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The following Act was passed by Parliament on 17th November 2004 and assented to by the President on 23rd November 2004:—

REPUBLIC OF SINGAPORE

No. 48 of 2004.

I assent.

(LS)

S R NATHAN,
President.
23rd November 2004.

An Act to amend the Economic Expansion Incentives (Relief from Income Tax) Act (Chapter 86 of the 2001 Revised Edition) and to make a consequential amendment to the Income Tax Act (Chapter 134 of the 2004 Revised Edition).

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

Short title and commencement

1.—(1) This Act may be cited as the Economic Expansion Incentives (Relief from Income Tax) (Amendment No. 2) Act 2004.

(2) Sections 4, 6, 9 and 12 to 15 shall be deemed to have come into operation on 27th February 2004.

Amendment of section 3

2. Section 3 of the Economic Expansion Incentives (Relief from Income Tax) Act (referred to in this Act as the principal Act) is amended by deleting the word “declared” in the definitions of “pioneer industry” and “pioneer product” and substituting in each case the word “approved”.

Repeal and re-enactment of section 4

3. Section 4 of the principal Act is repealed and the following section substituted therefor:

“Power and procedure for approving an industry and a product as a pioneer industry and a pioneer product

4.—(1) The Minister may, if he considers it expedient in the public interest to do so, approve an industry, which is not being carried on in Singapore on a scale adequate to the economic needs of Singapore and for which in his opinion there are favourable prospects for development, to be a pioneer industry and any specific product of that industry to be a pioneer product.

(2) The Minister may revoke any approval given under this section but any such revocation shall not affect the operation of any pioneer certificate issued to any pioneer enterprise before the revocation.

(3) Any industry which has been approved as a pioneer industry or any product which has been approved as a pioneer product before the date of commencement of the Economic Expansion Incentives (Relief from Income Tax) (Amendment No. 2) Act 2004 shall be deemed to have been approved under this section.”.

Amendment of section 6

4. Section 6 of the principal Act is amended by deleting the words “10 years” and substituting the words “15 years”.

Amendment of section 10

5. Section 10 of the principal Act is amended —

- (a) by deleting the words “sections 16, 17, 18, 19,” in subsections (1A) and (1B) (6th line) and substituting in each case the words “sections 16, 17, 18, 19, 19A, 19B,”;
- (b) by inserting, immediately after the words “more than 50%” in subsection (3)(a), the words “, or such other percentage as the Minister may determine,”;
- (c) by deleting the word “fixed” in subsections (3) (3rd line) and (3B);
- (d) by deleting the words “sections 16, 17, 18, 19, 19A,” in subsections (3) (14th and 15th lines) and (4) and substituting in each case the words “sections 16, 17, 18, 19, 19A, 19B,”; and
- (e) by deleting subsection (5) and substituting the following subsection:

“(5) In subsections (3) and (3B), “capital expenditure” means capital expenditure in connection with a pioneer product, on factory building (excluding land) in Singapore, on any new plant or new machinery used in Singapore and on intellectual property rights for use in Singapore and, subject to the approval of the Minister, on any secondhand plant or secondhand machinery used in Singapore.”.

Amendment of section 18

6. Section 18 of the principal Act is amended by deleting the words “10 years” and substituting the words “15 years”.

Amendment of section 19J

7. Section 19J of the principal Act is amended by deleting subsection (8) and substituting the following subsections:

“(8) Where a development and expansion company which has been granted a tax relief period of at least 10 years is granted an extension or a further extension of its tax relief period under section 19K(1)(b) or (2), the Minister shall compute the average corresponding income for each such extension or further extension in accordance with subsection (9).

(9) The average corresponding income for each extension or further extension referred to in subsection (8) shall be determined by taking one-third of the total of the corresponding qualifying income for the 3 years immediately preceding the date of that extension or further extension of its tax relief period, as the case may be.

(10) Notwithstanding subsections (7), (8) and (9), the Minister may, if he thinks fit, specify any amount to be the average corresponding income in substitution of the amount determined under those subsections.”.

Amendment of section 19K

8. Section 19K of the principal Act is amended —

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

“(1) Subject to subsection (2A), the tax relief period of a development and expansion company shall commence on its commencement day and shall continue —

(a) for such period not exceeding 10 years as the Minister may determine; and

(b) for such further period or periods, not exceeding 5 years for each period, as the Minister may determine, where the Minister is satisfied that it is expedient in the public interest to do so and subject to such terms and conditions as he may impose.

(2) Subject to subsection (2A), the Minister may, if he is satisfied that it is expedient in the public interest to do so and subject to such terms and conditions as he may impose, extend the tax relief period of a development and expansion company after the expiry of the total tax relief period in subsection (1) for such further period or periods, not exceeding 5 years at any one time, as he may determine.

