



REPUBLIC OF SINGAPORE

GOVERNMENT GAZETTE

BILLS SUPPLEMENT

Published by Authority

NO. 56]

WEDNESDAY, OCTOBER 20

[2004

First published in the *Government Gazette*, Electronic Edition, on 20th October 2004 at 10:00 am.

Notification No. B 56 — The Economic Expansion Incentives (Relief from Income Tax) (Amendment No. 2) Bill is hereby published for general information. It was introduced in Parliament on the 19th day of October 2004.

Economic Expansion Incentives (Relief from Income Tax) (Amendment No. 2) Bill

Bill No. 56/2004.

Read the first time on 19th October 2004.

A BILL

i n t i t u l e d

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
5 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
10 “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 Section 4 of the principal Act is repealed and the following section substituted therefor: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 15 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
20 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
25 have been approved under this section.”.

30 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.”.

10 **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

- 5 (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:

- 10 “ “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

- 15 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

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 Section 72 of the principal Act is repealed and the following section substituted therefor:

“Certain dividends exempted from income tax

- 25 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.

- 30 (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.

5 (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.

10 (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.

15 (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.

20 (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

25 **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

30 **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

5 **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.

10 (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 **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).

20 **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”.

EXPLANATORY STATEMENT

This Bill seeks to amend the Economic Expansion Incentives (Relief from Income Tax) Act (Cap. 86) —

- (a) to implement the tax changes announced in the Government’s 2004 Budget Statement, namely, to extend the tax relief period of up to 15 years to be granted to a pioneer enterprise or a pioneer service company and to extend the scope of the technopreneur investment incentive to cover all forms of start-ups and to rename the incentive as enterprise investment incentive; and
- (b) to make certain other amendments to the Act.

The Bill also seeks to make a consequential amendment to section 37C(19) of the Income Tax Act (Cap. 134).

Clause 1 relates to the short title and to the date from which certain clauses in the Bill are to take effect.

Clause 2 makes consequential amendments to the definitions of “pioneer industry” and “pioneer product” in section 3 arising from the amendment of section 4 by clause 3.

Clause 3 repeals and re-enacts section 4 to substitute the requirement for the Minister to declare, by order, any pioneer industry and pioneer product with the requirement for the Minister to approve any pioneer industry and pioneer product, and to remove the need for public consultation before a pioneer industry and a pioneer product are so approved.

Clauses 4 and 6 amend sections 6 and 18, respectively, to empower the Minister to grant a tax relief period of up to 15 years to a pioneer enterprise or a pioneer service company.

Clause 5 amends section 10 —

- (a) to provide for mandatory deduction of accelerated capital allowances and writing down allowance in respect of capital expenditure incurred in acquiring intellectual property rights by a pioneer enterprise against the pioneer income of the enterprise;
- (b) to allow the Minister —
 - (i) to specify a percentage other than the present more than 50% of paid-up capital of the pioneer enterprise to be held by persons permanently resident in Singapore; and
 - (ii) to allow the deferment of deduction of capital allowances and the writing down allowance in respect of capital expenditure incurred in acquiring intellectual property rights until the expiry of the tax relief period of the enterprise in certain cases, subject to certain conditions; and
- (c) to amend the definition of “capital expenditure” to cover expenditure on acquisition of intellectual property rights used in Singapore by a pioneer enterprise.

Clause 7 amends section 19J to empower the Minister to compute the average corresponding income of a development and expansion company which has already been granted a tax relief period of at least 10 years, for each extension or further extension of the tax relief period of the company.

Clause 8 amends section 19K to empower the Minister to grant at the outset to a development and expansion company a tax relief period of more than 10 years, where the initial tax relief period does not exceed 10 years and any subsequent extended tax relief period or periods do not exceed 5 years each. The total tax relief period for any development and expansion company must not in the aggregate exceed 20 years.

Clause 9 makes a consequential amendment to the definition of “concessionary income” in section 66(1) arising from the insertion of new sections 43R and 43S of the Income Tax Act (Cap. 134).

Clause 10 makes a consequential amendment to section 70(2) arising from the repeal and re-enactment of section 72 by clause 11.

Clause 11 repeals and re-enacts section 72 —

- (a) to require a company which has been granted an investment allowance to keep a tax exempt account from which dividends paid out may be exempt from tax if such account is in credit;
- (b) to treat dividends paid by a company as having been distributed to the shareholders of the company in accordance with the proportion of their shareholdings in the company; and
- (c) to exempt, subject to certain conditions, dividends paid by a company from tax in the hands of shareholders at all levels.

Clauses 12, 13 and 15 amend Part XIIC (containing sections 97S to 97Z) to expand the scope of the technopreneur investment incentive to cover all forms of start-ups and to rename the incentive as enterprise investment incentive.

Clause 14 contains a savings provision.

Clause 16 makes a consequential amendment to section 37C(19) of the Income Tax Act.

EXPENDITURE OF PUBLIC MONEY

This Bill will not involve the Government in any extra financial expenditure.
