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The following Act was passed by Parliament on 14th January 2013 and assented to by the President on 13th February 2013:—

REPUBLIC OF SINGAPORE

No. 2 of 2013.

I assent.

TONY TAN KENG YAM,
President.
13th February 2013.

(LS)

An Act to amend the Economic Expansion Incentives (Relief from Income Tax) Act (Chapter 86 of the 2005 Revised Edition) and to make related and consequential amendments to the Income Tax Act (Chapter 134 of the 2008 Revised Edition).

Be it enacted by the President with the advice and consent of the Parliament of Singapore, as follows:

Short title and commencement

1.—(1) This Act may be cited as the Economic Expansion Incentives (Relief from Income Tax) (Amendment) Act 2013.

(2) Sections 3(*a*) and (*b*) and 4 shall be deemed to have come into operation on 18th February 2008.

(3) Section 6 shall be deemed to have come into operation on 14th January 2011.

(4) Section 3(*c*) shall be deemed to have come into operation on 1st June 2011.

(5) Sections 5 and 7 shall be deemed to have come into operation on 17th February 2012.

(6) Section 2 shall be deemed to have come into operation on 29th February 2012.

Amendment of section 19J

2. Section 19J(5A) of the Economic Expansion Incentives (Relief from Income Tax) Act (referred to in this Act as the principal Act) is amended by deleting the comma at the end of paragraph (*b*) and substituting a semi-colon, and by inserting immediately thereafter the following paragraphs:

“(c) the beginning of the 21st year of the tax relief period to the end of the 30th year of, or the end of, the tax relief period, whichever is the earlier;

(d) the beginning of the 31st year of the tax relief period to the end of the 40th year of, or the end of, the tax relief period, whichever is the earlier.”

Amendment of section 19K

3. Section 19K of the principal Act is amended —

(a) by inserting, immediately after subsection (3), the following subsections:

“(3A) Notwithstanding subsection (3) and subject to subsection (3B), the Minister may, if he is satisfied that it is expedient in the public interest to do so and

subject to such terms and conditions as he may impose, extend the tax relief period of a relevant development and expansion company (beyond the maximum total period allowed under subsection (3)) for such further period or periods, not exceeding 10 years at any one time, as he may determine.

(3B) The total tax relief period of a relevant development and expansion company under subsections (1), (2) and (3A) shall not in the aggregate exceed 40 years.

(3C) An extension of the tax relief period of a relevant development and expansion company under subsection (3A) shall only be granted during the period between 18th February 2008 and 17th February 2018 (both dates inclusive).

(3D) In subsections (3A), (3B) and (3C), “relevant development and expansion company” means a development and expansion company which engages in one or more qualifying activities, and oversees, manages or controls the conduct of any activity on a regional or global basis.”;

(b) by deleting the words “subsections (1) and (2)” in subsection (5) and substituting the words “subsection (1), (2) or (3A)”; and

(c) by inserting, immediately after subsection (6), the following subsection:

“(7) Notwithstanding anything in this section, the tax relief period of a development and expansion company that is deemed to be an approved company for the purposes of section 43ZF of the Income Tax Act (Cap. 134) under regulations made under that section, shall expire on 1st June 2011 and shall not be extended.”.

Amendment of section 19KA

4. Section 19KA(1) of the principal Act is amended by deleting the words “section 19K(1), (2) and (3)” in paragraph (a) and substituting the words “section 19K(1), (2), (3), (3A) and (3B)”.

Repeal and re-enactment of Part XIID

5. Part XIID of the principal Act is repealed and the following Part substituted therefor:

“PART XIID**INTEGRATED INVESTMENT ALLOWANCE****Interpretation of this Part**

97ZA. In this Part, unless the context otherwise requires —

“approval letter” means a letter issued under section 97ZB(4);

“approved project” means a project approved by the Minister under section 97ZB(2);

“concessionary income” means income subject to tax at a concessionary rate of tax under this Act or the Income Tax Act (Cap. 134), or under the regulations made under any of those Acts;

