

**ATTENTION: COMPTROLLER OF INCOME TAX
ECONOMIC DEVELOPMENT BOARD**

DECLARATION OF BENEFITS ACCRUING TO SINGAPORE FOR RESEARCH & DEVELOPMENT [“R&D”] ACTIVITIES THAT ARE OUTSOURCED TO AN OVERSEAS R&D ORGANISATION FOR THE PURPOSE OF SECTION 14D OF THE INCOME TAX ACT FOR THE YEAR OF ASSESSMENT _____

(Read the attached explanatory notes carefully before filling up this declaration)

I, _____ of _____ (“the Company”), hereby declare that:
Name of CEO/MD (or equivalent) Company Name

- (a) Any intellectual property generated from the outsourced R&D is owned and is/will be commercialised by the Company.
- (b) A R&D agreement dated _____ is signed with _____ (name of the overseas R&D organisation) for the provision of R&D services whereby the benefits arising from the conduct of the R&D services will be accrued to the Company.
- (c) The R&D services that are outsourced to the overseas R&D organisation will benefit the Company in one or more of the following ways.
- Licensing of intellectual property generated from the outsourced R&D
 - Use of R&D results for product and/or service development in Singapore
 - Use of R&D results for the production of goods and services in Singapore

(Check the appropriate boxes)

Name and signature of CEO/MD (or equivalent) Designation Date

Please attach the following information required in a separate sheet

1. Name and description of the intellectual properties arising from the outsourced R&D that are owned/to be owned by your company in Singapore
2. A brief description of the overseas R&D organisation (including the organisation’s address)
3. Attach the breakdown of the R&D costs claimed which is duly certified.

Note: Under the Singapore Income Tax Act, there are penalties for failing to give a return, furnishing an incorrect return or making a false declaration.

* Delete whichever is not applicable

EXPLANATORY NOTES FOR COMPLETING THE DECLARATION FORM

1. Definitions

"Research and development" (R&D)

"Research and development" means any systematic, investigative and experimental study that involves novelty or technical risk carried out in the field of science or technology with the object of acquiring new knowledge or using the results of the study for the production or improvement of materials, devices, products, produce, 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;
- (e) market research or sales promotion;
- (f) routine modifications or changes to materials, devices, products, processes or production methods;
- (g) cosmetic modifications or stylistic changes to materials, devices, products, processes or production methods; or
- (h) development of a computer software that is not intended to be sold, rented, leased, licensed or hired to 2 or more persons who are not related parties to each other, and to the person who develops the software or on whose behalf the development of the software is undertaken. In the definition of "research and development", a person is a related party to another if he, directly or indirectly, controls the other person, or is controlled, directly or indirectly, by the other person, or where he and the other person, directly or indirectly, are under the control of a common person.

"R&D organisation"

A R&D organisation means a body or an organisation which provides R&D services for any trade or business¹.

"Owned and commercialised"

The term "owned" means that company must have either the legal ownership or the beneficial ownership to the intellectual property generated from the outsourced R&D. Beneficial ownership generally means that the company has a right to the economic benefits generated from the use of the intellectual property.

The term "commercialised" means that the intellectual property derived from the outsourced R&D has been used to generate sales which includes the production of goods or services.

"Intellectual property"

"Intellectual property" includes the following:

- Patent
- Copyright
- Trademark
- Registered design
- Geographical indication
- Lay-out design of integrated circuit
- Trade secret or information that has commercial value

¹ For the purposes of section 14D, any taxpayer that performs R&D as one of its activities can be considered an R&D organisation. R&D need not be the taxpayer's principal business activity

“Use of R&D results for product and/or service development”

This refers to instances where the R&D findings are used to enhance an existing product or service.

2. **Eligibility for the R&D deduction**

The R&D tax deduction is available for expenditure on R&D provided that the ownership of the fruits of the R&D will vest in the claimant company.

3. **Documents required for claiming the tax deduction for outsourced R&D to overseas R&D organisations**

You should have a R&D agreement with the overseas R&D organisation for the provision of the R&D services but you are not required to submit it to the Inland Revenue Authority of Singapore (IRAS) at the point of claim. However, you are required to produce it when it is called for by IRAS.

In order for your claim for tax deduction to be considered, you are required to complete and sign the declaration form and submit the same to:-

a) IRAS when the claim is being made together with your annual income tax return; and

b) Economic Development Board.

The declaration form will state the benefits derived from the conduct of the R&D services by the overseas R&D organisation.

Separate declaration forms will have to be submitted if the company outsources R&D to more than one overseas R&D organisation. (i.e. one declaration form for one overseas R&D organisation)

4. **R&D expenses incurred in-house or outsourced to a local R&D local organisation**

For claiming the tax deduction on R&D expenses incurred in-house or outsourced to a local R&D local organisation, there is no need to fill up the declaration form.

5. **R&D expenses that can be deducted for income tax purposes**

The R&D expenses incurred by the R&D organisation include the costs of staff directly involved in the R&D activity, the costs of consumables used in the R&D activity, etc. Capital expenditure such as costs of land, buildings and equipment are not allowed for income tax purposes.

6 **Contact persons**

For clarifications on the completion of this form and any other related matter, the public can contact:

Economic Development Board
Telephone no: 6336 2288