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13 January 2017

Dear Sirs

**Income Tax : Year of Assessment ("YA") 2017
Basis Period: Financial Year Ended December 31, 2016**

We are pleased to advise you of the following as we enter the year 2017: -

1. Annual Income Tax Return

The YA 2017 Annual Income Tax Return ("Form C") will be issued by the Inland Revenue Authority of Singapore ("IRAS") by June 2017. Please forward the relevant Forms to us as soon as you receive them so that we can ensure their timely submission to the IRAS.

Singapore incorporated companies with annual revenue of SGD 1 million or below and which satisfy all of the following conditions will be able to file their tax return using a simplified tax form, known as Form C-S.

- i The company only derives income at the prevailing corporate tax rate (currently 17%);
- ii The company is not claiming any of the following in the YA:
 - a Carry-back of current year's capital allowances / losses;
 - b Group relief;
 - c Investment allowances;
 - d Research and development tax allowance;
 - e Foreign tax credit and tax deducted at source.

With the 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 the IRAS's request.

For the YA 2017, the filing deadline is: -

- **30 November 2017** for paper submissions of Form C / Form C-S; and
- **15 December 2017** for electronic submissions of Form C / Form C-S

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

Mandatory e-filing of Form C-S/C

E-filing of Corporate Income Tax returns (including Estimated Chargeable Income, Form C and Form C-S) will be made mandatory in a phased approach from YA 2018 to YA 2020 as follows:

YA	Target Group
2018	Companies with turnover of more than SGD 10 million in YA 2017
2019	Companies with turnover of more than SGD 1 million in YA 2018
2020	All companies

2. Estimated Chargeable Income ("ECI")

It is provided under the Income Tax Act ("ITA") that any person (including a company) is required to furnish an ECI within three months from the end of its financial year i.e. by 31 March 2017 for companies with financial year ended 31 December 2016.

However, the IRAS has granted an administrative concession for which companies whose **annual revenue does not exceed SGD 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 Appendix I and returning it to us before **January 20, 2017** 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 payable based on the tax return to be submitted.

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.

Payment of Tax by Instalments

Only companies which are on the GIRO scheme qualify for instalment payments. Companies which do not have a GIRO arrangement for payment of corporate tax are encouraged to apply for GIRO at least 14 days before e-filing their ECI.

The number of instalments granted are as follows:

<u>ECI e-filed by</u>	<u>No. of instalments given</u>
26 January 2017	10
26 February 2017	8
26 March 2017	6
After 26 March 2017	No instalments given

<u>ECI paper-filed by</u>	<u>No. of instalments given</u>
24 January 2017	5
24 February 2017	4
24 March 2017	3
After 24 March 2017	No instalments given

Please indicate whether instalment arrangement is required in Statement A.

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 2017

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. 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.

Employers who have 10 or more employees for the entire year ended 31 December 2016 or who have received the "Notice to File Employment Income of Employees Electronically" must submit their employees' income information to the IRAS electronically by March 1, 2017 under the Auto-Inclusion Scheme ("AIS"). The employment income information will then be included in the employees' electronic tax return and automatically included in their income tax assessments.

These returns are due for submission by employees together with their annual tax returns (Form B) by April 15, 2017. A penalty may be imposed for late submission.

Please do not hesitate to call us should you require assistance with the filing of these returns.

4. Year End Tax Planning

Tax savings may be optimised by ensuring that all possible deductions, allowances and reliefs are available for claiming in the current fiscal year. We would be pleased to discuss these matters with you should you require further details.

Meanwhile, we have enclosed in Appendices II and III some tax information for your consideration.

We look forward to working with you in the new year. Meanwhile, please feel free to contact us should you require any clarification or advice and we would be happy to assist.

Yours faithfully

A handwritten signature in black ink that reads "Deloitte & Touche LLP". The signature is written in a cursive, flowing style. Below the signature is a single horizontal line.

Encl.

APPENDIX I

Statement A

Your UEN: (see note 1)
Name of Company/Firm:

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

Dear Sirs

**Year of Assessment 2017
Accounts For The Year Ended December 31, 2016**

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 Inter-Bank Giro Systems.

Yours faithfully

* 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 gain on disposals of fixed assets.

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

Statement A-1

Name of Company/Firm:

Substantial items adjusted to arrive at the estimated chargeable income (excluding pioneer and other exempt income) for Year of Assessment 2017.

