

## CLIENT MEMORANDUM

21 July 2015

### **DOUBLE TAX DEDUCTION FOR INTERNATIONALISATION SCHEME INTERNATIONAL GROWTH SCHEME MARKET READINESS ASSISTANCE GRANT**

The Government announced various initiatives in Budget 2015 to assist firms and companies to internationalise their operations. These include enhancements to the Double Tax Deduction (“DTD”) for Internationalisation Scheme, introduction of a new tax incentive, the International Growth Scheme (“IGS”) and enhancements to the Market Readiness Assistance (“MRA”) Grant. These schemes are administered by the International Enterprise (“IE”) Singapore which recently released the following details in relation to these schemes.

#### **Enhancements to the DTD for Internationalisation Scheme**

Currently, businesses may claim up to 200% tax deduction on qualifying expenditure incurred on qualifying market expansion and investment development activities, subject to conditions.

The scope of qualifying expenditure of the DTD scheme will be enhanced to include qualifying salary expenses incurred for employees who are Singapore citizens or permanent residents posted to new overseas entities, subject to IE Singapore’s approval.

Qualifying salary expenses refer to the basic salary and exclude any bonuses, commission, taxes, allowances, overtime and other benefits (whether in cash or kind). The maximum amount of deduction is capped at S\$15,000 per month per employee and up to five employees’ salaries per year.

Businesses have to fulfil the following criteria in order to qualify for the enhancement:

- The employee(s) must be contractually employed by the applicant at the point of application, and throughout the duration of the support period;
- The minimum posting period of its employee(s) is one year;
- The salary expense must be incurred by the applicant and must not be deducted against any income that may be taxed in the overseas jurisdiction; and

- The overseas entity must be in the form of a branch, a company, a partnership or a representative office. The overseas entity must be set up or acquired by the applicant (including equity interests therein) for not more than three years for the purpose of seeking out new business lines, new geographical markets or new products, and aligned with the applicant's intent and efforts to internationalise.

Additionally, businesses which are enjoying discretionary incentives will also be allowed to qualify for the DTD scheme, subject to approval by IE Singapore.

Both enhancements apply to qualifying expenditure incurred from July 1, 2015 to March 31, 2020 (both dates inclusive).

For further details, please refer to the Circular published on IE Singapore's website at <http://www.iesingapore.gov.sg/~media/IE%20Singapore/Files/Assistance%20for%20Local%20Companies/Global%20Company%20Partnership/201520July20Double20Tax20Deduction2020Employee20Overseas20Posting20Circular.pdf>.

## **IGS**

Under the scheme, a concessionary tax rate of 10% will be given to qualifying Singapore-incorporated companies for a period not exceeding 5 years on their incremental income from approved qualifying activities, in excess of a base income. Please refer to Annex A for the list of approved qualifying activities.

The base income for an approved IGS company is determined as follows:

- Where the approved IGS company had carried on the approved qualifying activities for a period of 3 years immediately before the date of its approval, the base income is ascertained based on the average of the annual net profit before tax as shown in the company's audited accounts derived from the carrying on of the approved qualifying activities during the 3-year period.
- Where the approved IGS company had not carried on the approved qualifying activities for a period of 3 years immediately before the date of its approval, the base income is zero.

A company has to minimally fulfil the following criteria in order to be eligible for the IGS:

- Its global headquarters is in Singapore;
- It has an established track record with international presence;
- It has a sound and ambitious internationalisation growth plan; and
- It is able to create economic spin-offs for Singapore.

Applications can be submitted to IE Singapore during the period from April 1, 2015 to March 31, 2020.

For further details, please refer to the Circular published on IE Singapore's website at [http://www.iesingapore.gov.sg/~media/IE%20Singapore/Files/Assistance%20for%20Local%20Companies/Global%20Company%20Partnership/IGS\\_Circular.pdf](http://www.iesingapore.gov.sg/~media/IE%20Singapore/Files/Assistance%20for%20Local%20Companies/Global%20Company%20Partnership/IGS_Circular.pdf).

## **MRA Grant**

The following enhancements to the MRA Grant will be effective from April 1, 2015 to March 31, 2018:

- Companies may receive up to 70% financial support for applicable projects, subject to a maximum cap of S\$20,000 per company per annum and two applications per fiscal year; and
- The scope of the supportable activities under the Grant is expanded to include overseas marketing and PR activities, online marketing activities and participation in overseas trade fairs not supported under International Marketing Activities Programme.

A company has to fulfil the following criteria in order to qualify for financial support under the scheme:

- Its global headquarters is anchored in Singapore; and
- Its annual turnover is less than S\$100 million based on the most recent audited accounts.

Applications can be submitted to IE Singapore at earliest, 6 months and at latest, 15 working days before the project start date.

For further details, please refer to IE Singapore's website at <http://www.iesingapore.gov.sg/Assistance/Market-Readiness-Assistance/Financial-Assistance/Market-Readiness-Assistance-Grant>.

## **Further information**

Should you have any queries as to how these developments may impact your business, please do not hesitate to get in touch with your usual contact at Pioneer Associates, or please write or call us at:

### **Pioneer Associates**

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**ANNEX A**

**List of qualifying activities**

1. Agricultural and aquacultural technology services and activities;
2. Business services and activities (including consultancy, management, marketing, publishing);
3. Consumer related services and activities (including retail and wholesale);
4. Education and related services and activities (including schools, training centres);
5. Engineering and technical services and activities (including laboratory, consultancy and research and development);
6. Entertainment, leisure, recreation and tourism related services and activities (including conferences, exhibitions and hospitality);
7. Headquarter services and activities;
8. Industrial design development, production, services and activities (including precision engineering);
9. Environmental services and activities;
10. Infrastructure services and activities;
11. Financial services and activities;
12. Healthcare related services and activities (including pharmaceutical, veterinary, medical and wellness);
13. International trade services and activities;
14. Industrial related services and activities (including retail and wholesale);
15. Information and communications services and activities (including internet, data centres, and e-commerce);
16. Manufacturing and related services and activities (including tooling and assembly);
17. Professional services and activities (including accounting and legal services);
18. Rental and leasing services and activities; and
19. Transport and logistics services and activities (including air, land and sea).

Additional activities may be considered on a case-by-case basis.