr>
<tr>
<td>2</td>
<td></td>
<td>Q1 &amp; Q2 combined</td>
<td>Q3 &amp; Q4 combined</td>
<td></td>
<td>Apr-Jun &amp; Oct-Dec</td>
</tr>
<tr>
<td>3</td>
<td>Q1</td>
<td>Q2 &amp; Q3 combined</td>
<td>Q4</td>
<td></td>
<td>Jan-Mar, Jul-Sep &amp; Oct-Dec</td>
</tr>
<tr>
<td>4 (max.)</td>
<td>Q1</td>
<td>Q2</td>
<td>Q3</td>
<td>Q4</td>
<td>Jan-Mar, Apr-Jun, Jul-Sep &amp; Oct-Dec</td>
</tr>
</tbody>
</table>

*Budget 2014 Enhancement*
PIC Bonus

• A dollar-for-dollar matching cash bonus for YAs 2013 to 2015, subject to an overall cap of $15,000 for all 3 YAs combined
• Given on top of the existing 400% tax deduction / allowances and / or 60% cash payout
• Qualifying Conditions
  – **Incurred at least $5,000** in PIC-qualifying expenditure* during the basis period for the YA in which a PIC Bonus is claimed;
  – Carrying on business operations in Singapore; and
  – Contributes CPF on the payroll of at least 3 local employees for the last month of the relevant period

* Net of grant or subsidy by the Government or any statutory board.
PIC Bonus

- PIC bonus is taxable
- Payment of PIC Bonus
  - Within three months from filing income tax return – if claimed 400% tax deductions/allowances
  - Within three weeks after cash payout has been approved – if claimed cash payout

<table>
<thead>
<tr>
<th></th>
<th>YA 2013</th>
<th>YA 2014</th>
<th>YA 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business A</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Qualifying PIC expenditure</td>
<td>$4,000</td>
<td>$6,000</td>
<td>-</td>
</tr>
<tr>
<td>PIC bonus</td>
<td>-</td>
<td>$6,000</td>
<td>-</td>
</tr>
<tr>
<td>Business B</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Qualifying PIC expenditure</td>
<td>$12,000</td>
<td>$2,000</td>
<td>$5,000</td>
</tr>
<tr>
<td>PIC bonus</td>
<td>$12,000</td>
<td>-</td>
<td>$3,000  (capped)</td>
</tr>
</tbody>
</table>

- PIC bonus is taxable
- Payment of PIC Bonus:
  - Within three months from filing income tax return – if claimed 400% tax deductions/allowances
  - Within three weeks after cash payout has been approved – if claimed cash payout

How to Claim PIC

<table>
<thead>
<tr>
<th>400% tax deduction</th>
<th>Cash payout</th>
<th>PIC Bonus</th>
</tr>
</thead>
<tbody>
<tr>
<td>Applicable YA</td>
<td>YAs 2011 to 2018</td>
<td>YAs 2011 to 2018</td>
</tr>
</tbody>
</table>
| How                | Include tax deduction in “Allowable Business Expenses” of the 4-line statement in Income Tax Return (Form B/P)  
|                    | Submit PIC Enhanced Allowances/Deductions Declaration Form for Sole-proprietors & Partnerships (available on IRAS website)  
|                    | Claim tax deduction/allowances in Income Tax Return (for Companies)  
|                    | Submit PIC Cash Payout Application Form (Online)  
|                    | Submit PIC Enhanced Allowances/Deductions Declaration Form for Sole-proprietors & Partnerships (available on IRAS website)  
|                    | Automatically processed based on information declared in the Income Tax Return and PIC forms  
| When               | Submit Income Tax Return and PIC declaration form by 15 April  
|                    | Submit Income Tax Return by 30 Nov (for Companies)  
|                    | For YA 2014 to YA2018 After the end of each quarter or combined quarters in the accounting year but no later than income tax filing due date  
|                    | Submission dates for 400% tax deduction or cash payout apply  |

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Pointers: Completing Cash Payout Application Form

Productivity and Innovation Credit

This page tells you how your business can enjoy 400% tax deductibles allowances and/or 60% cash payout for investment in innovation and productivity improvements under the Productivity and Innovation Credit (PIC) scheme. The tax benefits under PIC available from Years of Assessment (YAs) 2011 to 2018, for investment in any of the six qualifying activities.

