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Tax alert

Singapore incentives update on Refundable Investment Credit: factsheet by the EDB

Following the gazette of the Income Tax (Amendment) Bill 2024 (Amendment Bill), the Singapore Economic Development Board (EDB) has released a detailed factsheet outlining the scheme's qualifying activities, assessment criteria and application process.

This information aims to assist businesses in evaluating the potential impact of the Refundable Investment Credit (RIC) on their future Singapore operations and determining its suitability for their investment plans.

The RIC will be awarded on an approval basis through the EDB and Enterprise Singapore (Enterprise SG), with a focus on supporting targeted investments that drive economic development.

More details are outlined below.



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Qualifying activities and expenditures

The RIC¹ scheme supports a wide range of qualifying activities aimed at fostering innovation and economic growth. The release of the factsheet by the EDB provides further clarity on the types of qualifying activities and qualifying expenditures under the RIC scheme.

Consistent with the Budget 2024 announcement, the RIC supports the following activities²:

- Investing in new productive capacity
- Expanding or establishing the scope of activities in digital services, professional services and supply chain management
- Expanding or establishing headquarters activities or centres of excellence
- Carrying out R&D and innovation activities
- Implementing solutions with decarbonization objectives
- Setting up or expanding activities by commodity trading firms

The factsheet further clarifies that the qualifying activities must be in support of the proposed project and in line with Singapore priority economic sectors² such as advanced manufacturing, international trade, supply chain management, mobility, digitalisation and artificial intelligence and the green economy.

Beyond the list of qualifying expenditures supported under the RIC that were announced in Budget 2024, the factsheet provides the following additional clarifications:

- Qualifying expenditures are those incurred in Singapore in carrying out qualifying activities during the qualifying period.
- Professional fees, freight and logistics costs, materials and consumables, intangible asset costs, training costs and financing costs to the extent the project involves R&D, innovation, commodity trading or ecosystem development. Note that financing costs as an expenditure category was not previously included in the Budget 2024 details.
- Expenditures such as depreciation expense, amortisation expense, maintenance expense, manpower costs for staff not based in Singapore and expenses incurred outside of Singapore are excluded.

Evaluation criteria

Potential applicants are evaluated² based on three key areas:

- **Quantitative factors:**
Local business spending, fixed asset investments and employment commitments.
- **Qualitative factors:**
Development and deepening of capabilities, resource efficiency improvements, and broader economic multiplier effects (such as collaborations with other private or public sector players).
- **Track record:**
Track record in Singapore and elsewhere (e.g., fulfilment of projects on schedule) in the sector, and resources to successfully carry out the project.

The quantitative and qualitative criteria ensure that only projects that contribute to the Singapore economy are supported.

The level of RIC support² varies based on the project's scope and impact:

- 10%: For high value-added economic activities that involve investments of at least \$3 million and 8 employees.
- 30%: For activities that go beyond high value-added activities, leading to new or expansion of qualifying activities or deepening of capabilities involving investments of at least \$5 million and 10 employees.
- 50%: For best-in-class projects and lead to new or expanded value capture in the industry ecosystem in Singapore that involve investments of at least \$7 million and 18 employees.

The varying rates ensure fairness and scalability, encouraging projects with different levels of ambition and impact to apply.

The table below provides an overview of the support rates based on the profile of the proposed project.

¹ See EY Global Tax Alert, [Singapore proposes legislative changes for Refundable Tax Credits | EY - Global](#), dated 19 July 2024

² EDB - Refundable investment credit factsheet retrieved from EDB website [Refundable Investment Credit | Incentives & Schemes | Singapore EDB](#) as of 13 Dec 2024

Support rate	Project profile
10%	<p>The project leads to new or expanded capabilities or capacity in high value-added economic activities.</p> <p>Projects in manufacturing, services, trading and/or regional functions may include investments in resource efficiency improvements for land, labour or carbon footprint.</p> <p>The applicant should explain how the quantitative and qualitative commitments compare with the nature of the activities in the relevant sector. The project should benchmark to the level of development of the relevant sector in Singapore and involve investments of no less than \$3 million and no less than 8 employees.</p>
30%	<p>Beyond high value-added economic activities, the project also leads to new or expansion of qualifying activities or deepening of capabilities or capacity in value creation capabilities.</p> <p>The applicant company should explain how the quantitative and qualitative commitments culminate in anchoring a critical mass of capabilities or capacity for value creation. This can be in the form of centres of excellence in differentiating competencies, R&D and innovation, generating intellectual property, expanding the scope of commodities traded, and/or solutioning for new products, sustainability, digital, supply chain, services or processes for regional or global markets.</p> <p>The project should benchmark to the level of development of the relevant sector in Singapore and involve investments of no less than \$5 million and no less than 10 employees.</p>
50%	<p>The project involves investments in best-in-class facilities or operations and/or leads to new or expanded value capture in the industry ecosystem in Singapore.</p> <p>The project generates economic outcomes or introduces technology, skillsets and knowhow that are substantially more advanced than the average prevailing, in one or more below:</p> <ul style="list-style-type: none"> ▪ To the company's global operations, the capabilities and activities in Singapore advance and drive the global or regional business growth strategies or product flows. ▪ To the sector in Singapore, the company's capabilities and activities enable Singapore to be recognised as a market leader and to be at the forefront of technological,

	<p>business and model innovation or competitive edge.</p> <ul style="list-style-type: none"> ▪ To the global or regional supply or value chain, the company's capabilities and activities in Singapore contribute a significant role in developing or producing critical products, services and solutions. ▪ To emerging growth sectors, the company is pioneering and contribute to kickstarting the sector in Singapore. ▪ To the Singapore ecosystem, the company generates sizeable spillovers and uplift in capabilities and activities. This may be through third-party partnerships and networks. <p>The project should benchmark to the level of development of the relevant sector in Singapore and involve investments of no less than \$7 million and no less than 18 employees.</p>
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Compliance and claims process

Similar to other incentives, companies awarded the RIC will be subject to the following compliance requirements:

- Meet economic milestone conditions including implementation of the project, incur minimum level of investments and achieve minimum level of employment.
- Submit annual progress updates, where the investment and employment levels will need to be externally audited.
- The EDB may conduct site visits and/or audit checks on the progress of project implementation and fulfilment of terms and conditions.
- Claim applications are required to be externally audited (company is recommended to make one claim application per financial year).

Consistent with the legislative updates on the RIC (see footnote 1), the factsheet also specifies the following:

- Upon verification of the claims, the EDB will issue a Letter of Confirmation (LOC) stating the RICs to be given and the payment date on which any unutilised RICs will be paid in cash.
- This LOC will be transmitted to the Inland Revenue Authority of Singapore (IRAS) where the RICs will be maintained in an RIC account by the IRAS.
- RICs are to be used to offset taxes on a first-in-first-out basis.

- The company can also elect for the RICs to be received as cash payout instead. Details on the election option will be released in due course.

Moving forward

Potential applicants should evaluate their projects against the outlined criteria and ensure alignment with Singapore's economic priorities. Companies are encouraged to:

- **Assess project eligibility:** Review the project's alignment with the scope and assessment criteria.
- **Define strategic outcomes:** Identify how the project contributes to economic value creation, capability building, and sustainability. Evaluate potential RIC support and impact to overall project feasibility assessment.
- **Prepare detailed documentation and engage with the authorities:** Compile a robust business plan demonstrating the project's impact, innovation, and alignment with Singapore's strategic economic goals. Engage in discussion with the authorities to obtain initial feedback.

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