

## LAND INTENSIFICATION ALLOWANCE INCENTIVE

### Introduction

1. In his Budget Statement 2010, the Minister for Finance announced the introduction of the Land Intensification Allowance (LIA) incentive, a targeted scheme to promote the intensification of industrial land use towards more land-efficient and higher value-added activities.
2. The new LIA incentive is available to businesses in industry sectors which have large land takes and low Gross Plot Ratios (GPR). Approved LIA incentive recipients will enjoy an initial allowance of 25% and annual allowances of 5% on qualifying capital expenditure incurred for the construction or renovation/extension of a qualifying building or structure.
3. Approvals for the incentive will be granted by the Economic Development Board (EDB) from 1 July 2010 to 30 June 2015 (both dates inclusive). This circular provides more details on the incentive.

### Qualifying Criteria

#### Qualifying building or structure

4. A qualifying building or structure (referred to as LIA building or structure in this circular) must be built on land that is zoned as Business 1 or Business 2 (excluding Business 1 White or Business 2 White) under the Urban Redevelopment Authority (URA) Master Plan as at the date the development application is made to URA.
5. The principal activities of the user of an approved LIA building or structure must fall within one of the qualifying activities listed in Annex A.
6. The user of the approved LIA building or structure must carry out one of the qualifying activities as its principal activity in the building or structure. At least 80% of the total floor area of the approved LIA building or structure must be used by a single user for carrying out of the principal activity.
7. The building or structure must also meet the GPR benchmark relevant to the qualifying activities of the single user (relevant GPR benchmark). The relevant GPR benchmark shall be the prevailing GPR benchmark at the date the development application is made to the URA.
8. The GPR benchmarks will be reviewed every three years. Please refer to Annex A for the respective prevailing GPR benchmarks for each qualifying activity.

9. The LIA incentive will be available to an owner or a buyer of an existing building or structure only if the owner or buyer incurs additional capital expenditure to renovate or extend the existing building or structure to increase the building's/structure's GPR and the new GPR of the building or structure meets or exceeds the relevant GPR benchmark. This is applicable even if the GPR of the existing building or structure already meets or exceeds the relevant GPR benchmark before the renovation or extension works. In such cases, subject to approval, the LIA incentive will only be available on the qualifying capital expenditure incurred on the renovation or extension works but not on the purchase price of the existing building or structure.

#### Qualifying expenditure

10. The following capital expenditures which are incurred on or after 23 February 2010 can qualify for LIA:
  - (a) cost of feasibility study on the layout of the building or structure;
  - (b) design fees of the building or structure;
  - (c) cost of preparing plans for obtaining approval for the building or structure;
  - (d) piling, construction and renovation/extension costs;
  - (e) demolition costs of an existing building or structure;
  - (f) legal and other professional fees in relation to the approved construction or approved renovation/extension; and
  - (g) stamp duties payable in respect of title of the building or structure.

In addition, only capital expenditures incurred up to the date of the completion of the construction or renovation/extension of the approved LIA building or structure can qualify for LIA.

#### **Application Process**

11. A building owner who proposes to construct or renovate/extend a building or structure that meets the above qualifying criteria may apply to the EDB for the LIA incentive, if the development application in respect of the construction or renovation/extension works is submitted to the URA on or after 23 February 2010. All applications must be made to the EDB with the completed application form and a copy of the notice of written permission issued by URA. Please refer to Annex B for a flowchart of the application process.
12. Upon approval by EDB, the applicant will receive a letter of offer from EDB, stating the terms and conditions attached to the offer. The approval is subject to the completed building or structure meeting the relevant GPR benchmark.

13. Upon the completion of the construction or renovation/extension of the building, the approved applicant is required to submit a verification form (which will be attached to the letter of offer), within 3 months, to the EDB with a declaration made by a qualified person (either a registered architect or a registered professional engineer) to confirm the GPR of the completed building or structure for which LIA incentive has been offered.

