

Economic Expansion Incentives (Relief from Income Tax) (Amendment) Bill

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Bill No: 7/2004

Read the first time: 27th February 2004

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Expenditure of Public Money

Economic Expansion Incentives (Relief from Income Tax) (Amendment) Bill

Bill No. 7/2004

Read the first time on 27th February 2004.

An Act to amend the Economic Expansion Incentives (Relief from Income Tax) Act (Chapter 86 of the 2001 Revised Edition) and to make consequential amendments to the Income Tax Act (Chapter 134 of the 2004 Revised Edition).

Be it enacted by the President with the advice and consent of the Parliament of Singapore, as follows:

Short title and commencement

1.—(1) This Act may be cited as the Economic Expansion Incentives (Relief from Income Tax) (Amendment) Act 2004.

(2) Sections 3, 4 and 5 shall be deemed to have come into operation on 27th November 2002.

(3) Section 7 shall be deemed to have come into operation on 10th December 2002.

(4) Sections 6, 11 and 22 shall be deemed to have come into operation on 20th December 2002.

(5) Section 23 shall be deemed to have come into operation on 1st March 2003.

(6) Section 24 shall be deemed to have come into operation on 1st June 2003.

(7) Sections 16, 18(a) and 25 shall be deemed to have come into operation on 1st January 2004.

Amendment of section 3

2. Section 3 of the Economic Expansion Incentives (Relief from Income Tax) Act (referred to in this Act as the principal Act) is amended by deleting the definitions of “approved product”, “expanding enterprise”, “expansion certificate”, “expansion day”, “export enterprise”, “export enterprise certificate”, “export produce”, “export product”, “export year”, “officer of customs” and “senior officer of customs”.

Amendment of section 6

3. Section 6 of the principal Act is amended by deleting the words “a period of 5 years or such longer period” and substituting the words “such period”.

Amendment of section 8

4. Section 8 of the principal Act is amended —

(a) by deleting subsections (1) and (2) and substituting the following subsection:

“(1) Where, during its tax relief period, a pioneer enterprise carries on any trade or business other than the trade or business relating to the relevant pioneer product (referred to in this section as separate trade), separate accounts shall be maintained in respect of that separate trade or business and in respect of the same accounting period.”; and

(b) by deleting the word “Minister” in subsection (4) and substituting the word “Comptroller”.

Amendment of section 10

5. Section 10(3A) of the principal Act is amended by deleting the words “Where the carrying on of a separate trade or business by a pioneer enterprise referred to in subsection (3) has been permitted under section 8(1)” and substituting the words “Where a pioneer enterprise referred to in subsection (3) carries on a separate trade or business”.

Amendment of section 14

6. Section 14 of the principal Act is amended by deleting subsection (3A) and substituting the following subsection:

“(3A) Notwithstanding subsections (3) and (9), no dividend paid on any share of a preferential nature shall be exempt from tax under this section in the hands of the shareholder.”.

Amendment of section 15

7. Section 15(1) of the principal Act is amended by deleting the words “section 37(2) and (2A) of the Income Tax Act” and substituting the words “section 37 of the Income Tax Act, with the necessary modifications,”.

Repeal of Part IIIA

8. Part IIIA of the principal Act is repealed.

Amendment of section 19J

9. Section 19J of the principal Act is amended —

- (a) by inserting, immediately after the word “activities” in subsection (6), the words “(referred to in this section and section 19M as qualifying income)”;
- and
- (b) by deleting the words “income from such qualifying activities” in subsection (7) and substituting the words “qualifying income”.

Amendment of section 19K

10. Section 19K(3) of the principal Act is amended by inserting, immediately after the words “Part IIIA”, the words “in force immediately before the date of commencement of the Economic Expansion Incentives (Relief from Income Tax) (Amendment) Act 2004”.

Amendment of section 19L

11. Section 19L of the principal Act is amended by deleting subsection (4) and substituting the following subsection:

“(4) Notwithstanding subsections (3) and (6), no dividend paid on any share of a preferential nature shall be exempt from tax under this section in the hands of the shareholder.”.

Repeal and re-enactment of section 19M and new sections 19N, 19O and 19P

12. Section 19M of the principal Act is repealed and the following sections substituted therefor:

“Ascertainment of income from qualifying activities

19M.—(1) Subject to subsections (2) and (3), the qualifying income of a development and expansion company shall be ascertained in accordance with the provisions of the Income Tax Act after making such adjustments as may be necessary in consequence of any direction given under section 19P.

(2) In determining the qualifying income of a development and expansion company for the basis period for any year of assessment —

- (a) the allowances provided for in sections 16, 17, 18, 19, 19A, 19B, 19C, 19D, 20, 21 and 22 of the Income Tax Act shall be taken into account notwithstanding that no claim for such allowances has been made;
- (b) the allowances referred to in paragraph (a) for that year of assessment shall firstly be deducted against the qualifying income of the company, and any unabsorbed allowances shall be deducted against the other income of the company subject to tax at a different rate of