Income Tax (Amendment) Bill

Bill No. 29/2012.

Read the first time on 15th October 2012.

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 related amendments 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 and commencement

1.—(1) This Act may be cited as the Income Tax (Amendment) Act 2012.

(2) Section 28(*a*) shall be deemed to have come into operation on 1st April 2008.

(3) Section 5(*b*) shall be deemed to have come into operation on 22nd February 2010.

(4) Section 33(*a*), (*b*), (*d*), (*e*), (*h*), (*i*), (*j*), (*o*), (*p*) and (*t*) shall be deemed to have come into operation on 1st April 2010.

(5) Sections 12 and 25(*a*) to (*f*), (*h*) and (*i*) shall be deemed to have come into operation on 1st January 2011.

(6) Sections 4, 5(*a*), (*c*), (*d*) and (*e*) and 9 shall be deemed to have come into operation on 1st June 2011.

(7) Sections 3(*b*), (*c*), (*d*) and (*e*), 33(*c*), (*f*), (*g*), (*k*) to (*n*), (*q*), (*r*), (*s*), (*u*) and (*v*), 42 and 44 shall be deemed to have come into operation on 17th February 2012.

(8) Sections 38 and 39 shall be deemed to have come into operation on 29th February 2012.

(9) Section 20 shall be deemed to have come into operation on 1st March 2012.

(10) Sections 13, 17 and 37(*b*) shall be deemed to have come into operation on 1st April 2012.

(11) Sections 11 and 51(*d*) shall be deemed to have come into operation on 1st June 2012.

(12) Sections 10(*a*), (*c*), (*d*), (*e*), (*j*) and (*k*), 41 and 43 shall be deemed to have come into operation on 1st July 2012.

(13) Section 3(*f*) and (*g*) (in relation to section 13(1)(*zp*)) shall have effect for the year of assessment 2006 and subsequent years of assessment.

(14) Section 3(*g*) (in relation to section 13(1)(*zq*)) shall have effect for the year of assessment 2007 and subsequent years of assessment.

(15) Section 24(*c*) and (*d*) shall have effect for the year of assessment 2008 and subsequent years of assessment.

(16) Sections 14(*a*) and (*d*) and 15(*a*), (*c*) and (*f*) shall have effect for the year of assessment 2009 and subsequent years of assessment.

(17) Section 24(*a*) shall have effect for the year of assessment 2010 and subsequent years of assessment.

(18) Sections 3(*g*) (in relation to section 13(1)(*zr*)), (*h*) and (*i*), 15(*b*), 19, 21(*a*), 32(*a*), (*b*) (in relation to section 37I(5) and (6)), (*e*), (*h*), (*j*), (*k*) and (*m*) and 51(*b*) shall have effect for the year of assessment 2011 and subsequent years of assessment.

(19) Section 47 shall have effect for the year of assessment 2012.

(20) Sections 2(*c*) to (*f*), 14(*b*), (*c*) and (*e*) to (*h*), 15(*d*) and (*e*), 23, 32(*b*) (in relation to section 37I(4A) to (4E)), (*c*), (*d*), (*f*), (*g*), (*i*) and (*l*), 50 and 51(*c*) shall have effect for the year of assessment 2012 and subsequent years of assessment.

(21) Sections 2(*a*) and (*b*), 6, 10(*f*) to (*i*), 21(*b*), 24(*b*), 27, 28(*b*), 29(*c*) and (*d*), 30, 32(*b*) (in relation to section 37I(4)) and (*n*), 34, 35(*a*) to (*d*) and (*f*), 36, 37(*a*), 40, 45, 46, 49, 51(*a*) and 53 shall have effect for the year of assessment 2013 and subsequent years of assessment.

(22) Section 35(*e*) shall have effect for the year of assessment 2014 and subsequent years of assessment.

Amendment of section 2

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

(*a*) by deleting the words “or a Hindu joint family,” in the definition of “earned income” in subsection (1);

(*b*) by deleting the words “or Hindu joint family, as the case may be,” in paragraph (*a*) of the definition of “earned income” in subsection (1);

(*c*) by inserting, at the end of paragraph (*f*) of the definition of "research and development" in subsection (1), the word "or";

(*d*) by deleting the word "or" at the end of paragraph (*g*) of the definition of "research and development" in subsection (1);

(*e*) by deleting paragraph (*h*) of the definition of "research and development" in subsection (1); and

(*f*) by deleting subsection (3).

Amendment of section 13

3. Section 13 of the principal Act is amended —

(*a*) by deleting paragraphs (*g*) and (*z*) of subsection (1);

(*b*) by deleting the words "payments made" in subsection (1)(*o*) and substituting the words "subject to paragraph (*oa*), payments made or liable to be made";

(*c*) by deleting the words "on or after 1st April 1991" in subsection (1)(*o*)(i) and substituting the words "at any time during the period from 1st April 1991 to 16th February 2012 (both dates inclusive)";

(*d*) by deleting the words "on or after 27th February 2004" in subsection (1)(*o*)(ii) and substituting the words "at any time during the period from 27th February 2004 to 16th February 2012 (both dates inclusive)";

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

"(*oa*) payments liable to be made on or after 17th February 2012 to a person not resident in Singapore (excluding any permanent establishment in Singapore) for the charter of any ship under any agreement or arrangement;";

(*f*) by deleting the word "and" at the end of subsection (1)(*zn*);

(*g*) by deleting the full-stop at the end of paragraph (*zo*) of subsection (1) and substituting a semi-colon, and by inserting immediately thereafter the following paragraphs:

"(*zp*) any contribution to the Central Provident Fund in respect of an individual, and any cash payment to an individual, made by the Government under the Workfare Bonus Scheme, the Workfare Special Payment scheme, the Workfare Special Bonus scheme or such other similar scheme involving similar contributions or payments by the Government as the Minister may, by notification in the *Gazette*, approve;

(*zq*) any contribution to the Central Provident Fund in respect of an individual, and any cash payment to an individual, made by the Government under the Workfare Income Supplement Scheme established under Part VIA of the Central Provident Fund Act (Cap. 36); and

(*zr*) any contribution by the Government to the PSE account, or an account in the Central Provident Fund, of an individual who is or was a national serviceman, as part of the National Service Recognition Award.";

(*h*) by inserting, immediately after the definition of "medisave contribution ceiling" in subsection (16), the following definition:

" "national serviceman" has the same meaning as in the Enlistment Act (Cap. 93);"; and

(*i*) by inserting, immediately after the definition of "prepayment fee" in subsection (16), the following definition:

" "PSE account" has the same meaning as in the Education Endowment and Savings Schemes Act (Cap. 87A);".

Amendment of section 13A

4. Section 13A of the principal Act is amended —

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

"(1CA) The income of a shipping enterprise referred to in this section includes income derived on or after 1st June 2011 by the shipping enterprise from —

(*a*) the sale of a Singapore ship or a ship that is provisionally registered under the Merchant Shipping Act (Cap. 179);

(*b*) the assignment to another of all its rights as the buyer under a contract for the construction of a ship that, at the time of the assignment, is intended to be registered or is provisionally registered under the Merchant Shipping Act; or

(*c*) the sale of all of the issued ordinary shares in a special purpose company of the shipping enterprise where, at the time of the sale of the shares, the special purpose company —

(i) owns a Singapore ship or a ship that is provisionally registered under the Merchant Shipping Act; or

(ii) is the buyer under a contract for the construction of a ship that, at that time, is intended to be registered or is provisionally registered under the Merchant Shipping Act,

and the special purpose company does not at that time own any foreign ship, foreign dredger, foreign seismic ship or any foreign vessel used for offshore oil or gas activity.

(1CB) The income referred to in subsection (1CA) does not include —

(*a*) income of the shipping enterprise as a lessor of a ship under a finance lease that is treated as a sale under section 10D; or

(*b*) income of the shipping enterprise from carrying on a business of trading in ships or of constructing ships for sale.

(1CC) For the purposes of subsection (1CA), a ship shall not be regarded as provisionally registered under the Merchant Shipping Act (Cap. 179) if its registry under that Act is closed or deemed to be closed or is suspended.";

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

"(*b*) a loss incurred by a shipping enterprise in respect of any activity referred to in subsection (1), (1B) or (1C) for any basis period shall only be deducted against the income from any activity referred to in any of those subsections, and the balance of such loss shall not be available as a deduction against any other income.";

(*c*) by inserting, immediately after subsection (3), the following subsection:

"(3A) Where a shipping enterprise incurs a loss on any sale or assignment referred to in subsection (1CA) in any basis period, that loss shall only be deducted against the gains derived from another sale or assignment referred to in subsection (1CA) in that same basis period, and the balance of the loss shall not be available as a deduction against any other income."; and

(*d*) by deleting the full-stop at the end of the definition of "Singapore ship" in subsection (16) and substituting a semi-colon, and by inserting immediately thereafter the following definition:

" "special purpose company", in relation to a shipping enterprise, means a company that is wholly owned by the shipping enterprise and whose only business or intended business is the operation of Singapore ships.".

Amendment of section 13F

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

(*a*) by deleting the full-stop at the end of paragraph (*f*) of subsection (1) and substituting a semi-colon, and by inserting immediately thereafter the following paragraph:

"(*g*) on or after 1st June 2011 from —

(i) the sale of a foreign ship, a foreign dredger, a foreign seismic ship or any foreign vessel used for offshore oil or gas activity;

(ii) the assignment to another of all its rights as the buyer under a contract for the construction of a ship, dredger, seismic ship or vessel that, at the time of the assignment, is intended to be a foreign ship, a foreign dredger, a foreign seismic ship or any foreign vessel used for offshore oil or gas activity; or

(iii) the sale of all of the issued ordinary shares in a special purpose company of the approved international shipping enterprise where, at the time of the sale of the shares, the special purpose company owns any ship, dredger, seismic ship or vessel used for offshore oil or gas activity, or is the buyer under a contract for the construction of any ship, dredger, seismic ship or vessel used for offshore oil or gas activity.";

(*b*) by deleting the words "Subsection (1)(*e*)" in subsection (1A) and substituting the words "Unless the Minister or such person as he may appoint permits in a particular case, subsection (1)(*e*)";

(*c*) by inserting, immediately after subsection (1A), the following subsection:

"(1AA) Subsection (1)(*g*) shall not apply to —

(*a*) any income of an approved international shipping enterprise as a lessor of a ship, dredger, seismic ship or any vessel used for offshore oil or gas activity, under a finance lease that is treated as a sale under section 10D; or

(*b*) any income of an approved international shipping enterprise from carrying on a business of trading in ships, dredgers, seismic ships, or vessels used for offshore oil or gas activity, or of constructing ships, dredgers, seismic ships, or vessels used for offshore oil or gas activity for sale.";

(*d*) by deleting subsection (4) and substituting the following subsections:

"(4) Where an approved international shipping enterprise incurs a loss during the tax exempt period in respect of any operation, activity or service referred to in paragraphs (*a*) to (*f*) of subsection (1), that loss —

(*a*) shall be deducted in accordance with section 37; and

(*b*) shall only be deducted against the income referred to in any of those paragraphs, and the balance of such loss shall not be available as a deduction against any other income, except that any balance remaining unabsorbed at the end of the tax exempt period shall be available as a deduction against any other income for the year of assessment which relates to the basis period in

which the tax exemption ceases and for any subsequent year of assessment in accordance with section 37.

(4A) Where an approved international shipping enterprise incurs a loss on any sale or assignment referred to in subsection (1)(*g*) in any basis period falling, in whole or in part, within the tax exempt period, that loss shall only be deducted against the gains derived from another sale or assignment referred to in subsection (1)(*g*) in that same basis period, and the balance of the loss shall not be available as a deduction against any other income."; and

(*e*) by deleting the full-stop at the end of the definition of "ship management services" in subsection (6) and substituting a semi-colon, and by inserting immediately thereafter the following definition:

" "special purpose company", in relation to an approved international shipping enterprise, means a company that is wholly owned by the enterprise and whose only business or intended business is undertaking any operation referred to in subsection (1)(*a*), (*b*), (*c*) and (*f*), or any operation of a Singapore ship as defined in section 13A(16).".

Amendment of section 13H

6. Section 13H of the principal Act is amended —

(*a*) by deleting paragraph (*a*) of subsection (4) and substituting the following paragraphs:

"(*a*) in the case of income which is exempt from tax, expenses allowable under this Act for that year of assessment which are attributable to that income;

(*aa*) in the case of income which is taxed at a concessionary rate, expenses and donations

allowable under this Act for that year of assessment which are attributable to that income;";

(*b*) by inserting, immediately after the words "paragraphs (*a*)," in subsection (4)(*d*), "(*aa*),"; and

(*c*) by deleting the word "donations," wherever it appears in subsection (5).

Repeal of section 13I

7. Section 13I of the principal Act is repealed.

Repeal of section 13K

8. Section 13K of the principal Act is repealed.

Amendment of section 13S

9. Section 13S of the principal Act is amended —

(*a*) by deleting the word "and" at the end of subsection (1)(*b*);

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

"(*d*) on or after 1st June 2011 from —

(i) the sale of a sea-going ship;

(ii) the assignment to another of all its rights as the buyer under a contract for the construction of a sea-going ship; or

(iii) the sale of all of the issued ordinary shares in a special purpose company of the approved shipping investment enterprise where, at the time of the sale of the shares, the special purpose company owns any sea-going ship or is the buyer under a contract for the construction of any sea-going ship.";

(*c*) by inserting, immediately after the words "Subsection (1)" in subsection (1A), the words ", in relation to income referred to in paragraph (*a*), (*b*) or (*c*) of that subsection,";

(*d*) by deleting the words "income of the type referred to in subsection (1)" in subsection (1A) and substituting the words "such income";

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

"(1AA) Subsection (1)(*d*) does not apply to —

(*a*) any income of an approved shipping investment enterprise as a lessor of a sea-going ship under a finance lease that is treated as a sale under section 10D; or

(*b*) any income of an approved shipping investment enterprise from carrying on a business of trading in sea-going ships or of constructing sea-going ships for sale.";

(*f*) by deleting subsection (6) and substituting the following subsections:

"(6) Where an approved shipping investment enterprise incurs a loss during the tax exempt period in respect of any activity referred to in paragraphs (*a*), (*b*) and (*c*) of subsection (1), that loss —

(*a*) shall be deducted in accordance with section 37; and

(*b*) shall only be deducted against the income referred to in any of those paragraphs, and the balance of such loss shall not be available as a deduction against any other income, except that any balance remaining unabsorbed at the end of the tax exempt period shall be available as a deduction against any other income for the year of assessment which relates to the basis period in which the tax exemption ceases and for any

subsequent year of assessment in accordance with section 37.

(6A) Where an approved shipping investment enterprise incurs a loss on any sale or assignment referred to in subsection (1)(*d*) in any basis period falling, in whole or in part, within the tax exempt period, that loss shall only be deducted against the gains derived from another sale or assignment referred to in subsection (1)(*d*) in that same basis period, and the balance of the loss shall not be available as a deduction against any other income."; and

(*g*) by inserting, immediately after the definition of "Singapore ship" in subsection (20), the following definition:

" "special purpose company", in relation to an approved shipping investment enterprise, means a company that is wholly owned by the enterprise and whose only business or intended business is the chartering or finance leasing of sea-going ships;".

