

**Economic Expansion Incentives (Relief from Income Tax) (Amendment) Act
2002**

(No. 44 of 2002)

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The following Act was passed by Parliament on 5th December 2002 and assented to by the President on 18th December 2002:—

**ECONOMIC EXPANSION INCENTIVES (RELIEF FROM INCOME TAX)
(AMENDMENT) ACT 2002**

(No. 44 of 2002)

I assent.

ABDULLAH TARMUGI,
President.
Person exercising the
Functions of the President
18th December 2002.

Date of Commencement: 1st January 2003

Date of Commencement: 20th December 2002

An Act to amend the Economic Expansion Incentives (Relief from Income Tax) Act (Chapter 86 of the 2001 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) Act 2002.

(2) Section 11 shall be deemed to have come into operation on 1st June 2001.

(3) Section 6 shall be deemed to have come into operation on 3rd May 2002.

(4) Sections 2(c), (d) and (e), 4(b), (c) and (d), 7(b) and (c), 8(c) and (d), 9(c) and (d) and 13(a) (in relation to section 97Q(4) and (5)), (b), (c) and (d) shall come into operation on 1st January 2003.

(5) Sections 3, 5 and 12 shall have effect for the year of assessment 2003 and subsequent years of assessment.

Amendment of section 14

2. Section 14 of the Economic Expansion Incentives (Relief from Income Tax) Act (referred to in this Act as the principal Act) is amended —

(a) by deleting subsection (3A) and substituting the following subsection:

“(3A) Notwithstanding subsections (3) and (9) —

(a) no dividend paid on any share of a preferential nature shall be exempt from tax in the hands of the shareholder;

(b) any dividend paid on any share of a preferential nature shall be deemed as interest income of the shareholder if the dividend is paid by a company —

(i) which has not been subjected to the provisions of section 44 of the Income Tax Act (Cap. 134) in force immediately before 1st January 2003; or

(ii) which before 1st January 2003 had been subjected to the provisions of section 44 of that Act in force immediately before that date and the dividend is paid on or after —

(A) the 44A balance of the company referred to in section 44A of that Act becomes nil;

(B) the company exercises the option referred to in section 44(6A) of that Act; or

(C) 31st December 2007,
whichever is the earliest; and

- (c) any dividend paid on any share of a preferential nature shall be deemed as interest expense of the company if the company so elects.”;
- (b) by deleting the words “in the same proportions as the shareholders were entitled to payment of the dividends giving rise to the debit” in the 3rd, penultimate and last lines of subsection (4) and substituting the words “in accordance with the proportion of their shareholdings in the pioneer enterprise”;
- (c) by deleting the words “including any dividend paid by a holding company to which subsection (9) applies,” in subsection (6)(b);
- (d) by deleting subsection (9) and substituting the following subsection:
- “(9) Where an amount has been received by way of dividends from a company by a shareholder and the amount is exempt from tax under this section, 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; and section 44 of the Income Tax Act (Cap. 134) shall not apply to any such dividends or part thereof.”; and
- (e) by deleting subsection (10).

Amendment of section 19E

3. Section 19E of the principal Act is amended by deleting paragraph (b) and substituting the following paragraph:

- “(b) the deduction of capital allowances, losses and donations otherwise than in accordance with sections 23 and 37 of the Income Tax Act.”.

Amendment of section 19F

4. Section 19F of the principal Act is amended —

- (a) by deleting subsection (3A) and substituting the following subsections:
- “(3A) Notwithstanding subsections (3) and (5) —
- (a) no dividend paid on any share of a preferential

nature shall be exempt from tax in the hands of the shareholder;

- (b) any dividend paid on any share of a preferential nature shall be deemed as interest income of the shareholder if the dividend is paid by a company —
 - (i) which has not been subjected to the provisions of section 44 of the Income Tax Act (Cap. 134) in force immediately before 1st January 2003; or
 - (ii) which before 1st January 2003 had been subjected to the provisions of section 44 of that Act in force immediately before that date and the dividend is paid on or after —
 - (A) the 44A balance of the company referred to in section 44A of that Act becomes nil;
 - (B) the company exercises the option referred to in section 44(6A) of that Act; or
 - (C) 31st December 2007,whichever is the earliest; and
- (c) any dividend paid on any share of a preferential nature shall be deemed as interest expense of the company if the company so elects.

(3B) Any dividends debited to the account shall be treated as having been distributed to the shareholders of the post-pioneer company or any particular class of those the shareholders in accordance with the proportion of their shareholdings in the post-pioneer company.”;

- (b) by deleting subsection (5) and substituting the following subsection:

“(5) Where an amount has been received by way of dividends from a company by a shareholder and the amount is exempt from tax under this section, 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