

Incentive Snippets

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International growth amidst a new business environment

The Double Tax Deduction for Internationalisation (DTD_i) aims to encourage Singapore companies and firms (hereinafter referred to as “businesses”) to venture into new markets overseas. Under this scheme, administered by Enterprise Singapore (ESG), eligible businesses may claim double tax deduction on qualifying expenses for international market expansion and investment development activities.

As part of its intent to further support businesses as they navigate a post-COVID-19 environment, the Singapore Government has

announced several enhancements to the DTD_i. The enhancements are intended to support more businesses entering new markets, physically or virtually.

In this issue, we highlight the enhancements to the DTD_i scheme, as well as the implications for businesses. With an increased focus on online platforms and virtual events due to limitations on international travel, most businesses should be able to benefit from the enhancements to the DTD_i.

Overview of the DTD_i scheme

Who is eligible?

The DTD_i scheme is available to *all* Singapore-based businesses (local or foreign owned), including those enjoying concessionary tax rate incentives with global headquarters in Singapore. It is available until 31 December 2025, unless extended upon review.

Automatic DTDi

The DTDi scheme provides businesses with 200% automatic tax deduction on eligible expenses for participating in the qualifying activities, up to an expenditure cap of \$150,000 per year of assessment. No prior approval from Enterprise Singapore is required for the following activities:

- Overseas business development trips*
- Overseas investment study trips*
- Overseas trade fairs*
- Local trade fairs approved by ESG or the Singapore Tourism Board (STB)

**Expenses incurred for airfare, hotel accommodation and meals are restricted to two employees per trip / fair*

Please note that businesses will have to apply to ESG for the following costs under Overseas market development trips / missions and Overseas investment study trips / missions:

Overseas market development trips / missions

- Fees paid to secure speaking spots at overseas business / trade conferences to pitch products / services to attendees
- Logistics costs of transporting materials / samples used during the business missions
- Third party consultancy costs to arrange business networking events to promote products / services

Overseas investment study trips / missions trips

- Logistics costs of transporting materials / samples used during the trip / mission

Non-automatic DTDi

Expenses incurred on other qualifying activities (as listed below) or in excess of the expenditure cap of \$150,000 are subject to ESG/ STB's pre-approval:

Market Preparation

- Design of packaging for overseas market
- Product or service certification
- Market survey or feasibility study

Market Promotion

- Overseas advertising and promotional campaigns
- Production of corporate brochures for overseas distribution
- Advertising in approved local trade publication

Market Presence

- Investment feasibility or due diligence study
- Overseas trade office
- Market licensing and franchising
- Employee overseas posting

Some examples of expenses supportable by the DTDi scheme are:

- Consulting fee to perform overseas market and tax feasibility study
- Consulting fee to perform M&A feasibility study
- Finance and tax due diligence fee relating to investments in overseas target entity
- Consulting fee to develop e-commerce or digital marketing platform

Enhancements to the DTDi scheme under Budget 2021

Under Budget 2021, the DTDi has been enhanced to cover an expanded scope of qualifying expenses. The DTDi now supports the following costs that are incurred on or after 17 February 2021:

1) Specified expenses incurred on approved virtual trade fairs:

Previously, the DTDi did not provide support for virtual trade fairs. Under the Budget 2021 enhancements, the DTDi now supports the following expenses incurred to participate in approved virtual trade fairs:

- i. Package fees charged by event organisers for virtual exhibition hall and booth access, collateral creation, business meeting / match sessions, pitches / product launches / speaking slots, webinar / conference and post event analytics;
- ii. Third party costs incurred to design and produce digital collaterals and promotion materials for the virtual trade fair; and
- iii. Logistics costs incurred to send materials / samples overseas to potential clients met at the virtual trade fair (subject to conditions being met*).

**Both the business and the recipient of the materials / samples have attended the approved virtual trade fair; and the materials / samples are sent within six (6) months from the end of the approved virtual fair.*

2) Logistics costs to transport materials / samples used during overseas investment study trips / missions.

Prior to the Budget 2021 enhancements, logistics costs to transport materials / samples used during overseas investment trips was not a qualifying cost. With the Budget 2021 announcements, the DTDi now supports such costs, subject to ESG approval.

3) Inclusion of five (5) additional qualifying activities under the automatic DTDi list

With the Budget 2021 enhancements, an additional five (5) additional qualifying activities have been added for automatic double tax deduction under the DTDi, bringing the number of qualifying activities from four (4) activities to a total of nine (9).



Businesses may now claim double tax deduction on qualifying expenses incurred in the following nine (9) qualifying activities on the first \$150,000, without the need to seek prior approval from ESG or STB:

- a) Overseas business development trips / missions*;
- b) Overseas investment study trips / missions*;
- c) Overseas trade fairs*;
- d) Local trade fairs approved by ESG or STB;
- e) **NEW!** Virtual trade fairs approved by ESG;
- f) **NEW!** Product / service certification approved by ESG**;
- g) **NEW!** Overseas advertising and promotional campaigns;

- h) **NEW!** Design of packaging for overseas markets; and
- i) **NEW!** Advertising in approved local trade publication.

**Expenses incurred for airfare, hotel accommodation and meals are restricted to 2 employees per trip / fair*

***For claims under the Automatic DTDi, the product / service certification needs to be approved by ESG. The DTDi does not support costs incurred for reassessment and renewal of certification.*

Please note that businesses should maintain documentation as proof of expenditure and purpose.

Expenditure exceeding the specified expenditure cap, or expenditure for activities not listed in the categories above, will require prior approval from ESG or STB.

Illustration of DTDi scheme benefit

Assume a Singapore enterprise has participated in an approved virtual trade fair and the enterprise has incurred a total of \$100,000 that comprises of package fees charged by organisers and logistics costs to deliver samples overseas to potential customers. The following is an illustration of the potential tax benefit under the DTDi scheme:

Qualifying expenditure*	=	\$100,000
200% tax deduction	=	\$200,000
Tax benefit @17%	=	\$34,000 (17% x \$200,000)
Net cost to the company	=	\$66,000 (100,000 - 34,000)

**Note that qualifying expenditure is net of government grants*

How to apply?

Automatic DTDi

There is no need to obtain prior approval* for the expenses from ESG or STB before the commencement of the event.

**Businesses are not required to submit upfront documentation to IRAS for expenditure not exceeding the \$150,000 threshold. However, as with other business expenses, businesses are required to maintain documentation to provide proof of their expenditure and the purpose of that expenditure.*

Non-automatic DTDi

Businesses that plan to incur expenses on non-automatic qualifying activities or in excess of the expenditure cap of \$150,000 are required to obtain ESG / STB's pre-approval prior to commencement of the activity. The businesses are required to complete the online form via the DTDi incentive portal to get approval* from ESG.

After conclusion of the activity, the businesses would need to submit an Evaluation Form to indicate the results of activity via Incentive Portal. Once the Evaluation Form is approved by ESG, the businesses will receive Letter of Support (LOS). The businesses would need to submit the LOS to IRAS when filing the annual income tax return.

**Please note that while ESG supports the application, the final claims are subject to businesses submitting the necessary documents to IRAS (upon request) to determine the final tax claimed allowed for the event.*

How we can help

KPMG's Enterprise Incentives Advisory team is a multi-disciplinary team comprising specialists from various industry backgrounds who can help to evaluate whether your proposed projects and initiatives could qualify for the incentives and support you in the application process.

Please feel free to contact us for further discussion.

Stay tuned for our next incentive snippets newsletter.

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