Pioneer Associates
Pioneer Management Services Pte Ltd

CLIENT MEMORANDUM

25 April 2014

Productivity and Innovation Credit ("PIC") - PIC+ scheme

Further to our Client Memorandum on 21 February 2014, here are details of the PIC+ scheme which was introduced in the Singapore Budget 2014 to enhance the existing PIC scheme and provide more support for qualifying small and medium enterprises ("SMEs") that are making substantial investments to revamp their businesses. The PIC+ scheme is available from Year of Assessment ("YA") 2015 to YA 2018.

Tax Benefits under the PIC+ Scheme

Under the PIC+ scheme, the expenditure cap for qualifying SMEs will be increased from S$400,000 to S$600,000 for each qualifying activity per YA from YAs 2015 to 2018. The annual expenditure cap of S$600,000 per qualifying activity may be combined as follows:

(a) Up to S$1.4 million for YA 2015:

YA	Expenditure cap per qualifying activity* ($)
2013	400,000
2014	400,000
2015	600,000
Total	**1,400,000**

(b) Up to S$1.8 million for YAs 2016 to 2018:

YA	Expenditure cap per qualifying activity* ($)
2016	600,000
2017	600,000
2018	600,000
Total	**1,800,000**

Criteria for "Qualifying SMEs"

SMEs qualifying for the PIC+ scheme are sole proprietorships, partnerships and companies that are carrying on a trade or business.

They must also meet either of the following conditions:

Condition	Where the business is not part of a group	Where the business is part of a group [3]
EITHER:		
(A) Revenue [1]	Revenue of not more than S$100 million for the relevant basis period for the YA	Group revenue of not more than S$100 million for the relevant basis period for the YA
OR		
(B) Employment size [2]	Employment size of not more than 200 employees as at the last day of the relevant basis period	Group employment size of not more than 200 employees as at the last day of the relevant basis period

(1) "Revenue" refers to the business' main source of income, excluding separate source income such as interest.

(2) An employee includes a director of a company and part-time employee. An individual deployed to work for an entity under a centralized hiring arrangement will be considered as an employee of that entity.

(3) To determine if an SME is "part of a group", reference is made to the last day of the relevant basis period. A group refers to a parent and its subsidiaries as determined in accordance with Financial Reporting Standard ("FRS") 110 (for financial periods beginning 1 January 2014) or FRS 27 (for financial periods before 1 January 2014). From a practical perspective, if an SME's financial statements form part of the consolidated financial statements for audit purposes, it is likely that the criteria will be applied at the group level.

Singapore branch of a foreign company

For a Singapore branch of a foreign company to qualify for PIC+, the combined revenue of the head office and all its branches must not exceed S$100 million or the combined employment size of the head office and all its branches must not exceed 200 employees. The criteria will be applied at the group level if the head office is part of a group.

Relevant period to meet the "Revenue" or "Employment Size" condition

To be a qualifying SME in	Basis period to look at*
YA 2015	Basis period for either YA 2014 or YA 2015
YA 2016	Basis period for either YA 2015 or YA 2016
YA 2017 and 2018	Once a business meets the qualifying criteria in YA 2016, it will be able to enjoy the tax benefits under the PIC+ Scheme from YA 2016 onwards, even if it fails to meet the eligibility criteria in subsequent YAs. However, if there is a change in the business' parent or the business becomes part of a group, its PIC+ eligibility will need to be reassessed. Should a business fail to meet the eligibility criteria for YA 2016, it can refer to the basis period for each subsequent YA (i.e. YA 2017 and 2018) to re-assess its eligibility.

* Revenue of the basis period or employment size as at the last day of the basis period for the relevant YA.

Claiming PIC+

There is no need to seek prior approval from IRAS. Businesses are to conduct a self-assessment on their eligibility for the PIC+ scheme based on the eligibility criteria.

Businesses are not required to submit a separate application for PIC+. Businesses can make a claim for enhanced deductions/allowances on the additional qualifying expenditure under PIC+ in their income tax return for the relevant YA by the filing due date (15 April for sole-proprietorships and partnerships and 30 November for companies).

Businesses should retain all supporting documents/information to prove that the eligibility conditions for claiming PIC+ have been fulfilled. The supporting documents/information are to be submitted to IRAS upon request.

PIC cash payout on the additional qualifying expenditure under PIC+

The additional qualifying expenditure under the PIC+ scheme can be converted into cash, subject to the existing conditions for making a PIC cash payout claim.

The expenditure cap for PIC cash payout remains unchanged at S$100,000 for all six qualifying activities per YA.

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 any of the following:

THAM Suit Fun
Director of International Tax
Tel: +65 6632 8439
E-mail: suitfun@pioneerassociates.com.sg

LOH Siew Mei
Tax Manager
Tel: +65 6632 8451
E-mail: siewmei@pioneerassociates.com.sg