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INCOME TAX ACT
(CHAPTER 134)

INCOME TAX
(PRODUCTIVITY AND INNOVATION CREDIT PLUS SCHEME) REGULATIONS 2015

ARRANGEMENT OF REGULATIONS

In exercise of the powers conferred by section 37IC(3) of the Income Tax Act, the Minister for Finance hereby makes the following Regulations:

PART 1

PRELIMINARY

Citation, commencement and application

1.—(1) These Regulations may be cited as the Income Tax (Productivity and Innovation Credit Plus Scheme) Regulations 2015 and shall come into operation on 16 January 2015.

(2) These Regulations have effect for the years of assessment 2015, 2016, 2017 and 2018.

Meaning of "qualifying persons" and "qualifying conditions"

2.—(1) For the purposes of section 37IC of the Act and these Regulations, a qualifying person for any year of assessment set out in the first column of the following table, is a person who meets the qualifying conditions in the corresponding year of assessment set out opposite in the second column of the table:

First column	*Second column*

Year of assessment	*Corresponding year of assessment*
2015	2014 or 2015
2016	2015 or 2016
2017	2015, 2016 or 2017
2018	2015, 2016, 2017 or 2018.

(2) In these Regulations, a person meets the qualifying conditions in a year of assessment if the person carries on a trade, profession or business in Singapore in the basis period for that year of assessment, and —

(*a*) for a person that is a company which is not part of a group, if the person —

(i) derives not more than $100 million in turnover in that basis period; or

(ii) employs not more than 200 employees as at the last day of that basis period;

(*b*) for a person that is a company which is part of a group, if all entities in the group —

(i) derive, in total, not more than $100 million in turnover in that basis period; or

(ii) employ, in total, not more than 200 employees as at the last day of that basis period;

(*c*) for a person who is an individual sole proprietor, if the person —

(i) derives not more than $100 million in that basis period from all of the person's trades, professions and businesses carried on through sole-proprietorships; or

(ii) employs, in respect of all of those trades, professions and businesses, not more than 200 employees as at the last day of that basis period;

(*d*) for a person that is a partnership which is either under the control of a single partner who is an individual, or over which no single partner has control, if the partnership —

(i) derives not more than $100 million in turnover in the basis period; or

(ii) employs not more than 200 employees as at the last day of the basis period; or

(*e*) for a person that is a partnership under the control of a single partner which is a company, if, collectively, the partnership, the company, and all other entities in the group of which the partnership and the company are parts —

(i) derive, in total, not more than $100 million in turnover in the basis period; or

(ii) employ, in total, not more than 200 employees as at the last day of the basis period.

(3) In paragraph (2)(*d*) and (*e*), whether or not a partnership is under the control of a partner is determined in accordance with FRS 27 or FRS 110, whichever is applicable to the partnership.

(4) In this regulation —

"FRS 27" means the financial reporting standard known as Financial Reporting Standard 27 (Consolidated and Separate Financial Statements) that is treated as made by the Accounting Standards Council under Part III of the Accounting Standards Act (Cap. 2B), as amended from time to time;

"FRS 110" means the financial reporting standard known as Financial Reporting Standard 110 (Consolidated Financial Statements) that is treated as made by the Accounting Standards Council under Part III of the Accounting Standards Act, as amended from time to time;

"group" means a group of entities (whether incorporated or registered in Singapore or elsewhere) comprising a parent and its subsidiaries within the meaning of FRS 27 or FRS 110, whichever is applicable to the person.

Meaning of "PIC provisions", "affected amounts", "subsection (2) amounts" and "qualifying expenditure"

3.—(1) In these Regulations, a PIC provision is —

(*a*) in the case of Part 2 of these Regulations, section 14A(1B), 14DA(2), 14R(2), 14S(2), 14T(2), 14W(1), 19A(2B) or 19B(1B) of the Act; or

(*b*) in the case of Part 3 of these Regulations, section 14A(1BA), 14DA(2), 14R(2A), 14S(2AA), 14T(2A), 14W(4), 19A(2BAA) or 19B(1BAA) of the Act.

