CNPLAW BUSINESS GUIDE SERIES: SINGAPORE GOVERNMENT GRANTS AND INCENTIVES

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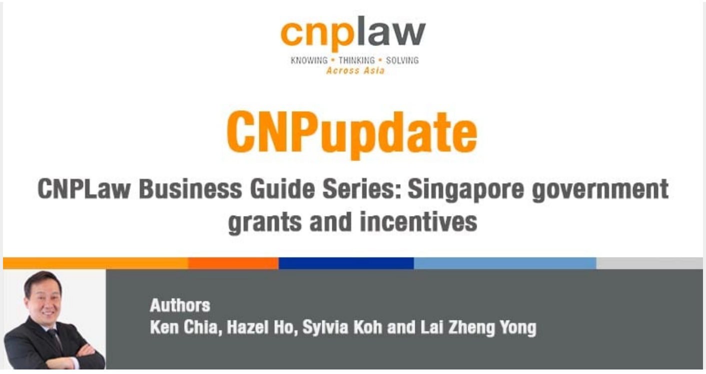

Category: CNPupdates

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1. Financial support for Singapore businesses

Whether you are planning to start, grow or reinvent your business, an array of Singapore government grants and incentives are available to provide the financial support you need, particularly during the COVID-19 pandemic which has brought about unprecedented business challenges. This article highlights a number of Singapore government grants and incentives currently available to companies in Singapore. The information in this article is accurate as at the date of publication.

2. Singapore government grants

A. Enterprise Development Grant ("EDG")

EDG aims to support Singapore businesses in projects that develop their core capabilities, innovation and productivity, and improve their access into foreign markets. It funds up to 70% (*note*: this has been raised to 80% until 31 March 2022) of qualifying costs for small medium enterprises ("**SME**") and up to 50% (*note*: this has been raised to 60% until 31 March 2022) of qualifying costs for non-SMEs undertaking such projects. Qualifying costs include third party consultancy fees, software and equipment, and internal manpower costs.

To qualify for EDG, the applicant must:

- be registered and operating in Singapore;
- have a minimum of 30% local shareholding; and
- be in a financially viable position to commence and complete the project.

B. SkillsFuture Enterprise Credit ("SFEC")
SFEC encourages employers to invest in enhancing the skills of their employees by providing additional subsidies alongside other grants in the form of a one-off S$10,000 credit until 30 June 2023 to cover up to 90% of out-of-pocket expenses on qualifying costs for SFEC-supportable programmes below:

- enterprise transformation programmes (i.e. schemes by various agencies on the Business Grant Portal) – up to S$7,000 credit; and/or
- workforce transformation programmes (i.e. job redesign initiatives and training courses by SkillsFuture Singapore and Workforce Singapore) – up to S$10,000 credit.

To qualify for SFEC, the applicant must:

- have contributed at least S$750 Skills Development Levy over any of the following qualifying periods:
  - 1 April 2019 – 31 March 2020;
  - 1 July 2019 – 30 June 2020;
  - 1 October 2019 – 30 September 2020; or
  - 1 January 2020 – 31 December 2020;
- have employed at least 3 Singapore citizens or Singapore permanent residents every month over the same period; and
- not have been qualified at any of the earlier qualifying periods.

C. Market Readiness Assistance Grant ("MRA")
MRA supports SMEs looking to expand their businesses in overseas by providing funding up to 70% (*note*: this has been raised to 80% until 31 March 2022) of eligible costs until 31 March 2023, capped at S$100,000 for each new market over 3 years, subject to the following sub-caps on certain activities:

- S$20,000 for overseas market promotion;
- S$50,000 for overseas business development; and
- S$30,000 for overseas market set-up.

To qualify for MRA, the applicant must:

- be a business entity registered or incorporated in Singapore;
- have not more than S$100,000 in sales in the target overseas country (i.e. the new market) in each of the last 3 preceding years;

- have at least 30% local shareholding; and
- have not more than S$100 million in group annual sales turnover, or not more than 200 employees in group employment size.

D. Productivity Solutions Grant ("PSG")

Under PSG, a company may receive up to 70% (*note*: this has been raised to 80% until 31 March 2022) funding support until 31 January 2023, capped at S$30,000, for pre-approved purchases, leases or subscriptions of off-the-shelf IT solutions and equipment to improve productivity and enhance business processes.

PSG covers sector-specific solutions including retail, food, logistics, precision engineering, construction and landscaping industries and also supports adoption of solutions that cut across industries, such as customer management, data analytics, financial management and inventory tracking.

To qualify for PSG, the applicant must:

- be registered and operating in Singapore;
- have at least 30% local shareholding, with not more than S$100 million in group annual sales turnover, or not more than 200 employees in group employment size (for selected solutions);
- have at least 3 local employees at the point of the PSG application (for selected solutions);
- ensure that the purchase, lease or subscription of the IT solutions or equipment is for use in Singapore; and
- not have already made any payment or signed any contract for the purchase, lease or subscription of the IT solutions or equipment prior to the PSG application.

E. Land Productivity Grant ("LPG")

LPG provides between 10% and 70% funding support for qualifying costs arising from a company's optimisation of land use through domestic or overseas relocation, based on the amount of land freed up and the remaining lease term. Qualifying costs include relocation costs, third-party consultancy fees and manpower cost.

To qualify for LPG, the applicant must:

- be physically present and registered in Singapore;
- be currently situated on industrial land;
- demonstrate strong linkages from the relocated activities to the activities carried out in Singapore (for overseas relocation); and
- generate a minimum of 0.1 hectare of land savings from the proposed relocation.

