Income Tax (Amendment) Bill

Bill No. 14/2011.

Read the first time on 17th October 2011.

A BILL

i n t i t u l e d

An Act to amend the Income Tax Act (Chapter 134 of the 2008 Revised Edition) and to make a consequential amendment to 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, commencement and application

1.—(1) This Act may be cited as the Income Tax (Amendment) Act 2011.

(2) Section 30(*h*) and (*i*) shall be deemed to have come into operation on 1st January 2006.

(3) Section 21 shall be deemed to have come into operation on 13th February 2007.

(4) Sections 8, 9, 11, 13(*a*), (*b*) and (*c*), 44(*a*), (*b*) and (*c*) and 53(*a*), (*b*) and (*c*) shall be deemed to have come into operation on 1st September 2007.

(5) Section 3 shall be deemed to have come into operation on 31st October 2008.

(6) Section 6(*h*) shall be deemed to have come into operation on 9th January 2009.

(7) Sections 13(*d*), 14(*a*), 44(*d*) and 53(*d*) shall be deemed to have come into operation on 1st April 2009.

(8) Section 10(*a*), (*b*), (*e*), (*g*), (*h*), (*i*) and (*j*) shall be deemed to have come into operation on 22nd February 2010.

(9) Section 28 shall be deemed to have come into operation on 23rd February 2010.

(10) Sections 15 and 35 shall be deemed to have come into operation on 1st April 2010.

(11) Section 14(*b*) shall be deemed to have come into operation on 7th July 2010.

(12) Sections 4(*a*), 6(*b*), (*e*), (*f*) and (*i*), 16(*b*) and 27(*a*) shall be deemed to have come into operation on 1st January 2011.

(13) Section 37 shall be deemed to have come into operation on 19th February 2011.

(14) Sections 18, 20, 34, 38 and 40 shall be deemed to have come into operation on 1st April 2011.

(15) Section 41 shall be deemed to have come into operation on 25th April 2011.

(16) Sections 10(*f*), 48, 49, 69(*a*) and 71 shall be deemed to have come into operation on 1st June 2011.

(17) Section 16(*a*) shall be deemed to have come into operation on 1st September 2011.

(18) Sections 6(*a*), (*c*) and (*d*) and 32(*b*) shall be deemed to have come into operation on 1st January 2012.

(19) Sections 61 and 70 shall have effect for the year of assessment 2011.

(20) Sections 19 (in relation to subsections (1), (9) (for the purpose of a deduction under subsection (1)), (11) and (12) of the re-enacted section 14DA) and 69(*c*) shall have effect for the year of assessment 2009 and subsequent years of assessment.

(21) Sections 17, 19 (in relation to subsections (2) to (8), (9) (for the purpose of a deduction under subsection (2)) and (10) of the re-enacted section 14DA), 23, 24, 25, 29, 30(*a*) to (*g*) and (*l*), 31, 33 and 69(*b*) shall have effect for the year of assessment 2011 and subsequent years of assessment.

(22) Sections 4(*b*) and (*c*), 7, 10(*c*) and (*d*), 22, 26, 27(*b*) and (*c*), 36(*a*) to (*k*), 54 and 68(*c*) shall have effect for the year of assessment 2012 and subsequent years of assessment.

Amendment of section 6

2. Section 6(4) of the Income Tax Act (referred to in this Act as the principal Act) is amended —

(*a*) by deleting the words "of such facts as may be necessary";

(*b*) by inserting, immediately before the words "to enable" in paragraph (*a*), the words "of such facts as may be necessary"; and

(*c*) by deleting paragraph (*b*) and substituting the following paragraph:

"(*b*) of any information for the purpose of discharging an obligation of Singapore under an arrangement between the government of that country and the Government of Singapore that has effect under section 49 or 105BA;".

Amendment of section 10

3. Section 10(26) of the principal Act is amended —

(*a*) by deleting the word "woman" and substituting the word "individual";

(*b*) by inserting, immediately after the word "section 9", the words "or 12B"; and

(*c*) by deleting the word "her" and substituting the word "his".

Amendment of section 10C

4. Section 10C of the principal Act is amended —

(*a*) by deleting subsections (4) and (5) and substituting the following subsections:

"(4) Notwithstanding subsection (1)(*a*) but subject to subsection (6), where a contribution is made by an employer in any year to the medisave account of his employee maintained under the Central Provident Fund Act (Cap. 36), the contribution up to the maximum amount referred to in subsection (5) shall not be deemed to be income accruing to the employee.

(5) The maximum amount is $1,500 less —

(*a*) any previous contribution made by the same or another employer to that medisave account in that year where the contribution is not deemed to be income under subsection (4); and

(*b*) any previous contribution made to that medisave account in that year that is exempt from tax under section 13(1)(*jc*).";

(*b*) by deleting the definition of "relevant amount" in subsection (12) and substituting the following definition:

" "relevant amount" means the amount of contributions which would have been required to be made by the relevant employer had such contributions been obligatory under the Central Provident Fund Act in respect of —

(*a*) the overseas total wages paid to an employee in any year less the aggregate in that year of such part of the overseas ordinary wages paid to the employee in every month in that year as exceeds $4,500 (being a month before September 2011) or $5,000 (being the month of September 2011 or any subsequent month); or

(*b*) $79,333 (in relation to the year 2011) or $85,000 (in relation to the year 2012 and every subsequent year),

whichever is the lesser;"; and

(*c*) by deleting paragraph (*b*) of the definition of "specified amount" in subsection (12) and substituting the following paragraphs:

"(*b*) in relation to the year 2006, 2007, 2008, 2009 or 2010, the difference between $76,500 and the total ordinary wages paid to the employee in that year; and for this purpose, any amount of ordinary wages paid to the employee for any month in the year in excess of $4,500 shall be disregarded;

(*c*) in relation to the year 2011, the difference between $79,333 and the total ordinary wages paid to the employee in that year; and for this purpose, any amount of ordinary wages paid to the employee for any month in the year in excess of $4,500 (being a month before September 2011) or $5,000 (being the month of September 2011 or any subsequent month) shall be disregarded; and

(*d*) in relation to the year 2012 and every subsequent year, the difference between $85,000 and the total ordinary wages paid to the employee in that year; and for this purpose, any amount of ordinary wages paid to the employee for any month in the year in excess of $5,000 shall be disregarded;".

Amendment of section 10L

5. Section 10L of the principal Act is amended by inserting, immediately after subsection (3), the following subsections:

"(3A) Subject to subsection (3C), where an SRS member has used funds in his SRS account for any investment, any payment to the SRS member thereafter, being —

(*a*) any gains or profits from the investment made;

(*b*) any part of the funds the SRS member invested; or

(*c*) any proceeds from the sale or liquidation of such investment,

shall be considered a withdrawal by the SRS member from his SRS account for the purposes of subsections (1), (2) and (3)(*b*) and (*c*).

(3B) Subsection (3A) applies even if the SRS account has been closed before the payment mentioned in that subsection, and in that event the person to whom the payment is made shall be treated as if he is still an SRS member for the purposes of subsections (1), (2), (2A) and (3)(*b*) and (*c*).

(3C) Subsection (3A) does not apply to any payment received after any balance remaining or sum standing in the SRS account is deemed withdrawn under subsection (6), (7) or (9).

(3D) Where any funds in an SRS account have been used for investment, then all the funds standing in the SRS account shall be considered as having been withdrawn at the same time for the purposes of subsection (3)(*a*) if, and only if, amounts which the financial product provider declared to the SRS member to be all the gains or profits from the investment, all funds used for the investment and all the proceeds from the sale or liquidation of the investment have been returned to the account and these, together with all funds standing in the SRS account, are withdrawn at the same time.".

Amendment of section 13

6. Section 13 of the principal Act is amended —

(*a*) by deleting the words "31st December 2011" in subsections (1)(*b*)(i) and (ii), (2C)(*a*) and (*b*), (2D)(*a*) and (*b*) and (16) (paragraph (*a*) of the definition of "qualifying project

debt securities") and substituting in each case the words "31st March 2017";

(*b*) by inserting, immediately after paragraph (*jb*) of subsection (1), the following paragraph:

"(*jc*) any voluntary contribution in cash made in 2011 or any subsequent year by a person of a description prescribed by the Minister to the medisave account maintained under the Central Provident Fund Act (Cap. 36) of a self-employed individual, up to $1,500 less —

(i) any previous contribution made to that medisave account in that year that is exempt from tax under this paragraph; and

(ii) any previous contribution made to that medisave account in that year which is not deemed to be income under section 10C(4):

Provided that the amount of the voluntary contribution does not exceed the amount allowable under the Central Provident Fund Act and is within the medisave contribution ceiling prevailing at the time the contribution is made;";

(*c*) by deleting the words "31st December 2011" in subsection (1)(*zj*)(ii)(B) and (iii)(B) and substituting in each case the words "31st March 2017";

(*d*) by deleting the words "1st January 2012" in subsection (1)(*zj*)(ii)(B) and (iii)(B) and substituting in each case the words "1st April 2017";

(*e*) by deleting the word "and" at the end of subsection (1)(*zm*);

(*f*) by deleting the full-stop at the end of paragraph (*zn*) of subsection (1) and substituting the word "; and", and by inserting immediately thereafter the following paragraph:

"(*zo*) any sum accrued to a woman on or after 1st January 2011 by way of maintenance in accordance with an order of court or deed of separation.";

(*g*) by inserting, immediately after subsection (12), the following subsection:

"(12A) Every order made under subsection (12) which exempts from tax any income received by —

(*a*) the trustee of a real estate investment trust; or

(*b*) a company incorporated in Singapore the share capital of which is 100% owned by the trustee of a real estate investment trust on the date of commencement of the order,

is, notwithstanding anything in that order, treated as revoked on 1st April 2015 unless revoked earlier; and any exemption granted under that order shall cease to apply to income received by such person on or after 1st April 2015.";

(*h*) by deleting subsection (13) and substituting the following subsections:

"(13) An order made under subsection (12) may —

(*a*) be either general or specific;

(*b*) prescribe the conditions subject to which the income will be exempt from tax or be taxed at a concessionary rate of tax;

(*c*) provide that the Minister may require all or any of the conditions referred to in paragraph (*b*) to be complied with to the satisfaction of the Comptroller;

(*d*) prescribe a condition requiring the person to satisfy the Comptroller that all or any of the conditions referred to in paragraph (*b*) have been complied with before the income is received in Singapore.

(13A) The conditions referred to in subsection (13) need not be included in the order for the purpose of publication in the *Gazette*."; and

(*i*) by inserting, immediately after the definition of "Islamic debt securities" in subsection (16), the following definition:

" "medisave contribution ceiling" has the same meaning as in section 39(13);".

Amendment of section 13A

7. Section 13A of the principal Act is amended by inserting, immediately after subsection (1C), the following subsection:

"(1D) This section does not apply to income of a shipping enterprise, being an international shipping enterprise approved under section 13F, derived in the basis period for the year of assessment 2012 or any subsequent year of assessment from the operation of foreign ships.".

Amendment of section 13C

8. Section 13C(1) of the principal Act is amended by deleting the words "prescribed fund manager" and substituting the words "fund manager".

Amendment of section 13CA

9. Section 13CA(1) of the principal Act is amended by deleting the words "prescribed fund manager" and substituting the words "fund manager".

Amendment of section 13F

10. Section 13F of the principal Act is amended —

(*a*) by deleting the words "Subject to subsection (2)" in subsection (1) and substituting the words "Subject to subsections (1A) and (2)";

(*b*) by inserting, immediately after the words "operated by the qualifying special purpose vehicle" in subsection (1)(*e*), the words ", unless the conditions of its approval otherwise provides";

(*c*) by deleting the full-stop at the end of subsection (1)(*e*) and substituting a semi-colon;

(*d*) by inserting, immediately after paragraph (*e*) of subsection (1), the following paragraph:

"(*f*) for the year of assessment 2012 and subsequent years of assessment from the carriage by any foreign ship of passengers, mails, livestock or goods which are shipped in Singapore, except where such carriage is only within the limits of the port of Singapore.";

(*e*) by inserting, immediately after subsection (1), the following subsections:

"(1A) Subsection (1)(*e*) does not apply to the provision by an approved international shipping enterprise of ship management services to a qualifying special purpose vehicle if at least 50% of the total number of the issued ordinary shares of the enterprise are beneficially owned, whether directly or indirectly, by another approved international shipping enterprise.

(1B) An application may be made to the Minister or such person as he may appoint for a company —

(*a*) which is an international shipping enterprise; or

(*b*) which is not but intends to become an international shipping enterprise,

to be approved as an approved international shipping enterprise, and the company is deemed upon approval to be an approved international shipping enterprise.";

(*f*) by deleting subsection (2) and substituting the following subsections:

"(2) The exemption for each approved international shipping enterprise —

(*a*) shall be for such period not exceeding 10 years from the date of its approval as the Minister or such person as he may appoint may specify, except that the Minister or such person as he may appoint may extend the period so specified for such further periods, not exceeding 10 years at a time, as he thinks fit; or

(*b*) if, at the time of its approval, the company does not, in the opinion of the Minister or such person as he may appoint, satisfy such qualifying conditions as the Minister or person may determine for the purposes of paragraph (*a*), shall be for such period not exceeding 5 years from the date of its approval as the Minister or person may specify.

(2A) The approval of an approved international shipping enterprise for a period of exemption referred to in subsection (2)(*b*) may only be granted at any time between 1st June 2011 and 31st May 2016 (both dates inclusive).";

(*g*) by deleting sub-paragraph (ii) of paragraph (*a*) of the definition of "qualifying special purpose vehicle" in subsection (6) and substituting the following sub-paragraph:

"(ii) at least 50% of the total number of the issued ordinary shares of which are beneficially owned, whether directly or indirectly, by —

(A) the approved international shipping enterprise; or

(B) a company which beneficially owns (whether directly or indirectly) at least 50% of the total number of the issued ordinary shares of the approved international shipping enterprise;";

(*h*) by deleting the word "or" at the end of paragraph (*b*)(ii) of the definition of "qualifying special purpose vehicle" in subsection (6);

(*i*) by deleting sub-paragraph (ii) of paragraph (*c*) of the definition of "qualifying special purpose vehicle" in subsection (6) and substituting the following sub-paragraph:

"(ii) of which the approved international shipping enterprise is entitled, whether directly or indirectly, to at least 25% of its income;"; and

(*j*) by inserting, immediately after paragraph (*c*) of the definition of "qualifying special purpose vehicle" in subsection (6), the following paragraphs:

"(*d*) an approved company —

(i) which is incorporated and resident in Singapore, and at least 50% of the total number of the issued ordinary shares of which are beneficially owned directly by another approved company which is a qualifying special purpose vehicle by virtue of paragraph (*a*)(ii)(B); or

(ii) which is incorporated outside Singapore, and at least 25% of the total number of the issued ordinary shares of which are beneficially owned directly by another approved company which is a qualifying special purpose vehicle by virtue of paragraph (*a*)(ii)(B); or

(*e*) an approved partnership which is registered or formed outside Singapore and one of the partners of which is an approved company which is a qualifying special purpose vehicle by virtue of paragraph (*a*)(ii)(B), and is entitled to at least 25% of its income;".

Amendment of section 13R

11. Section 13R of the principal Act is amended by deleting subsection (1) and substituting the following subsections:

"(1) Subject to such conditions as may be prescribed by regulations or specified in the letter of approval of the company, there shall be exempt from tax such income as the Minister may by regulations prescribe of a company incorporated and resident in Singapore and approved by the Minister or such person as he may appoint (referred to in this section as an approved company) arising from funds managed —

(*a*) in Singapore by a fund manager; or

(*b*) by a person approved by the Minister or the person appointed by the Minister.

(1A) The approval of a person under subsection (1) shall be subject to such conditions as the Minister may impose.".

Amendment of section 13S

12. Section 13S of the principal Act is amended by deleting the words "31st March 2016" in subsections (2) and (3)(*b*) and substituting in each case the words "31st May 2016".

Amendment of section 13T

13. Section 13T(2) of the principal Act is amended —

(*a*) by deleting the words "a trust arising from funds managed in Singapore by a fund manager" in paragraph (*d*) and substituting the words "a trust fund";

(*b*) by deleting the word "or" at the end of paragraph (*e*);

(*c*) by deleting the full-stop at the end of paragraph (*f*) and substituting a semi-colon, and by inserting immediately thereafter the following paragraph:

"(*g*) any income of a trust the trustee of which is a prescribed person under section 13CA; or"; and

(*d*) by inserting, immediately after paragraph (*g*), the following paragraph:

"(*h*) any income of an approved trust fund referred to in the definition of "approved person" under section 13X(5), or of a trust fund that is a feeder fund or master fund approved under section 13X.".

Amendment of section 13X

14. Section 13X(1) of the principal Act is amended —

(*a*) by inserting, immediately after the words "prescribed by regulations", the words "or specified in the letter of approval of the person"; and

(*b*) by inserting, immediately after the words "letter of approval of the person", the words ", master fund, feeder fund or master-feeder fund structure".

Amendment of section 13Y

15. Section 13Y of the principal Act is amended —

(*a*) by inserting, immediately after the words "from managing in Singapore the funds of" in subsection (1)(*b*), the words ", or providing in Singapore any investment advisory service to,"; and

(*b*) by deleting the words "conditions to which the exemption from tax under that subsection is subject" in subsection (3)(*a*) and substituting the words "that the conditions to which any approval is subject may be stated in the letter of approval issued to the foreign government-owned entity".

Amendment of section 14

16. Section 14 of the principal Act is amended —

(*a*) by deleting the comma at the end of sub-paragraph (I) of proviso (i) to paragraph (*e*) of subsection (1) and substituting a semi-colon, and by inserting immediately thereafter the following sub-paragraph:

"(J) commencing on or after 1st September 2011 shall not exceed 16%,"; and

(*b*) by inserting, immediately after paragraph (*f*) of subsection (1), the following paragraph:

"(*fa*) any voluntary contribution in cash made in 2011 or any subsequent year by a person prescribed for the purposes of section 13(1)(*jc*) to the medisave account maintained under the Central Provident Fund Act (Cap. 36) of a self-employed individual which is exempt from tax under that provision, subject to a maximum deduction of $1,500 for that year for each individual;".

Amendment of section 14A

17. Section 14A of the principal Act is amended by deleting subsections (1A) to (1D) and substituting the following subsections:

"(1A) Subject to this section, for the purpose of ascertaining the income of a person carrying on a trade or business during the basis period for the year of assessment 2011 or the year of assessment 2012, there shall be allowed in respect of all his trades and businesses, in addition to the deduction allowed under subsection (1), a deduction for qualifying intellectual property registration costs incurred for the purposes of those trades and businesses, computed in accordance with the following formula:

A x 300%,

where A is —

(*a*) for the year of assessment 2011, the lower of the following:

(i) such costs incurred during the basis period for that year of assessment; and

(ii) $800,000; and

(*b*) for the year of assessment 2012, the lower of the following:

(i) such costs incurred during the basis period for that year of assessment; and

(ii) the balance after deducting from $800,000 the lower of the amounts specified in paragraph (*a*)(i) and (ii).

