

Back to Basics – Corporate Tax

Eng Min Lor
Emily Lin
Natalie Chan



Agenda

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- 1 What's next after the PIC Scheme?
- 2 Recent tax changes: 14Q definition, Insurance premium, FRS 109 tax treatment
- 3 Enhanced deduction for research and development expenditure
- 4 Tax treatment of grants

What's next after PIC ?



What's next after PIC ?

1 Automation Support Package and Grants

- **Automation Support Package**

- Grants of 50% of cost, capped at \$1M
- 100% investment allowance
- Loan up to \$15 million for automation equipment

Who can apply -

- SME – companies with at least 30% local shareholding, group annual sales of less than S\$100M or employment size of not more than 200 workers
- Non SME may qualify but number of qualifying items is limited

- **Grants**



PRODUCTIVITY SOLUTIONS GRANT

The Productivity Solutions Grant (PSG) supports companies in the adoption of pre-scoped IT solutions and equipment that enhances productivity.

- > What is PSG?
- > Is my business eligible for PSG?
- > How can my business apply for PSG?

Select the respective sector your business belongs to and the type of solutions you're interested to find out about.

Filter:

Sector

Environmental Services ▼

Type

Equipment ▼



Autonomous Floor Cleaner/Scrubber

The autonomous robotic floor cleaner/scrubber integrates sensors, cameras and AI navigation to clean floors without human intervention.

Battery Operated Cart

Operated by 1 worker, the Battery Operated Cart is equipped with bin-lifting capability to facilitate the collection of municipal solid waste from individual refuse chutes.

Anti-Stain Vortex Flushing Water Closet System

Equipment must be rimless in design with a coating finishing built into the base material that prevents the build-up of mould, waste and dirt resistant without the need to use aggressive cleaners. Solution must be fitted with vortex like 360 degree flushing that cleans every spot minimising the use of cleaning efforts. Solution must be deployed in either commercial or industrial premises.

Centralised Foam Soap Dispensing Reservoir

Equipment to support automatic refilling of foam soap to at least 3 dispensers per toilet.



Combi System (Jetting & Vacuum Drain Cleaning Truck)

Equipment that is used to carry out high pressured jetting and suction functions during conservancy cleaning such as the cleaning of



Floor Cleaner/Scrubber

Small and compact hand-held cleaner/scrubber with rotating brushes and wet vacuum function. Predominantly used for hard floor

<https://www.smeportal.sg/content/tech-depot/en/psg.html>



Combi system (jetting & vacuum drain cleaning truck)

> [Eligibility Criteria](#)

Description

Equipment that is used to carry out high pressured jetting and suction functions during conservancy cleaning such as the cleaning of canals, pipes, drains and/or drop inlet chambers. System must be equipped with storage unit for dispensing of water for cleaning purposes and containment of waste water.

Specifications

- At least 2,000L sludge holding capacity
- Cost of chassis is not supported
- Grant cap: Up to \$250,000 per unit

Mode of Purchase

Direct/Hire Purchase/Leasing

Support Level

- For SMEs: 50% of cost of equipment
- Grant cap up to \$250,000 per unit

- For Non-SMEs: 50% of cost of equipment
- Grant cap up to \$250,000 per unit

Interested companies can source for the equipment and get a quotation from the vendor, before applying for the PSG through the Business Grant Portal (BGP).

What's next after PIC ?

2

Capital allowance study

To identify the cost associated with the plant and machinery.

3

R&D deductions

To consider if a project will qualify for R&D claims

Recent tax changes – Section 14Q Changes

Recap - Section 14Q

For renovation, you either claim:-

- Capital allowance claim if it qualifies as plant;
- Tax deduction under Section 14(1)(c) if it qualifies as repair and maintenance with no element of improvement.

What happens if it does not qualify as plant or deductible under Section 14(1)(c)?

- Deduction for renovation & refurbishment
- List of items that qualifies for Section 14Q

Section 14Q changes

The following items were added recently:-

- any works carried out to a place of residence provided to or to be provided to employees
- Hoarding works
- Insurance for renovation works qualifying for Section 14Q

Recent Tax Changes - Insurance Premiums

Term life / Personal Accident Insurance

Is insurance premium for term life / personal accident paid for employees deductible for tax purposes?



