

FREQUENTLY ASKED QUESTIONS ON PRODUCTIVITY AND INNOVATION CREDIT (PIC)

- Overview of PIC

(Updated on 30 Aug 2012)

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Overview of Productivity and Innovation Credit (PIC)

1. Who is eligible for PIC?

All businesses are eligible for PIC, if they have incurred expenditure in any of the six qualifying activities.

Branches and subsidiaries with the parent or holding company being a foreign incorporated company are also eligible for PIC.

2. Do investment holding companies qualify for PIC?

Investment holding companies do not qualify for PIC as they are not carrying on a trade or business for tax purposes. These companies own investments such as properties and shares for long term investment and derive investment income such as dividend, interest or rental.

Find out more about [Preparing tax computation for investment holding companies](#).

3. What is the qualifying period for PIC?

The PIC scheme is effective for five years from YA 2011 to YA 2015.

For example, if you incurred qualifying expenditure in Nov 2010 and your accounting year ended on 30 Jun 2011, you are eligible to claim PIC in your Income Tax Return for YA 2012.

4. Will qualifying expenditure that is fully or partially funded by the Government or a statutory board qualify for PIC?

The enhanced deduction/allowances under the PIC scheme is computed based on qualifying expenditure **net** of the grant and subsidy received.

5. If I am a newly set up company, can I enjoy both PIC and the tax exemption scheme for new start-up companies?

Yes, if your company meets the conditions under PIC and "[Tax exemption scheme for new start-up companies](#)" respectively.

6. Do service companies qualify for PIC?

A service company is one which renders services to/on behalf of its related companies.

Service companies that derive arm's length fees will qualify for PIC. These companies will need to prepare their tax computations under the normal tax rules. If a service company wishes to elect for cost plus mark-up basis of assessment, the company will not qualify for PIC. This is because an acceptance of mark-up as the chargeable income of the company is net of all available deductions and allowances (including PIC).

Find out more about [Preparing tax computation for company servicing only related companies](#).

7. Does PIC apply to companies that are taxed at the concessionary rate?

Yes. Even though the income is taxed at concessionary rate, PIC will be applicable as long as the company incurs qualifying expenditure during the basis period for YA 2011 to YA 2015.

8. Our business income is taxable at the prevailing rate and concessionary rate. How will enhanced deductions be allowed on qualifying expenditure in relation to income streams taxed at different tax rates?

For a business whose income is taxable at the prevailing rate (“normal income”) as well as at one or more concessionary rate(s) (“concessionary income”), enhanced deductions are first granted on qualifying expenditure incurred in relation to the normal income. If the applicable expenditure cap is not exhausted, enhanced deductions are then granted on qualifying expenditure incurred in relation to the concessionary income that is subject to tax at the highest concessionary rate first followed by the next highest rate and so on, until the expenditure cap is reached.

9. How will enhanced deductions be allowed on common expenditure and common assets if our business income is taxable at the prevailing rate and concessionary rate?

In general, common expenditure incurred for both the normal and concessionary trade is allocated to income derived from each trade for tax purposes.

Common expenditure

When computing the PIC benefits, enhanced deductions (excluding enhanced deductions arising from IPR registration) are first granted on qualifying common expenditure allocated to the normal income. If the applicable expenditure cap is not exhausted, enhanced deductions are then granted on qualifying common expenditure allocated to the concessionary income that is subject to tax at the highest concessionary rate first followed by the next highest rate and so on, until the expenditure cap is reached.

Where the IPR registration cost is a common expenditure, the base and enhanced deductions are determined first before allocating the deductions to each stream of income.

Common assets

Enhanced allowances on common assets (i.e. qualifying equipment and IPRs) are granted on the full cost of each asset, up to the expenditure cap. The enhanced allowances are then computed for each qualifying common asset before the 100% base and 300% enhanced allowances are allocated to each stream of income.

10. How long am I required to keep the supporting documents for my claims under PIC?

The existing [record keeping requirements](#) for businesses apply. You are required to maintain all the supporting documents such as invoices for a period of 5 years.

For example, if you purchase PIC Automation Equipment during the basis period for YA 2012 and make a claim for cash payout for YA 2012, you are required to keep the relevant documents for the purchase till 31 Dec 2016.

11. What should I do if I have overlooked the PIC enhanced tax allowance/deduction in the Income Tax Return?

You can email or write to us within 30 days from the date of your Notice of Assessment/Allocation of Profit/Loss to Partners, giving us your full name, tax reference number and details of amendment as stated below.

For sole-proprietors/partnerships:

Please provide us with the revised 4-line statement by including the amount of qualifying PIC enhanced allowances/deduction under the "Allowable Business Expenses" of the 4-line statement. In addition, please complete and submit the PIC Enhanced Allowances/Deductions Declaration Form for Sole-proprietors & Partnerships (www.iras.gov.sg <Quick links><Forms><Individual>).

For businesses with revenue of \$500,000 or more, the completed PIC declaration form is to be submitted together with a revised tax computation.

For companies:

Please complete the Form for Filing Revised Income Tax Computation(s) available at (www.iras.gov.sg <Quick links><Forms><Business & Employers><Corporate Tax forms>) and submit a revised tax computation incorporating the computation of PIC claims.