Amendment of section 13V

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

(*a*) by deleting the words "the hearing of which is to be held in Singapore may, from 1st July 2007 to 30th June 2012" in subsection (1) and substituting the words "may, from 1st July 2007 to 30th June 2017 (both dates inclusive)";

(*b*) by inserting, immediately after the words "Goods and Services Tax Act (Cap. 117A)" in subsection (2A), the words ", and such approval remains in force";

(*c*) by inserting, immediately after the words "any year of assessment" in subsection (6), the words "for a basis period that falls within the tax relief period";

(*d*) by inserting, immediately after subsection (6), the following subsection:

"(6A) For the purpose of satisfying the Comptroller that its income qualifies for relief under this section, the approved law practice shall provide, not later than 5 years after the end of its tax relief period, evidence of the place of hearing or intended place of hearing (as the case may be) of the international arbitration.";

(*e*) by deleting the words "the hearing of which had been held at least once in Singapore within the period" in subsection (8)(*a*);

(*f*) by deleting the words "expenses, losses and donations" in subsection (9) and substituting the words "expenses and losses";

(*g*) by deleting the words "and donations" in subsection (10)(*a*);

(*h*) by deleting the words "any allowances or donations" in subsection (12) and substituting the words "any allowances";

(*i*) by deleting the words "loss, allowances or donations" in subsection (12) and substituting the words "loss or allowances";

(*j*) by deleting the definition of "legal services in connection with any qualifying international arbitration" in subsection (15) and substituting the following definition:

" "legal services in connection with any qualifying international arbitration" —

(*a*) in relation to an approved law practice whose application for approval is made at any time between 1st July 2007 and 30th June 2012 (both dates inclusive), means any professional work of a legal nature provided for the purposes of an international arbitration during the eligible period by any lawyer of the law practice for its client who is a party to the arbitration the hearing of which is held in Singapore

during its tax relief period or the period referred to in subsection (8)(*a*) (as the case may be); or

(*b*) in relation to an approved law practice whose application for approval is made at any time between 1st July 2012 and 30th June 2017 (both dates inclusive), means any professional work of a legal nature provided for the purposes of an international arbitration during the eligible period by any lawyer of the law practice for its client who is a party to the arbitration the hearing of which is held or would (if there had been a hearing) have been held in Singapore."; and

(*k*) by inserting, immediately after subsection (15), the following subsection:

"(16) For the purposes of the definition of "legal services in connection with any qualifying international arbitration" in subsection (15), "eligible period" means —

(*a*) in relation to an approved law practice whose application for approval is made at any time between 1st July 2007 and 30th June 2012 (both dates inclusive), the period beginning on the initial date specified in sub-paragraph (i) or (ii), whichever is applicable, and ending on the terminal date specified in sub-paragraph (iii) or (iv), whichever is applicable:

(i) where the client in question is the claimant serving the request for arbitration, the initial date is the date of issue of the request;

(ii) where the client in question is the respondent being served the request for

arbitration, the initial date is the date of receipt of the request for arbitration by the client or law practice;

(iii) a terminal date which is the date on which the final award is made by the arbitral tribunal;

(iv) a terminal date which is the date on which the arbitration proceeding has otherwise finally terminated; or

(*b*) in relation to an approved law practice whose application for approval is made at any time between 1st July 2012 and 30th June 2017 (both dates inclusive), the period beginning on the initial date specified in sub-paragraph (i) or (ii), whichever is applicable, and ending on the terminal date specified in sub-paragraph (iii) or (iv), whichever is applicable:

(i) where the client in question is the claimant serving the request for arbitration, the initial date is the date of issue of the request;

(ii) where the client in question is the respondent being served the request for arbitration, the initial date is the date of receipt of the request for arbitration by the client or law practice;

(iii) a terminal date which is the date on which the final award is made by the arbitral tribunal;

(iv) a terminal date which is the date on which the arbitration proceeding has otherwise finally terminated, whether or not there was a hearing.".

New section 13Z

11. The principal Act is amended by inserting, immediately after section 13Y, the following section:

"**Exemption of gains or profits from disposal of ordinary shares**

13Z.—(1) There shall be exempt from tax any gains or profits derived by a company (referred to in this section as the divesting company) from the disposal of ordinary shares in another company (referred to in this section as the investee company) which are legally and beneficially owned by the divesting company immediately before the disposal, being a disposal —

(*a*) during the period between 1st June 2012 and 31st May 2017 (both dates inclusive); and

(*b*) after the divesting company has, at all times during a continuous period of at least 24 months ending on the date immediately prior to the date of disposal of such shares, legally and beneficially owned at least 20% of the ordinary shares in that investee company.

(2) Subsection (1) shall only apply if the divesting company provides, at the time of lodgment of its return of income for the year of assessment relating to the basis period in which the disposal occurs, or within such further time as the Comptroller may in his discretion allow, such information and supporting documents as may be specified by the Comptroller.

(3) In determining the amount of gains or profits which are exempt from tax under subsection (1) for any year of assessment, there shall be deducted all outgoings and expenses wholly and exclusively incurred by the divesting company in the production of such gains or profits, including —

(*a*) the price paid in acquiring those shares;

(*b*) any sum payable by way of interest upon any money borrowed by the divesting company, where the

Comptroller is satisfied that the interest was payable on capital employed to acquire the shares;

(*c*) any sum payable in the basis period for the year of assessment 2008 or a subsequent year of assessment in lieu of interest or for the reduction thereof, upon any money borrowed by the divesting company, being a sum of a type prescribed under section 14(1)(*a*)(ii), where the Comptroller is satisfied that it was payable on capital employed to acquire the shares;

(*d*) any legal costs incurred for the acquisition or disposal of the shares;

(*e*) any amount paid in respect of stamp duty for the acquisition or disposal of the shares; and

(*f*) any other expenses allowable under this Act which are directly attributable to those gains or profits.

(4) In determining for the purposes of subsection (1) whether the divesting company legally and beneficially owns at any time at least 20% of the ordinary shares in the investee company, the divesting company shall be treated as the legal and beneficial owner of any ordinary shares in that investee company during the borrowing period when the legal interest in such shares had been transferred by the divesting company to another under a securities lending or repurchase arrangement.

(5) Where —

(*a*) gains or profits derived from the disposal of ordinary shares by the divesting company is exempt from tax under subsection (1); and

(*b*) one or more of the amounts referred to in subsection (6) which are attributable to any of the shares disposed of, have been allowed as a deduction to the divesting company for any year of assessment prior to the year of assessment relating to the basis period in which the shares are disposed of,

then the amounts in paragraph (*b*) shall be regarded as income of the divesting company that is chargeable to tax for the second-mentioned year of assessment.

(6) Subsection (5) shall apply to the following amounts:

(*a*) any amount provided for a diminution in the value of the shares;

(*b*) any amount written off against the value of the shares;

(*c*) any impairment loss for the shares;

(*d*) any loss recognised in accordance with FRS 39 or SFRS for Small Entities (as the case may be), in determining the profit or loss or expense in respect of the shares.

(7) Where —

(*a*) gains or profits derived from the disposal of ordinary shares by the divesting company is exempt from tax under subsection (1); and

(*b*) any write-back for a diminution in the value of the shares, or profit recognised in accordance with FRS 39 or SFRS for Small Entities (as the case may be), which is attributable to any of the shares, has been charged to tax as income of the divesting company for any year of assessment prior to the year of assessment relating to the basis period in which the shares are disposed of,

then the write-back or profit referred to in paragraph (*b*) shall be regarded as an expense allowable under this Act to the divesting company for the second-mentioned year of assessment.

(8) This section shall not apply to —

(*a*) the disposal of shares the gains or profits of which are included as part of the income of a company referred to in section 26;

(*b*) the disposal of shares in a company which is in the business of trading or holding Singapore immovable properties (excluding property development), where the

shares are not listed on a stock exchange in Singapore or elsewhere; or

(*c*) the disposal of shares by a partnership, limited partnership or limited liability partnership one or more of the partners of which is a company or are companies.

(9) In this section —

"borrowing period" and "securities lending or repurchase arrangement" have the meanings given to those expressions in section 10N(12);

"disposal", in relation to shares, means the transfer of both the legal and beneficial interests in the shares to another;

"FRS 39" and "SFRS for Small Entities" have the meanings given to those expressions in section 34A(10).".

Amendment of section 14

12. Section 14 of the principal Act is amended —

(*a*) by deleting the words "and which is not deemed to be the income of the employee under section 10C(4), subject to a maximum deduction of $1,500" in subsection (1)(*f*) and substituting the words "subject to a maximum deduction of the amount in subsection (1A)";

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

"(*fa*) any voluntary contribution in cash made in 2011 or any subsequent year by a person of a description prescribed by the Minister for the purposes of this paragraph, to the medisave account of a self-employed individual maintained under the Central Provident Fund Act, subject to a maximum deduction of the amount in subsection (1A) for that year for each individual:

Provided that the amount of 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;"; and

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

"(1A) For the purposes of subsection (1)(*f*) and (*fa*), the maximum amount which may be deducted for contributions made in any year to the medisave account maintained under the Central Provident Fund Act of any individual is $1,500 less —

(*a*) any deduction allowed under subsection (1)(*f*) for any previous contribution made by the same or another employer to that medisave account in that year; and

(*b*) any deduction allowed under subsection (1)(*fa*) for any previous contribution made by the same or another person to that medisave account in that year.".

Amendment of section 14B

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

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

"(*a*) expenses in establishing, maintaining or otherwise participating in —

(i) a trade fair, trade exhibition, trade mission or trade promotion activity held or conducted outside Singapore; or

(ii) an approved trade fair or trade exhibition held in Singapore;";

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

"(2A) For the purposes of subsection (1), the firm or company need not be an approved firm or approved company to be allowed a deduction under that subsection in respect of expenses referred to in subsection (2)(*a*) which are incurred at any time from 1st April 2012 to 31st March 2016 (both dates inclusive) for the primary purpose of promoting the trading of goods or the provision of services, provided that the aggregate of —

(*a*) the expenses for which the deduction is so allowed; and

(*b*) the expenditure for which a deduction is allowed to the firm or company under section 14K(1A),

does not exceed $100,000 for each year of assessment.";

(*c*) by inserting, immediately after the words "subsection (1)" in subsection (3), the words ", other than expenses that are the subject of a claim for deduction under subsection (2A)";

(*d*) by deleting paragraph (*b*) of subsection (4) and substituting the following paragraph:

"(*b*) travelling, accommodation and subsistence expenses or allowances for —

(i) more than 2 employees taking part in the trade fair, trade exhibition, trade mission or trade promotion activity, being one held or conducted overseas; or

(ii) more than the approved number of employees taking part in the approved marketing project;"; and

(*e*) by deleting the full-stop at the end of paragraph (*c*) of subsection (4) and substituting a semi-colon, and by inserting immediately thereafter the following paragraphs:

"(*d*) any expenses incurred during the basis period for a year of assessment by a firm or company if —

(i) any part of its income for that year of assessment is exempt or partly exempt from tax under section 13A, 13F, 13S or 13V;

(ii) any part of its income for that year of assessment is subject to tax at a concessionary rate of tax under section 43C, 43E, 43G, 43J, 43P, 43Q, 43W, 43ZA, 43ZB, 43ZC or 43ZF or the regulations made thereunder; or

(iii) it is given tax relief under Part II, III or IIIB of the Economic Expansion Incentives (Relief from Income Tax) Act (Cap. 86) for that year of assessment, or is given an investment allowance under Part X of that Act for that year of assessment;

(*e*) any expenses to the extent they are or are to be subsidised by a grant or subsidy from the Government or a statutory board.".

Amendment of section 14D

14. Section 14D of the principal Act is amended —

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

"(*ba*) payments made by that person to a research and development organisation for undertaking on his behalf, partly in Singapore and partly outside Singapore, research and development related to that trade or business;";

(*b*) by deleting the word "and" at the end of subsection (1)(*c*);

(*c*) by deleting the full-stop at the end of paragraph (*d*) of subsection (1) and substituting a semi-colon, and by inserting immediately thereafter the following paragraphs:

"(*e*) payments made by that person under any cost-sharing agreement during the basis period for the year of assessment 2012 or a subsequent year of assessment, in respect of research and development that is related to that trade or business (excluding any payment made by him for the right to become a party to the cost-sharing agreement), regardless of who undertakes the research and development so long as it is undertaken wholly or partly for himself or on his behalf; and

(*f*) payments made by that person during the basis period for any year of assessment between the year of assessment 2012 and the year of assessment 2015 (both years inclusive), under any cost-sharing agreement in respect of research and development that is undertaken in Singapore and is not related to that trade or business (excluding any payment made by him for the right to become a party to the cost-sharing agreement), regardless of who undertakes the research and development so long as it is undertaken wholly or partly for himself or on his behalf.";

(*d*) by deleting the words "subsection (1)(*d*)" in subsection (3) and substituting the words "subsection (1)(*ba*) or (*d*)";

(*e*) by inserting, immediately after subsection (3), the following subsection:

"(3A) For the purposes of subsection (1)(*e*) in respect of research and development that is undertaken wholly or partly outside Singapore, a claim for deduction shall be allowed to a person only if —

(*a*) there is an undertaking by the person that any benefit which may arise from the conduct of the research and development shall accrue, wholly or partly, to the person; and

(*b*) the claim is made by the person in such manner and subject to such conditions as the Comptroller may require.";

(*f*) by deleting the words "subsection (1)(*aa*) and (*c*)" in subsection (4) and substituting the words "subsection (1)(*aa*), (*c*) and (*f*)";

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

"(4A) Where a person to whom deductions have been allowed for payments referred to in subsection (1)(*e*) or (*f*) becomes entitled to any royalty or other payments (in one lump sum or otherwise) for the use of or right to use any technology or know-how developed from the research and development activities conducted under the cost-sharing agreement, such royalty or payments shall be deemed to be income of that person that is derived from Singapore for the year of assessment which relates to the basis period in which he becomes entitled to the royalty or payments."; and

(*h*) by inserting, immediately after the definition of "concessionary rate of tax" in subsection (5), the following definition:

" "cost-sharing agreement" means any agreement or arrangement made by 2 or more persons to share the expenditure of research and development activities to be carried out under the agreement or arrangement;".

Amendment of section 14DA

15. Section 14DA of the principal Act is amended —

(*a*) by deleting the definitions of U and V in subsection (1) and substituting the following definitions:

"U is the amount of qualifying expenditure incurred during the basis period on any local research and development undertaken directly by the person,

including on that part undertaken in Singapore of any mixed research and development undertaken directly by that person, but excluding any 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 aggregate of the following:

(*a*) the amount referred to in subsection (2A) of payments made during the basis period by the person to a research and development organisation for undertaking local research and development on his behalf, including for that part undertaken in Singapore of any mixed research and development that is undertaken by a research and development organisation on his behalf; and

(*b*) the amount referred to in subsection (2A) of payments made during the basis period (being the basis period for any year of assessment between the year of assessment 2012 and the year of assessment 2015 (both years inclusive)) by the person under a cost-sharing agreement (excluding any payment made by him for the right to become a party to the cost-sharing agreement) —

(i) for any local research and development; or

(ii) for that part of any mixed research and development that is undertaken in Singapore,

regardless of who undertakes the research and development so long as it is undertaken wholly or partly for himself or on his behalf.";

(*b*) by deleting the definitions of W and X in subsection (2) and substituting the following definitions:

"W is the amount of qualifying expenditure incurred during the basis period on any foreign research and development undertaken directly by the person, including on that part undertaken outside Singapore of any mixed research and development undertaken directly by that person, but excluding any 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;

X is the aggregate of the following:

(*a*) the amount referred to in subsection (2A) of payments made during the basis period by the person to a research and development organisation for undertaking any foreign research and development on his behalf, including for that part undertaken outside Singapore of any mixed research and development that is undertaken by a research and development organisation on his behalf; and

(*b*) the amount referred to in subsection (2A) of payments made during the basis period (being the basis period for any year of assessment between the year of assessment 2012 and the year of assessment 2015 (both years inclusive)) by the person under a cost-sharing agreement (excluding any payment made by him for the right to become a party to the cost-sharing agreement) —

(i) for any foreign research and development; or

(ii) for that part of any mixed research and development that is undertaken outside Singapore,

regardless of who undertakes the research and development so long as it is undertaken wholly or partly for himself or on his behalf;";

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

"(2A) The amount of any of the payments in the definitions of V and X in subsections (1) and (2) is —

(*a*) if more than 60% of all the payments made during the basis period to the research and development organisation or under the cost-sharing agreement to which the definition applies are qualifying expenditure, the actual amount of the qualifying expenditure; or

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

and where there is more than one research and development organisation or cost-sharing agreement, the aggregate of all the amounts computed in this manner of the payments to every organisation or under every agreement.