(1B) Subject to this section, for the purpose of ascertaining the income of a person carrying on a trade or business during the basis period for the year of assessment 2013, the year of assessment 2014 or the year of assessment 2015, there shall be allowed in respect of all his trades and businesses, in addition to the deduction allowed under subsection (1), a deduction for qualifying intellectual property registration costs incurred for the purposes of those trades and businesses, computed in accordance with the following formula:

A x 300%,

where A is —

(*a*) for the year of assessment 2013, the lower of the following:

(i) such costs incurred during the basis period for that year of assessment; and

(ii) $1,200,000;

(*b*) for the year of assessment 2014, the lower of the following:

(i) such costs incurred during the basis period for that year of assessment; and

(ii) the balance after deducting from $1,200,000 the lower of the amounts specified in paragraph (*a*)(i) and (ii); and

(*c*) for the year of assessment 2015, the lower of the following:

(i) such costs incurred during the basis period for that year of assessment; and

(ii) the balance after deducting from $1,200,000 the lower of the amounts specified in paragraph (*a*)(i) and (ii), and the lower of the amounts specified in paragraph (*b*)(i) and (ii).

(1C) In subsection (1A), the amount under paragraph (*a*)(ii) shall be substituted with "$400,000" if the person does not carry on any trade or business during the basis period for the year of assessment 2012, and the balance under paragraph (*b*)(ii) shall be substituted with "$400,000" if the person does not carry on any trade or business during the basis period for the year of assessment 2011.

(1D) In subsection (1B) —

(*a*) if the person does not carry on any trade or business during the basis period for any one year of assessment between the year of assessment 2013 and the year of assessment 2015 (both years inclusive), the references to "$1,200,000" in the paragraphs of that subsection applicable to the other 2 years of assessment shall be substituted with "$800,000";

(*b*) if the person does not carry on any trade or business during the basis periods for any 2 years of assessment between the year of assessment 2013 and the year of assessment 2015 (both years inclusive), the reference to "$1,200,000" in the paragraph of that subsection applicable to the remaining year of assessment shall be substituted with "$400,000"; and

(*c*) for the avoidance of doubt, no deduction shall be made from the substituted amount in subsection (1B)(*b*)(ii) or (*c*)(ii) of the lower of the amounts specified in subsection (1B)(*a*)(i) and (ii) if the person does not carry on any trade or business during the basis period for the year of assessment 2013, and no deduction shall be made from the substituted amount in subsection (1B)(*c*)(ii) of the lower of the amounts specified in subsection (1B)(*b*)(i) and (ii) if the person does not carry on any trade or business during the basis period for the year of assessment 2014.

(1E) For the purposes of subsections (1A) and (1B), where an individual carrying on a trade or business through 2 or more firms (excluding partnerships) has, during the basis period for any year of assessment between the year of assessment 2011 and the year of assessment 2015 (both years inclusive), incurred qualifying intellectual property registration costs in respect of such firms for the purposes of his trade or business, the deduction that may be allowed to him for those costs in respect of all his trades and businesses shall

not exceed the amount computed in accordance with subsection (1A) or (1B) (as the case may be) for that year of assessment.

(1F) For the purposes of subsections (1A) and (1B), where a partnership carrying on a trade or business has, during the basis period for any year of assessment between the year of assessment 2011 and the year of assessment 2015 (both years inclusive), incurred qualifying intellectual property registration costs for the purposes of its trade or business, the aggregate of the deductions that may be allowed to all the partners of the partnership for those costs in respect of all the trades and businesses of the partnership shall not exceed the amount computed in accordance with subsection (1A) or (1B) (as the case may be) for that year of assessment.".

Amendment of section 14B

18. Section 14B of the principal Act is amended —

(*a*) by deleting the word "and" at the end of subsection (4)(*c*)(iv) and substituting the word "or";

(*b*) by inserting, immediately after subsection (4), the following subsection:

"(4A) Notwithstanding subsection (4), the Minister or such person as he may appoint may, in any particular case, subject to such conditions as he may impose, allow a deduction of any expenses referred to in subsection (4)(*c*)(v) provided that they are not also expenses referred to in subsection (4)(*c*)(i), (ii), (iii) or (iv).."; and

(*c*) by inserting, immediately after subsection (11), the following subsection:

"(12) No approval shall be granted under this section after 31st March 2016.".

Repeal and re-enactment of section 14DA

19. Section 14DA of the principal Act is repealed and the following section substituted therefor:

"**Enhanced deduction for qualifying expenditure on research and development**

14DA.—(1) Subject to this section, for the purpose of ascertaining the income of a person carrying on any trade or business during the basis period for any year of assessment between the year of assessment 2009 and the year of assessment 2015 (both years inclusive), there shall be allowed in respect of all his trades and businesses, in addition to the deductions allowed under section 14D, a deduction for expenditure or payments for research and development undertaken by him, of an amount computed in accordance with the following formula:

$$(U + V) \times 50\%,$$

where U is the amount of qualifying expenditure incurred during the basis period on research and development undertaken in Singapore directly by the person (except to the extent that it is capital expenditure on plant, machinery, land or buildings or on alterations, additions or extensions to buildings or in the acquisition of rights in or arising out of research and development); and

V is the amount of payments made during the basis period by the person to a research and development organisation for undertaking research and development in Singapore on his behalf, ascertained as follows:

(*a*) if more than 60% of all such payments made are qualifying expenditure, the actual amount of the qualifying expenditure;

(*b*) in all other cases, 60% of all such payments.

(2) Subject to this section, for the purpose of ascertaining the income of a person carrying on any trade or business during the basis period for any year of assessment between the year of assessment 2011 and the year of assessment 2015 (both years inclusive), there shall be allowed in respect of all his trades and businesses, in addition to the deductions allowed under subsection (1) and section 14D, a deduction for expenditure or payments for research and development undertaken by him, of —

(*a*) an amount computed in accordance with the formula

$$[(U + V) \times 250\%] + [(W + X) \times 300\%];$$ or

(*b*) if the aggregate of U, V, W and X exceeds the specified amount for the year of assessment, an amount computed in accordance with the formula

$$(Y \times 250\%) + (Z \times 300\%),$$

where U and V have the same meanings as in subsection (1);

W is the amount of qualifying expenditure incurred during the basis period on research and development undertaken outside Singapore —

(*a*) directly by the person (except to the extent that it is capital expenditure on plant, machinery, land or buildings or on alterations, additions or extensions to buildings or in the acquisition of rights in or arising out of research and development); and

(*b*) that is related to his trade or business;

X is the amount of payments made during the basis period by the person to a research and development organisation for undertaking research and development outside Singapore on his behalf that is related to his trade or business, ascertained as follows:

(*a*) where more than 60% of all such payments made are qualifying expenditure, the actual amount of the qualifying expenditure;

(*b*) in all other cases, 60% of all such payments;

Y is the whole or any part of the sum of U and V which the person has elected for inclusion in the computation of the deduction under this paragraph, which when aggregated with Z does not exceed the specified amount; and

Z is the whole or any part of the sum of W and X which the person has elected for inclusion in the computation of the deduction under this paragraph,

which when aggregated with Y does not exceed the specified amount.

(3) The election under subsection (2)(*b*) shall be made at the time of lodgment of the return of income for the year of assessment or within such further time as the Comptroller may, in his discretion, allow.

(4) The specified amount referred to in subsection (2)(*b*) is —

(*a*) for the year of assessment 2011, $800,000;

(*b*) for the year of assessment 2012, the balance after deducting from $800,000 the subsection (2) amount for the year of assessment 2011;

(*c*) for the year of assessment 2013, $1,200,000;

(*d*) for the year of assessment 2014, the balance after deducting from $1,200,000 the subsection (2) amount for the year of assessment 2013; or

(*e*) for the year of assessment 2015, the balance after deducting from $1,200,000 the subsection (2) amount for the year of assessment 2013 and the subsection (2) amount for the year of assessment 2014.

(5) In subsection (4) —

(*a*) the amount under paragraph (*a*) of that subsection shall be substituted with "$400,000" if the person does not carry on any trade or business during the basis period for the year of assessment 2012;

(*b*) the balance under paragraph (*b*) of that subsection shall be substituted with "$400,000" if the person does not carry on any trade or business during the basis period for the year of assessment 2011;

(*c*) if the person does not carry on any trade or business during the basis period for any one year of assessment between the year of assessment 2013 and the year of assessment 2015 (both years inclusive), the references to "$1,200,000" in the paragraphs of that subsection applicable to the other 2 years of assessment shall be substituted with "$800,000";

(*d*) if the person does not carry on any trade or business during the basis periods for any 2 years of assessment between the year of assessment 2013 and the year of assessment 2015 (both years inclusive), the reference to "$1,200,000" in the paragraph of that subsection applicable to the remaining year of assessment shall be substituted with "$400,000"; and

(*e*) for the avoidance of doubt, no deduction shall be made from the substituted amount in subsection (4)(*d*) or (*e*) of the subsection (2) amount for the year of assessment 2013 if the person does not carry on any trade or business during the basis period for that year of assessment, and no deduction shall be made from the substituted amount in subsection (4)(*e*) of the subsection (2) amount for the year of assessment 2014 if the person does not carry on any trade or business during the basis period for that year of assessment.

(6) For the purposes of subsections (4) and (5), "subsection (2) amount", in relation to a year of assessment, means —

(*a*) if the deduction allowed under subsection (2) for that year of assessment is the amount referred to in subsection (2)(*a*), the aggregate of U, V, W and X referred to in that subsection; or

(*b*) if the deduction allowed under subsection (2) for that year of assessment is the amount referred to in subsection (2)(*b*), the aggregate of Y and Z referred to in that subsection.

(7) For the purpose of subsection (2)(*b*), where an individual carrying on a trade or business through 2 or more firms (excluding partnerships) has, during the basis period for any year of assessment between the year of assessment 2011 and the year of assessment 2015 (both years inclusive), incurred qualifying expenditure or made payments in respect of such firms entitling him to a deduction under subsection (2), the deduction that may be allowed to him for those expenditure or payments in respect of all his trades and businesses shall not exceed the amount computed in accordance with subsection (2)(*b*) for that year of assessment.

(8) For the purpose of subsection (2)(*b*), where a partnership carrying on a trade or business has, during the basis period for any year of assessment between the year of assessment 2011 and the year of assessment 2015 (both years inclusive), incurred qualifying

expenditure or made payments entitling the partners of the partnership to a deduction under subsection (2), the aggregate of the deductions that may be allowed to all the partners of the partnership for the expenditure or payments in respect of all the trades and businesses of the partnership shall not exceed the amount computed in accordance with subsection (2)(*b*) for that year of assessment.

(9) Section 14D(4) and (5) shall apply in relation to the deduction for expenditure and payments for which a deduction is allowed under subsection (1) or (2) for research and development that is not related to the trade or business carried on by the person, as they apply in relation to the deduction for the expenditure and payments referred to in section 14D(1)(*aa*) and (*c*), subject to the following modifications:

(*a*) a reference to the amount of the expenditure or payments (after deducting any amount in respect of which an election for a cash payout has been made under section 37I) in section 14D(4) is a reference to the remaining amount of the deduction under subsection (1) or (2) (as the case may be) after deducting the amount of the deduction under that subsection that corresponds to the qualifying expenditure or payments in respect of which an election for a cash payout has been made under section 37I;

(*b*) a reference to the specified amount of the expenditure or payments is a reference to an amount computed in accordance with the formula

$$A \times \frac{B}{C},$$

where A is the remaining amount of the deduction under subsection (1) or (2) (as the case may be) after deducting the amount of the deduction under that subsection that corresponds to the qualifying expenditure or payments in respect of which an election for a cash payout has been made under section 37I;

B is the rate of tax specified in section 43(1)(*a*); and

C is —

(i) in a case where the concessionary income derived by the person from the trade or business carried on by him is subject to tax at a single concessionary rate of tax, that rate; or

(ii) in a case where the concessionary income derived by the person from the trade or business carried on by him is subject to tax at 2 or more concessionary rates of tax, the higher or highest of those rates.

(10) No deduction shall be allowed to a company under subsection (2) for any year of assessment if a deduction for any expenditure has been allowed under section 37G for that year of assessment.

(11) In this section —

"consumables" means any materials or items used in the research and development which, upon such use, are consumed or transformed in such a manner that they are no longer useable in their original form, but does not include utilities;

"qualifying expenditure" means any expenditure attributable to the research and development that is incurred on —

(*a*) staff costs;

(*b*) consumables; or

(*c*) such other matter as the Minister may prescribe by regulations;

"staff costs" means any salary, wages and other benefits paid or granted in respect of employment (excluding director's fees), whether in money or otherwise, to any employee for carrying out the research and development, and includes —

(*a*) expenses incurred for training or certifying the employee for the purpose of carrying out the research and development; and

(*b*) such other expenses as may be prescribed.

(12) In this section —

(*a*) a reference to a person undertaking research and development includes a reference to a research and development organisation undertaking research and development on his behalf; and

(*b*) a reference to qualifying expenditure or to payment made by a person to a research and development organisation for undertaking research and development on his behalf excludes any such expenditure or payment, as the case may be, to the extent that it is subsidised by grants or subsidies from the Government or a statutory board.".

Amendment of section 14K

20. Section 14K of the principal Act is amended —

(*a*) by deleting paragraph (*b*) of subsection (1);

(*b*) by deleting the words "or expenses for the maintenance of an approved overseas project development office" in subsection (2)(*a*);

(*c*) by deleting the words "or the overseas project development office" in subsection (2)(*b*);

(*d*) by deleting the words "2 employees" in subsection (3)(*a*) and substituting the words "the approved number of employees";

(*e*) by deleting paragraph (*b*) of subsection (3);

(*f*) by deleting the words "or expense" wherever they appear in subsections (1), (4) and (6);

(*g*) by deleting the definition of "overseas project development office" in subsection (7); and

(*h*) by inserting, immediately after subsection (7), the following subsection:

"(8) No approval shall be granted under this section after 31st March 2016.".

Amendment of section 14P

21. Section 14P of the principal Act is amended —

(*a*) by deleting subsections (3) and (4) and substituting the following subsections:

"(3) For the purpose of subsection (2), the cost to the company of acquiring the treasury shares shall be determined by any of the methods referred to in subsection (4), being (if the company has previously been allowed a deduction under this section) the method consistently adopted by it when ascertaining its cost of acquiring shares under this section.

(4) The methods referred to in subsection (3) are as follows:

(*a*) on the basis that the treasury shares acquired by the company at an earlier point in time are deemed to be transferred first;

(*b*) on the basis of the formula

$$\frac{A}{B} \text{ x } C,$$

where A is the number of the treasury shares transferred;

B is the total number of treasury shares held by the company immediately before the transfer; and

C is the total cost to the company of acquiring the treasury shares held by it immediately before the transfer;

(*c*) on the basis of the aggregate cost of all treasury shares transferred under subsection (1) within every regular interval in the basis period during which the transfer in question occurred, where the cost of all treasury shares so transferred within a regular interval is ascertained by the formula

$$\frac{D}{(E + F)} \text{ x } (G + H),$$

where D is the total number of treasury shares transferred under subsection (1) within that interval;

E is the total number of treasury shares held by the company at the end of the period equal in length to the regular interval immediately preceding that interval;

F is the total number of treasury shares acquired by the company within that interval;

G is the total cost to the company of acquiring the treasury shares held by it at the end of the period equal in length to the regular interval immediately preceding that interval; and

H is the total cost to the company of acquiring treasury shares within that interval.";

(*b*) by deleting paragraph (*b*) of subsection (8) and substituting the following paragraph:

"(*b*) if any amount is paid or payable by the subsidiary company to the holding company for the transfer of the treasury shares, there shall be allowed to the subsidiary company for the year of assessment which relates to the basis period in which the shares are transferred or in which the payment to the holding company for the shares becomes due and payable (whichever is the later), a deduction under subsection (1) of the lower of —

(i) the amount, less any amount paid or payable by the person for the treasury shares, to the extent the amount so paid or payable has not been deducted from the first-mentioned amount; and

(ii) an amount equal to the cost to the holding company of acquiring the treasury shares transferred to that person as determined under subsection (8A) less any amount paid or payable by the person for the treasury shares;"; and

(*c*) by deleting the definition of "regular interval" in subsection (9) and substituting the following definition:

" "regular interval", in relation to a basis period, means one of a number of equal periods within the basis period —

(*a*) where the aggregate of all of those equal periods is equal to the basis period; and

(*b*) where the duration of each equal period —

(i) in a case where the company has previously been allowed a deduction under this section, is the one previously adopted by the company for the purpose of this section; or

(ii) in any other case, is any duration adopted by the company for the purpose of this section.".

New section 14PA

22. The principal Act is amended by inserting, immediately after section 14P, the following section:

"**Deduction for shares transferred by special purpose vehicle under employee equity-based remuneration scheme**

14PA.—(1) Where —

(*a*) a special purpose vehicle has acquired treasury shares or previously issued shares in a company and, in the basis period for the year of assessment 2012 or any subsequent year of assessment, transfers those shares to any person under a stock option scheme or a share award scheme by reason of any office or employment held in Singapore by that person in the company; and

(*b*) payment by the company for the shares transferred to the person has become due and payable,

then the company shall be allowed a deduction for the relevant year of assessment of an amount referred to in subsection (2).

(2) The amount of deduction under subsection (1) is —

(*a*) where the transferred shares are previously issued shares, the lower of the following:

(i) the amount paid or payable by the company for the shares, less any amount paid or payable by the person for the shares, to the extent the amount so paid or payable has not been deducted from the first-mentioned amount; and

(ii) the cost to the special purpose vehicle of acquiring the shares, less any amount paid or payable by the person for the shares; or

(*b*) where the transferred shares are treasury shares, either —

(i) the lowest of the following:

(A) the amount paid or payable by the company to the special purpose vehicle for the shares, less any amount paid or payable by the person for the shares, to the extent the amount so paid or payable has not been deducted from the first-mentioned amount;

(B) the cost to the special purpose vehicle of acquiring the shares, less any amount paid or payable by the person for the shares to the extent the amount so paid or payable has not been deducted from the amount paid or payable by the special purpose vehicle to the company for those shares; and

(C) the cost to the company of acquiring the shares, less any amount paid or payable by the person for the shares; or

(ii) where the amounts referred to in sub-paragraph (i)(A) and (B) are both nil, the cost to the company of acquiring the shares less any amount paid or payable by the person for the shares.

(3) For the purposes of subsection (2)(*a*)(ii) and (*b*)(i)(B), the cost to the special purpose vehicle of acquiring the transferred shares shall be determined by any of the methods referred to in subsection (4), being (if the company has previously been allowed a deduction under this section for a transfer of shares by the special purpose vehicle) the method that is consistently adopted by the special purpose vehicle

when ascertaining its cost of acquiring transferred shares under this section.

(4) The methods referred to in subsection (3) are as follows:

(*a*) on the basis that the company's shares acquired by the special purpose vehicle at an earlier point in time are deemed to be transferred first;

(*b*) on the basis of the formula

$$\frac{A}{B} \times C,$$

where A is the number of the transferred shares;

B is the total number of the company's shares held by the special purpose vehicle immediately before the transfer; and

C is the total cost to the special purpose vehicle of acquiring the company's shares held by it immediately before the transfer;

(*c*) on the basis of the aggregate cost of all of the company's shares transferred by the special purpose vehicle under subsection (1) within every regular interval in the basis period during which the transfer in question occurred, where the cost of all shares so transferred within a regular interval is ascertained by the formula

$$\frac{D}{(E + F)} \times (G + H),$$

where D is the total number of the company's shares transferred by the special purpose vehicle under subsection (1) within that interval;

E is the total number of the company's shares held by the special purpose vehicle at the end of the period equal in length to the regular interval immediately preceding that interval;

F is the total number of the company's shares acquired by the special purpose vehicle within that interval;

G is the total cost to the special purpose vehicle of acquiring the company's shares held by it at the end of the period equal in length to the regular interval immediately preceding that interval; and

H is the total cost to the special purpose vehicle of acquiring the company's shares within that interval.

