If the tax is not paid by the due date, a 5% penalty is imposed and a demand note will be issued. If the tax outstanding is not paid within 60 days of the imposition of the 5% penalty, the Comptroller will impose an additional penalty of 1% of the outstanding tax for each completed month that the tax remains outstanding. However, the total additional penalty cannot exceed 12% of the outstanding tax, ie the total late payment penalties that can be imposed is 17%.

Example 4

The notice of assessment for YA 2014 was issued on 15 April 2014. The due date for payment of tax assessed of $25,000 was 15 May 2014 (one month from the date of notice of assessment). A demand note was issued to the taxpayer on 10 June 2014. The taxpayer did not pay his tax until 26 December 2014. What are the outstanding tax and penalties?

Tax payable	$25,000
Late payment penalties:	
(i) On tax outstanding after 1 month from date of notice of assessment, 15 April 2014	
– 5% × $25,000	$1,250
(ii) Additional 1% for every completed month tax outstanding after 60 days from the date of imposition of 5% penalty, ie 10 August 2014	
– 1% × $25,000 × 4 months	$1,000
Outstanding tax and penalties on 26 December 2014	$27,250

Instalment payments can be arranged with the Comptroller. Individual taxpayers can arrange for a maximum of 12 instalments through the GIRO system. The instalments can commence in April of the tax year until March of the following year.

Law: Pt XIX

¶2-110 Repayment of taxes

A claim can be made for the repayment of tax paid in excess. This is provided a claim for the repayment is made within six years (if the year of assessment is earlier than 2008) or four years (if the year of assessment is 2008 or later) from the end of the year of assessment to which the claim relates.

With effect from 1 July 2007, as part of the IRAS commitment to upholding high service standards to taxpayers, all tax refunds (ie with credit balance of more than $15) due to the taxpayers, subject to the offset of other unpaid taxes, if any, will be processed within 30 days from the date of finalisation of the assessment without the taxpayers having to ask for it, except for the overpayment of withholding tax (ie on payments to non-Singapore tax residents) under s 45 of the ITA.

If there is a delay in refunding, the IRAS will pay late refund interest to the taxpayer which will be calculated based on a simple interest rate of 5% per annum on the amount refundable thereon.

For credits of $15 or below, it will not be refunded automatically and will be used to offset future tax liability. However, the taxpayer can write to the IRAS to arrange for a separate refund if he/she prefers.

Law: s 93

¶2-111 Offences and penalties

The following is a summary of the various penalties provided for under the ITA:

Offence	*Penalty*
Non-compliance with the provisions of the ITA and no other penalty provided or failure to make return for 2 years or more	Penalty of 200% of the tax that the Comptroller may, to the best of his judgement, assess to be payable by the company in that year of assessment; and maximum fine of $1,000; in default of payment of the fine, a maximum jail term of 6 months — s 94 and 94A.
Submitting incorrect tax return or providing incorrect information	Penalty of 100% of the tax undercharged and/or the amount of PIC bonus obtained (as the case may be) — s 95(1).
Submitting incorrect tax return or providing incorrect information without reasonable excuse or through negligence	Penalty of 200% of the tax undercharged and/or the amount of PIC bonus obtained (as the case may be), and maximum fine of $5,000 and/or maximum jail term of 3 years — s 95(2).
Wilful intent to evade or assist any other person to evade tax	Penalty of 300% of the tax undercharged and/or the amount of PIC bonus obtained (as the case may be), and maximum fine of $10,000 and/or maximum jail term of 3 years — s 96.
Serious fraudulent tax evasion	Penalty of 400% of tax undercharged and/or the amount of PIC bonus obtained (as the case may be), and maximum fine of $50,000 and/or maximum jail term of 5 years — s 96A.

Failure to file estimated chargeable income and income tax return

Generally, any person who carries on a trade or business that fails to file ECI or income tax return, estimated assessment will be raised and/or enforcement actions may be taken by the IRAS, such as a summons will be issued to the company and/or director for failure to file income tax return.

In addition, with effect from YA 2008, any person that does not file income tax return for any year of assessment within two years from the filing due date will be liable to the following penalties:

Up to YA 2014	From YA 2015 onwards
• Furniture: $120 • Home entertainment theatre: $360 • Oven: $30 • 3 units of standing lights/lamps: $36 • Refrigerator: $120 • Surveillance system: $360 • TV: $360 • DVD player: $240 • Water heater: $30 • Washing Machine: $180	

Law: s 10(2)(a)–10(2)(d)

¶3-109

Gains or profits from stock options

Employee share options or employee share ownership

With effect from 1 January 2003, any employee share options (ESOP) or employee share ownership (ESOW) gains will be taxed in Singapore to the extent that there is a nexus between that share option or share awards and the employment exercised in Singapore, ie the share option or share awards are granted while the individual is exercising employment in Singapore.

