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January 13, 2016

Dear Sirs

Income Tax : Year of Assessment 2016
Basis Period : Financial Year Ended December 31, 2015

We would like to advise you of the following as we enter the year 2016: -

SINGAPORE INCOME TAX

1. Annual Income Tax Return

The 2016 Annual Income Tax Return ("Form C") will be issued by the Inland Revenue Authority of Singapore ("IRAS") shortly. Please forward the relevant Forms to us as soon as you receive them so that we can ensure their timely submission to the IRAS.

Eligible companies with annual revenue of S$1 million or below will be able to file their tax return using a simplified tax form, known as Form C-S. With Form C-S, eligible companies will only need to furnish essential tax and financial information and are not required to submit their financial accounts and tax computations. However, the financial accounts and tax computations are to be retained and submitted upon IRAS's request.

For the Year of Assessment 2016, the filing deadline is: -

- **30 November 2016** for paper submissions of Form C / Form C-S; and
- **15 December 2016** for electronic submissions of Form C / Form C-S

Please note that the IRAS has indicated that no extension will be granted beyond the abovementioned filing deadlines and **penalties are likely to be imposed** for late filing.

To enable us to prepare the income tax returns and assist the company in meeting the filing deadline, it is important that all details requested in Appendix II (Tax Schedules - see point 6, Page 5) are furnished to us as soon as possible and, in any event, not later than April 30, 2016.

2. Estimated Chargeable Income

It is provided under the Income Tax Act ("ITA") that any person (including a company) is required to furnish an estimate of its chargeable income ("ECI") within three months from the end of its financial year.

However, the IRAS has granted an administrative concession in which companies with **annual revenue not exceeding S$1 million** and with **Nil ECI** will not be required to file ECI.

When declaring their ECI, companies are also required to declare the amount of their revenue in the ECI Form, and to submit the ECI Form using their Unique Entity Number ("UEN"). Please provide us with an estimate of your revenue and chargeable income, and your UEN, by completing the enclosed Statement A and returning it to us before **January 19, 2016** in order to enjoy the maximum number of instalments.

The estimate should be computed in good faith and be reasonably accurate. Otherwise, the IRAS may raise an assessment based on their own estimate, which may be excessive. In addition, the IRAS may request for reasons for any material difference in the estimated tax and actual tax.

Companies that qualify for group relief under the loss transfer system may factor in the effect of group relief in the computation of their ECI. The quantum of group relief may be based on the provisional tax computations of both the claimant company and the transferor company at the time of submission of ECI. However, the Form GR-A and Form GR-B are not required to be submitted at this stage.

Please advise us as to whether you wish to file your ECI electronically for the Year of Assessment 2016. Please note that the number of instalments allowed for e-filing is twice the number of instalments allowed for paper-filing. In order for us to e-file the ECI on your behalf, we will have to be duly authorised by you via the IRAS "E-Services Authorisation System" (EASY). This system can be accessed via the IRAS website: www.iras.gov.sg

If you have yet to authorise us via EASY, please proceed to do so by following the steps below:

Steps to authorise Deloitte & Touche LLP via EASY to access IRAS e-services:

1) Log-in to EASY with the company's access code (please request for a new code if the company does not have one or if the access code previously issued by IRAS has expired)
2) Select the item "To authorise Third Party to act for my tax matters"
3) Enter the UEN for Deloitte & Touche LLP: T08LL0721A
4) Enter the effective year of assessment of authorisation: E.g. Year of Assessment 2016

Please inform us once you have completed the authorisation process. Please note that the authorisation for the company's previous tax agent must be revoked before the authorisation of a new tax agent can be added.

3. Group Relief System

Under the group relief system, a company (known as "transferor company") belonging to a group may transfer its current year unabsorbed capital allowances, current year unabsorbed tax losses and current year unabsorbed donations (collectively referred to as "qualifying deductions") to another company (known as "claimant company") belonging to the same group for deduction against the assessable income of the claimant company.

The availability of group relief is subject to the following:

a) The group relief is available to companies belonging to the same group of companies, and the transferor company and the claimant company must have the same accounting year;

b) The group relief is confined to the specified qualifying deductions; and

c) The group relief is subject to rules governing the order of transfer of qualifying deductions and the restriction on the quantum to be transferred.

For the purposes of the group relief system, a group must consist of a Singapore incorporated holding company and its Singapore incorporated group members, with at least 75% effective beneficial ownership. Any holdings by or through non-Singapore incorporated companies (such as foreign company, individual, association, etc) will be disregarded.

Companies that wish to transfer or claim qualifying deductions to or from members of the same group under the group relief system are required to make an application by submitting the Form GR-A (for the transferor company) or Form GR-B (for the claimant company), together with their annual tax returns to the Comptroller of Income Tax. Such an application is final and irrevocable. Failure to furnish the relevant application form at the time of submission of the annual tax returns for any year of assessment will disqualify the company for group relief for that year of assessment.

We would be pleased to discuss with you on the specific situation of your group of companies and advise you whether or not your group of companies is eligible for group relief.

4. Carry-Back Relief System

Under the carry-back relief system, a company is able to carry-back its current year unabsorbed losses and capital allowances of up to S$100,000 for set-off against its assessable income of the immediate preceding year of assessment. Unabsorbed donations do not qualify for carry-back relief.

Companies that wish to claim carry-back relief are required to satisfy the following conditions:

a) Unabsorbed losses

For the carry-back of the current-year unabsorbed losses, the shareholders of the company on the first day (i.e. January 1) of the year in which the losses were incurred must be substantially the same as the shareholders of the company on the last day (i.e. December 31) of the relevant preceding year of assessment.

b) Unabsorbed capital allowances

For the carry-back of current-year unabsorbed capital allowances, the company must carry on the same business in the basis period for the current year of assessment and the relevant preceding year of assessment. In addition, the shareholders of the company on the first day (i.e. January 1) of the year in which the capital allowances arose must be substantially the same as the shareholders of the company on the last day (i.e. December 31) of the relevant preceding year of assessment.

"Substantially the same" has the same meaning as that for the carry-forward of unabsorbed losses, capital allowances and donations. That is, 50% or more of the total number of issued shares of the company must be held by or on behalf of the same shareholders at the relevant dates.

