

Economic Expansion Incentives (Relief from Income Tax) (Amendment) Bill

Table of Contents

Bill No: 14/1987

Read the first time: 28th July 1987

Long Title

Enacting Formula

- 1 Short title and commencement**
- 2 Amendment of section 8**
- 3 Amendment of section 15**
- 4 New Part IIIA**
- 5 Amendment of section 32**
- 6 New Part VIA**
- 7 Repeal and re-enactment of section 64**
- 8 Amendment of section 65**
- 9 Amendment of section 66**
- 10 Amendment of section 67**
- 11 Amendment of section 68**
- 12 New Part XIII A**

Explanatory Statement

Expenditure of Public Money

Economic Expansion Incentives (Relief from Income Tax) (Amendment) Bill

Bill No. 14/1987

Read the first time on 28th July 1987.

An Act to amend the Economic Expansion Incentives (Relief from Income Tax) Act (Chapter 86 of the 1985 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 1987.

(2) Sections 10 and 11 shall be deemed to have come into operation on 1st January 1986.

(3) Sections 4 and 12 shall be deemed to have come into operation on 1st April 1986.

(4) Section 6 shall be deemed to have come into operation on 1st April 1987.

Amendment of section 8

2. Section 8 of the Economic Expansion Incentives (Relief from Income Tax) Act (referred to in this Act as the principal Act) is amended —

(a) by inserting, immediately after the word “period” at the end of subsection (3), the words “unless the Comptroller, having regard to all the circumstances of the case, is satisfied that the loss was not incurred for the purpose of obtaining a tax advantage”; and

(b) by inserting, immediately after the words “deemed to be 5%” in subsection (4), the words “(or such lower rate as the Minister may specify in any particular case)”.

Amendment of section 15

3. Section 15 of the principal Act is amended —

(a) by deleting subsection (1) and substituting the following subsection:

“(1) Where a pioneer enterprise has, during its tax relief period, incurred a loss for any year, that loss shall be deducted as provided for in section 37(2) of the Income Tax Act (Cap. 134) but only against the income of the pioneer enterprise as ascertained under section 10, except that the balance of any such loss which remains unabsorbed at the end of its tax relief period is available to the new trade or business in accordance with that Act.”; and

(b) by inserting, immediately after the word “business” at the end of subsection (2), the words “in accordance with the Income Tax Act”.

New Part IIIA

4. The principal Act is amended by inserting, immediately after Part III, the following Part:

“PART IIIA

POST-PIONEER COMPANIES

Interpretation of this Part

19A. For the purposes of this Part, unless the context otherwise requires —

“commencement day”, in relation to a post-pioneer company, means the date specified under section 19B(3) in the certificate issued to that company under that section;

“post-pioneer company” means a company which has been issued with a certificate under section 19B(2);

“qualifying activity”, in relation to a post-pioneer company, means its trade or business in respect of which tax relief had been granted under Part II, III or VI and any other trade or business approved by the Minister.

Application for and issue of certificate to post-pioneer company

19B.—(1) Any company —

(a) which is a pioneer enterprise or a pioneer service company on or after 1st April 1986;

(b) which is an export enterprise on or after 1st April 1986 and which

had been a pioneer enterprise immediately before its tax relief period as an export enterprise,

may apply in the prescribed form to the Minister for approval as a post-pioneer company.

(2) The Minister may, if he considers it expedient in the public interest to do so, approve the application and issue the company with a certificate subject to such terms and conditions as he may impose.

(3) Every certificate issued to a post-pioneer company under this section shall specify —

- (a) a date as the commencement day from which the company shall be entitled to tax relief under this Part;
- (b) its qualifying activities; and
- (c) the concessionary rate of tax to be levied for the purposes of this Part.

(4) The Minister may, in his discretion, upon an application of a post-pioneer company, amend its certificate by substituting for the commencement day specified therein such other date as he thinks fit and thereupon the provisions of this Part shall have effect as if that date were the commencement day in relation to that certificate.

(5) Notwithstanding section 43 of the Income Tax Act (Cap. 134), tax at such concessionary rate, not being less than 10% as the Minister may specify, shall be levied and paid for each year of assessment upon the income derived by a post-pioneer company during its tax relief period from its qualifying activities.

Tax relief period of post-pioneer company

19C. The tax relief period of a post-pioneer company shall commence on its commencement day and shall continue for a period not exceeding 5 years as the Minister may determine.

Ascertainment of income in respect of other trade or business

19D.—(1) Where during its tax relief period a post-pioneer company carries on any trade or business other than its qualifying activities, separate accounts shall be maintained in respect of that other trade or business and in respect of the same accounting period, and the income from that other trade or business shall be

computed and assessed in accordance with the Income Tax Act with such adjustments as the Comptroller thinks reasonable and proper.

(2) Where in the opinion of the Comptroller the carrying on of such other trade or business is subordinate or incidental to the carrying on of the qualifying activities of the post-pioneer company, the income or loss arising from such other trade or business shall be deemed to form part of the income or loss of the post-pioneer company in respect of its qualifying activities.

Deduction of losses

19E. The Minister may, in relation to post-pioneer companies, by regulations provide for —

- (a) the manner in which expenses, capital allowances and donations allowable under the Income Tax Act are to be deducted; and
- (b) the deduction of capital allowances and of losses otherwise than in accordance with sections 23 and 37(2) of the Income Tax Act (Cap. 134).

Certain dividends exempted from income tax

19F.—(1) As soon as any amount of income of a post-pioneer company has been subject to tax at the concessionary rate under section 19B, the net amount of the income after deduction of the tax shall be credited to a special account (referred to in this section as the account) to be kept by the post-pioneer company for the purposes of this section.

(2) Where the account is in credit at the date on which any dividends are paid by the post-pioneer company out of the net amount of the income credited to that account, 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 account as is received by a shareholder of the post-pioneer company shall, if the Comptroller is satisfied with the entries in the account, be exempt from tax in the hands of the shareholder:

Provided that where the dividend is paid on any share of a preferential nature, it shall not be so exempt in the hands of the shareholder.

(4) Section 44 of the Income Tax Act shall not apply in respect of any dividends or part thereof which are debited to the account.