Therefore, where an employee who is granted ESOP or ESOW awards on or after 1 January 2003 while he/she is exercising his/her employment in Singapore, the full amount of ESOP or ESOW gains would be regarded as gains or profits derived from employment in Singapore under s 10(1)(b) of the ITA. This is so regardless of the country in which the ESOP is exercised or where the shares under ESOW are vested.

If there is a restriction on sale of shares acquired under the ESOP or ESOW plan, ie within a certain period from the date the ESOP or ESOW is exercised/vested, the shares cannot be sold (such period is known as ''the moratorium''), then the gains derived by the employee would constitute gains accruing to him/her on the date the moratorium is lifted. The taxable gain is based on the difference between the open market price of the shares on the date the moratorium is lifted and the exercise price multiplied by the number of shares involved in the exercise.

Generally, the amount of taxable gains or profits derived by the employee is the difference between the open market price of the shares at the time of exercising/accruing/vesting of the ESOP or ESOW and the amount paid by the employee for such shares. Such gains from stock options are to be treated as part of the gains or profits of employment for the purpose of computing the taxable benefit of housing provided by an employer.

Where the open market price of the shares is not readily available, the net asset value of the shares will be used to determine the market price of the shares.

Where the company is listed on the Singapore Exchange (SGX), the open market price of the shares is determined based on the last done price on the day that the shares are first listed on the SGX after the acquisition of the shares by the employee, ie with a free right of disposal of such shares.

Deemed exercise rule

Non-Singapore citizens and non-Singapore permanent residents (non-SPRs) or SPRs who are leaving Singapore permanently on cessation of employment in Singapore or SPRs who are posted to work overseas will be deemed to have exercised the stock options granted by the company during the time when they were exercising employment with the company in Singapore.

The ''deemed exercise'' rule applies to any unexercised stock option or stock option where the moratorium has yet to be lifted under any ESOP or ESOW plan or shares under ESOW plan with vesting imposed where the beneficial interest from the ownership of the shares has not yet vested that were granted to them on or after 1 January 2003 while they were exercising employment in Singapore.

The gain under the ''deemed exercise'' rule will be computed based on the difference between the open market value one month before the date of cessation of employment or the date the right/benefit to acquire the shares is granted, whichever is later; and the exercise price of the unexercised stock options.

If the gains derived from the subsequent (actual) exercise of the stock options are lower than the gains under the ''deemed exercise'' rule, the employee can apply to the IRAS to reassess the tax liability based on the actual gains. However, such request must be submitted within four years from the year of assessment following the year in which the ''deemed exercise'' rule is applied.

Tracking option

The ''deemed exercise'' rule at the time of tax clearance will not apply to any foreign employee leaving Singapore permanently at the time of cessation of employment or SPRs who are posted to work overseas if the employer has applied for and has been granted approval by the IRAS to adopt the tracking option.

Subject to the employer satisfying certain qualifying conditions, the tracking option allows the company to keep track of:

- when the foreign employee exercises any ESOP that were unexercised, or
- when the shares acquired under any ESOP are no longer subject to any restriction, or
- when the shares under any ESOW plans, that were unvested or restricted, at the time the foreign employee ceased employment in Singapore, vest or are no longer subject to any restriction (referred to as ''income realisation event'').

Upon the occurrence of such an event, the employer will compute and report the gains from the income realisation event to the Comptroller and also undertake to collect and pay the tax on such gains to the Comptroller.

Once the employer opts for the tracking option in respect of a particular foreign employee, it would need to track all the unexercised or restricted ESOP and unvested or restricted shares granted under any ESOW plans held by that foreign employee at the time the foreign employee ceases employment in Singapore. The employer will not be allowed to selectively apply the tracking option only to certain tranches of unexercised or restricted ESOP, or unvested or restricted

through a partnership in Singapore or is derived from the carrying on of a trade, business or profession, or

(ii) by a non-resident person (not being an individual) if:

(A) it does not, by itself or in association with others, carry on a business in Singapore, and does not have a PE in Singapore, and

(B) the contract in respect of the structured product is entered into between it and the financial institution during the period from 1 January 2007 to 31 March 2017 (both dates inclusive) and, if such contract is renewed, the period for which it is renewed commences before 1 April 2017

(iii) by a non-resident person (not being an individual nor a PE in Singapore) who carries on any operation in Singapore through a PE in Singapore if:

(A) the funds used by that person to invest in the structured product are not obtained from the operation, and

(B) the contract in respect of the structured product is entered into between it and the financial institution during the period from 1 January 2007 to 31 March 2017 (both dates inclusive) and, if such contract is renewed, the period for which it is renewed commences before 1 April 2017.