Where there is a substantial change in the shareholders, and the change is not for the purpose of deriving any tax benefit or obtaining any tax advantage, the Minister has a discretion to exempt the company from the shareholding test. Upon an exemption, the company can only deduct the current year unabsorbed losses and capital allowances against the profits from the same business in respect of which the losses or capital allowances were incurred.

Companies that wish to elect for carry-back relief must make the election no later than the time of lodgement of their income tax return for the current year of assessment by furnishing a prescribed form to the Comptroller of Income Tax. Such an election is irrevocable.

Please contact us should you require our assistance on this matter.

5. Payment of Tax by Instalments - Appendix I

The number of instalments allowed to e-filers of ECI ranges from a minimum of six instalments to a maximum of ten instalments. The number of instalments allowed to paper-filers of ECI ranges from a minimum of three instalments to a maximum of five instalments. Appendix I gives further details in relation to the payment of tax by instalments.

All new instalment plans issued from 1 January 2015 are to be settled via GIRO only.

Please indicate whether instalment arrangement is required and the mode of instalment payment by completing Statement A.

6. Tax Schedules - Appendix II

In order to prepare the company's income tax computation, we would require the particulars listed in Appendix II. Please make these particulars available to us if they have not already been provided to us either directly or in the course of our statutory audit.

7. Employer's Returns - Form IR 8A, Appendix 8A, Appendix 8B and Form IR 8S

Every employer is required to complete the Form IR 8A, Appendices 8A and 8B and Form IR 8S (where applicable) for their employees.

Please do not hesitate to call us should you require assistance with the filing of these returns. Meanwhile, arrangements should be made to collate the necessary information to enable accurate and prompt completion of these returns. These returns are due for submission by employees together with their annual tax returns (Form B) by April 15, 2016. A penalty is normally imposed for late submissions.

However, employers who have 11 or more employees for the entire year ended 31 December 2015 or who have received the "Notice to File Employment Income of Employees Electronically" must submit their employees' income information to IRAS electronically by March 1, 2016 under the Auto-Inclusion Scheme ("AIS"). The employment income information will then be shown on the employees' electronic tax return and automatically included in their income tax assessments.

8. Dividend Payments and One-Tier System

All companies that are resident in Singapore are on the one-tier system for the purpose of paying dividends.

Accordingly, all dividends payable by such companies would be regarded as tax exempt (one-tier) dividends and are exempt from tax in the hands of shareholders.

9. Payments to Non-Resident Individuals/Companies

Please ensure that requirements for withholding tax have been complied with when certain payments are liable to be made to non-residents e.g.,Singapore sourced interest, royalties, technical assistance fees, and management fees; directors' fees; trading gains from real property transactions; individual professional fees; public entertainer fees; etc. Generally, payers will no longer need to withhold tax for payments made on or after 21 February 2014 Singapore branches of non-resident companies.

Penalties will be imposed by the Comptroller of Income Tax for late or non-compliance.

For all payments liable to be made to non-residents on or after July 1, 2012, the payer must complete the relevant withholding tax return and pay the withholding taxes to the IRAS by the 15th of the second month following the date of payment to the non-resident.

Please contact us should you require our assistance on this matter.

10. Arm's Length Transactions

Pursuant to Section 34D of SITA and transfer pricing ("TP") guidelines issued on 4 January 2016, the IRAS explicitly endorses the arm's length principle as the standard to guide related party transactions. Broadly, the arm's length principle requires transactions between related parties to be conducted under conditions and circumstances comparable with transactions between unrelated parties.

The IRAS has placed strong emphasis on the requirement for taxpayers to prepare and maintain contemporaneous TP documentation to substantiate that prices are set based on the arm's length principle and such documentation is prepared no later than the time of completing and filing the tax return for the financial year in which the transaction takes place. For example, TP documentation for transactions carried out in financial year 2015 should be prepared no later than 30 November 2016.

If the Company has not conducted any transfer pricing analysis to test and document the arm's length nature of its related party transactions, we would be happy to assist in this task and recommend the most appropriate approach to analyse the Company's related party transactions.

11. Productivity and Innovation Credit (“PIC”) scheme

The PIC scheme is a broad-based tax incentive and provides more support for businesses to invest in productivity and innovation.

a) Enhanced deduction/allowance

Under the PIC scheme, enhanced deduction/allowance is available for a period of 8 years from the Year of Assessment 2011 to Year of Assessment 2018 on the first S$400,000 of qualifying expenditure incurred per year of assessment in addition to deduction and/ or allowance currently allowable. The total current and enhanced deduction /allowance will be at 400% of the first S$400,000 of qualifying expenditures incurred in each of the following six activities:-

i. acquisition or leasing of PIC Information Technology (“IT”) and Automation Equipment;

ii. acquisition or in-licensing of intellectual property rights (“IPRs”);

iii. registration of IPRs (i.e. patents, trademarks, designs and plant varieties);

iv. research and development activities;

v. training of employees; and

vi. investment in approved design projects primarily done in Singapore.

Other than design expenditure, no prior approval is required for the other 5 categories of expenditure to qualify for enhanced deduction/allowance. Businesses may claim enhanced deduction/allowance on qualifying expenditure incurred in their income tax return for the relevant qualifying Years of Assessment.

In addition, the PIC+ scheme was introduced in Budget 2014 to provide support to SMEs who are making more substantive investments to transform their businesses.

Under the PIC+ scheme, from Year of Assessment 2015 to Year of Assessment 2018, qualifying SMEs[1] that invest in the six qualifying activities under the PIC scheme can enjoy 400% tax deductions/allowances on an additional $200,000 in expenditure for each qualifying activity per year of assessment.

[1] Businesses eligible for the PIC+ scheme are sole-proprietorships, partnerships and companies carrying on a trade or business and whose (a) revenue is not more than $100 million or (b) employment size is not more than 200 employees. This criterion will be applied at the group level if the business is part of a group

The enhanced deduction / allowance under the PIC and PIC+ scheme is subject to an expenditure cap:-

- Years of Assessment 2013 to 2015 – a combined expenditure cap of S$1,200,000 (S$1,400,000 under PIC+) applies for *each* category of activity.

