

A top-down view of several petri dishes containing agar cultures. The central dish is the largest and shows a gradient from light blue to green. A blue inoculation loop is visible on the right side of this dish. Other dishes around the perimeter contain red, yellow, and light green cultures.

Deloitte.

Research and Development
(R&D) Tax Measures in
Singapore

Incentivising your innovation

An attractive R&D tax regime to incentivise your R&D investments

A very generous maximum 400% tax deduction for both local and offshore R&D, to help build up your R&D capability

R&D tax incentives in Singapore

In Singapore, enhanced R&D tax measures are available as part of the Government's Productivity and Innovation Credit (PIC) scheme to encourage businesses to undertake investments that build up their R&D capability, and improve innovation & productivity.

Under the PIC scheme, every dollar spent on qualifying activities until Year of Assessment (YA) 2018 would qualify for enhanced tax deductions or allowances of 400%, subject to an expenditure cap of \$400,000 per qualifying activity per YA. The expenditure cap is increased to \$600,000 for qualifying Small and Medium Enterprises (SMEs).

Singapore's R&D tax measures incentivises eligible R&D activities carried out in **Singapore or overseas**, 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.

Beyond the PIC expenditure cap, a 150% enhanced deduction still applies for qualifying R&D activities carried out in Singapore. This is uncapped.

The PIC scheme is set to expire after YA 2018.

Qualifying R&D conditions

To qualify for the R&D tax incentive, a R&D project must fall within 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
3. The project involves a systematic, investigative and experimental study in the field of science or technology.

Note: Some activities are specifically excluded.

Substantiation requirements

To access available R&D tax incentives, 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 scientific/technical project reports must be lodged for each R&D project claimed to substantiate that the R&D activities carried out qualifies as R&D for tax purposes. A suitable level of documentation must also be retained.

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



The Deloitte advantage



R&D tax services

Deloitte offers a full-service approach to assist Companies throughout their entire R&D tax claim process. Deloitte's specialist R&D tax team delivers value through the following services:

High-level identification of R&D activities and expenditures	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 expenditures	Coordination of the R&D claim preparation process, from detailed analysis of R&D activities and their associated expenditures to preparation of robust technical and financial substantiation and timely submission of R&D tax claims	Providing support to R&D claims lodged, information requests or challenges 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 the Global Deloitte network and Deloitte's local experience with the IRAS, our proven methodologies provide clients with an efficient framework that would consider all available R&D tax savings opportunities.

Specialist RDGI team

We have established a multi-disciplinary R&D and Government Incentives team based in Singapore that includes specialists in R&D tax incentive claims. The team is composed of experienced engineers and scientists 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.

Deloitte's specialist R&D 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 RDGI 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
- Thorough consideration of the scientific/technical issues associated with each R&D tax claim
- Consider tax savings opportunities
- Prepare robust R&D claim substantiation
- Reduce internal administrative burden
- Facilitate meetings/discussions with the IRAS
- Assist to defend R&D tax claims challenged by the IRAS
- Assist in putting in place robust R&D tax claim processes
- Improve R&D documentation processes
- Benefit from regular feedback sessions with regulators

Deloitte's specialist RDGI tax team bridges the gap between the tax and R&D functions to identify R&D tax saving opportunities.

Your Deloitte contacts

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