(zk) any prepayment fee, redemption premium and break cost from debt securities derived from Singapore on or after 15 February 2007 by any individual, except where such income is derived through a partnership in Singapore or is derived from the carrying on of a trade, business or profession

(zl) any other income directly attributable to debt securities as may be prescribed by regulations derived from Singapore on or after the prescribed date by any individual, except where such income is derived through a partnership in Singapore or is derived from the carrying on of a trade, business or profession

(zm) the income of any charity registered or exempt from registration under the *Charities Act* (Cap 37)

(zn) any Government cash grant payable to an employer in 2009 or 2010 under the Jobs Credit scheme

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

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

(zq) any contribution to the CPF in respect of an individual, and any cash payment made by an individual, made by the Government under the Workfare Income Supplement scheme established under Pt VIA of the CPF Act, and

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

Example 24

Madam Heng works for a company which has an approved pension scheme. She retired on 30 June 2013 and the retirement benefits due to her on 30 June 2013 comprise the following:

		$
(i)	Amount standing to her account as 31/12/92	334,000
(ii)	Interest on (i) up to 30/6/13	19,000
(iii)	Amount standing to her account from 1/1/93 to 30/6/13	240,000
(iv)	Interest on (iii) up to 30/6/13	12,000

Items (i) and (ii) are exempt from tax under s 13(1)(ja) of the ITA while items (iii) and (iv) are taxable in YA 2014.

[ACCA adapted]

Income made for the purpose which will promote or enhance economic or technological development

If the Minister is of the opinion that any payments falling under s 12(6) or 12(7) of the ITA will promote or enhance the economic or technological development of Singapore, he may exempt the income either partially or wholly from tax.

For example, all payments made to any non-resident for the leasing of capacity on any space satellite are currently exempt from tax (see ¶11-102).

Income received in Singapore by temporary residents

Any foreign-sourced income received in Singapore by a non-resident individual shall be exempt from tax.

Income derived by short-term visiting employees

Employment income derived by a non-resident person from the exercise of employment in Singapore is exempt from tax if the period of employment does not exceed 60 days in the year.

This exemption does not apply to directors and public entertainers.

Income received from outside Singapore

Remittance of overseas income into Singapore by a resident person is taxable under s 10(1) of the ITA. However, the Minister may exempt such remittance partially or wholly from tax.

Remittance made by a Singapore tax resident company or by any individual resident in Singapore through a partnership in Singapore in respect of overseas dividends, branch profits and service income derived through a fixed place of business located in the foreign jurisdiction shall be exempt from tax in Singapore if the ''headline'' tax levied in the overseas country is at least 15%. The ''headline'' tax is the highest corporate tax rate levied by the overseas country.

- any registered patent agent for:
  - applying for any patent in Singapore or elsewhere
  - preparing specifications or other documents for the purposes of the *Patents Act* (Cap 221) or the patents law of any other country, or
  - giving advice on the validity or infringement of the patent.

"Qualifying intellectual property registration costs" means the fees paid to:

- the Registry of Patents, Registry of Trade Marks, Registry of Designs or Registry of Plant Varieties in Singapore or an equivalent registry outside Singapore for the:
  - filing of an application for a patent, for registration of a trademark or design, or for the grant of protection of a plant variety
  - search and examination report on the application for a patent
  - examination report on the application for grant of protection of a plant variety, or
  - grant of a patent, and
- any person acting as an agent for:
  - applying for any patent, for the registration of a trademark or design, or for the grant of protection of a plant variety, in Singapore or elsewhere
  - preparing specifications or other documents for the purposes of the *Patents Act* (Cap 221), the *Trade Marks Act* (Cap 332), the *Registered Designs Act* (Cap 266), the *Plant Varieties Protection Act* (Cap 232A) or the intellectual property law of any other country relating to patents, trademarks, designs or plant varieties, or
  - giving advice on the validity or infringement of any patent, registered trademark, registered design or grant of protection of a plant variety.

"Qualifying intellectual property right" means the right to do or authorise the doing of anything which would, but for that right, be an infringement of any patent, registered trademark or design, or grant of protection of a plant variety.

"Patenting costs" and "qualifying intellectual property registration costs" shall exclude any expenditure to the extent that it is subsidised by grants or subsidies from the Government or a statutory board.

Law: s 14A

¶4-115 Further deduction for approved trade promotion expenses

Under s 14B of the ITA, expenses incurred by the taxpayer in respect of approved local trade fairs, overseas trade fairs, overseas trade offices or market development of approved marketing projects are eligible for further deductions in addition to the deduction allowed under s 14. This is to encourage the export of goods manufactured in Singapore and the promotion of services overseas.

The expenses must be incurred by an approved company or firm resident in or having a permanent establishment (PE) in Singapore for the primary purpose of:

- promoting the trading of goods or the provision of services, or
- the provision of services in connection with the use of any right under a master franchise or master intellectual property licence where the company or firm is the holder of the franchise or licence.