(2) In these Regulations, the affected amount of a PIC provision is —

(*a*) if the PIC provision is section 14DA(2) of the Act —

(i) the sum of the amounts represented by the letters U, V, W and X in that provision that pertain to the year of assessment in question; or

(ii) if the sum referred to in sub-paragraph (i) exceeds the specified amount in section 14DA(4) of the Act (as modified by regulation 5, 7, 9 or 11) that pertains to that year of assessment, the sum of the amounts represented by the letters Y and Z in section 14DA(2) of the Act that pertain to that year of assessment; or

(*b*) if the PIC provision is any other PIC provision, the amount represented by the letter A in the PIC provision that pertains to the year of assessment in question.

(3) In these Regulations, "subsection (2) amount", in relation to any year of assessment, has the meaning given to that expression in section 14DA(6) of the Act.

(4) In these Regulations, the qualifying expenditure for a PIC provision in the first column of the following table is the expenditure set out opposite that PIC provision in the second column of the table:

First column	*Second column*
PIC provision	*Expenditure*
Section 14A(1B) or (1BA) of the Act	Qualifying intellectual property registration costs as defined in section 14A of the Act
Section 14DA(2) of the Act	Qualifying expenditure as defined in section 14DA of the Act
Section 14R(2) or (2A) of the Act	Qualifying training expenditure as defined in section 14R of the Act
Section 14S(2) or (2AA) of the Act	Qualifying design expenditure as defined in section 14S of the Act
Section 14T(2) or (2A) of the Act	Expenditure on the leasing of any PIC automation equipment, or procuring of cloud computing services as defined in section 14T of the Act
Section 14W(1) or (4) of the Act	Expenditure on the licensing from another of any qualifying intellectual property rights as defined in section 14W of the Act
Section 19A(2B) or (2BAA) of the Act	Capital expenditure on the provision of any PIC automation equipment (including any capital expenditure treated as capital expenditure incurred on the provision of PIC automation equipment under section 19A(16A) of the Act)
Section 19B(1B) or (1BAA) of the Act	Capital expenditure on acquiring any intellectual property rights.

PART 2

QUALIFYING PERSONS FOR YEAR OF ASSESSMENT 2015

Computation of enhanced deduction or allowance

4.—(1) In computing the enhanced deduction or allowance under a PIC provision (except section 14DA(2) of the Act) for a qualifying person for the year of assessment 2015 for qualifying expenditure incurred in the basis period for that year of assessment, the affected amount in that PIC provision is to be substituted with the lower of the following:

(*a*) the amount of that expenditure;

(*b*) the balance after deducting from $1,400,000, the lower of the following:

(i) the sum of the same description of expenditure incurred in the basis periods for the years of assessment 2013 and 2014;

(ii) $1,200,000.

(2) If the qualifying person does not carry on any trade, profession or business in the basis period for either of the years of assessment 2013 and 2014, the references to "$1,400,000" and "$1,200,000" in paragraph (1)(*b*) are to be substituted with "$1,000,000" and "$800,000", respectively.

(3) If the qualifying person does not carry on any trade, profession or business in the basis periods for both the years of assessment 2013 and 2014, the balance referred to in paragraph (1)(*b*) is to be substituted with "$600,000".

(4) To avoid doubt, the expenditure incurred in the basis period for the year of assessment 2013 or 2014 is to be omitted from the sum in paragraph (1)(*b*) if the qualifying person does not carry on any trade, profession or business in that basis period.

Modification of manner of computing deduction under section 14DA of Act

5.—(1) In computing the enhanced deduction under section 14DA(2) of the Act for a qualifying person for the year of assessment 2015, for qualifying expenditure incurred in the basis period for that year of assessment, the specified amount in section 14DA(4) of the Act is to be substituted with an amount computed in the following manner:

$1,400,000	-	the subsection (2) amounts for the years of assessment 2013 and 2014.

