

# Tax alert

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## Updates to e-Tax Guide on R&D tax measures and claim form

The Inland Revenue Authority of Singapore (IRAS) has updated the e-Tax Guide on Research and Development (R&D) Tax Measures in the latest edition dated 6 June 2022. The 7th edition includes the following amendments:

- 1) Updates to account for the renumbering of R&D tax provision within the Singapore Income Tax Act (ITA)
- 2) Updates to replace the “pre-claim scheme” with the “R&D assurance framework”

### Renumbering of R&D tax provision

Prior to the renumbering of the of the Income Tax Act 1947 (2020 revised edition), Sections 14D and 14DA were the key R&D tax provisions. They have been renumbered to Sections 14C and 14D respectively. The table below illustrates the two-tier R&D tax deductions available for R&D tax claims from the year of assessment (YA) 2019 onwards.

IRAS has also updated the R&D Claim Form to account for the renumbering in the ITA. Companies will need to submit the latest version of the R&D Claim Form together with their corporate income tax return to claim R&D tax deductions from YA2022 onwards.

### Updates to the R&D Claim Form

In the older version of the R&D Claim Form, text fields are provided for companies to describe the details of the R&D project and how it fulfils the R&D tax definition. For each text field, there is a restricted word count. In the updated R&D Claim Form, there are no text fields provided and companies are required to provide the project details in a separate document.

Whilst companies will have more flexibility in providing details in the updated R&D Claim Form, they should note that it is important to provide sufficient information to help substantiate

their R&D claims (i.e. how the project fulfils the definition of “R&D”). The provision of sufficient project information to substantiate the R&D project can potentially facilitate IRAS’ assessment of the project’s eligibility. Otherwise, IRAS may require further clarification which may demand additional time and resources from companies.

Key areas of information to be included as part of the R&D Claim Form submission are as follows:

- Objective: Elaborate on the current state of knowledge or technology at the start of the R&D project and how the project goes beyond the current state of knowledge or technology.
- Novelty: Explain why the new/improved product, process or knowledge is considered a first of its kind in Singapore.

ITA version	Tax provision for 100% R&D tax deduction	Tax provision for 150% enhanced R&D tax deduction	Remarks
Old (prior to renumbering)	Section 14D	Section 14DA(1)	YA2019 to YA2021
New (after renumbering)	Section 14C	Section 14D	From YA2022 onwards

- Technical risk: Elaborate on the scientific or technological challenges and explain why they could not be readily resolved by a competent professional at the start of the R&D project.
- Systematic, investigative and experimental (SIE) study: Describe the activities carried out, including series of structured steps taken to discover something that is unknown at the start of the project or to overcome scientific or technological challenges.

### Introduction to the R&D Assurance Framework

To provide upfront certainty for large and complex R&D projects, IRAS previously implemented a pre-claim scheme for projects with estimated R&D costs exceeding \$15 million. This scheme has since been replaced with the R&D Assurance Framework (Framework).

Under the Framework, subject to meeting the requirements, companies can enjoy upfront certainty on their R&D claims for up to three Years of Assessment (YAs). To apply for the Framework, companies will need to submit an application form with a complete list of R&D projects to be included under the Framework.

Companies that are interested to apply for the Framework will have to submit their application

to IRAS at least nine months before the tax filing deadline for each YA. IRAS recognises that R&D claims with substantial number of projects and higher project costs will translate into higher compliance risk, hence the Framework allows both IRAS and companies to streamline the R&D claims process.

To apply for the Framework, companies should have:

- a) good internal evaluation process and supporting documentation to prove that projects included in the R&D claims satisfy the requirements as set out in the R&D e-Tax Guide;
- b) at least five R&D projects undertaken in-house in Singapore in the YA of application; and
- c) qualifying R&D expenditure of at least \$500,000 for these projects in the YA of application.

To be onboarded into the Framework, the Company will be subject to a detailed review of its R&D projects and internal processes during the first YA of application.

Upon approval of the Framework, IRAS will continue to undertake a review of the R&D claims in the second and third year of the Framework via a sampling of the R&D claims submitted, and Companies are required to provide eligibility of the R&D projects when requested.

Companies that are keen to apply are recommended to develop robust internal controls and processes in their evaluation, assessment and documentation of R&D activities and expenditure.

### R&D enhanced tax deductions claims

The upcoming deadline to submit R&D tax deductions claims for expenditure incurred in FY21 is 30 November 2022, the same deadline for the submission of corporate income tax return.

Companies should take note of changes to the R&D claim form, where project details are to be provided on a separate document to substantiate the R&D tax deductions claims. Adopting and maintaining robust internal processes to track and archive contemporaneous documentations to substantiate your R&D tax claims can help reduce the administrative burden of preparing these claims on a yearly basis.

### How we can help

KPMG in Singapore has a dedicated R&D and Grants Consulting team with extensive experience in R&D tax incentives and grants.

Our multidisciplinary team comprises professionals from various fields, including science, technology, finance and tax. We are able to swiftly assess and evaluate your projects' potential qualification for the relevant tax deductions and prepare documentations according to IRAS requirements.

If your company incurs R&D expenditure, it would be potentially beneficial to explore claiming R&D tax deductions. We welcome any opportunity to discuss the relevance of the above matters to your business.



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