The types of expenses that will qualify for further deductions are as follows:

(a) expenses in establishing, maintaining or otherwise participating in an approved trade fair, trade exhibition, trade mission or trade promotion activity

(b) expenses in maintaining an approved overseas trade office, or

(c) market development expenditure for the carrying out of any approved marketing project.

In respect of expenses referred to (a) or (c) (or both) above which are incurred at any time from 1 April 2012 to 31 March 2016 (both dates inclusive) for the primary purpose of promoting the trading of goods or the provision of services, the firm or company claiming the further deduction need not be an approved firm or company. However, the expenses eligible for further deduction will be capped at $100,000 for each year of assessment.

Restrictions

There are certain restrictions. No deduction will be allowed in respect of:

(a) expenses disallowed under s 14

(b) travelling, accommodation and subsistence expenses or allowances for more than the approved number of employees taking part in the approved trade fair, trade exhibition, trade mission, trade promotion activity or the approved marketing project

(c) any expenses relating to an approved overseas trade office:

(i) which are incurred in the establishment of the approved overseas trade office

(ii) by way of remuneration, travelling, accommodation and subsistence expenses or allowances for more than the approved number of employees of the approved overseas trade office

(iii) which are specifically excluded as a condition for the approval of the overseas trade office under this section

(iv) which are incurred after the end of the approved number of years from the date of establishment of the approved overseas trade office, or

(v) which are incurred by a firm or company having a PE subject to tax in the country in which the approved trade office is established

(d) any expenses incurred by a company or firm that derives any income from any trade or business which is wholly or partly exempt from tax or subject to tax at a concessionary rate of tax under the ITA or under the *Economic Expansion Incentives (Relief from Income Tax) Act* (Cap 86)

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

deduction on the qualifying expenditure must be computed based on an annual or adjusted combined expenditure cap, as the case may be.

For example, if a taxpayer ceases his/her business in 2013 (ie the basis period relating to YA 2014) and therefore does not carry on any business in 2014 (ie the basis period relating to YA 2015), the combined qualifying expenditure cap applicable for YA 2013 and YA 2014 will be $800,000 (ie $400,000 × 2) and not $1.2m.

Enhanced deduction caps for individuals and partnerships

Where an individual carries on one or more trades or businesses through two or more firms (excluding partnerships) and has incurred expenditure on the licensing from another person of any qualifying IPR during the basis period for any year of assessment between YA 2013 and YA 2015 in respect of such firms for the purposes of those trades or businesses:

- the aggregate of the enhanced deductions that may be allowed to him/her for all those costs in respect of all his/her trades or businesses shall not exceed the amount computed in accordance with s 14W(1) of the ITA for that year of assessment.

Similarly, where a partnership carries on one or more trades or businesses through two or more firms and has incurred expenditure on the licensing from another person of any qualifying IPR during the basis period for any year of assessment between YA 2013 and YA 2015 in respect of such firms for the purposes of those trades or businesses:

- the aggregate of the enhanced deductions that may be allowed to all the partners of the partnership for those costs in respect of all the trades or businesses of the partnership shall not exceed the amount computed in accordance with s 14W(1) or 14W(2) (as the case may be) for that year of assessment.

Partnership businesses with different composition of partners will be treated as separate and distinct partnership business entities and will have separate expenditure caps on each of the six types of qualifying activities for each year of assessment.

Disallowable expenditure

No deduction shall be allowed under this section in respect of:

- any expenditure which is not allowed as a deduction under s 14 or 14D (as the case may be)
- any expenditure incurred by a person on licensing from its related party carrying on any trade or business in Singapore, of any qualifying IPR, where such rights were acquired or developed (in whole or in part) by the related party during the basis period relating to YA 2011 or any subsequent year of assessment, or
- any qualifying IPR for which a writing-down allowance has been previously made to that person under s 19B of the ITA.

Extending the Productivity and Innovation Credit scheme

To give businesses more time and certainty to put in place productivity improvements, the Minister has announced in the 2014 Budget Statement on 21 February 2014 that the PIC scheme will be extended for three years till YA 2018.

For enhanced tax deductions, the qualifying expenditure cap of $400,000 of qualifying expenditure per activity can be combined across YA 2016 to YA 2018 (ie $1.2m per qualifying activity).

For PIC cash payout, the expenditure cap of $100,000 per year of assessment for all six qualifying activities cannot be combined across the three years of assessment, as is the case currently.

New PIC+ scheme

The Minister has also announced the introduction of a new PIC+ scheme in the 2014 Budget Statement on 21 February 2014 to provide support to SMEs making more substantial investments to transform their businesses.

Under the PIC+ scheme which shall take effect for expenditure incurred in YA 2015 to YA 2018, the qualifying expenditure cap for qualifying SMEs will be increased from $400,000 to $600,000 per qualifying activity per year of assessment. This means that for YA 2015, qualifying SMEs eligible for PIC+ can claim the additional 300% enhanced deduction on such qualifying expenditure up to a combined qualifying expenditure cap of $1.4m (ie $400,000 each for YA 2013 and YA 2014, and $600,000 for YA 2015) and for YA 2016 to YA 2018, up to a combined qualifying expenditure cap of $1.8m (ie $600,000 × 3).