From the 2013 to 2016, your business can also enjoy a PIC Bonus, a dollar-for-dollar matching cash bonus given on top of the existing 400% tax deductible allowances and/or 60% cash payout.

Find out more about the PIC scheme in the table below.

<table>
<thead>
<tr>
<th>What Qualifies for PIC</th>
<th>How PIC Benefits You</th>
<th>How to Claim</th>
</tr>
</thead>
<tbody>
<tr>
<td>Invest in Six PIC Qualifying Activities</td>
<td></td>
<td></td>
</tr>
<tr>
<td>* PIC Scheme: 400% Tax Deductions on up to $400,000 of expenditure per year</td>
<td>* Claim in Income Tax Return</td>
<td></td>
</tr>
<tr>
<td>* PIC Scheme: 400% Tax Deductions on up to $600,000 of expenditure per year from YAs 2015 to 2016</td>
<td></td>
<td></td>
</tr>
<tr>
<td>* PIC Cash Payout: Cash payout on up to $100,000 of expenditure per year</td>
<td>* Submit PIC Cash Payout Application Form and Hire Purchase-Templates - Revised by IRAS</td>
<td></td>
</tr>
</tbody>
</table>

Click here for link to new cash payout application form
Pointers: Completing Cash Payout Application Form

• The new PIC Cash Payout Application Form is easier and simpler to complete as it allows you to:
  – Use the iHelp facility < for guidance/instructions on how to fill up the form
  – Minimise completion and computation errors with in-built system formulae and checks
  – Receive your cash payout earlier when you submit a complete application

• Please read the Essential Information to Note before completing the PIC Cash Payout Application Form. You may also wish to view the user guide for this form.

Pointers: Completing Cash Payout Application Form

Administrative matters

• After completing the form, please print and submit the original signed form, together with the relevant annexes and hire-purchase template (where applicable), to IRAS at:

  Inland Revenue Authority of Singapore
  55 Newton Road
  Revenue House
  Singapore 307987

• Supporting documents such as invoices, agency approval letters and CPF Records of Payment do not need to be submitted with the application form. Businesses should retain these documents and submit them to IRAS upon request.
What Qualifies for PIC (commonly claimed)

• Most SMEs would have some spending on:
  ✓ Purchase / lease of IT and Automation Equipment
  ✓ Staff Training

PIC IT & Automation Equipment
Purchase / Lease of PIC IT & Automation Equipment

- Automation equipment that qualify for PIC with effect from YA 2011 are prescribed in the “PIC Information Technology (IT) and Automation Equipment List”

- The “PIC IT and Automation Equipment List” has been expanded in Budget 2014

- Both purchase and leasing (only for own use) of automation equipment qualify for PIC

- One expenditure cap applies for both purchase cost and lease payments:
  - $800,000 for YAs 2011 and 2012 combined;
  - $1,200,000* for YAs 2013 to 2015 combined; and
  - $1,200,000* for YAs 2016 to 2018 combined

*For qualifying SMEs under PIC+ scheme, a higher expenditure cap applies

PIC IT & Automation Equipment

Automation Equipment in “PIC IT & Automation Equipment List” includes:

- Optical character reader
- Laser printer, Facsimile
- Mainframe/Computers
- Milling machines
- Office system software
- Automatic storage and retrieval system of warehouses
- Automated kitchen equipment for the purpose of food processing
- Interactive shopping carts
- Automated housekeeping equipment
- Self-climbing scaffold system
- Scissors lifts
- Website*
  - Website development costs will include costs incurred for the one-time registration of a domain name for the website

* Budget 2014 Enhancement
PIC IT & Automation Equipment

- Case-by-case approval
  - Announced on 31 Oct 2011
  - Businesses that invest in specialised equipment not in the PIC IT and Automation Equipment List may apply to IRAS to have their equipment approved for PIC on a case-by-case basis
- Businesses can:
  - Submit the Application for Approval of Equipment for PIC Form (available on IRAS website) to IRAS
  - 2 months before the return filing due date or earlier
  - Application will be processed within 3 weeks of receipt of form