(2B) In subsections (1) and (2) —

"foreign research and development" means research and development that is undertaken outside Singapore, and that is related to the trade or business of the first-mentioned person in subsection (1);

"local research and development" means research and development that is undertaken in Singapore;

"mixed research and development" means research and development that is undertaken partly in Singapore and partly outside Singapore, and that is related to the trade or business of the first-mentioned person in subsection (1) or (2), as the case may be.";

(*d*) by deleting the words "section 14D(1)(*aa*) and (*c*)" in subsection (9) and substituting the words "section 14D(1)(*aa*), (*c*) and (*f*)";

(*e*) by inserting, immediately after the definition of "consumables" in subsection (11), the following definition:

" "cost-sharing agreement" means any agreement or arrangement made by 2 or more persons to share the expenditure of research and development activities to be carried out under the agreement or arrangement;"; and

(*f*) by deleting subsection (12) and substituting the following subsection:

"(12) In this section —

(*a*) a reference to a person undertaking research and development includes —

(i) a reference to a research and development organisation undertaking research and development on his behalf; and

(ii) for any year of assessment between the year of assessment 2012 and the year of assessment 2015 (both years inclusive), a reference to any person undertaking research and development under a cost-sharing agreement of which the first-mentioned person is a party, so long as the research and development is undertaken wholly or partly for the first-mentioned person or on his behalf; and

(*b*) a reference to any expenditure or payment excludes any such expenditure or payment to the extent that it is or is to be subsidised by grants or subsidies from the Government or a statutory board.".

Amendment of section 14E

16. Section 14E of the principal Act is amended by inserting, immediately after subsection (3B), the following subsection:

"(3C) No research and development project may be approved under this section after 31st March 2015.".

Amendment of section 14K

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

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

"(1A) For the purposes of subsection (1) —

(*a*) the firm or company need not be an approved firm or approved company to be allowed a deduction under that subsection in respect of expenditure incurred at any time from 1st April 2012 to 31st March 2016 (both dates inclusive) that is directly attributable to the carrying out of any study to identify investment overseas; and

(*b*) the firm or company need not seek approval for the investment project to which the expenditure relates,

provided that the aggregate of —

(i) the expenditure for which the deduction is so allowed; and

(ii) the expenses for which a deduction is allowed to the firm or company under section 14B(2A),

does not exceed $100,000 for each year of assessment.";

(*b*) by inserting, immediately after the words "subsection (1)" in subsection (2)(*a*), the words ", other than expenditure that is the subject of a claim for deduction under subsection (1A)"; and

(*c*) by deleting paragraph (*a*) of subsection (3) and substituting the following paragraphs:

"(*a*) travelling, accommodation and subsistence expenses or allowances for —

(i) more than 2 employees taking part in any study to identify investment overseas; or

(ii) more than the approved number of employees taking part in any feasibility or due diligence study on any approved investment overseas;

(*b*) any expenditure incurred during the basis period for a year of assessment by a firm or company if —

(i) any part of its income for that year of assessment is exempt or partly exempt from tax under section 13A, 13F, 13S or 13V;

(ii) any part of its income for that year of assessment is subject to tax at a concessionary rate of tax under section 43C, 43E, 43G, 43J, 43P, 43Q, 43W, 43ZA, 43ZB, 43ZC or 43ZF or the regulations made thereunder; or

(iii) it is given tax relief under Part II, III or IIIB of the Economic Expansion Incentives (Relief from Income Tax) Act (Cap. 86) for that year of assessment, or is given an investment allowance under Part X of that Act for that year of assessment; and

(*c*) any expenditure to the extent it is or is to be subsidised by a grant or subsidy from the Government or a statutory board.".

Amendment of section 14Q

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

(*a*) by deleting the words "during the period from 16th February 2008 to 15th February 2013 (both dates inclusive)," in subsection (1) and substituting the words "on or after 16th February 2008";

(*b*) by deleting the words "subsections (7), (8) and (9)" in subsections (3) and (3A) and substituting in each case the words "subsections (7), (8), (8A) and (9)";

(*c*) by deleting the words "A deduction under this section" in subsection (6) and substituting the words "For the years of assessment 2009 to 2012, a deduction under this section";

(*d*) by deleting paragraphs (*c*) and (*d*) of subsection (7) and substituting the following paragraphs:

"(*c*) a deduction for any amount of renovation or refurbishment expenditure incurred by a person during a specified period that begins with the basis period for the year of assessment 2009 or 2010 that is in excess of $150,000 of such expenditure;

(*d*) a deduction for any amount of renovation or refurbishment expenditure incurred by a person during a basis period within a specified period that begins with the basis period for the year of assessment 2011 that is in excess of —

(i) in the case of the basis period for the year of assessment 2011, $150,000 of such expenditure;

(ii) in the case of the basis period for the year of assessment 2012, the amount of such expenditure derived from the formula

$$\$15,000 - A,$$

where A is the lower of —

(A) the renovation or refurbishment expenditure incurred by him during the basis period for the year of assessment 2011 which qualifies for the deduction; and

(B) $150,000; and

(iii) in the case of the basis period for the year of assessment 2013, the amount of such expenditure derived from the formula

$300,000 – A – B,

where A has the same meaning as in sub-paragraph (ii); and

B is the lower of —

(A) the renovation or refurbishment expenditure incurred by him during the basis period for the year of assessment 2012 which qualifies for the deduction; and

(B) $150,000 – A;

(*e*) a deduction for any amount of renovation or refurbishment expenditure incurred by a person during a basis period within a specified period that begins with the basis period for the year of assessment 2012 that is in excess of —

(i) in the case of the basis period for the year of assessment 2012, $150,000 of such expenditure;

(ii) in the case of the basis period for the year of assessment 2013, the amount of such expenditure derived from the formula

$300,000 – A,

where A is the lower of —

(A) the renovation or refurbishment expenditure incurred by him during the basis period for the year of assessment 2012 which qualifies for the deduction; and

(B) $150,000; and

(iii) in the case of the basis period for the year of assessment 2014, the amount of such expenditure derived from the formula

$$\$300,000 - A - B,$$

where A has the same meaning as in sub-paragraph (ii); and

B is the lower of —

(A) the renovation or refurbishment expenditure incurred by him during the basis period for the year of assessment 2013 which qualifies for the deduction; and

(B) $300,000 – A; or

(*f*) a deduction for any amount of renovation or refurbishment expenditure incurred by a person during a specified period that begins with the basis period for the year of assessment 2013 or any subsequent year of assessment that is in excess of $300,000 of such expenditure.";

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

"(8) In subsection (7)(*c*) to (*f*), "specified period" means a period of 3 consecutive basis periods beginning with the basis period for the year of assessment in which

a deduction is first allowed to the person under this section, or any successive period of 3 consecutive basis periods.

(8A) Subsection (7)(*c*) to (*f*) shall apply for the purpose of determining the total amount of the deductions to be allowed to all the partners of a partnership carrying on a trade, profession or business, for the renovation or refurbishment expenditure incurred by the partnership, as if —

(*a*) references in those provisions to an amount of renovation or refurbishment expenditure incurred by a person were references to an amount of such expenditure incurred by the partnership; and

(*b*) references in those provisions to a specified period were references to a period of 3 consecutive basis periods beginning with the basis period for the year of assessment in which a deduction is first allowed to any partner of the partnership under this section for the renovation or refurbishment expenditure incurred by the partnership, or any successive period of 3 consecutive basis periods.";

(*f*) by deleting the word "and" at the end of subsection (9)(*d*); and

(*g*) by inserting, immediately after paragraph (*d*) of subsection (9), the following paragraph:

"(*da*) any works carried out in relation to a place of residence provided or to be provided by the person to his employees, where the expenditure is incurred on or after the date the Income Tax (Amendment) Act 2012 is published in the *Gazette*; and".

Amendment of section 14R

19. Section 14R of the principal Act is amended by deleting subsection (6) and substituting the following subsections:

"(6) In this section —

"employee", for the purposes of the year of assessment 2012 and subsequent years of assessment, and in relation to a person carrying on a trade or business (referred to in this definition as the first person), includes an individual within such class of individuals as may be prescribed —

(*a*) who is either —

(i) engaged by the first person (whether as agent, independent contractor or otherwise) to carry on that trade or business; or

(ii) engaged by another person (whether as agent, independent contractor or otherwise) to carry on that trade or business, where that other person also engages the first person (whether as agent, independent contractor or otherwise) both to carry on that trade or business and to oversee the individual in carrying on that trade or business; or

(*b*) to whom the first person leases property, in the course of such trade or business, to enable the individual to provide a service to any person;

"qualifying training expenditure" means —

(*a*) any training expenditure incurred directly in providing for employees —

(i) a Workforce Skills Qualification (WSQ) training course which is accredited by the Singapore Workforce Development Agency and conducted by a WSQ in-house training provider;

(ii) a course approved by the Institute of Technical Education (ITE) under the ITE Approved Training Centre scheme;

(iii) on-the-job training by an on-the-job training centre which is certified by the ITE; or

(iv) for the purposes of the year of assessment 2012 and subsequent years of assessment, any other in-house training course,

and includes any salary and other remuneration paid to in-house trainers for conducting such courses and training (based on the hours spent in conducting the courses and training), but excludes salaries and other remuneration or payments of any employee attending or providing administrative support for the courses and imputed overheads like rental and the cost of utilities;

(*b*) course fees for employees paid (whether directly or in the form of reimbursement) to an external training provider, including —

(i) registration or enrolment fees;

(ii) examination fees;

(iii) tuition fees; and

(iv) aptitude test fees; and

(*c*) rental of training facilities for any course or training referred to in paragraph (*a*) or (*b*), expenditure for meals and refreshments provided during any such course or training, and expenditure for training materials and stationery used for any such course or training,

but excludes any accommodation, travelling or transportation expenditure incurred in respect of employees attending or conducting the course or training, or, for the purposes of the year of assessment

2012 and subsequent years of assessment, any expenditure to the extent that it is recovered or recoverable from the employee.

(7) Any expenditure incurred during any basis period for a training course referred to in paragraph (*a*)(iv) of the definition of "qualifying training expenditure" in subsection (6), including the rental of training facilities for the course, expenditure for meals and refreshments provided during the course, and expenditure for training materials and stationery used for the course, that is in excess of $10,000 shall be disregarded for the purposes of the computation of a deduction under subsection (1) or (2).

(8) For the purposes of the year of assessment 2011 and subsequent years of assessment, a reference in this section to qualifying training expenditure excludes any expenditure to the extent that it is or is to be subsidised by grants or subsidies from the Government or a statutory board.".

Amendment of section 19

20. Section 19 of the principal Act is amended —

(*a*) by inserting, immediately after the words "under paragraph (*b*)" in subsection (2)(*a*)(i) and (ii), the words "or (*ba*)";

(*b*) by deleting paragraph (*b*) of subsection (2) and substituting the following paragraphs:

"(*b*) for the purposes of paragraph (*a*), the number of years of working life of any aircraft acquired between 1st March 1995 and 29th February 2012 (both dates inclusive) shall, if it had been extended under section 19(2)(*b*) in force immediately before 1st March 2012, be the number of years of its working life as specified in the Sixth Schedule together with the extension;

(*ba*) for the purposes of paragraph (*a*), the number of years of working life of any aircraft acquired on or after 1st March 2012 by an approved aircraft leasing company within the meaning of section 43Y shall, if the company has made an election under subsection (2A), be the number of years of its working life as specified in the Sixth Schedule together with the extension specified by the company under subsection (2A) in accordance with subsection (2B);"; and

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

"(2A) An approved aircraft leasing company which acquired any aircraft on or after 1st March 2012 may, at the time of lodgment of its return of income for the year of assessment relating to the basis period in which the aircraft was acquired, make an irrevocable election to the Comptroller for the number of years of the working life of the aircraft as specified in the Sixth Schedule to be extended by a period specified by the company.

(2B) The total of the number of years of the working life of the aircraft specified in the Sixth Schedule and the period specified by the company must not exceed 20 years.".

Amendment of section 19A

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

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

"(2GA) The allowances referred to in subsection (2FA)(*a*)(i) or (*b*) or (2G)(*a*)(i) or (*aa*) (as the case may be), in respect of any equipment that is the subject of a hire-purchase agreement, shall be made to the person for the year of assessment in respect of each basis period during which he paid an instalment or instalments or made a deposit or deposits under the agreement, in the

proportion which the total amount of the instalment or instalments paid, and deposit or deposits made, during that basis period for the equipment bears to the total amount of all instalments and deposits under the agreement for that equipment."; and

(*b*) by deleting "$1,000" in subsections (10A) and (10C) and substituting in each case "$5,000".

Amendment of section 19B

22. Section 19B of the principal Act is amended by deleting the word "person" wherever it appears in subsections (1BA) and (1BB) and substituting in each case the word "company".

Amendment of section 19C

23. Section 19C of the principal Act is amended —

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

"(1A) No writing-down allowance shall be made under this section in respect of any expenditure incurred during the basis period for the year of assessment 2012 or any subsequent year of assessment."; and

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

"(5A) For the avoidance of doubt, section 19C(6) in force immediately before 17th February 2006, or subsection (5) of this section (as the case may be), continues to apply to a person to whom writing-down allowances have previously been made under this section in respect of a cost-sharing agreement, and deductions are allowed under section 14D for expenditure incurred or payments made under the same agreement.".

Amendment of section 26A

24. Section 26A of the principal Act is amended —

(*a*) by deleting the words "Section 36" in subsection (2) and substituting the words "Sections 36 (as it applies by the operation of section 36C(1)) and 36C";

(*b*) by deleting the words "(other than a company, an individual or a Hindu joint family)" in subsection (2) and substituting the words "(other than a company or an individual)";

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

"(2A) Sections 36 (as it applies by the operation of section 36A(2)) and 36A shall not apply to any Lloyd's limited liability partnership carrying on a business of insuring and reinsuring risks in Singapore, and sections 35 and 43(1)(*c*) shall apply, with the necessary modifications, to such partnership as if it were —

(*a*) for the purposes of the years of assessment 2008 to 2012, a person (other than a company, an individual or a Hindu joint family) not resident in Singapore; or

(*b*) for the purposes of every subsequent year of assessment, a person (other than a company or an individual) not resident in Singapore."; and

(*d*) by inserting, immediately after the definition of "Lloyd's" in subsection (6), the following definition:

" "Lloyd's limited liability partnership" means any limited liability partnership formed under the law of any part of the United Kingdom which is a member of Lloyd's;".

Amendment of section 34A

25. Section 34A of the principal Act is amended —

(*a*) by inserting, immediately after the words "in accordance with FRS 39" in subsection (1), the words "or SFRS for Small Entities (as the case may be)";

(*b*) by inserting, immediately after subsection (3), the following subsections:

"(3A) A person who prepares or maintains financial accounts in accordance with SFRS for Small Entities may, subject to such conditions as the Comptroller may specify, elect in accordance with subsection (4A) not to be subject to this section; and if the person so elects, he shall not be treated as a qualifying person from the year of assessment relating to the basis period during which he first prepares financial accounts in accordance with SFRS for Small Entities.

(3B) A person is not entitled to make an election under subsection (3) if he is already subject to this section because he did not make an election in accordance with subsection (4A), or he had revoked under subsection (5) his election made in accordance with subsection (4A).

