

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

Bill No. 41/2024.

Read the first time on 15 October 2024.

A BILL

intituled

An Act to amend the Economic Expansion Incentives (Relief from Income Tax) Act 1967.

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

Short title and commencement

1. This Act is the Economic Expansion Incentives (Relief from Income Tax) (Amendment) Act 2024 and comes into operation on a date that the Minister appoints by notification in the *Gazette*.

5 Amendment of section 21

2. In the Economic Expansion Incentives (Relief from Income Tax) Act 1967 (called in this Act the principal Act), in section 21 —

(a) in subsection (9), after “(13)”, insert “(read with subsection (13A))”;

10 (b) in subsection (10), replace “In subsection (9), the concessionary rate is” with “Subject to subsection (17A), the initial concessionary rate is”;

(c) in subsections (10)(b) and (11), replace “either 5% or 10%” with “5%, 10% or 15%”;

15 (d) in subsection (11), replace “The” with “Subject to subsection (17A), the”;

(e) replace subsection (13) with —

20 “(13) Subject to subsection (14), the concessionary rate of tax applicable to the expansion income derived by a specified development and expansion company —

25 (a) from the qualifying activity specified in the company’s certificate during any part of the company’s tax relief period for that activity that is a relevant part (called part *X*); or

30 (b) if the certificate specifies 2 or more qualifying activities, from all of those activities during any part of the company’s respective tax relief periods for those activities that is a relevant part (also called part *X*),

is the rate specified by the Minister to the company, which must not be less than $[(0.5 \times B) + A]\%$.

(13A) For the purposes of subsection (13) —

(a) A is 5%, 10% or 15%, as determined by the Minister;

(b) where A is 5% or 10% —

(i) each part of the company's tax relief period in subsection (17)(a) to (d) is a relevant part of the company's tax relief period; and 5

(ii) B is the number of milestone dates for those relevant parts of the tax relief period — 10

(A) on which the company was a specified development and expansion company; and

(B) that have transpired as of and including the milestone date of part X; and 15

(c) where A is 15% —

(i) each part of the company's tax relief period in subsection (17)(c) and (d) is a relevant part of the company's tax relief period; and 20

(ii) B is the number of milestone dates for those relevant parts of the company's tax relief period — 25

(A) on which the company was a specified development and expansion company; and

(B) that have transpired as of and including the milestone date of part X.”; 30

(f) in subsection (14), replace “a development and expansion company mentioned in subsection (13)” with “a specified development and expansion company”;

(g) replace subsections (15) and (16) with —

5 “(15) Where subsection (14) applies, then the substituted rate applies to the expansion income derived from that activity from and including the date of the substitution up to and including —

10 (a) the last day of the part of the tax relief period; or

(b) if the substituted rate is itself substituted with some other rate in the part of the tax relief period, the day immediately before the date of substitution of the other rate.

15 (16) Subject to subsection (17A), the substituted rate for a part of the tax relief period mentioned in subsection (14) must not be less than $[(0.5 \times B) + A]\%$, where —

20 (a) A is 5%, 10% or 15%, as determined by the Minister; and

(b) B is —

(i) where A is 5% or 10%, the number of milestone dates —

25 (A) on which the company was a specified development and expansion company; and

(B) that have transpired as of and including the date from which the substituted rate is to apply; and

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(ii) where A is 15% —

(A) if the substitution is in a part of the tax relief period of the

company mentioned in subsection (17)(a) or (b) — zero; and

(B) if the substitution is in a part of the tax relief period of the company in subsection (17)(c) or (d) — the number of milestone dates for the parts of the tax relief period in subsection (17)(c) and (d) —

(BA) on which the company was a specified development and expansion company; and

(BB) that have transpired as of and including the date from which the substituted rate is to apply.”;

(h) in subsection (17), after “subsections (13),”, insert “(13A),”;

(i) after subsection (17), insert —

“(17A) For the purposes of subsections (10)(b), (11), (13) and (16), the Minister may, on or after 17 February 2024 —