(2) If the qualifying person does not carry on any trade, profession or business in the basis period for either of the years of assessment 2013 and 2014, the reference to "$1,400,000" in paragraph (1) is to be substituted with "$1,000,000".

(3) If the qualifying person does not carry on any trade, profession or business in the basis periods for both the years of assessment 2013 and 2014, the reference to "$1,400,000" in paragraph (1) is to be substituted with "$600,000".

(4) To avoid doubt, no deduction is to be made under paragraph (1) of the subsection (2) amount for the year of assessment 2013 or 2014 if the qualifying person does not carry on any trade, profession or business in the basis period for that year of assessment.

PART 3

QUALIFYING PERSONS FOR YEARS OF ASSESSMENT 2016, 2017 AND 2018

Computation of enhanced deduction or allowance for qualifying persons for YA2016, YA2017 and YA2018, who meet qualifying conditions in YA2015 or YA2016

6.—(1) This regulation applies to a qualifying person for the year of assessment 2016, 2017 or 2018, who meets the qualifying conditions in the year of assessment 2015 or 2016.

(2) In computing the enhanced deduction or allowance under a PIC provision (except section 14DA(2) of the Act) for a qualifying person for qualifying expenditure incurred in the basis period for the year of assessment 2016, 2017 or 2018, the affected amount in the PIC provision is to be substituted with —

(*a*) for the year of assessment 2016, a sum (X) that is the lower of the following:

(i) the amount of the qualifying expenditure incurred in the basis period for the year of assessment 2016;

(ii) $1,800,000;

(*b*) for the year of assessment 2017, a sum (Y) that is the lower of the following:

(i) the amount of the qualifying expenditure incurred in the basis period for the year of assessment 2017;

(ii) the balance after deducting from $1,800,000 the sum X; and

(*c*) for the year of assessment 2018, the lower of the following:

(i) the amount of the qualifying expenditure incurred in the basis period for the year of assessment 2018;

(ii) the balance after deducting from $1,800,000 the sum X and the sum Y.

(3) If the qualifying person does not carry on any trade, profession or business in the basis period for any one year of assessment between the years of assessment 2016 and 2018 (both years inclusive), the references to "$1,800,000" in the sub-paragraphs of paragraph (2) that are applicable to the other 2 years of assessment are each to be substituted with "$1,200,000".

(4) If the qualifying person does not carry on any trade, profession or business in the basis periods for any 2 years of assessment between the years of assessment 2016 and 2018 (both years inclusive), the reference to "$1,800,000" in the sub-paragraph of paragraph (2) that is applicable to the remaining year of assessment is to be substituted with "$600,000".

(5) To avoid doubt —

(*a*) if the qualifying person does not carry on any trade, profession or business in the basis period for the year of assessment 2016, no deduction is to be made under paragraph (2)(*b*)(ii) or (*c*)(ii) of the sum X; and

(*b*) if the qualifying person does not carry on any trade, profession or business in the basis period for the year of assessment 2017, no deduction is to be made under paragraph (2)(*c*)(ii) of the sum Y.

Modification of manner of computing deduction under section 14DA of Act for qualifying persons referred to in regulation 6

7.—(1) In computing the enhanced deduction under section 14DA(2) of the Act for a qualifying person referred to in regulation 6(1), for qualifying expenditure for that section incurred in the basis period for the year of assessment 2016, 2017 or 2018, the specified amount in section 14DA(4) of the Act is to be substituted with —

(*a*) for the year of assessment 2016, $1,800,000;

(*b*) for the year of assessment 2017, the amount derived by the following formula:

$1,800,000 - the subsection (2) amount for the year of assessment 2016; and

(*c*) for the year of assessment 2018, the amount derived by the following formula:

$1,800,000 - the subsection (2) amounts for the years of assessment 2016 and 2017.

