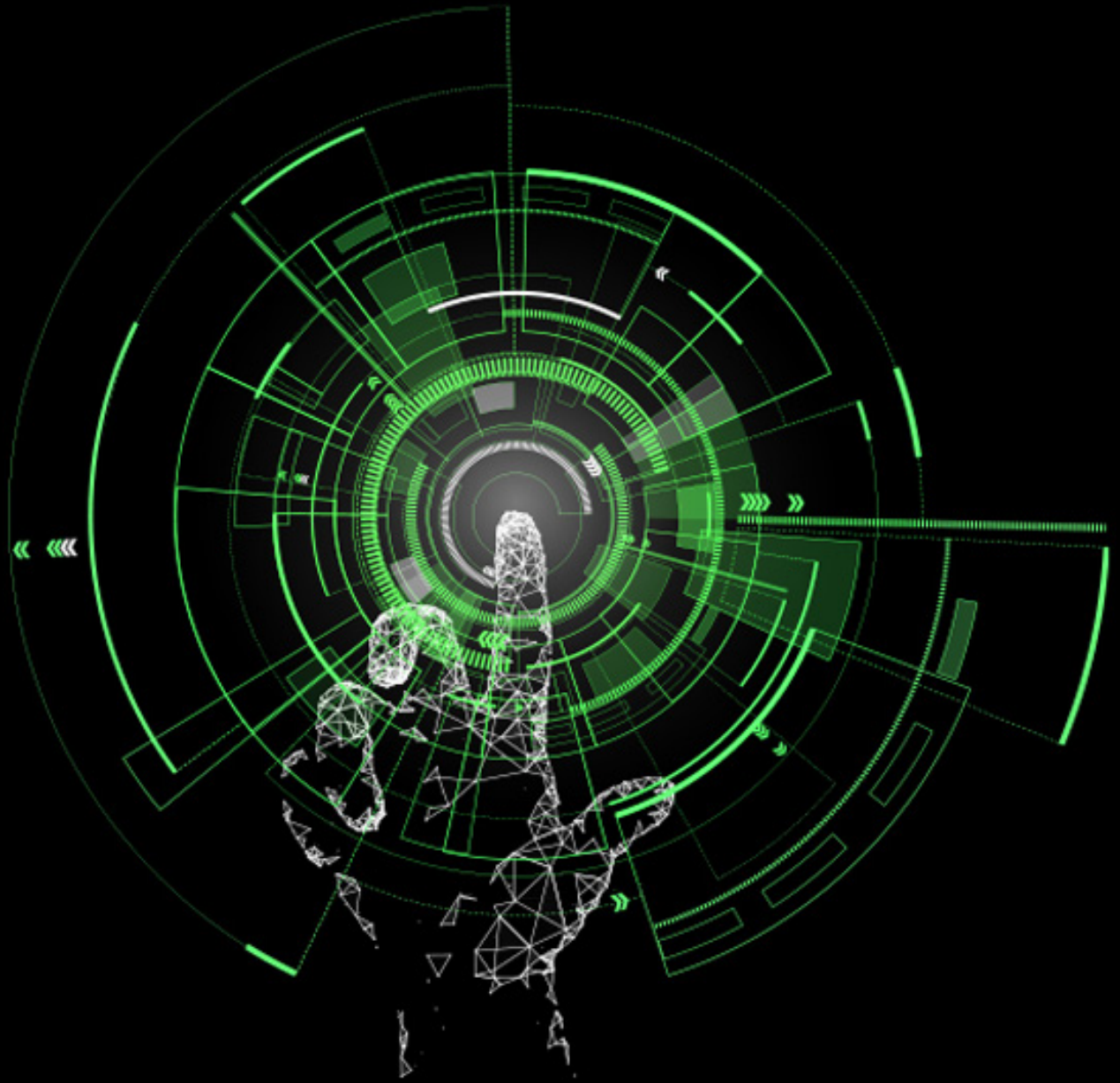


**Deloitte.**



**Research and Development (R&D)  
tax measures in Singapore**  
Incentivising your innovation journey



# Encouraging a culture of pervasive innovation

An attractive 250% tax deduction for local R&D, to provide a boost for your innovation journey

## R&D tax deductions in Singapore

Innovation continues to be a key driver in Singapore's ongoing journey as she transforms and strengthens her economy toward a future that holds challenges but also opportunities.

While the Government shifts some of its efforts toward programmes that provide more targeted support, the R&D tax incentive remains an attractive option for industries and companies that choose to innovate in traditional areas or wish to have greater control and direction over their R&D activities.

Singapore's R&D tax measures incentivises eligible R&D activities carried out in Singapore, performed in-house or outsourced or as part of any cost-sharing agreement, as long as the taxpayer is the beneficiary of the R&D activities.

Under the current R&D tax incentive regime, every dollar of qualifying expenditure spent on qualifying R&D activities can enjoy enhanced tax deductions of 250%.