For PIC cash payout, the expenditure cap of $100,000 per year of assessment for all six qualifying activities cannot be combined across the relevant three years of assessment.

An entity is a qualifying SME if its annual turnover is not more than $100m or its employment size is not more than 200 workers. This criterion will be applied at the group level if the entity is part of a group. Businesses will self-assess their eligibility for the scheme. Businesses that meet the qualifying criteria can claim the expenditure similar to the current PIC application process.

The IRAS will release further details by end of March 2014.

"Intellectual property rights" has the same meaning as in s 19B(11).

"Qualifying intellectual property rights" means IPR but excludes the right to do or authorise the doing of anything which would, but for that right, be an infringement of:

- any trademark, or
- any rights to the use of software.

"Related party" has the same meaning as in s 13(16) of the ITA.

For this purpose, the expenditure incurred on the licensing from another person of qualifying IPR or the acquisition of IPR shall exclude any such expenditure to the extent that it is or is to be subsidised by grants or subsidies from the Government or a statutory board.

- certified energy-efficient equipment or energy-saving equipment
- installation of any new certified low-decibel machine, equipment or system, or effective noise control device or measure for any new or existing machine, equipment or process
- installation of any new certified machine, equipment or system which reduces or eliminates exposure to chemical risk or effective chemical hazard control device or measure for any new or existing machine, equipment or process, and
- capital expenditure incurred on a new goods vehicle or bus as a replacement for an existing goods vehicle or bus.

"Computer" means any computer used for automatic data processing and includes any part thereof.

"Automation equipment" means any machinery or plant designed for the automation of functions or services in any office or factory.

"Efficient pollution control equipment or device" means any equipment or device for the purposes of preventing, controlling or reducing air pollution or water pollution which satisfies the prescribed criteria.

"Certified energy-efficient equipment" means any:

- air conditioning system
- boiler
- water pumping system
- washing or dry-cleaning machine system
- refrigeration system
- lift or escalator, or
- instant hot water system,

which has been certified by a professional engineer registered under the *Professional Engineers Act* to be more energy-efficient than the equipment which it replaces.

"Certified energy-saving equipment" means any:

- solar heating or cooling system
- solar energy collection system
- heat recovery system
- power factor controller
- high efficiency electric motor
- variable speed drive motor control system
- high frequency lighting system
- computerised energy management system, or
- other energy-saving equipment or device,

which has been certified by any person approved by either the Minister or such person as the Minister may appoint to be an energy-saving equipment.

"Certified low-decibel machine, equipment or system" means any:

- concrete crusher or splitter
- plastic granulator or crusher
- automatic sawing machine
- metal press or stamping machine
- machine with active noise control feature, or
- other machine, equipment or system,

which has been certified by any person approved by either the Minister or such person as the Minister may appoint to have satisfied the prescribed criteria.

"Certified effective noise control device" means any:

- acoustic enclosure for machine, equipment or process
- acoustic silencer or muffler
- vibration absorption, isolation or damping device, or
- active noise control device,

which has been certified by any person approved by either the Minister or such person as the Minister may appoint to have satisfied the prescribed criteria.

"Certified effective engineering noise control measure" means any:

- detachable personnel acoustic enclosure
- acoustic barrier or shield
- acoustic absorption device, or
- modification to machine, equipment or process,

which has been certified by any person approved by either the Minister or such person as the Minister may appoint to have satisfied the prescribed criteria.

"Certified machine, equipment or system which reduces or eliminates exposure to chemical risk" means any:

- water-based degreasing machine or system
- automatic bagging or packing machine or system
- automatic degreasing machine or system, or
- other machine, equipment or system,

which has been certified by any person approved by either the Minister or such person as the Minister may appoint to have satisfied the prescribed criteria.

"Certified effective chemical hazard control device" means any:

- local exhaust ventilation system
- fugitive emission control equipment or system, or
- dilution ventilation system,

which has been certified by any person approved by either the Minister or such person as the Minister may appoint to have satisfied the prescribed criteria.

"Certified effective chemical hazard control measure" means any:

- enclosed or automated system, or
- modification to machine, equipment or process,

¶5-116a Phase out of industrial building allowance

IBA will no longer be allowed to a person who incurs capital expenditure on or after 23 February 2010 on the construction or purchase of an industrial building or structure unless it satisfied the transitional rules and met the conditions for granting IBA on the capital expenditure incurred during a specified period on or after 23 February 2010.

In addition, where an existing building or structure is not used by a person as an industrial building or structure as at 22 February 2010 and is subsequently used as an industrial building or structure, no IBA will be granted to him/her on such industrial building unless the said industrial building or structure has only fallen into temporary disuse as at 22 February 2010 in accordance with s 18(2).