“fixed capital expenditure”, in relation to any qualifying equipment for an approved project, means capital expenditure (including capital expenditure on alteration to any building incidental to the installation of the qualifying equipment) to be incurred on the qualifying equipment on or after the investment day for the approved project in question;

“IIA” means an integrated investment allowance given under section 97ZC;

“investment day”, in relation to an approved project, means the date specified in section 97ZB(4)(b) for the project;

“net chargeable concessionary income” means concessionary income after deducting expenses,

donations, allowances or losses allowable under the Income Tax Act against the concessionary income, and after deducting investment allowance (if any) under Part X;

“net chargeable normal income” means normal income after deducting expenses, donations, allowances or losses allowable under the Income Tax Act against the normal income, and after deducting investment allowance (if any) under Part X;

“normal income” means income subject to tax at the rate of tax under section 43(1)(a) of the Income Tax Act;

“project company” means the company referred to as such in section 97ZB(1);

“qualifying equipment”, in relation to a company which is issued an approval letter in relation to an approved project to be carried out by that company, means —

(a) any new productive equipment; or

(b) any secondhand productive equipment (other than productive equipment sold and repurchased by the company),

to be provided to and used by a project company solely for manufacturing any product for the first-mentioned company or providing specialised engineering or technical services on behalf of or to the first-mentioned company under the approved project;

“qualifying period”, in relation to any qualifying equipment, means the period specified in section 97ZB(4)(b) for that equipment.

Application for approval of project

97ZB.—(1) Where a company proposes to carry out a project outside Singapore under which another company (referred to in this Part as the project company) —

- (a) is to manufacture or increase the manufacture of any product for the first-mentioned company; or
- (b) is to provide specialised engineering or technical services on behalf of or to the first-mentioned company,

the first-mentioned company may apply in the prescribed form to the Minister for an IIA in respect of the fixed capital expenditure to be incurred on qualifying equipment for the project.

(2) Where the Minister considers it expedient to do so, having regard to the economic, technical and other merits of the project, he may approve the project for the purposes of this Part and issue an approval letter to the company which shall qualify the company for an IIA.

(3) The IIA in respect of the fixed capital expenditure for an approved project shall be an amount equal to such percentage (to be specified in the approval letter for the approved project) of the fixed capital expenditure incurred on all qualifying equipment for that approved project, but not exceeding the lower of the following limits:

- (a) the fixed capital expenditure incurred on all qualifying equipment for that approved project; or
- (b) a sum if specified in the approval letter for that approved project.

(4) Every approval letter issued to a company under subsection (2) in respect of its approved project —

- (a) shall specify the qualifying equipment for the approved project, the fixed capital expenditure for which qualifies for the IIA;
- (b) shall specify a period (referred to in this Part as the qualifying period) for each qualifying equipment, commencing from a specified date (referred to in this Part as the investment day) and within which the fixed capital expenditure is to be incurred on the qualifying equipment to qualify for the IIA;

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- (c) shall specify the IIA to be given; and
- (d) shall specify such other terms and conditions as the Minister may impose on the approval letter.
- (5) The maximum qualifying period for any qualifying equipment shall be —
- (a) where the qualifying equipment is not acquired under a hire-purchase agreement — 5 years; and
- (b) where the qualifying equipment is acquired under a hire-purchase agreement — 8 years.
- (6) The decision as to whether to specify any particular equipment as qualifying equipment shall be at the discretion of the Minister, and his decision shall be final.
- (7) The Minister may, in his discretion, upon an application by a company issued with an approval letter, amend the approval letter by substituting for the investment day for the approved project specified therein such earlier or later date as he thinks fit, and thereupon the provisions of this Part shall have effect as if the date so substituted were the investment day in relation to the approved project.
- (8) Approval under this section shall only be granted during the period between 17th February 2012 and 28th February 2017 (both dates inclusive).

Grant of IIA

97ZC.—(1) Subject to subsections (2) and (3), where, in the basis period for any year of assessment, a company has incurred fixed capital expenditure on any qualifying equipment for an approved project within the qualifying period for that equipment, the company shall be given for that year of assessment an IIA in respect of the fixed capital expenditure subject to the terms and conditions of its approval letter and in accordance with section 97ZB.