(2) If the qualifying person does not carry on any trade, profession or business in the basis period for any one year of assessment between the years of assessment 2016 and 2018 (both years inclusive), the references to "$1,800,000" in the sub-paragraphs of paragraph (1) that

apply to the other 2 years of assessment are each to be substituted with "$1,200,000".

(3) If the qualifying person does not carry on any trade, profession or business in the basis periods for any 2 years of assessment between the years of assessment 2016 and 2018 (both years inclusive), the reference to "$1,800,000" in the sub-paragraph of paragraph (1) that applies to the remaining year of assessment is to be substituted with "$600,000".

(4) To avoid doubt, no deduction is to be made under the applicable formula in paragraph (1)(*b*) or (*c*) of the subsection (2) amount for any year of assessment if the qualifying person does not carry on any trade, profession or business in the basis period for that year of assessment.

Computation of enhanced deduction or allowance for qualifying persons for YA2017 and YA2018, who do not meet qualifying conditions in YA2015 and YA2016

8.—(1) This regulation applies to a qualifying person for the year of assessment 2017 or 2018, who does not meet the qualifying conditions in both the years of assessment 2015 and 2016 because of the person's failure to satisfy regulation 2(2)(*a*), (*b*), (*c*), (*d*) or (*e*) (whichever is applicable).

(2) In computing the enhanced deduction or allowance under a PIC provision (except section 14DA(2) of the Act) for a qualifying person for qualifying expenditure incurred in the basis period for the year of assessment 2017 or 2018, the affected amount in the PIC provision is to be substituted with —

(*a*) for the year of assessment 2017, a sum (X) that is the lower of the following:

(i) the amount of the qualifying expenditure incurred in the basis period for the year of assessment 2017;

(ii) the balance after deducting from $1,600,000 a sum (Y) that is the lower of the following:

(A) the amount of the same description of qualifying expenditure incurred in the basis period for the year of assessment 2016;

(B) $1,200,000; and

(*b*) for the year of assessment 2018, the lower of the following:

(i) the amount of the qualifying expenditure incurred in the basis period for the year of assessment 2018;

(ii) the balance after deducting from $1,600,000, the sum X and the sum Y.

(3) If the qualifying person does not carry on any trade, profession or business in the basis period for the year of assessment 2016, the references to "$1,600,000" in paragraph (2)(*a*)(ii) and (*b*)(ii) are each to be substituted with "$1,200,000".

(4) If the qualifying person does not carry on any trade, profession or business in the basis period for the year of assessment 2018, the references to "$1,600,000" and "$1,200,000" in paragraph (2)(*a*)(ii) are to be substituted with "$1,000,000" and "$800,000", respectively.

(5) If the qualifying person does not carry on any trade, profession or business in the basis periods for both the years of assessment 2016 and 2018, the balance referred to in paragraph (2)(*a*)(ii) is to be substituted with "$600,000".

(6) To avoid doubt, if the qualifying person does not carry on any trade, profession or business in the basis period for the year of assessment 2016, no deduction is to be made under paragraph (2)(*a*)(ii) or (*b*)(ii) of the sum Y.

Modification of manner of computing deduction under section 14DA of Act for qualifying persons referred to in regulation 8

9.—(1) In computing the enhanced deduction under section 14DA(2) of the Act for a qualifying person referred to in regulation 8(1), for qualifying expenditure for that section incurred in the basis period for the year of assessment 2017 or 2018, the specified amount in section 14DA(4) of the Act is to be substituted with —

(*a*) for the year of assessment 2017, the amount derived by the following formula:

$1,600,000 - the subsection (2) amount for the year of assessment 2016; and

(*b*) for the year of assessment 2018, the amount derived by the following formula:

$1,600,000 - the subsection (2) amounts for the years of assessment 2016 and 2017.

(2) If the qualifying person does not carry on any trade, profession or business in the basis period for the year of assessment 2016, the references to "$1,600,000" in paragraph (1)(*a*) and (*b*) are each to be substituted with "$1,200,000".