(3C) A person is not entitled to make an election under subsection (3A) if he is already subject to this section because he did not make an election in accordance with subsection (4), or he had revoked under subsection (5) his election made in accordance with subsection (4).";

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

"(4A) The election referred to in subsection (3A) shall be made by the person by notice in writing to the Comptroller —

(*a*) at the time of lodgment of the return of income for the year of assessment referred to in that subsection; or

(*b*) within such further time as the Comptroller may allow.";

(*d*) by inserting, immediately after the words "subsection (3)" in subsection (5), the words "or (3A)";

(*e*) by inserting, immediately after the words "in accordance with FRS 39" in subsection (7), the words "or SFRS for Small Entities";

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

"(8) The provisions of this section pertaining to FRS 39 shall have effect for any basis period beginning on or after 1st January 2005; and the provisions of this section pertaining to SFRS for Small Entities shall have effect for any basis period beginning on or after 1st January 2011.";

(*g*) by deleting the definition of "FRS 39" in subsection (10) and substituting the following definition:

" "FRS 39" means the financial reporting standard known as Financial Reporting Standard 39 (Financial Instruments: Recognition and Measurement) that is treated as made by the Accounting Standards Council under Part III of the Accounting Standards Act (Cap. 2B), as amended from time to time;";

(*h*) by deleting the definition of "qualifying person" in subsection (10) and substituting the following definitions:

" "qualifying person", in relation to any year of assessment, means —

(*a*) a person who is required to prepare or maintain financial accounts in accordance with FRS 39 and who has not made an election under subsection (3) for that year of assessment;

(*b*) a person who prepares or maintains financial accounts in accordance with SFRS for Small Entities and who has not made an election under subsection (3A) for that year of assessment; or

(*c*) a person who is treated as a qualifying person under subsection (5) or (7) for that year of assessment,

as the case may be;

"SFRS for Small Entities" means the financial reporting standard known as Singapore Financial Reporting Standard for Small Entities made by the Accounting Standards Council under Part III of the Accounting Standards Act, as amended from time to time."; and

(*i*) by inserting, immediately after the words "FRS 39" wherever they appear in subsection (11), the words "or SFRS for Small Entities (as the case may be)".

Amendment of section 34C

26. Section 34C(2) of the principal Act is amended by inserting, immediately after the words "the Minister" in paragraph (*b*) of the definition of "qualifying amalgamation", the words ", or such person as he may appoint,".

Amendment of section 35

27. Section 35(4) of the principal Act is amended by deleting the words "or a Hindu joint family" in paragraphs (*a*) and (*c*).

Amendment of section 36

28. Section 36 of the principal Act is amended —

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

"(1A) Sections 13H, 13S, 43Y and 43ZA shall apply in relation to the income of a partner from a partnership as they apply in relation to the income of a company, with such modifications and exceptions as may be prescribed by the Minister by regulations.

(1B) Sections 14E, 19B and 19C shall, notwithstanding anything in those sections, apply for the purpose of

making a deduction or allowance to the partners of a partnership for expenditure incurred by the partnership to which those sections apply, subject to such modifications and exceptions as may be prescribed by the Minister."; and

(*b*) by deleting subsection (2).

Amendment of section 37

29. Section 37 of the principal Act is amended —

(*a*) by inserting, immediately after subsection (3B), the following subsections:

"(3C) A donation made on or after the date of publication in the *Gazette* of the Income Tax (Amendment) Act 2012 of any property or money referred to in subsection (3)(*b*)(i) or (ii), (*c*), (*d*), (*e*) or (*f*) to a recipient under that provision, which is subject to any condition specified by the donor as to the purpose for which the donation may be applied (including where the donor specifies another purpose for the application of the donation in the event the first-mentioned purpose should fail), shall be treated as a donation under that provision if (and only if) all of the following requirements are satisfied:

(*a*) except where the recipient is the Government, each specified purpose must be one that advances an objective of the recipient set out in its governing instrument;

(*b*) none of the specified purposes must be to advance the interests (whether directly or indirectly) of a particular race, belief or religion, or of a particular person or persons;

(*c*) the donor did not specify or imply in any manner that any part of the property or money that cannot be used for any of the specified purposes

shall revert to him or be given to any other person (other than the recipient).

(3D) For the avoidance of doubt, subsection (3C) applies to a donation of money referred to in subsection (3)(*c*)(ii) to a recipient under that provision, whether made directly to the recipient or indirectly through a grant-making philanthropic organisation.

(3E) In subsections (3C) and (3D) —

"governing instrument", in relation to a recipient under subsection (3)(*b*)(i) or (ii), (*c*), (*d*), (*e*) or (*f*), includes the memorandum and articles of association, constitution, trust instrument or any rules or regulations governing the objects and administration of the recipient;

"recipient" —

(*a*) in the case of a donation referred to in subsection (3)(*b*)(i), means an approved museum;

(*b*) in the case of a donation referred to in subsection (3)(*b*)(ii), means an approved recipient not being an approved museum;

(*c*) in the case of a donation referred to in subsection (3)(*c*), means the Government or an institution of a public character;

(*d*) in the case of a donation referred to in subsection (3)(*d*), means an institution of a public character or a prescribed educational, research or other institution in Singapore; or

(*e*) in the case of a donation referred to in subsection (3)(*e*) or (*f*), means an institution of a public character.

(3F) Subject to subsection (3G), a donation referred to in subsection (3)(*b*), (*c*), (*d*), (*e*) or (*f*) shall be eligible for a deduction under that provision notwithstanding that the

donor or another person receives or will receive a benefit in consequence of making the donation.

(3G) Where a donor who makes a donation referred to in subsection (3)(*b*), (*c*), (*d*), (*e*) or (*f*), or a person connected with the donor, receives or will receive a benefit in consequence of making the donation, a reference to the value or amount of the donation under that provision shall exclude an amount equivalent to the value of the benefit.

(3H) The Minister may by rules —

(*a*) exclude any type of benefit from the application of subsection (3G); and

(*b*) provide for the basis for determining the value of any benefit under that subsection.

(3I) For the avoidance of doubt, the Comptroller may make an assessment or additional assessment under section 74 if the benefit is received only after the deduction of the donation under subsection (3) is made.

(3J) In subsection (3G), a person is connected with the donor if —

(*a*) he is a relative of the donor within the meaning of section 37K(12);

(*b*) he, or a person who is his relative within the meaning of section 37K(12), directly or indirectly controls the donor;

(*c*) he is controlled, directly or indirectly, by the donor; or

(*d*) he and the donor, directly or indirectly, are under the control of a common person.";

(*b*) by deleting the words "of the sixth year of assessment from the first year of assessment in which the donation was made shall be disregarded" in subsection (8) and substituting the words "of the fifth year of assessment after the year of

assessment relating to the basis period in which the donation was made shall be disregarded";

(*c*) by deleting the words "or a Hindu joint family" in subsection (10A)(*a*);

(*d*) by deleting the words "or a Hindu joint family, is one" in subsection (10A)(*c*); and

(*e*) by inserting, immediately after the words "subsection (3)(*e*)" in subsection (19), the words "and subject to subsection (3G)".

Amendment of section 37B

30. Section 37B of the principal Act is amended by inserting, immediately after subsection (6), the following subsection:

"(6A) If, during the basis period for the year of assessment 2013 or any subsequent year of assessment (referred to in this subsection as the relevant year of assessment), a company only derives income that is exempt from tax, then subsection (3) shall, with the necessary modifications, apply to any year of assessment subsequent to the relevant year of assessment as if any sum allowable under section 37(3)(*b*), (*c*), (*d*) or (*f*) in respect of any donation made by that company during the basis period for the relevant year of assessment were unabsorbed donation in respect of the income of a company that is subject to tax at the rate of tax specified in section 43(1)(*a*).".

Amendment of section 37C

31. Section 37C(15) of the principal Act is amended by inserting, immediately after the words "under section 14Q" in paragraph (*e*), the words "for any year of assessment up to and including the year of assessment 2012".

Amendment of section 37I

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

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

"(1) Subject to this section, where any qualifying person has incurred expenditure —

(*a*) during the basis period relating to the year of assessment 2011 or the year of assessment 2012; or

(*b*) during any quarter of a basis period relating to the year of assessment 2013, the year of assessment 2014 or the year of assessment 2015,

for which a deduction or an allowance is allowable or can be made to him under any of the provisions of this Act mentioned in subsection (2A) (as qualified by that subsection), he may, in lieu of one or more of the deductions or allowances or any part thereof, and in respect of —

(i) the expenditure qualifying for it or them; or

(ii) any part of such expenditure,

(referred to in this section as the selected expenditure) the total amount of which (together with the cash price of any PIC automation equipment or intellectual property rights in respect of which an election under subsection (4A) is made at the same time) is at least $400, make an irrevocable written election for a cash payout computed in accordance with subsection (3) or (4), as the case may be.

(2) The irrevocable written election under subsection (1) shall —

(*a*) in respect of the year of assessment 2011 or the year of assessment 2012, be made to the Comptroller by the qualifying person at any time after the end of the basis period for that year of assessment but before the expiration of the time the qualifying person must deliver a return of his income for that year of assessment or within such extended time as the Comptroller may allow;

(*b*) in respect of the year of assessment 2013, the year of assessment 2014 or the year of assessment 2015, be made to the Comptroller by the qualifying person at any time after the end of the quarter of the basis period for that year of assessment but before the expiration of the time the qualifying person must deliver a return of his income for that year of assessment or within such extended time as the Comptroller may allow; and

(*c*) be accompanied by such information and supporting document to be given in such form and manner as the Comptroller may specify.

(2A) For the purposes of subsection (1), the provisions of this Act are —

(*a*) section 14 in respect of —

(i) expenditure that falls within the definition of "qualifying training expenditure" under section 14R, or the definition of "qualifying design expenditure" under section 14S; or

(ii) expenditure on the leasing of a PIC automation equipment under a qualifying lease under section 14T;

(*b*) section 14A;

(*c*) section 14D in respect of expenditure that falls within the definition of "qualifying expenditure" under section 14DA;

(*d*) section 14DA;

(*e*) section 14R;

(*f*) section 14S;

(*g*) section 14T;

(*h*) section 19 or 19A(1), (1B), (2), (2A) or (2B), in respect of expenditure incurred on the provision

of any PIC automation equipment, other than any equipment acquired —

(i) under a hire-purchase agreement signed before the basis period for the year of assessment 2012 with a payment period that spans over 2 or more basis periods; or

(ii) under a hire-purchase agreement signed in the basis period for the year of assessment 2012, the year of assessment 2013, the year of assessment 2014, or the year of assessment 2015; and

(*i*) section 19B other than —

(i) a writing-down allowance made in a case where the requirement under section 19B(2A) is waived;

(ii) a writing-down allowance made under section 19B(2C);

(iii) a writing-down allowance made in respect of any intellectual property rights acquired under an IPR instalment agreement signed before the basis period for the year of assessment 2012 with a payment period that spans over 2 or more basis periods; or

(iv) a writing-down allowance made in respect of any intellectual property rights acquired under an IPR instalment agreement signed in the basis period for the year of assessment 2012, the year of assessment 2013, the year of assessment 2014, or the year of assessment 2015.";

(*b*) by deleting subsections (4), (5) and (6) and substituting the following subsections:

"(4) For the year of assessment 2013, the year of assessment 2014 and the year of assessment 2015, the

amount of cash payout for each year of assessment shall be

$$A \times 60\%,$$

where A is the lower of the following:

(*a*) the aggregate amount of selected expenditure for all quarters of the basis period relating to that year of assessment;

(*b*) $100,000.

(4A) Where —

(*a*) a qualifying person has, in the basis period relating to the year of assessment 2012, the year of assessment 2013, the year of assessment 2014 or the year of assessment 2015, signed a hire-purchase agreement to acquire any PIC automation equipment for the purposes of a trade, profession or business carried on by him, or an IPR instalment agreement to acquire any intellectual property rights for use in his trade or business;

(*b*) allowances may be made to him under section 19, 19A(1), (2), (2A) or (2B) or 19B for capital expenditure to be incurred under the agreement; and

(*c*) the cash price for the equipment or intellectual property rights (together with any selected expenditure referred to in subsection (1) in respect of which an election is made under that subsection at the same time) is at least $400,

he may, in lieu of all those allowances, make an irrevocable written election for a cash payout.

(4B) The irrevocable written election under subsection (4A) shall —

(*a*) if the hire-purchase agreement or IPR instalment agreement is signed in the basis period for the year of assessment 2012, be made to the Comptroller by the qualifying person at any time after the end of the basis period but before the expiration of the time the qualifying person must deliver a return of his income for that year of assessment or within such extended time as the Comptroller may allow;

(*b*) if the hire-purchase agreement or IPR instalment agreement is signed in any quarter of the basis period for the year of assessment 2013, the year of assessment 2014 or the year of assessment 2015, be made to the Comptroller by the qualifying person at any time after the end of that quarter but before the expiration of the time the qualifying person must deliver a return of his income for that year of assessment or within such extended time as the Comptroller may allow; and

(*c*) be accompanied by such information and supporting documents to be given in such form and manner as the Comptroller may specify.

(4C) Where an election under subsection (4A) is made, then subsections (3) and (4) shall apply with the following modifications:

(*a*) a reference to the amount of selected expenditure or the aggregate amount of selected expenditure for a year of assessment, being the year of assessment relating to the basis period in which the agreement is signed, is a reference to the aggregate of —

(i) the cash price of the PIC automation equipment or intellectual property rights; and

(ii) the expenditure referred to in subsection (1) incurred in that basis period or all the quarters of that basis period (as the case may be), for which a deduction or an allowance is allowable or may be made to him, and in respect of which an election has been made under that subsection;

(*b*) a reference to the amount of selected expenditure or the aggregate amount of selected expenditure for any year of assessment excludes the amount of any capital expenditure made by him under that agreement in the basis period for that year of assessment.

(4D) The maximum amount of cash payout for each equipment that is the subject of a hire-purchase agreement, or any intellectual property rights that are the subject of an IPR instalment agreement, is the amount computed under subsection (3) or (4) (as modified by subsection (4C)), as the case may be, that is attributable to —

(*a*) the cash price of the equipment or rights; or

(*b*) if the total cash payout for the year of assessment is the amount referred to in subsection (3)(*a*)(ii) or (*b*)(ii) or (4)(*b*) (as the case may be), such part of the price of the equipment or rights that the qualifying person elects to be used for computing the cash payout.

(4E) The cash payout under subsection (4A) for each equipment that is the subject of a hire-purchase agreement, or any intellectual property rights that are the subject of an IPR instalment agreement, shall be made to the qualifying person in the following manner:

(*a*) the qualifying person may claim an amount of cash payout for the year of assessment relating to a basis period or a quarter thereof during which

he incurred capital expenditure under the agreement for that equipment or those rights;

(*b*) the amount of cash payout that may be made to him is the lesser of —

(i) $A \times B$,

where A is the amount of such capital expenditure; and

B is 30% if the agreement is signed in the basis period for the year of assessment 2012; or

is 60% if the agreement is signed in the basis period for the year of assessment 2013, the year of assessment 2014 or the year of assessment 2015; and

(ii) the maximum amount referred to in subsection (4D) after deducting any cash payout made earlier for that equipment or those rights under this subsection;

(*c*) no cash payout may be made for that equipment or those rights if the amount referred to in paragraph (*b*)(ii) is zero;

(*d*) each claim shall be made in such form and be accompanied by such information and supporting document relating to the capital expenditure as the Comptroller may specify; and

(*e*) for the avoidance of doubt, a claim may be made for any year of assessment after the year of assessment 2015.

(5) For the purposes of subsections (1), (3), (4) and (4A), an individual carrying on one or more trades, professions or businesses through 2 or more firms (excluding partnerships) shall not be granted a cash

payout that exceeds the amount computed in accordance with subsection (3) or (4) (as the case may be).