(2) An IIA may be given for the fixed capital expenditure incurred on any qualifying equipment if, and only if —

- (a) in the case where the qualifying equipment is to be constructed or installed on site, the expenditure is attributable to payment against work done in the construction or installation of the equipment, or in any other case, the project company has received delivery of the equipment;
 - (b) no allowance has been claimed under section 19A(2A) or (2B) of the Income Tax Act (Cap. 134) in respect of that fixed capital expenditure; and
 - (c) no investment allowance has been claimed under Part X in respect of that fixed capital expenditure.
- (3) An IIA shall ordinarily not be given to a company for any year of assessment for which the company derives from the approved project any income which —
- (a) does not form part of the statutory income of the company, or is exempt from tax under the provisions of this Act (other than this Part) or the Income Tax Act; or
 - (b) is subject to tax at the concessionary rate of tax under Part IIIA in force immediately before the date of commencement of the Economic Expansion Incentives (Relief from Income Tax) (Amendment) Act 2004 (Act 11 of 2004) or Part IIIB.
- (4) The Minister may, in any particular case, allow an IIA to be given to a company in the circumstances referred to in subsection (3), subject to such terms and conditions as he has specified in the approval letter to the company.

Crediting of IIA

97ZD.—(1) Where any IIA is given to a company for an approved project from which only normal income is derived in any year of assessment, the IIA shall be credited to an account (to be called a normal IIA account) which shall be kept by the company for the purposes of this Part.

(2) Where any IIA is given to a company for an approved project from which only concessionary income is derived in any year of assessment, the IIA shall be credited to an account (to be called a concessionary IIA account) which shall be kept by the company for the purposes of this Part.

(3) Where a company derives both normal income and concessionary income from an approved project in any year of assessment, the IIA shall be credited wholly to a normal IIA account or wholly to a concessionary IIA account as the Minister, or such person as he may appoint, may direct.

(4) The direction under subsection (3) may be given to a company at any time from (and including) the date of the approval letter issued to the company.

Exemption from income tax: general

97ZE.—(1) Subject to subsection (2) and section 97ZF, where for any year of assessment, the normal IIA account of a company is in credit and the company has, for that year of assessment, any net chargeable normal income —

- (a) an amount of the net chargeable normal income, not exceeding the credit in the account, shall be exempt from tax and the account shall be debited with such amount; and
- (b) any remaining balance in the account shall be carried forward to be used in the manner referred to in paragraph (a) for every subsequent year of assessment when the company has net chargeable normal income, until the credit in the account has been fully used up.

(2) Where, for any year of assessment, the company has any net chargeable concessionary income and the normal IIA account is in credit, the company may elect for any amount of the net chargeable concessionary income, not exceeding the credit in the account, to be exempt from tax and the account to be debited with such amount, and if the company so elects, that amount of income shall be so exempt from tax and the account shall be so debited.

(3) A company shall make the election under subsection (2) for any year of assessment at the time of lodgment of the return of income for that year of assessment.

(4) Subject to section 97ZG, where for any year of assessment, the concessionary IIA account of a company is in credit and the company has, for that year of assessment, any net chargeable concessionary income —

- (a) an amount of the net chargeable concessionary income, not exceeding the credit in the account, shall be exempt from tax and the account shall be debited with such amount; and
- (b) any remaining balance in the account shall be carried forward to be used in the manner referred to in paragraph (a) for every subsequent year of assessment when the company has net chargeable concessionary income, until the credit in the account has been fully used up.

(5) Where the Comptroller is satisfied that a company has permanently ceased to derive any concessionary income in the basis period for any year of assessment —

- (a) the concessionary IIA account shall be debited with the amount of net chargeable concessionary income or the credit in the account, whichever is the less, for that year of assessment;
- (b) any remaining balance in the concessionary IIA account shall be debited from that account; and
- (c) an adjusted amount of any remaining balance referred to in paragraph (b) shall be credited to the normal IIA account to be used in accordance with subsection (1) for every subsequent year of assessment when the company has net chargeable normal income, until the credit in the account has been fully used up.

