### PRODUCTIVITY AND INNOVATION SCHEME

It pays to be productive

You can get up to 400% tax deduction under PIC. Invest in any of these 6 categories to take advantage of the tax savings scheme.

#### Purchase / lease of PIC Automation Equipment
Includes computer, laptop, printer, fax machine, and office system software.

#### Training of Employees
Cost spent on internal Workforce Skills Qualification courses for staff’s skills upgrading.

#### Acquisition of Intellectual Property
Cost of patented technology for use in manufacturing process; Price paid for trademark and copyrights.

#### Registration of Intellectual Property
Costs incurred to register patents, trademarks, designs and plant varieties

#### Research & Development
Salaries for R&D personnel and fees to R&D institutes for activities undertaken.

#### Approved Design Projects
Fees to engage in-house qualified designers or outsourced to approved design services providers to carry out approved design activities.

<table>
<thead>
<tr>
<th><strong>Acquisition and Leasing of PIC IT &amp; Automation Equipment</strong></th>
<th><strong>Training Expenditure</strong></th>
<th><strong>Acquisition and In-licensing of Intellectual Property</strong></th>
<th><strong>Registration of Patents, Trademarks, Designs and Plant Varieties</strong></th>
<th><strong>Research &amp; Development (R&amp;D)</strong></th>
<th><strong>Approved Design Expenditures</strong></th>
</tr>
</thead>
<tbody>
<tr>
<td>Desktop, laptop and software</td>
<td>In-house training accredited by Singapore Workforce Development Agency (WDA) or approved/certified by Institute of Technical Education (ITE)</td>
<td>Costs incurred to buy Intellectual Property Rights / IPR (e.g. a patented technology) for use in trade or business</td>
<td>Local and Worldwide Trademark Registration including professional fees</td>
<td>Qualifying R&amp;D Activities</td>
<td>Approved design projects relating to product &amp; industrial design activities</td>
</tr>
<tr>
<td>Web development costs</td>
<td>External course fees for employees (excluding business owners)</td>
<td>Costs incurred on IPR in-licensing (e.g. price paid for copyright)</td>
<td></td>
<td>Salaries for R&amp;D personnel</td>
<td>Fees to engage in-house eligible designers</td>
</tr>
<tr>
<td>Fax machines, laser printers, smart phones and other IT equipment</td>
<td></td>
<td></td>
<td></td>
<td>Fees paid to R&amp;D institute for creating a novel product</td>
<td>Fees outsourced to eligible design service providers to carry out approved design activities</td>
</tr>
</tbody>
</table>

Last updated on April 3, 2014
ENHANCED PIC SCHEME: YA 2013 - YA 2015

To encourage businesses to undertake improvement in productivity and innovation, eligible businesses that spend a minimum of $5,000 in qualifying PIC investments in a YA will receive a dollar-for-dollar matching cash bonus.

The PIC Bonus is capped at $15,000 for the 3-year period (YA 2013 to YA 2015), and is given in addition to existing PIC benefits of:

**Option 1**

**Cash Payout of up to $60k**

At least 3 CPF Employees

How it Works

BEFORE PIC

S$1 Expenditure

AFTER PIC

S$0.60 Cash Payout (for a maximum of $100,000 per YA)

**Option 2**

**Tax Deduction of up to 400%**

Having Profitable Business

How it Works

BEFORE PIC

S$1 Expenditure

AFTER PIC

S$4 Tax Deductible Expenditure
ENHANCED PIC SCHEME

LIBERALIZED SCOPE OF AUTOMATION EQUIPMENT

With effect from YA 2013, more equipment will qualify for PIC benefits through the following changes:

a) Liberalized conditions for approving equipment that is not on the prescribed list:

- The equipment automates or merchandises, whether in whole or in part, the work processes, whether core or non-core of the business; and

- The equipment enhances the productivity of the business.

_An equipment that is a basic tool will be allowed if:_

- It increases productivity compared to the existing equipment used in the business; or
- It has not been used in the business before.

b) The term “automation equipment” is changed to “IT and automation equipment” to reflect the fact that PIC already supports IT-related software besides automation equipment.

c) The prescribed equipment list has been expanded and will be updated regularly to take into account feedback from businesses.

IP LICENSING

To help businesses that license IP rights instead of acquiring the IP for innovation or productivity improvements, the PIC scheme will be enhanced to allow IP in-licensing costs incurred from YA 2013 to YA 2015 to qualify for PIC benefits.

The current PIC qualifying activity of “Acquisition of Intellectual Property” will also be renamed to “Acquisition and In-Licensing of Intellectual Property” to reflect the change.

IRAS will release further details by April 2013.
To support small and growing businesses which may be cash-constrained, to innovate and improve productivity, businesses can exercise an option to convert their expenditure into a non-taxable cash payout. They can convert up to S$100,000 (subject to a minimum of S$400) of their total expenditure in all the six qualifying activities into cash payouts.

- An eligible business can opt to convert 60% of qualifying PIC expenditure (capped at S$100,000) into a non-taxable cash payout, amounting to S$60,000 per YA.
- Claimable any time after the end of each financial quarter, but no later than the due date for the filing of its income tax returns for the relevant year.