(6) For the purposes of subsections (1), (3), (4) and (4A), the sum of the cash payouts that may be granted to all the partners of a partnership carrying on one or more trades, professions or businesses, shall not exceed the amount computed in accordance with subsection (3) or (4) (as the case may be).";

(*c*) by deleting the words "subsections (1) and (7)" in subsection (8) and substituting the words "subsections (1), (4A) and (7)";

(*d*) by deleting the words "subsection (1)" wherever they appear in subsections (8), (14), (14A), (15) (first occurrence), (20) and (21) (definition of "local employee") and substituting in each case the words "subsection (1) or (4A)";

(*e*) by deleting subsections (9) and (9A) and substituting the following subsection:

"(9) No part of the amount of any expenditure referred to in subsection (7) for which an election is made or treated as having been made under subsection (1) or (4A) shall be eligible for a deduction or an allowance against the income of the qualifying person for any year of assessment.";

(*f*) by deleting the word "and" at the end of subsection (10)(i);

(*g*) by deleting the full-stop at the end of paragraph (ii) of subsection (10) and substituting the word "; and", and by inserting immediately thereafter the following paragraph:

"(iii) in the case of a PIC automation equipment that is the subject of a hire-purchase agreement, no cash payout shall be made to the qualifying person for any capital expenditure under the agreement incurred in the basis period or the quarter thereof (as the case may be) in which the sale, transfer,

assignment or lease occurs and for any subsequent basis period or quarter thereof.";

(*h*) by deleting the words "under this section" in subsection (11) and substituting the words "pursuant to an election under subsection (1)";

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

"(11A) Where —

(*a*) an election has been made under subsection (4A) for a cash payout in lieu of a writing-down allowance under section 19B; and

(*b*) any of the events referred to in subsection (11)(*a*) to (*d*) occurs within 5 years from the acquisition of the intellectual property rights,

then the following provisions shall apply:

(i) the qualifying person shall give notice in writing to the Comptroller of such event in the manner specified by the Comptroller within 30 days from the date of such event;

(ii) where any amount of the cash payout has been made to the qualifying person before the occurrence of the event, an amount computed in accordance with the formula in subsection (11)(ii) shall be recoverable by the Comptroller from the qualifying person as a debt due to the Government;

(iii) for the purposes of paragraph (ii), the reference in the formula to the amount of cash payout is a reference to the total amount of the cash payout that has been made to the qualifying person before the occurrence of the event;

(iv) the amount of the cash payout that may be made to the qualifying person for the basis period or a

quarter thereof (as the case may be) in which the event occurs and thereafter shall, instead of the amount computed in accordance with subsection (4E)(*b*), be an amount computed in accordance with the following formula:

$$\text{Cash payout computed in accordance with subsection (4E)(}b\text{)} \times \frac{\text{Number of complete years the intellectual property rights were held by the qualifying person}}{5}$$

";

(*j*) by deleting the words "referred to in subsection (1)" in subsection (15)(*a*) and substituting the words "under the relevant provision of this Act mentioned in subsection (2A) or (4A)";

(*k*) by deleting subsection (19) and substituting the following subsection:

"(19) Unless disallowed by the Comptroller under subsection (20), where the Comptroller has recovered any amount under subsection (15)(*b*) or (*c*), the amount of the relevant expenditure referred to in subsection (14) or (14A) shall be increased by an amount determined in accordance with the formula

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

where A is the amount recovered by the Comptroller under subsection (15)(*b*) or (*c*); and

B is 30% if the amount recovered is for a cash payout for expenditure incurred, equipment acquired under a hire-purchase agreement signed, or intellectual property rights acquired under an IPR instalment agreement signed, in the basis period for the year of assessment 2011 or the year of assessment 2012; or

is 60% if the amount recovered is for a cash payout for expenditure incurred, equipment acquired under a hire-purchase agreement signed, or intellectual property rights acquired under an IPR instalment agreement signed, in the basis period for the year of assessment 2013, the year of assessment 2014 or the year of assessment 2015.";

(*l*) by inserting, immediately before the definition of "local employee" in subsection (21), the following definitions:

" "cash price" —

(*a*) in relation to any PIC automation equipment that is the subject of a hire-purchase agreement, means the price (including capital expenditure incurred on alterations to an existing building incidental to the installation of the equipment but excluding any finance charges) at which the qualifying person in question might have purchased the equipment for cash at the time of the signing of the agreement; or

(*b*) in relation to any intellectual property rights that are the subject of an IPR instalment agreement, means the price at which the qualifying person in question might have purchased those rights for cash at the time of the signing of the agreement;

"IPR instalment agreement" means an agreement for the purchase of intellectual property rights the payment for which is to be made by instalments;";

(*m*) by deleting the definition of "qualifying person" in subsection (21) and substituting the following definitions:

" "qualifying person" means any company or firm (including a partnership) that —

(*a*) carries on a trade, profession or business in Singapore; and

(*b*) employs and makes contributions to the Central Provident Fund in respect of not less than 3 local employees based on the payroll for —

(i) in the case of the basis period for the year of assessment 2011 or the year of assessment 2012, the last month (or such other month as the Comptroller may determine) of the basis period; and

(ii) in the case of a quarter of the basis period for the year of assessment 2013, the year of assessment 2014 or the year of assessment 2015, the last month of the quarter;

"quarter", in relation to a basis period, means a period of 3 months beginning with —

(*a*) the first month of the basis period;

(*b*) the 4th month of the basis period;

(*c*) the 7th month of the basis period; or

(*d*) the 10th month of the basis period,

or any of several non-overlapping periods within the basis period as the Comptroller may specify for the qualifying person."; and

(*n*) by inserting, immediately after subsection (21), the following subsection:

"(22) The Comptroller may allow an election under subsection (1) or (4A), or both, to be made in respect of 2 or more consecutive quarters of the basis period for the year of assessment 2013, the year of assessment 2014 or the year of assessment 2015, and for that purpose —

(*a*) the reference in the definition of "qualifying person" in subsection (21) to the last month of a quarter shall be read as a reference to the last month of the combined consecutive quarters or, if the election is in respect of the entire basis period, the last month of the basis period or such other month as the Comptroller may determine;

(*b*) the requirement under subsection (1) or (4A), or both (as the case may be) that the expenditure and cash price for a quarter of a basis period must be at least $400 shall be applied to all the expenditure or cash price, or both (as the case may be), for the combined consecutive quarters for which he intends to make the election; and

(*c*) the reference in subsection (2) or (4B), or both (as the case may be), to the end of a quarter shall be read as a reference to the end of the combined consecutive quarters.".

Amendment of section 37L

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

(*a*) by deleting the word "or" at the end of subsection (1)(*a*);

(*b*) by deleting the words "a subsidiary of the Singapore company that is" in subsection (1)(*b*) and substituting the words "any one or more subsidiaries of the Singapore company that is or are";

(*c*) by deleting the words "directly and" in subsection (1)(*b*);

(*d*) by deleting the comma at the end of paragraph (*b*) of subsection (1) and substituting the word "; or", and by inserting immediately thereafter the following paragraph:

"(*c*) both the acquiring company and any one or more acquiring subsidiaries,";

(*e*) by deleting the words "has incurred" in subsection (1) and substituting the words "incurs or incur";

(*f*) by deleting the words "claim a deduction for the capital expenditure" in subsection (1) and substituting the words "claim the deductions specified in subsection (1A)";

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

"(1A) The deductions for the purposes of subsection (1) are as follows:

(*a*) a deduction for the capital expenditure referred to in that subsection; and

(*b*) a deduction of an amount equivalent to twice the amount of transaction costs incurred for qualifying acquisitions made during the period from 17th February 2012 to 31st March 2015 (both dates inclusive).";

(*h*) by deleting the words "or the acquiring subsidiary, as the case may be, owning" wherever they appear in subsection (4)(*a*) and (*c*) and substituting in each case the words "and its acquiring subsidiaries owning together in total";

(*i*) by deleting the words "the acquiring company or the acquiring subsidiary, as the case may be, owns" wherever they appear in subsection (4)(*a*) and (*c*)(i) and substituting in each case the words "such total ownership was";

(*j*) by deleting the words "the acquiring company or acquiring subsidiary, as the case may be, continues to own" in subsection (4) and substituting the words "such total ownership is";

(*k*) by inserting, immediately after subsection (15), the following subsection:

"***Deductions allowable in respect of transaction costs claimed***

(15A) For the purpose of subsection (1), a deduction in respect of transaction costs for qualifying acquisitions of

ordinary shares in a target company shall be subject to the following:

(*a*) the deduction in relation to any transaction costs incurred shall be allowed for —

(i) the year of assessment in which a claim is first made for the deduction allowable in respect of the capital expenditure incurred on the qualifying acquisition to which those transaction costs relate; or

(ii) the year of assessment which relates to the basis period in which those transaction costs are incurred,

whichever is the later; and

(*b*) the deduction shall be subject to a limit of $100,000 in transaction costs incurred in relation to all qualifying acquisitions of ordinary shares in all target companies (whether by the acquiring company, or by one or more of its acquiring subsidiaries, or by a combination of both) for which claims are first made in the year of assessment referred to in paragraph (*a*)(i) for the deductions allowable in respect of capital expenditure incurred on those acquisitions.";

(*l*) by deleting sub-paragraph (ii) of subsection (16)(*a*) and substituting the following sub-paragraphs:

"(ii) where the acquisition is made by the acquiring subsidiary, the acquiring subsidiary —

(A) does not carry on a trade or business in Singapore or elsewhere on the date of the acquisition of the shares;

(B) does not claim any deduction for any capital expenditure or transaction costs under this section

for that year of assessment or any stamp duty relief under section 15A of the Stamp Duties Act (Cap. 312); and

(C) is on that date wholly owned by the acquiring company —

(CA) directly, in the case of a qualifying acquisition the date of which is before 17th February 2012; and

(CB) whether directly or indirectly, in the case of a qualifying acquisition the date of which is on or after 17th February 2012;

(ii*a*) where the acquisition is made by the acquiring subsidiary and, on the date of the acquisition of the shares (being a date on or after 17th February 2012), the acquiring subsidiary is indirectly owned by the acquiring company through one or more intermediate companies, every such intermediate company —

(A) is wholly owned (whether directly or indirectly) by the acquiring company on that date;

(B) is incorporated for the primary purpose of acquiring and holding shares in other companies;

(C) does not carry on a trade or business in Singapore or elsewhere on that date; and

(D) does not claim any deduction for any capital expenditure or transaction costs under this section

for that year of assessment or any stamp duty relief under section 15A of the Stamp Duties Act; and";

(*m*) by deleting the words "or a subsidiary wholly and directly owned by the target company" in subsection (16)(*a*)(iii) and (*b*)(iii) and substituting in each case the words ", or a subsidiary wholly owned by the target company (directly, in the case of a qualifying acquisition the date of which is before 17th February 2012; or whether directly or indirectly, in the case of a qualifying acquisition the date of which is on or after 17th February 2012)";

(*n*) by deleting sub-paragraph (ii) of subsection (16)(*b*) and substituting the following sub-paragraphs:

"(ii) where the acquisition is made by the acquiring subsidiary, the acquiring subsidiary —

(A) does not carry on a trade or business in Singapore or elsewhere on the date of the acquisition of the shares;

(B) does not claim any deduction for any capital expenditure or transaction costs under this section for that year of assessment or any stamp duty relief under section 15A of the Stamp Duties Act; and

(C) is on that date wholly owned by the acquiring company —

(CA) directly, in the case of a qualifying acquisition the date of which is before 17th February 2012; and

(CB) whether directly or indirectly, in the case of a qualifying acquisition the

date of which is on or after 17th February 2012;

(ii*a*) where the acquisition is made by the acquiring subsidiary and, on the date of the acquisition of the shares (being a date on or after 17th February 2012), the acquiring subsidiary is indirectly owned by the acquiring company through one or more intermediate companies, every such intermediate company —

(A) is wholly owned (whether directly or indirectly) by the acquiring company on that date;

(B) is incorporated for the primary purpose of acquiring and holding shares in other companies;

(C) does not carry on a trade or business in Singapore or elsewhere on that date; and

(D) does not claim any deduction for any capital expenditure or transaction costs under this section for that year of assessment or any stamp duty relief under section 15A of the Stamp Duties Act;";

(*o*) by deleting the words "the acquiring company's ownership or the acquiring subsidiary's ownership, as the case may be," in subsection (17)(*a*) and substituting the words "the total ownership of the acquiring company and its acquiring subsidiaries";

(*p*) by deleting the words "the acquiring company's ownership or the acquiring subsidiary's ownership" in subsection (17)(*c*) and (*d*) and substituting in each case the words "the total ownership of the acquiring company and its acquiring subsidiaries";

(*q*) by inserting, immediately after the words "acquiring subsidiary" in subsection (17)(*f*), the words "and every intermediate company through which the acquiring subsidiary is indirectly owned by the acquiring company";

(*r*) by deleting sub-paragraphs (ii) and (iii) of subsection (17)(*f*) and substituting the following sub-paragraphs:

"(ii) claims a deduction under this section for capital expenditure or transaction costs incurred or claims any stamp duty relief under section 15A of the Stamp Duties Act; or

(iii) ceases to be wholly owned by the acquiring company —

(A) directly, in the case of a qualifying acquisition the date of which is before 17th February 2012; and

(B) whether directly or indirectly, in the case of a qualifying acquisition the date of which is on or after 17th February 2012.";

(*s*) by inserting, immediately after subsection (19), the following subsection:

"(19A) The Minister or such person as he may appoint may, for any particular qualifying acquisition made on or after 17th February 2012, waive the requirement in subsections (16)(*a*)(i)(D) and (*b*)(i)(D) and (17)(*e*) in relation to the ultimate holding company of the acquiring company, subject to such conditions that the Minister or the person he has appointed may impose.";

(*t*) by deleting paragraph (*b*) of subsection (24) and substituting the following paragraph:

"(*b*) to provide for the application of this section to a business trust, subject to such modifications as may be prescribed, including treating, in

prescribed circumstances, a business trust and any company whose shares are trust property thereof as companies within a group of companies, and a holding of units in a business trust as a holding of shares in a company;";

(*u*) by inserting, immediately after the definition of "Singapore company" in subsection (25), the following definition:

" "transaction costs" means professional fees that are necessarily incurred for the qualifying acquisition of ordinary shares in the target company —

(*a*) including legal fees, accounting or tax advisor's fees and valuation fees; but

(*b*) excluding any professional fees (including the fees referred to in paragraph (*a*)) incurred in respect of loan arrangements and costs incidental thereto, borrowing costs, and stamp duty and any other taxes, incurred for the qualifying acquisition of ordinary shares in the target company;"; and

(*v*) by inserting, immediately after subsection (28), the following subsection:

"(29) In this section, a reference to capital expenditure and transaction costs excludes any such expenditure and costs to the extent that they are or are to be subsidised by grants or subsidies from the Government or a statutory board.".

New section 37M

34. The principal Act is amended by inserting, immediately after section 37L, the following section:

"**Treatment of unabsorbed donations attributable to exempt income**

37M.—(1) If —

(*a*) any donation allowable under this Act for the year of assessment 2012 or any preceding year of assessment (referred to in this section as the attributed donation) is to be deducted from any income of a company under a provision of this Act or the Economic Expansion Incentives (Relief from Income Tax) Act (Cap. 86) in determining the amount of its income that is exempt from tax under that provision for that or any subsequent year of assessment; and

(*b*) as of the last day of the basis period for the year of assessment 2012, part or all of the attributed donation (referred to in this section as the balance) has yet to be so deducted,

then the following provisions shall apply to the balance:

(i) subject to paragraphs (iii) to (vii) and subsection (2), the balance shall be deducted from the statutory income of the company for the year of assessment 2013;

(ii) subject to paragraphs (iii) to (vii) and section 37B, where the deduction under paragraph (i) cannot be made or fully made, the balance shall be deducted from the statutory income of the company for the year of assessment 2014, and so on;

(iii) any balance not deducted against the statutory income of the company for the fifth year of assessment after the year of assessment relating to the basis period in which the donation was made shall be disregarded;

(iv) for the purposes of paragraphs (i) and (ii), any donation made on an earlier date shall be deemed to have been deducted first;

(v) where the part of the balance that may be deducted under paragraph (i) against any type of income in accordance with subsection (2) has been so deducted and a sum remains of that part of the balance after such deduction, a deduction under paragraph (ii) of the sum that so remains, or any sum that remains after one or

more applications of this paragraph, shall be made in the following manner:

(A) the sum shall first be deducted against the same type of income;

(B) any sum remaining after that deduction shall be deducted against any other type of income in accordance with section 37B;

(vi) notwithstanding paragraphs (i) and (ii), the balance shall be disregarded if the Comptroller is not satisfied that the shareholders of the company on the last day of the year in which the donation was made, were substantially the same as the shareholders of the company on the first day of the year of assessment in which the balance would otherwise be deductible; and

(vii) section 37(13) to (17) shall apply, with the necessary modifications, for the purposes of paragraph (vi).