PIC IT & Automation Equipment

- Criteria with effect from YA 2013:
  a) Equipment automates or mechanises the work processes of the business;
  b) Equipment enhances productivity of the business such as reduced man-hours or improvement in existing work processes; and
  c) If the equipment is a basic tool used in the business,
    - it has to increase productivity compared to existing equipment used in the business; or
    - it has not been used in the business before.
PIC IT & Automation Equipment

• Cash payout option
  – Election is on “per equipment” basis (cannot claim tax deduction and cash payout on the same equipment)
  – Expenditure in excess of conversion cap forfeited
  – With effect from YA 2012, hire purchase equipment with repayment covering 2 or more basis periods are eligible for cash payout

• Minimum ownership period
  – Minimum 1-year holding for purchased equipment
  – Claw-back of allowances or cash payout may apply if equipment disposed of or leased out within 1 year from date of purchase
    ➢ For Enhanced Allowance: Reduce the amount of Allowable Business Expenses in tax return by the amount of enhanced allowance allowed in previous YA
    ➢ For Cash Payout: Complete and submit the PIC Disposal of Qualifying Assets Form

• Waiver of claw-back provisions
  – Automatic waiver: If in the basis period when the equipment was acquired, the cost of qualifying equipment acquired (excluding the cost of equipment disposed of) is more than or equal to the expenditure cap applicable to that basis period
  – Case-by-case basis: If IRAS is satisfied with the commercial reason(s) that led to the disposal
    ➢ Complete and submit the PIC Disposal of Qualifying Assets Form to declare the commercial reasons for such disposal
PIC IT & Automation Equipment

• Example – Automatic waiver

Acquired $1.4m worth of qualifying equipment in Jun 2013
(Enhanced allowances claimed in YA 2014 - $1.2m)

Holding period less than one year

Jan 2013 Dec 2013 Dec 2014

Disposed of equipment costing $100,000 in Jan 2014

Claw-back provisions automatically waived as cost of remaining qualifying equipment of $1.3 ($1.4m - $100K) is higher than expenditure cap of $1.2m

PIC IT & Automation Equipment (Summary)

<table>
<thead>
<tr>
<th></th>
<th>Purchase</th>
<th>Lease</th>
</tr>
</thead>
<tbody>
<tr>
<td>Without PIC</td>
<td>100% accelerated CA</td>
<td>100% revenue deduction</td>
</tr>
<tr>
<td>With PIC (YAs 2011 to 2018)</td>
<td>400% allowances / deduction subject to expenditure cap¹</td>
<td>100% allowances / deduction on balance exceeding the cap</td>
</tr>
<tr>
<td>Qualifying Expenditure</td>
<td>Cost of equipment</td>
<td>Lease payments</td>
</tr>
<tr>
<td>Minimum Ownership Period</td>
<td>1 year from the date of purchase</td>
<td>N.A.²</td>
</tr>
<tr>
<td>Cash Payout Option (YAs 2013 to 2018)</td>
<td>Per equipment basis. Convert expenditure at 60% subject to cap¹</td>
<td>Convert expenditure at 60% subject to cap³</td>
</tr>
<tr>
<td>PIC Bonus</td>
<td>PIC Bonus of up to $15,000 over 3-year period from YAs 2013 to 2015</td>
<td></td>
</tr>
</tbody>
</table>

¹Total expenditure cap for YAs 2011 and 2012 - $800,000 for each of the six activities
²Total expenditure cap for YAs 2013 to 2018 - $1,200,000 for each of the six activities for each 3-year period (YAs 2013 to 2015 and YAs 2016 to 2018). For qualifying SMEs under PIC scheme, a higher expenditure cap applies.
³Equipment cannot be sub-leased within the same basis period of the YA.

¹¹Maximum expenditure for YA 2013 to 2018 - $100,000 per annum for all six activities taken together
Illustration – PIC IT & Automation Equipment

Option 1: Claim for Enhanced Deduction
- Total Qualifying Deduction: $320,000 (400% x $80,000)
- Your CI is reduced to $180,000 ($500,000 - $320,000)
- You need to pay tax of $17,350

This option is more beneficial.

Option 2: Cash Payout
- Convert to cash payout of $48,000 (60% x $80,000)
- If you opt to convert the equipment cost of $80,000 into cash payout, the equipment cost cannot be claimed as a deduction against your income.
- Tax payable on $500,000 = $78,350
- Cash Payout = $48,000
- You need to pay a net tax of $30,350 after deducting the $48,000 cash payout.

