

# **Income Tax (Amendment No. 2) Bill**

## **Table of Contents**

**Bill No: 25/1980**

***Read the first time: 31st October 1980***

**Long Title**

**Enacting Formula**

**1 Short title**

**2 Amendment of section 2**

**3 Amendment of section 14**

**4 Repeal and re-enactment of section 14D**

**5 New section 14E**

**6 Amendment of section 15**

**7 Amendment of section 18**

**8 Amendment of section 19**

**9 Amendment of section 19A**

**10 New section 19B**

**11 Amendment of section 23**

**12 Amendment of section 37**

**13 Amendment of section 39**

**14 New section 43D**

**15 Amendment of section 68**

**16 Amendment of section 76**

**17 Amendment of section 106**

**18 Amendment of Second Schedule**

**19 New Sixth Schedule**

**Explanatory Statement**

**Expenditure of Public Money**

### **Income Tax (Amendment No. 2) Bill**

**Bill No. 25/1980**

*Read the first time on 31st October 1980.*

An Act to amend the Income Tax Act (Chapter 141 of the Revised Edition).

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

#### **Short title**

**1.—**(1) This Act may be cited as the Income Tax (Amendment No. 2) Act, 1980.

(2) Sections 13(b) and 18 of this Act shall have effect for the year of assessment 1980 and subsequent years of assessment.

(3) Sections 7, 8, 13(a), 14 and 19 of this Act shall have effect for the year of assessment 1981 and subsequent years of assessment.

#### **Amendment of section 2**

2. Section 2 of the Income Tax Act (hereinafter in this Act referred to as the principal Act) is amended by inserting, immediately after the definition of “replanting”, the following definitions: —

““research and development” means any systematic or intensive study carried out in the field of science or technology with the object of using the results of the study for the production or improvement of materials, devices, products or processes, but does not include —

- (a) quality control or routine testing of materials, devices or products;
- (b) research in the social sciences or the humanities;
- (c) routine data collection;
- (d) efficiency surveys or management studies; or
- (e) market research or sales promotion;

“research and development organisation” means a body or organisation which provides research and development services for any manufacturing trade or business;”.

#### **Amendment of section 14**

3. Section 14 of the principal Act is amended —

- (a) by deleting the word “and” at the end of sub-paragraph (i)(B) of the proviso to paragraph (e) of subsection (1); and
- (b) by deleting sub-paragraph (i)(C) of the proviso to paragraph (e) of subsection (1) and substituting the following sub-paragraphs: —

- “(C) commencing on or after 1st July, 1978, and before 1st July, 1979, shall not exceed sixteen and a half per cent; and
- (D) commencing on or after 1st July, 1979, shall not exceed twenty and a half per cent;”.

#### **Repeal and re-enactment of section 14D**

4. Section 14D of the principal Act is repealed and the following section substituted therefor: —

##### **“Expenditure on research and development**

**14D.**—(1) For the purpose of ascertaining the income of any person carrying on a manufacturing trade or business, the following expenditure incurred on or after

1st April, 1979 (other than any amount which is allowable as a deduction under section 14) by that person shall be allowed as a deduction: —

- (a) expenditure incurred on research and development undertaken directly by him and related to that trade or business (except to the extent that it is capital expenditure on plant, machinery, land or buildings or on alterations, additions or extensions to buildings or in the acquisition of rights in or arising out of research and development); and
  - (b) payments made by that person to an approved research and development organisation for undertaking on his behalf research and development related to that trade or business.
- (2) For the purposes of this section —
- (a) “approved” means approved by the Minister or such person as he may appoint;
  - (b) any expenditure incurred by a person prior to the commencement of his manufacturing trade or business shall be deemed to have been incurred by that person on the first day on which he carries on that trade or business.”.

#### **New section 14E**

5. The principal Act is amended by inserting, immediately after section 14D, the following section: —

#### **“Further deduction for expenditure on research and development project**

**14E.—**(1) Subject to this section, where the Comptroller is satisfied that —

- (a) a person carrying on a manufacturing trade or business has incurred expenditure on or after 1st April, 1980, in undertaking directly by himself, or in paying a research and development organisation to undertake on his behalf, an approved research and development project in Singapore which is related to that trade or business; or
- (b) a research and development organisation has incurred expenditure on or after 1st April, 1980, in undertaking an approved research and development project in Singapore and no deduction under this section has been allowed to another person in respect of any expenditure for that project or for another project of which that project forms a part,

there shall be allowed to that person or research and development organisation a

further deduction of the amount of such expenditure in addition to the deduction allowed under section 14 or 14D.

(2) The Minister may —

- (a) specify the maximum amount of the expenditure (or any item thereof) incurred to be allowed under subsection (1);
- (b) impose such conditions as he thinks fit when approving the research and development project and may specify the period or periods for which deduction is to be allowed under this section.

(3) No deduction shall be allowed under this section in respect of any expenditure which is not allowed under section 14 or 14D.

(4) For the purposes of this section, “approved” means approved by the Minister or such person as he may appoint.”.

### **Amendment of section 15**

6. Section 15 of the principal Act is amended by inserting, immediately after the words “section 14D” in subsection (2), the words “or 14E”.

### **Amendment of section 18**

7. Section 18 of the principal Act is amended —

- (a) by deleting the comma after the word “Minister” at the end of paragraph (h) of subsection (1) and substituting the word “; or”; and
- (b) by inserting, immediately after paragraph (h) of subsection (1), the following paragraph: —

“(i) by a research and development organisation in carrying out research and development activities,”.

### **Amendment of section 19**

8. Section 19 of the principal Act is amended by deleting subsection (2) and substituting the following subsection: —

“(2) Where at the end of the basis period for any year of assessment a person has in use machinery or plant for the purpose of his trade, profession or business, there shall be made to him, on due claim, in respect of that year of assessment an allowance for depreciation by wear and tear of those assets (to be known as an annual allowance) which shall be calculated in accordance with the following