(2) The deduction under subsection (1)(i) shall be made in accordance with the following provisions:

(*a*) section 37B shall not apply to the deduction;

(*b*) if the company only derives normal income for that year of assessment, the balance shall be deducted against the normal income for that year of assessment;

(*c*) if the company only derives concessionary income for that year of assessment, the balance shall be deducted against the concessionary income for that year of assessment;

(*d*) if the company derives both normal income and concessionary income, or concessionary income that is subject to tax at different concessionary rates of tax, for that year of assessment, the balance shall be deducted against each type of income in such proportion as appears reasonable to the Comptroller in the circumstances;

(*e*) if the company only derives income that is exempt from tax for that year of assessment, then section 37B(3) shall, with the necessary modifications, apply for the purpose of making a deduction of the balance under subsection (1)(ii) as if the balance were unabsorbed donation in respect of income of a company subject to tax at the rate of tax specified in section 43(1)(*a*).

(3) In this section —

"concessionary income" means income that is subject to tax at a concessionary rate of tax;

"concessionary rate of tax" has the same meaning as in section 14C;

"normal income" means income that is subject to tax at the rate of tax specified in section 43(1)(*a*).".

Amendment of section 39

35. Section 39 of the principal Act is amended —

(*a*) by deleting the words "or a Hindu joint family" wherever they appear in subsection (1);

(*b*) by deleting "$2,000" in subsection (1)(*b*) and substituting "$4,000";

(*c*) by deleting "$3,000" in subsection (1)(*c*) and substituting "$6,000";

(*d*) by deleting "$4,000" in subsection (1)(*d*) and substituting "$8,000";

(*e*) by deleting the words "or his grandparent's" in subsection (3) and substituting the words ", his parent-in-law's, his grandparent's or his grandparent-in-law's"; and

(*f*) by deleting the words "and Hindu joint family" in the section heading.

Amendment of section 42

36. Section 42 of the principal Act is amended by deleting the words "or a Hindu joint family" in subsections (1) and (2).

Amendment of section 43

37. Section 43 of the principal Act is amended —

(*a*) by deleting the words "or Hindu joint family" in subsection (1)(*b*); and

(*b*) by deleting paragraph (*a*) of subsection (2B) and substituting the following paragraph:

"(*a*) the distribution is made at any time from 1st July 2009 to 31st December 2010 (both dates inclusive), or on or after 1st April 2012 by the trustee of the real estate investment trust out of income specified in subsection (2A)(*a*)(i) to (iv);".

Amendment of section 43Y

38. Section 43Y(4) of the principal Act is amended by deleting the words "29th February 2012" and substituting the words "31st March 2017".

Amendment of section 43Z

39. Section 43Z(4) of the principal Act is amended by deleting the words "29th February 2012" and substituting the words "31st March 2017".

Amendment of section 43ZA

40. Section 43ZA of the principal Act is amended —

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

(*b*) by deleting the full-stop at the end of paragraph (*b*) of subsection (1) and substituting a semi-colon, and by inserting immediately thereafter the following paragraphs:

"(*c*) for the year of assessment 2013 and subsequent years of assessment, the leasing of any intermodal equipment owned by the enterprise acquired before or during the period of approval of the enterprise referred to in subsection (4), which is incidental to the leasing referred to in paragraph (*a*); and

(*d*) for the year of assessment 2013 and subsequent years of assessment, foreign exchange and risk management activities which are carried out in connection with and incidental to the leasing referred to in paragraph (*c*).";

(*c*) by inserting, immediately after the words "in relation to a container" in subsection (2), the words "or an intermodal equipment";

(*d*) by deleting subsection (5) and substituting the following subsection:

"(5) The Minister or such person as he may appoint may, in respect of any container, class of containers, intermodal equipment or class of intermodal equipment, specify a period not exceeding a period of 15 years, during which the income from the leasing of such container, class of containers, intermodal equipment or class of intermodal equipment is subject to the applicable concessionary tax rate under subsection (1).";

(*e*) by inserting, immediately after the words "from the leasing of any container" in subsection (6), the words "or intermodal equipment";

(*f*) by inserting, immediately after the words "for such sea-container" in the definition of "container" in subsection (7), the words ", or (for the year of assessment 2013 and subsequent years of assessment) by any of those organisations or any other equivalent organisation for such sea-container";

(*g*) by inserting, immediately after the word "container" wherever it appears in the definition of "finance leasing" in subsection (7), the words "or intermodal equipment";

(*h*) by inserting, immediately after the definition of "finance leasing" in subsection (7), the following definition:

" "intermodal equipment" means any trailer, flatcar, car rack or other equipment, which facilitates the transportation of containers from one mode of transport to another;"; and

(*i*) by inserting, immediately after the words "a container" wherever they appear in subsection (8), the words "or an intermodal equipment".

Amendment of section 45

41. Section 45(4) of the principal Act is amended by deleting paragraph (*a*) and substituting the following paragraph:

"(*a*) by the 15th day of the second month following the month in which the interest from which the tax is to be deducted is paid, a sum equal to 5% of such amount of tax shall be payable; and".

Amendment of section 45A

42. Section 45A of the principal Act is amended by inserting, immediately after subsection (2C), the following subsection:

"(2D) Subsection (1) shall not apply to any payment liable to be made on or after 17th February 2012 under any agreement or arrangement for the charter of any ship.".

Amendment of section 45D

43. Section 45D(2) of the principal Act is amended by deleting the words "15th day of the month following the month" and substituting the words "15th day of the second month following the month".

New section 45I

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

"**Sections 45 and 45A not applicable to certain payments**

45I.—(1) Sections 45(1) to (8) and 45A(1) shall not apply to any income referred to in section 12(6) which is liable to be paid by a person referred to in subsection (2), if the payment is liable to be made —

(*a*) at any time during the period from 17th February 2012 to 31st March 2021 (both dates inclusive) (referred to in this section as the relevant period) under —

(i) a contract which took effect before 17th February 2012;

(ii) a contract which was extended or renewed, where the extension or renewal took effect before 17th February 2012; or

(iii) a debt security which was issued before 17th February 2012;

(*b*) under a contract which took effect on a date which falls within the relevant period;

(*c*) under a contract which was extended or renewed where —

(i) the extension or renewal took effect on a date which falls within the relevant period; and

(ii) the payment is made on or after the date on which such extension or renewal took effect; or

(*d*) under a debt security which was issued on a date which falls within the relevant period.

(2) Subsection (1) shall apply to the following persons:

(*a*) a bank licensed under the Banking Act (Cap. 19) or a merchant bank approved under the Monetary Authority of Singapore Act (Cap. 186);

(*b*) a finance company licensed under the Finance Companies Act (Cap. 108);

(*c*) a person who —

(i) holds a capital markets services licence under the Securities and Futures Act (Cap. 289) for dealing in securities and advising on corporate finance;

(ii) is involved or will be involved in the underwriting of debt or equity issuances; and

(iii) has been approved before 17th February 2012 for the purposes of the Income Tax (Exemption of Interest and Other Payments for Economic and Technological Development) Notification 2012 (G.N. No. S 72/2012).

(3) Sections 45(1) to (8) and 45A(1) shall not apply to any income referred to in section 12(6) which is liable to be paid by a person who —

(*a*) holds a capital markets services licence under the Securities and Futures Act (Cap. 289) for dealing in securities and advising on corporate finance;

(*b*) is involved or will be involved in the underwriting of debt or equity issuances; and

(*c*) is approved for the purposes of this section, where the approval was given on a date (referred to in this subsection as the approval date) within the relevant period by the Minister or such person as he may appoint,

if the payment is liable to be made —

(i) at any time during the period from the approval date to 31st March 2021 (both dates inclusive) under —

(A) a contract which took effect before the approval date;

(B) a contract which was extended or renewed, where the extension or renewal took effect before the approval date; or

(C) a debt security which was issued before the approval date;

(ii) under a contract which took effect on a date which falls within the period from the approval date to 31st March 2021 (both dates inclusive);

(iii) under a contract which was extended or renewed where —

(A) the extension or renewal took effect on a date which falls within the period from the approval date to 31st March 2021 (both dates inclusive); and

(B) the payment is made on or after the date on which such extension or renewal takes effect; or

(iv) under a debt security which is issued on a date which falls within the period from the approval date to 31st March 2021 (both dates inclusive).

(4) The approval by the Minister or person appointed by him under subsection (3)(*c*) shall be subject to such conditions as the Minister or person may impose.

(5) This section shall not apply to any payment of income referred to in section 12(6) which the Comptroller is satisfied is made in connection with an arrangement the purpose or effect of which is one referred to in section 33(1).".

Repeal of section 61

45. Section 61 of the principal Act is repealed.

Amendment of section 63

46. Section 63 of the principal Act is amended —

(*a*) by deleting the words "or a Hindu joint family" in subsection (1); and

(*b*) by deleting the words "or Hindu joint family" in subsection (1A).

New section 92C

47. The principal Act is amended by inserting, immediately after section 92B, the following section:

"**Cash grant for companies for year of assessment 2012**

92C.—(1) Where a company carrying on business in Singapore has made a contribution to the Central Provident Fund in respect of at least one of its qualifying employees during the basis period for the year of assessment 2012, there shall be made to the company for the year of assessment 2012 a cash grant of —

(*a*) 5% of the gross amount of the income derived by the company from its principal activities in the basis period for the year of assessment 2012; or

(*b*) $5,000,

whichever is the lower.

(2) No cash grant under subsection (1) shall be made if the company has ceased to carry on business in Singapore.

(3) The Minister may, in his discretion, waive the requirement under subsection (1) in respect of the contribution to the Central Provident Fund by the company if he is satisfied that it is just and equitable to do so.

(4) The cash grant under subsection (1) shall be exempt from tax in the hands of the company.

(5) Section 92B(4) to (8) shall apply, with the necessary modifications, to this section.

(6) In this section, "qualifying employee" means an employee of the company based on the payroll for any month within its basis period for the year of assessment 2012, but excludes any employee who is also a shareholder of the company.

(7) In the application (by virtue of section 36B) of this section to a registered business trust, a reference to a contribution by a company to the Central Provident Fund in respect of at least one of its qualifying employees is a reference to a contribution by the trustee-manager of the business trust to the Central Provident Fund in respect of at least one of its employees, being one —

(*a*) who is an employee of the trustee-manager according to the payroll for any month within the basis period of the trust for the year of assessment 2012; and

(*b*) whose sole duty is assisting in managing or operating the trust,

but excluding any employee who is also a unitholder of the trust.".

Amendment of section 107

48. Section 107 of the principal Act is amended by deleting "13I, 13K," in paragraph (*a*).

Amendment of Second Schedule

49. Part A of the Second Schedule to the principal Act is amended by inserting, immediately after the words "FOR YEAR OF ASSESSMENT 2012", the words "AND OF AN INDIVIDUAL FOR YEAR OF ASSESSMENT 2013".

Amendment of Fifth Schedule

50. The Fifth Schedule to the principal Act is amended —

(*a*) by inserting, immediately after the words "immediately preceding the year of assessment" in paragraph 5(1), the words "2008, 2009, 2010 or 2011";

(*b*) by inserting, immediately after the words "be allowable" in paragraph 5(1), the words "for that year of assessment";

(*c*) by deleting the words "or a subsequent year of assessment" in paragraph 5(1)(*b*) and substituting the words ", 2010 or 2011";

(*d*) by inserting, immediately after sub-paragraph (1) of paragraph 5, the following sub-paragraph:

"(1A) Where a married woman, divorcee or widow maintained, in a year immediately preceding any year of assessment (being the year of assessment 2012 or any subsequent year of assessment), a child who —

(*a*) is a citizen of Singapore as at 31st December of that year; or

(*b*) if the child died in that year, was a citizen of Singapore on the date of his death,

the following deductions shall, without prejudice to any deduction allowable under paragraph 1 or proviso (A) to section 39(2)(*e*), be allowable for that year of assessment to her only:

(i)	first eligible child	15% of her earned income;
(ii)	second eligible child	20% of her earned income;
(iii)	third and subsequent eligible child	25% of her earned income for each eligible child.";

(*e*) by inserting, immediately after the words "sub-paragraph (1)" in paragraph 5(2), the words "or (1A)";

(*f*) by inserting, immediately after the words "sub-paragraph (1)(*b*)" in paragraph 5(3), the words "or (1A)"; and

(*g*) by inserting, immediately after the words "and 5(1)(*b*)" in paragraph 6(2), the words "or 5(1A), as the case may be,".

Miscellaneous amendments

51. The principal Act is amended —

(*a*) by deleting the words ", losses and donations" wherever they appear in the following provisions and substituting in each case the words "and losses":

Sections 13(2E), 13O(2), 13P(2), 13U(5), 13W(2), 13X(4)(*b*) and 13Y(3)(*c*);

(*b*) by deleting the words "to the extent that it is subsidised" wherever they appear in the following provisions and substituting in each case the words "to the extent that it is or is to be subsidised":

Sections 14A(7), 14D(1A), 14S(6) (definition of "qualifying design expenditure"), 14T(8), 19A(16) and 19B(12);

(*c*) by deleting the words "section 14D(1)(*aa*) and (*c*)" wherever they appear in the following provisions and substituting in each case the words "section 14D(1)(*aa*), (*c*) and (*f*)":

Sections 14E(3B), 19(9), 19A(14C), 20(6B) and 37L(15); and

(*d*) by deleting the word "and" at the end of paragraph (*c*) of section 36B(1), and by inserting immediately thereafter the following paragraph:

"(*ca*) for the purposes of section 13Z, any reference to ordinary shares in an investee company which are legally and beneficially owned by a divesting company shall be read as a reference to ordinary shares in the investee company which are trust property of the registered business trust; and".

Savings

52.—(1) The amendment in section 41 shall not affect payments made under section 45 of the principal Act before 1st July 2012 to a non-resident person, and section 45(4) and (5) in force immediately before that date shall continue to apply in relation to such payments and any deduction therefrom.

(2) The amendment in section 43 shall not affect deductions made under section 45D of the principal Act before 1st July 2012 from payments to a non-resident person, and sections 45D(2) and 45(5) (as applied by section 45D(3)) of the principal Act in force immediately before that date shall continue to apply in relation to such deductions.

(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.

Related amendments to Economic Expansion Incentives (Relief from Income Tax) Act

53. Section 97M of the Economic Expansion Incentives (Relief from Income Tax) Act (Cap. 86) is amended —

(*a*) by inserting, at the end of paragraph (*b*)(i), the word "and";

(*b*) by deleting the word "and" at the end of paragraph (*b*)(ii);

(*c*) by deleting sub-paragraph (iii) of paragraph (*b*);

(*d*) by deleting the words "or has unabsorbed donation" in paragraph (*f*);

(*e*) by deleting the words "or donation" wherever they appear in paragraph (*f*);

(*f*) by deleting the word "donations," wherever it appears in paragraph (*g*); and

(*g*) by deleting the words "allowances, losses and donations" in paragraph (*h*) and substituting the words "allowances and losses".