(a) specify the concessionary rate of 15% in the certificate;

(b) substitute the concessionary rate in the certificate with 15%; or

(c) determine A to be 15%,

(as the case may be), but only for any expansion income that is derived on or after 1 January 2024.”; and

(j) after subsection (22), insert —

“(23) In this section —

“milestone date” means the first day of any part of a tax relief period in subsection (17);

“specified development and expansion company” means a development and expansion company that —

(a) was or is approved as such on or after 29 February 2012 under subsection (3); or

(b) was or is granted on or after 29 February 2012 an extension of its tax relief period or periods for any qualifying activity or activities under section 22.

(24) To avoid doubt, in this section, where a development and expansion company was or is granted on or after 29 February 2012 an extension of its tax relief period or periods for any qualifying activity or activities, the company is a specified development and expansion company for the purposes of this section only as from the first day of the extension of the tax relief period or periods.”.

Amendment of section 22

3. In the principal Act, in section 22, replace subsections (6) and (7) with —

“(6) An extension of the tax relief period of a relevant development and expansion company for a qualifying activity under subsection (4) may only be granted during the period between 18 February 2008 and 31 December 2028 (both dates inclusive).

(7) In subsections (4), (5) and (6), “relevant development and expansion company” means a development and expansion company that —

- (a) engages in any qualifying activity and oversees, manages or controls the conduct of the activity on a regional or global basis; or
- (b) engages in any qualifying activity described in paragraph (b) or (c) of the definition of “qualifying activity” in section 20 (except one to which this paragraph does not apply pursuant to regulations made for the purpose of subsection (7A)).

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(7A) The Minister may prescribe any qualifying activity under paragraph (b) or (c) of the definition of “qualifying activity” in section 20, as a qualifying activity to which subsection (7)(b) does not apply.”

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Amendment of section 41

4. In the principal Act, in section 41 —

- (a) in subsection (1), replace the definition of “fixed capital expenditure” with —

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““fixed capital expenditure” means —

- (a) capital expenditure to be incurred on an approved project by a company on the following items that are used for carrying out the project:

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- (i) any factory building (excluding land) in Singapore and, in relation to any project under section 43(1)(b), (c), (d), (f), (g) or (k), includes a building or structure specially designed for carrying out the project;

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- (ii) the acquisition of any know-how or patent rights;

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- (iii) any new productive equipment (and, subject to the approval of the Minister, any secondhand productive equipment) to be

used in Singapore and, in relation to any project under section 43(1)(*h*) or (*k*), includes any productive equipment to be used outside Singapore as approved under section 43(3); and

(*b*) without affecting paragraph (*a*), for any project under section 43(1)(*m*), such capital expenditure as may be prescribed;” and

(*b*) after subsection (3), insert —

“(4) For the purposes of this Part, the Minister may prescribe that fixed capital expenditure incurred by a company in relation to any project under section 43(1)(*m*) is not fixed capital expenditure for the purposes of this Part 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 43

5. In the principal Act, in section 43 —

(*a*) in subsection (1)(*k*), delete “or” at the end;

(*b*) in subsection (1)(*l*), replace the comma at the end with “; or”;

(*c*) in subsection (1), after paragraph (*l*), insert —

“(*m*) for such other activity as may be prescribed;”;

(*d*) after subsection (1), insert —

“(1A) Where a project is prescribed for the purposes of subsection (1)(*m*), the regulations may further provide that approval under this section may not be granted to any company in respect of the project after a prescribed date.”;

- (e) in subsection (7), replace “between 1 April 2010 and 31 December 2026 (both dates inclusive)” with “from and including 1 April 2010 up to and including 31 December 2026 or such earlier date as may be prescribed”;
- (f) in subsection (8), after “1 January 2029”, insert “or such earlier date as may be prescribed”; 5
- (g) in subsection (9), replace “between 20 February 2018 and 31 December 2028 (both dates inclusive)” with “from and including 20 February 2018 up to and including 31 December 2028 or such earlier date as may be prescribed”; and 10
- (h) in subsection (10), replace “between 1 April 2021 and 31 December 2026 (both dates inclusive)” with “from and including 1 April 2021 up to and including 31 December 2026 or such earlier date as may be prescribed”. 15

