

SUMMARY TABLE ON CHANGES AS ANNOUNCED AT BUDGET 2010 STATEMENT

s/n.	Legislative Change	Brief Description of Legislative Change	Amendment to Income Tax Act	Explanation for Amendments
1	Productivity and Innovation Credit (PIC)	<p>Currently, qualifying expenditure on research and development (R&D) done in Singapore can enjoy up to 150% deduction. Expenditure on training, prescribed automation equipment, industrial and product designs done locally, acquisition of certain intellectual property rights (IPR) and registration of patents can qualify for 100% deduction or allowance.</p> <p>A new broad-based tax incentive called the Productivity and Innovation Credit (PIC) was announced in Budget 2010. The PIC provides significant deductions and allowances for investments in a range of six activities along the innovation value chain - R&D; the registration or acquisition of IPR; investments in industrial and product designs; spending on equipment or software aimed at automating processes; and costs of training employees so as to upgrade their skills.</p> <p>The PIC operates as follows:</p>	<p>Sections 14A, 14D, 14DA, 14E, 14R, 14S, 14T, 15, 19, 19A, 19B, 37G, 37H, 37I and 37J</p> <p>[Clauses 11, 12, 13, 14, 16, 17, 22, 23, 24, 25, 29, 30 and 49(e)]</p>	<p>Clause 11 amends section 14A (Deduction for patenting costs) as part of the Productivity and Innovation Credit Scheme to provide for —</p> <ul style="list-style-type: none"> (a) a deduction of qualifying intellectual property registration costs incurred during the basis period for a year of assessment from the year of assessment 2011 to the year of assessment 2015 (both years inclusive), in addition to the present deduction of patenting costs; (b) a further deduction of 150% of up to \$300,000 of the qualifying intellectual property registration costs incurred during the basis period for a year of assessment from the year of assessment 2011 to the year of assessment 2015 (both years inclusive); (c) instead of the further deduction referred to in paragraph (b), a further deduction of 150% of up to \$600,000 of the qualifying intellectual property registration costs incurred during the combined basis periods for the year of assessment 2011 and the year of assessment 2012. If a person is not able to enjoy the deduction of 150% of up to the

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		<p>(i) <u>Expenditures on R&D done in Singapore</u>: 250% deduction for the first \$300,000 of qualifying expenditure on R&D done in Singapore per year of assessment (YA). 150% deduction for the balance expenditure.</p> <p>(ii) <u>Investments in Product and Industrial Design</u>: 250% deduction for the first \$300,000 of qualifying expenditure on eligible design activities per YA. If applicable, 100% deduction for the balance expenditure. This new tax incentive is administered by DesignSingapore Council. (Please refer to the DesignSingapore Council website for more information relating to the scheme: http://www.designsingapore.org/RunScript.asp?page=340&p=ASP\Pg340.asp)</p> <p>(iii) <u>Acquisition of IPR</u>: 250% allowance for the first \$300,000 of qualifying expenditure incurred on the acquisition of IPR per YA. 100% allowance for the balance</p>		<p>cap of \$600,000 in the year of assessment 2011, he shall be allowed the deduction of 150% of such qualifying costs incurred during the basis period for the year of assessment 2012, subject to the overall cap of \$600,000 for both years of assessment;</p> <p>(d) a cap on the amounts of the further deductions for individuals carrying on one or more trades or businesses through firms (other than partnerships) and partners of a partnership carrying on one or more trades or businesses;</p> <p>(e) a claw-back of the further deduction where a person disposes of the intellectual property rights within one year from the date of filing of the application for the registration or grant of such rights;</p> <p>(f) no deduction or further deduction for any qualifying intellectual property registration costs to the extent that they are subsidised by grants or subsidies from the Government or any statutory board.</p> <p>Clause 12 amends section 14D (Expenditure on research and development) as part of the Productivity and Innovation Credit Scheme to provide for the extension of the period where a person is to be allowed a deduction for expenditure incurred in undertaking by himself or through a research and</p>

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		<p>expenditure.</p> <p>(iv) <u>Registration of IPR</u>: 250% deduction for the first \$300,000 of qualifying costs incurred on the registration of patents, trademarks, designs and plant varieties per YA. 100% deduction for the balance expenditure.</p> <p>(v) <u>Investments in Automation</u>: 250% allowance/ deduction for the first \$300,000 of qualifying expenditure incurred per YA on qualifying investments in automation. 100% allowance/ deduction for the balance expenditure. Qualifying expenditure includes both capital expenditure and qualifying lease payments incurred on qualifying investments in automation. Qualifying investments in automation are based on the list of automation equipment in the “Income Tax (Automation Equipment) Rules 2004”.</p> <p>The list would be expanded to include a wider range of equipment and software for automating</p>		<p>development organisation, research and development in Singapore that is not related to his trade or business. The clause also provides that research and development expenditure and payments to a research and development organisation are not allowed as deductions to the extent that they are subsidised by grants or subsidies from the Government or any statutory board.</p> <p>Clause 13 amends section 14DA (Enhanced deduction for qualifying expenditure on research and development) as part of the Productivity and Innovation Credit Scheme to provide for —</p> <p>(a) the extension of the period where a person who incurs qualifying research and development expenditure or makes qualifying amounts of payments to a research and development organisation is to be allowed a further deduction of 50% of such expenditure or payments;</p> <p>(b) a further deduction of 100% of qualifying expenditure incurred up to \$300,000 and qualifying amounts of payments made to a research and development organisation during the basis period for a year of assessment from the year of assessment 2011 to the year of assessment 2015 (both years inclusive);</p> <p>(c) instead of the further deduction referred to</p>

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		<p>processes.</p> <p>(vi) <u>Training</u>: 250% deduction for the first \$300,000 of expenditure on qualifying training for employees incurred per YA. 100% deduction for the balance expenditure.</p> <p>The PIC is available to all businesses from YA2011 to YA2015.</p> <p>Businesses which have at least 3 local employees (Singapore citizens and permanent residents (PRs) with CPF contributions) may also convert tax deduction or allowance arising from their expenditure on the six types of activities under PIC into cash. Specifically, they can convert up to \$300,000 of such tax benefits into a maximum of \$21,000 cash per YA. The option to convert PIC tax benefits to cash is available from YA 2011 to YA 2013.</p>		<p>in paragraph (b), a further deduction of up to \$600,000 of qualifying expenditure incurred and qualifying amounts of payments made to a research and development organisation during the combined basis periods for the year of assessment 2011 and the year of assessment 2012. If a person is not able to enjoy the deduction of up to the cap of \$600,000 in the year of assessment 2011, he shall be allowed a further deduction of such qualifying expenditure or payments incurred or made during the basis period for the year of assessment 2012, subject to the overall cap of \$600,000 for both years of assessment;</p> <p>(d) a cap on the amounts of the further deductions for individuals carrying on one or more trades or businesses through firms (other than partnerships) and partners of a partnership carrying on one or more trades or businesses;</p> <p>(e) no further deduction referred to in paragraphs (b) and (c) for any expenditure if a deduction for that expenditure has been allowed under section 37G (Deduction for incremental expenditure on research and development);</p> <p>(f) excluding from the definition of “qualifying expenditure” any such expenditure to the</p>

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				<p>extent that it is subsidised by grants or subsidies from any statutory board (and not just from the Government).</p> <p>Clause 14 amends section 14E (Further deduction for expenses on research and development) to provide for the extension of the period where a person is to be allowed a deduction (in addition to a deduction allowed under section 14, 14D or 14DA) for expenditure incurred in undertaking by himself or through a research and development organisation an approved research and development project in Singapore that is not related to his trade or business. The clause also provides that no deduction for any expenditure under section 14E is allowed if a deduction has been allowed for that expenditure under section 14DA(1A) or (1B).</p> <p>Clause 16 inserts new sections 14R, 14S and 14T as part of the Productivity and Innovation Credit Scheme.</p> <p>The new section 14R provides for —</p> <p>(a) a deduction (in addition to the deduction under section 14) of 150% of up to \$300,000 of qualifying training expenditure incurred during the basis period for a year of assessment from the year of assessment 2011 to the year of assessment 2015 (both years inclusive), provided that such</p>

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				<p>expenditure is allowable as a deduction under section 14;</p> <p>(b) instead of the further deduction referred to in paragraph (a), a further deduction of 150% of up to \$600,000 of the qualifying training expenditure incurred during the combined basis periods for the year of assessment 2011 and the year of assessment 2012. If a person is not able to enjoy the deduction of 150% up to the cap of \$600,000 in the year of assessment 2011, he shall be allowed the deduction of 150% of such expenditure incurred during the basis period for the year of assessment 2012, subject to the overall cap of \$600,000 for both years of assessment;</p> <p>(c) a cap on the amounts of the further deductions for individuals carrying on one or more trades or businesses through firms (other than partnerships) and partners of a partnership carrying on one or more trades or businesses;</p> <p>(d) no further deduction for any qualifying training expenditure to the extent that it is subsidised by grants or subsidies from the Government or any statutory board.</p> <p>The new section 14S provides for —</p> <p>(a) a deduction of 150% (in addition to the</p>

