



### **Singapore Issues Intellectual Property Income Regulations**

The Ministry of Finance has issued the regulations that set out the determination of intellectual property (IP) income subject to the concessionary tax rate under section 43ZI(5) of the Income Tax Act (ITA), deemed income subject to the regular corporate tax rate and record-keeping requirements for an approved company.

The percentage of qualifying intellectual property income earned by an approved company during a taxable period that falls within the tax relief period from each elected qualifying IP right is subject to the concessionary tax rate under section 43ZI(5) of the ITA.

This percentage is determined using a specific formula comprising and comparing the R&D expenditure that the company has made during the relevant tax year.

The concessionary rate of tax for an approved company under section 43ZI(5) of ITA is a rate determined in accordance with the formula of  $A + B$ , where:

- A. is a base rate of 5% or 10% as the Minister or the appointed person may determine; and
- B. is the sum of every rate increase specified by the Minister or the appointed person, subject to conditions.

In cases where the approved company has ceased to have the patent application in any year of assessment, the approved company will be deemed to have derived an income subject to the regular tax rate under section 43(1)(a) of the ITA in the basis year.

According to the regulations record-keeping requirements are in place for an approved company which must be available for examination by the Tax Authorities.

Please feel free to contact us for any further assistance.