Year of Assessment 2017

Basis Period: Accounts For The Year Ended December 31, 2016

Net profit / (Loss) per accounts before tax (see note 1)

(Less): Income from separate source/non-taxable income

Dividends	<input style="width: 95%; height: 15px;" type="text"/>
Interest	<input style="width: 95%; height: 15px;" type="text"/>
Rental	<input style="width: 95%; height: 15px;" type="text"/>
Gain on sale of fixed assets	<input style="width: 95%; height: 15px;" type="text"/>
Exchange gain (relating to capital items)	<input style="width: 95%; height: 15px;" type="text"/>
Others	<input style="width: 95%; height: 15px;" type="text"/>
	<input style="width: 95%; height: 15px;" type="text"/>

Add: Disallowable expenses

Depreciation	<input style="width: 95%; height: 15px;" type="text"/>
Impairment loss of non-trade debts	<input style="width: 95%; height: 15px;" type="text"/>
Loss on sale of fixed assets	<input style="width: 95%; height: 15px;" type="text"/>
Exchange loss (relating to capital items)	<input style="width: 95%; height: 15px;" type="text"/>
Private car expenses	<input style="width: 95%; height: 15px;" type="text"/>
Donations	<input style="width: 95%; height: 15px;" type="text"/>
Amount of expenditure converted to cash grant	<input style="width: 95%; height: 15px;" type="text"/>
Others	<input style="width: 95%; height: 15px;" type="text"/>
	<input style="width: 95%; height: 15px;" type="text"/>

(Less): Other allowable expenses

Productivity and Innovation Credit ("PIC") Scheme [see note 2]	<input style="width: 95%; height: 15px;" type="text"/>
- Enhanced deduction of qualifying R&D expenditure	<input style="width: 95%; height: 15px;" type="text"/>
- Enhanced deduction for leasing of PIC IT and Automation Equipment	<input style="width: 95%; height: 15px;" type="text"/>
- Enhanced deduction for in-licensing of IPRs	<input style="width: 95%; height: 15px;" type="text"/>
- Enhanced deduction for qualifying registration of IPRs	<input style="width: 95%; height: 15px;" type="text"/>
- Enhanced deduction for qualifying design expenditure	<input style="width: 95%; height: 15px;" type="text"/>
- Enhanced deduction for qualifying training expenditure	<input style="width: 95%; height: 15px;" type="text"/>
Others	<input style="width: 95%; height: 15px;" type="text"/>
	<input style="width: 95%; height: 15px;" type="text"/>

Statement A-1 (cont'd)

<u>Less:</u>	Section 14Q for R&R costs	
<u>Add:</u>	<u>Other taxable income</u>	
	Interest	
	Net rental	
	Others	
<u>Less:</u>	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)	
<u>Less:</u>	Land intensification allowance ("LIA") (see note 5)	
<u>Less:</u>	Approved donations – brought forward (see note 3)	
	Approved donations – current (see note 4)	
<u>Less:</u>	Merger and acquisition ("M&A") allowance (see note 6)	
<u>Less:</u>	R&D tax allowance utilised (see note 2)	
<u>Less:</u>	Investment allowance	
<u>Less:</u>	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 SGD 400,000 (SGD 600,000 under PIC+ scheme) 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 allowance¹ in Year of Assessment 2017.

2. Prescribed PIC IT and Automation Equipment

- 400% allowance for the first SGD 400,000 (SGD 600,000 under PIC+ scheme) 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.

3. Registration costs of qualifying IPRs

4. Qualifying training expenses

- 400% tax deduction for the first SGD 400,000 (SGD 600,000 under PIC+ scheme) 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 SGD 10,000 per year of assessment.

¹ 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 2017. The claim for RDA and enhanced deduction under the PIC scheme are mutually exclusive.

5. For Years of Assessment 2016 to 2018, a combined cap of SGD 1,200,000 (SGD 1,800,000 under PIC+ scheme) of expenditure for each of the 6 qualifying activities will be given.

6. Amount converted to cash

- Qualifying companies can elect to convert to cash qualifying expenditure under PIC scheme of up to SGD 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.

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

Note 4: Approved donations made from January 1, 2016 to December 31, 2016 will qualify for 250% 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). The allowance is computed at 25% of the acquisition value, up to a cap of SGD 20 million of the purchase consideration made up to 31 March 2016. The cap is increased to SGD 40 million for share acquisitions made from 1 April 2016. There will be a cap of SGD 10 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 SGD 10,000, 75% of the income
- On the next SGD 290,000, 50% of the income

2. Tax exemption scheme for new companies:

- On the first SGD 100,000, 100% of the income
- On the next SGD 200,000, 50% of the income

1 Payments to Non-Singapore Tax Resident Individuals/Companies

Certain payments are subject to Singapore withholding tax when they are paid/payable to non-tax residents of Singapore unless otherwise exempted under the provisions of the ITA or the relevant double tax agreements.

Such payments include 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 to Singapore branches of non-resident companies.