- Years of Assessment 2016 to 2018 – a combined expenditure cap of S$1,200,000 (S$1,800,000 under PIC+) applies for *each* category of activity.

The enhanced deduction / allowance will be granted net of any government grant and subsidy. Expenditure incurred in excess of the expenditure cap would continue to qualify for normal tax deduction or allowance.

b) PIC Cash Payout

For Years of Assessment 2013 to 2018, eligible businesses which have at least 3 local employees (i.e. Singapore citizens or Singapore permanent residents with Central Provident Fund contributions) have the option to convert up to S$100,000 (subject to a minimum of S$400) of expenditure on all six qualifying activities into non-taxable cash grant for each qualifying year of assessment at the conversion rate of 60% (i.e. cash payout of up to S$60,000 per year of assessment).

With effect from the Year of Assessment 2016, businesses which wish to claim the PIC cash payout have to meet the "3 local employees" condition for a **consecutive period for at least 3 months** prior to claiming the cash payout. All other conditions mentioned above remain the same.

Businesses that wish to convert their qualifying expenditure into cash may make the claim to the IRAS any time after the end of each financial quarter but not later than the income tax filing due date for that relevant qualifying year of assessment. An online PIC Cash Payout Application Form would need to be completed and submitted to the IRAS for this purpose.

Once a qualifying expenditure is converted into cash, the same amount shall no longer be available for tax deduction or allowance.

Please note that enhanced allowance/deduction claimed or cash payout received would be clawed back under certain circumstances, including the disposal of the relevant automation equipment or IPR ("a claw-back event").

If the cash payout option has been elected and a claw-back event occurs, the company is required to submit a Disposal of Qualifying Assets Form to the IRAS **within 30 days** from the date of the claw-back event. The cash payout is required to be repaid to IRAS **within 30 days** from the receipt of "Cash Payout Recovery" notice issued by IRAS. Penalties may be imposed if the notification requirement and repayment of cash payout are not made on time.

Please contact us should you require our assistance on this matter.

c) Application for Approval of Automation Equipment for PIC

Companies which invest in specialised equipment to automate their work processes and enhance productivity (e.g. reduced man hours, more output, etc.) may make an application to have such equipment approved for PIC on a case-by-case basis if the equipment is not included in the PIC IT and Automation Equipment list. The Finance Minister has also mentioned that if the equipment to be approved is a basic tool, it should at least increase the productivity as compared to the existing equipment or the equipment has not been used in the business before.

The application should be submitted at least two months before the filing due date. For the Year of Assessment 2016, the application has to be submitted by September 30, 2016. Pending the outcome of the application, the claim for PIC should not be made in the cash payout application form or tax return.

Please contact us if you are unsure whether your specialised equipment qualifies for PIC or if you require our assistance in making such applications.

d) R&D activities

While no prior approval is required for R&D expenditure to qualify for enhanced deduction/allowance, IRAS applies a fairly high level of scrutiny to **all** R&D tax claims. This includes an expectation that contemporaneous documentation evidencing R&D activities claimed have been maintained and are retained and available for review by IRAS.

In addition to the documentation above, information relating to how R&D activities claimed meet the eligibility criteria (objective, novelty, technical risk, SIE study etc.) should be prepared and maintained for review by IRAS.

Please contact us if you would like further assistance with your R&D expenditure claim from our specialist R&D Tax team.

12. Deduction on Renovation and Refurbishment (“R&R”) expenditure

Capital expenditure incurred on certain R&R works carried out on business premises which do not qualify for capital allowances, industrial building allowances or land intensification allowances may be granted a special deduction under Section 14Q of the ITA.

The amount of R&R costs that qualify for tax deduction is subject to an expenditure cap of $300,000 for every relevant three-year period. Any unabsorbed R&R deduction would also be available for transfer to related companies under the Group Relief system.

13. Enhanced Capital Allowance Claim for Low Value Assets

Low value assets (costing no more than S$5,000) may be written down in one year for capital allowance purposes. The aggregate capital allowance claim to write these assets down in one year is S$30,000 for any year of assessment.

14. Integrated Investment Allowance ("IIA") scheme

Under the IIA scheme, businesses may claim additional allowance on fixed capital expenditure incurred on or after February 17, 2012 for productive equipment placed overseas on approved projects. The IIA scheme is administered by the Economic Development Board ("EDB") and will last for 5 years.

15. Foreign Tax Credit Pooling System ("FTC Pooling System")

FTC Pooling System took effect from the Year of Assessment 2012. Under this system, foreign tax credit is computed on a pooled basis, the amount of foreign tax credit to be granted will be based on the lower of the pooled foreign taxes paid on the foreign sourced income and the pooled Singapore tax payable on the same foreign sourced income.

A Singapore tax resident company has the option to elect for the FTC Pooling System for selected foreign-sourced income on a yearly basis. The current source-by-source and country-by-country basis for computing the amount of foreign tax credit on the foreign income will continue to apply where the Singapore tax resident company does not elect for FTC Pooling System or where the foreign-sourced income does not qualify for FTC Pooling System.

To qualify for the FTC pooling system, the foreign income must meet all the following conditions:

i) Income tax must have been paid on the income in the foreign jurisdiction from which the income is derived;

ii) The headline tax rate of the foreign jurisdiction from which the income is derived is at least 15% at the time the foreign-sourced income is received in Singapore; and

iii) Singapore tax is payable on the foreign-sourced income and the taxpayer is entitled to claim a foreign tax credit under Sections 50, 50A or 50B of the Singapore Income Tax Act on that foreign sourced income.

Please contact us should you require our assistance on this matter.

16. Merger and Acquisition ("M&A") allowance for Qualifying M&A Deals

The M&A allowance will be granted to qualifying M&A deals executed from April 1, 2010 to March 31, 2020 (both dates inclusive), at 5% of the acquisition value. The allowances are capped at S$5 million for all qualifying deals executed per year of assessment.

The allowance will be written down equally over five years and cannot be deferred.