### The LIA incentive

14. An initial allowance at 25% of the qualifying capital expenditure incurred on the construction or renovation/extension of the approved LIA building or structure will be granted in the year of assessment relating to the basis period during which the capital expenditure is incurred.
15. Upon completion of the construction or renovation/extension works and where the completed building or structure meets the relevant GPR benchmark, annual allowance at 5% of the qualifying capital expenditure incurred on the construction or renovation/extension of the building or structure will be granted for each year of assessment where at least 80% of the total floor area of the building or structure is in use by a single user for carrying out the qualifying activity. For any basis period where less than 80% of the total floor area is used by the single user for the qualifying activity, the annual allowance will not be granted for the year of assessment relating to that basis period.
16. As the initial allowance is granted while the building or structure is under construction or renovation/extension, in cases where the completed building or structure fails to meet the relevant GPR benchmark, the initial and/or annual allowances will be recovered through re-assessment of preceding tax years.
17. If an approved LIA building ceases permanently to be used or ceases permanently to be used for the approved qualifying activity at any time when there is still a balance of qualifying capital expenditure remaining to be claimed, the LIA incentive recipient must notify the EDB of the disuse of the LIA building. No further annual allowances will be granted to the taxpayer from the year of assessment relating to the basis period during which the permanent disuse occurs and the LIA incentive shall be terminated with effect from that year of assessment.
18. If the predominant use of the approved LIA building changes from a qualifying activity to a different qualifying activity at any time when there is still a balance of qualifying capital expenditure remaining to be claimed, EDB must be notified of the change. The taxpayer shall re-apply to EDB at the point of the change in activity. The new application shall be assessed by EDB according to prevailing criteria and benchmarks at the time of application. If approval is granted by EDB,

the taxpayer shall be allowed to continue to claim the LIA under the new qualifying activity.

19. When the approved LIA building is sold at any time when there is still a balance of qualifying capital expenditure remaining to be claimed or after the qualifying capital expenditure has been fully claimed, any balance of the qualifying capital expenditure still remaining will be disregarded and there will not be any balancing adjustment on the seller of the building.
20. Where the LIA building is transferred to an amalgamated company under a qualifying amalgamation under section 34C of the ITA, the annual allowances will be given to the amalgamated company until the remaining qualifying capital expenditure is fully claimed, subject to the amalgamated company meeting the same conditions for the LIA incentive. The taxpayer is required to notify the EDB of the amalgamation.
21. When there is insufficient income in any year of assessment to absorb the initial or annual allowances, any unutilised LIA can be carried forward to offset against the taxpayer's income in future years of assessment, subject to the taxpayer meeting the prevailing conditions for carry forward of unutilised allowances. Any unutilised allowances can also qualify for carry back under the Carry-Back Relief System or for transfer under the Group Relief System, subject to the taxpayer meeting the prevailing conditions under those systems.

#### **Claim of LIA**

22. To claim the LIA, a taxpayer is required to submit to the Inland Revenue Authority of Singapore (IRAS) the following documents together with its income tax return:
  - (a) a copy of the letter of offer from EDB;
  - (b) details of qualifying capital expenditure incurred on the construction or renovation/extension of the approved LIA building or structure and a computation of the amounts of initial or annual allowance to be claimed;
  - (c) a certificate from a qualified quantity surveyor to certify the floor area used by another user, where part of the approved LIA building or structure is used by another user;
  - (d) a copy of the verification form submitted to EDB previously (This is to be submitted in the relevant Year of Assessment in which the construction or renovation/extension is completed) .
23. Annex C shows an example of how the initial and annual allowances will be computed.

## Enquiries

24. For general enquiries or clarification on this circular, please contact EDB at 6832 6832 or [clientservices@edb.gov.sg](mailto:clientservices@edb.gov.sg).
25. For enquiries relating to filing of LIA claims, please contact IRAS Helpline (Corporate) at 1800 356 8622.

## Annex A - Qualifying Activities

Cluster	GPR benchmark	SSIC code (2010)	Industry Description
Food, Beverages & Tobacco	0.99	1010	Processing and Preserving of Meat
		1020	Processing and Preserving of Fish, Crustaceans and Molluscs
		1030	Processing and Preserving of Fruits and Vegetables
		1040	Manufacture of Vegetable and Animal Oils and Fats
		1050	Manufacture of Dairy Products
		1061	Manufacture of Grain Mill Products
		1062	Manufacture of Starches and Starch Products
		1071	Manufacture of Bakery Products
		1072	Manufacture of Sugar
		1073	Manufacture of Cocoa, Chocolate and Sugar Confectionary
		1074	Manufacture of Macaroni, Noodles, Vermicelli and other Related Products
		1075	Manufacture of Prepared Meals and Dishes
		1076	Manufacture of Coffee, Tea and Related Products
		1079	Manufacture of Other Food Products necessary
		1080	Manufacture of Prepared Animal Feeds
		1101	Distilling, Rectifying and Blending of Spirits
		1102	Manufacture of Wine
		1103	Manufacture of Malt Liquors and Malt
		1104	Manufacture of Soft Drinks, Production of Mineral Waters and other Bottled Waters
Printing and Recorded Media	1.02	1200	Manufacture of Tobacco Products
		1811	Printing
		1812	Service Activities related to Printing
		1820	Reproduction of Recorded Media

