

FREQUENTLY ASKED QUESTIONS ON PRODUCTIVITY AND INNOVATION CREDIT (PIC)

- PIC Bonus

(Updated on 26 Mar 2014)

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A. Overview of PIC Bonus

1. What is the objective of the PIC Bonus?

The PIC Bonus helps businesses to improve their productivity and innovation while helping to defray rising operating costs such as wages and rentals. It is determined by the amount of expenditure businesses incur on PIC-qualifying activities.

2. Why must my business/company hire at least 3 local employees to be eligible for the PIC Bonus?

The 3-local-employee condition, like conditions for the PIC cash payout option, is set after considering two factors:

- a) Making it simple and easy for businesses to receive the PIC Bonus; and
- b) Curbing possible abuse, as the PIC Bonus is intended to benefit businesses with active business undertaking.

Businesses that do not qualify for the PIC Bonus can still receive benefits from the [400% tax deductions/allowances](#).

3. Do I need to make CPF contributions to my local employees for all 12 months of each Year of Assessment (YA)?

No, these contributions do not need to be made back-to-back on consecutive months for the entire YA. To qualify for the PIC Bonus, businesses must have contributed CPF on the payroll of at least 3 local employees:

- **Where 400% tax deductions/allowances on qualifying PIC expenditure is claimed** – in the last month of the basis period for the YA to which the deduction/allowance relates.
- **Where PIC cash payout on qualifying PIC expenditure is claimed** – in the last month of the quarter or combined consecutive quarters to which the cash payout option relates.

4. I have incurred wage costs on both my Singaporean and non-Singaporean employees. Am I eligible to apply for the PIC Bonus?

Only employees who are Singaporeans and Permanent Residents will be considered when determining the number of qualifying local employees. Your non-Singaporean employees will not be taken into consideration.

5. I have both full-time and part-time employees. Am I eligible to apply for the PIC Bonus?

Both full-time and part-time employees who are Singaporeans and Permanent Residents will be considered when determining the number of qualifying local employees.

The following groups of people are excluded when determining the number of qualifying employees for the purpose of the PIC Bonus as they are business owners:

- Self-employed (this includes a sole proprietor and partner under contract for service)

- Shareholder who is also a director of the company (as defined in Section 4(1) of the Companies Act).

6. Under a group centralised hiring system, Business A was recharged with employment costs by a related company (Business B) for three employees who worked for Business A. Will Business A be considered to have met the 3-local employee condition and qualify for the PIC Bonus?

From YA 2014, Business A will be considered to have met the 3-local employee condition and will therefore qualify for PIC Bonus if:

- It is able to produce supporting documents on the recharging of employment costs by a related company (Business B), in respect of employees working solely in Business A;
- The corporate structure and centralised hiring practices were adopted for bona fide commercial reasons; and
- The employees whose costs have been recharged will not contribute to the requisite headcount of Business B (which bore the upfront manpower costs).

7. Why are other entities such as town councils, clubs, and associations excluded from the PIC Bonus?

Under the PIC scheme, all taxpaying entities can claim 400% tax deductions/allowances on PIC qualifying expenditure. The cash conversion option is however available only to companies, partnerships and sole proprietorships with at least 3 local employees. The intention of the PIC Bonus is to specifically help business enterprises, especially SMEs, with cash-flow needs for their expenditure on innovation and productivity initiatives.

8. Will companies that have ceased business operations qualify for the PIC Bonus? New (Updated on 26 Mar 2014)!

No, companies are not eligible for PIC Bonus if they have ceased business operations at the point IRAS processes their PIC Bonus.

9. How is the PIC Bonus amount computed?

The PIC Bonus is given on a dollar-for-dollar matching basis. This means that for every dollar your business spends on PIC-qualifying activities*, your business will receive a PIC Bonus of a dollar, subject to a cap of \$15,000 in total for YAs 2013 to 2015.

* This refers to the amount net of grant or subsidy by the Government or any statutory board.

Example

YA	Qualifying PIC Expenditure (\$)	Claim for 400% Tax Deductions/ Allowances?	Claim for PIC Cash Payout @ 60%?	PIC Benefits [#]			Remarks
				400% Tax Deductions/ Allowances (\$)	PIC Cash Payout @ 60% (\$)	PIC Bonus (\$)	
2013	8,000	Yes	No	32,000 (400% X 8,000)	N.A.	8,000	
2014	1,000	No	Yes	N.A.	600 (60% X \$1,000)	0	No PIC Bonus is given as qualifying PIC expenditure incurred during YA 2014 is less than \$5,000.