The following conditions must be met to remain eligible for M&A allowance for each year of assessment during the 5-year write down period:-

i) The acquiring company, throughout the basis period relating to the year of assessment in which the deduction is claimed,-

   a. Remains incorporated and tax resident in Singapore. Where the acquiring company belongs to a corporate group, its ultimate holding company must remain incorporated and tax resident in Singapore;
   b. Must continue to carry out a trade or business in Singapore; and
   c. Has in its employment at least 3 local employees, excluding company directors, (i.e. Singapore citizens or Singapore permanent residents where the employer and employee make CPF contributions); and

ii) The acquiring subsidiary (where applicable), throughout the basis period relating to the year of assessment in which the deduction is claimed,-

   a. Does not carry on any trade or business in Singapore or elsewhere; and
   b. Remains directly and wholly-owned by the acquiring company.

Under the M&A scheme, double tax deduction will also be granted on transaction costs incurred on qualifying share acquisitions which is completed during the period from February 17, 2012 to March 31, 2020, subject to an expenditure cap of S$100,000 per year of assessment. The deduction of the transaction costs will be allowed in the year of assessment in which M&A allowance, in respect of the qualifying share acquisition, is claimed.

The unabsorbed M&A allowance and the unabsorbed deduction of transaction costs are not available for transfer under the group relief system and are also not available for carry back to offset the acquiring company's assessable income for preceding year(s). However, the unabsorbed M&A allowance and unabsorbed deduction of transaction costs may be carried forward to offset the acquiring company's future income subject to the shareholding test.

Please contact us should you require our assistance on this matter.

17. Tax Treatment of Gains on Share Disposals

With effect from June 1, 2012, gains derived by a company from the disposal of ordinary shareholdings in another company is not taxable if the divesting company maintains a minimum shareholding of 20% for a minimum period of 24 months prior to the disposal of shares.

For share disposals that do not meet the above guidelines, the tax treatment of the gains/losses arising from share disposals will continue to be determined based on a consideration of the facts and circumstances of each case.

18. Year End Tax Planning

Tax savings may be maximised by organising the company's affairs so as to ensure that all possible deductions, allowances and reliefs are available for claiming in the current fiscal year. Appendix III is enclosed to enable you to consider some of these aspects. We would be pleased to discuss these matters with you should you require further details.

Your early response is appreciated. Please do not hesitate to contact us should you require any clarification or advice.

Deloitte & Touche LLP

Yours faithfully

Encl.

Statement A

Your UEN: (see note 1)

Deloitte & Touche LLP
6 Shenton Way
#33-00 OUE Downtown 2
Singapore 068809

Dear Sirs

Year of Assessment 2016
Accounts For The Year To December 31, 2015

We refer to your recent circular and would advise that the particulars required are as follows:

(see note 3)

1. Revenue (see note 2)

2. Estimated chargeable income (**before** deducting exempt amount) liable to tax at 17% (excluding pioneer and other exempt income)

3. Estimated chargeable income liable to tax at the concessionary tax rate of 10%

4. Estimated chargeable income of activities qualifying for other tax incentives liable to tax at %*

Total Estimated Chargeable Income per Statement A-1 (ECI)

Estimated Tax Payable (ECI @ 17%/ 10% / %*)

We wish/do not wish** to settle the tax liability by *monthly instalments, via Self Payments/Inter-Bank Giro Systems**.

Yours faithfully

Name of Company/Firm:

* Please complete as appropriate.
** Delete as appropriate.
Note 1: Please provide the UEN if the entity is not a Singapore incorporated company.

Note 2: Refers to a company’s main source of income, excluding items like gains on disposals of fixed assets.

Note 3: Please indicate the currency used (which should be the company’s functional currency)

<u>Statement A-1</u>

Name of Company/Firm:

Substantial items adjusted to arrive at the estimated chargeable income (excluding pioneer and other exempt income) for Year of Assessment 2016.

Year of Assessment 2016
Basis Period: Accounts For The Year To December 31, 2015

(see note 1)

Net profit per accounts before tax

<u>(Less):</u> Income from separate source/non-taxable income
Dividend
Interest
Rental
Gain on sale of fixed assets
Exchange gain (relating to capital items)
Others

<u>Add</u>: Disallowable expenses
Depreciation
Impairment loss of non-trade debts
Loss on sale of fixed assets
Exchange loss (relating to capital items)
Private car expenses
Donations
Amount of expenditure converted to cash grant
Others

<u>(Less):</u> Other allowable expenses
Productivity and Innovation Credit ("PIC") Scheme [see note 2]
- Enhanced deduction of qualifying R&D expenditure
- Enhanced deduction for leasing of PIC IT and Automation Equipment
- Enhanced deduction for in-licensing of IPRs
- Enhanced deduction for qualifying registration of IPRs
- Enhanced deduction for qualifying design expenditure
- Enhanced deduction for qualifying training expenditure
Other

Statement A-1 (cont'd)

Less:	Section 14Q for R&R costs	
Add:	Other taxable income	
	Interest	
	Net rental	
	Others	
Less:	Capital allowances - brought forward (see note 3)	
	Capital allowances – current/PIC for acquisition of prescribed automation equipment and qualifying IPRs (see note 2)	
	Losses - brought forward (see note 3)	
Less:	Land intensification allowance ("LIA") (see note 5)	
Less:	Approved donations – brought forward (see note 3)	
	Approved donations – current (see note 4)	
Less:	Merger and acquisition ("M&A") allowance (see note 6)	
Less:	R&D tax allowance utilised (see note 2)	
Less:	Investment allowance	
Less:	Transferred from transferor company under group relief system	
	- Capital allowances	
	- Losses	
	- Donations	
Estimated Chargeable Income (**before** deducting exempt amount) (see note 7)		

Yours faithfully

Note 1: Please indicate currency used (which should be the company's functional currency).

Note 2: PIC scheme

1. Qualifying R&D expenditure
   - 400% tax deduction for the first S$400,000 (S$600,000 under PIC+) of qualifying expenditure on R&D conducted in Singapore or overseas (if the R&D done overseas is related to the taxpayer's Singapore trade or business) per year of assessment and 150% tax deduction for the balance expenditure performed in Singapore. For balance of all other expenses, including expenses for R&D done overseas, deduction will be 100%.