EXPLANATORY STATEMENT

This Bill seeks to implement the tax changes in the Government's 2012 Budget Statement, to make certain other amendments to the Income Tax Act (Cap. 134), and to make related amendments to the Economic Expansion Incentives (Relief from Income Tax) Act (Cap. 86).

Clause 1 relates to the short title, commencement and application.

Clause 2 makes various amendments to section 2 (Interpretation) as a result of the removal of the Hindu joint family as a taxable entity. It also amends the definition of "research and development" to allow the development of computer software to qualify as "research and development" even though the software is

not intended for multiple sales. This condition has been removed to incentivise development of computer software that satisfies the definition of "research and development", through the giving of tax deductions and cash payouts under sections 14D, 14DA and 37I.

Clause 3 amends section 13 (Exempt income) for the following purposes:

(*a*) to delete subsection (1)(*g*) and (*z*) (relating to the exemption from tax of the income of the Singapore Exchange Derivatives Clearing Limited and the Singapore Exchange Derivatives Trading Limited, respectively) as they are spent (clause 3(*a*));

(*b*) to provide that the tax exemption for payments for charter hire under subsection (1)(*o*) will only apply to payments made or liable to be made on or before 16th February 2012 (clause 3(*b*), (*c*) and (*d*)). This is because tax exemption for such payments which are liable to be made on or after 17th February 2012 will be governed by new paragraph (*oa*) under subsection (1);

(*c*) to provide for a new tax exemption under new paragraph (*oa*) of subsection (1) for payments which are liable to be made on or after 17th February 2012 to a non-resident person (excluding a permanent establishment in Singapore) for charter hire of a ship (clause 3(*e*));

(*d*) to exempt from tax Government grants (by way of cash or a contribution to an account with the Central Provident Fund) made to individuals under the Workfare Bonus Scheme (announced in the Government's 2006 Budget Statement), the Workfare Income Supplement Scheme (announced in the Government's 2007 Budget Statement), the Workfare Special Payment scheme (announced in the Government's 2009 Budget Statement) and the Workfare Special Bonus scheme (announced in the Government's 2011 Budget Statement) (new paragraphs (*zp*) and (*zq*) of section 13(1) *vide* clause 3(*g*)); and

(*e*) to provide for a tax exemption for monetary awards known as the National Service Recognition Award, that are paid by the Government to national servicemen (new paragraph (*zr*) of section 13(1) *vide* clause 3(*g*), and clause 3(*h*) and (*i*)).

Clause 4 amends section 13A (Exemption of shipping profits) —

(*a*) to exempt from tax income of a shipping enterprise from selling a Singapore ship or a ship provisionally registered under the Merchant Shipping Act (Cap. 179), assigning its rights as a buyer under a contract for the construction of a ship that is intended to be registered or is provisionally registered under the Merchant Shipping Act, or selling all the issued ordinary shares of its special purpose company which owns a Singapore ship or is the buyer under such a ship

construction contract and which does not own any foreign ship or any other foreign vessel (clause 4(*a*));

(*b*) to exclude from the tax exemption income arising from a finance lease that is treated as a sale under section 10D as well as income from carrying on a business of trading in ships or the construction of ships for sale (clause 4(*a*));

(*c*) to provide that any loss incurred in a basis period in respect of any sale or assignment referred to in paragraph (*a*) may only be deducted against the income from any other sale or assignment referred to in that paragraph in that basis period, and any balance may not be deducted against any other income (clause 4(*c*)); and

(*d*) to provide that a loss incurred from any of the activities referred to in section 13A, other than any activity under paragraph (*a*), may only be deducted against income from any of those activities (clause 4(*b*)).

Clause 5 amends section 13F (Exemption of international shipping profits) —

(*a*) to exempt from tax income of an approved international shipping enterprise from selling a foreign ship or other foreign vessel, assigning its rights as a buyer under a contract for the construction of a foreign ship or other foreign vessel, or selling all the issued ordinary shares of its special purpose company which owns any ship or other vessel or is the buyer under any contract for the construction of a ship or vessel (clause 5(*a*));

(*b*) to allow the Minister to permit the income of an approved international shipping enterprise from providing shipping management services to its special purpose vehicle to be exempted from tax on a case by case basis even though at least 50% of the shares of the enterprise are owned by another approved international shipping enterprise (clause 5(*b*));

(*c*) to exclude from the tax exemption income from a finance lease that is treated as a sale under section 10D as well as income arising from carrying on a business of trading in ships or other vessels or the construction of ships or other vessels for sale (clause 5(*c*));

(*d*) to provide that any loss incurred in a basis period in respect of any sale or assignment referred to in paragraph (*a*) may only be deducted against the income from any other sale or assignment referred to in that paragraph in that basis period, and any balance may not be deducted against any other income (clause 5(*d*)); and

(*e*) to provide that a loss incurred from any of the activities referred to in section 13F, other than any activity under paragraph (*a*), may only be deducted against income from any of those activities (clause 5(*d*)).

Clause 6 amends section 13H (Exemption of income of venture company) to provide that, in determining the amount of income to be exempt from tax under that section, there is no need to deduct any donation attributable to the income.

Clauses 7 and 8 repeal section 13I (Exemption of certain dividends of Singapore Exchange Derivatives Trading Limited) and section 13K (Exemption of certain dividends of Singapore Exchange Derivatives Clearing Limited), respectively, due to the repeal of section 13(1)(*g*) and (*z*).

Clause 9 amends section 13S (Exemption of income of shipping investment enterprise) —

(*a*) to exempt from tax income of an approved shipping investment enterprise from selling a sea-going ship, assigning its rights as a buyer under a contract for the construction of a sea-going ship, or selling all the issued ordinary shares of its special purpose company which owns any sea-going ship or is the buyer under a contract for the construction of a sea-going ship (clause 9(*b*));

(*b*) to exclude from the tax exemption income arising from a finance lease that is treated as a sale under section 10D as well as income from carrying on a business of trading in sea-going ships or the construction of sea-going ships for sale (clause 9(*e*));

(*c*) to provide that any loss incurred in a basis period in respect of any sale or assignment referred to in paragraph (*a*) may only be deducted against the income from any other sale or assignment referred to in that paragraph in that basis period, and any balance may not be deducted against any other income (clause 9(*f*)); and

(*d*) to provide that a loss incurred from any of the activities referred to in section 13S, other than any activity under paragraph (*a*), may only be deducted against income from any of those activities (clause 9(*f*)).

Clause 10 amends section 13V (Exemption of income derived by law practice from international arbitration held in Singapore) —

(*a*) to extend the tax incentive period by allowing a law practice to apply for approval for the incentive from 1st July 2012 to 30th June 2017 (both dates inclusive) (clause 10(*a*));

(*b*) to clarify that a law practice may be approved for the tax incentive if its approval as a development and expansion company in respect of international legal services under the Economic Expansion Incentives (Relief from Income Tax) Act is no longer in force (clause 10(*b*));

(*c*) to clarify that the income that qualifies for the exemption must be income derived during the tax relief period (clause 10(*c*));

(*d*) to provide that the approved law practice must inform the Comptroller of Income Tax (the Comptroller) within a specified time of the seat or venue of the hearing or intended hearing (clause 10(*d*));

(*e*) to allow income derived by a law practice which applied for approval in the period between 1st July 2012 and 30th June 2017 (both dates inclusive), from carrying out international arbitration work to qualify for the exemption even though there is no hearing, so long as the seat or venue of the hearing would (if it had taken place) have been in Singapore (clause 10(*e*), (*j*) and (*k*)); and

(*f*) to provide that, in determining the amount of qualifying income of an approved law practice, there is no need to deduct any donation attributable to that income. Under that section, one-half of the amount by which the qualifying income of an approved law practice exceeds its base income is exempt from tax. The rule that only 50% of unabsorbed donations attributable to qualifying income may be carried forward and deducted from the income for subsequent years of assessment is also removed (clause 10(*f*) to (*i*)).

Clause 11 inserts a new section 13Z, which provides for tax exemption on any gains or profits derived by a company from the disposal of ordinary shares belonging to it in another company if the first-mentioned company legally and beneficially owns at least 20% of the ordinary shares in the second-mentioned company for a continuous period of at least 24 months ending on a day immediately prior to the date of disposal of such shares. The company seeking the exemption must provide the required information and supporting documents when lodging its return for the year of assessment relating to the basis period in which the disposal occurs. Where the company given the exemption had in an earlier year of assessment claimed a deduction or been charged to tax for certain losses or profits attributable to the disposed shares, the amount of the losses or profits will be treated as chargeable income or allowable expenses of the company in the year of the disposal.

Clause 12 amends section 14 (Deductions allowed) to allow a voluntary contribution by a prescribed person to the medisave account of a self-employed person to be tax-deductible under subsection (1)(*fa*), even though it is not income of the self-employed person. The clause also makes an amendment to subsection (1)(*f*) to delink the deduction for an employer's contribution to his employee's medisave account, from the amount of such contribution that is not deemed as income under section 10C(4). Both deductions are subject to a shared cap of $1,500 per medisave account.

Clause 13 amends section 14B (Further deduction for expenses relating to approved trade fairs, trade exhibitions or trade missions or to maintenance of overseas trade office) —

(*a*) to clarify that approval of the activity in section 14B(2)(*a*) is only limited to a local trade fair or trade exhibition;

(*b*) to provide that where the claim by a company or firm for the deduction is for qualifying expenses incurred between 1st April 2012 and 31st March 2016 (both dates inclusive) for the primary purpose of promoting the trading of goods or the provision of services, and the total of such expenses and the expenses for which a deduction is claimed under section 14K(1A), does not exceed $100,000 per year of assessment, there is no need for the company or firm to be first approved by the Minister or a person appointed by him;

(*c*) to provide that the qualifying expense under the section is exclusive of grants or subsidies from the Government or any statutory board (including grants or subsidies that have yet to be received at the time the deduction is claimed but will definitely be received at a later date); and

(*d*) to provide that no deduction under the section will be given to companies or firms enjoying tax incentives under various provisions of the Act or the Economic Expansion Incentives (Relief from Income Tax) Act.

Clause 14 amends section 14D (Expenditure on research and development) —

(*a*) to allow a deduction for expenditure on research and development related to the trade or business of a person that is partly undertaken in Singapore and partly elsewhere; and

(*b*) to provide that, with effect from the year of assessment 2012, payments allowed a deduction under that section include payments made under a research and development cost-sharing agreement.

Clause 15 amends section 14DA (Enhanced deduction for qualifying expenditure on research and development) —

(*a*) to allow the enhanced deduction under that section for expenditure on research and development undertaken partly in Singapore and partly elsewhere and that is related to a person's trade or business; and

(*b*) to provide that, with effect from the year of assessment 2012, payments allowed an enhanced deduction under that section include payments made under a research and development cost-sharing agreement.

Clause 16 amends section 14E (Further deduction for expenditure on research and development project) to provide that no research and development project may be approved for the purposes of that section after 31st March 2015.

Clause 17 amends section 14K (Further or double deduction for overseas investment development expenditure) to provide that —

(*a*) where the claim by a company or firm for a deduction is for expenditure incurred between 1st April 2012 and 31st March 2016 (both dates inclusive) for carrying out a study to identify investment overseas, and the total of such expenditure and the expenses for which a deduction is claimed under section 14B(2A), does not exceed $100,000 per year of assessment, there is no need for the company or firm or the investment project to be first approved by the Minister or a person appointed by him;

(*b*) the qualifying expenditure under the section is exclusive of grants or subsidies from the Government or any statutory board (including grants or subsidies that have yet to be received at the time the deduction is claimed but will definitely be received at a later date); and

(*c*) no deduction under the section will be given to companies or firms enjoying tax incentives under various provisions of the Act or the Economic Expansion Incentives (Relief from Income Tax) Act.

Clause 18 amends section 14Q (Deduction for renovation or refurbishment expenditure) to remove the end date of 15th February 2013 by which expenditure incurred is entitled to a deduction under the section. The section is further amended to increase the expenditure qualifying for the deduction under that section from $150,000 to $300,000 from the specified period beginning with the basis period for the year of assessment 2013 onwards. The increased expenditure cap also applies to expenditure incurred during the specified period beginning with the basis period for the year of assessment 2011 or 2012, but only from the basis period for the year of assessment 2013 onwards. The requirement that a deduction under section 14Q may only be made after all other deductions have been allowed has also been lifted from the year of assessment 2013 onwards. Lastly, the section is amended to provide that expenditure incurred for a place of residence provided to employees does not qualify for the deduction.

Clause 19 amends section 14R (Deduction for qualifying training expenditure) to provide that, with effect from the year of assessment 2012, training expenditure qualifying for the deduction under that section includes expenditure incurred by a person to train prescribed individuals who are not his employees but are either engaged by him to carry out his trade or business, or by individuals to whom he leases property to enable the provision of a service. Individuals proposed to be prescribed include hirers of taxis from taxi service operators, real estate agents, representatives of financial advisers and capital markets services licence holders, and insurance agents.

Training expenditure qualifying for the deduction also includes expenditure incurred by a person (such as a lead agent of an insurer) to train prescribed

individuals whom he oversees (such as the sub-agents of the lead agent), where the person and prescribed individuals are all engaged by another person to carry on the same trade or business.

The section is further amended to provide that, with effect from the year of assessment 2012, training expenditure incurred on in-house training courses not accredited or approved by the Workforce Development Agency or the Institute of Technical Education will qualify for the deduction under that section, subject to a cap of $10,000 for each year of assessment and the overall cap on qualifying training expenditure.

Clause 20 amends section 19 (Initial and annual allowances for machinery or plant) to allow the depreciation period of an aircraft acquired on or after 1st March 2012 by an approved aircraft leasing company to be extended upon election (rather than upon approval of an application) of the company. The depreciation period of the aircraft is used for computing the annual allowance for the aircraft under that section.

Clause 21 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 clarify the manner in which enhanced allowances on PIC automation equipment acquired under hire-purchase agreements are to be written down in circumstances where the writing-down period is longer than a year; and

(*b*) to increase the cap on the full cost of any item of machinery or plant that may be fully written down in one year from $1,000 to $5,000 with effect from the year of assessment 2013. This is to make it easier for taxpayers to claim capital allowances.

Clause 22 makes editorial amendments to section 19B (Writing-down allowances for intellectual property rights) to change the word "person" in 2 subsections to "company" as that section only applies to companies.

Clause 23 amends section 19C (Writing-down allowances for approved cost-sharing agreement for research and development activities) to provide that writing-down allowances under the section will no longer be given for expenditure incurred in the basis period for the year of assessment 2012 or a subsequent year of assessment. Such expenditure will be given deductions under sections 14D and 14DA if they satisfy those provisions. The new subsection (5A) makes it clear that section 19C(5) (and its predecessor provision) still applies in relation to a cost-sharing agreement, the payments under which were given allowances under section 19C but which are now given a deduction under section 14D. This means that the consideration received for any disposal of rights under that agreement, etc. will be treated as a trading

receipt for the year of assessment of the basis period in which the disposal, etc. occurs.

Clause 24 amends section 26A (Ascertainment of income of member of Lloyd's syndicate) for the following purposes:

(*a*) to provide that the tax treatment for a limited partnership under section 36C does not extend to any Lloyd's Scottish limited partnership;

(*b*) to effect the following tax treatment for a Lloyd's limited liability partnership:

(i) the income of the partnership is taxed at the partnership level;

(ii) the rate of taxation is the non-resident, non-individual rate; and

(*c*) to make various amendments as a result of the removal of the Hindu joint family as a taxable entity.

Clause 25 amends section 34A (Adjustment on change of basis of computing profits of financial instruments) to provide for changes to the basis of computing profits of financial instruments arising from the adoption of SFRS for Small Entities by companies in Singapore. An amount to be brought into account for any financial instrument of a person who prepares his accounts in accordance with that set of financial standard is that which, in accordance with that standard, is recognised in determining the profit or loss or expense for that instrument.

