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**INCOME TAX ACT
(CHAPTER 134)**

**INCOME TAX (EXEMPTION OF ROYALTIES AND OTHER
PAYMENTS FOR ECONOMIC AND TECHNOLOGICAL
DEVELOPMENT) NOTIFICATION 2001**

ARRANGEMENT OF PARAGRAPHS

Paragraph

1. Citation
 - 1A. Definitions
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 3. Terms and conditions of exemption under paragraph 2
 4. Exemption for site licence, etc.
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In exercise of the powers conferred by section 13(4) of the Income Tax Act, the Minister for Finance hereby makes the following Notification:

Citation

1. This Notification may be cited as the Income Tax (Exemption of Royalties and Other Payments for Economic and Technological Development) Notification 2001.

Definitions

1A. For the purposes of this Notification —

“downloadable software” means software downloaded by an end-user from the Internet or a network for a fee and where the end-user only receives the right to use the software but is not permitted to reverse engineer, decompile, or disassemble the software;

“end-user” means an user who acquires the right to run the software on a single computer or computer network but does not have the right to exploit the copyright to the software;

“maintenance and support services” includes software technical support via telephone or on-line services, delivery of updates or upgrades, remote correction of defects, or installation services provided in connection with a site licence;

“site licence” means a software licence where —

- (a) the licensee only receives the right to use the software but is not permitted to reverse engineer, decompile, or disassemble the software, or exploit the copyright to the software; and
- (b) the licensee is permitted to install the software on any number of computers or servers for operation within its own business, location or facility,

and includes any maintenance and support services that are not priced separately and are incidental to the grant of the software licence;

“software bundled with computer hardware” means software that has been pre-installed in the computer hardware and is distributed under the following conditions:

- (a) the software and computer hardware are sold together as a single product without being priced separately;
- (b) the buyer only receives the right to use the software on the computer hardware; and
- (c) the buyer is not permitted to reverse engineer, decompile, or disassemble the software, or resell the software on its own.

[S 267/2001 wef 09/05/2001]

Exemption for shrink-wrap software

2. Subject to paragraph 3, there shall be exempt from tax any payment made for shrink-wrap software in the nature of income referred to in section 12(7) of the Act accruing in or derived from

Singapore during the period from 1 January 2001 to 27 February 2013 (both dates inclusive) by any non-resident person.

[S 136/2015 wef 28/02/2013]

Terms and conditions of exemption under paragraph 2

3. The exemption under paragraph 2 shall apply only if the payment for shrink-wrap software —

(a) is for software distributed only in the form of compact discs or floppy diskettes in wrapped boxes accompanied by shrink-wrapped licences granting the purchaser the right to use the software under the following conditions:

- (i) the purchaser only receives the right to use the software but is not permitted to modify it in any way;
- (ii) the purchaser is not licensed to reverse engineer, decompile, or disassemble the computer program; and
- (iii) the purchaser may resell his copy of the software as long as any other copies he has made are destroyed and the same terms and conditions of the licence are imposed on the subsequent purchaser; and

(b) is made to a non-resident person and the payment —

- (i) is not derived by that person from any trade or business carried on or exercised by him in Singapore; and
- (ii) is not effectively connected with any permanent establishment in Singapore.

[S 267/2001 wef 09/05/2001]

Exemption for site licence, etc.

4. Subject to paragraph 5, there shall be exempt from tax any payment made for —

- (a) a site licence;
- (b) downloadable software; or
- (c) software bundled with computer hardware,

in the nature of income referred to in section 12(7) of the Act accruing in or derived from Singapore during the period from 23 February 2001

to 27 February 2013 (both dates inclusive) by any non-resident person.

[S 267/2001 wef 09/05/2001]

[S 136/2015 wef 28/02/2013]

Terms and conditions of exemption under paragraph 4

5. The exemption under paragraph 4 shall apply only if the payment referred to in that paragraph is made to a non-resident person and the payment —

- (a) is not derived by that person from any trade or business carried on or exercised by him in Singapore; and
- (b) is not effectively connected with any permanent establishment in Singapore.

[S 267/2001 wef 09/05/2001]

Made this 21st day of February 2001.

LIM SIONG GUAN
*Permanent Secretary,
Ministry of Finance,
Singapore.*

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