Qualifying capital expenditure incurred on the construction or purchase of industrial buildings or structures on or before 22 February 2010

Subject to existing IBA rules, IBA will continue to be allowed to existing claimants until such time the qualifying capital expenditure is fully written down, or the relevant building is disposed of, demolished or destroyed or otherwise ceases altogether to be used. In the latter-mentioned situations, balancing adjustments shall also apply accordingly.

Transitional rules and conditions for capital expenditure incurred on or before 22 February 2010, and on or after 23 February 2010

IBA (ie IA and AA) will continue to be allowed to a person who incurs capital expenditure on or after 23 February 2010 on:

- the construction of a building or structure
- the purchase of a new building or structure (including the purchase of a leasehold interest therein) and any renovation or refurbishment works carried out on the building or structure upon purchase and up to the end of the basis period for YA 2016, or
- the extension works, renovation or refurbishment works on an existing industrial building or structure (not being an industrial building or structure as of 22 February 2010) up to the end of the basis period for YA 2016,

which has been approved on or before 22 May 2010 by the Minister to be an industrial building or structure for the purposes of a trade in intensive poultry production, or a project for the promotion of the tourist industry (other than a hotel) in Singapore, falling under s 18(1)(f) or 18(1)(i) of the ITA; or for prescribed services or industries falling under s 18(1)(j) of the ITA as follows.

Prescribed services or industries under s 18(1)(j)

- agriculture, horticulture or the farming of fish or other forms of aquatic life
- repair or maintenance of aircraft
- auctioning of pigs through electronic means
- telecommunication services to the public
- organisation or management of exhibitions and conferences

- logistics services
- postal services, and
- repair or maintenance of aircraft components.

In respect of capital expenditure incurred on or after 23 February 2010 on the purchase of an existing building or structure (including the purchase of a leasehold interest therein) which has been approved on or before 22 May 2010 by the Minister to be an industrial building or structure under s 18(1)(f), 18(1)(i) or 18(1)(j) of the ITA, only AA will be granted.

Four scenarios

IBA (ie IA and/or AA), subject to the existing IBA rules, will also be allowed to a person who incurs capital expenditure on the construction or purchase of a building or structure as well as on extension, renovation or refurbishment works on an existing building or structure which falls within the following scenarios:

(1) Purchase of existing or new industrial buildings or structures:
   - where the option to purchase was granted on or before 22 February 2010, or
   - the agreement to purchase was signed on or before 22 February 2010.

(2) Qualifying expenditure incurred up till the earlier of the date of Temporary Occupation Permit (TOP) or the last day of the basis period for YA 2016 on the construction of new industrial buildings or structures on land for which:
   - an application to bid, buy or lease the land from the Government was submitted on or before 22 February 2010, or
   - an option or agreement to purchase or lease the land on which the industrial building is to be built was signed with the private land owner on or before 22 February 2010, and
   - the development application to build the industrial buildings or structures on land is submitted to the Urban Redevelopment Authority (URA) by 31 December 2010.

(3) Qualifying expenditure incurred up till the earlier of the date of TOP or the last day of the basis period for YA 2016 on extension or alteration works to existing industrial buildings or structures, or conversion works to existing buildings or structures to convert the buildings or structures to industrial buildings or structures for which:
   - a qualified person had been engaged on or before 22 February 2010 to carry out the works, and
   - the development application for such works is submitted to the URA by 31 December 2010.

(4) Qualifying capital expenditures incurred up till the earlier of the date of completion of renovation works or the last day of the basis period for YA 2016 on renovation works (that do not require a development application) on existing industrial buildings or structures, or on existing non-industrial buildings or structures to convert them to industrial buildings or structure, and a building/renovation contractor had been engaged on or before 22 February 2010 to carry out the renovation works.

	$	$
Loan to ex-employee written off	16,000	
PIC (staff training)	(9,000)	
		40,500
Adjusted s 10(1)(a) income		167,154

Additional information:

- The capital allowances agreed with the Comptroller amount to $12,000.
- The sole-proprietor received the following dividend income from his personal investment portfolio:

Date	*Country*	*Amount*	
15/9/13	Singapore	$10,000	(tax exempt dividend)
30/9/13	Australia	$3,000	(remitted into Singapore)

- He made a personal cash donation of $5,000 to the National Kidney Foundation, an approved public institution, on 3 October 2013.

His assessable income for YA 2014 is:

		$
Adjusted profits (as above)		167,154
Less:	Capital allowance	12,000
		155,154
Add: s 10(1)(f) income		
– Rental income		5,000
Less:	Approved donations [($3,000 + $5,000) × 2.5]	(20,000)
Assessable income		140,154

[AAT adapted]

¶6-104 Partnerships

A partnership is a relationship between two or more persons carrying on a business with the common view of making profits. A general partnership is not a legal entity and tax is imposed on the respective partners based on their shares of profit of the partnership. There are various types of partners:

- active partners who participate in the conduct of the business
- sleeping partners who contribute capital to the business but do not participate in the conduct of the business, and
- salaried partners who receive fixed remuneration and are seen as employees of the business.