Penalties of up to 20% of the tax will be imposed by the Comptroller of Income Tax for late payment or non-compliance of the withholding tax requirements.

Where Singapore withholding tax applies, for all applicable payments paid to non-Singapore tax 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.

The **date of payment** is defined as the earliest of the following dates:

- When the payment is due and payable based on the agreement or contract or the date of invoice in the absence of agreement or contract (credit terms should not be taken into consideration);
- When payment is credited to the account of the non-resident or any other accounts designated by the non-tax resident;
- The date of actual payment.

As regards Directors' Fees, the date of payment is the earliest of the payment date or the date the payment was voted and approved (e.g. at the Annual General Meeting).

With effect from 1 July 2016, it is mandatory for the withholding tax form to be submitted electronically to the IRAS via myTax Portal.

2 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.

a Contemporaneous transfer pricing ("TP") documentation

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.

The IRAS has stated that unless the value or amount of the related party transactions disclosed in the current year's financial accounts does not exceed the thresholds shown in the Table below or if the transactions are entirely with related companies in Singapore, a taxpayer is required to prepare contemporaneous transfer pricing documentation to substantiate that the fees derived are at arm's length.

Category of related party transactions	Threshold (SGD) per financial year
Purchase of goods from all related parties	15 million
Sale of goods to all related parties	15 million
Loans owed to all related parties	15 million
Loans owed by all related parties	15 million
All other categories of related party transactions. Examples: <ul style="list-style-type: none"> • service income • service payment • royalty income • royalty expense • rental income • rental expense 	1 million per category of transactions

The transfer pricing documentation is not required to be submitted together with the income tax return. However, the documentation has to be prepared no later than the time of completing and filing the tax return for the financial year in which the transaction takes place. Hence, TP documentation for transactions carried out in financial year 2016 should be prepared by 30 November 2017.

The TP documentation should be kept by the Company and submitted to the IRAS within 30 days upon the IRAS' request.

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.

b Reporting of Related Party Transactions ("RPT") As Part of the Income Tax Return Submission

The IRAS has introduced a new Form for Reporting of Related Party Transactions ("RPT Form") with effect from the YA 2018 i.e. financial year ending 2017.

The RPT Form will be required to be completed if the value of the company's related party transactions disclosed in the audited financial accounts for the financial year exceeds SGD 15 million. The RPT Form would need to be endorsed by an authorised person(s) of the company and submitted together with the Form C.

The categories of RPT to be reported in the RPT Form cover tangible goods, intangibles, services and financing transactions. Details on the company's top five foreign related customers and suppliers are also required to be reported.

c Country-by-country reporting ("CbCR")

The Singapore Government has recently introduced CbCR. CbCR will be required for financial years beginning on or after 1 January 2017 for multi-national enterprises ("MNE") whose **ultimate parent entities are in Singapore** and where:

- The consolidated group revenue in the preceding financial year is at least SGD 1,125 million; and
- The MNE Group has subsidiaries or operations in at least one foreign jurisdiction.

The report has to be filed within 12 months from the last day of the financial year end.

Submission of the CbCR report has to be done electronically to the IRAS in accordance with the format prescribed by the IRAS.

Please contact us if you require more information about CbCR.

3 Double Tax Deduction ("DTD") for Internationalisation Scheme

Businesses are allowed automatic DTD on up to SGD 100,000 of qualifying expenses incurred up to 31 March 2020 on the following qualifying activities:

- Overseas business development trips / missions;
- Overseas investment study trips / missions;
- Participation in overseas trade fairs; and
- Participation in approved local trade fairs.

Approved businesses may apply to IE Singapore or Singapore Tourism Board on qualifying expenditure which exceeds the SGD 100,000 cap or on qualifying expenditure incurred on other qualifying activities, on a case by case basis.

4 Productivity and Innovation Credit ("PIC") scheme

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

Expiry of PIC

It was announced by the Minister of Finance in Budget 2016 that the PIC scheme will end in YA 2018. Hence, subject to the company meeting relevant conditions e.g. cap of SGD 400,000 per qualifying activity, the company may be eligible for PIC claim on qualifying expenditure incurred up to the company's financial year ending 2017.

a Enhanced deduction/allowance

Under the PIC scheme, enhanced deduction/allowance is available for a period of 8 years from the YA 2011 to YA 2018 on the first SGD 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 SGD 400,000 of qualifying expenditures incurred on 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, under the PIC+ scheme, qualifying SMEs¹ that invest in the six qualifying activities under the PIC scheme can enjoy 400% tax deductions/allowances on an additional SGD 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 in Singapore and whose (a) annual revenue is not more than SGD 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:-

- YAs 2013 to 2015 – a combined expenditure cap of SGD 1,200,000 (SGD 1,400,000 under PIC+) applies for each category of activity.
- YAs 2016 to 2018 – a combined expenditure cap of SGD 1,200,000 (SGD 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 YAs 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 but excludes sole proprietors, partners under contracts for services and shareholders who are directors of the company) have the option to convert up to SGD 100,000 (subject to a minimum of SGD 400) of qualifying expenditure on all six qualifying activities into non-taxable cash grant for each qualifying year of assessment at the conversion rate of 60%. The conversion rate has been reduced to 40% with effect from 1 August 2016.