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				<p>deduction under section 14) of up to \$300,000 of qualifying design expenditure for an approved industrial or product design project incurred during the basis period for a year of assessment from the year of assessment 2011 to the year of assessment 2015 (both years inclusive) or, where the qualifying design expenditure is not allowable as a deduction under section 14, a deduction of 250% of up to \$300,000 of such expenditure incurred during the abovementioned basis period;</p> <p>(b) instead of the further deduction or deduction referred to in paragraph (a), a further deduction of 150% or a deduction of 250% (as the case may be) of up to \$600,000 of the qualifying design expenditure incurred during the combined basis periods for the year of assessment 2011 and the year of assessment 2012. If a person is not able to enjoy the deduction of 150% or 250% up to the cap of \$600,000 in the year of assessment 2011, he shall be allowed a further deduction of 150% or a deduction of 250% of such expenditure incurred during the basis period for the year of assessment 2012, subject to the overall cap of \$600,000 for both years of assessment;</p> <p>(c) a cap on the amounts of the further</p>

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				<p>deductions or deductions for individuals carrying on one or more trades or businesses through firms (other than partnerships) and partners of a partnership carrying on one or more trades or businesses;</p> <p>(d) no deduction or further deduction under the section for any expenditure to the extent that it is subsidised by grants or subsidies from the Government or any statutory board;</p> <p>(e) the claw-back of deductions allowed, in the event of non-compliance with the conditions imposed on the approval of an industrial or product design project.</p> <p>The new section 14T provides for —</p> <p>(a) a deduction of 150% (in addition to a deduction under section 14) of up to \$300,000 of the expenditure incurred during the basis period for a year of assessment from the year of assessment 2011 to the year of assessment 2015 (both years inclusive), by a person on the leasing of one or more prescribed automation equipment under a finance lease or leases (other than one where the prescribed automation equipment is treated as sold) or an operating lease or leases, provided that —</p> <p>(i) such expenditure is allowable as a deduction under section 14;</p>

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				<ul style="list-style-type: none"> <li data-bbox="1507 321 2074 423">(ii) such equipment is not subleased to another person during that basis period; and <li data-bbox="1507 431 2074 678">(iii) such expenditure is not in respect of any software unless the software is installed in a prescribed automation equipment, and leased out as a single piece of equipment without the software and equipment being priced separately; <li data-bbox="1430 686 2074 1154"><i>(b)</i> instead of the further deduction referred to in paragraph <i>(a)</i>, a further deduction of 150% of up to \$600,000 of such expenditure incurred during the combined basis periods for the year of assessment 2011 and the year of assessment 2012. If a person is not able to enjoy the deduction of 150% up to the cap of \$600,000 in the year of assessment 2011, he shall be allowed the deduction of 150% of such expenditure incurred during the basis period for the year of assessment 2012, subject to the overall cap of \$600,000 for both years of assessment; <li data-bbox="1430 1162 2074 1367"><i>(c)</i> a cap on the amounts of the further deductions for individuals carrying on one or more trades or businesses through firms (other than partnerships) and partners of a partnership carrying on one or more trades or businesses;

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				<p>(d) where a person both leases under a finance (other than one where the prescribed automation equipment is treated as sold) or operating lease and provides one or more prescribed automation equipment, the sum of deduction under this section and the allowance under section 19A(2A) or (2B) in respect of the leasing and provision expenditure must not exceed 150% of the cap applicable to the leasing expenditure under paragraph (a) or (b). This also covers a situation where the person who leases the equipment takes ownership of it in the same basis period;</p> <p>(e) no further deduction for any qualifying expenditure to the extent that it is subsidised by grants or subsidies from the Government or any statutory board.</p> <p>Clause 17 amends section 15(2) (Exceptions to the rule that disbursements or expenses not wholly and exclusively used for acquiring the income, and capital used in improvements, cannot be allowed as deductions) to include expenditure which qualifies for deduction under the new section 14S.</p> <p>Clause 22 amends section 19 (Initial and annual allowances for machinery or plant) to extend the period within which a person who incurs capital</p>

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				<p>expenditure on the provision of machinery or plant for any research and development undertaken by him or a research and development organisation on his behalf in Singapore, but that is not for the purposes of his trade or business, may qualify for an allowance under this section.</p> <p>Clause 23 amends section 19A (Allowances of 3 years write-off for machinery and plant) as part of the Productivity and Innovation Credit Scheme to provide for —</p> <ul style="list-style-type: none"> (a) a further allowance of 150% of up to \$300,000 of the capital expenditure incurred during the basis period for a year of assessment from the year of assessment 2011 to the year of assessment 2015 (both years inclusive), on the provision of one or more prescribed automation equipment for any trade, profession or business; (b) instead of the further allowance referred to in paragraph (a), a further allowance of 150% of up to \$600,000 of such capital expenditure incurred during the combined basis periods for the year of assessment 2011 and the year of assessment 2012. If a person is not able to enjoy the allowance of 150% of up to the cap of \$600,000 in the year of assessment 2011, he shall be allowed the deduction of 150% of such capital

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				<p>expenditure incurred during the basis period for the year of assessment 2012, subject to the overall cap of \$600,000 for both years of assessment;</p> <p>(c) a cap on the amount of the further allowances for individuals carrying on one or more trades or businesses through firms (other than partnerships) and partners of a partnership carrying on one or more trades or businesses;</p> <p>(d) where prescribed automation equipment is acquired under a hire-purchase agreement, the total price for purchasing the equipment in cash at the time of signing the agreement (excluding any finance charge) shall be included as part of the capital expenditure in acquiring prescribed automation equipment for the purposes of computing the further allowances referred to in paragraph (a) and (b) for the year of assessment relating to the basis period in which the hire-purchase agreement is signed. Any instalment paid under the hire-purchase agreement in any basis period shall not form part of the capital expenditure in computing the further allowance for the year of assessment relating to that basis period. The further allowance for the hire purchase equipment shall be made for the year of assessment in respect of</p>

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				<p>every basis period in which an instalment payment is made, in the proportion which the amount of the instalment bears to the total amount of instalments under the hire-purchase agreement.</p> <p>To illustrate, a person acquires 1 equipment under hire-purchase agreement and another 2 equipment by cash and the details of his acquisitions are as follows:</p> <table border="1" data-bbox="1373 678 2070 1360"> <thead> <tr> <th data-bbox="1373 678 1541 915">Equipment</th> <th data-bbox="1541 678 1709 915">Cost (\$'000)</th> <th data-bbox="1709 678 1877 915">Amount paid in the basis period for year of assessment 2013 (\$'000)</th> <th data-bbox="1877 678 2070 915">Amount paid in the basis period for year of assessment 2014 (\$'000)</th> </tr> </thead> <tbody> <tr> <td data-bbox="1373 915 1541 1252">A (acquired under a hire purchase agreement signed in the basis period for the year of assessment 2013)</td> <td data-bbox="1541 915 1709 1252">250 (excluding finance charges)</td> <td data-bbox="1709 915 1877 1252">100</td> <td data-bbox="1877 915 2070 1252">150</td> </tr> <tr> <td data-bbox="1373 1252 1541 1289">B</td> <td data-bbox="1541 1252 1709 1289">100</td> <td data-bbox="1709 1252 1877 1289">100</td> <td data-bbox="1877 1252 2070 1289">-</td> </tr> <tr> <td data-bbox="1373 1289 1541 1326">C</td> <td data-bbox="1541 1289 1709 1326">200</td> <td data-bbox="1709 1289 1877 1326">-</td> <td data-bbox="1877 1289 2070 1326">200</td> </tr> <tr> <td data-bbox="1373 1326 1541 1360">Total</td> <td data-bbox="1541 1326 1709 1360">550</td> <td data-bbox="1709 1326 1877 1360">200</td> <td data-bbox="1877 1326 2070 1360">350</td> </tr> </tbody> </table>	Equipment	Cost (\$'000)	Amount paid in the basis period for year of assessment 2013 (\$'000)	Amount paid in the basis period for year of assessment 2014 (\$'000)	A (acquired under a hire purchase agreement signed in the basis period for the year of assessment 2013)	250 (excluding finance charges)	100	150	B	100	100	-	C	200	-	200	Total	550	200	350
Equipment	Cost (\$'000)	Amount paid in the basis period for year of assessment 2013 (\$'000)	Amount paid in the basis period for year of assessment 2014 (\$'000)																					
A (acquired under a hire purchase agreement signed in the basis period for the year of assessment 2013)	250 (excluding finance charges)	100	150																					
B	100	100	-																					
C	200	-	200																					
Total	550	200	350																					