(5) For the purpose of subsection (2)(*b*)(i)(C) and (ii), the cost to the company of acquiring the transferred shares shall be determined by any of the methods referred to in section 14P(4) as modified in accordance with subsection (6), being (if the company has previously been allowed a deduction under this section) the method that is consistently adopted by the company when ascertaining its cost of acquiring transferred shares under this section.

(6) The methods referred to in section 14P(4) shall apply for the purposes of subsection (5) as if a reference to the transfer under section 14P were a reference to the transfer of the treasury shares by the company to the special purpose vehicle.

(7) Where —

(*a*) a special purpose vehicle has acquired treasury shares or previously issued shares in the holding company of another company (referred to in this section as the subsidiary company) and, in the basis period for the year of assessment 2012 or any subsequent year of assessment, transfers those shares to a person under a stock option scheme or a share award scheme by reason of any office or employment held in Singapore by that person in the subsidiary company; and

(*b*) payment by the subsidiary company for the shares transferred to the person has become due and payable,

then the subsidiary company shall be allowed an amount of deduction for the relevant year of assessment of an amount referred to in subsection (8).

(8) The amount of deduction under subsection (7) is —

(*a*) where the transferred shares are previously issued shares, the lower of the following:

(i) the amount paid or payable by the subsidiary company for the shares, less any amount paid or payable by the person for the shares, to the extent the amount so paid or payable has not been deducted from the first-mentioned amount; and

(ii) the cost to the special purpose vehicle of acquiring the shares, less any amount paid or payable by the person for the shares; or

(*b*) where the transferred shares are treasury shares, either —

(i) the lowest of the following:

(A) the amount paid or payable by the subsidiary company for the shares, less any amount paid or payable by the person for the shares, to the extent the amount so paid or payable has not been deducted from the first-mentioned amount;

(B) the cost to the special purpose vehicle of acquiring the shares, less any amount paid or payable by the person for the shares to the extent the amount so paid or payable has not been deducted from the amount paid or payable by the special purpose vehicle to the holding company for those shares; and

(C) the cost to the holding company of acquiring the shares, as determined in accordance with section 14P(8A), less any amount paid or payable by the person for the shares; or

(ii) where the amount referred to in sub-paragraph (i)(B) is nil, the lower of the amounts referred to in sub-paragraph (i)(A) and (C).

(9) For the purpose of subsection (8), the cost to the special purpose vehicle of acquiring the transferred shares shall be determined by any of the methods referred to in subsection (4) as modified in accordance with subsection (10), being (if the subsidiary company has previously been allowed a deduction under this section for a transfer of shares by the special purpose vehicle) the method that is consistently adopted

by the special purpose vehicle when ascertaining its cost of acquiring shares under this section.

(10) The methods referred to in subsection (4) shall apply for the purposes of subsection (9) as if —

(*a*) a reference to the company is a reference to the holding company; and

(*b*) a reference to subsection (1) is a reference to subsection (7).

(11) For the purposes of this section, shares are transferred to a person when both the legal and beneficial interests in the shares are so transferred.

(12) No deduction shall be allowed to a company under this section if a deduction has already been allowed to the company under any other provision of this Act in respect of the transferred shares.

(13) In this section —

"group of companies" means 2 or more companies each of which is either a holding company or subsidiary of the other or any of the others;

"holding company" and "subsidiary" have the same meanings as in section 5 of the Companies Act (Cap. 50);

"previously issued shares", in relation to a company, means shares previously issued by the company and acquired by the special purpose vehicle —

(*a*) on a stock exchange in Singapore or elsewhere; or

(*b*) from a person other than the company which issued the shares;

"regular interval", in relation to a basis period, means one of a number of equal periods within the basis period —

(*a*) where the aggregate of all of those equal periods is equal to the basis period; and

(*b*) where the duration of each equal period —

(i) in a case where the company or subsidiary company has previously been allowed a deduction under this section for a transfer of shares by the special purpose vehicle, is the one previously

adopted by the special purpose vehicle for the purpose of this section; or

(ii) in any other case, is any duration adopted by the special purpose vehicle for the purpose of this section;

"relevant year of assessment" means the year of assessment which relates to the basis period in which the later of the following occurs:

(*a*) the transfer of the shares under subsection (1) or (7) (as the case may be) to the person under a stock option scheme or a share award scheme by reason of any office or employment held in Singapore by that person in the company or subsidiary company (as the case may be);

(*b*) the payment by the company or the subsidiary company (as the case may be) for the shares so transferred becomes due and payable;

"special purpose vehicle" means a trustee of a trust (when acting in such capacity) that is set up solely for the administration of a stock option scheme or share award scheme under which —

(*a*) in the case of subsection (1), either —

(i) shares in the company referred to in that subsection are to be used for the remuneration of a person by reason of any office or employment held by that person in the company; or

(ii) shares in one company within a group of companies to which the company referred to in that subsection belongs, are to be used for the remuneration of a person by reason of any office or employment held by that person in a company within the same group of companies; or

(*b*) in the case of subsection (7), shares in one company within a group of companies to which both the holding company and subsidiary company referred to in that subsection belong, are to be used for the remuneration of a person by reason of any office or employment held by

that person in a company within the same group of companies.".

Amendment of section 14R

23. Section 14R of the principal Act is amended by deleting subsections (1) to (5) and substituting the following subsections:

"(1) Subject to this section, for the purpose of ascertaining the income of a person carrying on a trade or business during the basis period for the year of assessment 2011 or the year of assessment 2012, there shall be allowed in respect of all his trades and businesses, in addition to the deduction under section 14, a deduction for qualifying training expenditure incurred for the purposes of those trades and businesses computed in accordance with the following formula:

A x 300%,

where A is —

(*a*) for the year of assessment 2011, the lower of the following:

(i) such expenditure incurred during the basis period for that year of assessment; and

(ii) $800,000; and

(*b*) for the year of assessment 2012, the lower of the following:

(i) such expenditure incurred during the basis period for that year of assessment; and

(ii) the balance after deducting from $800,000 the lower of the amounts specified in paragraph (*a*)(i) and (ii).

(2) Subject to this section, for the purpose of ascertaining the income of a person carrying on a trade or business during the basis period for the year of assessment 2013, the year of assessment 2014 or the year of assessment 2015, there shall be allowed in respect of all his trades and businesses, in addition to the deduction allowed under section 14, a deduction for qualifying training expenditure incurred for the purposes of those trades and businesses computed in accordance with the following formula:

A x 300%,

where A is —

(*a*) for the year of assessment 2013, the lower of the following:

(i) such expenditure incurred during the basis period for that year of assessment; and

(ii) $1,200,000;

(*b*) for the year of assessment 2014, the lower of the following:

(i) such expenditure incurred during the basis period for that year of assessment; and

(ii) the balance after deducting from $1,200,000 the lower of the amounts specified in paragraph (*a*)(i) and (ii); and

(*c*) for the year of assessment 2015, the lower of the following:

(i) such expenditure incurred during the basis period for that year of assessment; and

(ii) the balance after deducting from $1,200,000 the lower of the amounts specified in paragraph (*a*)(i) and (ii), and the lower of the amounts specified in paragraph (*b*)(i) and (ii).

(3) No deduction shall be allowed to a person under this section in respect of any expenditure which is not allowed as a deduction under section 14.

(4) In subsection (1), the amount under paragraph (*a*)(ii) shall be substituted with "$400,000" if the person does not carry on any trade or business during the basis period for the year of assessment 2012, and the balance under paragraph (*b*)(ii) shall be substituted with "$400,000" if the person does not carry on any trade or business during the basis period for the year of assessment 2011.

(5) In subsection (2) —

(*a*) if the person does not carry on any trade or business during the basis period for any one year of assessment between the year of assessment 2013 and the year of assessment 2015 (both years inclusive), the references to "$1,200,000" in the paragraphs of that subsection applicable to the other 2 years of assessment shall be substituted with "$800,000";

(*b*) if the person does not carry on any trade or business during the basis periods for any 2 years of assessment between the year of assessment 2013 and the year of assessment 2015 (both years inclusive), the reference to "$1,200,000" in the paragraph of that subsection applicable to the remaining year of assessment shall be substituted with "$400,000"; and

(*c*) for the avoidance of doubt, no deduction shall be made from the substituted amount in subsection (2)(*b*)(ii) or (*c*)(ii) of the lower of the amounts specified in subsection (2)(*a*)(i) and (ii) if the person does not carry on any trade or business during the basis period for the year of assessment 2013, and no deduction shall be made from the substituted amount in subsection (2)(*c*)(ii) of the lower of the amounts specified in subsection (2)(*b*)(i) and (ii) if the person does not carry on any trade or business during the basis period for the year of assessment 2014.

(5A) For the purposes of subsections (1) and (2), where an individual carrying on a trade or business through 2 or more firms (excluding partnerships) has, during the basis period for any year of assessment between the year of assessment 2011 and the year of assessment 2015 (both years inclusive), incurred qualifying training expenditure in respect of such firms for the purposes of his trade or business, the deduction that may be allowed to him for that expenditure in respect of all his trades and businesses shall not exceed the amount computed in accordance with subsection (1) or (2) (as the case may be) for that year of assessment.

(5B) For the purposes of subsections (1) and (2), where a partnership carrying on a trade or business has, during the basis period for any year of assessment between the year of assessment 2011 and the year of assessment 2015 (both years inclusive), incurred qualifying training expenditure for the purposes of its trade or business, the aggregate of the deductions that may be allowed to all the partners of the partnership for that expenditure in respect of all the trades and businesses of the partnership shall not exceed the amount computed in accordance with subsection (1) or (2) (as the case may be) for that year of assessment.".

Amendment of section 14S

24. Section 14S of the principal Act is amended —

(*a*) by deleting subsections (1) and (2) and substituting the following subsections:

"(1) Subject to this section, for the purpose of ascertaining the income of a person carrying on a trade or business during the basis period for the year of assessment 2011 or the year of assessment 2012, there shall be allowed, in respect of all his trades and businesses, the following deductions for qualifying design expenditure incurred for the purposes of those trades and businesses during each basis period:

(*a*) where such expenditure is allowable as a deduction under section 14, a deduction of 300% of A, in addition to the deduction allowed under that section; and

(*b*) where such expenditure is not allowable as a deduction under section 14, a deduction of 400% of A,

where A is —

(i) for the year of assessment 2011, the lower of the following:

(A) such expenditure incurred during the basis period for that year of assessment; and

(B) $800,000; and

(ii) for the year of assessment 2012, the lower of the following:

(A) such expenditure incurred during the basis period for that year of assessment; and

(B) the balance after deducting from $800,000 the lower of the amounts specified in paragraph (i)(A) and (B).

(2) Subject to this section, for the purpose of ascertaining the income of a person carrying on a trade or business during the basis period for the year of assessment 2013, the year of

assessment 2014 or the year of assessment 2015, there shall be allowed, in respect of all his trades and businesses, the following deductions for qualifying design expenditure incurred for the purposes of those trades and businesses during the basis period:

(*a*) where such expenditure is allowable as a deduction under section 14, a deduction of 300% of A, in addition to the deduction allowed under that section; and

(*b*) where such expenditure is not allowable as a deduction under section 14, a deduction of 400% of A,

where A is —

(i) for the year of assessment 2013, the lower of the following:

(A) such expenditure incurred during the basis period for that year of assessment; and

(B) $1,200,000;

(ii) for the year of assessment 2014, the lower of the following:

(A) such expenditure incurred during the basis period for that year of assessment; and

(B) the balance after deducting from $1,200,000 the lower of the amounts specified in paragraph (i)(A) and (B); and

(iii) for the year of assessment 2015, the lower of the following:

(A) such expenditure incurred during the basis period for that year of assessment; and

(B) the balance after deducting from $1,200,000 the lower of the amounts specified in paragraph (i)(A) and (B), and the lower of the amounts specified in paragraph (ii)(A) and (B).

(2A) In subsection (1), the amount under paragraph (i)(B) shall be substituted with "$400,000" if the person does not carry on any trade or business during the basis period for the year of assessment 2012, and the balance under paragraph (ii)(B) shall be substituted with "$400,000" if the person does not carry on any trade or business during the basis period for the year of assessment 2011.

(2B) In subsection (2) —

(*a*) if the person does not carry on any trade or business during the basis period for any one year of assessment between the year of assessment 2013 and the year of assessment 2015 (both years inclusive), the references to "$1,200,000" in the paragraphs of that subsection applicable to the other 2 years of assessment shall be substituted with "$800,000";

(*b*) if the person does not carry on any trade or business during the basis periods for any 2 years of assessment between the year of assessment 2013 and the year of assessment 2015 (both years inclusive), the reference to "$1,200,000" in the paragraph of that subsection applicable to the remaining year of assessment shall be substituted with "$400,000"; and

(*c*) for the avoidance of doubt, no deduction shall be made from the substituted amount in subsection (2)(ii)(B) or (iii)(B) of the lower of the amounts specified in subsection (2)(i)(A) and (B) if the person does not carry on any trade or business during the basis period for the year of assessment 2013, and no deduction shall be made from the substituted amount in subsection (2)(iii)(B) of the lower of the amounts specified in subsection (2)(ii)(A) and (B) if the person does not carry on any trade or business during the basis period for the year of assessment 2014.";

(*b*) by deleting the words "the amount computed in accordance with subsection (1) or, in the case of the year of assessment 2011 or the year of assessment 2012, the amount computed in accordance with subsection (2) for that year of assessment" in subsections (3) and (4) and substituting in each case the words

"the amount computed in accordance with subsection (1) or (2) (as the case may be) for that year of assessment";

(*c*) by inserting, immediately before the words "in Singapore" in paragraphs (*a*) and (*b*) of the definition of "qualifying design expenditure" in subsection (6), the word "primarily";

(*d*) by inserting, immediately after the words "in Singapore" in paragraph (*a*) of the definition of "qualifying design expenditure" in subsection (6), the word "and"; and

(*e*) by inserting, immediately after subsection (7), the following subsection:

"(7A) For the purpose of the definition of "qualifying design expenditure" in subsection (6), an industrial or product design project is undertaken primarily in Singapore if at least 3 of the 5 of the following design phases of the project are carried out wholly in Singapore:

(*a*) design research;

(*b*) idea generation;

(*c*) concept development;

(*d*) technical development; and

(*e*) communication.".

Amendment of section 14T

25. Section 14T of the principal Act is amended —

(*a*) by deleting subsections (1) to (6) and substituting the following subsections:

"(1) Subject to this section, for the purpose of ascertaining the income of a person carrying on a trade or business during the basis period for the year of assessment 2011 or the year of assessment 2012, there shall be allowed in respect of all his trades and businesses, in addition to the deduction under section 14, a deduction for the expenditure incurred for the purposes of those trades and businesses on the leasing of one or more PIC automation equipment under a qualifying lease or leases, computed in accordance with the following formula:

A x 300%,

where A is —

(*a*) for the year of assessment 2011, the lower of the following:

(i) such expenditure incurred during the basis period for that year of assessment; and

(ii) $800,000; and

(*b*) for the year of assessment 2012, the lower of the following:

(i) such expenditure incurred during the basis period for that year of assessment; and

(ii) the balance after deducting from $800,000 the lower of the amounts specified in paragraph (*a*)(i) and (ii).

(2) Subject to this section, for the purpose of ascertaining the income of a person carrying on a trade or business during the basis period for the year of assessment 2013, the year of assessment 2014 or the year of assessment 2015, there shall be allowed in respect of all his trades and businesses, in addition to the deduction allowed under section 14, a deduction for the expenditure incurred for the purposes of those trades and businesses on the leasing of one or more PIC automation equipment under a qualifying lease or leases, computed in accordance with the following formula:

A x 300%,

where A is —

(*a*) for the year of assessment 2013, the lower of the following:

(i) such expenditure incurred during the basis period for that year of assessment; and

(ii) $1,200,000;

(*b*) for the year of assessment 2014, the lower of the following:

(i) such expenditure incurred during the basis period for that year of assessment; and

(ii) the balance after deducting from $1,200,000 the lower of the amounts specified in paragraph (*a*)(i) and (ii); and

(*c*) for the year of assessment 2015, the lower of the following:

(i) such expenditure incurred during the basis period for that year of assessment; and

(ii) the balance after deducting from $1,200,000 the lower of the amounts specified in paragraph (*a*)(i) and (ii), and the lower of the amounts specified in paragraph (*b*)(i) and (ii).

(3) No deduction shall be allowed to a person under this section in respect of —

(*a*) any expenditure which is not allowed as a deduction under section 14; or

(*b*) any expenditure incurred during the basis period for a year of assessment on the leasing of any PIC automation equipment under a qualifying lease where —

(i) the equipment is sub-leased to another person during that basis period; or

(ii) an allowance has been previously made to that person under section 19 or 19A in respect of the equipment.

(4) Where a person has incurred expenditure on both the leasing under a qualifying lease and the provision of one or more PIC automation equipment during the basis period for any year of assessment between the year of assessment 2011 and the year of assessment 2015 (both years inclusive), the aggregate of the deduction under subsection (1) or (2) and the allowance under section 19A(2A) or (2B) in respect of all such expenditure shall not exceed —

(*a*) in the case of the year of assessment 2011, 300% of the lower of the following:

(i) the aggregate of all such expenditure; and

(ii) $800,000;

(*b*) in the case of the year of assessment 2012, 300% of the lower of the following:

(i) the aggregate of all such expenditure; and

(ii) the balance after deducting from $800,000 the lower of the amounts specified in paragraph (*a*)(i) and (ii);

(*c*) in the case of the year of assessment 2013, 300% of the lower of the following:

(i) the aggregate of all such expenditure; and

(ii) $1,200,000;

(*d*) in the case of the year of assessment 2014, 300% of the lower of the following:

(i) the aggregate of all such expenditure; and

(ii) the balance after deducting from $1,200,000 the lower of the amounts specified in paragraph (*c*)(i) and (ii); and

(*e*) in the case of the year of assessment 2015, 300% of the lower of the following:

(i) the aggregate of all such expenditure; and

(ii) the balance after deducting from $1,200,000 the lower of the amounts specified in paragraph (*c*)(i) and (ii), and the lower of the amounts specified in paragraph (*d*)(i) and (ii).

(5) In subsections (1) and (4), the amounts under subsections (1)(*a*)(ii) and (4)(*a*)(ii) shall be substituted with "$400,000" if the person does not carry on any trade or business during the basis period for the year of assessment 2012, and the balances under subsections (1)(*b*)(ii) and (4)(*b*)(ii) shall be substituted with "$400,000" if the person does not carry on any trade or business during the basis period for the year of assessment 2011.

(6) In subsections (2) and (4) —

(*a*) if the person does not carry on any trade or business during the basis period for any one year of assessment between the year of assessment 2013 and the year of assessment 2015 (both years inclusive), the references to "$1,200,000" in the paragraphs of those subsections applicable to the other 2 years of assessment shall be substituted with "$800,000";

(*b*) if the person does not carry on any trade or business during the basis periods for any 2 years of assessment between the year of assessment 2013 and the year of assessment 2015 (both years inclusive), the reference to "$1,200,000" in the paragraphs of those subsections applicable to the remaining year of assessment shall be substituted with "$400,000"; and

(*c*) for the avoidance of doubt —

(i) if the person does not carry on any trade or business during the basis period for the year of assessment 2013, no deduction shall be made from the substituted amount in subsection (2)(*b*)(ii) or (*c*)(ii) of the lower of the amounts specified in subsection (2)(*a*)(i) and (ii), or from the substituted amount in subsection (4)(*d*)(ii) or (*e*)(ii) of the lower of the amounts specified in subsection (4)(*c*)(i) and (ii); and

(ii) if the person does not carry on any trade or business during the basis period for the year of assessment 2014, no deduction shall be made from the substituted amount in subsection (2)(*c*)(ii) of the lower of the amounts specified in subsection (2)(*b*)(i) and (ii), or from the substituted amount in subsection (4)(*e*)(ii) of the lower of the amounts specified in subsection (4)(*d*)(i) and (ii).