If you spend $80,000 on notebooks, laser printers and office system software in YA 2014 and you have to pay tax after claiming the enhanced capital allowances.
Simplified Capital Allowance Calculator

• Make use of our calculator to determine the amount of capital allowance that you can claim in a year

• Located at www.iras.gov.sg > “Quick Links” > “Tax Calculators” > “Capital Allowance Calculator”

Training of Employees
Training of Employees

• External training
  – All external training qualify

<table>
<thead>
<tr>
<th>Qualifying Expenditure Includes</th>
<th>Qualifying Expenditure Excludes</th>
</tr>
</thead>
<tbody>
<tr>
<td>✤ Course fees to any external training service provider</td>
<td>✤ Accommodation, travelling and transport expenses of employees attending the training</td>
</tr>
<tr>
<td>E.g. registration or enrolment fees, examination fees, tuition fees and aptitude test fees</td>
<td>✤ Overheads like imputed rental and utilities</td>
</tr>
<tr>
<td>✤ Rental of external training premises</td>
<td></td>
</tr>
<tr>
<td>✤ Meals and refreshments provided during the courses</td>
<td></td>
</tr>
<tr>
<td>✤ Training materials and stationery</td>
<td></td>
</tr>
</tbody>
</table>

Training of Employees

• In-house training
  – Qualifying training programmes:
    • Workforce Skills Qualification (WSQ) training courses accredited by the Singapore Workforce Development Agency and conducted by a WSQ in-house training provider;
    • Courses approved by the Institute of Technical Education (ITE) under the ITE Approved Training Centre scheme; and
    • On-the-job training by an on-the-job training centre certified by ITE

With effect from YAs 2012 to 2018,
  • non-WDA accredited and non-ITE approved in-house training courses also qualify; and
  • Amount of expenditure is capped at $10,000 and cannot be combined across YAs
  • The total training expenditure cap remains unchanged.
Training of Employees

• In-house training (cont’d)
  – Examples of in-house training that may be allowed without external certification
    • Training sessions conducted on operation of specialised equipment with the help of instruction manual
    • Training on a business’ operating processes and functions in a group setting, with prepared materials and handouts
    • Exclude informal sessions such as spontaneous consultation, day-to-day problem solving and coaching sessions

<table>
<thead>
<tr>
<th>Qualifying Expenditure Includes</th>
<th>Qualifying Expenditure Excludes</th>
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</thead>
<tbody>
<tr>
<td>❖ Salaries and other remuneration (excluding director fees) paid to in-house trainers for course delivery</td>
<td>❖ Salaries and other remuneration paid to in-house trainers for other duties including preparation of training material</td>
</tr>
<tr>
<td>❖ Rental of external training premises</td>
<td>❖ Salaries and other remuneration paid to employees providing administrative support</td>
</tr>
<tr>
<td>❖ Meals and refreshments provided during the courses</td>
<td>❖ Absentee payroll</td>
</tr>
<tr>
<td>❖ Training materials and stationery</td>
<td>❖ Accommodation, travelling and transport expenses</td>
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<td></td>
<td>❖ Overheads like imputed rental and utilities</td>
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</tbody>
</table>
## Training of Employees (Summary)

<table>
<thead>
<tr>
<th></th>
<th>In-house</th>
<th>External</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Without PIC</strong></td>
<td>100% revenue deduction</td>
<td></td>
</tr>
<tr>
<td><strong>With PIC</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(YAs 2011 to 2018)</td>
<td>400% tax deduction subject to expenditure cap¹, 100% deduction on balance exceeding the cap</td>
<td></td>
</tr>
<tr>
<td><strong>Qualifying Expenditure for Training of Employees</strong></td>
<td>- Remuneration for course delivery</td>
<td>- Course fees paid</td>
</tr>
<tr>
<td></td>
<td>- Rental of external premises</td>
<td>- Rental of external premises</td>
</tr>
<tr>
<td></td>
<td>- Refreshments</td>
<td>- Refreshments</td>
</tr>
<tr>
<td></td>
<td>- Training materials</td>
<td>- Training materials</td>
</tr>
<tr>
<td><strong>Cash Payout Option</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>(YAs 2013 to 2018)</td>
<td>Convert expenditure at 60% subject to cap²</td>
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<td><strong>PIC Bonus</strong></td>
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<td></td>
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</tbody>
</table>

¹ Total expenditure cap for YAs 2011 and 2012 - $800,000 for each of the six activities
² Maximum expenditure for YAs 2013 to 2018 - $100,000 per annum for all six activities taken together

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## Illustration – Training of Employees
If you spend $2,000 on external training in YA 2014 and you do not need to pay tax after claiming the enhanced deduction.