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				<p>For the year of assessment 2013, if the person makes a claim for the further allowance in respect of the full cost of equipment B (which is \$100,000), the further allowance which he can claim in respect of equipment A will be limited to 150% of the lower of —</p> <p>(i) the price for acquiring equipment A (which is \$250,000); and</p> <p>(ii) the balance after deducting from \$300,000 the full cost of equipment B (which is \$200,000).</p> <p>In this case the further allowance to be granted for equipment A will be \$300,000 (which is 150% multiplied by \$200,000).The further allowance of \$300,000 in respect of equipment A will be granted over the years of assessment 2013 and 2014 based on the proportion of the amount of instalments paid in the respective basis period to the total amount of instalments under the hire-purchase agreement as follows:</p> <table border="1" data-bbox="1367 1227 2066 1364"> <thead> <tr> <th data-bbox="1367 1227 1717 1295">Year of assessment</th> <th data-bbox="1717 1227 2066 1295">Amount of further allowance to be granted</th> </tr> </thead> <tbody> <tr> <td data-bbox="1367 1295 1717 1364">2013</td> <td data-bbox="1717 1295 2066 1364"> $100,000/250,000 \times 300,000 = \\$120,000$ </td> </tr> </tbody> </table>	Year of assessment	Amount of further allowance to be granted	2013	$100,000/250,000 \times 300,000 = \$120,000$
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2013	$100,000/250,000 \times 300,000 = \$120,000$							

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				<table border="1" data-bbox="1369 318 2068 386"> <tr> <td data-bbox="1369 318 1717 386">2014</td> <td data-bbox="1717 318 2068 386"> $\frac{150,000}{250,000} \times 300,000 = \\$180,000$ </td> </tr> </table> <p data-bbox="1493 427 2068 784">For the year of assessment 2014, the amount paid under the hire purchase agreement in respect of equipment A will be excluded as part of the capital expenditure in acquiring prescribed automation equipment for the purpose of determining whether the expenditure cap of \$300,000 is exceeded. Therefore the person will be able to make a claim for the further allowance in respect of the full cost of equipment C.</p> <ul style="list-style-type: none"> <li data-bbox="1430 792 2068 898">(e) the further allowance shall not be made where the prescribed automation equipment is acquired for the purpose of leasing it out; <li data-bbox="1430 902 2068 1081">(f) the further allowances shall be written down over the number of years of the equipment's working life or 3 years, if a claimant has elected to claim allowances for it under section 19 or 19A(1) respectively; <li data-bbox="1430 1086 2068 1265">(g) a claw-back of the further allowance where the prescribed automation equipment is sold, transferred, assigned or leased out within one year from the provision of the equipment. <li data-bbox="1430 1269 2068 1372">(h) the further allowance shall not be made for any prescribed automation equipment if an investment allowance has been made on the 	2014	$\frac{150,000}{250,000} \times 300,000 = \$180,000$
2014	$\frac{150,000}{250,000} \times 300,000 = \$180,000$					

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				<p>same capital expenditure under Part X (Investment Allowances) of the Economic Expansion Incentives (Relief from Income Tax) Act, or it is used for a project approved under Part XIID (Integrated Industrial Capital Allowances) of that Act;</p> <p>(i) an extension of the period within which a person who incurs capital expenditure incurred on the provision of machinery or plant for any research and development undertaken by him or a research and development organisation on his behalf in Singapore, but that is not for the purposes of his trade or business, may qualify for the 3-year write off under section 19A, and the removal of the restriction on capital expenditure on such machinery or plant to be written off in one year;</p> <p>(j) an expansion of the scope of the prescribed automation equipment to cover prescribed machinery or plant designed for automation of functions or services in any place, not just an office or factory; and</p> <p>(k) no further allowance for any expenditure to the extent that it is subsidised by grants or subsidies from the Government or any statutory board.</p> <p>Clause 24 amends section 19B (Writing-down</p>

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				<p>allowance for intellectual property rights) as part of the Productivity and Innovation Credit Scheme to provide for —</p> <ul style="list-style-type: none"> <li data-bbox="1430 428 2074 678">(a) a further writing-down allowance of 150% of up to \$300,000 of the capital expenditure incurred during the basis period for a year of assessment from the year of assessment 2011 to the year of assessment 2015 (both years inclusive) on the acquisition of certain intellectual property rights; <li data-bbox="1430 683 2074 1224">(b) instead of the further writing-down allowance referred to in paragraph (a), a further writing-down allowance of 150% of up to \$600,000 of such capital expenditure during the combined basis periods for the year of assessment 2011 and the year of assessment 2012. If a person is not able to enjoy the writing-down allowance of 150% of up to the cap of \$600,000 in the year of assessment 2011, he shall be allowed the writing-down allowance of 150% of such capital expenditure incurred during the basis period for the year of assessment 2012, subject to the overall cap of \$600,000 for both years of assessment; <li data-bbox="1430 1229 2074 1375">(c) the further writing-down allowance is to be written down over a period of 5 years beginning with the year of assessment relating to the basis period in which such

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				<p>capital expenditure is incurred;</p> <p>(d) the further writing-down allowance shall not be made on the occurrence of certain events , any such allowances already made shall be clawed back;</p> <p>(e) a change in the manner of computing the charge when the intellectual property rights are sold, transferred or assigned. Before the change, the charge is computed based on writing-down allowances already made. With the change, the charge will only be made if the price at which the intellectual property rights were sold, transferred or assigned exceeds the writing-down allowances yet to be allowed. The amount of the charge is limited to the lower of the excess and the writing-down allowances already made;</p> <p>(f) a modification of the manner of computing the charge in a case where parts of the intellectual property right are sold, transferred or assigned at different times at least one of which occurs before the end of writing-down period;</p> <p>(g) no further writing-down allowance for a company for intellectual property rights acquired from its related party to whom a deduction for the creation of those rights has been allowed under certain sections of the</p>

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				<p>Act and who is not chargeable to tax on the proceeds of sale, etc. of those rights, or from another related party who acquired them, directly or indirectly, from the first-mentioned related party;</p> <p>(h) no writing-down allowance under subsection (1) or (2C) for a company for intellectual property rights acquired from its related party to whom a deduction for the creation of those rights has been allowed under the new section 14S, and who is not chargeable to tax on the proceeds of sale, etc. of those rights;</p> <p>(i) the extension of the period within which a person who incurs capital expenditure on the acquisition of intellectual property rights may be granted a writing-down allowance under subsection (1) or (2C);</p> <p>(j) no further writing-down allowance for expenditure on the acquisition of intellectual property rights for which an investment allowance has been claimed on the same expenditure under Part X of the Economic Expansion Incentives (Relief from Income Tax) Act;</p> <p>(k) an expansion of the definition of “intellectual property rights” to include the grant of protection for a plant variety; and</p> <p>(l) no further writing-down allowance for any</p>

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				<p>expenditure under this section to the extent that it is subsidised by grants or subsidies from the Government or any statutory board.</p> <p>Clause 28 amends section 37G (Deduction for incremental expenditure on research and development) as part of the Productivity and Innovation Credit Scheme —</p> <ul style="list-style-type: none"> (a) to provide that no amount shall be credited to the research and development account (for the purpose of making a deduction under that section) after the year of assessment 2010. However a company has up to the year of assessment 2016 to utilise any amount standing to that account under the section; (b) to provide that no deduction under this section is allowed to a company for any expenditure which has been allowed a deduction under section 14DA(1A) or (1B); (c) to reduce the amount standing to the research and development account from less than \$450,000 to less than \$300,000 for the purpose of determining whether an amount has to be credited to that account for the year of assessment 2010, as well as for the purpose of computing the amount to be so credited; (d) to provide that no deduction shall be given

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				<p>for any qualifying research and development expenditure to the extent that it is subsidised by grants or subsidies from the Government or any statutory board.</p> <p>Clause 29 amends section 37H (Cash grant for research and development expenditure for start-up company) to provide for the expiry after the year of assessment 2010 of the research and development incentive for start-up enterprise scheme under that section.</p> <p>Clause 30 inserts new sections 37I and 37J.</p> <p>To support small but growing businesses which are cash constrained, the new section 37I allows certain persons (herein referred to as qualifying persons) to convert tax deductions or allowances arising from expenditure incurred on the activities under the Productivity and Innovation Credit Scheme into a cash payout.</p> <p>The new section 37I(1) provides that a qualifying person who is allowed one or more of certain deductions or allowances for any year of assessment between the year of assessment 2011 and the year of assessment 2013 (both years inclusive), may elect for a cash payout, in lieu of such deductions or allowances, or part thereof, which exceeds \$1,500.</p>