(6A) For the purposes of subsections (1), (2) and (4), where an individual carrying on a trade or business through 2 or more firms (excluding partnerships) has, during the basis period for

any year of assessment between the year of assessment 2011 and the year of assessment 2015 (both years inclusive), incurred expenditure on the leasing of one or more PIC automation equipment under a qualifying lease or leases and (if applicable) the provision of one or more PIC automation equipment, in respect of such firms for the purposes of his trade or business, the deductions and allowances that may be allowed to him for that expenditure in respect of all his trades and businesses shall not exceed the amount computed in accordance with subsection (1), (2) or (4) (as the case may be) for that year of assessment.

(6B) For the purposes of subsections (1), (2) and (4), where a partnership carrying on a trade or business has, during the basis period for any year of assessment between the year of assessment 2011 and the year of assessment 2015 (both years inclusive), incurred expenditure on the leasing of one or more PIC automation equipment under a qualifying lease or leases and (if applicable) the provision of one or more PIC automation equipment, for the purposes of its trade or business, the aggregate of the deductions and allowances that may be allowed to all the partners of the partnership for that expenditure in respect of all the trades and businesses of the partnership shall not exceed the amount computed in accordance with subsection (1), (2) or (4) (as the case may be) for that year of assessment.

(6C) This section applies to expenditure incurred on procuring cloud computing services as it applies to expenditure incurred on the leasing of PIC automation equipment under a qualifying lease and, accordingly, a reference in this section (other than subsection (3)(*b*)) to the leasing of any PIC automation equipment under a qualifying lease includes a reference to procuring cloud computing services.";

(*b*) by inserting, immediately before the definition of "finance lease" in subsection (7), the following definitions:

" "cloud computing" means a model for delivering information technology services under which shared resources or software, or both, are provided to

computers and other devices over a network such as the Internet;

"cloud computing service" means any information technology service delivered by means of cloud computing;";

(*c*) by deleting the definition of "prescribed automation equipment" in subsection (7) and substituting the following definition:

" "PIC automation equipment" has the same meaning as in section 19A;";

(*d*) by deleting the words "prescribed automation equipment" in paragraph (*b*) of the definition of "qualifying lease" in subsection (7) and substituting the words "PIC automation equipment";

(*e*) by deleting the words "prescribed automation equipment" wherever they appear in subsection (8) and substituting in each case the words "PIC automation equipment"; and

(*f*) by deleting the words "prescribed automation equipment" in the section heading and substituting the words "PIC automation equipment".

New section 14U

26. The principal Act is amended by inserting, immediately after section 14T, the following section:

"**Deduction for expenses incurred before first dollar of income from trade, business, profession or vocation**

14U.—(1) A person who —

(*a*) derives the first dollar of income from a trade, business, profession or vocation in an applicable basis period; and

(*b*) incurs a previous expense for which he would have been allowed a deduction or further deduction under a provision of this Part if he had commenced the trade, business, profession or vocation by the time it is incurred,

shall be allowed the deduction or further deduction for the previous expense under and in accordance with that provision.

(2) For the purposes of subsection (1) —

(*a*) a previous expense is any outgoing or expense incurred for the purpose of that trade, business, profession or vocation at any time before the date the person derives that first dollar of income, but no earlier than 12 months before the first day of the applicable basis period (referred to in this section as the first day);

(*b*) the person shall be deemed to have commenced his trade, business, profession or vocation on the first day; and

(*c*) any previous expense incurred by the person before the first day but no earlier than 12 months before that day shall be deemed to have been incurred by him on that day.

(3) For the avoidance of doubt —

(*a*) subsection (1) is subject to any other requirement to be satisfied under the relevant provision of this Part before the deduction or further deduction may be allowed; and

(*b*) a deduction or further deduction that may be or has been allowed by virtue of subsection (1) is considered for the purposes of this Act as one that may be or has been allowed under the relevant provision of this Part.

(4) Subsection (1) does not apply to the business of making investments carried out by a company or trustee of a property trust, to which section 10E applies.

(5) Subsection (1) is without prejudice to any provision of this Part allowing the deduction or further deduction of any expense or outgoing incurred at an earlier point in time.

(6) In this section —

(*a*) a reference to an applicable basis period is a reference to the basis period for the year of assessment 2012 or a subsequent year of assessment; and

(*b*) a reference to a provision of this Part includes a reference to regulations made under a provision of this Part, but excludes this section.”.

Amendment of section 15

27. Section 15 of the principal Act is amended —

(*a*) by deleting the words "and (*f*)" in subsection (1)(*i*)(iv) and substituting the words ", (*f*) and (*fa*)";

(*b*) by inserting, immediately after the words "treasury shares" in subsection (1)(*q*), the words ", or shares in respect of which the company is allowed a deduction under section 14PA(7)"; and

(*c*) by inserting, immediately after "14P," in subsection (2), "14PA,".

Amendment of section 18C

28. Section 18C of the principal Act is amended —

(*a*) by deleting the words "the intensified use of such land" in subsection (2) and substituting the words "such intensified use of the land";

(*b*) by deleting the words "more than 80%" in subsection (5) and substituting the words "at least 80%";

(*c*) by deleting the words "an approved construction or approved renovation" in the definition of "qualifying capital expenditure" in subsection (12) and substituting the words "any construction or renovation"; and

(*d*) by deleting the words "that approved construction or approved renovation" in the definition of "qualifying capital expenditure" in subsection (12) and substituting the words "that construction or renovation".

Amendment of section 19

29. Section 19(9) of the principal Act is amended by deleting paragraphs (*a*), (*b*) and (*c*) and substituting the following paragraphs:

"(*a*) a reference to the amount of the expenditure or payments (after deducting any amount in respect of which an election for a cash payout has been made under section 37I) in section 14D(4) is a reference to the remaining amount of the allowance after deducting the amount of the allowance that corresponds to the capital expenditure in respect of which an election for a cash payout has been made under section 37I;

(*b*) a reference to the specified amount of the expenditure or payments is a reference to an amount computed in accordance with the formula

$$A \times \frac{B}{C},$$

where A is the remaining amount of the allowance after deducting the amount of the allowance that corresponds to the capital expenditure in respect of which an election for a cash payout has been made under section 37I;

B is the rate of tax specified in section 43(1)(*a*); and

C is —

(i) in a case where the concessionary income derived by the person from the trade or business carried on by him is subject to tax at a single concessionary rate of tax, that rate; or

(ii) in a case where the concessionary income derived by the person from the trade or business carried on by him is subject to tax at 2 or more concessionary rates of tax, the higher or highest of those rates; and

(*c*) a reference to "unabsorbed losses" is a reference to "unabsorbed allowances".".

Amendment of section 19A

30. Section 19A of the principal Act is amended —

(*a*) by deleting subsections (2A) and (2B) and substituting the following subsections:

"(2A) Where a person proves to the satisfaction of the Comptroller that he has incurred capital expenditure during the basis period for the year of assessment 2011 or the year of assessment 2012 on the provision of one or more PIC automation equipment for the purposes of a trade, profession or

business carried on by him, there shall be allowed on due claim, in respect of all his trades, professions and businesses, and in addition to the allowance under section 19 or subsection (1), (1B) or (2) (as the case may be), an allowance computed in accordance with the following formula:

A x 300%,

where A is —

(*a*) for the year of assessment 2011, the lower of the following:

(i) such capital expenditure incurred during the basis period for that year of assessment; and

(ii) $800,000; and

(*b*) for the year of assessment 2012, the lower of the following:

(i) such capital expenditure incurred during the basis period for that year of assessment; and

(ii) the balance after deducting from $800,000 the lower of the amounts specified in paragraph (*a*)(i) and (ii).

(2B) Where a person proves to the satisfaction of the Comptroller that he has incurred capital expenditure during the basis period for the year of assessment 2013, the year of assessment 2014 or the year of assessment 2015 on the provision of one or more PIC automation equipment for the purposes of a trade, profession or business carried on by him, there shall be allowed on due claim, in respect of all his trades, professions and businesses and in addition to the allowance under section 19 or subsection (1), (1B) or (2) (as the case may be), an allowance computed in accordance with the following formula:

A x 300%,

where A is —

(*a*) for the year of assessment 2013, the lower of the following:

(i) such capital expenditure incurred during the basis period for that year of assessment; and

(ii) $1,200,000;

(*b*) for the year of assessment 2014, the lower of the following:

(i) such capital expenditure incurred during the basis period for that year of assessment; and

(ii) the balance after deducting from $1,200,000 the lower of the amounts specified in paragraph (*a*)(i) and (ii); and

(*c*) for the year of assessment 2015, the lower of the following:

(i) such capital expenditure incurred during the basis period for that year of assessment; and

(ii) the balance after deducting from $1,200,000 the lower of the amounts specified in paragraph (*a*)(i) and (ii) and the lower of the amounts specified in paragraph (*b*)(i) and (ii).

(2BA) In subsection (2A), the amount under paragraph (*a*)(ii) shall be substituted with "$400,000" if the person does not carry on any trade, profession or business during the basis period for the year of assessment 2012, and the balance under paragraph (*b*)(ii) shall be substituted with "$400,000" if the person does not carry on any trade, profession or business during the basis period for the year of assessment 2011.

(2BB) In subsection (2B) —

(*a*) if the person does not carry on any trade, profession or business during the basis period for any one year of assessment between the year of assessment 2013 and the year of assessment 2015 (both years inclusive), the references to "$1,200,000" in the paragraphs of that subsection applicable to the other 2 years of assessment shall be substituted with "$800,000";

(*b*) if the person does not carry on any trade, profession or business during the basis periods for any 2 years of

assessment between the year of assessment 2013 and the year of assessment 2015 (both years inclusive), the reference to "$1,200,000" in the paragraph of that subsection applicable to the remaining year of assessment shall be substituted with "$400,000"; and

(*c*) for the avoidance of doubt, no deduction shall be made from the substituted amount in subsection (2B)(*b*)(ii) or (*c*)(ii) of the lower of the amounts specified in subsection (2B)(*a*)(i) and (ii) if the person does not carry on any trade, profession or business during the basis period for the year of assessment 2013, and no deduction shall be made from the substituted amount in subsection (2B)(*c*)(ii) of the lower of the amounts specified in subsection (2B)(*b*)(i) and (ii) if the person does not carry on any trade, profession or business during the basis period for the year of assessment 2014.";

(*b*) by deleting the words "the amount computed in accordance with subsection (2A) or, in the case of the year of assessment 2011 and the year of assessment 2012, the amounts computed in accordance with subsection (2B)(*a*) and (*b*), respectively" in subsections (2D) and (2E) and substituting in each case the words "the amount computed in accordance with subsection (2A) or (2B) (as the case may be) for that year of assessment";

(*c*) by inserting, immediately after subsection (2F), the following subsection:

"(2FA) Notwithstanding subsections (2A) and (2B), where the PIC automation equipment in question is not prescribed automated equipment under subsection (2), then the allowances claimed under subsections (2A) and (2B) shall be written down in the following manner:

(*a*) where the person claiming the allowances elects to claim allowances in respect of such equipment under section 19 —

(i) one-fifth of the allowances under subsections (2A) and (2B) shall be allowed for the year of

assessment for the basis period during which the expenditure is incurred; and

(ii) the balance of the allowances under subsections (2A) and (2B) shall be written down over the number of years of working life of the equipment as specified in the Sixth Schedule;

(*b*) where the person claiming the allowances elects to claim allowances in respect of such equipment under subsection (1) or (1B), the allowances under subsections (2A) and (2B) shall be written down over 3 years in the case of subsection (1), or over 2 years in the case of subsection (1B), in the same proportions as those in which the allowances under subsection (1) or (1B) (as the case may be) may be made to him over that period of years.";

(*d*) by deleting paragraph (*a*) of subsection (2G) and substituting the following paragraphs:

"(*a*) where a person who has incurred capital expenditure on the provision of any PIC automation equipment (being also a prescribed automation equipment under subsection (2)) elects to claim allowances in respect of such equipment under section 19 —

(i) one-fifth of the allowances claimed under subsections (2A) and (2B) shall be allowed for the year of assessment for the basis period during which the expenditure is incurred; and

(ii) the balance of the allowances claimed under subsections (2A) and (2B) shall be written down over the number of years of working life of the equipment as specified in the Sixth Schedule;

(*aa*) where a person who has incurred capital expenditure on the provision of any PIC automation equipment (being also a prescribed automation equipment under subsection (2)) elects to claim allowances in respect of such equipment under subsection (1) or (1B), the allowances claimed under subsections (2A) and (2B) shall be written down over 3 years in the case of

subsection (1), or over 2 years in the case of subsection (1B), in the same proportions as those in which the allowances under subsection (1) or (1B) (as the case may be) may be made to him over that period of years; and";

(*e*) by deleting the words "paragraph (*a*)" in subsection (2G)(*b*) and substituting the words "paragraph (*a*) or (*aa*)";

(*f*) by inserting, immediately after subsection (2H), the following subsections:

"(2HA) The Minister or such person as he appoints may waive the application of subsection (2H)(*b*) in the following circumstances:

(*a*) the capital expenditure incurred on the provision of other PIC automation equipment acquired in the basis period in which the equipment sold, transferred, assigned or leased was acquired, is more than or equal to the amount that applies to the year of assessment to which the basis period relates; or

(*b*) the Minister or person appointed by him is satisfied that there is a bona fide commercial reason for the sale, transfer, assignment or lease.

(2HB) In subsection (2HA), the amount that applies to a year of assessment is the amount set out in —

(*a*) for the year of assessment 2011, subsection (2A)(*a*)(ii);

(*b*) for the year of assessment 2012, subsection (2A)(*b*)(ii);

(*c*) for the year of assessment 2013, subsection (2B)(*a*)(ii);

(*d*) for the year of assessment 2014, subsection (2B)(*b*)(ii);

(*e*) for the year of assessment 2015, subsection (2B)(*c*)(ii),

as modified by subsection (2BA) or (2BB) (as the case may be).";

(*g*) by deleting paragraphs (*a*), (*b*) and (*c*) of subsection (14C) and substituting the following paragraphs:

"(*a*) a reference to the amount of the expenditure or payments (after deducting any amount in respect of which an election for a cash payout has been made under section 37I) in section 14D(4) is a reference to the remaining amount of the allowance after deducting the amount of the allowance that corresponds to the capital expenditure in respect of which an election for a cash payout has been made under section 37I;

(*b*) a reference to the specified amount of the expenditure or payments is a reference to an amount computed in accordance with the formula

$$A \times \frac{B}{C},$$

where A is the remaining amount of the allowance after deducting the amount of the allowance that corresponds to the capital expenditure in respect of which an election for a cash payout has been made under section 37I;

B is the rate of tax specified in section 43(1)(*a*); and

C is —

(i) in a case where the concessionary income derived by the person from the trade or business carried on by him is subject to tax at a single concessionary rate of tax, that rate; or

(ii) in a case where the concessionary income derived by the person from the trade or business carried on by him is subject to tax at 2 or more

concessionary rates of tax, the higher or highest of those rates; and

(*c*) a reference to "unabsorbed losses" is a reference to "unabsorbed allowances".";

(*h*) by deleting the words "the Standards, Productivity and Innovation Board or the National University of Singapore" wherever they appear in the definitions of "certified effective chemical hazard control device", "certified effective chemical hazard control measure", "certified effective engineering noise control measure", "certified effective noise control device", "certified low-decibel machine, equipment or system" and "certified machine, equipment or system which reduces or eliminates exposure to chemical risk" in subsection (15) and substituting in each case the words "any person approved by either the Minister or such person as the Minister may appoint";

(*i*) by deleting the words "the Standards, Productivity and Innovation Board" in the definition of "certified energy-saving equipment" in subsection (15) and substituting the words "any person approved by either the Minister or such person as the Minister may appoint";

(*j*) by inserting, immediately after the definition of "new vehicle" in subsection (15), the following definition:

" "Productivity and Innovation Credit Scheme automation equipment" or "PIC automation equipment", in relation to any person, means —

(*a*) any automation equipment that is prescribed by the Minister for the purposes of subsections (2A) and (2B) and section 14T; or

(*b*) any automation equipment which the Minister or a person appointed by him has approved as PIC automation equipment for the first-mentioned person;";

(*k*) by inserting, immediately after subsection (16), the following subsections:

"(17) For the purposes of paragraph (*b*) of the definition of "PIC automation equipment", the Minister or the person appointed by him may only approve any automation equipment if the Minister or person is satisfied that the equipment fulfils such criteria as may be prescribed by the Minister.

(18) Any rules made under paragraph (*a*) of the definition of "PIC automation equipment", and any approval given under paragraph (*b*) of that definition, may be made to have effect for any year of assessment beginning with the year of assessment 2011."; and

(*l*) by deleting the words "prescribed automation equipment" wherever they appear in subsections (2C), (2D), (2E), (2F), (2G)(*b*), (2H), (2I), (2J), (2K) and (16) and substituting in each case the words "PIC automation equipment".

Amendment of section 19B

31. Section 19B of the principal Act is amended —

(*a*) by deleting subsections (1A) and (1B) and substituting the following subsections:

"(1A) Where a company carrying on a trade or business incurs during the basis period for the year of assessment 2011 or the year of assessment 2012 capital expenditure in acquiring one or more intellectual property rights for use in its trade or business, there shall, in addition to the writing-down allowance under subsection (1), be made in respect of all its trades and businesses a writing-down allowance computed in accordance with the following formula:

A x 300%,

where A is —

(*a*) for the year of assessment 2011, the lower of the following:

(i) such capital expenditure incurred during the basis period for that year of assessment; and

(ii) $800,000; and

(*b*) for the year of assessment 2012, the lower of the following:

(i) such capital expenditure incurred during the basis period for that year of assessment; and

(ii) the balance after deducting from $800,000 the lower of the amounts specified in paragraph (*a*)(i) and (ii).

(1B) Where a company carrying on a trade or business incurs during the basis period for the year of assessment 2013, the year of assessment 2014 or the year of assessment 2015 capital expenditure in acquiring one or more intellectual property rights for use in its trade or business, there shall, in addition to the writing-down allowance under subsection (1), be made in respect of all its trades and businesses a writing-down allowance computed in accordance with the following formula:

A x 300%,

where A is —

(*a*) for the year of assessment 2013, the lower of the following:

(i) such capital expenditure incurred during the basis period for that year of assessment; and

(ii) $1,200,000;

(*b*) for the year of assessment 2014, the lower of the following:

(i) such capital expenditure incurred during the basis period for that year of assessment; and

(ii) the balance after deducting from $1,200,000 the lower of the amounts specified in paragraph (*a*)(i) and (ii); and

(*c*) for the year of assessment 2015, the lower of the following:

(i) such capital expenditure incurred during the basis period for that year of assessment; and

(ii) the balance after deducting from $1,200,000 the lower of the amounts specified in paragraph (*a*)(i) and (ii), and the lower of the amounts specified in paragraph (*b*)(i) and (ii).