Businesses which wish to claim the PIC cash payout have to meet the “3 local employees” condition in the last **3 months** of the relevant financial quarter / combined financial quarters.

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

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.

With effect from 1 August 2016, it is mandatory to submit the PIC Cash Payout application electronically to the IRAS.

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.

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 YA 2017, the application has to be submitted by September 30, 2017. 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 require our assistance in making such applications or to assess if your specialised equipment may qualify for PIC claim.

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 the IRAS.

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

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

5 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, if the works carried out do not require the approval from the Commissioner of Building Control.

The amount of R&R costs that qualify for tax deduction is subject to an expenditure cap of SGD 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.

6 Enhanced Capital Allowance Claim for Low Value Assets

Low value assets (costing no more than SGD 5,000 each) may be written down in one year for capital allowance purposes. In addition, the aggregate expenditure for assets written down in one year is SGD 30,000 for any year of assessment.

7 Integrated Investment Allowance ("IIA") scheme

Under the IIA scheme, businesses may claim additional allowance on fixed capital expenditure incurred from February 17, 2012 to February 28, 2017 (both dates inclusive) for productive equipment placed overseas on approved projects. The IIA scheme is administered by the Economic Development Board ("EDB").

8 Foreign Tax Credit Pooling System ("FTC Pooling System")

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.

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

The M&A allowance will be granted to an acquiring company which makes a qualifying acquisition of the *ordinary shares* of a target company during the period from April 1, 2010 to March 31, 2020 (both dates inclusive), at 5% of the acquisition value. The allowances are capped at SGD 10 million for all qualifying deals executed per year of assessment for qualifying M&A deals made from April 1, 2016 to March 31, 2020 (both dates inclusive).

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, unless waiver is granted by the relevant agency under the Headquarters Tax Incentive Program;
 - 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 as well as any intermediate holding company (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;
 - b. Does not claim any tax benefits under the M&A scheme, and
 - c. 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 SGD 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.

Stamp duty relief will be granted for up to SGD 40 million of consideration paid for qualifying M&A deals per financial year (i.e. stamp duty relief will be capped at SGD 80,000 per financial year). Stamp duty relief given will be recovered with interest if any of the above eligibility conditions is not met during the 2-year period from the date of share acquisition or in the case of a step acquisition, from the date of the last share acquisition.

10 Tax Treatment of Gains on Share Disposals

Gains derived by a company from the disposal of ordinary shareholdings in another company (which is neither in the business of trading nor holding Singapore immovable properties other than the business of property development) is not taxable if the divesting company maintains a minimum shareholding of 20% in the company whose shares are being disposed for a minimum period of 24 months prior to the disposal of shares.

The above safe harbour rule is effective from 1 June 2012 and valid till 31 May 2022 (both dates inclusive).

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.

11 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.

12 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 SGD 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 i.e. 50% or more of the total number of issued shares of the company must be held by or on behalf of the same shareholders as 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.

13 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 exempted from Singapore tax in the hands of the shareholders.

MANAGING 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 SGD 400,000 (SGD 600,000 under PIC+ scheme) of expenditure incurred (or a combined cap of SGD 1.2 million (SGD 1.8 million under PIC+ scheme) for Years of Assessment 2016 to 2018) and 100% allowance for the balance expenditure. Note that financial year 2017 will be the the last financial year for qualifying expenditure to be incurred in order to be considered for PIC / PIC+ claim.
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, if required.
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 in the current financial year and / or the near future may consider making an election to convert their first SGD 100,000 PIC qualifying expenditure into cash at the rate of 40%.
13. Consider incurring qualifying training costs which could qualify for 400% tax deduction up to the first SGD 400,000 (SGD 600,000 under PIC+ scheme) (or a combined cap of SGD 1.2 million (SGD 1.8 million under PIC+ scheme) for Years of Assessment 2016 to 2018) of qualifying expenses. Note that financial year 2017 will be the the last financial year for qualifying expenditure to be incurred in order to be considered for PIC / PIC+ claim.
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 purchased in financial year 2017 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 up to February 28, 2017 on productive equipment placed overseas on approved projects.

Please note that the above is not meant to be an exhaustive list.