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				<p>The new section 37I(2) provides for the making of the election for the cash payout.</p> <p>The new section 37I(3) and (4) provide for the computation of the amount of cash payout.</p> <p>The new section 37I(5) provides that the total cash payout available to an individual is subject to the caps on the amount of cash payout in subsections (3) and (4) regardless of the number of the firms through which he carries on his trades or businesses.</p> <p>The new section 37I(6) provides the caps on the amount of cash payout in subsections (3) and (4) are applicable at the partnership level, such that the sum of the cash payouts to all partners must not exceed those caps.</p> <p>The new section 37I(7) provides that the cash payout is to be made on the full amount of deduction or allowance in respect of the expenditure (net of any grant or subsidy) incurred for the grant or registration of each qualifying intellectual property right in each country, the provision of each prescribed automation equipment, or the acquisition of each qualifying intellectual property right. In other words, a person is not allowed to claim a cash payout for only a part of the deduction given for expenditure incurred in (for</p>

s/n.	Legislative Change	Brief Description of Legislative Change	Amendment to Income Tax Act	Explanation for Amendments
				<p>example) registering a design with the Registry of Designs in Singapore.</p> <p>The new section 37I(8) prohibits a person from electing for a cash payout, in lieu of any allowance for capital expenditure incurred on the provision of any prescribed automation equipment for the purpose of leasing that equipment to another person.</p> <p>The new section 37I(9) provides that where an election is made to convert into a cash payout any amount of deduction or allowance in excess of the caps referred in subsections (3) and (4), the excess shall not be available as a deduction against the income of a qualifying person and shall be disregarded.</p> <p>The new section 37I(10) provides that where a cash payout has been made in lieu of a deduction under section 14A or an allowance under section 19A(2), (2A) or (2B) and within one year from the date of filing of the application for the registration or grant of the intellectual property rights or the provision of the prescribed automation equipment, the rights or equipment are disposed of, the qualifying person must notify the Comptroller of this within 30 days from the date of disposal and must also repay the cash payout.</p>

s/n.	Legislative Change	Brief Description of Legislative Change	Amendment to Income Tax Act	Explanation for Amendments
				<p>The new section 37I(11) makes similar provisions for a cash payout in lieu of a writing-down allowance under section 19B where the intellectual property right is disposed of within 5 years from its acquisition.</p> <p>The new section 37I(12) and (13) provide for the recovery of outstanding taxes, duties, interest or penalties under the Income Tax Act and certain other Acts out of the cash payout.</p> <p>The new section 37I(14) provides that the amount of a deduction, further deduction, allowance or further allowance shall be reduced by the amount in respect of which a cash payout has been made.</p> <p>The new section 37I(15) provides for the recovery of a cash payout where the relevant deduction or allowance is subsequently disallowed, the requirements under section 37I are not met or the cash payout is in excess of what is allowed under this section.</p> <p>The new section 37I(16) provides for the time and manner of repayment of the cash payout under subsections (10), (11) and (15).</p> <p>The new section 37I(17) provides for the Comptroller to extend the time limit for repayment of the cash payout.</p>

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				<p>The new section 37I(18) applies provisions of the Act for the recovery of tax to the recovery of the cash payout.</p> <p>The new section 37I(19) provides that the amount of the relevant deduction, further deduction, allowance or further allowance shall be increased upon the recovery of the cash payout under subsection (15).</p> <p>The new section 37I(20) provides that the Comptroller may disallow the increase in deduction and allowance under subsection (19) where among other things, false information was given or a fraud was used in connection with an election for a cash payout.</p> <p>The new section 37I(21) defines certain terms used in the section.</p> <p>The new section 37J criminalises the giving of false information or omission of information in connection with an election for a cash payout under the new section 37I and the falsification of books and the employment of any fraud, art or contrivance in order to obtain such a payout.</p> <p>Clause 49 makes consequential amendments to various provisions of the Economic Expansion Incentives (Relief from Income Tax) Act (Cap. 86)</p>

s/n.	Legislative Change	Brief Description of Legislative Change	Amendment to Income Tax Act	Explanation for Amendments
				arising from the phasing out of industrial building allowance, the introduction of the land intensification allowance under the new section 18C, the introduction of further allowances under sections 19A and 19B, and the insertion of section 43ZE by clause 43.
2	Amendment to Section 13V arising from expansion of Development and Expansion Incentive (DEI) to include international legal services	<p>The scope of Development and Expansion Incentive (DEI) under Economic Expansion Incentives (Relief from Income Tax) Act (EEIA) will be amended to provide for a concessionary tax rate of 10% for a period of 5 years on incremental income derived from qualifying international legal services (including arbitration services) performed by law firms incorporated as companies.</p> <p>Section 13V of the ITA currently provides for a 50% tax exemption on incremental income derived from international arbitration services rendered in connection with international arbitration cases heard in Singapore. In line with the changes to DEI to include international legal services, Section 13V is amended to clarify that law firms incorporated as companies can only be awarded an incentive under the new DEI incentive for international legal services or an incentive under Section 13V, but not both.</p>	Section 13V [Clause 8]	Clause 8 amends section 13V (Exemption of income derived by law practice from international arbitration held in Singapore) to provide that if any law practice has been approved as a development and expansion company under the Economic Expansion Incentives (Relief from Income Tax) Act under the new tax incentive announced in 2010 Budget Statement for qualifying law practices providing international legal services, it will not be granted approval for an incentive under this section.

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3	Tax Incentive for Qualifying Investments by Angel Investors	<p>This new tax incentive is introduced to encourage eligible individuals to invest in start-up companies and to help these companies grow and succeed (with their management expertise or business networks).</p> <p>Under this incentive, an approved angel investor who commits a minimum of \$100,000 of equity investment in a qualifying start-up company in a given year can claim a tax deduction based on 50% of the cost of his qualifying investment at the end of a two-year holding period. A cap of \$500,000 is applicable on the amount of investments that can qualify for tax deduction in each YA. The tax deduction is subject to conditions.</p> <p>The incentive is valid from 1 March 2010 to 31 March 2015 (both dates inclusive) and applies to qualifying investments in qualifying start-ups made during this period by the approved angel investor. SPRING Singapore will administer this incentive.</p>	<p>Sections 37 and 37K</p> <p>[Clauses 27(d) and 30]</p>	<p>Clause 27 amends section 37 (Assessable income) to provide that a deduction for qualifying donations may only be made against the remainder of a person's statutory income after making the deduction provided under the new section 37K.</p> <p>Clause 30 inserts new section 37K.</p> <p>The new section 37K provides for a new tax incentive for angel investors.</p> <p>The new section 37K(1) provides that an individual may apply to the Minister or a person appointed by him to be approved as a qualifying person for the purpose of claiming deductions for expenditure incurred in making qualifying investments in qualifying start-up companies.</p> <p>The new section 37K(2) provides for the criteria for approving an individual as a qualifying person.</p> <p>The new section 37K(3) provides that the qualifying person must directly and beneficially hold the qualifying investment for 2 years from the relevant date (defined as the date of last investment in the company within the period of one year from the date of first investment), to be eligible for the deduction. The subsection also provides for the manner of</p>

s/n.	Legislative Change	Brief Description of Legislative Change	Amendment to Income Tax Act	Explanation for Amendments
				<p>making the deduction.</p> <p>The new section 37K(4) provides for the period within which the qualifying investment must be made to be eligible for the deduction.</p> <p>The new section 37K(5) provides that the amount of deduction shall be half of the lesser of the aggregate amount of expenditure incurred by the qualifying person on the qualifying investment and \$500,000.</p> <p>The new section 37K(6) provides for the exclusion of certain expenditures incurred by a qualifying person in making qualifying investments in any one qualifying start-up company when computing the aggregate amount of expenditure incurred by him for the purposes of subsection (5).</p> <p>The new section 37K(7) provides that where a part of a qualifying investment (being shares) made by a qualifying person in a qualifying start-up company is disposed of within the relevant holding period, the amount of expenditure incurred in respect of that part of the investment that is disposed of is to be excluded from the aggregate amount of expenditure incurred by him for the purposes of subsection (5).</p> <p>The new section 37K(8) empowers the Minister or a person appointed by him to waive the prohibition on</p>

s/n.	Legislative Change	Brief Description of Legislative Change	Amendment to Income Tax Act	Explanation for Amendments
				<p>certain expenditures under subsection (6) from being considered for the deduction.</p> <p>The new section 37K(9) provides that any amount of deduction for any qualifying person for any year of assessment which is not utilised in that year of assessment as a result of insufficient statutory income (after deduction of qualifying losses under section 37(3)(a)) will not be available as a deduction against his income for any subsequent year of assessment. Such unutilised deductions are to be disregarded.</p> <p>The new section 37K(10) provides that where a qualifying person who has been allowed a deduction under the new section 37K in respect of any qualifying investment (being shares) made by him, disposes of such investment or part thereof after 2 years from the relevant date, and the gains or profits from the disposal are chargeable to tax, then the amount of deduction which has been allowed to him under that section shall not be deductible under section 14 as part of the cost of his investment in computing the gains or profits from the disposal which is chargeable to tax. This is to ensure that the qualifying person cannot claim his cost of investment twice by first claiming a deduction for it under the new section 37K, and then claiming a deduction for it under section 14.</p>

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				<p>The new section 37K(11) provides that a qualifying person must maintain and deliver to the Minister or a person appointed by him records of his qualifying investments made by him in any qualifying start-up company and such other particulars as may be required for the purposes of the section.</p> <p>The new section 37K(12) and (13) define certain terms for the purposes of the section.</p> <p>The new section 37K(14) defines when a qualifying investment is made for various purposes, eg. section 37K(4) and the definition of “date of first investment”.</p>
4	Land Intensification Allowance	<p>Taxpayers that construct or build qualifying buildings or structures may apply to Economic Development Board (“EDB”) for approval for the Land Intensification Allowance (LIA).</p> <p>The qualifying criteria includes:-</p> <p>a) The building or structure must be used by one of the sectors identified to have critical need for land intensification.</p> <p>b) The new building or structure must meet or exceed the Gross Plot Ratio (GPR) benchmark relevant to the business sector</p>	<p>Sections 18C and 34C</p> <p>[Clauses 21, 26, 48(a), (b) (c), (e), (f), (g), 49(a), (b) and (c)]</p>	<p>Clause 21 inserts new sections 18C.</p> <p>The new section 18C provides for a new land intensification allowance. The allowance is given on an approval basis to a qualifying person who incurs certain costs (such as design fees, piling, construction and renovation costs, stamp duties and other related fees) on the renovation or construction of a building or structure which meets prescribed criteria.</p> <p>The new section 18C(1) provides that a person who intends to incur capital expenditure on the construction or renovation of a building or structure on industrial land to be used for the purposes of a trade prescribed by regulations, may apply to the</p>