(3) If the qualifying person does not carry on any trade, profession or business in the basis period for the year of assessment 2018, the reference to "$1,600,000" in paragraph (1)(*a*) is to be substituted with "$1,000,000".

(4) If the qualifying person does not carry on any trade, profession or business in the basis periods for both the years of assessment 2016 and 2018, the reference to "$1,600,000" in paragraph (1)(*a*) is to be substituted with "$600,000".

(5) To avoid doubt, no deduction is to be made under the applicable formula in paragraph (1)(*a*) or (*b*) of the subsection (2) amount for any year of assessment if the qualifying person does not carry on any trade, profession or business in the basis period for that year of assessment.

Computation of enhanced deduction or allowance for qualifying persons for YA2018, who do not meet qualifying conditions in YA2015, YA2016 and YA2017

10.—(1) This regulation applies to a qualifying person for the year of assessment 2018, who does not meet the qualifying conditions in all of the years of assessment 2015, 2016 and 2017 because of the person's failure to satisfy regulation 2(2)(*a*), (*b*), (*c*), (*d*) or (*e*) (whichever is applicable).

(2) In computing the enhanced deduction or allowance under a PIC provision (except section 14DA(2) of the Act) for a qualifying person for qualifying expenditure incurred in the basis period for the year of assessment 2018, the affected amount in the PIC provision is to be substituted with the lower of the following:

(*a*) the amount of the qualifying expenditure incurred in the basis period for the year of assessment 2018;

(*b*) the balance after deducting from $1,400,000 both of the following:

(i) a sum (X) that is the lower of the following:

(A) the amount of the same description of qualifying expenditure incurred in the basis period for the year of assessment 2016;

(B) $1,200,000;

(ii) a sum (Y) that is the lower of the following:

(A) the amount of the same description of qualifying expenditure incurred in the basis period for the year of assessment 2017;

(B) the balance after deducting from $1,200,000 the sum X.

(3) If the qualifying person does not carry on any trade, profession or business during the basis period for either of the years of assessment 2016 and 2017, the references to "$1,400,000" and "$1,200,000" in paragraph (2)(*b*) are to be substituted with "$1,000,000" and "$800,000", respectively.

(4) If the qualifying person does not carry on any trade, profession or business during the basis periods for both the years of assessment 2016 and 2017, the balance referred to in paragraph (2)(*b*) is to be substituted with "$600,000".

(5) To avoid doubt —

(*a*) if the qualifying person does not carry on any trade, profession or business during the basis period for the year of assessment 2016, no deduction is to be made under paragraph (2)(*b*) of the sum X; and

(*b*) if the qualifying person does not carry on any trade, profession or business during the basis period for the year of assessment 2017, no deduction is to be made under paragraph (2)(*b*) of the sum Y.

Modification of manner of computing deduction under section 14DA of Act for qualifying persons referred to in regulation 10

11.—(1) In computing the enhanced deduction under section 14DA(2) of the Act for a qualifying person referred to in regulation 10(1), for qualifying expenditure for that section incurred in the basis period for the year of assessment 2018, the specified amount in section 14DA(4) of the Act is to be substituted with the amount derived by the following formula:

$1,400,000 - the subsection (2) amounts for the years of assessment 2016 and 2017.

(2) If the qualifying person does not carry on any trade, profession or business in the basis period for either of the years of assessment 2016 and 2017, the reference to "$1,400,000" in paragraph (1) is to be substituted with "$1,000,000".

(3) If the qualifying person does not carry on any trade, profession or business in the basis periods for both the years of assessment 2016 and 2017, the reference to "$1,400,000" in paragraph (1) is to be substituted with "$600,000".

(4) To avoid doubt, no deduction is to be made under the formula in paragraph (1) of the subsection (2) amount for any year of assessment if the qualifying person does not carry on any trade, profession or business in the basis period for that year of assessment.

Made on 8 January 2015.

LIM SOO HOON
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