**Training** $2,000

**Chargeable Income (CI) before deducting training expense = $25,000**

**Tax Payable: $100**

### Option 1: Claim for Enhanced Deduction

- **Total Qualifying Deduction** $8,000 (400% x $2,000)
- Your CI is reduced to $17,000 ($25,000 - $8,000)
- You do not need to pay tax.

### Option 2: Cash Payout

- Convert to cash payout of $1,200 (60% x $2,000)
- If you opt to convert the training cost of $2,000 into cash payout, the training cost cannot be claimed as a deduction against your income
- CI remains at $25,000
- Tax Payable = $100
- Cash Payout = $1,200
- You receive a cash payout of **$1,100** after deducting $100 for tax payable to IRAS.

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**Abuse of PIC Scheme**

- IRAS takes a serious view of any attempt by PIC claimants, vendors or consultants to fabricate claims or artificially inflate the value of the PIC expenditure or investment, purely to abuse the PIC scheme.
- IRAS will not hesitate to take firm actions against those found to have wilful intent to abuse the PIC scheme, including bringing them to court.
- Offenders convicted of PIC fraud will have to pay a penalty of up to four times the amount of cash payout fraudulently obtained, and a fine of up to $50,000 and/or imprisonment of up to five years.
- Anyone who wishes to report potential abuses of PIC scheme can write to:

  Inland Revenue Authority of Singapore
  Investigation & Forensics Division
  55 Newton Road, Revenue House
  Singapore 307987
  Email: ifd@iras.gov.sg

- IRAS will ensure that the identities of the informants are kept confidential.
For More Information on the PIC Scheme …

- PIC seminars: Register at www.iras.gov.sg - News and Events > Seminars and Events > Productivity and Innovation Credit (PIC) Scheme

- Visit IRAS’ website at www.iras.gov.sg
  - Businesses > For Companies (including Productivity and Innovation Credit scheme)

- Email us at picredit@iras.gov.sg

- Call our helpline at:
  - Companies: 1800-356 8622
  - Self-employed/partnership: (+65) 6351 3534
Annex

- PIC + Scheme
- Centralised Hiring Arrangement
- PIC Tax Deferral
- Pointers: Claiming PIC Benefits

New!

PIC+ Scheme
PIC+ Scheme

- From YA 2015, qualifying SMEs that invest in excess of the combined cap of $1.2 million in any of the 6 qualifying activities will enjoy enhanced deductions/allowances on an additional amount of $200,000 for each qualifying activity per YA.

- Qualifying SMEs:
  - Where the business is not part of a group
    - Annual turnover not more than $100 million; or
    - Employment size not more than 200 employees
  - Where the business is part of a group
    - Group annual turnover not more than $100 million; or
    - Group employment size not more than 200 employees

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**PIC+ Scheme**

- Maximum combined expenditure cap applicable for each 3-year period:

<table>
<thead>
<tr>
<th>YA</th>
<th>2013</th>
<th>2014</th>
<th>2015</th>
<th>2016</th>
<th>2017</th>
<th>2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Max. annual cap</td>
<td>400,000</td>
<td>400,000</td>
<td>600,000</td>
<td>600,000</td>
<td>600,000</td>
<td>600,000</td>
</tr>
<tr>
<td>Max. combined cap*</td>
<td>$1,400,000#</td>
<td></td>
<td>$1,800,000</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* Only if you are carrying on a trade or business for the relevant YAs. Otherwise, the combined cap is reduced accordingly.