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		<p>of the user of building. For renovation or extension works on existing building or structure to qualify, the works must increase the GPR of the existing building or structure and the new GPR of the building or structure must meet or exceed the GPR benchmark relevant to the business sector of the user of building. This is applicable even if the GPR of the existing building or structure already meets or exceeds the GPR benchmark relevant to the business sector of the user of building before the renovation or extension works. The GPR benchmark is based on that applicable at the date the business submits its development application to the Urban Redevelopment Authority. To encourage intensification, the benchmark for each industry sector will be set around the 75th percentile of actual historical GPRs for the sector.</p> <p>c) The land on which the building or structure is to be built is zoned as Business 1 or Business 2 (excluding Business 1 White and Business 2 White) under the prevailing URA Master Plan at the date of submission of development application to URA.</p>		<p>Minister or a person appointed by him, between 1st July 2010 and 30th June 2015 (both dates inclusive), for the construction or renovation to be approved for the purposes of claiming an allowance in respect of such expenditure.</p> <p>The new section 18C(2) provides that the Minister or a person appointed by him may approve a person's application if he is satisfied that the construction or renovation promotes the intensified use of the industrial land for the purposes of the prescribed trade. The approval may be subject to conditions, including the particular trade for which the building or structure is to be used upon completion of construction or renovation (to be known as the "specified trade" for any approved construction or approved renovation).</p> <p>The new section 18C(3) provides that an initial allowance equivalent to 25% of the qualifying capital expenditure incurred by the person on the approved construction or approved renovation is to be made to him for the year of assessment relating to the basis period in which the capital expenditure is incurred.</p> <p>The new section 18C(4) provides that an annual allowance equivalent to 5% of the qualifying capital expenditure incurred by the person on the approved construction or approved renovation is to be made to him for any year of assessment, if at the end of the</p>

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		<p>The LIA incentive will be administered by EDB. Upon approval for the LIA incentive, the building owner will be granted an initial allowance of 25% and an annual allowance of 5% on the qualifying capital expenditures incurred after 22 February 2010, subject to conditions.</p> <p>Approvals for the incentive will be granted from 1 July 2010 to 30 June 2015 (both dates inclusive). Businesses may claim LIA on qualifying expenditures incurred in respect of projects approved during this period.</p>		<p>basis period for that year of assessment —</p> <ul style="list-style-type: none"> (a) that person is entitled to a relevant interest in that building or structure; and (b) that building or structure is being used for the purposes of the specified trade. <p>The new section 18C(5) provides that no annual allowance is to be made for any year of assessment unless, at the end of the basis period for that year of assessment, more than 80% of the total floor area of the building or structure is used by a single person or partnership for the purposes of the specified trade.</p> <p>The new section 18C(6) provides that no annual allowance shall be made to a person for any year of assessment which is after 15 years from the year of assessment in which an annual allowance was first made to the person who carried out the approved construction or approved renovation, notwithstanding that there may still be capital expenditure remaining unutilised after the 15 years.</p> <p>The new section 18C(7) deems any qualifying capital expenditure incurred by a person on the approved construction or approved renovation prior to the commencement of his trade as having been incurred by that person on the first day he carries on that trade.</p> <p>The new section 18C(8) provides that where the</p>

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				<p>person fails to comply with any condition imposed under subsection (2) at the time the building or structure is first used after the completion of the approved construction or approved renovation —</p> <ul style="list-style-type: none"> (a) an amount computed in accordance with that provision is to be deemed as the income of the person chargeable to tax for the year of assessment relating to the basis period in which the failure occurs; and (b) the Minister or a person appointed by him may withdraw the approval granted under subsection (2). <p>The new section 18C(9) empowers the Comptroller to apportion, in such manner as may appear reasonable to him under the circumstances, the allowance to be made against different streams of income derived from carrying on the specified trade for any year of assessment, where one stream of income is chargeable to tax and the other is exempt from tax for that year of assessment.</p> <p>The new section 18C(10) provides for the maintenance and furnishing of records of the approved construction or approved renovation by the person who incurs the qualifying capital expenditure.</p> <p>The new section 18C(11) defines certain terms for the purposes of the section.</p>

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				<p>Clause 26 amends section 34C (Amalgamation of companies) that where there is a transfer of a building or structure under a qualifying amalgamation for which an allowance under the new section 18C has been made, the annual allowance under that section shall continue to be available to the amalgamated company. This however only applies if the building or structure has been used before and after the amalgamation for the production of chargeable income.</p> <p>Clause 48(a), (b) (c), (e), (f), (g), 49(a), (b) and (c) make consequential amendments to various provisions of the Act and the Economic Expansion Incentives (Relief from Income Tax) Act (Cap. 86) arising from the introduction of the land intensification allowance under the new section 18C</p>
5	Phasing Out Industrial Building Allowance	<p>Currently, businesses are allowed to claim Industrial Building Allowance (IBA) on qualifying capital expenditure incurred on the construction or purchase of an industrial building or structure used for a qualifying trade.</p> <p>Any capital expenditure incurred <u>on or</u></p>	<p>Sections 16, 17, 18,18B and 24</p> <p>[Clauses 18, 19, 20, 21 25, 48(a), (c), (e), (f) and 49(a)]</p>	<p>Clause 18 amends section 16 (Initial and annual allowances for industrial buildings and structures) to —</p> <p>(a) disallow any initial and annual allowances on any capital expenditure incurred on or after 23rd February 2010 on the construction or purchase of an industrial building or structure, subject to the transitional</p>

s/n.	Legislative Change	Brief Description of Legislative Change	Amendment to Income Tax Act	Explanation for Amendments
		<p><u>before 22 February 2010</u> on the construction or purchase of an industrial building or structure will continue to qualify for IBA subject to existing rules.</p> <p>Any capital expenditures incurred <u>after 22 February 2010</u> on the construction or purchase of an industrial building or structure will not qualify for IBA unless the transitional rules are met. Details of the transitional rules can be found in the IRAS e-tax guide on “Phasing out industrial building allowance” issued on 28 April 2010. Please refer to http://www.iras.gov.sg/irasHome/page.aspx?id=902.</p>		<p>provisions in the new section 18B;</p> <p>(b) disallow the making of an annual allowance to a person who incurred capital expenditure on or before 22nd February 2010 on the construction or purchase of a building or structure which was not an industrial building or structure on 22nd February 2010 but becomes one after that date, subject to transitional provisions in the new subsection (18) concerning a building or structure that was still under construction on that date; and</p> <p>(c) provide that a building or structure that has fallen into temporary disuse does not thereby cease to be an industrial building or structure on 22nd February 2010 for the purpose of paragraph (b) if it was an industrial building or structure before it fell into disuse and is constantly maintained in readiness to be brought back into use as such.</p> <p>Clause 19 amends section 17 (Balancing allowances and charges for industrial buildings and structures) to empower the Comptroller to determine the amount of the sale, insurance, salvage or compensation moneys of a building or structure to be used in determining the amount of balancing allowance or charge under subsections (4) and (5), where the building or structure is one in respect of which both an industrial</p>

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				<p>building allowance under section 16 and a land intensification allowance under the new section 18C have been granted. The reason for this is that the balancing allowance or charge under section 17 is made with reference to the industrial building allowance only.</p> <p>Clause 20 amends section 18 (Definitions for sections 16 and 17) to —</p> <ul style="list-style-type: none"> (a) provide that the approval by the Minister or a person appointed by him of a building or structure used for a purpose specified in subsection (1)(f), (i) or (j) as an industrial building or structure must be given on or before 22nd May 2010 ; (b) empower the Minister or a person appointed by him to impose conditions in granting any approval of a building or structure as an industrial building or structure under subsection (1)(j); (c) make a consequential amendment to the definition of “industrial building or structure” arising from the insertion of the new section 18B. <p>Clause 21 inserts new sections 18B.</p> <p>The new section 18B provides for transitional provisions by providing that the industrial building</p>

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				<p>allowance under section 16 shall continue to be available for certain capital expenditure incurred on industrial buildings or structures on or after 23rd February 2010.</p> <p>The new section 18B(1) provides for the treatment of capital expenditure incurred on or after 23rd February 2010 on the construction of a building or structure which is to be an industrial building or structure upon completion of construction works other than by virtue of paragraph (f), (i) or (j) of section 18(1). An initial allowance and annual allowances shall be made under section 16 to the person who incurs such capital expenditure, provided that the person —</p> <ul style="list-style-type: none"> (a) on or before 22nd February 2010, has been granted the option to purchase the land or has entered into a sale and purchase agreement or a lease agreement for the land on which the industrial building or structure is to be constructed, or (where the land is owned by the Government or a statutory board) has submitted an application to the Government or the statutory board to bid for the purchase of the land or to lease the land; and (b) on or before 31st December 2010, has applied for planning or conservation permission from the competent authority in accordance with the Planning Act (Cap.