   - The company may choose to claim either the enhanced deduction on qualifying R&D expenditure or utilise R&D tax allowance[2] in Year of Assessment 2016.

2. Registration costs of qualifying IPRs

3. Qualifying design expenditure

4. Qualifying training expenses
   - 400% tax deduction for the first S$400,000 (S$600,000 under PIC+) of qualifying expenditure incurred per year of assessment and 100% tax deduction for the balance expenditure.

   - Qualifying in-house training (i.e. certified by Singapore Workforce Development Agency certified or Institute of Technical Education) and all external training. With effect from Year of Assessment 2012, the certification requirement is removed for qualifying in-house training expenditure incurred up to S$10,000 per year of assessment.

5. Acquisition and in-licensing of IPRs

6. Prescribed PIC IT and Automation Equipment
   - 400% allowance for the first S$400,000 (S$600,000 under PIC+) of qualifying expenditure costs per year of assessment and 100% allowance for the balance expenditure.

   - Income Tax (Automation Equipment) Rules 2004, Income Tax (Automation Equipment) (Amendment) Rules 2010 and Income Tax (PIC Automation Equipment) Rules 2012 is expanded to include a wider range of equipment and software for automating processes.

7. For Years of Assessment 2016 to 2018, a combined cap of S$1,200,000 (S$1,800,000 under PIC+) of expenditure for each of the above activities will be given.

8. Amount converted to cash
   - Qualifying companies can elect to convert to cash qualifying expenditure under PIC scheme of up to S$100,000 per year of assessment. Once a qualifying expenditure is converted into cash, the same amount shall no longer be available for tax deduction or allowance.

[2] The R&D tax allowance (RDA) scheme was phased out with effect from Year of Assessment 2011. Businesses may continue to utilise their RDA granted against their income up to Year of Assessment 2016. The claim for RDA and enhanced deduction under the PIC scheme are mutually exclusive.

Note 3: Subject to no substantial (more than 50%) change in shareholding composition.

Note 4: Approved donations made during January 1, 2015 and December 31, 2015 will qualify for 300% deduction.

Note 5: LIA is computed as follows:

1) Initial allowance ("IA"): 25% of qualifying capital expenditure

The above will be granted in the year of assessment relating to the basis period in which the capital expenditure is incurred.

2) Annual allowance ("AA"): 5% of qualifying capital expenditure

The above will be granted provided the following conditions are met:

- The construction/renovation/extension works have been completed;
- The completed building or structure meets the relevant Gross Plot Ratio ("GPR") benchmark; and
- At least 80% of the total floor area of the building or structure is in use by a single user for carrying out the qualifying activity.
  If less than 80% of the total floor area is used by the single user for the qualifying activity, AA will not be granted for the year of assessment relating to that basis period.

With effect from 22 February 2014, a qualifying building or structure that has already met or exceeded the GPR benchmark will need to demonstrate a minimum 10% increment in GPR to qualify for LIA.

Note 6: M&A Allowance

The M&A allowance will be granted to qualifying M&A deals executed from April 1, 2010 to March 31, 2020 (both dates inclusive), at 5% of the acquisition value. There will be a cap of S$5 million of allowance granted for all qualifying deals executed per year of assessment.

The allowance will be written down equally over five years.

Note 7: Exempt amount (applicable to 17% tax rate category only)

1. Partial tax exemption scheme:
   - On the first S$10,000, 75% of the income
   - On the next S$290,000, 50% of the income

2. Tax exemption scheme for new companies:
   - On the first S$100,000, 100% of the income
   - On the next S$200,000, 50% of the income

Appendix I

PAYMENT OF SINGAPORE TAX BY INSTALMENTS

The following illustrates the "contracting" basis of payment of tax by instalments:

Company's Financial Year Ended: December 31, 2015

Tax Payable: $100,000

1) E-Filing of ECI

No. of Instalments	10	8	6
2016			
January	$ 10,000	$ x	$ x
February	10,000	12,500	x
March	10,000	12,500	16,700
April	10,000	12,500	16,660
May	10,000	12,500	16,660
June	10,000	12,500	16,660
July	10,000	12,500	16,660
August	10,000	12,500	16,660
September	10,000	12,500	x
October	10,000	x	x
	$100,000	$100,000	$100,000

2) Paper-Filing of ECI

No. of Instalments	5	4	3
2016			
January	$ 20,000	$ x	$ x
February	20,000	25,000	x
March	20,000	25,000	33,333
April	20,000	25,000	33,333
May	20,000	25,000	33,334
	$100,000	$100,000	$100,000

As could be seen from the above illustration, if a company is to apply for the maximum number of instalments, the first instalment should be paid in the month immediately following the company's financial year end. If the instalment payments begin in the 2nd month or 3rd month following the financial year end, the number of instalments is reduced. **No instalments are allowed if the ECI is filed after 3 months following the financial year end**.

To maximise the instalments for ECI to be e-filed, the ECI should be filed by the 26th of the relevant month. If the ECI is filed by the 26th of the month immediately following the company's financial year end, the maximum number of instalments will be granted. For ECI to be paper-filed, the ECI should be filed by the 24th of the relevant month. If the ECI is filed by the 24th of the month immediately following the company's financial year end, the maximum number of instalments will be granted.
Where a request for instalment arrangement is made to the IRAS, an instalment plan showing the instalment details is automatically issued by the IRAS.

Where ECI has been filed electronically and the company has been paying tax through self-payment plan or GIRO plan, i.e. already on instalment scheme, an instalment plan showing the instalment details is automatically issued by the IRAS.

Note of caution:

1. If there is default in payment of any instalment, a late payment penalty will be imposed on the total outstanding tax (not only on the instalment in question) and the instalment payment concession will be withdrawn.

2. Any balance of tax due over and above that provided for in the instalments will become payable within one month from the date of issue of the notice of assessment.

3. The payment of tax by instalments is granted as a concession by the IRAS. Any understatement of the chargeable income could jeopardise such concessionary treatment in future years.