(1BA) In subsection (1A), the amount under paragraph (*a*)(ii) shall be substituted with "$400,000" if the person does not carry on any trade or business during the basis period for the year of assessment 2012, and the balance under paragraph (*b*)(ii) shall be substituted with "$400,000" if the person does not carry on any trade or business during the basis period for the year of assessment 2011.

(1BB) In subsection (1B) —

(*a*) if the person does not carry on any trade or business during the basis period for any one year of assessment between the year of assessment 2013 and the year of assessment 2015 (both years inclusive), the references to "$1,200,000" in the paragraphs of that subsection applicable to the other 2 years of assessment shall be substituted with "$800,000";

(*b*) if the person does not carry on any trade or business during the basis periods for any 2 years of assessment between the year of assessment 2013 and the year of assessment 2015 (both years inclusive), the reference to "$1,200,000" in the paragraph of that subsection applicable to the remaining year of assessment shall be substituted with "$400,000"; and

(*c*) for the avoidance of doubt, no deduction shall be made from the substituted amount in subsection (1B)(*b*)(ii) or (*c*)(ii) of the lower of the amounts specified in subsection (1B)(*a*)(i) and (ii) if the person does not carry on any trade or business during the basis period for the year of assessment 2013, and no deduction shall be made from the substituted amount in subsection (1B)(*c*)(ii) of the lower of the amounts specified in subsection (1B)(*b*)(i) and (ii) if the person does not carry on any trade or business during the basis period for the year of assessment 2014.";

(*b*) by inserting, immediately after subsection (1C), the following subsection:

"(1D) No writing-down allowance under subsections (1A) and (1B) shall be made for any capital expenditure incurred in acquiring any intellectual property rights in any software which are acquired for the purpose of licensing all or any of those rights to another."; and

(*c*) by inserting, immediately after paragraph (*b*) of subsection (2E), the following paragraph:

"(*ba*) the company licenses all or any of those rights (being rights in any software) to another;".

Amendment of section 37

32. Section 37 of the principal Act is amended —

(*a*) by deleting the words "31st December 2010" in subsection (3A) and substituting the words "31st December 2015"; and

(*b*) by deleting subsection (3B) and substituting the following subsection:

"(3B) No deduction shall be made under subsection (3)(*b*), (*c*), (*d*), (*e*) or (*f*) to a person in respect of any donation made to an approved museum, approved recipient not being an approved museum, the Government, an institution of a public character or a prescribed educational, research or other institution in Singapore on or after 1st January 2012 unless he provides to —

(*a*) the approved museum, approved recipient, Government, institution of a public character or educational, research or other institution; or

(*b*) in a case where the donation is made under subsection (3)(*c*) to an institution of a public character indirectly through a grant-making philanthropic organisation, the grant-making philanthropic organisation,

as the case may be, such information within such time and in such form and manner as the Comptroller may specify.".

Amendment of section 37I

33. Section 37I of the principal Act is amended —

(*a*) by deleting the words "is allowed one or more deductions or allowances" in subsection (1) and substituting the words "has incurred expenditure for which a deduction or an allowance is allowable or can be made to him";

(*b*) by deleting the words "prescribed automation equipment" wherever they appear in subsections (1), (7) and (10) and substituting in each case the words "PIC automation equipment";

(*c*) by deleting paragraph (*h*) of subsection (1) and substituting the following paragraph:

"(*h*) section 19 or 19A(1), (1B), (2), (2A) or (2B), in respect of expenditure incurred on any PIC automation equipment (other than any equipment acquired under a hire-purchase agreement with a payment period that spans over 2 or more basis periods);";

(*d*) by deleting the words "in lieu of those deductions or allowances, or any part thereof, which exceeds $1,500, exercise an irrevocable written election for a cash payout computed in accordance with subsection (3) or (4), as the case may be." in subsection (1) and substituting the following words:

"in lieu of one or more deductions or allowances or any part thereof, and in respect of —

(*a*) the expenditure qualifying for it or them; or

(*b*) any part of such expenditure,

the total amount of which is at least $400 (referred to in this section as the selected expenditure), exercise an irrevocable written election for a cash payout computed in accordance with subsection (3) or (4), as the case may be.";

(*e*) by deleting subsections (3) and (4) and substituting the following subsections:

"(3) For the year of assessment 2011 and the year of assessment 2012, the amount of cash payout shall be calculated in accordance with the formula

A x 30%,

where A is —

(*a*) for the year of assessment 2011, the lower of the following:

(i) the amount of the selected expenditure; and

(ii) $200,000; and

(*b*) for the year of assessment 2012, the lower of the following:

(i) the amount of the selected expenditure; and

(ii) the balance after deducting from $200,000 the lower of the amounts specified in paragraph (*a*)(i) and (ii).

(3A) In subsection (3), the amount under paragraph (*a*)(ii) shall be substituted with "$100,000" if the person does not carry on any trade, profession or business during the basis period for the year of assessment 2012, and the balance under paragraph (*b*)(ii) shall be substituted with "$100,000" if he does not carry on any trade, profession or business during the basis period for the year of assessment 2011.

(4) For the year of assessment 2013, the amount of cash payout shall be

A x 30%,

where A is the lower of the following:

(*a*) the amount of the selected expenditure; and

(*b*) $100,000.";

(*f*) by deleting "19A(2)," in subsection (7) and substituting "19, 19A(1), (1B), (2),";

(*g*) by deleting the words "deduction or allowance allowable in respect of the capital expenditure" in subsection (7) and substituting the words "expenditure qualifying for such deduction or allowance and";

(*h*) by deleting subsection (8) and substituting the following subsection:

"(8) Notwithstanding subsections (1) and (7), where a qualifying person has incurred capital expenditure —

(*a*) on the provision of any PIC automation equipment for the purpose of leasing such equipment; or

(*b*) in acquiring any intellectual property rights in any software for the purpose of licensing all or any part of those rights,

he shall not be allowed to exercise an election under subsection (1) in respect of such expenditure.";

(*i*) by deleting the words "deduction or allowance referred to in subsection (7)" in subsection (9) and substituting the words "expenditure referred to in subsection (7)";

(*j*) by deleting "$600,000" in subsection (9)(*a*) and substituting "$200,000";

(*k*) by deleting paragraph (*b*) of subsection (9) and substituting the following paragraph:

"(*b*) in the case of the year of assessment 2012, the balance after deducting from $200,000 the amount of the expenditure in respect of which an election was made for the year of assessment 2011;";

(*l*) by deleting "$300,000" in subsection (9)(*c*) and substituting "$100,000";

(*m*) by deleting the words "shall not be available as a deduction or an allowance" in subsection (9) and substituting the words "shall not be eligible for a deduction or an allowance";

(*n*) by inserting, immediately after subsection (9), the following subsection:

"(9A) In subsection (9), the amount under paragraph (*a*) shall be substituted with "$100,000" if the person does not carry on any trade, profession or business during the basis period for the year of assessment 2012, and the balance under paragraph (*b*) shall be substituted with "$100,000" if he does not carry on

any trade, profession or business during the basis period for the year of assessment 2011.";

(*o*) by deleting the words "section 19A(2)," in subsection (10)(*b*) and substituting the words "section 19 or 19A(1), (1B), (2),";

(*p*) by inserting, immediately after subsection (10), the following subsection:

"(10A) The Minister, or such person he may appoint, may waive the application of subsection (10) in respect of an event referred to in paragraph (*b*) of that subsection in the same circumstances as those referred to in section 19A(2HA).";

(*q*) by deleting the comma at the end of paragraph (*c*) of subsection (11) and substituting a semi-colon, and by inserting immediately thereafter the following paragraph:

"(*d*) all or any part of the intellectual property rights in any software for which the writing-down allowance is granted are licensed to another,";

(*r*) by deleting subsection (14) and substituting the following subsections:

"(14) If an election has been made under subsection (1) in respect of an amount of expenditure qualifying for a deduction or allowance under section 14, 14A(1), 14D, 14DA(1), 19, 19A(1), (1B) or (2) or 19B(1), the amount of expenditure qualifying for the deduction or allowance under that provision shall, notwithstanding anything in that provision, be reduced by the first-mentioned amount.

(14A) If an election has been made under subsection (1) in respect of an amount of expenditure qualifying for a deduction or allowance under section 14A(1A) or (1B), 14DA(2), 14R, 14S, 14T, 19A(2A) or (2B) or 19B(1A) or (1B), the amount of expenditure qualifying for the deduction or allowance under that provision shall, notwithstanding anything in that provision, not exceed the difference between —

(*a*) the maximum amount of expenditure in respect of which the deduction or allowance may be allowed or made under that provision for the year of assessment in question; and

(*b*) the first-mentioned amount.";

(*s*) by deleting paragraph (*a*) of subsection (15) and substituting the following paragraph:

"(*a*) in respect of any expenditure that is subsequently found not to qualify for the allowance or deduction referred to in subsection (1);";

(*t*) by deleting the words "subsection (14)" in subsection (19) and substituting the words "subsection (14) or (14A)";

(*u*) by deleting the words "deduction or allowance" in subsection (19) and substituting the word "expenditure";

(*v*) by deleting the formula in subsection (19) and substituting the following formula:

$$\text{“}\frac{A}{30\%}\text{”};$$

(*w*) by inserting, immediately after the definition of "local employee" in subsection (21), the following definition:

" "PIC automation equipment" has the same meaning as in section 19A;"; and

(*x*) by inserting, immediately after the word "trade" in paragraph (*a*) of the definition of "qualifying person" in subsection (21), the word ", profession".

Amendment of section 37K

34. Section 37K of the principal Act is amended —

(*a*) by deleting paragraph (*f*) of subsection (6); and

(*b*) by deleting the words ", (*e*) or (*f*)" in subsection (8) and substituting the words "or (*e*)".

Amendment of section 37L

35. Section 37L of the principal Act is amended —

(*a*) by inserting, immediately after the words "basis period" wherever they appear in the following subsections, the words "of the acquiring company":

Subsections (2), (4), (6), (7), (8), (9), (10), (11), (17) and (18); and

(*b*) by inserting, immediately before the words "is not connected" in subsection (16)(*a*)(i)(C) and (*b*)(i)(C), the words "unless otherwise prescribed,".

Amendment of section 39

36. Section 39 of the principal Act is amended —

(*a*) by deleting paragraph (*b*) of subsection (2);

(*b*) by deleting the words "and paragraphs (*a*) and (*b*)" in the proviso of paragraph (*c*) in subsection (2) and substituting the words "and paragraph (*a*)";

(*c*) by deleting the words "or previous spouse, as the case may be" in subsection (2)(*d*);

(*d*) by inserting, at the end of subsection (2)(*d*)(A), the word "or";

(*e*) by deleting "; or" at the end of subsection (2)(*d*)(B) and substituting a colon;

(*f*) by deleting sub-paragraph (C) of subsection (2)(*d*);

(*g*) by deleting ", (*b*)" in the proviso of subsection (2)(*d*);

(*h*) by deleting "35½%" in subsection (2)(*h*) and substituting "36%";

(*i*) by deleting "$27,158" wherever it appears in subsection (2)(*h*) and substituting in each case "$30,600";

(*j*) by deleting "(*b*)," in subsection (2)(*i*)(iii);

(*k*) by deleting "(*b*)," in subsection (2)(*j*)(iv); and

(*l*) by deleting subsections (3), (3A) and (4) and substituting the following subsections:

"(3) In the case of an individual resident in Singapore in the year of assessment who, in the year preceding the year of assessment was a citizen or permanent resident of Singapore and has paid money in accordance with section 18 of the Central Provident Fund Act (Cap. 36) to his spouse's, his sibling's, his parent's or his grandparent's retirement account or special account or 2 or more of those accounts, there shall

be allowed for that year of assessment, a deduction of the lower of —

(*a*) the amount of such payment or (as the case may be) the total amount of all such payments but subject to the maximum amount by which each account may be topped-up in accordance with regulations made under the Central Provident Fund Act; and

(*b*) $7,000,

except that —

(i) no payment made to his spouse's or his sibling's retirement account or special account shall be allowed as a deduction if the income of that spouse or sibling, being one who at the time of such payment is not incapacitated by reason of physical or mental infirmity, exceeds $4,000 in the year preceding the year of payment; and

(ii) a payment to a retirement account that is a prescribed payment shall not be allowed as a deduction.

(3A) In the case of an individual resident in Singapore in the year of assessment who, in the year preceding the year of assessment, was a citizen or permanent resident of Singapore and who, or whose employer on his behalf, has paid money to his retirement account or special account in accordance with section 18 of the Central Provident Fund Act, there shall be allowed for that year of assessment, a deduction of the lower of —

(*a*) the amount of such payment or (as the case may be) the total amount of all such payments but subject to the maximum amount by which the account may be topped-up in accordance with regulations made under the Central Provident Fund Act; and

(*b*) $7,000,

except that a payment to a retirement account that is a prescribed payment shall not be allowed as a deduction.".

Amendment of section 43C

37. Section 43C of the principal Act is amended —

(*a*) by deleting the words "insurer approved by the Minister or such person as he may appoint" in subsection (1)(*a*) and (*b*) and substituting in each case the words "approved insurer";

(*b*) by inserting, immediately after paragraph (*b*) of subsection (1), the following paragraph:

"(*ba*) exemption from tax of, or tax at the rate of 5% to be levied and paid for each year of assessment upon, such income as the Minister may specify that is derived by an approved insurer from carrying on marine hull and liability insurance and reinsurance business;";

(*c*) by inserting, immediately after the words "subsection (1)(*b*)" in subsection (1A)(*b*), the words "or (*ba*)"; and

(*d*) by inserting, immediately after subsection (2), the following subsection:

"(3) In this section, "approved" means approved by the Minister or such person as he may appoint.".

Amendment of section 43D

38. Section 43D(3) of the principal Act is amended by deleting "43J,".

Amendment of section 43G

39. Section 43G of the principal Act is amended by inserting, immediately after subsection (4), the following subsection:

"(5) No Finance and Treasury Centre may be approved as an approved Finance and Treasury Centre under this section after 31st March 2016.".

Amendment of section 43J

40. Section 43J of the principal Act is amended by inserting, immediately after subsection (2), the following subsections:

"(3) The Minister or such person as he may appoint may approve a trustee company as an approved trustee company for the purposes of this section.

(4) Any approval under subsection (3) shall be for a period not exceeding 10 years as the Minister or the person appointed by the Minister may specify, and shall be subject to such conditions as the Minister may impose.

(5) No trustee company shall be approved under subsection (3) on or after 1st April 2016.

(6) A trustee company that is an approved trustee company immediately before 1st April 2011 shall remain as an approved trustee company until 31st March 2021, unless its approval is revoked earlier.

(7) The trustee company referred to in subsection (6) shall remain as an approved trustee company subject to such conditions as the Minister may impose.".

Amendment of section 43N

41. Section 43N(4) of the principal Act is amended by inserting, immediately after the words "any other written law" in the definition of "Singapore Government securities", the words ", and shall be deemed to include any issue of bills and notes by the Monetary Authority of Singapore that are approved by the Minister for the purposes of this Act".

Amendment of section 43P

42. Section 43P of the principal Act is amended —

(*a*) by deleting paragraph (*a*) of subsection (1) and substituting the following paragraph:

"(*a*) such income as the Minister may specify of an approved global trading company —

(i) that is derived by it from such prescribed qualifying transactions in such prescribed commodities as the Minister or a person appointed by him may specify to the company; or

(ii) that is derived by it in the basis period for the year of assessment 2012 or a subsequent year of

assessment, from prescribed qualifying transactions in any derivative instrument; and"; and

(*b*) by deleting subsection (1A) and substituting the following subsection:

"(1A) No approval shall be granted under this section after 31st March 2021.".

Amendment of section 43W

43. Section 43W(4A) of the principal Act is amended by deleting the words "31st March 2016" and substituting the words "31st May 2016".

Amendment of section 43X

44. Section 43X(2) of the principal Act is amended —

(*a*) by deleting the words "a trust arising from funds managed in Singapore by a fund manager" in paragraph (*d*) and substituting the words "a trust fund";

(*b*) by deleting the word "or" at the end of paragraph (*e*);

(*c*) by deleting the full-stop at the end of paragraph (*f*) and substituting a semi-colon, and by inserting immediately thereafter the following paragraph:

"(*g*) any income of a trust the trustee of which is a prescribed person under section 13CA; or"; and

(*d*) by inserting, immediately after paragraph (*g*), the following paragraph:

"(*h*) any income of an approved trust fund referred to in the definition of "approved person" under section 13X(5), or of a trust fund that is a feeder fund or master fund approved under section 13X.".

Amendment of section 43ZA

45. Section 43ZA of the principal Act is amended by deleting the words "31st March 2016" in subsections (3) and (4) and substituting in each case the words "31st May 2016".

Amendment of section 43ZB

46. Section 43ZB(4A) of the principal Act is amended by deleting the words "31st March 2016" and substituting the words "31st May 2016".

Amendment of section 43ZD

47. Section 43ZD(4) of the principal Act is amended by deleting the words "31st December 2011" and substituting the words "31st March 2017".

Amendment of section 43ZE

48. Section 43ZE of the principal Act is amended —

(*a*) by deleting the words "on or after 1st April 2010" in subsection (1)(*a*) and (*b*) and substituting in each case the words "in the period between 1st April 2010 and 31st May 2011 (both dates inclusive)"; and

(*b*) by deleting the words "31st March 2015" in subsection (2) and substituting the words "31st May 2011".

New section 43ZF

49. The principal Act is amended by inserting, immediately after section 43ZE, the following section:

"**Concessionary rate of tax for shipping-related support services**

43ZF.—(1) Notwithstanding section 43, tax at the rate of 10% shall be levied and paid for each year of assessment upon the income of an approved company derived on or after the service approval date from providing in or from Singapore any shipping-related support service approved for the company at the time of its approval or such later date as the Minister or a person appointed by him may allow, which in the aggregate are in excess of the base amount.

(2) Approval may be granted under this section between 1st June 2011 and 31st May 2016 to a company for a period of 5 years; and may be given subject to such conditions as the Minister may impose.

(3) A company that is deemed an approved company on 1st June 2011 by virtue of regulations made under subsection (7),

shall be deemed to have been approved for such period not exceeding 10 years from that date as the Minister may specify in the regulations.

(4) The base amount referred to in subsection (1) shall be calculated in accordance with the following provisions:

(*a*) where the approved company had provided one or more of the shipping-related support services approved for it at any time during the period of 3 years immediately before the date of its approval, the base amount shall be ascertained by dividing the aggregate net profit before tax as shown in its audited accounts that is derived from providing all of those services during that period by the actual number of months (a period of less than a month being reckoned as one month) during that period in which those services were provided and multiplying by 12;

(*b*) where the company had not provided any of the shipping-related support services approved for it at any time during the period of 3 years immediately before the date of its approval, the base amount shall be zero; or

(*c*) such amount as the Minister may specify in substitution for the amount referred to in paragraph (*a*) or (*b*).

(5) The base amount determined in accordance with subsection (4) shall apply to the approved company for the entire duration of the period of its approval, unless the Minister otherwise decides.

(6) In determining the income of an approved company from the provision of shipping-related support services approved for it —

(*a*) the allowances under section 19, 19A, 20, 21, 22 or 23 shall be taken into account notwithstanding that no claim for such allowances has been made; and

(*b*) the Comptroller shall determine the manner and extent to which —

(i) allowances under section 19, 19A, 20, 21, 22 or 23 and any expenses and donations allowable under this Act are to be deducted; and

(ii) any loss may be deducted under section 37.

