

# **Economic Expansion Incentives (Relief from Income Tax) (Amendment) Bill**

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**Bill No. 21/2011.**

*Read the first time on 21st November 2011.*

A BILL

*i n t i t u l e d*

An Act to amend the Economic Expansion Incentives (Relief from Income Tax) Act (Chapter 86 of the 2005 Revised Edition).

Be it enacted by the President with the advice and consent of the Parliament of Singapore, as follows:

### **Short title and commencement**

1.—(1) This Act may be cited as the Economic Expansion Incentives (Relief from Income Tax) (Amendment) Act 2011.

5 (2) Sections 5, 6 and 7 shall be deemed to have come into operation on 1st April 2010.

### **Amendment of section 3**

2. Section 3 of the Economic Expansion Incentives (Relief from Income Tax) Act (referred to in this Act as the principal Act) is amended by inserting, immediately after the definition of “approved royalties, fees or contributions”, the following definition:

““certificate” includes a letter or other document issued by the Minister to a company pursuant to an application made by the company under a provision of this Act;”.

### **Amendment of section 18**

15 3. Section 18 of the principal Act is amended by deleting the words “a period of 5 years or such longer period, not exceeding 15 years” and substituting the words “such period, not exceeding 15 years”.

### **Amendment of section 19J**

20 4. Section 19J of the principal Act is amended —

(a) by inserting, immediately after subsection (5), the following subsection:

25 “(5A) In the case of a development and expansion company that is approved as such on or after the date the Economic Expansion Incentives (Relief from Income Tax) (Amendment) Act 2011 is published in the *Gazette* or which has been granted on or after that date an extension of its tax relief period, the concessionary rate of tax applicable to its expansion income that is derived by it at any time on or after the date of its approval or  
30 during the extension period (as the case may be), and

during any of the following parts of its tax relief period (if applicable):

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- (a) the beginning of the 11th year of the tax relief period to the end of the 15th year of, or the end of, the tax relief period, whichever is earlier;
  - (b) the beginning of the 16th year of the tax relief period to the end of the 20th year of, or the end of, the tax relief period, whichever is earlier,

10 shall be the rate specified by the Minister to the company, which shall not be less than

$$(0.5 + A)\%$$

where A is the concessionary rate of tax applicable to the company's expansion income that is derived by it immediately before the commencement of that part of the tax relief period.”; and

- (b) by deleting the words “which has been granted a tax relief period of at least 10 years is granted” in subsection (8) and substituting the words “which has been approved as such at any time before the date the Economic Expansion Incentives (Relief from Income Tax) (Amendment) Act 2011 is published in the *Gazette*, and has been granted a tax relief period of at least 10 years, is granted at any time before that date”.

#### **Amendment of section 19K**

5. Section 19K of the principal Act is amended by inserting, immediately after subsection (5), the following subsection:

“(6) The Minister shall, in extending the tax relief period of a company to which section 19KA applies, take into account its tax relief period referred to in that section.”.

### **New section 19KA**

6. The principal Act is amended by inserting, immediately after section 19K, the following section:

#### **“International legal services**

5       **19KA.**—(1) If a company engaged in international legal services is approved under section 19J(1) as a development and expansion company at any time between 1st April 2010 and 31st March 2015 (both dates inclusive), then —

10       (a) notwithstanding section 19K(1), (2) and (3), the tax relief period of the company is a non-extendable period of 5 years commencing on its commencement day; and

15       (b) notwithstanding section 19J(5), tax at the rate of 10% shall be levied and paid for each year of assessment upon the expansion income derived by the company during its tax relief period from the provision of international legal services.

(2) This section does not apply to a company approved under section 13V(1) of the Income Tax Act (Cap. 134).

20       (3) In this section —

“expansion income” has the meaning given to that expression in section 19J;

25       “international legal services” means any qualifying activity comprising legal services that qualify for zero-rating under section 21(3) of the Goods and Services Tax Act (Cap. 117A).”.

### **Amendment of section 19L**

30       7. Section 19L(9) of the principal Act is amended by inserting, immediately after the words “section 19J” in paragraph (a), the words “or 19KA”.

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## EXPLANATORY STATEMENT

This Bill seeks to amend the Economic Expansion Incentives (Relief from Income Tax) Act (Cap. 86).

Clause 1 relates to the short title and commencement.

Clause 2 amends section 3 (Interpretation) to provide a definition for “certificate”, in order to clarify that that word includes any letter or other document issued by the Minister to a company pursuant to an application made by the company under a provision of the Act.

Clause 3 amends section 18 (Tax relief period of pioneer service company) to remove the requirement that a tax relief period of a pioneer service company under Part III must be at least 5 years.

Clause 4 amends section 19J (Application for and issue of certificate to development and expansion company). The concessionary tax rate applicable to the expansion income derived by a company that is approved as a development and expansion company on or after the date the Economic Expansion Incentives (Relief from Income Tax) (Amendment) Act 2011 is published in the *Gazette*, or which is granted an extension of its tax relief period on or after that date, will be increased to at least the sum of 0.5% and the preceding tax rate, for income derived on or after the approval or during the extension, and after the 10th year and 15th year of its tax relief period. Subsections (8), (9) and (10), which require the average corresponding income of a development and expansion company to be recomputed for any extension of its tax relief period after 10 years, will continue to apply to a company approved as a development and expansion company, and which has been granted an extension of that period, before the date the Economic Expansion Incentives (Relief from Income Tax) (Amendment) Act 2011 is published in the *Gazette*. The average corresponding income of a company is the amount of its income that will not be subject to the concessionary tax rate.

Clause 5 amends section 19K (Tax relief period of development and expansion company) to require the Minister, when he extends the tax relief period of a company to which new section 19KA applies, to take into account the non-extendable tax relief period of 5 years under that new section.

Clause 6 inserts a new section 19KA which makes special provisions for a company which engages in GST zero-rated international legal services and is approved as a development and expansion company in the period between 1st April 2010 and 31st March 2015 (both dates inclusive). The tax relief period for the company is a non-extendable 5 years and its expansion income from such international legal services is subject to a 10% tax rate. The new section 19KA does not apply to a company that has been approved under section 13V(1) of the Income Tax Act (Cap. 134) (which provides for exemption of income derived by a law practice from international arbitration held in Singapore).

Clause 7 makes a consequential amendment to section 19L(9) (Comptroller may make assessment on company if its income ought not to have been taxed at the concessionary rate) arising from the insertion of the new section 19KA.

#### EXPENDITURE OF PUBLIC MONEY

This Bill will not involve the Government in any extra financial expenditure.

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