Enhancing the Double Tax Deduction for Internationalisation Scheme
(1 April 2012 – 31 March 2016)

1. Background

Currently businesses may claim up to 200% tax deduction on qualifying expenditure incurred on a range of qualifying market expansion and investment development activities. The claims are granted on an approval basis by International Enterprise (“IE”) Singapore or Singapore Tourism Board (“STB”).

2. Budget 2012 changes

In Budget 2012, the Minister for Finance enhanced the Double Tax Deduction for Internationalisation scheme (“DTD scheme”) to further encourage our SMEs to venture abroad, and reduce administrative burden on businesses. Under the enhancement, tax deduction of up to 200% may be allowed on qualifying expenditure, up to $100,000 per Year of Assessment (“YA”), incurred on four selected activities under the current scheme, without the need for approval from IE Singapore or STB.

IE Singapore or STB will continue to approve claims, on a case-by-case basis, made by businesses that require larger funding support in excess of $100,000, or on qualifying expenditure incurred on other qualifying activities.

3. Who can qualify

To qualify for the DTD scheme, businesses must be registered in Singapore or have a permanent establishment in Singapore with the primary purpose of promoting the trading of goods or provision of services and not be enjoying any other forms of tax incentives granted under the Singapore Income Tax Act or Economic Expansion Incentives (Relief from Income Tax) Act.

4. What activities are covered

Businesses undertaking any of the following four selected activities (collectively known as “qualifying activities”) may claim double tax deduction on qualifying expenditure incurred in respect of:

i) Participation in overseas business development trips;
ii) Participation in overseas trade fairs /missions;
iii) Participation in local trade fairs that have been approved by IE or STB; and
iv) Participation in overseas investment study trips/missions

Participation in overseas business development trips

Overseas business development trips refer to those that businesses undertake to do any of the following:

(a) promote new products and services in new target markets;
(b) identify new customers for existing products and services;
(c) promote new products and services to existing customers; and
(d) promote existing products and services to existing markets to increase market share.

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1 Sections 14B and 14K of Singapore Income Tax Act (SITA).
**Participation in overseas trade fairs/missions**

Overseas trade fairs/missions refer to those that businesses participate in or undertake to promote their products or services to expand their overseas markets.

**Participation in local trade fairs that have been approved by IE Singapore or STB**

Businesses may refer to the website at http://iesingapore.eventshub.sg or email to STB_Incentives@stb.gov.sg for a list of local trade fairs approved by IE Singapore or STB.

**Participation in investment study trips/missions**

Overseas investment study trips/missions refer to those that businesses undertake to assess the feasibility of an overseas investment.

Example 1: Company X plans to acquire a target in Germany. If the acquisition is successful, Company X would be able to gain a global 20% market share. To assess the suitability of the target, Company X’s Business Development Manager would need to make 6 trips over the next 3 months to Germany. Company X may claim DTD on the costs of airfare and hotel accommodation incurred for these 6 trips.

Example 2: Company Y’s principal business is in the trading of industrial tools for its principals located in Japan. Company Y now plans to invest in a manufacturing facility in Indonesia to create its own Singapore brand of industrial tools for distribution to China. Company Y’s Financial Controller would be making several trips over the next 3 months to Indonesia to source for suitable location and assess the size of the overseas investment venture. Company Y may claim DTD on the costs of airfare and hotel accommodation incurred for these trips by its Financial Controller.

5. **Qualifying expenditure available for double tax deduction without the need for approval from IE Singapore/STB**

The qualifying expenditure incurred in respect of any of the qualifying activities as mentioned in paragraph 4 above can qualify for tax deductions up to 200%, up to $100,000 per YA, without approval from IE Singapore or STB.

Double tax deduction is given on the qualifying expenses not supported by grants, i.e. qualifying expenses exclude those that are already incentivised under any other government financial assistance schemes (e.g. International Marketing Assistance Programme).