(7) For the purposes of this section, the Minister may make regulations —

(*a*) to deem a company which, immediately before 1st June 2011, was —

(i) a development and expansion company within the meaning of section 19I of the Economic Expansion Incentives (Relief from Income Tax) Act (Cap. 86) engaged in ship management services, ship agency, logistics or freight forwarding, being activities prescribed as qualifying activities within the meaning of that section, and which, in the case of a company engaged in logistics or freight forwarding, is a company —

(A) whose operations are or can be controlled, directly or indirectly, by another company, being one that owns or operates ships;

(B) which controls or can control, directly or indirectly, the operations of such other company; or

(C) whose operations are or can be controlled, directly or indirectly, by a person or persons who control or can control, directly or indirectly, the operations of such other company; or

(ii) an approved company under section 43ZE,

as an approved company for the purpose of this section from that date;

(*b*) to provide for such transitional, supplementary and consequential matters as he may consider necessary or expedient in relation to a company referred to in paragraph (*a*), including providing a different base amount for the purposes of subsection (1); and

(*c*) generally to give effect to or to carry out the purposes of this section.

(8) In this section —

"approved" means approved by the Minister or such person as he may appoint;

"approved company" means a company which —

(*a*) is incorporated and resident in Singapore;

(*b*) carries on the business of providing shipping-related support services; and

(*c*) is approved for the purpose of this section;

"approved related company", in relation to an approved company, means a related company approved at any time for the approved company for the purpose of the definition of "corporate service";

"container" has the same meaning as in section 43ZA(7);

"corporate service" means any of the following services provided by an approved company to an approved related company:

(*a*) sourcing, procurement and distribution of materials and components, products or services for use in the business of the approved related company (such as marketing control, planning and brand management);

(*b*) training of crew and staff;

(*c*) crew management (such as recruitment and selection of qualified and trained seafarers, budgeting and strategic planning in relation to crew requirements, overseeing crew welfare, managing relations with labour unions, handling insurance matters relating to crew, and maintaining personnel data to facilitate searches, planning and analysis);

(*d*) business planning, development and co-ordination (including the performance of economic or investment research and analysis) of information and processes to improve standards of services or products;

(*e*) research and development (including test bedding) carried out on behalf of the approved related company;

(*f*) general management and administration (such as intellectual property management, risk management, internal audit, budgeting and forecasting);

(*g*) technical support services (such as marine and offshore engineering technical support, accounting and tax consultancy services and actuary services);

(*h*) human resource services;

(*i*) financial and treasury services (such as providing credit administration and control, arranging credit facilities, managing funds, and providing guarantees, performance bonds, standby letters of credit and services relating to remittances, arranging interest and currency swaps);

(*j*) legal services;

(*k*) corporate finance advisory services;

(*l*) information technology services,

and only services provided to an approved related company of that company shall be treated as "corporate service" in determining if the approved company has provided shipping-related support service which is corporate service for the purposes of subsection (4);

"finance leasing" has the same meaning as in section 13S(20) or 43ZA(7);

"forward freight agreement trading" means the undertaking of a position under a forward freight agreement trade where such trade is in connection with shipping freight rates;

"freight forwarding and logistics service" means managing a customer's freight, supply chain or logistics process flow;

"related company", in relation to an approved company, means a company that is carrying on a shipping-related business and —

(*a*) whose operations are or can be controlled, directly or indirectly, by the approved company;

(*b*) which controls or can control, directly or indirectly, the operations of the approved company; or

(*c*) whose operations are or can be controlled, directly or indirectly, by a person or persons who control or can control, directly or indirectly, the operations of the approved company;

"service approval date", in relation to any shipping-related support service approved for an approved company under subsection (1), means the date the service is approved for that company under that subsection or, in the case of corporate service to be provided by the company to its approved related company, the date the related company is approved as such;

"ship" includes any dredger, seismic ship or any vessel used for offshore oil and gas activity;

"ship agency" means the activities performed on behalf of a shipping enterprise in relation to their vessels, masters and crews, cargoes and customers;

"ship broking" means —

(*a*) the broking of sale and purchase of vessels (including the activity of valuing the vessels);

(*b*) the matching of vessel owners (which intend to build new vessels) to shipyards based on the vessel owners' requirements;

(*c*) the matching of vessels to —

(i) cargoes; or

(ii) vessel owners and vessel charterers;

(*d*) the valuation of vessels; or

(*e*) the matching of forward freight agreement traders where the forward freight agreement trade is in connection with shipping freight rates,

and includes the services referred to in subsection (9);

"ship management services" has the same meaning as in section 13A(16);

"shipping-related business" means any of the following:

(*a*) carriage of passengers, mails, livestock or goods by any ship;

(*b*) charter or finance leasing of any ship to any person;

(*c*) use of any ship as a dredger, seismic ship or any vessel used for offshore oil and gas activity;

(*d*) use of any ship for towing or salvage operations;

(*e*) leasing (including finance leasing) of any container used for the international transportation of goods;

(*f*) managing an entity which is in the business of carrying on the charter or leasing (including finance leasing) of containers used for the international transportation of goods, or ships;

(*g*) ship broking;

(*h*) forward freight agreement trading;

(*i*) ship agency;

(*j*) ship management services;

(*k*) freight and logistics services in respect of a ship;

(*l*) marine insurance;

(*m*) offshore and marine engineering (including ship repair and conversion, ship building and offshore engineering);

(*n*) maritime law and arbitration;

(*o*) shipping finance;

(*p*) maritime research and development;

"shipping-related support service" means any of the following:

(*a*) ship broking;

(*b*) forward freight agreement trading;

(*c*) ship management services;

(*d*) ship agency;

(*e*) freight forwarding and logistics service;

(*f*) corporate service.

(9) In this section, "ship broking" includes —

(*a*) for the purpose of subsection (1), the provision of research, consultancy or advisory services using information derived from the business of carrying on any of the activities referred to in paragraphs (*a*) to (*e*) of the definition of "ship broking" in subsection (8), where the total sum of the fees derived by the approved company from the research, consultancy and advisory services in the basis period for the year of assessment concerned (referred to in this paragraph as the said sum) is not more than 20% of the sum of —

(i) the total fees and commissions derived by the approved company from all of those other activities in the basis period for that year of assessment; and

(ii) the said sum,

or where the Minister otherwise allows such services to be considered "ship broking"; and

(*b*) for the purpose of subsection (4), the provision, within any financial year or part thereof of the approved company that falls within the period of 3 years immediately before the date of its approval, of research, consultancy or advisory services using information derived from the business of carrying on any of the activities referred to in paragraphs (*a*) to (*e*) of the definition of "ship broking" in subsection (8), where the total sum of the fees derived by the approved company from the research, consultancy and advisory services in that financial year or part thereof (referred to in this paragraph as the said sum) is not more than 20% of the sum of —

(i) the total fees and commissions derived by the approved company from all of those other activities in that financial year or part thereof; and

(ii) the said sum,

or where the Minister otherwise allows such services to be considered "ship broking".

(10) For the purposes of the definition of "related company" in subsection (8), a company (referred to as the first company) is deemed to be a related company of another company if —

(*a*) at least 25% of the total number of its issued shares are beneficially owned, directly or indirectly, by the other company;

(*b*) at least 25% of the total number of the issued shares of the other company are beneficially owned, directly or indirectly, by the first company; or

(*c*) at least 25% of the total number of issued shares in each of the 2 companies are beneficially owned, directly or indirectly, by a third company.".

Amendment of section 45

50. Section 45(9) of the principal Act is amended by deleting the words "31st December 2011" in paragraph (*b*) and substituting the words "31st March 2017".

Amendment of section 45A

51. Section 45A(2B) of the principal Act is amended by deleting the words "31st December 2011" in paragraph (*b*) and substituting the words "31st March 2017".

New section 45AA

52. The principal Act is amended by inserting, immediately after section 45A, the following section:

"**Tax deemed withheld and recoverable from person in breach of condition imposed under section 13(4)**

45AA.—(1) Where a person has contravened any condition imposed by the Minister pursuant to a notification made under section 13(4) (whether a condition precedent or a condition subsequent), the amount of tax which, but for that notification, would have been deductible by the person from payments made by it to a non-resident person under section 45 or 45A —

(*a*) shall be deemed to have been deducted from those payments;

(*b*) shall be a debt due from the first-mentioned person to the Government; and

(*c*) shall be recoverable in the manner provided by section 89.

(2) The amount recoverable under subsection (1) shall be payable at the place stated in a notice served by the Comptroller on the person within one month after the service of the notice.

(3) The Comptroller may, in his discretion and subject to such conditions (including the imposition of interest) as he may impose, extend the time limit within which payment under subsection (2) is to be made.

(4) If the amount recoverable under subsection (1) is not paid to the Comptroller —

(*a*) within the period referred to in subsection (2) or such further period as may be allowed under subsection (3), a sum equal to 5% of such amount shall be payable; and

(*b*) within 30 days after the time specified in paragraph (*a*), an additional penalty of 1% of such amount shall be payable for each completed month that such amount remains unpaid, but the total additional penalty under this paragraph shall not exceed 15% of such amount.

(5) The penalty shall be recoverable in the manner provided in section 89.

(6) The Comptroller may for any good cause remit the whole or any part of the penalty payable under subsection (4).

(7) The Minister may, subject to such conditions as he may determine, remit the whole or any part of the amount recoverable under subsection (1).

(8) If any condition referred to in subsection (7) is breached, then the amount remitted shall be a debt due from the person granted the remission to the Government and shall be recoverable in the manner provided by section 89; and subsections (2) to (6) shall apply accordingly.".

Amendment of section 50B

53. Section 50B(3) of the principal Act is amended —

(*a*) by deleting the words "a trust arising from funds managed in Singapore by a fund manager" in paragraph (*d*) and substituting the words "a trust fund";

(*b*) by deleting the word "or" at the end of paragraph (*e*);

(*c*) by deleting the full-stop at the end of paragraph (*f*) and substituting a semi-colon, and by inserting immediately thereafter the following paragraph:

"(*g*) any income of a trust the trustee of which is a prescribed person under section 13CA; or"; and

(*d*) by inserting, immediately after paragraph (*g*), the following paragraph:

"(*h*) any income of an approved trust fund referred to in the definition of "approved person" under section 13X(5), or of a trust fund that is a feeder fund or master fund approved under section 13X.".

New section 50C

54. The principal Act is amended by inserting, immediately after section 50B, the following section:

"**Pooling of credits**

50C.—(1) Where, for the year of assessment 2012 or a subsequent year of assessment, a person is entitled to 2 or more tax credits under any other provision of this Part, he may elect to be given a pooled credit for that year of assessment in lieu of any 2 or more of those credits (referred to in this section as the replaced credits).

(2) Subsection (1) only applies if the income that is the subject of each replaced credit (referred to in this section as the elected income) satisfies all of the following conditions:

(*a*) tax under the law of the territory from which the income is derived that is of a similar character to income tax (by whatever name called) has been paid on the income;

(*b*) at the time the income is received in Singapore by the person, the highest rate of tax of a similar character to income tax (by whatever name called) levied under the law of that territory on any gains or profits from any trade or business carried on by a company in that territory at that time, is not less than 15%; and

(*c*) the income tax payable under this Act on the income for the year of assessment (before allowance of any credit under this Part) is not nil.

(3) The total amount of the income tax chargeable to the person in respect of all the elected income shall be reduced by the amount of the pooled credit.

(4) The amount of the pooled credit is the lower of —

(*a*) the aggregate of the income tax chargeable for the year of assessment on all the elected income; and

(*b*) the aggregate of the taxes paid on all the elected income in the territory or territories outside Singapore from which the elected income is derived.

(5) In subsection (4)(*a*), the aggregate of the income tax chargeable for the year of assessment on all the elected income is ascertained by —

(*a*) computing the amount of the income that is the subject of each replaced credit in accordance with the provisions of this Act, and then charging it to income tax at a rate ascertained by dividing the income tax chargeable (before allowance of any credit under this Part) on the assessable income of the person by the amount of his assessable income; and

(*b*) aggregating the amounts computed in accordance with paragraph (*a*) of all the replaced credits.

(6) Sections 50(5), (6) and (9) to (12), 50A(2) and 50B(2) shall, with the necessary modifications, apply for the purposes of this section.

(7) For the avoidance of doubt, sections 50, 50A and 50B (as applicable) shall continue to apply to any income that is the subject of a credit allowed under any other provision of this Part for which no election under this section is made.".

Amendment of section 51

55. Section 51 of the principal Act is amended by deleting subsection (2).

Amendment of section 76

56. Section 76 of the principal Act is amended —

(*a*) by inserting, immediately after subsection (2), the following subsections:

"(2A) If the objection is made to any assessment, being one which —

(*a*) is made on or after the date the Income Tax (Amendment) Act 2011 is published in the *Gazette*; and

(*b*) amends a previous assessment in any particular,

then a person's right to object to the assessment is limited to a right to object against the amendment in respect of, or matters relating to, that particular.

(2B) In subsection (2A), the reference to an assessment which amends a previous assessment in any particular includes one which amends the amount of unabsorbed losses, allowances or donations in that previous assessment that may be carried forward but the tax payable remains nil.";

(*b*) by deleting the words ", if any tax is payable," in subsection (6)(*b*);

(*c*) by deleting the words "as desired by that person" in subsection (6)(*b*); and

(*d*) by inserting, immediately after the words "tax payable" in subsection (6)(*b*), the words ", or the amount of refund of tax (as a result of the operation of section 46) or unabsorbed allowances, losses or donations,".

Amendment of section 79

57. Section 79(1) of the principal Act is amended —

(*a*) by deleting the words "7 days" in paragraph (*a*) and substituting the words "30 days"; and

(*b*) by deleting the words "as desired" in paragraph (*a*).

Amendment of section 80

58. Section 80 of the principal Act is amended —

(*a*) by inserting, immediately after the word "excessive" in subsection (4), the words "or that the amount of any unabsorbed losses, allowances or donations that may be carried forward ought to be of a higher amount than that assessed (as the case may be),";

(*b*) by deleting the words "the amount of such costs shall be added to the tax charged and be recoverable therewith" in subsection (8) and substituting the words "the amount of such costs shall be added to the tax charged (if any) and be recoverable as if it were tax imposed under this Act and payable by the appellant";

(*c*) by inserting, immediately after the word "assessment" in subsection (10), the words "(including the amount of any unabsorbed losses, allowances or donations that may be carried forward)"; and

(*d*) by deleting the words "which sum shall be added to the tax charged and be recoverable therewith" in subsection (11) and substituting the words "which sum shall be added to the tax charged (if any) and be recoverable as if it were tax imposed under this Act and payable by him.".

Amendment of section 81

59. Section 81 of the principal Act is amended —

(*a*) by deleting the words "tax payable," in subsection (2) and substituting the words "tax payable, tax to be refunded as a result of the operation of section 46 or notional tax benefit,";

(*b*) by inserting, immediately after the word "assessment" in subsection (4), the words "(including the amount of any unabsorbed losses, allowances or donations that may be carried forward)"; and

(*c*) by inserting, immediately after subsection (6), the following subsection:

"(7) In this section, "notional tax benefit", in relation to a year of assessment, means an amount ascertained in accordance with the formula

$$[(A_1 - B_1) \times C] + [(A_2 - B_2) \times C] + [(A_3 - B_3) \times C],$$

where A_1 is the amount of unabsorbed losses as at the end of the basis period for the year of assessment claimed by a person;

A_2 is the amount of unabsorbed allowances under section 16, 17, 18B, 18C, 19, 19A, 19B, 19C, 19D or 20 claimed by the person for the year of assessment;

A_3 is the amount of unabsorbed donations as at the end of the basis period for the year of assessment claimed by the person;

B_1 is the amount of unabsorbed losses as at the end of the basis period for the year of assessment as determined by the Comptroller;

B_2 is the amount of unabsorbed allowances under section 16, 17, 18B, 18C, 19, 19A, 19B, 19C, 19D or 20 for the year of assessment as determined by the Comptroller;

B_3 is the amount of unabsorbed donations as at the end of the basis period for the year of assessment as determined by the Comptroller; and

C is —

(*a*) in the case of an individual resident in Singapore, the highest rate of tax specified in Part A of the Second Schedule in respect of the year of assessment; and

(*b*) in any other case, the rate of tax applicable to the person for the year of assessment as specified in section 43(1).".

Amendment of section 82

60. Section 82(6) of the principal Act is amended by inserting, immediately after the word "assessment", the words "(including the amount of any unabsorbed losses, allowances or donations that may be carried forward)".

New sections 92A and 92B

61. The principal Act is amended by inserting, immediately after section 92, the following sections:

"**Remission of tax of companies for year of assessment 2011**

92A.—(1) Subject to subsection (2), there shall be remitted the tax payable for the year of assessment 2011 by a company an amount equal to the lower of —

(*a*) 20% of the tax payable for that year of assessment (excluding any tax levied and paid or payable pursuant to section 43(3), (3A) and (3B)); and

(*b*) $10,000,

where the Comptroller is satisfied that the remission of tax would be beneficial to the company.

(2) No remission under subsection (1) shall be granted to a company where the company qualifies for the cash grant under section 92B.

Cash grant for companies for year of assessment 2011

92B.—(1) Where a company has made a contribution to the Central Provident Fund in respect of any of its employees during the basis period for the year of assessment 2011, and —

(*a*) the company is not liable to pay tax for the year of assessment 2011;

(*b*) the specified amount is greater than 20% of the tax payable by the company for that year of assessment (excluding any tax levied and paid or payable pursuant to section 43(3), (3A) and (3B)); or

(*c*) the company makes a written election for a cash grant under this section in lieu of the remission under section 92A, and the Comptroller is satisfied that the cash grant would be more beneficial to the company than the remission,

then there shall, in lieu of the remission of tax under section 92A, be made to the company for the year of assessment 2011 a cash grant of the specified amount.

(2) The election under subsection (1)(*c*) shall be made to the Comptroller at the time the company furnishes a return of its income for the year of assessment 2011 or within such further time as the Comptroller may allow.

(3) The cash grant under subsection (1) shall be exempt from tax in the hands of the company.

(4) Where a company receives a cash grant under subsection (1) —

(*a*) without having satisfied all the requirements in this section; or

(*b*) that is in excess of that which may be given to it under this section,

the amount of the cash grant or the excess amount of the cash grant, as the case may be, shall be recoverable by the Comptroller from the company as a debt due to the Government.

(5) The Comptroller shall send the company a notice specifying the amount to be repaid under subsection (4), and the company shall pay the amount at the place stated in the notice within one month after the service of the notice.

(6) The Comptroller may, in his discretion and subject to such terms and conditions as he may impose, extend the time limit within which payment under subsection (5) is to be made.

(7) Sections 86(1) to (6), 87(1) and (2), 89, 90 and 91 shall apply to the collection and recovery by the Comptroller of the amounts recoverable under subsection (5) as they apply to the collection and recovery of tax.

(8) Where any tax, duty, interest or penalty is due by the company —

(*a*) under this Act to the Comptroller of Income Tax;

(*b*) under the Goods and Services Tax Act (Cap. 117A) to the Comptroller of Goods and Services Tax;

(*c*) under the Property Tax Act (Cap. 254) to the Comptroller of Property Tax; or

(*d*) under the Stamp Duties Act (Cap. 312) to the Commissioner of Stamp Duties,

then the amount of cash grant made by the Comptroller to the company shall be reduced by the amount so due; and the amount of the reduction shall be deemed to be tax, duty, interest or penalty paid by the company under the relevant Act and shall (if it is due under an Act other than this Act) be paid by the Comptroller to the Comptroller of Goods and Services Tax, the Comptroller of Property Tax or the Commissioner of Stamp Duties, as the case may be.