The type of partner you are determines the charging section under which the income is assessed and whether earned income relief (see ¶7-103) is available:

Type of partner	*Charging section*	*Earned income relief available*
Active	Section 10(1)(a) — share of profits	Yes
Sleeping	As above	No
Salaried	Section 10(1)(b)	Yes

The adjusted profit (ie computed in accordance with s 35 of the ITA) from the partnership is allocated to the respective partners based on their share of the business. The profit is then subject to tax at the tax rates of the respective partners.

A tax return, Form P, will be issued to the precedent partner. Form P must be submitted to the Comptroller within the required time frame. The respective partners will then include their share from the partnership in their own tax returns.

In the case of a partnership where no partner is present in Singapore, the return shall be made and delivered by the attorney, agent, manager or factor of the partnership in Singapore.

If no return is issued to a partnership for any year of assessment, the precedent partner or the attorney, agent, manager or factor of the partnership in Singapore, as the case may be, will be required to furnish an estimate of the income of the partnership within three months after the end of the accounting year of the partnership.

The provisions relating to certain specified tax incentives in s 13H, 13S, 14E, 19B, 19C, 43Y and 43ZA of the ITA also apply to a partnership as they apply to a company with such modifications and exceptions as may be prescribed by the Minister by regulations.

Law: s 36, 71

¶6-105 Allocation of profits

As with a sole-proprietor, the adjusted profit of a partnership business should be ascertained in accordance with the provisions in s 35 of the ITA. Due care must also be taken in respect of private and personal expenses of the partners.

If the partnership agreement provides for the appropriation of partners' salaries, interest on capital, etc, the net profit after appropriation (divisible profit or residual profit) will be shared out based on the agreed profit sharing ratio. In the absence of any agreement, the profits will be shared equally among the partners.

The steps are as follows:

(1) Determine the adjusted profit and the divisible profit.

Profit/(Loss) before income tax from business	xxx
Add/Less: Non-deductible/non-taxable items	xxx
Adjusted profit/(loss) from business	xxx

Example 10

Dorothy, a widow, has gross remuneration of $180,000 for the year ended 31 December 2013. She has four children (all Singapore citizens), their particulars are as follows:

Lisa	22 years	Studying veterinary science at Cambridge University, UK on a scholarship worth $8,000 per annum
Fred	19 years	Full-time national serviceman
Larry	17 years	Full-time junior college student
Harry	7 years	Studying in School for the Visually Handicapped

Note: Dorothy pays a monthly allowance of $350 to Lisa to supplement her scholarship allowance.

The amount of child relief that Dorothy can claim is:

Lisa	$4,000	QCR
	$27,000	WMCR of 15% of $180,000. (The scholarship allowance is not considered as income.)
	$31,000	
Fred	Nil	No child relief as Fred is over 16 years old and not studying full-time.
Larry	$4,000	QCR
	$45,000	WMCR of 25% of $180,000
	$49,000	
Harry	$5,500	HCR
	$45,000	WMCR of 25% of $180,000
	$50,500	
	$50,000	Maximum relief as total of HCR + WMCR cannot exceed $50,000.
Total relief =	$130,000	

[ACCA adapted]

Law: s 39(2)(e), Sch 5 para 6

¶7-110 Aged parent relief

This relief can be claimed if a taxpayer maintains a dependant living in Singapore and the dependant meets the following criteria:

- the dependant is the taxpayer's or spouse's parent, grandparent or great-grandparent
- the dependant is 55 years and above or is otherwise handicapped
- the dependant's income is not more than $4,000 for the year
- the dependant is living with the taxpayer in the same household or the taxpayer has incurred at least $2,000 in maintaining the dependant

- no other person has claimed relief for the dependant under other sections of the ITA, and
- maximum two dependants (the relief amount will be apportioned if there are more than one taxpayer claiming).

The quantum of parent relief and handicapped parent relief are as follows:

- Parent relief:
  - $7,000, if the taxpayer lives with the dependant
  - $4,500, if the taxpayer does not live with the dependant.
- Handicapped parent relief:
  - $11,000, if the taxpayer lives with the handicapped dependant
  - $8,000, if the taxpayer does not live with the handicapped dependant.

Income threshold

The dependant's income threshold condition for aged parent relief is $4,000.

There is no dependant income threshold for handicapped dependant relief.

