

**Summary of key public feedback received on the
Income Tax (Amendment) Bill 2012**

I) Enhancement to the Productivity and Innovation Credit Scheme

Feedback: Section 37I(1)(viii) provides that any equipment purchased under hire-purchase agreements signed in the basis periods of the years of assessment 2012 to 2015 will not be eligible for the cash payout option, while section 37I(4A) provides that such purchases qualify for the cash payout option. As the intent is to allow these purchases to qualify for cash payouts in respect of years of assessment 2012 to 2015, to avoid confusion, the exclusion phrase in section 37I(1)(viii) should be deleted.

MOF's response: *Not accepted.* For legislative clarity, the provisions detailing the administration of the cash payout need to be covered in two separate sections (sections 37I(1)(viii) and 37I(4A)). The former covers the situation when purchases of qualifying equipment are paid in full upfront, while the latter covers the situation when purchases are paid on hire purchase terms.

The cash conversion option is available irrespective of whether the equipment is paid in full or paid via instalments. However, the timing of the disbursement of the cash payout varies, depending on whether the equipment is paid for in full or purchased on hire purchase terms. Where the full cost is paid upfront for the purchase, the amount of cash payout is computed based on the full cost paid, and will be disbursed outright. This is provided for under section 37I(1)(viii). Where the equipment is purchased under a hire purchase agreement, the amount of cash payout is computed based on the principal amounts paid within the year, and will be disbursed each year until all the instalments are fully paid. This is provided for under section 37I(4A).

II) Certainty of non-taxation of gains on disposal of ordinary shares under the new proposed Section 13Z

Feedback: It is proposed that the taxpayer be given the option whether to make use of the tax exemption on qualifying gains derived from the disposal of ordinary shares. If the taxpayer does not wish to opt for the tax exemption benefit, the tax treatment of the share disposal will be evaluated based on the facts and circumstances surrounding the disposal.

MOF's response: *Accepted.* For legislative clarity, we will amend the law to make clear that non-taxation of gains on disposal of shares will only be accorded to taxpayers if they opt for it. For taxpayers who do not opt for the treatment, the current practice will continue to apply, i.e. IRAS will determine the tax treatment of the disposal gains based on the facts and circumstances of each disposal.

Feedback: To qualify for the tax certainty treatment, the ordinary shares must be “directly and beneficially” held by the divesting company. It is unclear whether the words “directly and beneficially” are intended to exclude shares held on trust by nominees. If not, the inclusion of the term is unnecessary.

MOF’s response: *Accepted.* For legislative clarity, we will amend the law to make clear that ordinary shares held in trust by nominees do not qualify for the certainty of non-taxation of gains treatment.

III) Enhancement to the Mergers and Acquisition Scheme

Feedback: The law should make clear that the acquiring company and any number of acquiring subsidiaries (one or more) may together make qualifying acquisitions, in order to enjoy the Mergers and Acquisition Allowance.

MOF’s response: *Accepted.* For legislative clarity, we will amend the law to make clear that the acquiring company and any number of acquiring subsidiaries may together make the qualifying acquisition.

IV) Refinements to tax deduction regime for donations

Feedback: The law will be amended to provide that a 250% tax deduction will be given to donations that are net of the value of the benefit that the donor receives. MOF should take a practical approach toward designing these rules. This is because it may be difficult to determine the value of intangible benefits, such as naming a school hall after a donor.

MOF’s response: *Accepted.* The Government will conduct a consultation on the rules so as to develop an approach that is practical and consistent with the policy objective.