s/n.	Legislative Change	Brief Description of Legislative Change	Amendment to Income Tax Act	Explanation for Amendments
				<p data-bbox="1493 318 2003 350">232) to carry out the construction work.</p> <p data-bbox="1367 391 2076 716">The new section 18B(2) provides for the treatment of capital expenditure incurred on or after 23rd February 2010 on the construction of a building or structure which is to be an industrial building or structure by virtue of paragraph (f), (i) or (j) of section 18(1) upon completion of construction works. An initial allowance and annual allowances shall be made under section 16 to the person who incurs such capital expenditure.</p> <p data-bbox="1367 756 2076 1227">The new section 18B(3) provides for the treatment of capital expenditure incurred on or after 23rd February 2010 on the purchase of a new building or structure or the leasehold interest therein which is to be an industrial building or structure upon purchase other than by virtue of paragraph (f), (i) or (j) of section 18(1). An initial allowance and annual allowances shall be made under section 16 to the person who incurs such capital expenditure, provided that the person has, on or before 22nd February 2010, been granted an option or has entered into an agreement for the purchase or acquisition of the new building or structure or the leasehold interest.</p> <p data-bbox="1367 1268 2076 1369">The new section 18B(4) provides for the treatment of capital expenditure incurred on or after 23rd February 2010 on the purchase of a new building or structure</p>

s/n.	Legislative Change	Brief Description of Legislative Change	Amendment to Income Tax Act	Explanation for Amendments
				<p>(including the purchase of a leasehold interest therein) or on any renovation or refurbishment works carried out on that building or structure upon the purchase. Where the building or structure is to be an industrial building or structure upon purchase or completion of renovation or refurbishment work by virtue of paragraph (f), (i) or (j) of section 18(1), an initial allowance and annual allowances shall be made under section 16 to the person who incurs such capital expenditure.</p> <p>The new section 18B(5) provides for the treatment of capital expenditure incurred on or after 23rd February 2010 on the purchase of a building or structure or the leasehold interest therein, not being a new building or structure, which is to be an industrial building or structure upon purchase other than by virtue of paragraph (f), (i) or (j) of section 18(1). Annual allowances shall be made under section 16 to the person who incurs such capital expenditure, provided that the person has, on or before 22nd February 2010, been granted an option or has entered into an agreement for the purchase or acquisition of the building or structure or the leasehold interest.</p> <p>The new section 18B(6) provides for the treatment of capital expenditure incurred on or after 23rd February 2010 on the purchase of a building or structure (including the a leasehold interest therein), not being a</p>

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				<p>new building or structure, or on any renovation or refurbishment works carried out on that building or structure upon the purchase. Where the building or structure is to be an industrial building or structure upon the purchase or completion of the renovation or refurbishment work by virtue of paragraph (f), (i) or (j) of section 18(1), annual allowances shall be made under section 16 to the person who incurs the capital expenditure on the purchase of the building or structure, and both an initial allowance and annual allowances shall be made to him in respect of the capital expenditure incurred on the renovation or refurbishment works.</p> <p>The new section 18B(7) provides for the treatment of capital expenditure incurred on or after 23rd February 2010 on extension works carried out on an existing building or structure which is to be an industrial building or structure upon the completion of the extension works other than an industrial building or structure by virtue of paragraph (f), (i) or (j) of section 18(1). An initial allowance and annual allowances shall be made under section 16 to the person who incurred the capital expenditure on the extension works. Annual allowances shall be made to him in respect of the capital expenditure incurred before 23rd February 2010 on the construction or purchase or the residue of that expenditure, as the case may be, of the existing building or structure where it is not an</p>

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				<p>industrial building or structure on 22nd February 2010. These allowances may be made only if the person has—</p> <ul style="list-style-type: none"> (a) on or before 22nd February 2010, entered into a written agreement for a qualified person to carry out such extension works; and (b) on or before 31st December 2010, applied for planning permission or conservation permission to the competent authority in accordance with the Planning Act (Cap. 232) to carry out such extension works. <p>The new section 18B(8) provides for the treatment of capital expenditure incurred on or after 23rd February 2010 on extension works carried out on an existing building or structure which was not an industrial building or structure on or at any time before 22nd February 2010, but the building or structure together with the extension is to be an industrial building or structure upon the completion of the extension works by virtue of paragraph (f), (i) or (j) of section 18(1). An initial allowance and annual allowances shall be made under section 16 to the person who incurred the capital expenditure on the extension works, and annual allowances shall be made to him in respect of capital expenditure incurred before 23rd February 2010 on the construction or purchase or the residue of that expenditure, as the case may be, of the existing</p>

s/n.	Legislative Change	Brief Description of Legislative Change	Amendment to Income Tax Act	Explanation for Amendments
				<p>building or structure where it is not an industrial building or structure on 22nd February 2010.</p> <p>The new section 18B(9) provides for the treatment of capital expenditure incurred on or after 23rd February 2010 on renovation and refurbishment works carried out on an existing building or structure which is to be an industrial building or structure upon the completion of the works other than an industrial building or structure by virtue of paragraph (f), (i) or (j) of section 18(1). An initial allowance and annual allowances shall be made under section 16 to the person who incurred the capital expenditure on the renovation and refurbishment works, and annual allowances shall be made to him in respect of capital expenditure incurred before 23rd February 2010 on the construction or purchase or the residue of that expenditure, as the case may be, of the existing building or structure where it is not an industrial building or structure on 22nd February 2010. These allowances may be made only if the renovation and refurbishment works are carried out pursuant to a written agreement entered into with a renovation contractor on or before 22nd February 2010.</p> <p>The new section 18B(10) provides for the treatment of capital expenditure incurred on or after 23rd February 2010 on renovation and refurbishment works carried out on an existing building or structure which was not</p>

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				<p>an industrial building or structure on or at any time before 22 February 2010 but is to be an industrial building or structure upon the completion of the works by virtue of paragraph (f), (i) or (j) of section 18(1). An initial allowance and annual allowances shall be made under section 16 to the person who incurred the capital expenditure on the renovation and refurbishment works, and annual allowances shall be made to him in respect of capital expenditure incurred before 23rd February 2010 on the construction or purchase or the residue of that expenditure, as the case may be, of the existing building or structure.</p> <p>The new section 18B(11) provides that no initial or annual allowance shall be made to a person who incurs capital expenditure on or after 23 February 2010 on the construction of an industrial building or structure or on extension works to an existing building or structure in the circumstances provided in subsection (1), (2), (7) or (8), if such expenditure is incurred after the earlier of the date of issuance of the temporary occupation permit for that building or structure and the end of the basis period for the year of assessment 2016.</p> <p>The new section 18B(12) provides that no initial or annual allowance shall be made to a person who incurs capital expenditure on or after 23 February 2010 on renovation or refurbishment works to a</p>

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				<p>building or structure in the circumstances provided in subsections (4), (6), (9) and (10), if such expenditure is incurred after the earlier of the completion of the renovation or refurbishment works and the end of the basis period for the year of assessment 2016.</p> <p>The new section 18B(13) provides that no allowance shall be made under this section for any capital expenditure for which a land intensification allowance is made under the new section 18C.</p> <p>The new section 18B(14) defines certain terms in the section.</p> <p>Clause 25 amends section 24 (Special provisions as to sales between persons under a common control or where one of them has control over the other) to provide that an election that the residue of expenditure on the construction or purchase of a building or structure immediately before the sale is deemed to be the transfer price, cannot be made for a sale which occurs on or after 23rd February 2010, unless the sale is between an amalgamating company and an amalgamated company of a qualifying amalgamation under section 34C.</p> <p>Clause 48(a), (c), (e), (f) and 49(a) make consequential amendments to various provisions of the Act and the Economic Expansion Incentives</p>

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				(Relief from Income Tax) Act (Cap. 86) arising from the phasing out of industrial building allowance.
6	Enhancements to Financial Sector Incentive (“FSI”) and removal of Qualifying Base (“QB”)	<p>Financial Institutions (“FIs”) which are granted FSI Standard Tier awards are currently required to compute and deduct the QB from their income derived from FSI qualifying activities, in order to determine the net income to be taxed at the concessionary tax rate of 10%. The QB is to be taxed at the prevailing corporate tax rate. The QB is a proxy for the income from certain activities that were previously subject to tax at the prevailing corporate tax rate before the removal of the counter-party and/or currency restrictions under FSI. While the QB has relieved FIs of the need to track counterparty and currency restrictions for qualifying activities, there has been feedback from FIs that the administration and computation of QB is complex and results in significant compliance costs.</p> <p>The policy intent for QB remains relevant. Nonetheless to ease tax compliance, with effect from 1 January 2011, the QB will be removed and instead the concessionary tax rate under the FSI-ST award will be adjusted in tandem from 10% to 12% as a revenue</p>	<p>Sections 43N and 43Q</p> <p>[Clauses 37 and 39]</p>	<p>Clause 37 amends section 43N (Concessionary rate of tax for income derived from debt securities) to provide that section 43N shall not apply to qualifying income from qualifying debt securities derived by a financial sector incentive company. Such income will be taxed in accordance with the provisions under section 43Q.</p> <p>Clause 39 amends section 43Q (Concessionary rate of tax for financial sector company) to provide for:</p> <ul style="list-style-type: none"> (a) a concessionary rate of tax of 12% on income from prescribed activities derived on or after 1st January 2011 by a financial sector incentive company; (b) the making of transitional provisions by way of regulations for the concessionary tax rate of 12% to apply in respect of income derived during the period from 1st January 2011 to 31st December 2013 by a futures member of the Singapore Exchange and a member Singapore Commodities Exchange Ltd.