Enhancing the parent and handicapped parent reliefs

To provide greater encouragement and recognition to individuals supporting their or their spouse's parents, grandparents and great-grandparents (collectively referred to as ''parents''), the Minister has announced in the 2014 Budget Statement on 21 February 2014 that the quantum of parent/handicapped parent relief will be increased with effect from YA 2015 as follows:

Types of relief	*Staying with dependant*	*Not staying with dependant*
Parent relief	$9,000	$5,500
Handicapped parent relief	$14,000	$10,000

Recognising that care for parents is a shared responsibility among family members, claimants of parent/handicapped parent relief will be able to share the relief according to the claimants' agreed proportion.

If more than one claimant is making the claim and the claimants cannot agree on the apportionment ratio, the relief will be apportioned equally among all the claimants.

Law: s 39(2)(i)

¶7-111 Grandparent caregiver relief

A working married woman, widow or divorcee whose child is being looked after by her parent, parent-in-law, grandparent, grandparent-in-law or ex-spouse's parent or grandparent can claim grandparent caregiver relief (GCR) if the following conditions are met:

- her parent, parent-in-law, grandparent, grandparent-in-law or ex-spouse's parent or grandparent is living in Singapore and is not working, and
- the child is a Singapore citizen aged 12 years or below at any time during the year preceding the year of assessment of claim.

Travel schedule			*Number of days*
Leave days attributable:			
65/(365 – 13) × 13			2
			67

It is necessary to attribute the leave days as leave entitlement is in respect of both his overseas and Singapore employment.

			$
Base salary			80,000
Bonus			20,000
Cost of living allowance			15,000
Home leave passage (20%)			2,000
			117,000
Less:	Attributable to employment outside Singapore (67/365 × $117,000)		21,477
			95,523
Accommodation 10%			9,552
Assessable income			105,075
Less:	Personal reliefs		
	Earned income	1,000	
	Wife	2,000	
	Child	4,000	
			7,000
Chargeable income			98,075

Benefits-in-kind which are sourced in Singapore, eg housing, motor car, PUB, etc, should not be pro-rated. However, benefits-in-kind which are not Singapore-sourced, eg leave passage and stock options are to be pro-rated.

¶8-104 Not Ordinarily Resident scheme

An individual can elect for the Not Ordinarily Resident (NOR) scheme from any year of assessment in which he/she first meets the following qualifying criteria:

- the individual is resident of Singapore for tax purposes for that year of assessment, and
- the individual is not a resident of Singapore for income tax purposes for the three consecutive years of assessment immediately before that year of assessment.

An individual who meets the above qualifying criteria will be granted NOR status for five consecutive years of assessment, starting from the year of assessment in which he/she first satisfies the qualifying criteria.

Other than the first year of assessment, there is no requirement for the NOR taxpayer to be a resident for any year of assessment during the five-year qualifying period in order for him/her to retain his/her status as an NOR taxpayer.

Once the NOR status is granted it would be irrevocable.

Tax concessions

(a) Time apportionment of employment income

An NOR taxpayer will not be taxed on the portion of his/her Singapore employment income that corresponds to the number of days he/she has spent outside Singapore for business reasons, as a resident Singapore employee.

Qualifying criteria:

- The NOR taxpayer must have spent at least 90 days outside Singapore for business reasons.
- The NOR taxpayer's Singapore employment income must be at least $160,000 for the year preceding the year of assessment.
- The income eligible for time apportionment will include assessable amounts of benefits-in-kind. However, directors' fees and any amount of income tax payable in Singapore that is borne, directly or indirectly, by the employer will not be time apportioned.
- If the tax on the apportioned income is less than 10% of the NOR taxpayer's total employment income, he/she will still be subject to a tax of 10% of his/her total employment income.

(b) Tax exemption of employer's contribution to non-mandatory overseas pension schemes

If an NOR taxpayer is a resident Singapore employee, tax exemption will be given on any contribution made by his/her employer to any non-mandatory overseas contribution scheme. The amount of exemption is subject to a cap based on CPF capping rules as if the employer had made contribution to the CPF for a Singapore citizen.

Qualifying criteria:

- The NOR taxpayer is not a Singapore citizen nor Singapore permanent resident.
- The NOR taxpayer's Singapore employment income must be at least $160,000 for the year preceding the year of assessment.
- The NOR taxpayer's employer must not claim a tax deduction for the contributions made to the non-mandatory overseas pension or provident funds and social security schemes up to the amount of the NOR cap. However, the employer can claim the contributions in excess of the NOR cap.

IRAS Practice: IRAS e-Tax Guide: Not Ordinarily Resident (NOR) Scheme published on 29 August 2008

Law: s 13N

¶8-105 Tax planning opportunities for employees

Other ways in which employees can plan to minimise their tax liabilities include the following:

- Arrangements can be made with the employer to provide benefits-in-kind instead of cash allowances or reimbursements. Where a cash allowance is provided, the full amount is treated as taxable income but if benefits are provided by the employer, concessionary treatment may be applicable, eg if