Amendment of section 64

6. In the principal Act, in section 64, after subsection (2), insert —

“(2A) Where —

- (a) any service or activity is prescribed as a qualifying activity for the purposes of section 16 or 20, or any project is prescribed for the purposes of section 43(1)(m); 20
- (b) any approval is granted under section 17(3), 21(3) or 43(2) (as the case may be) in connection with the prescription mentioned in paragraph (a); and 25
- (c) thereafter regulations made under this section remove such prescription,

the regulations may further provide for all or any of the following:

- (d) for the approval to continue in force, and for this Act to continue to apply in relation to the approval, despite the removal of the prescription; 30

- (e) for any modification of any provision of this Act or the Income Tax Act 1947 in its application pursuant to paragraph (d) (including for any such provision to cease to apply);
- 5 (f) for any other matter of a saving or transitional nature.”.

EXPLANATORY STATEMENT

This Bill seeks to amend the Economic Expansion Incentives (Relief from Income Tax) Act 1967.

Clause 1 relates to the short title and commencement.

Clauses 2 and 3 amend sections 21 (Application for and issue of certificate to development and expansion company) and 22 (Tax relief period of development and expansion company), respectively, which relate to the Development and Expansion Incentive.

The amendments to section 21 —

- (a) provide that a concessionary rate of tax of 15% (in addition to the current concessionary rates of tax of 5% and 10%) may be specified as a base rate on or after 17 February 2024, for qualifying income derived on or after 1 January 2024 by a company that is awarded the development and expansion incentive (called the DEI recipient) (the amendments to subsections (10)(b) and (11) and the new subsection (17A) under clause 2(c) and (i));
- (b) provide that the 15% base rate is to be increased by at least 0.5% points in the parts of the tax relief period of the DEI recipient mentioned in subsection (17)(c) and (d), during which the DEI recipient is a specified development and expansion company (replaced subsection (13) and the new subsection (13A) under clause 2(e));
- (c) allow for the concessionary rates of tax applied to the DEI recipient at the 15% base rate and step up rates, to be substituted with those at the 5% and 10% base rates and their step up rates, and vice versa (replaced subsection (16) under clause 2(g)); and
- (d) provide for how one or more such substitutions in any part of a tax relief period will be applied to the income of the DEI recipient derived in that part of the tax relief period (replaced subsection (15) under clause 2(g)).

The amendments to section 22 —

- (a) enable extensions of the tax relief periods of relevant DEI recipients to continue to be granted up to 31 December 2028; and
- (b) widen the scope of a “relevant development and expansion company”.

Clauses 4 and 5 amend sections 41 (Interpretation of this Part) and 43 (Capital expenditure investment allowance), respectively, which relate to investment allowances.

The amendments to section 43 enable projects in relation to which investment allowances may be given, to be prescribed in regulations. A consequential amendment is made to the definition of “fixed capital expenditure” in section 41, to enable capital expenditure to be prescribed as fixed capital expenditure for the purpose of investment allowances in relation to new projects prescribed under the amendments to section 43.

The amendments to section 43(7) to (10) further enable regulations to be made to shorten the period in which approvals may be given for the projects covered by those provisions.

Clause 6 amends section 64 (Regulations) to enable regulations to be made to provide for various matters when the prescription of any service or activity as a qualifying activity for the purposes of the Pioneer Services Companies scheme or the Development and Expansion Incentive, or any project for the purposes of investment allowances under the amendments to section 43 (see clause 5), is removed.

EXPENDITURE OF PUBLIC MONEY

This Bill will involve the Government in extra financial expenditure, the exact amount of which cannot at present be ascertained.