Yes



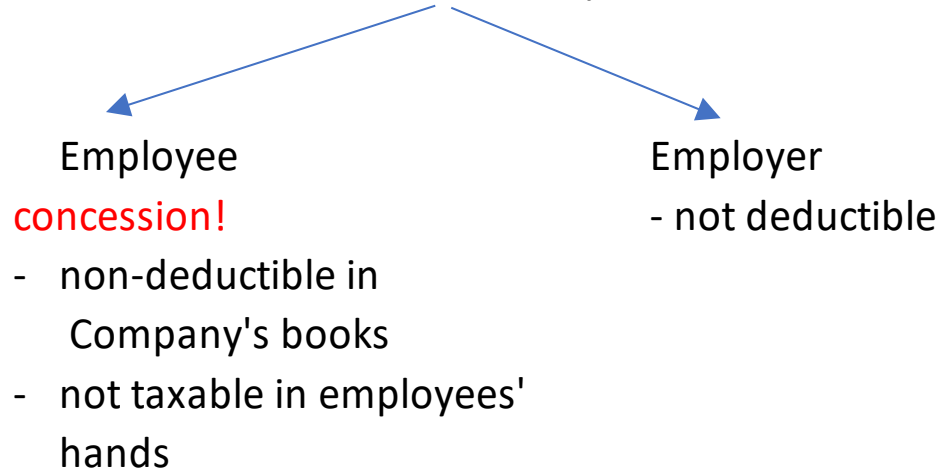
No

It depends!

Term life / Personal Accident Insurance

Current Treatment

Who is beneficiary?



Term life / Personal Accident Insurance

With effect from **YA 2019!**



- Employer is the beneficiary - Insurance premium deductible in Company's books



- Pay-out subsequently taxable in Company's hands / Employee's hands unless exempted under Section 13(1)(i) (if Company on-pays that).

Recent Tax Changes - FRS 109 Tax Treatment

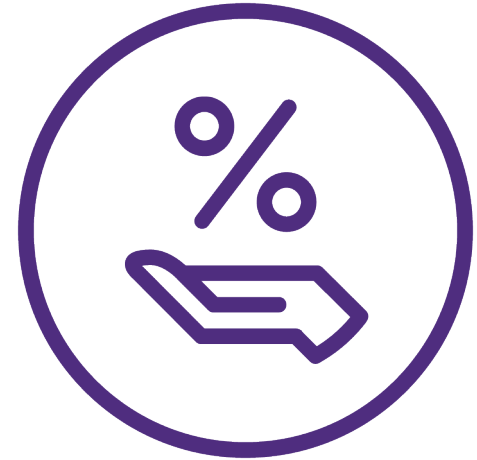
Before FRS 109 Tax Treatment



- FRS 39 – financial instruments – recognition and measurement
- Option to opt for pre-FRS 39 tax treatment
- Whether an item is to be adjusted or not - depends on whether they are on capital / revenue account

FRS 109 Tax Treatment

- Applies with effect from 1 January 2018
- No opt-in option for tax treatment
- Look out for tax adjustment re: FVOCI (Equity instruments) / FVTPL (liability)
- Impairment on receivables – credit impaired vs non-credit impaired
- Transitional tax adjustments – FRS 109 Tax Treatment and pre-FRS 39 Tax Treatment



Enhanced Deduction for R&D

R&D Deductions

British manufacturer Dyson to relocate corporate headquarters to Singapore



R&D Deductions

Previous Treatment	Current Treatment
Staff costs and consumables incurred on qualifying R&D projects	
<ul style="list-style-type: none">• 100% base deduction	<ul style="list-style-type: none">• 100% base deduction
<ul style="list-style-type: none">• 300% enhanced deduction for base amounts up to S\$1.2 million (for YA 2016 to YA 2018)	
<ul style="list-style-type: none">• 50% enhanced deduction for base amounts exceeding S\$1.2 million	<ul style="list-style-type: none">• 150% enhanced deduction

Grants

Purpose of grants	Tax treatment of grants
<ul style="list-style-type: none">• Supplement income or defray operating expenses• Examples : Wage Credit, Jobs Credit, Special Employment Credit (SEC), absentee payroll and government-paid child care/ maternity/ paternity leave	<ul style="list-style-type: none">• Taxable• Question on medical expense restriction calculation : Need to deduct wage credit etc from total remuneration ? No – as a concession

Grants

Purpose of grants

- Fund infrastructure or fixed assets investments
Example – Grant for the purchase of equipment

Tax treatment of grants

- Not taxable as it is a capital receipt

Question : Capital allowance claim on the equipment - on the entire equipment cost or net grant cost ?

Depends

- Transaction flow of the grants and the acquisition of the assets
- Was the grant paid directly to the vendor under a co-payment arrangement ?





Grants

Purpose of grants

- General grant (combination of revenue and capital)

Tax treatment of grants

- Taxable at 17%, concessionary rate or not taxable after matching such grants against the expenses which have been incurred pursuant to the grants
- Question –
What if there are no clear specifications/restrictions to the grants approved by the relevant government agencies ?



Grants

Purpose of grants

- General grant (combination of revenue and capital)

Tax treatment of grants

- Taxable at 17%, concessionary rate or not taxable after matching such grants against the expenses which have been incurred pursuant to the grants
- To request for the following from the respective government agency:-
 - i. to state the purpose of the grant
 - ii. For capital and revenue amounts of the grant to be split in the letter.



Thank you
Any questions?