(2A) The total tax relief period of a development and expansion company under subsections (1) and (2) shall not in the aggregate exceed 20 years.

(2B) Any tax relief period initially granted to a development and expansion company before the date of commencement of

the Economic Expansion Incentives (Relief from Income Tax) (Amendment No. 2) Act 2004 which exceeds 10 years shall be deemed to have been granted under this section.”; and

- (b) by deleting the words “subsection (2)” in subsection (3) and substituting the words “subsections (1) and (2)”.

Amendment of section 66

9. Section 66(1) of the principal Act is amended by deleting the definition of “concessionary income” and substituting the following definition:

““concessionary income” means income subject to tax at the concessionary rate of tax under section 13H, 43A, 43C, 43D, 43E, 43F, 43G, 43H, 43I, 43J, 43K, 43L, 43N, 43O, 43P, 43Q, 43R or 43S of the Income Tax Act, as the case may be;”.

Amendment of section 70

10. Section 70(2) of the principal Act is amended by deleting the words “section 53 in force immediately before the date of commencement of the Economic Expansion Incentives (Relief from Income Tax) (Amendment) Act 2004 (as made applicable by section 72)” in paragraphs (a)(ii) and (b)(ii) and substituting in each case the words “section 72”.

Repeal and re-enactment of section 72

11. Section 72 of the principal Act is repealed and the following section substituted therefor:

“Certain dividends exempted from income tax

72.—(1) As soon as any amount of chargeable income of a company which has been granted an investment allowance has become exempt under section 71, that amount shall be credited to a tax exempt account to be kept by the company for the purposes of this Part.

(2) Where a tax exempt account is in credit at the date on which any dividends are paid by a company, out of income which has been so exempted, an amount equal to those dividends or to that credit, whichever is the less, shall be debited to the account.

(3) So much of the amount of any dividends so debited to the tax exempt account as is received by a shareholder of the company shall, if the Comptroller is satisfied with the entries in the account, be exempt from tax in the hands of the shareholder.

(4) Notwithstanding subsections (3) and (7), no dividends paid on any share of a preferential nature shall be exempt from tax under this section in the hands of the shareholder.

(5) Any dividends debited to the tax exempt account shall be treated as having been distributed to the shareholders of the company or any particular class of the shareholders in accordance with the proportion of their shareholdings in the company.

(6) The company shall deliver to the Comptroller a copy of the account, made up to a date specified by him, whenever called upon to do so by notice in writing sent by him to its registered office, until such time as he is satisfied that there is no further need for maintaining the account.

(7) Where an amount has been received by way of dividend from a company by a shareholder and the amount is exempt from tax under this Part, if that shareholder is a company, any dividends paid by that company to its shareholders, to the extent that the Comptroller is satisfied that those dividends are paid out of that amount, shall be exempt from tax in the hands of those shareholders.”.

Amendment of heading to Part XIIIIC

12. Part XIIIIC of the principal Act is amended by deleting the word “TECHNOPRENEUR” in the Part heading and substituting the word “ENTERPRISE”.

Amendment of section 97U

13. Section 97U(1) of the principal Act is amended by deleting the words “1st September 1999” in the 1st and 2nd lines and substituting the words “27th February 2004”.

Repeal and re-enactment of section 97Z

14. Section 97Z of the principal Act is repealed and the following section substituted therefor:

“Savings provision

97Z.—(1) Notwithstanding the amendment of sections 97S to 97V, 97X and 97Y by the Economic Expansion Incentives (Relief from Income Tax) (Amendment No. 2) Act 2004, sections 97S to 97V, 97X and 97Y in force immediately before 27th February 2004 shall continue to apply and have effect to any technopreneur start-up company approved before that date.

(2) In this section, “technopreneur start-up company” means a company approved as a technopreneur start-up company under section 97T(2) in force immediately before the date of commencement of the Economic Expansion Incentives (Relief from Income Tax) (Amendment No. 2) Act 2004.”.

Miscellaneous amendments

15. The following provisions of the principal Act are amended by deleting the word “technopreneur” wherever it appears:

Sections 97S, 97T(1), (2) and section heading, 97U(1) (1st line), (2), (3), (4) and (6), 97V(1)(a) and (b), (2)(b) and (c)(i), (3) (3rd and 4th lines), (4) (3rd and 4th lines), (5)(a) and (b) and (6)(a) and (b), 97X and 97Y (5th line).

Consequential amendment to Income Tax Act

16. Section 37C(19) of the Income Tax Act (Cap. 134) is amended by deleting the word “technopreneur” in paragraph (e) of the definition of “claimant company” or “transferor company”.