That person may elect not to be subject to such treatment, and to subsequently opt to be subject to it by revoking the election. The right of election is not available to persons who are already subject to the tax treatment under the section (whether as regards FRS 39 or SFRS for Small Entities) because they had earlier failed to make the election or had revoked their election.

The clause also amends the definition of FRS 39 to include amendments to that financial reporting standard.

Clause 26 amends section 34C (Amalgamation of companies) to allow the Minister to appoint a person to approve any amalgamation of companies as a qualifying amalgamation, for the purposes of that section.

Clause 27 make various amendments to section 35 (Basis for computing statutory income) as a result of the removal of the Hindu joint family as a taxable entity.

Clause 28 amends section 36 (Partnership) —

(*a*) to state more accurately the manner of application of various sections of the Act in relation to partners of a partnership; and

(*b*) to make an amendment as a result of the removal of the Hindu joint family as a taxable entity.

Clause 29 amends section 37 (Assessable income) —

(*a*) to provide that donations which may only be applied for a purpose specified by the donor may be given a tax deduction only if they satisfy certain requirements;

(*b*) to provide that a donation for which the donor or another person receives or will receive a benefit qualifies for a tax deduction, but the amount of the donation for which the deduction may be given excludes the amount of any benefit which the donor or a person connected with him receives or will receive as a result of making the donation; and

(*c*) in consequence of the removal of the Hindu joint family as a taxable entity.

Clause 30 amends section 37B (Adjustment of capital allowances, losses or donations between income subject to tax at different rates) to provide that, if a company derives only exempt income for the year of assessment 2013 or a subsequent year of assessment, any sum allowable as a deduction in respect of a donation referred to in section 37(3)(*b*), (*c*), (*d*) or (*f*) made by it will be treated as "unabsorbed donation in respect of income that is taxable at the normal corporate rate". This is for the purpose of determining the amount of deduction of such unabsorbed donation in a subsequent year of assessment for which the company derives income that is subject to tax at a concessionary tax rate or rates.

Clause 31 amends section 37C (Group relief for Singapore companies) to allow any unutilised deduction under section 14Q to qualify for group relief under section 37C from year of assessment 2013 onwards.

Clause 32 amends section 37I (Cash payout under Productivity and Innovation Credit Scheme) —

(*a*) to allow an election for the cash payout to be made for the years of assessment 2014 and 2015 (clause 32(*a*) and (*b*));

(*b*) to allow an election for the cash payout to be made at the end of each financial quarter in a basis period, and not only at the end of each basis period (clause 32(*a*) and (*m*)). A person qualifying for the payout can also accumulate qualifying expenditure from consecutive quarters within the same basis period before making an election based on the accumulated expenditure (clause 32(*n*));

(*c*) to increase the rate for converting qualifying expenditure into a cash payout from 30% to 60% for the years of assessment 2013, 2014 and 2015 (clause 32(*b*) and (*k*)); and

(*d*) to clarify that once an election has been made for a cash payout in place of a deduction or allowance for expenditure incurred on the grant or registration of any qualifying intellectual property right, the

acquisition of any intellectual property right, or the provision of a PIC automation equipment, no part of such expenditure is eligible for any deduction or allowance (clause 32(*e*)). By virtue of subsection (7), this applies to the full amount of expenditure incurred on each of those matters even if only a part of it is selected to be the subject of the cash payout.

The clause also amends section 37I to allow a cash payout to be given for capital expenditure made to acquire PIC automation equipment on hire-purchase terms, or intellectual property rights by instalment payments, which straddle 2 or more basis periods (clause 32(*b*), (*c*), (*d*), (*f*), (*g*) and (*l*)). This applies to agreements signed during the basis period for the year of assessment 2012 onwards. Where the hire-purchase agreement for any PIC automation equipment or agreement to acquire intellectual property rights by instalment payments is signed in a basis period for any year of assessment, the cash payout for the equipment or rights will be computed together with all other expenditure eligible for the cash payout in that year of assessment, using the cost for the equipment or rights and the expenditure cap for that year. The amount of cash payout attributable to the equipment or rights will then be paid out for every basis period during which capital expenditure under the agreement is made for the equipment or rights. The election for cash payout for the equipment or rights is treated as made on the total capital expenditure for the equipment or rights (existing subsection (7)), and no part of such expenditure is eligible for any allowance or further allowance (re-enacted subsection (9)).

By way of illustration, a company signs a hire-purchase agreement during the basis period for the year of assessment 2012 for PIC automation equipment A that costs $85,000, and also procures PIC automation equipment B on cash terms for $36,000.

Assuming that an expenditure cap of $100,000 applies for computing the cash payout for the company for the year of assessment 2012, the amount of qualifying expenditure that can be converted into cash for that year of assessment is $100,000, being the lower of the following:

(*a*) $100,000;

(*b*) the aggregate of the prices of PIC automation equipment A ($85,000) and PIC automation equipment B ($36,000).

Assuming again that the company decides to take the whole of the expenditure on PIC automation equipment B but only part of the expenditure on PIC automation equipment A to make up the $100,000. Only $64,000 (i.e. $100,000 − $36,000) may be used for determining the amount of cash payout for PIC automation equipment A.

The total amount of cash payout in respect of PIC automation equipment A will thus be the product of $64,000 and 30% (being the conversion rate for the

year of assessment 2012) or $19,200. If the company incurs capital expenditure (by way of deposit or instalment payments) on PIC automation equipment A of $30,000 for the basis period for the year of assessment 2012, and $55,000 for the basis period for the year of assessment 2013, then the amounts of cash payout to be made to the company for the year of assessment 2012 and the year of assessment 2013 will be as follows:

(*a*) for the year of assessment 2012, $9,000 (30% of $30,000);

(*b*) for the year of assessment 2013, $10,200 (30% of the difference between $64,000 and $30,000).

Lastly, the new subsection (11A) (inserted by clause 32(*h*) and (*i*)) provides for the recovery of an amount of the cash payout for acquisition of intellectual property rights on instalment payment terms, and the reduction of any such payout that has yet to be made, if the rights come to an end, are disposed of or (if they are rights in software) are licensed to another, or if the qualifying person ceases to carry on the trade or business for which the rights are acquired.

Clause 33 amends section 37L (Deduction for acquisition of shares of companies) for the following purposes:

(*a*) to clarify that the acquiring company and one or more acquiring subsidiaries may together make qualifying acquisitions of ordinary shares in the same target company, and to further clarify that it is the cumulative ownership of such shares by the acquiring company and its acquiring subsidiaries that determines whether or not the threshold requirements of more than 50%, or 75% or more, have been reached (clause 33(*a*), (*b*), (*d*), (*e*), (*h*), (*i*), (*j*), (*o*) and (*p*));

(*b*) to remove the requirement that an acquiring subsidiary must be wholly and directly owned by the acquiring company, and to provide for the conditions to be satisfied where the acquiring subsidiary is indirectly and wholly owned by the acquiring company (clause 33(*c*), (*l*), (*m*) and (*r*));

(*c*) to allow a deduction for transaction costs for qualifying share acquisitions, subject to an expenditure cap of $100,000 for each relevant year of assessment (clause 33(*f*), (*g*), (*k*) and (*u*));

(*d*) to allow the conditions imposed in relation to a target company to be satisfied by a subsidiary that is wholly, indirectly owned by the target company (clause 33(*n*));

(*e*) to impose conditions that intermediate companies through which an acquiring subsidiary is owned by the acquiring company must satisfy in order for the acquiring company to be entitled to the deduction for capital expenditure incurred on qualifying acquisitions (clause 33(*q*));

(*f*) to allow the requirement that the ultimate holding company must be incorporated and tax resident in Singapore to be waived by the Minister or such person as he may appoint (clause 33(*s*));

(*g*) to exclude from the deductions for capital expenditure and transaction costs, any such expenditure and costs which are or will be subsidised by grants or subsidies from the Government or a statutory board (clause 33(*v*)); and

(*h*) to broaden the scope of the power of the Minister in making regulations pertaining to the application of section 37L in relation to business trusts.

Clause 34 inserts a new section 37M to deal with donations made prior to the basis period for the year of assessment 2013, and which have yet to be deducted against the amount of income which is to be exempt from tax under the law applicable to previous years of assessment. This could occur if, for example, the taxpayer made a loss and the donation has to be carried forward under that law to a subsequent year of assessment.

The company may offset such unabsorbed donation against its other taxable income for the year of assessment 2013 and subsequent years of assessment, subject to a 5 year limit. The provision details how the unabsorbed donation is to be deducted against the income of the company for the year of assessment 2013. In general, the deduction will be on a "dollar-for-dollar" basis, without the need to apply the adjustment factor under section 37B. The deduction of the balance of the unabsorbed donation in the year of assessment 2014 onwards will however be subject to section 37B, where applicable.

The deduction of the balance against the income of the company for the year of assessment 2013 is to be made in the manner provided for under subsection (2). Where a part of the unabsorbed balance is deducted against any type of income for the year of assessment 2013 and a sum remains after the deduction, the remaining sum will then be used for making a deduction against the same type of income for the year of assessment 2014. The sum remaining after the last-mentioned deduction will then be deducted against any other type of income for that year of assessment using the adjustment factor under section 37B. If there is any sum remaining after such deduction, the same order of deduction (first against the first-mentioned type of income, then against other types of income subject to section 37B) will be used for deducting the remaining sum against the income for the year of assessment 2015, and so on.

By way of illustration, suppose a company has $100 unabsorbed donation that has yet to be deducted from income exempt from tax and is carried forward from the year of assessment 2012 to the year of assessment 2013. In the year of assessment 2013, the company only derives normal income of $30 and in the year of assessment 2014, the company derives normal income of $50 and

concessionary income (subject to tax at 10%) of $50. The unabsorbed donation of $100 will be deducted as follows:

Year of Assessment 2013			
	Normal tax rate	**Concessionary tax rate (10%)**	**Remarks**
Income	$30	-	
Unabsorbed donations brought forward	($100)	-	section 37M(2)(*b*)
Unabsorbed donations carried forward	$70		
Year of Assessment 2014			
Income	$50	$50	
Unabsorbed donations brought forward	($70)	-	section 37M(1)(v)
	$20	$50	
Horizontal set-off	($20)	($34)	section 37B adjustment
Chargeable income	$0	$16	

Clause 35 amends section 39 (Relief and deduction for resident individual and Hindu joint family) —

(*a*) to increase the amount of earned income relief for an individual who suffers a disability or is above 55 years of age;

(*b*) to allow a deduction for payments made by an individual to the CPF retirement account or special account of his parent-in-law or grandparent-in-law, subject to the conditions and maximum amount stipulated under section 39(3) and (5); and

(*c*) to make amendments as a result of the removal of the Hindu joint family as a taxable entity.

Clause 36 makes an amendment to section 42 (Rates of tax upon individuals) as a result of the removal of the Hindu joint family as a taxable entity.

Clause 37 makes various amendments to section 43 (Rate of tax upon companies and others) —

(*a*) as a result of the removal of the Hindu joint family as a taxable entity; and

(*b*) to provide for tax transparency for certain income of a real estate investment trust that is distributed on or after 1st April 2012 by way of units in the trust, subject to conditions.

Clause 38 amends section 43Y (Concessionary rate of tax for leasing of aircraft and aircraft engines) to extend the period by which an aircraft leasing company may be approved for the tax concession under that section, to 31st March 2017.

Clause 39 amends section 43Z (Concessionary rate of tax for aircraft investment manager) to extend the period by which an aircraft investment manager may be approved for the tax concession under that section, to 31st March 2017.

Clause 40 amends section 43ZA (Concessionary rate of tax for container investment enterprise) to apply the concessionary rate of tax in that section to income from the leasing of intermodal equipment which is incidental to the leasing of sea-containers. The definition of "container" is also expanded to include a sea-container that adheres to the standards defined by an organisation equivalent to the Institute of International Container Lessors or the International Organization for Standardization. The above changes are for the year of assessment 2013 and subsequent years of assessment.

Clause 41 amends section 45 (Withholding of tax in respect of interest paid to non-resident persons) to extend the notice filing period and payment of tax which is deducted from interest, to the 15th day of the second month following the month in which the interest is paid to a non-resident person.

Clause 42 amends section 45A (Application of section 45 to royalties, management fees, etc.) so that the obligation to withhold tax does not apply to payments for the charter of a ship liable to be made to non-resident persons on or after 17th February 2012.

Clause 43 makes an amendment to section 45D (Application of section 45 to gains from real property transaction) similar to that made to section 45.

Clause 44 inserts a new section 45I to exempt from the obligation to withhold tax, persons who pay interests and other income referred to in section 12(6) to non-resident persons under specified circumstances. Under current legislation, such income is taxable if made to a non-resident person through its permanent establishment in Singapore, and the payer must withhold tax on the income. The persons who are so exempted when making the payments are banks, merchant banks, finance companies, and certain capital markets services licence holders

which underwrite debts or equity issuances, and which are approved by the Minister or a person appointed by him.

Clause 45 repeals section 61 (Hindu joint families) and clause 46 makes various amendments to section 63 (Furnishing of estimate of chargeable income if no return is made under section 62), as a result of the removal of the Hindu joint family as a taxable entity.

Clause 47 inserts a new section 92C to provide for a one-off non-taxable cash grant to a company which has made CPF contribution for any employee during the basis period for the year of assessment 2012. The Minister may waive the condition regarding CPF contribution on a case by case basis. The amount of the cash grant is 5% of the company's gross income from its principal activities, subject to a maximum of $5,000. However, the cash grant cannot be made to a company which has ceased to carry on business in Singapore. The cash grant may also be made to a registered business trust if its trustee-manager has at least one dedicated employee to assist in managing or operating the trust.

Clause 48 makes consequential amendments to section 107 (Consequential provision arising from abolition of imputation system) as a result of the repeal of sections 13I and 13K.

Clause 49 makes an amendment to the Second Schedule (Rates of Tax) as a result of the removal of the Hindu joint family as a taxable entity.

Clause 50 amends the Fifth Schedule (Child Relief) to provide for tax relief for a married woman, divorcee or widow who maintained a child who died and was a Singapore citizen at the date of his death, from the year of assessment 2012 onwards.

Clause 51 amends various provisions of the Act —

(*a*) to remove the power, when making regulations for determining the amount of exempt income under several provisions, to provide for the deduction of donations otherwise than in accordance with the Act. This is because donations will no longer be deducted from the amount of exempt income;

(*b*) to make various consequential amendments arising from the expansion of the scope of the tax deduction under section 14D;

(*c*) to clarify that the rule that expenditure does not qualify for deductions or allowances under specified sections because it is subsidised by a grant or subsidy from the Government or a statutory board, extends to a case where the grant or subsidy has yet to be received at the time the deduction or allowance is claimed but will definitely be received at a later date; and

(*d*) to modify the new section 13Z in its application to a registered business trust.

Clause 52 is a savings provision to preserve the application of sections 45 and 45D in force before 1st July 2012 to payments and deductions made before that date. For such payments and deductions, the taxes withheld and notices of deduction under those sections must be paid to and filed with the Comptroller by the 15th day of the month following the month in which the payment is made to the non-resident person (in the case of section 45) or deduction made from such payment (in the case of section 45D). The clause also enables the Minister to make regulations to prescribe further savings and transitional provisions.

Clause 53 amends section 97M (Qualifying income) of the Economic Expansion Incentives (Relief from Income Tax) Act to remove the requirement to deduct any donation from the amount of qualifying income of an overseas enterprise that is exempt from tax. The clause also removes the rule that unabsorbed donations may be deducted against qualifying income only.

EXPENDITURE OF PUBLIC MONEY

This Bill will involve the Government in extra financial expenditure, the exact amount of which cannot at present be ascertained.