Cluster	GPR benchmark	SSIC code (2010)	Industry Description
Manufacture of Coke and Refined Petroleum Products	0.33	1910	Manufacture of Coke Oven Products
		1920	Manufacture of Refined Petroleum Products
Manufacture of Petrochemicals and Petrochemical Products	0.58	2013	Manufacture of Petrochemicals and Petrochemical Products
Manufacture of other chemicals	0.6	2011	Manufacture of Basic Chemicals
		2012	Manufacture of Fertilisers and Nitrogen Compounds
		2021	Manufacture of Pesticides and other Chemical Products
		2022	Manufacture of Paints, Varnishes and Similar Coatings, Printing Ink and Mastics
		2023	Manufacture of Soap and Detergents, Cleaning and Polishing Preparations, Perfumes and Toilet Preparations
		2024	Manufacture of Additives
		2029	Manufacture of Other Chemical Products necessary
		2030	Manufacture of Man-Made Fibres except Glass
Manufacture of Pharmaceuticals and Biological Products	0.6	2101	Manufacture of Pharmaceutical Products
		2102	Manufacture of Biological Products
Manufacturing of Computers and Peripheral Equipment, and Consumer Electronics	2.45	2620	Manufacture of Computers and Peripheral Equipment
		2640	Manufacture of Consumer Electronics
Manufacture of Semiconductor Devices, Electronics modules & components and	1.4	2611	Manufacture of Semiconductor Devices
		2612	Manufacture of Other Electronic Components and Boards
		2630	Manufacture of Communications Equipment
		2651	Manufacture and Repair of Measuring, Testing, Navigating and Control Equipment

Communications Equipment		2652	Manufacture of Watches and Clocks
		2660	Manufacture and Repair of Irradiation, Electromedical and Electrotherapeutic Equipment
		2670	Manufacture of Optical Instruments and Photographic Equipment
		2680	Manufacture of Magnetic and Optical Media
		2710	Manufacture and Repair of Electric Motors, Generators, Transformers, Electricity Distribution and Control Apparatus
		2720	Manufacture of Batteries and Accumulators
		2732	Manufacture of Electronic and Electric Wires and Cables
		2733	Manufacture and Repair of Wiring Devices
		2740	Manufacture and Repair of Electric Lighting Equipment
		2750	Manufacture of Domestic Appliances
		2790	Manufacture of other Electrical Equipment
Land Transport	0.71	2910	Manufacture of Motor Vehicles
		2920	Manufacture of Motor Vehicle Bodies (Coachwork), trailers and semi-trailers
		2930	Manufacture of Parts and Accessories for Motor Vehicles
		3020	Manufacture of Railway Locomotives and Rolling Stock
		3040	Manufacture of Military Fighting Vehicles
		3091	Manufacture of Motorcycles
		3092	Manufacture of Bicycles and Invalid Carriages
		3099	Manufacture of other Transport Equipment necessary
Aerospace	0.63	3030	Manufacture of Air and Spacecraft and Related Machinery
Marine & Offshore Engineering	0.45	3011	Building and Repairing of Ships and Boats
		3012	Building of Pleasure Boats and Sporting Boats
Medical Technology	1.8	3250	Manufacture of Medical and Dental Instruments and Supplies

Cluster	GPR benchmark	SSIC code (2010)	Industry Description
Machinery & Systems	0.76	2811	Manufacture and Repair of Engines and Turbines except Aircraft, Vehicle and Cycle Engines
		2812	Manufacture and Repair of Pumps, Compressors, Taps and Valves
		2814	Manufacture of Bearings, Gears, Gearing and Driving Elements
		2815	Manufacture and Repair of Ovens, Furnaces and Furnace Burners
		2816	Manufacture and repair of Lifting and Handling Equipment
		2817	Manufacture and Repair of Office Machinery and Equipment (except Computers and Peripheral equipment)
		2819	Manufacture and Repair of other General Purpose Machinery
		2821	Manufacture and Repair of Agricultural and Forestry Machinery
		2822	Manufacture and Repair of Metal-Forming Machinery and Machine Tools
		2824	Manufacture and Repair of Machinery for Mining, Quarrying and Construction
		2825	Manufacture and Repair of Machinery for Food, Beverage and Tobacco Processing
		2826	Manufacture and Repair of Machinery for Textile, Apparel and Leather Production
		2827	Manufacture and Repair of Semiconductor-related equipment
		2829	Manufacture and Repair of Other Special Purpose Machinery
2830	Installation of Industrial Machinery and Equipment		
Other Manufacturing Industries	0.82	1310	Spinning, Weaving and Finishing of Textiles
		1391	Manufacture of Knitted and Crocheted Fabrics
		1392	Manufacture of Made-up textile articles except Apparel
		1393	Manufacture of Carpets and Rugs
		1394	Manufacture of Cordage, Rope, Twine and Netting
		1399	Manufacture of Other Textiles necessary