3. Support for start-ups

A. Special Situation Fund for Start-ups ("SSFS")

The SSFS supports innovation and development of early to late stage start-ups during the COVID-19

pandemic by having the investment arms of Economic Development Board and Enterprise Singapore (“**ESG**”) co-invest in start-ups via convertible notes on a 1:1 basis with private sector co-investors. SSFS will end when the available funds have been fully committed or by 31 October 2021 (whichever is earlier).
To qualify for SSFS, the applicant must:

- be incorporated as a private limited company in Singapore for not more than 10 years;
- be headquartered and have key value-added activities in Singapore;
- possess technology and innovation competencies and/or sustainable competitive advantages that can contribute to Singapore’s national priorities;
    - be able to provide details of current investment interest from potential co-investor(s) (if available); and
    - possess the following key attributes:
    - substantial innovative and/or intellectual property content developed or owned in-house;
    - able to demonstrate a commercially-viable business model from its products and/or services;
    - able to demonstrate value proposition and potential scalability in their target customer segment(s) and across international markets; and
    - have a committed and capable management team with relevant experience and business acumen skills (e.g. business, industry, technical capability) for the relevant sector.

B. Start-up SG programmes
Start-up SG offers a range of programmes to support, mentor and nurture start-ups in Singapore. Some of these programmes include:

- Start-up SG Equity which provides opportunities for the Singapore government to co-invest in start-ups with third party investors;
- Start-up SG Loan which provides Singapore government-backed loans to start-ups;
- Start-up SG Tech which provides funding support for the development and commercialisation of innovative proprietary technology solutions; and
- Start-up SG Founder & Start-up SG Infrastructure which provide non-financial support (e.g. mentorship for first-time entrepreneurs and work spaces at LaunchPad @ one north respectively).

4. Tax incentives

A. Tax Exemption Scheme for New Start-Up Companies (“TES”)
TES is available to new start-up companies (except investment holding or property development companies) for their first 3 years of assessment (“**YA**”). TES provides 75% tax exemption on the company’s first S$100,000 of normal chargeable income and a further 50% tax exemption on the next S$100,000 of normal chargeable income.

To qualify for TES, the applicant must:

- be incorporated in Singapore;
- be a tax resident in Singapore for the relevant YA; and
- have no more than 20 shareholders for that relevant YA, where all its shareholders are individuals or at least 1 individual shareholder holds at least 10% of its issued ordinary shares.

B. Double Tax Deduction for Internationalisation Scheme
Businesses are allowed automatic double tax deduction on qualifying expenses in the relevant YA on the following 9 qualifying activities:

- overseas business development trips or missions;
- overseas investment study trips or missions;
- overseas trade fairs;
- local trade fairs approved by ESG or Singapore Tourism Board ("**STB**");
- virtual trade fairs approved by ESG;
- product or service certification approved by ESG;
- overseas advertising and promotional campaigns;
- designing of packaging for overseas markets; and
- advertising in approved local trade publication.

A double tax deduction claim is subject to a specified expenditure cap of up to S$100,000 per YA for expenditure incurred on or before YA 2018, and S$150,000 per YA for expenditure incurred between YA 2019 to 31 December 2025. ESG or STB's approval will be required for a double tax deduction claim on qualifying market expansion and investment development activities which exceed the specified expenditure cap or on expenditures that do not arise from the qualifying activities listed above.

C. Pioneer Certificate Incentive ("PC") and Development and Expansion Incentive ("DEI")
PC and DEI are applicable for companies that intend to make significant investments to contribute to the economy or advance capabilities towards globally leading industries. A company approved under the PC or DEI will enjoy corporate tax exemption or a concessionary tax rate of 5% or 10% respectively, on income derived from qualifying activities for a period of 5 years (subject to extension). The assessment criteria include:

- employment created (including skills, expertise and seniority);
- total business expenditure which generates spin-off to the economy; and
- commitment to growing the capabilities (e.g. technology, skillsets and knowhow) in Singapore.

D. Mergers and Acquisitions Allowance ("M&A Allowance")
Under the M&A Allowance, an eligible company acquiring the ordinary shares in a target company between 1 April 2010 to 31 December 2025 will be granted a percentage of the value of acquisition

as deductible allowance over the course of 5 years. For qualifying share acquisitions completed between 1 April 2016 to 31 December 2025, such allowance is calculated at 25% of the value of acquisition, capped at S$10 million for each YA.

To qualify for the M&A Allowance, the applicant (i.e. acquiring company) must:

- be incorporated in and be a tax resident of Singapore (here the acquiring company belongs to a corporate group, its ultimate holding company must also be incorporated in and be a tax resident of Singapore);
- carry on trade or business in Singapore on the date of acquisition;
- have at least 3 local employees (excluding its directors) throughout the 12-month period before the date of acquisition;
- not be connected to the target company for at least 2 years before the date of acquisition; and
- for acquisitions between 1 April 2016 to 31 December 2025, ensure that it owns either:
  - at least 20% of the ordinary shares in the target company post-acquisition (if it owned less than 20% pre-acquisition) in which case additional conditions must be met; or
  - more than 50% of the ordinary shares in the target company (if it owned less than or equal to 50% pre-acquisition).

The acquisition may be made through an acquiring subsidiary, subject to certain conditions.

The target company must:

- carry on a trade or business in Singapore or elsewhere on the date of share acquisition; and
- have at least 3 employees working for the company throughout the 12-month period before the date of share acquisition.

The above conditions may be met by a subsidiary that is directly and wholly-owned by the target company. For qualifying share acquisitions completed during the period 17 Feb 2012 to 31 Dec 2025, the conditions may also be met by a wholly-owned subsidiary indirectly held by the target company.