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		neutral change. The list of FSI qualifying activities will also be updated. These changes will help to simplify the rules for the FSI scheme and lower compliance costs for FIs.		
7	Review of tax concession for offshore insurance business	<p>Currently, approved general, life and composite insurers can qualify for a concessionary tax rate of 10% on qualifying income derived from offshore insurance business conducted from Singapore. There is no sunset clause for the scheme and no expiry date for the approval status.</p> <p>The Government introduced a 5-year sunset clause to the tax incentive: the approval period for the incentive will be from 1 April 2010 to 31 March 2015. Changes were also made to the approval period and qualifying conditions for incentive recipients. MAS is the approving agency for the tax incentive.</p> <p>This tax change is to align the administration of the incentive with other tax incentive schemes.</p>	Section 43C [Clause 34]	Clause 34 amends section 43C (Exemption and concessionary rate of tax for insurance and reinsurance business) to provide that the Minister may by regulations provide for the period of approval of an insurer under that section, and other supplementary matters. The clause also provides that the approval of insurers under that section will not be granted after specified dates.
8	Review of tax incentives under sections 43D	Currently, futures members of Singapore Exchange (SGX) and members of Singapore Commodity Exchange Ltd (SICOM) are	Sections 43D and 43K [Clause 35 and 36]	Clause 35 amends section 43D (Concessionary rate of tax for offshore transactions on any market maintained by Singapore Exchange or its subsidiaries) to provide

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	and 43K of Income Tax Act (ITA)	<p>granted a concessionary tax rate of 10% on their income derived from qualifying transactions under Sections 43D and 43K of the ITA. Companies which engage in qualifying transactions and are members of the relevant Exchanges automatically enjoy the tax concessions under these two incentives without having to obtain specific approval from MAS. Both incentives do not have sunset clauses.</p> <p>From 1 January 2011 onwards, these two tax incentives will cease and new incentive applicants which engage in qualifying transactions that were incentivised under these two tax incentives will have to apply for the Financial Sector Incentive (FSI) scheme and meet economic commitments under the FSI at the time of application. As a transitional measure, existing futures members of SGX and members of SICOM who are incentivised under these two existing tax incentives will be allowed to transit to the Financial Sector Incentive-Standard Tier (FSI-ST) scheme automatically if they notify MAS of their intent to transit by 31 July 2010. They will not be subject to the approval criteria for the FSI-ST award at the time of transition from</p>		<p>that income derived by a futures member of the Singapore Exchange on or after 1st January 2011 from a qualifying transaction will not enjoy the concessionary rate of tax of 10% under this section. Such income derived during the period from 1st January 2011 to 31st December 2013 may however be taxed at a concessionary rate of tax of 12% under section 43Q, subject to conditions.</p> <p>Clause 36 amends section 43K (Concessionary rate of tax for Singapore Commodity Exchange Ltd, etc) to provide income derived by a member of the Singapore Commodity Exchange on or after 1st January 2011 from a qualifying transaction will not enjoy the concessionary rate of tax of 10% under this section. Such income derived during the period from 1st January 2011 to 31st December 2013 may however be taxed at a concessionary rate of tax of 12% under section 43Q, subject to conditions.</p>

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		<p>1 January 2011. However, they will be subject to the prevailing FSI-ST renewal criteria, when they apply for renewal of their awards in December 2013, if the FSI scheme is extended.</p> <p>The rationale for this tax change is to streamline existing tax incentives for better incentive administration.</p>		
9	Extension of Real Estate Investment Trusts (“REIT”) Concession	<p>Distributions made during the period from 18 February 2005 to 17 February 2010 by the trustee of a listed REIT to qualifying non-resident non-individual investors were taxed at a concessionary rate of 10%. This was a final tax. This concessionary tax rate of 10% has expired on 17 February 2010.</p> <p>To further establish Singapore as a premier real estate financing and investment centre, this concession has been extended to 31 March 2015. Distributions made during the period from 18 February 2010 to 31 March 2015 by the trustee of a listed REIT to qualifying non-resident non-individual investors will continue to be taxed at a concessionary rate of 10%.</p>	<p>Sections 43 and 45G</p> <p>[Clauses 33 and 44]</p>	<p>Clause 33 amends section 43 (Rate of tax upon companies and others) to extend the period during which the gross amount of distribution made by a trustee of a real estate investment trust listed on the Singapore Exchange to qualifying non-resident persons is subject to a final rate of tax of 10%.</p> <p>Clause 44 makes a consequential amendment to section 45G (Application of section 45 to distribution from any real estate investment trust) arising from the amendment of section 43(3B) by clause 33.</p>
10	Extension of	Currently, the MFI accords the following tax	Sections 13S, 43W, 43ZA	Clause 7 amends section 13S (Exemption of income

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	Maritime Finance Incentive (“MFI”)	<p>benefits:</p> <p>(i) An approved MFI entity will enjoy either tax exemption or a tax concession (10% or 5%) for its qualifying leasing income;</p> <p>(ii) An approved manager of the MFI entity will enjoy a tax concession of 10% for its qualifying income.</p> <p>The MFI will expire on 28 February 2011. Taxpayers applying for the MFI on or before 28 February 2011 are approved for a period of 10 years.</p> <p>To further support Singapore’s development as a maritime financing hub, the expiry date of the MFI will be extended from 28 February 2011 to 31 March 2016. Taxpayers applying for the MFI during the period from 1 March 2011 to 31 March 2016 will be approved for a period of five years.</p> <p>In addition, in order to align the tax treatment with that for an approved container investment enterprise, the qualifying leasing income of a shipping investment enterprise approved on or after 1 March 2011 will exclude the income derived</p>	<p>and 43ZB</p> <p>[Clauses 7, 40, 41 and 42]</p>	<p>of shipping investment enterprise) to extend the expiry date of the period within which a shipping investment enterprise may be approved for the purpose of the section from 28th February 2011 to 31st March 2016. The clause also provides that the approval status for each approved shipping investment enterprise must not exceed 5 years where the approval is granted during the period from 1st March 2011 to 31st March 2016. In addition, the clause adds new subsection (19A) the effect of which is that income derived by a shipping investment enterprise approved on or after 1st March 2011, from leasing a sea-going ship under a finance lease that is treated as a sale pursuant to regulations made under section 10D(1), is excluded from the tax exemption under the section.</p> <p>Clause 40 amends section 43W (Concessionary rate of tax for shipping investment manager) to extend the date by which a shipping investment manager may be approved to 31st March 2016. The approval period must not exceed 5 years if granted during the period from 1st March 2011 to 31st March 2016. Subsection (4) is also amended to clarify that the approval referred to in that subsection is the approval of a person as a shipping investment manager.</p> <p>Clause 41 makes amendments to section 43ZA (Concessionary rate of tax for container investment enterprise) with respect to the approval of a container</p>

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		<p>from any finance lease treated as sale pursuant to the regulations under section 10D(1).</p>		<p>investment enterprise, which are similar to the amendments made to section 43W in relation to a shipping investment manager.</p> <p>Clause 42 makes amendments to section 43ZB (Concessionary rate of tax for container investment manager) with respect to the approval of a container investment manager, which are similar to the amendments made to section 43W in relation to a shipping investment manager. Subsection (4) is also amended to clarify that the approval referred to in that subsection is the approval of a person as a container investment manager.</p>
11	<p>Inclusion of Ship Management Fees under section 13A and section 13F of Income Tax Act (“ITA”)</p>	<p>Currently, ship management fees derived from rendering ship management services to related Special Purpose Vehicles (“SPV”) are taxed at the prevailing corporate income tax rate.</p> <p>Ship management fees derived on or after 22 February 2010 by a shipping enterprise or an Approved International Shipping Enterprise (“AIS”) from rendering ship management services to related qualifying SPVs will be granted tax exemption under sections 13A and 13F of the ITA respectively, subject to conditions.</p>	<p>Sections 13A and 13F</p> <p>[Clauses 4 and 6]</p>	<p>Clause 4 amends section 13A (Exemption of shipping profits) —</p> <ul style="list-style-type: none"> (a) to extend the tax exemption to income derived by a shipping enterprise from rendering ship management services to a qualifying subsidiary of the enterprise in respect of Singapore ships owned or operated by the subsidiary; (b) to clarify that the tax exemption under this section shall not apply to income from the carriage of passengers, mails, livestock or goods by any foreign ship within the limits of the port of Singapore. <p>Clause 6 amends section 13F (Exemption of</p>

