Only R&D activities undertaken in Singapore qualify for the section 14DA(1) additional 50% deduction. The taxpayer must bear the financial risk of carrying out the R&D activities and effectively own and be able to commercially exploit the know-how, IP or other results of the R&D activities. No prior approval is required to claim the deduction. For the Section 14E further deduction, the R&D project must be carried out in Singapore and must receive special approval from the Minister (advance application with the Singapore Economic Development Board is required).

So, the company receiving the R&D incentive must be the beneficiary of the results of the R&D activities. R&D activities are not restricted to those conducted in Singapore. However, only those activities performed in Singapore are eligible for the 150% enhanced tax deduction. Qualifying R&D expenditure associated with overseas activities is only eligible for the 400% enhanced tax deduction (capped at S$400,000).Role of the tax authorities in administrating tax-based R&D Incentives Expenditure claimed is processed by the Singapore tax authorities, i.e. the Inland Revenue Authority of Singapore (IRAS). The IRAS also monitors the activities that are claimed to ensure compliance with the R&D enhanced tax deduction regime.

## V. Administrative Requirements And Control Of Incentives

Companies are not required to seek government pre-approval for the main R&D tax allowance. For the other discretionary tax incentives, approval must be granted by the EDB. To be eligible for the enhanced tax deductions, a company must submit the claim in its income tax return and tax computation, together with the completed R&D Claim Form, by the annual filing deadline of 30 November. Where a company incurs at least SG$150,000 of R&D expenditure (net of Government grants and subsidies), it is required to provide a detailed description of the R&D project undertaken based on prescribed guidelines. Where a company wishes to claim more than 60% of the sum payable to an R&D organization or under a CSA as eligible R&D expenditure, the claimant must submit to IRAS, copies of invoices issued by the R&D organization detailing a breakdown of the expenditure items.

The Inland Revenue Authority ("IRAS") requires taxpayers to lodge an R&D claim in each income tax return for the relevant year of assessment on a project-by-project basis. Detailed scientific/technical project reports must be lodged for each R&D project claimed to substantiate that the R&D activities carried out qualify as R&D for tax purposes. Corresponding R&D expenditure breakdowns (staff costs, consumables, payments to R&D organizations) are also required on a project-by-project basis. It is critical for a taxpayer to maintain proper documentation of his R&D projects so that he can substantiate his claims to IRAS when requested.

Taxpayers are encouraged to maintain contemporaneous documentation from the start of the R&D project, rather than as an after-event. This is especially important for illustrating how current knowledge was not available at the time R&D was performed.

## VI. Conclusion

In Singapore Tax Code for normal R&D projects the main tax deduction is %100. Additional %50 deduction for qualifying expenditure including; staff costs (excluding directors' fees), consumables and other expenses prescribed by the Minister. If project is related with companies' trade and done in Singapore, expenditure incurred on RD cost sharing agreements may qualify as expenditure on R&D. By this way a company can use %100 tax deduction and additional %50 deduction including qualifying expenditure deemed as %60 fee of paid or actual qualifying expenditure (if there is a breakdown showing that is more than %60) for the years 2009 to 2025. The main R&D tax allowance provides for a 150% enhanced tax deduction on qualifying R&D expenditure in Singapore. The R&D allowance is further enhanced from 150% to 400% for the first SGD 400,000 of eligible R&D expenditure or SGD 600.000 for qualifying SMEs. With respect to the 400% enhanced tax deduction, a combined R&D expenditure cap of S$1,200,000 applies from years of assessment 2013 to 2015. Other discretionary tax incentives include a 200% tax deduction on R&D expenditure incurred on projects approved by the Economic Development Board (EDB). Conditions must be negotiated. No further R&D projects will be approved for the 200% tax deduction, post 31 March 2015. Partial government grants are also available to offset costs from qualifying R&D projects.

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