(6) In subsection (5)(c), “adjusted amount” means the amount ascertained by the formula —

$$A \times \frac{B}{C}$$

where A is the amount of any remaining balance referred to in subsection (5)(b);

B is the concessional rate of tax for the year of assessment referred to in subsection (5) at which the concessional income is subject to tax; and

C is the rate of tax under section 43(1)(a) of the Income Tax Act (Cap. 134) for the year of assessment referred to in subsection (5).

(7) Any amount of net chargeable concessional income of a company debited from the concessional IIA account under subsection (5)(a) shall be exempt from tax.

Exemption from income tax where company derives normal income or mixed income before a date, and concessional income from that date

97ZF.—(1) Notwithstanding section 97ZE(1) to (4), this section shall apply where —

- (a) the company derives normal income or both normal income and concessional income from an approved project before a date (referred to in this section as the relevant date) in the basis period for a year of assessment (referred to in this section as the transitional year);
- (b) in the case where the company derives both normal income and concessional income from the approved project before the relevant date, the Minister, or such person as he may appoint, has directed under section 97ZD(3) for any IIA given for any fixed capital expenditure on any qualifying equipment for the project to be credited wholly to the normal IIA account; and

(c) the company derives concessionary income from the approved project commencing from the relevant date to the end of the basis period for the transitional year.

(2) Subject to subsection (5), any credit in the normal IIA account at the end of the basis period for the year of assessment immediately before the transitional year shall be debited with the amount of net chargeable normal income of the company for the transitional year.

(3) Where the company has incurred any fixed capital expenditure on any qualifying equipment before the relevant date in the basis period for the transitional year, any IIA given to the company for the fixed capital expenditure for the transitional year shall be credited to the normal IIA account.

(4) Where the company has incurred any fixed capital expenditure on any qualifying equipment on or after the relevant date in the basis period for the transitional year, any IIA given to the company for the fixed capital expenditure for the transitional year shall be credited to the concessionary IIA account.

(5) The normal IIA account shall be debited with the amount of net chargeable normal income of the company for the transitional year or the credit in that account, whichever is the less; and any remaining balance in that account shall be debited from that account and credited to the concessionary IIA account to be used in accordance with section 97ZE(4) for the transitional year and every subsequent year of assessment when the company has net chargeable concessionary income, until the credit in the concessionary IIA account has been fully used up.

(6) Any amount of net chargeable normal income of a company debited from the normal IIA account under subsection (2) or (5) shall be exempt from tax.

**Exemption from income tax where company derives
concessionary income or mixed income before a date, and
normal income from that date**

97ZG.—(1) Notwithstanding section 97ZE(1) to (4), this section shall apply where —

- (a) the company derives concessionary income or both normal income and concessionary income from an approved project before a date (referred to in this section as the relevant date) in the basis period for a year of assessment (referred to in this section as the transitional year);
- (b) in the case where the company derives both normal income and concessionary income from an approved project before the relevant date, the Minister, or such person as he may appoint, has directed under section 97ZD(3) for any IIA given for any fixed capital expenditure on any qualifying equipment for the project to be credited wholly to the concessionary IIA account; and
- (c) the company derives normal income from the approved project commencing from the relevant date to the end of the basis period for the transitional year.

(2) Subject to subsection (5), any credit in the concessionary IIA account at the end of the basis period for the year of assessment immediately before the transitional year shall be debited with the amount of net chargeable concessionary income of the company for the transitional year.

(3) Where the company has incurred any fixed capital expenditure on any qualifying equipment before the relevant date in the basis period for the transitional year, any IIA given to the company for the fixed capital expenditure for the transitional year shall be credited to the concessionary IIA account.

(4) Where the company has incurred any fixed capital expenditure on any qualifying equipment on or after the relevant date in the basis period for the transitional year, any

IIA given to the company for the fixed capital expenditure for the transitional year shall be credited to the normal IIA account.