**Qualifying expenses**

The list of qualifying expenses is set out below:

<table>
<thead>
<tr>
<th>Qualifying Activity</th>
<th>Qualifying Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Participation in business development or</td>
<td>Airfare*</td>
</tr>
</tbody>
</table>
| Investment Study Trips  
(up to 2 employees\(^2\) per trip) | • Hotel Accommodation & Meals  
• Overseas Transportation |
| Participation in Overseas Trade Fairs  
(up to 2 employees\(^3\) per fair) | • Stand Rental  
• Stand Design/Decoration  
• Stand Construction  
• Production of Corporate Brochures or Catalogues  
• Freight of Exhibits  
• Insurance of Exhibits  
• Airfare*  
• Hotel Accommodation & Meals  
• Overseas Transportation |
| Participation in Local Trade Fairs that have been approved by IE Singapore or STB | • Stand Rental  
• Stand Design/Decoration  
• Stand Construction  
• Production of Corporate Brochures or Catalogues  
• Insurance of Exhibits  

Cost of inviting up to 2 overseas buyers  
• Airfare*  
• Hotel Accommodation & Meals for the duration of the fair |

* Airfare includes airport tax, fuel surcharge, airfare transaction fees and visa fees. It excludes GST/CESS/Carrier Surcharge/VAT/Bank Charges/Insurance/Amendment Fees/Excess Baggage.

6. **Effective date**

The enhanced changes are applicable in respect of qualifying expenditure incurred from 1 April 2012 to 31 March 2016 (both dates inclusive).

7. **Submission of documents to IRAS**

There is no change to the existing procedure for tax filing by businesses. Businesses are not required to submit upfront documentation to IRAS for expenditure not exceeding the $100,000 threshold. However, as with other business expenses, businesses are required to maintain documentation to provide proof of their expenditure and the purpose of that expenditure. Such documentation include the purpose and itinerary

\(^2\) When a company sends 3 of its employees to participate in an overseas trip (same objective and duration) DTD will be granted up to 2 employees. The 3\(^{rd}\) employee can be considered for support on case by case basis if the employee meets with different customers in another city in the country or follow-up with potential customers.

\(^3\) For example, where a company sends 3 of its employees to participate in an overseas trade fair/mission, DTD will be granted in respect of 2 employees. Expenses incurred by the company on the third employee will continue to enjoy a 100% tax deduction (provided they are wholly and exclusively incurred in the production of income and qualify for deduction under Section 14 of the SITA.)
of the trip, list of companies met, invoices and receipts of the qualifying expenses listed in the table in paragraph 5 above.

For qualifying expenditure that are in excess of $100,000 and approval has been granted by IE Singapore or STB, businesses should continue to submit the letter of support or letter of approval to IRAS when filing the business’s annual income tax return.

Annex 1 illustrates how a business may claim for double tax deduction under the DTD scheme in its tax computation.

8. Submitting applications to IE Singapore and STB

Businesses are required to continue to submit applications to IE Singapore and STB to enjoy double tax deduction on qualifying expenditure incurred on the other qualifying activities under the scheme, namely:
- Conduct overseas market survey/ feasibility study
- Set up overseas trade office
- Overseas advertising and promotional campaigns
- Advertise in approved local trade publications
- Production of corporate brochures
- Design of product packaging for overseas markets
- Master licensing and franchising
- Product certification for overseas markets
- Investment feasibility / due diligence studies

In addition, IE Singapore and STB will continue to approve claims, on a case-by-case basis, made by businesses that require larger funding support in excess of $100,000 for qualifying activities as mentioned in paragraph 4 above.

Businesses are advised to plan and track their expenditure well and seek approval early to avoid being denied their claim for their expenses. If businesses are unsure if their total qualifying expenses will exceed $100,000, they can continue to submit their applications to IE Singapore (via their incentive portal) and STB (manual application) for approval before commencing on any of the qualifying activity.

For applications to IE Singapore, please submit via the DTD Incentive Portal at www.iesingapore.com/dtd using SingPass before commencement of the project. For applications to STB, please submit them via hardcopy available from their corporate website at www.stb.gov.sg.