**Eligibility Criteria:**

Businesses that can opt for the cash payout are sole-proprietorships, partnerships, companies (including registered business trusts) that have:

1. **At least 3 local employees with CPF contributions** (excluding sole-proprietors, partners under contract for service & shareholders who are directors of the company)
2. **Active business operations in Singapore**
3. **Expenditure in any of the six qualifying areas**
   - Prescribed automation equipment
   - Training expenditures
   - Acquisition & in-licensing of intellectual property
   - Registration of intellectual property
   - Research & development
   - Approved design expenditures
The Productivity and Innovation Credit (PIC) Scheme provides tax incentives so as to encourage businesses to invest and upgrade along the innovation value chain. The table below outlines the benefits of the PIC:

<table>
<thead>
<tr>
<th>Qualifying activities</th>
<th>Brief description of qualifying expenditures under the PIC</th>
<th>Total deductions/allowances under the PIC (as a % of qualifying expenditure)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisition or Leasing of Prescribed Automation Equipment</td>
<td>Costs incurred to acquire/lease prescribed automation equipment</td>
<td></td>
</tr>
<tr>
<td>Training Expenditure</td>
<td>Costs incurred on: In-house training (i.e. Singapore Workforce Development Agency (“WDA”) certified, Institute of Technical Education (“ITE”) certified; or All external training.</td>
<td>400% allowance or deduction for qualifying expenditure subject to the expenditure cap, 100% allowance or deduction for the balance expenditure exceeding the cap</td>
</tr>
<tr>
<td>Acquisition of Intellectual Property Rights (“IPRs”)</td>
<td>Costs incurred to acquire IPRs for use in a trade or business (exclude EDB approved IPRs and IPRs relating to media and digital entertainment contents)</td>
<td></td>
</tr>
<tr>
<td>Registration of Intellectual Property Rights (“IPRs”)</td>
<td>Costs incurred to register patents, trademarks, designs and plant variety</td>
<td></td>
</tr>
<tr>
<td>Design Expenditure</td>
<td>Costs incurred to create new products and industrial designs where the activities are primarily done in Singapore</td>
<td></td>
</tr>
<tr>
<td>Research &amp; Development (“R&amp;D”)</td>
<td>Costs incurred on staff, costs and consumables for qualifying R&amp;D activities carried out in Singapore or overseas, if the R&amp;D done overseas is related to the taxpayer’s Singapore trade or business</td>
<td>400% tax deduction for qualifying expenditure subject to the expenditure cap*. For qualifying expenditure exceeding the cap for R&amp;D done in Singapore, deduction will be 150%. For balance of all other expenses, including expenses for R&amp;D done overseas, deduction will be 100%</td>
</tr>
</tbody>
</table>

Notes:
Maximum claim for each activity is $1.4M combinely for YA 2013- YA 2015.
Maximum claim for each activity is $1.8M combinely for YA 2016- YA 2018.
# PRODUCTIVITY & INNOVATION CREDIT TAX CLAIMS CHART

<table>
<thead>
<tr>
<th>You Earn</th>
<th>Estimated Taxable Income</th>
<th>Estimated Tax Payable</th>
<th>Effective Tax Rate</th>
<th>Total Qualifying Expenditure *</th>
<th>Total PIC Claim (400%)</th>
<th>You Pay</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>1,000,000</td>
<td>106,000</td>
<td>10.60%</td>
<td>250,000</td>
<td>1,000,000</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>2,000,000</td>
<td>276,000</td>
<td>13.80%</td>
<td>500,000</td>
<td>2,000,000</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>3,000,000</td>
<td>446,000</td>
<td>14.87%</td>
<td>750,000</td>
<td>3,000,000</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>4,000,000</td>
<td>616,000</td>
<td>15.40%</td>
<td>1,000,000</td>
<td>4,000,000</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>5,000,000</td>
<td>786,000</td>
<td>15.72%</td>
<td>1,250,000</td>
<td>5,000,000</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>6,000,000</td>
<td>956,000</td>
<td>15.93%</td>
<td>1,500,000</td>
<td>6,000,000</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>7,000,000</td>
<td>1,126,000</td>
<td>16.09%</td>
<td>1,750,000</td>
<td>7,000,000</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>9,600,000</td>
<td>1,568,000</td>
<td>16.33%</td>
<td>2,400,000</td>
<td>9,600,000</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>13,000,000</td>
<td>2,146,000</td>
<td>16.51%</td>
<td>3,250,000</td>
<td>13,000,000</td>
<td>0</td>
</tr>
<tr>
<td></td>
<td>25,000,000</td>
<td>4,186,000</td>
<td>16.74%</td>
<td>6,250,000</td>
<td>25,000,000</td>
<td>0</td>
</tr>
</tbody>
</table>

**Notes:**
Maximum claim for each activity is $1.4M combinely for YA 2013- YA 2015.
Maximum claim for each activity is $1.8M combinely for YA 2016- YA 2018.
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