2015	17,000	Yes (on \$9,000)	Yes (on \$8,000)	36,000 (400% X 9,000)	4,800 (60% X \$8,000)	7,000	PIC Bonus is restricted to \$7,000. PIC Bonus cap of \$15,000 is reached, taking into account the PIC Bonus given in YA 2013 of \$8,000.
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Assuming that the business meets the 3-local-employee condition at each point of claim.

The PIC Bonus is not meant as a reimbursement for the PIC expenditure incurred. The PIC expenditure is simply used as a basis to calculate the amount of grant given, up to a cap of \$15,000 over three years. By determining the bonus amount based on the amount of PIC expenditure, the bonus helps to both relieve operating costs and encourage productivity and innovation.

10. How frequently can I apply for the PIC Bonus when I have purchased at least \$5,000 in productivity and innovation-related investments?

The number of times businesses can seek claims on the PIC Bonus is:

- Once a year if 400% tax deductions/allowances is claimed; and
- Up to four times a year if PIC cash payout is claimed.

This is aligned with the existing application framework for PIC.

11. Are there restrictions on how I should use the PIC Bonus?

No, there are no restrictions on how you can use the PIC Bonus.

12. If our company does not carry on business in YA 2013, will the PIC bonus be capped at \$10,000 instead of \$15,000?

The maximum amount of PIC Bonus that a business is eligible for is not affected by the number of periods in which a trade or business is carried on. In this case, even though your company did not carry on trade or business during the basis period relating to YA 2013, it is still eligible for the maximum PIC Bonus of \$15,000 for YAs 2014 and 2015, as long as it meets all other qualifying conditions.

13. For PIC IT and Automation Equipment acquired on hire-purchase (HP), is the PIC Bonus computed based on the cost or instalment payments?

The equipment and the expenditure must first qualify for PIC benefits before it can be considered for PIC Bonus. In this regard, the HP agreement must have been signed during the basis periods relating to the qualifying YAs of the PIC scheme. PIC Bonus is computed based on the principal sum repaid (the amount that qualifies for PIC benefits) during the basis periods relating to YA 2013, YA 2014 and YA 2015.

14. If our company's hire-purchase repayment schedule extends beyond YA 2015, will we still receive PIC Bonus for payments made after YA 2015?

No, PIC Bonus will not be granted on instalment payments made after the basis period relating to YA 2015.

15. **My company made a claim for PIC (i.e. 400% tax deductions/allowances) in its income tax return. The qualifying PIC expenditure declared/claimed in the income tax return was subsequently found to be incorrect. As this may affect my company's tax assessment and IRAS' computation of the PIC Bonus, what should I do?** New (Updated as at 26 Mar 2014)!

Your company should inform IRAS of the error in writing immediately. In your submission, please:

- Indicate the correct amount of expenditure incurred on PIC-qualifying activities for which you are claiming 400% tax deductions/allowances on; and
- Provide us with a revised tax computation if there is a change in the company's tax position arising from the error.

B. Payment of PIC Bonus

16. **How will I be notified if my business is entitled to the PIC Bonus?**

You will receive a **PIC Bonus Notice** stating the amount of PIC Bonus that will be paid to the business.

17. **How will the payment of PIC Bonus be made?**

Businesses can expect the PIC Bonus to be credited into their income tax GIRO account. Businesses without income tax GIRO accounts will receive cheques from IRAS. If you have received the payment via cheque, please deposit it into your bank account within three months.

18. **Will the PIC Bonus be used to offset my company's tax arrears?**

Yes. The PIC Bonus will be used to offset any tax arrears (such as Income Tax, Property Tax, GST) of the business before any remaining amount is paid. We will notify the business of the offset accordingly.

19. **Will IRAS recover the PIC Bonus if our company does not meet the minimum ownership period requirement for PIC IT and automation equipment?** Revised (Updated as at 26 Mar 2014)!

Yes. PIC Bonus is granted on top of existing PIC benefits. If the business is no longer eligible for PIC as conditions for granting the benefits are not met (such as the one-year [minimum holding requirement](#) for acquisition of PIC IT and automation equipment), the business would likewise not be allowed to keep the PIC Bonus. It has to submit the [Disposal of Qualifying Assets Form](#) **within 30 days** from the date the PIC IT and automation equipment is disposed of/ leased out (unless auto-waiver applies).

IRAS will issue a **PIC Bonus Recovery Notice** requiring repayment of the PIC Bonus within 30 days from the date of the notice.