For qualifying expenditure that have been approved by IE Singapore or STB, businesses should continue to submit the letter of support or letter of approval to IRAS when filing the business’s annual income tax returns.
Frequently-Asked Questions

1. **Does qualifying expenditure approved before the effective date of change (1 April 2012) count towards the cap of $100,000?**

   No, expenditure approved prior to 1 April 2012 will not reduce the $100,000 cap available to businesses. The cap of $100,000 on qualifying expenditure will apply to expenditure incurred from 1 April 2012 to 31 March 2016 (both dates inclusive).

   **Example 1**

   Company A’s financial year ends on 31 Dec. In 2012, Company A participated in the following qualifying activities:

<table>
<thead>
<tr>
<th>Month</th>
<th>Qualifying Activity</th>
<th>Qualifying expenses incurred ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan 2012</td>
<td>Overseas business development trip 1</td>
<td>$14,000</td>
</tr>
<tr>
<td>Mar 2012</td>
<td>Overseas trade fair 1</td>
<td>$25,000</td>
</tr>
<tr>
<td>Jun 2012</td>
<td>Approved local trade fair</td>
<td>$30,000</td>
</tr>
<tr>
<td>Aug 2012</td>
<td>Overseas business development trip 2</td>
<td>$5,000</td>
</tr>
<tr>
<td>Oct 2012</td>
<td>Overseas trade fair 2</td>
<td>$35,000</td>
</tr>
</tbody>
</table>

   # Company A was granted approval for DTD by IE Singapore on the qualifying expenses incurred on the respective activities conducted between January and March, before the effective date of 1 Apr 2012.

   For Company A’s **YA2013** tax submission, the expenses qualifying for DTD are:

<table>
<thead>
<tr>
<th>Expenses qualifying for DTD ($)</th>
<th>Approved claims from IE Singapore/STB</th>
<th>Claims without approval from IE Singapore/STB</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>14,000</td>
<td>30,000</td>
</tr>
<tr>
<td></td>
<td>25,000</td>
<td>5,000</td>
</tr>
<tr>
<td></td>
<td></td>
<td>35,000</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>39,000</strong></td>
<td><strong>70,000</strong></td>
</tr>
</tbody>
</table>

   **Total** 109,000

2. **What happens if I embark on a qualifying activity from 1 April 2012 (without applying for approval from IE Singapore/STB) and find that the expenditure incurred for the qualifying activity exceeds the $100,000 cap on qualifying expenditure when the activity is completed?**

   Generally, businesses are advised to plan and track their expenditure well and seek approval early to avoid being denied their claim for their expenses. If businesses are unsure if their total qualifying expenses will exceed $100,000, they can continue to submit their applications to IE Singapore (via their incentive portal) and STB (manual application) for approval before commencing on any of the qualifying activity.
3. My next activity will cause my cumulative amount of expenditure on which DTD is claimed to exceed $100,000. I will therefore need to submit an application to IE Singapore/STB. Do I make the application only for the qualifying expenditure in excess of $100,000 or for the entire qualifying expenditure incurred for the activity?

Businesses should make an application for the entire qualifying expenditure incurred for that activity. For example, if the activity consists of a one-week trip to various cities, the application should be in respect of qualifying expenses on the entire trip, rather than selected parts of the trip.

**Example 2**

Between July 2012 and June 2013, Company B participated in the following qualifying activities:

<table>
<thead>
<tr>
<th>Month</th>
<th>Qualifying Activity</th>
<th>Qualifying expenses incurred ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jul 2012</td>
<td>Overseas business development trip 1</td>
<td>6,000</td>
</tr>
<tr>
<td>Sep 2012</td>
<td>Overseas business development trip 2</td>
<td>5,000</td>
</tr>
<tr>
<td>Nov 2012</td>
<td>Approved local trade fair</td>
<td>40,000</td>
</tr>
<tr>
<td>Feb 2013</td>
<td>Overseas business development trip 3</td>
<td>3,500</td>
</tr>
<tr>
<td>Apr 2013</td>
<td>Overseas trade fair 2</td>
<td>35,000</td>
</tr>
<tr>
<td>May 2013</td>
<td>Overseas business development trip 4</td>
<td>7,000</td>
</tr>
<tr>
<td>Jun 2013</td>
<td>Overseas business development trip 5</td>
<td># 5,500</td>
</tr>
</tbody>
</table>

# Company B was granted approval for DTD by IE Singapore on the qualifying expenses incurred on Overseas business development trip 5.