4. All new instalment plans issued from 1 January 2015 will be for payment through GIRO only.

Appendix II

NAME OF COMPANY: ....
BASIS PERIOD: ....

TAX SCHEDULES AND ANALYSES (Please tick box if information is provided)

- [ ] Other debtors, deposits and prepayments
- [ ] Provision for stock obsolescence (1)
- [ ] Stock written off (2)
- [ ] Reconciliation of fixed assets (3)
- [ ] Fixed assets additions (4)
- [ ] Fixed assets disposals (5)
- [ ] Intellectual Property Rights (6)
- [ ] Investments in quoted and unquoted shares and bonds (7)
- [ ] Interest income (8)
- [ ] Accrued expenses and other creditors (Indicate which are provisions)
- [ ] Dividend income (forward dividend vouchers)
- [ ] Commission paid
- [ ] Rental income
- [ ] Foreign Tax Suffered (18)
- [ ] Borrowing costs other than interest expense (21)
- [ ] Research and Development (R&D) Tax Measures (22)
- [ ] Land Intensification Allowance (24)
- [ ] Other (please specify)

- [ ] Other income
- [ ] Foreign exchange gain/loss (9)
- [ ] Interest expense/Management Fees/Technical fees/Royalties (10)
- [ ] Rent expense
- [ ] Legal and other professional fees (11)
- [ ] Upkeep of motor vehicles/ transport/travelling expenses (12)
- [ ] Repairs and maintenance (13)
- [ ] Donations (Forward receipts for approved donations)
- [ ] Subscriptions (14)
- [ ] General expenses (15)
- [ ] Medical expenses (16)
- [ ] Group Relief (17)
- [ ] Adjustments made in accordance with FRS 39 (19)
- [ ] Use of treasury shares to fulfil obligations under an employee equity-based remuneration scheme (20)
- [ ] Productivity and Innovation Credit (23)
- [ ] Merger and Acquisition Allowance (25)
- [ ] Investment Allowance / Integrated Investment Allowance (26)

Note:

The above schedules and analyses should be presented in the following format:

1. Provision for Stock Obsolescence

	Specific	General	Total
Balance at beginning of year	X	X	X
Add: Provision during the year	X (Note 2)	X	X
Less: Provision written back	X	X	X
Stock written off	X	X (Note 2)	X
Balance at end of year	XX	XX	XX

2. Specific Provision for Stock Obsolescence/Stock Written Off

Description	Cost	Amount Provided/ Written-Off	Reasons for Provision/Write-Off
X	X	X	X

3. Fixed Assets Reconciliation

	Cost				Depreciation			
Asset Category	Beginning	Addition	Disposal	End	Beginning	Addition	Disposal	End
X	X	X	X	X	X	X	X	X

4. Fixed Assets Additions

State description and cost of each asset purchased, indicating any prescribed automation equipment. If the asset purchased qualifies for investment allowance, please provide copy of the Investment Allowance Certificate.

If the asset purchased qualifies for Integrated Investment Allowance scheme, please provide us the approval from EDB.

The Section 14Q deduction will be granted on the qualifying costs on renovating or refurbishing business premises (R&R costs) over a period of 3 consecutive years, on a straight-line basis, starting from the year of assessment relating to the basis period in which the R&R costs are first incurred and claimed by the taxpayer.

In this regard, please provide an itemised list of the R&R works done on the business premises and confirm that the R&R works do not require approval of the Commissioner of Building Control.

5. Fixed Assets Disposals

Provide following details of each asset disposed of:-

Date of Purchase	Description	Cost	Sales Proceed
XXX	X	X	X

6. Intellectual Property Rights ("IPRs")

Please provide the following for IPRs purchased and/or in-licensed:

i. A brief description of the IPRs.
ii. A breakdown of the expenditure incurred to acquire and/or in-license the IPRs.
iii. Whether the IPRs have been acquired by the company for use in its trade or business and whether the company has legal and economic ownership of the IPRs acquired.
iv. A copy of a third-party independent valuation report if the IPR is acquired from an unrelated party of which the value is S$2m or more, or if the IPR is acquired from a related party of which the value is S$0.5m or more.
v. If IPR is acquired from a related party, please advise the following:
   a. Whether any deduction has been allowed under Section 14, 14D, 14DA or 14E to the related party for payment incurred to create the IPRs.
   b. Whether the proceeds from the sale of the IPRs are chargeable to tax for the related party.
   c. Whether the related party acquired the IPR from another related party. If so, please also provide response to (a) and (b) above.

7. Investments in Quoted and Unquoted Shares and Bonds

	Beginning		Additions		Disposals				End		
Description of Investment	Qty	Cost	Qty	Cost	Qty	Cost	Sales Proceed	Gain/ (Loss)	Qty	Cost	Diminution in Value
XXX	X	X	X	X	X	X	X	X	X	X	X

8. Interest Income

Received From	Interest Received	Interest Receivable	Total Interest Income
XXX	X	X	X

9. Foreign Exchange Gain/Loss

Nature of transactions which give rise to the exchange difference (i.e. revenue / capital)	Gain/Loss
XXX	X

10. Interest Expenses/Management Fees/Technical Fees/Royalties

Name and Address of Payee	Gross Amount	Withholding Tax paid	Remarks
Interest Expense			
XXXX	X	X	In respect of interest payable to non-residents, please state whether withholding tax requirements have been complied with.
XXXX	X	X	
XXXX	X	X	
	XX	XX	
Management Fees/ Technical Fees			
XXXX	X	X	In respect of each management fee/ technical fee paid, state:
XXXX	X	X	i) Nature of services rendered.
XXXX	X	X	ii) Basis of the fee quantum.
	XX	XX	iii) Where the services were rendered.
			iv) Whether withholding tax requirements have been complied with on payments to non-residents.
Royalties			
XXXX	X	X	In respect of royalties payable to non-residents, please confirm that withholding tax requirements have been complied with.
XXXX	X	X	
XXXX	X	X	
	XX	XX	

11. Legal and Other Professional Fees

State the nature of services rendered for each amount paid.