# The combined expenditure cap of $1,400,000 is only applicable for YA 2015 as the additional expenditure cap of $200,000 ($600,000 - $400,000) is not available for YA 2013 and YA 2014.
PIC+ Scheme

• Expenditure conversion cap under the cash payout option remains unchanged, at $100,000 for all 6 activities per YA

Cash Payout Option

• Recognition of individuals deployed under centralised hiring arrangement* as employees
  – Individual (Employee C) contracts with the central hirer (Business A) and deployed to another entity (Business B)
  – Employee C not regarded as Business B’s employee as there is no employment contract
    • Notwithstanding wages and training expenses relating to Employee C is recharged by Business A to Business B

* Budget 2014 Enhancement
Cash Payout Option

• Centralised Hiring Arrangement*
  – With effect from YA 2014 such individuals will be regarded as employees of the entities where they are deployed, subject to conditions
    • Entity will be able to claim PIC benefits on training recharged
    • Individual taken into account for purposes of satisfying the 3-local employee condition under PIC cash payout & PIC bonus

* Budget 2014 Enhancement

Cash Payout Option

• Centralised Hiring Arrangement*
  – For the purpose of fulfilling the 3-local employee condition, individuals deployed under a centralised hiring arrangement will be regarded as employees of the business where these individuals are deployed, subject to the following qualifying conditions:
    • The claimant is able to produce supporting documents on the recharging of employment costs by a related entity in respect of individuals working solely for the claimant;
    • The corporate structure and centralised hiring practices are adopted for bona fide commercial reasons; and
    • The employee whose cost has been recharged will not contribute to the requisite headcount of the related party (which bore the upfront manpower costs).
Training of Employees

• Centralised Hiring Arrangement*
  – To allow PIC benefits on the training expenses recharged, subject to the following conditions:
    • The claimant is able to produce supporting documents on the recharging of employment costs by a related entity in respect of individuals working solely for the claimant;
    • The corporate structure and centralised hiring practices are adopted for bona fide commercial reasons; and
    • The related entity does not claim deductions on the training expenses recharged to the claimant.

* Budget 2014 Enhancement

Tax Deferral Option

• Objective is to help businesses with their cash flow and investments in productivity

• Amount of tax that can be deferred – the lower of:
  – the tax payable assessed for the current YA;
  – the qualifying PIC expenditure incurred in the current accounting year; and
  – Capped at $100,000.

• Deferred tax is due when we assess next YA’s tax

• Businesses can continue to apply for PIC Cash Payout or claim PIC deduction in their tax returns for relevant YA
Tax Deferral Option

• Example

Jan 2013
Paid $15,000
YA 2013
tax

Dec 2013
Claim PIC deduction on
$10,000 staff training in
YA 2014 return

Dec 2014
Pay $10,000
YA 2013 deferred
tax with YA 2014
tax

In incurred
$10,000 on
Staff training

Apply for $10,000
YA 2013 tax to be
defered
- $10,000 will be
refunded within 30 days

Tax Deferral Option

• Election is available for tax payable for YAs 2011 to 2014
  based on expenditure incurred in the corresponding
  accounting years 2011 to 2014

• Businesses need to:
  – Submit the PIC Tax Deferral Form (available on IRAS website)
    to IRAS
  – Anytime after they have incurred qualifying expenditure but no
    later than the end of the current accounting year-end

• This option effectively allows businesses to enjoy their
  tax savings in advance

• Tax Deferral Option will lapse with effect from YA 2015*

* Budget 2014 Enhancement
Pointers: Claiming PIC Benefits

- Do not claim 400% tax deductions / allowances for expenditure on equipment not listed in the PIC IT and Automation Equipment List
  - If an automation equipment is not in the list, but it automates / mechanises the work process, businesses may apply for it to be approved, on a case-by-case basis, before making a claim on that equipment

- Cannot claim both PIC Cash Payout and 100% / 400% tax deductions on the same dollar of expenditure
  - E.g. A business that has claimed PIC Cash Payout on training costs of $1,000 **should not** be claiming 400% tax deduction of the same training cost against its income
Pointers: Claiming PIC Benefits

- Do not claim non-qualifying expenditure
  - Examples of non-qualifying expenditure:
    - GST paid by a GST registered trader on an item qualifying for PIC (GST component is not claimable for income tax purpose, as the GST trader can claim input tax in its GST return)
    - Costs not applicable to the automation equipment such as warranty fees and service maintenance fees
    - Consulting fees unrelated to the development of the automation equipment

- Do not claim PIC benefits if the business has not commenced

- Do not submit the Cash Payout application before the end of the financial quarters

- Do not submit more than one Cash Payout application form for each quarter or combined quarters