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		<p>This tax change will enhance the scope of section 13A of the ITA and the AIS scheme, which are the key schemes for promoting ship owning and ship operations from Singapore.</p>		<p>international shipping profits) to extend the tax exemption to income derived by an approved international shipping enterprise from rendering ship management services to a qualifying special purpose vehicle of the enterprise in respect of ships owned or operated by such vehicle.</p>
12	<p>Incentive for Ship Brokers and Forward Freight Agreement (“FFA”) Traders</p>	<p>Currently, income derived by a company carrying out ship broking and / or FFA trading in Singapore is taxed at the prevailing corporate income tax rate.</p> <p>A new tax incentive will be introduced to allow income derived by a company carrying out ship broking and / or FFA trading in Singapore to be taxed at a concessionary tax rate of 10%, subject to conditions. The incentive is administered by MPA on an approval basis and the incentive approval period is from 1 April 2010 to 31 March 2015. A successful incentive recipient will enjoy the incentive for five years.</p> <p>The cultivation of ship broking and FFA trading will further promote Singapore as an International Maritime Centre (“IMC”).</p>	<p>Section 43ZE</p> <p>[Clauses 43, 48(d) and 49(d)]</p>	<p>Clause 43 inserts a new section 43ZE which provides that a concessionary rate of tax of 10% may be granted to an approved company for income from ship broking and forward freight agreement trading, which are in excess of its base amount. The approval of such concessionary tax rate may be granted between 1st April 2010 and 31st March 2016 (both dates inclusive) for a period of 5 years.</p> <p>Clause 48 makes consequential amendments to various provisions of the Act arising from the insertion of section 43ZE by clause 43.</p> <p>Clause 49 makes consequential amendments to various provisions of the Economic Expansion Incentives (Relief from Income Tax) Act (Cap. 86) arising from the phasing out of industrial building allowance, the introduction of the land intensification allowance under the new section 18C, the introduction of further allowances under sections 19A and 19B, and the insertion of section 43ZE by clause 43.</p>

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13	Reduction in withholding tax rate for non-resident public entertainers	<p>Currently, a non-resident public entertainer (NRPE) is subject to tax at a withholding tax rate of 15% on his gross income derived in respect of services performed as a public entertainer in Singapore.</p> <p>As a concession to help local organizers attract high quality performances to Singapore, the withholding tax rate of 15% will be reduced to 10% on sums that are due and payable during the period from 22 February 2010 to 31 March 2015.</p>	<p>Sections 40A and 45GA</p> <p>[Clauses 32 and 45]</p>	<p>Clause 32 makes a consequential amendment to section 40A (Relief for non-resident public entertainers) arising from a temporary reduction of the tax rate as a result of the amendment of section 45GA by clause 45.</p> <p>Clause 45 amends section 45GA (Application of section 45 to income derived as public entertainer) to provide for a temporary reduction of the rate of tax from 15% to 10% for income derived by a non-resident public entertainer during the period from 22nd February 2010 to 31st March 2015 (both dates inclusive).</p>
14	Enhancement to Course fees relief	<p>Course fee relief is granted to an individual to encourage him to upgrade his skill set and thus his productivity and employability. The current maximum claimable amount is \$3,500.</p> <p>With effect from YA 2011, the maximum claimable course fees relief will be increased from \$3,500 to \$5,500.</p>	<p>Section 39(12B)</p> <p>[Clause 31(t)]</p>	<p>Clause 31 amends section 39 to increase the total amount of course fee relief in subsections (2)(k), (12) and (12A) from \$3,500 to \$5,500 with effect from the year of assessment 2011.</p>
15	Increase in the income threshold of dependants for dependant-	<p>Currently, the income of the dependant cannot exceed \$2,000 in the preceding year if a taxpayer wishes to claim the following dependant-related reliefs:</p> <ul style="list-style-type: none"> • Handicapped Sibling Relief 	<p>Sections 39(2)(a), (d), (e), (i), (j), 39(3) and Fifth Schedule</p> <p>[Clauses 31(b), (c), (f), (g),</p>	<p>Clause 31 amends section 39 —</p> <p>(a) to remove the requirement for all handicapped dependant reliefs under subsection (2)(d),(e), (i) and (j) that the dependant must not have income exceeding</p>

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	related reliefs	<ul style="list-style-type: none"> • Wife/ Handicapped Spouse Relief • Parent/ Handicapped Parent Relief • Qualifying / Handicapped Child Relief • Working Mother’s Child Relief • CPF Cash Top-up Relief <p>The income threshold of \$2,000 will be increased to \$4,000 with effect from YA 2010, except for CPF Cash Top-up Relief for spouse and siblings which will take effect from YA 2011.</p> <p>In addition, this income threshold condition will be removed for handicapped-dependant-related reliefs. Hence taxpayers would be able to claim handicapped-dependant-related reliefs regardless of the income of the handicapped dependants if other conditions are satisfied.</p>	(j), (k), (l), (q), (r), (s) and 47]	<p>\$2,000 in the year immediately preceding the year of assessment in question;</p> <p>(b) to provide that the handicapped dependant reliefs under subsection (2)(e), (i) and (j) are allowed even in cases where the handicapped dependant is capable of maintaining himself financially;</p> <p>(c) to increase the annual income amount of a non-handicapped aged parent to \$4,000 beyond which the relief for that parent under subsection (2)(i) will not be allowed; and</p> <p>(d) to provide in subsection (3) that no payment made to the retirement or special account of a non-handicapped spouse or sibling shall be allowed as a deduction if the income of that spouse or sibling exceeds \$4,000 in the year preceding the year of payment with effect from year of assessment 2011.</p> <p>Clause 47 amends the Fifth Schedule (Child Relief) to provide that no deduction shall be allowed in respect of any child —</p> <p>(a) who is not incapacitated; and</p> <p>(b) who, in the year immediately preceding the year of assessment, either —</p> <p>(i) has income exceeding \$4,000; or</p> <p>(ii) was employed or exercised any trade, business, profession or vocation.</p>

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16	Expansion of wife relief to spouse relief	<p>Wife relief is a \$2,000 relief granted to male taxpayers who take care of their wives, subject to the income threshold for dependents.</p> <p>With effect from YA 2010, female taxpayers will be allowed to claim relief of \$2,000 if their husbands meet the same qualifying conditions of the current wife relief. Wife relief will be renamed as “spouse relief”.</p>	<p>Sections 2 and 39(2)(a) and (d)</p> <p>[Clauses 2, 31(a), (d) and (e)]</p>	<p>Clause 2 amends section 2 (Interpretation) to clarify that a reference to a spouse of a person in the Act means a spouse that is of the opposite sex to that person.</p> <p>Clause 31 amends section 39 —</p> <ul style="list-style-type: none"> (a) to replace the existing wife relief under subsection (2)(a) with a new spouse relief which allows either the husband or wife to claim the relief provided the income of the spouse does not exceed \$4,000; (b) to clarify that the relief for handicapped spouse under subsection (2)(d) for payments made under a deed of separation may only be granted if the payer is the husband, and that such relief for alimony may only be given if paid by an ex-husband.
17	Increase in Parent/ Handicapped Parent Relief	<p>[Dependants for this tax relief include parents, grandparents, great-grandparents, spouse’s parents, grandparents and great-grandparents. A taxpayer can claim a maximum of 2 dependants.]</p> <p>A taxpayer can claim a relief of \$5,000 if he is staying with the dependant, or of \$3,500 if he is not. If the dependant is a handicapped, the taxpayer can claim relief of \$8,000 if they are staying together, or \$6,500 if they</p>	<p>Section 39(2)(i)</p> <p>[Clauses 31(m), (n), (o) and (p)]</p>	<p>Clause 31 amends section 39 to increase the amounts of relief which can be claimed under subsection (2)(i) in respect of maintaining a parent, grandparent or great-grandparent or a parent, grandparent or great-grandparent of one’s spouse.</p>

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		<p>are not.</p> <p>With effect from YA 2010, the amount of reliefs will be increased as follows:</p> <ul style="list-style-type: none"> • Staying with dependant: Increase of \$2,000 to \$7,000 • Not staying with dependant: Increase of \$1,000 to \$4,500 • Staying with <u>handicapped dependant</u>: Increase of \$3,000 to \$11,000 • Not staying with <u>handicapped dependant</u>: Increase of \$1,500 to \$8,000 		
18	Enhancement of Tax Deduction on Donations	<p>To encourage a sustained level of individual and corporate donations to Institutions of a Public Character (IPCs) during the economic downturn, the tax deduction for donations made in 2009 (from 1 January 2009 to 31 December 2009) to IPCs was increased from 200% to 250%. This was announced in Budget 2009.</p> <p>The 250% tax deduction will be extended for one more year for donations made during the period from 1 January 2010 to 31 December 2010 to encourage greater charitable giving from both individuals and corporates as the economy recovers. This</p>	<p>Section 37</p> <p>[Clause 27(b)]</p>	<p>Clause 27 amends section 37 (Assessable income) to extend by another year the period within which a qualifying donation made is entitled to a deduction of 2.5 times the amount or value of the donation.</p>

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		<p>was announced in Budget 2010.</p> <p>All other conditions regarding the tax deduction of donation remain unchanged, e.g. the carry-forward of unutilised donations up to a maximum of five years, order of offset rules (i.e. to allow deduction on the unutilised donations on the basis that donations made on an earlier date shall be allowed first), as well as imposing the shareholding test on corporate donors before any unutilised donations can be allowed tax deduction.</p>		