(9) In this section, "specified amount" means —

(*a*) 5% of the gross amount of the income derived by a company from its principal activities in the basis period for the year of assessment 2011; or

(*b*) $5,000,

whichever is the lower.".

Amendment of heading to Part XXA

62. Part XXA of the principal Act is amended by inserting, immediately after the words "DOUBLE TAXATION ARRANGEMENTS" in the Part heading, the words "AND EXCHANGE OF INFORMATION ARRANGEMENTS".

Amendment of section 105A

63. Section 105A of the principal Act is amended —

(*a*) by deleting the definition of "competent authority" in subsection (1) and substituting the following definitions:

" "competent authority", in relation to a prescribed arrangement, means a person or an authority whom the Comptroller is satisfied is authorised to make a request to the Comptroller for information —

(*a*) if it is an avoidance of double taxation arrangement, under the EOI provision of the arrangement; or

(*b*) if it is an EOI arrangement, under the provisions of the arrangement;

"exchange of information arrangement" or "EOI arrangement" means an arrangement having effect under section 105BA;";

(*b*) by deleting the definitions of "prescribed arrangement" and "tax position" in subsection (1) and substituting the following definitions:

" "prescribed arrangement" means —

(*a*) an avoidance of double taxation arrangement with an EOI provision; or

(*b*) an EOI arrangement,

that is declared by the Minister, by an order under section 105C(1), as a prescribed arrangement;

"tax position", in relation to a person, means the person's position —

(*a*) as regards any tax —

(i) of the country with whose government the avoidance of double taxation arrangement or EOI arrangement in question was made; and

(ii) that is covered by the EOI provision of the avoidance of double taxation arrangement or by the EOI arrangement;

(*b*) as regards —

(i) past, present and future liability to pay any tax referred to in paragraph (*a*);

(ii) penalties, interest and other amounts that have been paid, or are or may be payable, by or to the person in connection with any such tax; and

(iii) claims, elections, applications and notices that have been or may be made or given in connection with any such tax.";

(*c*) by deleting the word "References" in subsection (2) and substituting the words "A reference";

(*d*) by deleting the word "include" in subsection (2) and substituting the words "includes a reference to";

(*e*) by deleting the word "References" in subsection (3) and substituting the words "A reference";

(*f*) by deleting the word "are" in subsection (3) and substituting the words "is a reference"; and

(*g*) by inserting, immediately after subsection (3), the following subsection:

"(4) For the avoidance of doubt, the reference to tax in the definition of "tax position" in subsection (1) is not limited to income tax or tax of a similar character.".

Repeal and re-enactment of section 105B

64. Section 105B of the principal Act is repealed and the following section substituted therefor:

"**Purpose of this Part**

105B. The purpose of this Part is to facilitate the disclosure of information to a competent authority —

(*a*) under an avoidance of double taxation arrangement prescribed under section 105C in accordance with the EOI provision in that arrangement; or

(*b*) under and in accordance with an EOI arrangement prescribed under section 105C.".

New section 105BA

65. The principal Act is amended by inserting, immediately after section 105B, the following section:

"**Exchange of information arrangement**

105BA.—(1) If the Minister by order declares that an arrangement specified in the order has been made with the government of any country outside Singapore for the exchange of information concerning the tax positions of persons, and that it is expedient that that arrangement should have effect, then the arrangement shall have effect notwithstanding anything in any written law.

(2) An order made under this section may be revoked by a subsequent order.

(3) Where an arrangement has effect by virtue of this section, the obligation as to secrecy imposed by section 6 shall not prevent the disclosure to the competent authority under the arrangement of such information as is required to be disclosed under the arrangement.".

Amendment of section 105C

66. Section 105C(1) of the principal Act is amended by inserting, immediately after the words "double taxation arrangement", the words "or an EOI arrangement".

Amendment of section 105D

67. Section 105D of the principal Act is amended by deleting subsection (1) and substituting the following subsection:

"(1) The competent authority under a prescribed arrangement may make a request to the Comptroller for information concerning the tax position of any person in accordance with —

(*a*) if it is an avoidance of double taxation arrangement, the EOI provision of that arrangement; or

(*b*) if it is an EOI arrangement, the provisions of that arrangement.".

Amendment of Second Schedule

68. The Second Schedule to the principal Act is amended —

(*a*) by deleting the words "and (4)" in the Schedule reference;

(*b*) by inserting, immediately after the words "A HINDU JOINT FAMILY" in the heading of Part A, the words "FOR YEARS OF ASSESSMENT 2007, 2008, 2009, 2010 and 2011"; and

(*c*) by inserting, immediately after the Table in Part A, the following Table:

"RATES OF TAX ON CHARGEABLE INCOME OF AN INDIVIDUAL OR A HINDU JOINT FAMILY FOR YEAR OF ASSESSMENT 2012 AND SUBSEQUENT YEARS OF ASSESSMENT

Chargeable Income		*Rate of Tax*
For every dollar of the first	$ 20,000	Nil
For every dollar of the next	$ 10,000	2%
For every dollar of the next	$ 10,000	3.5%
For every dollar of the next	$ 40,000	7%
For every dollar of the next	$ 40,000	11.5%
For every dollar of the next	$ 40,000	15%
For every dollar of the next	$ 40,000	17%
For every dollar of the next	$120,000	18%
For every dollar exceeding	$320,000	20%.".

Miscellaneous amendments

69. The principal Act is amended —

(*a*) by deleting the words "or 43ZE" in the following sections and substituting in each case the words ", 43ZE or 43ZF":

Sections 14C(6) (paragraph (*b*) of the definition of "concessionary rate of tax"), 37B(7) (paragraph (*b*) of the definition of " "higher rate of tax" or "lower rate of tax" ") and 37E(17) (paragraph (*b*) of the definition of "concessionary rate of tax");

(*b*) by deleting the words "section 14DA(1A) or (1B)" in sections 14E(3AA) and 37G(9A) and substituting in each case the words "section 14DA(2)"; and

(*c*) by deleting the words "section 14DA(1)(*a*) and (*b*)" wherever they appear in section 37H(3) and substituting in each case the words "section 14DA(1)".

Remission of tax for year of assessment 2011

70. There shall be remitted the tax payable for the year of assessment 2011 by an individual or Hindu joint family resident in Singapore an amount equal to —

(*a*) 20% of the tax payable for that year of assessment; or

(*b*) $2,000,

whichever is the lower, and the amount of such remission shall be determined by the Comptroller.

Consequential amendment to Economic Expansion Incentives (Relief from Income Tax) Act

71. Section 66(1) of the Economic Expansion Incentives (Relief from Income Tax) Act (Cap. 86) is amended by deleting the words "or 43ZE" in the definition of "concessionary income" and substituting the words ", 43ZE or 43ZF".

Savings and transitional provisions

72.—(1) Paragraph (i) of section 37I(11) of the principal Act applies in respect of an event referred to in paragraph (*d*) of section 37I(11) of the principal Act (inserted by section 33 of this Act) which occurs at any time before the date the Income Tax (Amendment) Act 2011 is published in the *Gazette*, as if the reference to 30 days from the date of the event were a reference to 30 days from the first-mentioned date.

(2) Section 57(*a*) of this Act only applies to a refusal by the Comptroller to amend an assessment on or after the date the Income Tax (Amendment) Act 2011 is published in the *Gazette*, and section 79(1)(*a*) of the principal Act in force immediately before that date shall continue to apply to a refusal before that date.

(3) For a period of 2 years after the date of commencement of this section, the Minister may, by regulations, prescribe such provisions of a savings or transitional nature consequent on the enactment of any provision of this Act, as he may consider necessary or expedient.

EXPLANATORY STATEMENT

This Bill seeks to implement the tax changes announced in the Government's 2011 Budget Statement and to make certain other amendments to the Income Tax Act (Cap. 134) and to make a consequential amendment to the Economic Expansion Incentives (Relief from Income Tax) Act (Cap. 86).

Clause 1 relates to the short title, commencement and application.

It may be noted that the temporal operation of a provision of this Bill may be found in any of 3 possible places: the provision itself, an application provision of this clause (e.g. in sub-clauses (19) to (22)), or, in the absence of either, in a commencement provision of this clause.

Clause 2 makes consequential amendments to section 6 (Official secrecy) as a result of new section 105BA (inserted by clause 65).

Clause 3 amends section 10(26) (certain payments to self-employed woman under the Child Development Co-Savings Act (Cap. 38A) deemed income) to deem a payment to a self-employed individual under section 12B of the Child Development Co-Savings Act as income from his trade, business, profession or vocation. Section 12B of that Act entitles a self-employed person to claim income from the Government for one or more days which he used for childcare purposes. Various words are made gender-neutral because section 12B of that Act applies to a self-employed person irrespective of gender.

Clause 4 amends section 10C (Excess provident fund contributions, etc., deemed to be income) —

(*a*) to provide that the maximum amount of employer contribution to an employee's medisave account that is not treated as income is $1,500 less any previous contribution to that account that is not treated as income, and any previous contribution to that account that is exempt from tax by virtue of the new section 13(1)(*jc*). In other words, the total of the amount of contributions to each medisave account that is not treated as income under section 10C(4), and the amount of the contributions to the same account that is exempt from tax under section 13(1)(*jc*), must not exceed $1,500. The priority between contributions to the relevant account is determined on a first-in-time basis; and

(*b*) to change the income amount for which an employer makes Central Provident Fund (CPF) contribution and the contribution that is exempt from tax, as well as the amount of CPF contribution by an employer on overseas wages that are exempt from tax. Both of these are necessitated by the increase to the monthly salary ceiling for CPF contribution announced in the 2011 Budget Statement.

Clause 5 amends section 10L (Withdrawals from Supplementary Retirement Scheme) to provide that —

(*a*) a payment to an SRS member (instead of to his SRS account) of gains from an investment using SRS funds, the SRS funds used for such investment or

proceeds of sale or liquidation of such investment, is considered a withdrawal for the purposes of determining the amount of withdrawal in excess of contribution that is chargeable to tax and subject to a penalty;

(*b*) paragraph (*a*) applies even if the SRS account has already been closed before the payment, which may occur if e.g. the amount of the gains or sale proceeds being paid into the SRS account is understated and the amount is finalised only after the account has been closed; and

(*c*) an SRS member who is not a citizen or a Singapore permanent resident and who has made an investment using his SRS funds may only be considered to have withdrawn all funds standing in his account under subsection (3)(*a*) (with the result that only 50% of the withdrawals are deemed to be income chargeable to tax) if amounts declared by the provider of the investment product as being all the gains from the investment, all the funds used for the investment and all the proceeds from the sale or liquidation of the investment have been returned to the account and these, together with the other funds in the account, are withdrawn at the same time.

Clause 6 amends section 13 (Exempt income) for the following purposes:

(*a*) to extend the tax exemption for income from qualifying project debt securities under subsection (1)(*b*) to debt securities issued in the period between 1st January 2012 and 31st March 2017;

(*b*) to insert a new subsection (1)(*jc*) to exempt from tax a voluntary cash contribution made by a prescribed person to the medisave account of a self-employed individual, subject to conditions. The total amount of contributions to be exempt from tax, together with the total amount of contributions that are not deemed to be income under section 10C(4), must not exceed $1,500. The priority between contributions to the relevant account is determined on a first-in-time basis;

(*c*) to amend the tax exemption for income from a structured product under subsection (1)(*zj*) by extending the latest date by which the contract for the structured product must take effect to 31st March 2017, and by extending the date before which the renewal or extension of such contract must commence to 1st April 2017;

(*d*) to insert a new subsection (1)(*zo*) to exempt from tax maintenance payments accrued to a woman under a court order or deed of separation with effect from year of assessment 2012;

(*e*) to treat as revoked on 1st April 2015 all orders made under subsection (12) which exempt from tax foreign-sourced income received in Singapore by the trustee of a real estate investment trust, or a company incorporated in Singapore the share capital of which is 100% owned by the trustee of a real estate investment trust on the date of commencement of the order. Such income received in Singapore on or after 1st April 2015 will no longer be exempt from tax; and

(*f*) to delete and substitute subsection (13) to clarify that an order exempting any remittance of income from tax may provide that the conditions of exemption be complied with to the Comptroller's satisfaction, and may include a condition that the person receiving the income must satisfy the Comptroller of this before it is received in Singapore.

Clause 7 amends section 13A (Exemption of shipping profits) to provide that the exemption under that section does not apply to income of an approved international shipping enterprise from the carriage of passengers, mails, livestock or goods by a foreign ship which are shipped in Singapore. Such income is separately dealt with under the amended section 13F.

Clauses 8 and 9 amend sections 13C (Exemption of income of trustee of trust fund arising from funds managed by fund manager in Singapore) and 13CA (Exemption of income of non-resident arising from funds managed by fund manager in Singapore) respectively to remove the requirement for the fund manager under those provisions to be prescribed.

Clause 10 amends section 13F (Exemption of international shipping profits) —

(*a*) to extend the exemption under that section to income from the carriage of passengers, mails, livestock or goods shipped in Singapore by a foreign ship;

(*b*) to extend the exemption (by amending the definition of "qualifying special purpose vehicle") to include income of an approved international shipping enterprise derived from providing ship management services to —

(i) a company (initial SPV) which is a subsidiary of a holding company of which the enterprise is also a subsidiary;

(ii) a Singapore subsidiary of an initial SPV;

(iii) a foreign company where an initial SPV owns at least 25% of its issued ordinary shares;

(iv) a foreign partnership of which an initial SPV is a partner entitled to at least 25% of its income; or

(v) a foreign partnership where the approved international shipping enterprise is directly or indirectly entitled to at least 25% of its income;

(*c*) to provide that the exemption does not extend to ship management services provided by an approved international shipping enterprise if the enterprise is in turn owned by another approved international shipping enterprise, or if this is disallowed under the conditions of its approval; and

(*d*) to extend the tax exemption (but for a shorter period of not more than 5 years) to international shipping enterprises that are unable to meet the conditions for approval under the existing section 13F.

Clause 11 amends section 13R (Exemption of income of company incorporated and resident in Singapore arising from funds managed by fund manager in Singapore) to provide that the exemption of income of a company under that section is also subject to

conditions specified in the letter of approval issued to the company, and to remove the requirement for the fund manager under that provision to be prescribed.

Clause 12 amends section 13S (Exemption of income of shipping investment enterprise) to extend the end of the period by which approval of a shipping investment enterprise may be granted under the section to 31st May 2016.

Clause 13 makes a consequential amendment to section 13T (Exemption of trust income to which beneficiary is entitled) arising from the amendment to section 13C, and also disapplies that section to certain other trust income.

Clause 14 amends section 13X (Exemption of income arising from funds managed by fund manager in Singapore) to provide that the exemption of prescribed income of a person, master fund, feeder fund or master-feeder fund structure under that section is also subject to conditions specified in the letter of approval issued to such person, fund or structure.

Clause 15 amends section 13Y (Exemption of certain income of prescribed sovereign fund entity and approved foreign government-owned entity) —

(*a*) to clarify that the exemption applies to the fee income of an approved foreign government-owned entity in relation to the provision of any investment advisory service to a prescribed sovereign fund entity; and

(*b*) to provide in regulations that the conditions of approval of a foreign government-owned entity under that section may be specified in the letter of approval issued to the entity.

Clause 16 amends section 14 (Deductions allowed) to provide that the deduction allowable to an employer for contributions made on or after 1st September 2011 to the Central Provident Fund or any approved pension or provident fund designated by the Minister under section 39(8) in respect of an employee must not exceed 16% of the remuneration paid by the employer to the employee. It also inserts new paragraph (*fa*) in subsection (1) which allows a deduction on any voluntary cash contribution by a prescribed person that is exempt from tax under the new section 13(1)(*jc*). The deduction of such voluntary contributions is not subject to the restriction on deduction of medical expenses under section 14(5).

Clause 17 amends section 14A (Deduction for costs for protecting intellectual property) as part of the enhancement of the Productivity and Innovation Credit Scheme. The new section increases the amount of the enhanced deduction under that section to 300% of qualifying intellectual property registration costs of up to $800,000 for the combined basis periods for the years of assessment of 2011 and 2012, or up to $1,200,000 for the combined basis periods for the years of assessment of 2013 to 2015. A taxpayer who fails to carry on any trade or business during any of the basis periods of any of the combined basis periods will have his tax deduction correspondingly reduced.

By way of illustration, in the combined basis periods for the years of assessments 2013 to 2015, a taxpayer is entitled to enhanced tax deduction of up to 300% of $1,200,000 of the qualifying costs, and he may claim any part of that amount of deduction in any of the 3 years of assessment based on the actual amount of qualifying costs incurred in the basis period for that year of assessment. However, if he is given

an enhanced deduction of 300% of $1,200,000 in the year of assessment 2013 and subsequently ceases to carry on any trade or business in the next 2 years of assessment, the enhanced deduction allowed to him is reduced to 300% of $400,000 for the year of assessment 2013 and he will therefore be liable to additional tax for that year as a result of the reduced deduction.

If the taxpayer does not carry on any trade or business in the basis period for the year of assessment 2013, then his enhanced deduction for the year of assessment 2014 will be 300% of up to $800,000 of the qualifying costs, and his enhanced deduction for the year of assessment 2015 will be 300% of the lower of the qualifying costs and the amount remaining after deducting from $800,000 the amount of the qualifying costs given the enhanced deduction for the year of assessment 2014.

Clause 18 amends section 14B (Further deduction for expenses relating to approved trade fairs, exhibitions or trade missions or to maintenance of overseas trade office) —

(*a*) to clarify that the various conditions disqualifying expenses of an approved overseas trade office from the further deduction in subsection (4)(*c*) are to be read disjunctively;

(*b*) to provide that the Minister or a person appointed by him may in a particular case allow the further deduction for expenses incurred for an overseas trade office despite the firm or company having a permanent establishment subject to tax in the country in which the office is established; and

(*c*) to provide that no approval shall be granted under the provision after 31st March 2016.

Clause 19 repeals and re-enacts section 14DA (Enhanced deduction for qualifying expenditure on research and development) as part of the enhancement of the Productivity and Innovation Credit Scheme. The new section allows the additional tax deduction introduced last year for research and development expenditure to be given for research and development undertaken abroad, provided it is related to the trade or business of the taxpayer.

The new section also increases the maximum amount of the research and development expenditure qualifying for the additional deduction during the combined basis periods for the years of assessment 2011 and 2012, from $600,000 to $800,000. Additionally, it provides that the maximum amount of research and development expenditure qualifying for the additional deduction during the combined basis periods for the years of assessment 2013 to 2015 is $1,200,000. In both cases, a taxpayer which fails to carry on any trade or business during any of the basis periods of the combined basis periods will have the maximum amount of its qualifying expenditure correspondingly reduced.

Lastly, subsection (2) of existing section 14DA is re-enacted as subsection (9) of the new section with modifications arising from amendments made to section 37I.

Clause 20 amends section 14K (Further or double deduction for overseas investment development expenditure) —

(*a*) to remove the right to claim the further or double deductions for expenses in maintaining an overseas project development office;

(*b*) to provide that the Minister or a person appointed by him may approve the number of employees taking part in the overseas investment project whose expenses may be given the deduction; and

(*c*) to provide that no approval will be granted under the provision after 31st March 2016.