Crucially, there is no expenditure cap imposed. However, qualifying expenditure for the enhanced 250% tax deduction are currently limited to local expenditure incurred for staff salaries and consumables, and presumably, the portion of outsourced



R&D expenditure (including payments made under cost sharing agreements) that relate to local staff salaries and consumables. The remaining expenditure on R&D activities continues to enjoy a 100% tax deduction.

## Qualifying R&D conditions

To qualify for the R&D tax incentive, a R&D project must meet the definition of R&D under Section 2 of the Income Tax Act. The following three requirements must be fulfilled:

1. The project objective is to:
  - i. Acquire new knowledge;
  - ii. Create new products or processes; or
  - iii. Improve existing products or processes.
2. The project involves novelty or technical risk; and
3. The project involves a systematic, investigative and experimental study in the field of science or technology.

**Note: Some activities are specifically excluded.**

## Assisting with R&D substantiation requirements

To access available R&D tax deductions, the Inland Revenue Authority of Singapore (IRAS) requires taxpayers to lodge a R&D claim in each income tax return for the relevant year of assessment on a project by project basis.

Detailed R&D claim forms must be lodged for each R&D project claimed. The claim forms are prescribed by the IRAS and includes details on how R&D activities claimed meet eligibility criteria, breakdown of R&D expenses claimed, etc.

Additional scientific/technical project reports may be submitted for each R&D project claimed to further substantiate that the R&D activities carried out qualifies as R&D for tax purposes. A suitable level of documentation must also be retained.

Detailed corresponding R&D expenditure breakdowns (staff costs, consumables, payments to R&D organisations) are also required on a project by project basis.

It is key to note that R&D claim forms are necessary whenever S14C/D R&D tax deductions are claimed, regardless of whether R&D activities qualify for enhanced deductions or for the base 100% deduction. This includes tax deductions for R&D activities undertaken overseas as well as for R&D expenses incurred under R&D cost sharing agreements.

Apart from substantiating R&D tax deduction claims, R&D activities documented on a contemporaneous manner may also be used to substantiate required R&D activities undertaken as part of Government incentives such as grants.

# The Deloitte advantage



## R&D tax services

We offer a full-service approach to assisting Companies throughout their entire R&D tax claim process. Our dedicated R&D tax team delivers value through the following services:

High-level identification of R&D activities and expenditure	R&D claims preparation and substantiation	R&D claims support and defence	R&D claim process optimisation
Work closely with your technical /in-house R&D and finance teams to obtain a better understanding of your business, which will enable the informed identification and assessment of the eligibility of R&D activities undertaken and associated R&D expenditure.	Coordination of the R&D claim preparation process, from detailed analysis of R&D activities and their associated costs to assistance with the preparation of robust technical & financial substantiation documentation, and timely submission of R&D tax claims.	Providing support to R&D claims lodged, information requests or objections from the IRAS as well as assisting in IRAS field visit preparation and audit resolution.	Advising on R&D claim preparation process improvements to facilitate the preparation and maintenance of contemporaneous R&D documentation for tax purposes.

## Proven methodology and framework

Preparing R&D tax claims involves complexities as it requires thorough analysis of scientific and technical R&D activities carried out, robust project cost scoping and breakdown methodologies, as well as detailed review of R&D documentation and financial substantiation against the IRAS' requirements.

Leveraging the established R&D tax incentive best practices obtained through our Global Deloitte network and our local experience with the IRAS, our methodology provides clients with an efficient framework to secure and optimise their R&D tax opportunities.

## Specialist G<sup>i</sup> team

We have established a multi-disciplinary Global Investment & Innovation Incentives (G<sup>i</sup>) team based in Singapore that specialises in R&D tax incentive claims. Our team is composed of experienced engineers with corporate tax backgrounds, and this enables both the fiscal and scientific/technical aspects of R&D tax claims to be fully understood and considered.

Our dedicated R&D tax team delivers value by bridging the gap between our clients' tax and technical/in-house R&D functions, and facilitating meetings/discussions with the IRAS where required. Our clients also benefit from Deloitte's frequent liaising with regulators at Singapore's Ministry of Finance and the IRAS to provide feedback on R&D tax measures.

## Benefits for our clients

Deloitte's proven methodology and experienced Singapore R&D tax team helps our clients:

- Bridge the gap between their tax and technical/in-house R&D functions.
- Accelerate the R&D claim preparation process.
- Thoroughly consider the scientific/technical issues associated with each R&D tax claim.

- Consider cost savings opportunities.
- Prepare and maintain robust R&D claim substantiation.
- Reduce internal administrative burden.
- Facilitate meeting/discussions with the IRAS.
- Defend R&D tax claims challenged by the IRAS.
- Put in place robust R&D tax claim processes.
- Improve R&D documentation processes.
- Benefit from regular feedback sessions with regulators.

If you would like to arrange for a one-on-one discussion or have any queries on the specifics of Singapore's R&D tax regime, please contact one of the Deloitte professionals listed.

# Your Deloitte contacts

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