For Company B’s **YA2014** tax submission, the expenses qualifying for DTD are:

<table>
<thead>
<tr>
<th>Expenses qualifying for DTD ($)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Approved claims from IE Singapore/STB</td>
</tr>
<tr>
<td>Claims without approval from IE Singapore/STB</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
</tr>
</tbody>
</table>

**Note:** Had Company B not sought approval from IE Singapore for DTD expenses of $5,500 on Overseas business development trip 5, only $3,500 of the qualifying trip expenses can be claimed without the need for approval from IE Singapore/STB. The remaining $2,000 of trip expenses will not enjoy the DTD (as the amount of DTD claimed without approval has exceeded the $100,000 cap).
4. I have only utilised $70,000 under the enhanced scheme. Can I carry forward the unutilised part of $30,000 to next year?

No, if a business is unable to fully utilise the cap of $100,000 for a YA, it cannot bring forward the unutilised part to the next YA.

5. My accounting year ends in 30 June 2012, and there are only 3 months between the effective date of 1 April 2012 for the $100,000 cap and 30 June 2012. Would the cap of $100,000 be prorated when I submit my YA2013 tax returns? Could a concession be made for me to carry forward any unutilised part of the $100,000 cap?

The cap of $100,000 will not be prorated for the 2012 accounting year ending 30 June 2012. In addition, any unutilised part of the $100,000 cap cannot be brought forward to the next YA.

Updated 26 July 13
Illustration showing how a business may claim for double tax deduction under the DTD scheme in its tax computation

Assume a company’s net profit as per accounts is $500,000 and it is eligible to claim a further tax deduction on its marketing expenses of $140,000 under section 14B of the Income Tax Act;

a. Prior to 1 Apr 12, the tax computation prepared and submitted to IRAS by the company would be as follows:

<table>
<thead>
<tr>
<th>Profit/(Loss) as per accounts *</th>
<th>$500,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Add/Less: Disallowable / (Further) Deductions</td>
<td></td>
</tr>
<tr>
<td>- Further deductions under $14B (with approval from IE Singapore/STB)**</td>
<td>($140,000)</td>
</tr>
<tr>
<td>Adjusted Profit/(Loss)</td>
<td>$360,000</td>
</tr>
</tbody>
</table>

* Marketing expense of $140,000 allowable under section 14(1) of the Income Tax Act already taken into account in arriving at the profit figure of $500,000.

** Schedule of qualifying activities and expenses and the relevant supporting documents from IE Singapore/STB for the full $140,000 should be submitted for IRAS’ verification.

b. With effect from 1 Apr 12, if company had sought IE Singapore/STB’s approval for $50,000 of the $140,000 marketing expenses incurred: the tax computation prepared and submitted to IRAS would now be reflected as follows:

<table>
<thead>
<tr>
<th>Profit/(Loss) as per accounts *</th>
<th>$500,000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Add/Less: Disallowable / (Further) Deductions</td>
<td></td>
</tr>
<tr>
<td>- Further deductions under $14B ***</td>
<td>($90,000)</td>
</tr>
<tr>
<td>- No approval from IE Singapore/ STB required</td>
<td>($50,000)</td>
</tr>
<tr>
<td>- Approval from IE Singapore / STB obtained</td>
<td>$140,000</td>
</tr>
<tr>
<td>Adjusted Profit/(Loss)</td>
<td>$360,000</td>
</tr>
</tbody>
</table>

*** Schedules of qualifying activities and expenses for the full $140,000 (showing breakdown between automatic and approval claims) should still be submitted to IRAS for verification. In addition, the relevant supporting documents from IE Singapore/STB for the $50,000 should also be submitted.