Clause 21 amends section 14P (Deduction for treasury shares transferred under employee equity-based remuneration scheme) to clarify that the deduction to be allowed to a subsidiary company in a case where the holding company transfers its treasury shares to an employee of the subsidiary company under a stock option or share award scheme is to be reduced by the amount received or receivable from that employee. Other drafting amendments of a clarifying nature are made for consistency with the new section 14PA.

Clause 22 inserts a new section 14PA to allow a deduction (subject to conditions) to a company in respect of the payments it made for its own shares or its holding company's shares which were acquired by a special purpose vehicle and subsequently transferred to its employees under a stock option scheme or share award scheme. No deduction is allowed if the shares so acquired are not treasury shares nor previously issued shares. An example of non-previously issued shares are shares acquired pursuant to an initial public offer.

Clause 23 makes similar amendments to section 14R (Deduction for qualifying training expenditure) to those made to section 14A, as part of the enhancement of the Productivity and Innovation Credit Scheme.

Clause 24 amends section 14S (Deduction for qualifying design expenditure) as part of the enhancement of the Productivity and Innovation Credit Scheme. The new section increases the amount of deduction under that section to 300% (if the expenditure is deductible under section 14) or 400% (if it is not so deductible) of qualifying design expenditure of up to $800,000 for the combined basis periods for the years of assessment of 2011 and 2012, or $1,200,000 for the combined basis periods for the years of assessment of 2013 to 2015. It further allows such deduction so long as at least 3 of the 5 design phases of the design project are carried out in Singapore.

Clause 25 makes similar amendments to section 14T (Deduction for expenditure on leasing of prescribed automation equipment under qualifying lease) to those made to section 14A, as part of the enhancement of the Productivity and Innovation Credit Scheme. New subsections (4), (6A) and (6B) are substantially similar to existing subsections (4) to (6), but with modifications arising from the increased amount of the tax deductions and the manner in which they are to be apportioned between the years of assessment. References to prescribed automation equipment are replaced with references to PIC automation equipment, consistent with a similar change made to section 19A.

Section 14T is further amended to extend the provision to expenditure incurred in procuring cloud computing services.

Clause 26 inserts a new section 14U to provide that a person may claim deduction under Part V of the Act for expenses incurred for a trade, business, profession or vocation for a specified period before he earns the first dollar of income from that trade, business, profession or vocation. The expenses are expenses which he would have been allowed a deduction had he already commenced the trade, business, profession or vocation. This is without prejudice to other provisions of Part V of the Act which may allow him to claim a deduction for expenses incurred at an earlier point in time, e.g. if the taxpayer's trade, etc., had commenced before the beginning of that specified period before he earns the first dollar of income, then he can rely on section 14(1) for all qualifying expenses incurred after the date of commencement of the trade, etc., instead of the new section.

If the deductibility of the expense is dependent on the fulfilment of another criterion that is linked to the commencement of business criterion (e.g. under section 14H the lessee must first be carrying on business at certain premises) then section 14U is inapplicable unless both criteria are satisfied when the expense is incurred.

Clause 27 amends section 15 (Deductions not allowed) to make various exceptions to the list of expenses for which no deduction is allowed, arising from the insertion of new section 14PA and new paragraph (*fa*) of section 14(1).

Clause 28 amends section 18C (Initial and annual allowances for certain buildings and structures) —

(*a*) to require the gross plot ratio benchmark for the trade or business to be carried out at the building or structure that is the subject of any construction or renovation (which is a criterion for approving the construction or renovation under this section) to be prescribed in regulations; and

(*b*) to provide for annual allowances to be granted if, among other conditions, at least 80% (instead of more than 80%) of the total floor area of the building or structure is used by a single person or partnership for the purposes of the specified trade or business.

Clause 29 makes a consequential amendment to section 19 (Initial and annual allowances for machinery and plant) arising from amendments made to section 37I.

Clause 30 amends section 19A (Allowances of 3 years or 2 years write off for machinery and plant, and 100% write off for computer, prescribed automation equipment and robot, etc.) —

(*a*) to make similar adjustments to the enhanced capital allowances under subsections (2A) and (2B) as those made to the deductions under section 14A, as part of the enhancement of the Productivity and Innovation Credit Scheme;

(*b*) to provide for the period of years over which the enhanced allowances are to be written down, and the proportions in which they are to be written down over that period, in a case where the person claiming the allowances elects to claim initial and annual allowances for the same equipment under section 19, or the 2 or 3 year accelerated allowance for the same equipment under section 19A(1) or (1B);

(*c*) to allow the Minister or a person appointed by him to waive the application of subsection (2H)(*b*), which requires an enhanced allowance given earlier for the provision of PIC automated equipment to be brought to charge as income if the equipment is disposed of within a year of provision. The waiver may be given if either (i) the cost of other PIC automation equipment acquired in the basis period in which the equipment disposed of is acquired is more than or equal to the expenditure cap applicable to the year of assessment for that basis period; or (ii) the Minister or the person is satisfied that the disposal is made for a bona fide commercial reason;

(*d*) to make amendments to subsection (14C) arising from amendments to section 37I;

(*e*) to replace the certifying authority for various equipment for which accelerated capital allowance may be made under that section, from the Standards, Productivity and Innovation Board or the National University of Singapore to a person approved by the Minister or by a person appointed by him; and

(*f*) to allow the Minister to prescribe a separate list of automation equipment for the purpose of the enhanced allowances under subsections (2A) and (2B), and to enable him or a person appointed by him to approve on a case by case basis automation equipment for which a specific taxpayer may be given the enhanced allowances.

Clause 31 amends section 19B (Writing-down allowances for intellectual property rights) —

(*a*) to make similar adjustments to the enhanced writing-down allowances under subsections (1A) and (1B) as those made to the deductions under section 14A, as part of the enhancement of the Productivity and Innovation Credit Scheme;

(*b*) to provide that a company which acquires intellectual property rights in software for the purpose of licensing them to another is not entitled to claim enhanced writing-down allowances under subsections (1A) and (1B) in respect of all or any part of those rights; and

(*c*) to provide that a company which was previously allowed enhanced writing-down allowances under subsection (1A) or (1B) in respect of intellectual property rights in software, is no longer entitled to such allowance if all or any part of those rights are licensed to another within 5 years of acquisition; and if any of the rights are licensed to another within one year of acquisition, any such allowance previously allowed shall be brought to charge as income in the year the rights are licensed.

Clause 32 amends section 37(3A) to extend the enhanced deduction for donations under that provision to donations made during the period from 1st January 2011 to 31st December 2015. It also amends section 37(3B) to disallow any deduction to a person for a donation made by the person under section 37(3)(*b*), (*c*), (*d*), (*e*) or (*f*) on or after 1st January 2012, if the person does not provide to the donee or (where donation is

made to an institution of a public character through a grant-making philanthropic organisation) that organisation, with such information within such time and in such form and manner as the Comptroller may specify.

Clause 33 amends section 37I (Cash payout under Productivity and Innovation Credit Scheme) which currently allows certain persons to convert tax deductions or allowances arising from expenditure incurred on the activities under the Scheme into a cash payout. The amended section —

(*a*) allows those persons to convert such expenditure instead of his tax deductions or allowances (at a rate of 30% of the expenditure incurred up to a combined maximum of $200,000 for the years of assessment 2011 and 2012 and up to a maximum of $100,000 for the year of assessment 2013) into a cash payout. The expenditure so converted will reduce, dollar for dollar, the expenditure qualifying for the tax deduction or allowance;

(*b*) allows the expenditure incurred on PIC automation equipment that qualifies for enhanced capital allowances under section 19A(2A) and (2B), to be converted into a cash payout. Previously, only prescribed automation equipment qualifying for capital allowance under section 19A(2) would qualify for conversion; and

(*c*) allows the Minister or a person appointed by him to waive the right of the Government to the return of a cash payout made for capital expenditure on PIC automation equipment which qualified for an enhanced allowance under section 19A, and which is disposed of within a year from provision. The waiver may be given under the same circumstances as those provided under new section 19A(2HA).

A minor amendment is also made to the definition of "qualifying person" in section 37I to cover persons carrying on a profession.

Clause 34 amends section 37K (Deduction for qualifying investments in qualifying start-up companies) by deleting subsection (6)(*f*). That provision prevents expenditure in respect of a qualifying investment in a company from being considered for the deduction if the qualifying person is not a member of the board of directors of the company throughout the relevant holding period.

Clause 35 amends section 37L (Deduction for acquisition of shares of companies). Clause 35(*a*) amends various provisions in section 37L to clarify that the allowance for any acquisition of ordinary shares in a target company is tied to the basis period of the acquiring company as the allowance can only be claimed by the acquiring company. Clause 35(*b*) (read with section 37L(24)(*c*)) empowers the Minister to make regulations to provide for the circumstances in which the requirement that the acquiring company and the target company not be connected for 2 years immediately prior to the date of an acquisition of ordinary shares in the target company (set out in section 37L(16)(*a*)(i)(C) and (*b*)(i)(C)), need not be complied with.

Clause 36 amends section 39 (Relief and deduction for resident individual and Hindu joint family) —

(*a*) to disallow a male resident individual from claiming relief in respect of maintenance paid to his ex-wife;

(*b*) to increase the maximum amount of relief given to a self-employed individual under subsection (2)(*h*) in respect of his contribution to the Central Provident Fund, to 36% of his assessable income or $30,600 (whichever is the lower);

(*c*) to clarify that the deduction for qualifying contributions to the retirement or special account of an individual's spouse, sibling, parent or grandparent under subsection (3), or to an individual's retirement or special account under subsection (3A), is subject to the top-up limits for that account;

(*d*) to remove the duty of the Comptroller to apportion the amount of deduction under subsection (3) between 2 or more individuals who contribute to the retirement or special account of another individual; and

(*e*) to clarify that an individual is only entitled to a maximum deduction of $7,000 under subsection (3) irrespective of the number of accounts of other persons which he contributes to.

Clause 37 amends section 43C (Exemption and concessionary rate of tax for insurance and reinsurance business) to provide that the Minister may make regulations to exempt from tax or to levy a 5% concessionary tax rate on specified income derived by an approved insurer from carrying on marine hull and liability insurance and reinsurance business. The clause also inserts a definition of "approved" for the purposes of the section.

Clause 38 makes a consequential amendment to section 43D (Concessionary rate of tax for offshore transactions on any market maintained by Singapore Exchange or its subsidiaries) as a result of the insertion by clause 40 of new subsection (3) in section 43J.

Clause 39 amends section 43G (Concessionary rate of tax for Finance and Treasury Centre) to provide that no Finance and Treasury Centre may be approved as an approved Finance and Treasury Centre after 31st March 2016.

Clause 40 amends section 43J (Concessionary rate of tax for trustee company) to provide that the approval of a trustee company as an approved trustee company shall be for a period not exceeding 10 years. Further, no trustee company may be approved on or after 1st April 2016. An existing approved trustee company immediately before 1st April 2011 will remain as such until 31st March 2021 unless its approval is revoked earlier.

Clause 41 amends section 43N (Concessionary rate of tax for income derived from debt securities) by including, in the definition of "Singapore Government securities" in subsection (4), bills and notes issued by the Monetary Authority of Singapore (MAS) and approved by the Minister. Tax exemption can then be extended to income derived by a primary dealer from trading in such bills and notes under regulations made under subsection (3), thus achieving parity in tax treatments between bills and notes issued by MAS and those issued by the Government.

Clause 42 amends section 43P (Concessionary rate of tax for global trading company and qualifying company) —

(*a*) to allow regulations to be made to apply the concessionary rate of tax of 5% or 10% to specified income of an approved global trading company from qualifying transactions in any derivative instruments, in addition to qualifying transactions in commodity futures; and

(*b*) to provide that the approval of a global trading company or a qualifying company for the purposes of the section may be granted on or before 31st March 2021.

Clause 43 amends section 43W (Concessionary rate of tax for shipping investment manager) to extend the end of the period by which approval of a shipping investment manager may be granted under the section to 31st May 2016.

Clause 44 makes a consequential amendment to section 43X (Concessionary rate of tax for trust income to which beneficiary is entitled) arising from the amendment to section 13C, and also disapplies that section to certain other trust income.

Clause 45 amends section 43ZA (Concessionary rate of tax for container investment enterprise) to extend the end of the period by which approval of a container investment enterprise may be granted under the section to 31st May 2016.

Clause 46 amends section 43ZB (Concessionary rate of tax for container investment manager) to extend the end of the period by which approval of a container investment manager may be granted under the section to 31st May 2016.

Clause 47 amends section 43ZD (Concessionary rate of tax for income derived from managing qualifying registered business trust or company) to extend the end of the period by which a trustee-manager or fund management company may be approved for the purposes of that section, to 31st March 2017.

Clause 48 introduces expiry dates for the application of section 43ZE (Concessionary rate of tax for ship broking and forward freight agreement trading) as the scope of that provision will be covered by the new section 43ZF (Concessionary rate of tax for shipping-related support services).

Clause 49 inserts a new section 43ZF (Concessionary rate of tax for shipping-related support services) to provide for a concessionary rate of tax of 10% for income of an approved company from providing qualifying shipping-related support services, which are in excess of the company's base amount. This is to encourage providers of these services to base their operations in Singapore, and to encourage more shipping conglomerates to conduct their ancillary activities here.

Clauses 50 and 51 make consequential amendments to sections 45 (Withholding of tax in respect of interest paid to non-resident persons) and 45A (Application of section 45 to royalties, management fees, etc.), respectively, as a result of the extension of tax exemptions described in clause 6.

Clause 52 inserts a new section 45AA. The new section requires a person who, but for an exemption from tax under section 13(4), is required to withhold tax from income

paid to a non-resident person, and who has breached a condition of the exemption, to pay the amount of tax due on that income to the Government.

Clause 53 makes a consequential amendment to section 50B (Tax credits for trust income to which beneficiary is entitled) arising from the amendment to section 13C, and also disapplies that section to certain other trust income.

Clause 54 inserts a new section 50C to enable a Singapore tax resident to elect for his tax credits for foreign tax paid on 2 or more streams of foreign income to be computed on a pooled basis rather than separately. An election may only be made in respect of any income stream if foreign tax has been paid on that income, the headline tax rate of the foreign jurisdiction concerned is at least 15%, and the amount of Singapore income tax payable on the income is not nil. Sections 50, 50A and 50B will continue to apply to foreign tax paid on any stream of foreign income for which an election cannot or has not been made under the section.

Clause 55 deletes section 51(2) (alimony or allowance payable to a woman is to be returned as her income) as it is no longer necessary in light of section 51(1).

Clause 56 amends section 76 (Service of notices of assessment and revision of assessment) to provide that a taxpayer's right to object to an assessment which amends a previous assessment in any particular is limited to the amendment or any matter relating to the particular. Accordingly, a taxpayer will not be able to re-open by objection against an amended assessment matters that are relevant only to the original assessment.

The clause is further amended —

(*a*) to enable the Comptroller to issue a notice of refusal to amend an assessment even if no tax is payable under the assessment or revised assessment; and

(*b*) to clarify that the Comptroller may unilaterally issue a notice of refusal to amend an assessment.

Clause 57 amends section 79 (Right of appeal) to extend the period within which a taxpayer may file a notice of appeal to the Income Tax Board of Review from 7 days to 30 days.

Clause 58 amends section 80 (Hearing and disposal of appeals by Income Tax Board of Review) —

(*a*) to apply the provisions of that section to a case where no tax is payable under the assessment in question; and

(*b*) to provide that the Income Tax Board of Review may make an order confirming, varying or annulling the amount of any unabsorbed losses, allowances or donations in an assessment.

Clause 59 amends section 81 (Appeals to High Court) —

(*a*) to enable an appeal to be made to the High Court where the notional tax benefit or tax refund as a result of the operation of section 46 as determined by the Income Tax Board of Review exceeds $200;

(*b*) to provide that the High Court may on appeal make an order confirming, varying or annulling the amount of the unabsorbed losses, allowances or donations in an assessment determined by the Income Tax Board of Review.

Clause 60 amends section 82 (Cases stated for High Court) to provide that the High Court may, when deciding a question of law in a stated case, confirm, vary or annul the amount of any unabsorbed losses, allowances or donations in an assessment determined by the Income Tax Board of Review.

Clause 61 inserts new sections 92A and 92B.

The new section 92A provides for a one-off tax rebate for the year of assessment 2011 for companies. The rebate is 20% of the tax payable (excluding tax levied on income under section 43(3), (3A) and (3B)). The rebate is subject to a cap of $10,000. The new section also provides that no tax rebate will be granted where a company is eligible for a cash grant under the new section 92B.

The new section 92B provides for a one-off non-taxable cash grant to a company of 5% of its gross income from its principal activities for the year of assessment 2011, subject to a cap of $5,000. The cash grant is given to a company which has made CPF contributions in respect of any employee (including one who is also a shareholder and director) during the basis period for the year of assessment 2011, where it is not liable to pay any tax, where 5% of its gross income from its principal activities is higher than the corporate tax rebate under the new section 92A, or where it has made an election for the cash grant and the Comptroller is satisfied that the grant will be more beneficial to it than the corporate tax rebate.

Clause 62 amends the principal Act to extend the provisions of Parts XXA and XXB (relating to exchange of information under avoidance of double taxation arrangements) to arrangements dedicated to the exchange of information on tax matters upon request (referred to in the amendments as an EOI arrangement).

Clause 63 amends section 105A (Interpretation of Part XXA) to define an EOI arrangement and to make consequential amendments to various definitions so as to make them applicable to an EOI arrangement. It also includes a new subsection (4) to make clear that Parts XXA and XXB can be used to obtain and disclose information for any tax besides income tax.

Clause 64 amends section 105B (Purpose of Part XXA) to extend the purpose of the Part to include facilitating disclosure of information under an EOI arrangement.

Clause 65 inserts a new section 105BA to enable the Minister to declare that a particular EOI arrangement has effect, whereupon it has effect notwithstanding any written law. Subsection (3) of the new section overrides section 6 (Official secrecy) to enable sharing of information with a State Party to an EOI arrangement.

Clauses 66 and 67 make consequential amendments to sections 105C (Prescribed arrangement) and 105D (Request for information), respectively, to apply those provisions to an EOI arrangement.

Clause 68 amends the Second Schedule to specify new tax rates for resident individuals and Hindu joint families from the year of assessment 2012 onwards. It also

makes a technical amendment to the Schedule by removing the reference to section 42(4), which has been repealed earlier.

Clause 69 makes consequential amendments to various provisions of the Act arising from the insertion of the re-enacted section 14DA and the new section 43ZF.

Clause 70 provides for a remission of 20% on tax payable, or an amount not exceeding $2,000, whichever is the lower, for the year of assessment 2011 by a resident individual or Hindu joint family.

Clause 71 makes a consequential amendment to section 66(1) of the Economic Expansion Incentives (Relief from Income Tax) Act (Cap. 86) arising from the insertion of the new section 43ZF.

Clause 72 requires a notice to the Comptroller of an event referred to in new paragraph (*d*) of section 37I(11) (inserted by clause 33(*q*)) which occurs before the date of publication in the *Gazette* of the Income Tax (Amendment) Act 2011 to be given within 30 days from the date of such publication, rather than 30 days from the date of the event. This is because a failure to provide the notice is an offence under section 94(1) of the principal Act.

The clause further applies the law before the amendment to section 79(1)(*a*) to matters predating the date of such publication, which is the date of commencement of that amendment.

Finally, the clause enables the Minister to make regulations to prescribe further savings and transitional provisions.

EXPENDITURE OF PUBLIC MONEY

This Bill will involve the Government in extra financial expenditure, the exact amount of which cannot at present be ascertained.