

ANNEX D-1: ENTERPRISE INNOVATION SCHEME

The following suite of tax measures will be enhanced or introduced under the Enterprise Innovation Scheme to encourage businesses to engage in research and development (R&D), innovation, and capability development activities.

- (A) Enhanced Tax Deduction for Staff Costs and Consumables Incurred on Qualifying R&D Projects Conducted in Singapore;
- (B) Enhanced Tax Deduction for Qualifying Intellectual Property (IP) Registration Costs;
- (C) Enhanced Tax Allowance/Deduction for Acquisition and Licensing of Qualifying IP Rights;
- (D) Enhanced Tax Deduction for Qualifying Training Expenditure;
- (E) Introduce Tax Deduction for Innovation Projects Carried Out with Polytechnics, the Institute of Technical Education (ITE) or Other Qualified Partners; and
- (F) Cash Conversion.

(A) Enhanced Tax Deduction for Staff Costs and Consumables Incurred on Qualifying R&D Projects Conducted in Singapore

Today, businesses enjoy a 100% tax deduction for all qualifying R&D expenditure incurred on qualifying R&D projects,¹ and an additional 150% tax deduction for staff costs and consumables incurred on qualifying R&D projects conducted in Singapore.²

Announced in Budget 2023, the enhanced tax deduction will allow businesses to enjoy a **400% tax deduction for the first \$400,000 of staff costs and consumables incurred on qualifying R&D projects conducted in Singapore** for each Year of Assessment (YA) from YA2024 to YA2028.

All other existing eligibility criteria and conditions for tax deductions on staff costs and consumables incurred on qualifying R&D projects conducted in Singapore are applicable to the enhancement.

(B) Enhanced Tax Deduction for Qualifying IP Registration Costs

Today, businesses enjoy a 200% tax deduction on the first \$100,000 of qualifying IP registration costs on registration of patents, trademarks, designs, and plant varieties. Subsequent qualifying IP registration costs can enjoy a 100% tax deduction.³

Announced in Budget 2023, the enhanced tax deduction will allow businesses to enjoy a **400% tax deduction for the first \$400,000 of qualifying IP registration costs incurred** for each YA from YA2024 to YA2028.

All other existing eligibility criteria and conditions for tax deductions on qualifying IP registration costs are applicable to the enhancement.

¹ Under section 14C of the Income Tax Act 1947 (ITA).

² Under section 14D of the ITA.

³ Under section 14A of the ITA.

(C) Enhanced Tax Allowance / Deduction for Acquisition and Licensing of Qualifying IP Rights

Under existing tax measures for IP rights, companies and partnerships can enjoy a 100% writing-down allowance on capital expenditure incurred on the acquisition of qualifying IP rights.⁴ Businesses can enjoy a 200% tax deduction on the first \$100,000 of qualifying expenditure on licensing of qualifying IP rights.⁵ Subsequent expenditure on licensing of qualifying IP rights can qualify for a 100% tax deduction.⁶

Announced in Budget 2023, the enhancement will allow businesses to enjoy **tax allowances/deductions of 400% for the first \$400,000 of qualifying expenditure incurred on the acquisition and licensing of qualifying IP rights** for each YA from YA2024 to YA2028. The expenditure cap of \$400,000 is applied across IP rights acquisition and licensing collectively.

The enhancement will only be available to businesses that generate less than \$500 million in revenue in the relevant YA.

All other existing eligibility criteria and conditions for tax allowances/deductions on acquisition and licensing of qualifying IP rights are applicable to the enhancement.

(D) Enhanced Tax Deduction for Qualifying Training Expenditure

Today, businesses can claim a 100% tax deduction on training expenditure as a deductible business expense.⁷

Announced in Budget 2023, the enhancement will allow businesses to enjoy **a tax deduction of 400% for the first \$400,000 of qualifying training expenditure incurred** for each YA from YA2024 to YA2028.

The enhancement is only applicable to qualifying training expenditure incurred on courses that are eligible for SkillsFuture Singapore funding and aligned with the Skills Framework. The list of courses that are eligible is available on go.gov.sg/eis-training.

All other existing eligibility criteria and conditions for tax deductions on training expenditure are applicable to the enhancement.

(E) Introduce Tax Deduction for Innovation Projects Carried Out with Polytechnics, the Institute of Technical Education (ITE) or Other Qualified Partners

To encourage businesses to kickstart their innovation journey by tapping on existing technical and innovation capabilities within the polytechnics, the ITE or other qualified partners (collectively termed as partner institutions), the Government will introduce a new tax deduction where businesses can claim **a 400% tax deduction for up to \$50,000 of qualifying innovation expenditures incurred on qualifying innovation projects carried out with partner institutions** for each YA from YA2024 to YA2028.

⁴ Under section 19B of the ITA.

⁵ Under sections 14 or 14C, and section 14U of the ITA.

⁶ Under section 14 or 14C of the ITA.

⁷ Subject to the general tax deduction rules under sections 14 and 15 of the ITA.

The current list of partner institutions include:

- a) Singapore Polytechnic
- b) Ngee Ann Polytechnic
- c) Republic Polytechnic
- d) Nanyang Polytechnic
- e) Temasek Polytechnic
- f) The Institute of Technical Education
- g) Precision Engineering Centre of Innovation at A*STAR SIMTech

Qualifying innovation projects with partner institutions refer to projects that predominantly involve one or more of the following innovation activities:

- a) Research and experimental development activities;
- b) Engineering, design, and other creative work activities;
- c) IP-related activities; and
- d) Software development and database activities.

The relevant partner institutions will validate the project as a qualifying innovation project and issue the innovation project invoice. Expenditure incurred outside of the collaboration with the partner institution will not qualify for this tax deduction.

(F) Cash Conversion

Eligible businesses can opt for a **non-taxable cash payout at a cash conversion ratio of 20% on up to \$100,000 of total qualifying expenditure across all qualifying activities (described under (A) to (E) above) for each YA, in lieu of tax deductions/allowances.** The cash payout will be capped at \$20,000 per YA. Applications for the cash payout are to be submitted together with the filing of the businesses' income tax returns.

Eligible businesses refer to companies, registered business trusts, partnerships and sole-proprietorships with at least three full-time local employees (Singapore Citizens or Permanent Residents who are paid CPF contributions) earning a gross monthly salary of at least \$1,400, in employment for six months or more, in the basis period of the relevant YA.

More Information

Scheme	Contact Details
Enterprise Innovation Scheme	Please visit go.gov.sg/iras-eis for more information. IRAS will also provide further details on the scheme by 30 June 2023.