12. Upkeep of Motor Vehicles/Transport/Travelling Expenses

Give broad analysis into:

	Amount	Remarks
Upkeep expenses for:		
Each Q-plate car (state car registration number)	X	
Singapore-registered cars/Hired cars in Singapore	X	
Other vehicles	X	

Taxi and bus fares	X
Overseas business travelling expenses	X
	XX

13. Repairs and Maintenance

If transactions are voluminous, your confirmation that expenditure of a capital nature is not included will suffice. If you are unable to provide this confirmation, please provide details of each capital expenditure included.

14. Subscriptions

Analyse into entrance fees and subscription fees.

15. General Expenses

Give broad analysis showing the nature and amount of expenses incurred. Items of similar nature may be grouped together.

16. Medical Expenses

Provide a schedule as follows for the purpose of determining whether there is a restriction on the deductibility of medical expenses:

	Amount
Medical expenses including all medical fees and treatment	X
Medical insurance	X
Expenses re: provision of a medical clinic within company (if applicable)	X
	XX

As you may be aware, effective from April 1, 2004, employers who choose not to implement either the Portable Medical Benefits Scheme ("PMBS") or Transferable Medical Insurance Scheme ("TMIS") schemes or do not meet the qualifying conditions as stipulated in the ITA, the tax deductibility of the medical benefits will be capped at 1% of the total remunerations of his employees. With effect from Year of Assessment 2008, in recognition that employers' provision of portable medical shield plans or ad-hoc contributions to the Medisave accounts of employees achieve the same objective as the PMBS and TMIS, a tax deduction of up to 2% of the total remuneration will be allowed if the company (i) has provided the employees with inpatient medical insurance benefits in the form of portable medical shield plans (but the deduction will exclude premiums for riders that cover deductibles and co-payments); or (ii) has made ad-hoc contributions to the employees' Medisave accounts (subject to a cap of S$1,500 per employee per year) during the relevant basis period. In this regard, please indicate whether the company has implemented the PMBS or TMIS schemes or has provided portable medical shield plans or made ad-hoc medisave contributions for the employees.

17. Loss Transfer System of Group Relief (Group Relief System)

If the company is claiming/transferring current year unabsorbed capital allowances, current year unabsorbed trade losses or current year unabsorbed donations (collectively known as "qualifying deductions") from/to another Singapore incorporated company within the group for which group relief applies, please provide the information in the following format:-

Names of companies from which you are receiving the qualifying deductions (in order of priority)

1. (Name of qualifying member company)
2. (Name of qualifying member company)
3. (Name of qualifying member company)

Names of companies to which you are transferring the qualifying deductions (in order of priority)

1. (Name of qualifying member company)
2. (Name of qualifying member company)
3. (Name of qualifying member company)

18. Foreign Tax Suffered

Please furnish us with the following information if the company had suffered any foreign tax in the financial year:-

i. nature of income subject to foreign tax(for dividend income, please also advise if the company owns at least 25% in the dividend paying company);
ii. country in which the foreign tax is suffered;
iii. the profit and loss account under which the above was charged to; and
iv. relevant withholding tax receipt(s).

19. Adjustments made in accordance with Financial Reporting Standards ("FRS") 39

Please provide details of adjustments made in the accounts in accordance with FRS 39, such as, interest income, interest expense, dividend income, investment in subsidiaries, loan receivables, etc.

20. Use of treasury shares to fulfil obligations under an employee equity-based remuneration scheme

As you may be aware, tax deduction will be allowed for treasury shares transferred under an employee equity-based remuneration ("EEBR") scheme and recharges from parent company for treasury shares transferred to subsidiary company's employees. As such, please provide the following details:

i. Treasury shares transferred under an EEBR scheme
   a. The cost actually incurred by the company to acquire treasury shares transferred to the employee under the EEBR scheme and the amount payable by the employee for the treasury shares.

ii. Recharges from parent company for treasury shares transferred to company's employees
   a. The cost actually incurred by the parent company to acquire the treasury shares transferred to the company's employee and the amount payable by the company's employee for the treasury shares.
   b. The date on which the parent transfers its treasury shares to the company's employee or the date the parent recharges the company for the shares transferred, whichever is the later.

With effect from Year of Assessment 2012, a company is allowed to deduct costs incurred to acquire its parent company's shares if it sets up a Special Purpose Vehicle ("SPV") to facilitate its EEBR obligation, provided that:

a. The SPV is set up solely to administer the EEBR scheme; and
b. The SPV acquires the parent company's shares from the market or from the parent company and holds them in trust for the EEBR scheme.

If this is applicable to you, please provide:

a. The costs incurred by the SPV to acquire the parent company's shares transferred to the company's employee and the amount payable by the company's employee for the shares; and
b. The date on which the shares are transferred to the company's employee or the date the company is liable to pay the SPV for the shares transferred, whichever is the later.

21. Borrowing costs other than interest expenses

With effect from Year of Assessment 2008, tax deduction will be allowed for prescribed borrowing costs other than interest expenses which are incurred as a substitute for interest expense or to reduce interest costs. As such, please provide brief details of how the borrowing costs to be claimed have been incurred as a substitute for interest or to reduce interest cost.

22. Research and Development ("R&D") tax measures

Please provide the following details:

i. A detailed description of the R&D activities and advise whether the R&D activities were carried out in or outside Singapore.
ii. A detailed breakdown of qualifying R&D expenditure for Year of Assessment 2016.
iii. Amount of expenditure incurred on R&D cost sharing agreements.
iv. Amount of expenditure funded/subsidised by a government grant.

