

Productivity and Innovation Credit (PIC) Scheme

Turn Your EXPENSES Into SAVINGS

What is PIC?

A scheme to encourage all businesses to invest in **productivity** and **innovation**

How can my business benefit from PIC?

Claim 400% tax deduction on qualifying expenditure up to \$400,000

For Year of Assessment (“YA”) 2011 to YA 2015, you can enjoy tax savings on your investment in any of these six qualifying activities:

- 1) Research and Development
- 2) Approved Design
- 3) Acquisition of Intellectual Property
- 4) Registration of Intellectual Property
- 5) Purchase/Lease of Prescribed Automation Equipment
- 6) Training of Employees

Up to \$400,000 of your spending on each activity qualifies for a maximum tax deduction of \$1,600,000 (\$400,000 x 400% tax deduction) per activity.

For YA 2011 and YA 2012, you have a combined cap of \$800,000 expenditure per activity to qualify for the 400% deduction. You can also enjoy 400% tax deduction for up to \$1,200,000 expenditure per activity incurred for YA 2013 to YA 2015 combined. The combined caps will help especially SMEs benefit fully from the 400% tax deduction, if they are planning a large investment in productivity in any one year.

You can use the tax deductions to reduce your tax for the current year, or carry the excess tax deductions forward to reduce your taxes in future years.

For up to \$100,000 of expenditure incurred in the current year, you can apply to IRAS to defer the same quantum of tax payable in the same year. This deferred tax is paid next year. Tax deferral option applies for expenditure incurred for YA 2012 to YA 2015.

Cash Conversion Option (available for YA 2011 – YA 2013)

Instead of claiming a 400% tax deduction, you can apply to IRAS to convert up to \$100,000 of your qualifying expenditure into a maximum cash payout of \$30,000 for each YA. The qualifying expenditure which was converted into cash would reduce, dollar for dollar, the \$400,000 expenditure cap for the 400% tax deduction.

To help especially SMEs benefit fully from the cash payout if they are planning a large investment in any one year, the maximum cash payout is \$60,000 for expenditure

incurred for YA 2011 and YA 2012 combined, and \$30,000 for YA 2013. The cash conversion option will be reviewed by 2013.

Example: How your company benefits from the PIC tax deduction and cash payout

You spent \$400,000 on automation equipment and \$100,000 to train your staff.

Current PIC scheme

(250% deduction on up to \$300,000 expenditure per activity; maximum cash payout of \$21,000)

Claim a tax deduction of \$1,100,000*
→ Tax savings[^] = \$187,000

OR

Convert \$300,000 tax deduction into cash of \$21,000 + claim remaining tax deduction of \$800,000

→ PIC cash + tax savings[#] = \$157,000

*\$850,000 (\$300,000 × 250% + \$100,000 × 100%) for automation equipment + \$250,000 (\$100,000 × 250%) for staff training

[^]\$1,100,000 × 17% = \$187,000

[#] \$800,000 × 17% = \$136,000

New PIC scheme

(400% deduction on up to \$400,000 expenditure per activity; maximum cash payout of \$30,000)

Claim a tax deduction of \$2,000,000*
→ Tax savings[^] = \$340,000

OR

Convert \$100,000 training expenditure into cash of \$30,000 + claim remaining tax deduction of \$1,600,000

→ PIC cash + tax savings[#] = \$302,000

*\$1,600,000 (\$400,000 × 400%) for automation equipment + \$400,000 (\$100,000 × 400%) for staff training

[^]\$2,000,000 × 17% = \$340,000

[#]\$1,600,000 × 17% = \$272,000

Example: How your company can benefit from the tax deferral option

Your company is to pay \$200,000 tax in 2011 based on your YA 2011 tax assessment. You invested \$80,000 in 2011 on staff training. You can thus apply to IRAS to defer \$80,000 of your YA 2011 tax. This means you only pay \$120,000 tax in 2011. The deferred \$80,000 tax is to be paid together with YA 2012 tax in 2012. The tax deferral option does not affect your tax deduction. You can still claim the \$320,000 tax deduction (\$80,000 × 400%) in your YA 2012 tax return. This will reduce the YA 2012 tax payable.

Where can I obtain more details about PIC?

Website: <http://www.iras.gov.sg> (*Business > Productivity and Innovation Credit*)

Companies: **1800-356-8622**

Sole-proprietorships / Partnerships: **(65) 6351 3534**

Email: **picredit@iras.gov.sg**

MINISTRY OF FINANCE