(5) The concessionary IIA account shall be debited with the amount of net chargeable concessionary income for the transitional year or the credit in that account, whichever is the less; and any remaining balance in that account shall be debited from that account and credited to the normal IIA account to be used in accordance with section 97ZE(1), (2) and (3) for the transitional year and every subsequent year of assessment when the company has net chargeable normal income or net chargeable concessionary income, until the credit in the normal IIA account has been fully used up.

(6) Any amount of net chargeable concessionary income of a company debited from the concessionary IIA account under subsection (2) or (5) shall be exempt from tax.

Prohibition against selling, leasing out or disposing of qualifying equipment

97ZH.—(1) A company shall not, without the written approval of the Minister, sell, lease out (except to the project company) or otherwise dispose of any qualifying equipment in respect of which an IIA has been given to the company, during the qualifying period of the equipment and within 2 years after the end of such qualifying period.

(2) Where the company has contravened subsection (1), an amount equal to the aggregate of the IIA given in respect of that qualifying equipment shall be recovered in the following manner:

- (a) where the IIA given had been credited to the normal IIA account —
 - (i) the amount of the IIA shall be deducted from that account; and
 - (ii) where the credit in that account is insufficient to enable full recovery of the IIA, an assessment or additional assessment in respect of the shortfall

shall, subject to section 74 of the Income Tax Act (Cap. 134), be made upon the company; and

(b) where the IIA given had been credited to the concessionary IIA account —

(i) the amount of the IIA shall be deducted from that account; and

(ii) where the credit in that account is insufficient to enable full recovery of the IIA, an assessment or additional assessment in respect of the shortfall shall, subject to section 74 of the Income Tax Act, be made upon the company.

(3) The Minister may waive, wholly or partly, the recovery of the IIA under subsection (2).

Recovery of tax

97ZI. Notwithstanding any other provisions in this Part, where it appears to the Comptroller that any income of a company exempted under section 97ZE, 97ZF or 97ZG ought not to have been exempted by reason of a revocation under section 99 of the approval letter issued under section 97ZB to the company, the Comptroller may, subject to section 74 of the Income Tax Act (Cap. 134), make such assessment or additional assessment upon the company as may be necessary in order to recover the tax so exempted.

Application of Parts XVII and XVIII of Income Tax Act

97ZJ. Parts XVII and XVIII of the Income Tax Act (Cap. 134) (relating to assessments, objections and appeals) shall apply, with the necessary modifications, to any assessment or additional assessment given under section 97ZI as if it were a notice of assessment given under those provisions.”.

Amendment of section 104

6. Section 104 of the principal Act is amended —

- (a) by deleting the words “74(2), 97Q(1) to (7) and (10) and 97ZI(1) to (8)” in paragraph (a) and substituting the words “74(2) and 97Q(1) to (7) and (10)”; and
- (b) by deleting the words “73, 97Q(8) and 97ZI(9)” in paragraph (b) and substituting the words “73 and 97Q(8)”.

Related and consequential amendments to Income Tax Act

7. The Income Tax Act (Cap. 134) is amended —

- (a) by inserting, immediately after subsection (2I) of section 19A, the following subsection:
 - “(2IA) No allowance under subsections (2A) and (2B) shall be made to any person in respect of any amount of capital expenditure incurred on the provision of PIC automation equipment for which an integrated investment allowance has been claimed under Part XIID of the Economic Expansion Incentives (Relief from Income Tax) Act.”;
- (b) by deleting paragraph (a) of section 19A(2J);
- (c) by deleting the words “and investment allowance under Part X of the Economic Expansion Incentives (Relief from Income Tax) Act (Cap. 86)” in the definition of “assessable income” in section 37C(19) and substituting the words “, investment allowance under Part X of the Economic Expansion Incentives (Relief from Income Tax) Act (Cap. 86) and integrated investment allowance under Part XIID of that Act”; and
- (d) by inserting, immediately after the words “investment allowance under Part X of the Economic Expansion Incentives (Relief from Income Tax) Act (Cap. 86)” in paragraph (a) of the definition of “assessable income” in

section 37E(17), the words “, integrated investment allowance under Part XIID of that Act”.