23. <u>Productivity and Innovation Credit</u>

Please provide the following:

i. <u>Acquisition or leasing costs of PIC IT and Automation Equipment</u>

a. <u>Acquisition of PIC IT and Automation Equipment</u>

Please refer to item (4) above.

b. <u>Leasing costs of PIC IT and Automation Equipment</u>

Please provide the following:

- The type of leases (i.e. finance, finance lease treated as sale agreement or operating lease).
- A breakdown of the leasing costs of PIC IT and automation equipment.
- If the PIC IT and automation equipment is subleased, please identify such leasing costs.

ii. <u>Acquisition or in-licensing costs of IPRs</u>

Please refer to item (6) above.

iii. <u>Registration costs of qualifying IPRs</u>

a. Whether the company is the owner of the IPR.
b. The amount of official fees and professional fees incurred in relation to the registration of IPR.

iv. <u>Qualifying R&D expenditure</u>

Please refer to item (22) above.

v. <u>Qualifying training expenditure</u>

a. The name of the training programme
b. If the training is conducted in-house but courses are not accredited / approved / certified by the Singapore Workforce Development Agency ("WDA") or Institute of Technical Education ("ITE"), please provide the following:
    - Salary and other remuneration of in-house trainers for the delivery of the training courses (i.e. based on hours spent delivering the courses)
    - Rental of external training premises
    - Costs of meals and refreshments provided during the courses
    - Costs of training materials and stationery
c. If the training is conducted in-house and courses are accredited / approved / certified by the WDA or the ITE, please provide the following:
    - Salary and other remuneration of in-house trainers for the delivery of the training courses (i.e. based on hours spent delivering the courses)

- Rental of external training premises
- Costs of meals and refreshments provided during the courses
- Costs of training materials and stationery

d. If the qualifying training is conducted by external training provider, please provide the following:
   - Training fees payable to the external training service provider
   - Registration or enrolment fees
   - Examination fees
   - Tuition fees
   - Aptitude test fees

vi. Qualifying design expenditure
   a. A copy of the Letter of Approval from Design Singapore.
   b. If the approved design project is conducted in-house, please provide the remuneration cost of qualified design professionals engaged to carry out the approved design project.
   c. If the approved design project is outsourced to approved design service providers, please provide the total fees payable, with details of the remuneration cost of qualified professionals engaged by the design service providers (if available).

vii. The amount of grant or subsidy received from the Government.

viii. If the company has applied for the cash payout option directly to the IRAS, please provide a copy of the PIC Cash Payout Application Form and the relevant annexes.

24. Land Intensification Allowance ("LIA")

As you may be aware, businesses may claim LIA on qualifying capital expenditure incurred for the construction of a qualifying building or structure. LIA is administered by the Economic Development Board ("EDB") and approval will be granted from July 1, 2010 to June 30, 2020 (both dates inclusive).
In view of the above, please furnish the following:-

a. A copy of the letter of offer from EDB;
b. Details of qualifying capital expenditure incurred on the construction or renovation / extension of the approved LIA building or structure and a computation of the amounts of initial or annual allowance to be claimed;
c. A certificate from a qualified quantity surveyor to certify the floor area used by another user, where part of the approved LIA building or structure is used by another user; and
d. A copy of the verification form submitted to EDB previously (This is to be submitted in the relevant year of assessment in which the construction or renovation / extension is completed.)

25. <u>Merger and Acquisition ("M&A") Allowance</u>

Please provide the following details:-

a. Date of execution of M&A deal;
b. Acquisition value (excluding transaction cost); and
c. Amount of transaction costs incurred on share acquisition.

26. <u>Investment Allowance / Integrated Investment Allowance</u>

Please forward copies of the Investment Allowance Certificate and/or Integrated Investment Allowance Certificate issued by EDB, where applicable.

<u>Appendix III</u>

MAXIMISATION OF TAX DEDUCTIONS, ALLOWANCES AND RELIEFS

The following are some common matters which a company may consider:

1. Ensure all expenditure are properly accrued at year end.

2. Write off damaged, slow-moving and obsolete stock where appropriate or reflect its decreased value in the closing stock figures.

3. Make specific provisions for trade debts (identifying the amount owing by each debtor) which are unlikely to be recovered instead of a general provision, and write off all debts which are bad.

4. Minimise adjustments to interest expense by the IRAS by reducing your non-trade debtors balances and non-income producing investments.

5. Make donations in cash to an Institution of a Public Character in Singapore / or in kind (gifts of computers) to a prescribed educational, research institution in Singapore.

6. Incur capital expenditure before the financial year end and ensure that capital expenditure is maximised by taking into account indirect as well as direct expenditure e.g. consultant's fees.

7. Consider acquiring PIC IT and automation equipment which qualify for 400% allowance up to S$400,000 (S$600,000 under PIC+) of expenditure incurred (or a combined cap of S$1.2 million (S$1.8 million under PIC+) for Years of Assessment 2016 to 2018) and 100% allowance for the balance expenditure.

8. When incurring capital expenditure on new plant and machinery, consider the application for investment allowance. Generally, purchase of new plant and machinery for the establishment of new operations, upgrading of existing operations or production methods, integrating, rationalising, expanding and diversifying of operations and products, may qualify for the investment allowance. The investment allowance is in addition to the normal capital allowance.

9. When incurring expenditure which qualify for double tax deduction (such as expenses relating to trade fairs, exhibitions or trade missions, certain expenditure on research and development project), consider making the application to the relevant government authorities.

10. Consider making an election under the group relief system to transfer/claim the current year unabsorbed capital allowances, current year unabsorbed trade losses and current year unabsorbed donations to/from qualifying member company(s) in the same group if the relevant conditions have been met.

11. Consider making an election under the carry-back relief system to set-off current year unabsorbed capital allowances and current year unabsorbed trade losses against the assessable income of the immediate preceding year of assessment.

12. Qualifying companies not expecting to derive taxable profits may consider making an election to convert their first S$100,000 PIC qualifying expenditure into cash at the rate of 60%.

13. Consider incurring qualifying training costs which could qualify for 400% tax deduction up to the first S$400,000 (S$600,000 under PIC+) (or a combined cap of S$1.2 million (S$1.8 million under PIC+) for Years of Assessment 2016 to 2018) of qualifying expenses .

14. Consider making an election under the Foreign Tax Credit Pooling System and the amount of foreign tax credit to be granted will be based on the lower of the pooled foreign taxes paid on the foreign sourced income and the pooled Singapore tax payable on the same foreign sourced income.

15. Consider applying to the IRAS for your specialised equipment in the year of purchase to qualify for PIC benefits if it does not currently fall within the PIC IT and Automation Equipment list.

16. Consider applying to the EDB for Integrated Investment Allowance for fixed capital expenditure incurred on productive equipment placed overseas on approved projects.