<b>Other Manufacturing Industries</b>	<b>0.82</b>	1410	Manufacture of Wearing Apparel except fur apparel
		1420	Manufacture of Articles of Fur
		1430	Manufacture of Knitted and Crocheted Apparel
		1511	Tanning and Dressing of Leather, Dressing and Dyeing of Fur
		1512	Manufacture of Luggage, Handbags and the Like, Saddlery and Harness
		1520	Manufacture of Footwear
		1610	Sawmilling and Planing of Wood
		1621	Manufacture of Veneer Sheets and Wood-based panels
		1622	Manufacture of Builders' Carpentry and Joinery
		1623	Manufacture of Wooden Containers
		1629	Manufacture of Other products of wood and articles of Cork, Straw and Plaiting Materials
		1701	Manufacture of Pulp, Paper and Paperboard
		1702	Manufacture of Corrugated Paper and Paperboard and that of Containers of Paper and Paperboard
		1709	Manufacture of Other Articles of Paper and Paperboard
		2211	Processing of Natural Rubber and Gums
		2212	Manufacture of Rubber Tyres and Tubes, Retreading and Rebuilding of Rubber Tyres
		2219	Manufacture of other Rubber Products except Rubber Footwear and Toys
		2221	Manufacture of Plastic Products except Plastic Footwear and Toys
		2222	Plastic Product Services
		2310	Manufacture of Glass and Glass Products
		2391	Manufacture of Structural Clay Products
		2393	Manufacture of other Porcelain and Ceramic Products
		2394	Manufacture of Cement, Lime and Plaster
		2395	Manufacture of Articles of Concrete, Cement and Plaster
		2396	Cutting, Shaping and Finishing of Stone

Other Manufacturing Industries	0.82	2399	Manufacture of other Non-Metallic Mineral Products necessary
		2410	Manufacture of Basic Iron and Steel
		2420	Manufacture of Basic Precious and Non-Ferrous Metals
		2431	Casting of Iron and Steel
		2432	Casting of Non-Ferrous Metals
		2511	Manufacture of Structural Metal Products
		2512	Manufacture and Repair of Tanks, Reservoirs and Containers of Metal
		2513	Manufacture and Repair of Steam Generators except Central Heating Hot Water Boilers
		2520	Manufacture and Repair of Weapons and Ammunition
		2591	Forging, Pressing, Stamping and Roll-Forming of Metal; Powder Metallurgy
		2592	Treatment and Coating of Metals
		2593	Manufacture of Cutlery, Hand Tools and General Hardware
		2594	Manufacture of Wire and Cable Products except Insulated Wire
		2595	Manufacture of Metal Cans, Containers and Related Products
		2599	Manufacture of other Fabricated Metal Products necessary
		3100	Manufacture of Furniture
		3211	Manufacture of Jewellery and Related Articles
		3212	Manufacture of Imitation Jewellery and Related Articles
		3220	Manufacture of Musical Instruments
		3230	Manufacture of Sports Goods
3240	Manufacture of Games and Toys		
3290	Other manufacturing necessary		

## Annex B - Application Process

Contact EDB at 6832 6832 or [clientservices@edb.gov.sg](mailto:clientservices@edb.gov.sg) if you are interested to apply for LIA incentive. Please check that you fulfil the qualifying criteria for the scheme as set out within this circular.



Submit the completed application form, together with:

- a copy of the notice of Written Permission (with proposed GPR) issued by URA OR
- a copy of notice of Written Permission equivalent (with proposed GPR) issued by JTC



Upon approval, a letter of offer will be issued to the applicant. Terms and conditions of the award will be set out within the letter.

The letter must be submitted together with the annual Income Tax Return to IRAS to claim the LIA.



Once the Temporary Occupation Permit (TOP) has been issued or once the renovation/extension project has been completed, approved LIA applicant is required to submit a verification form to the EDB not later than 3 months from the completion of the construction or renovation/extension project for confirmation that the building or structure has been built up to the relevant GPR benchmark as stated in the letter of offer.

The verification form will be issued to the LIA incentive recipient together with the letter of offer from EDB.

## Annex C - example

Company A (with accounting year-end 31 December), which is engaged in the manufacture of pharmaceutical products, is approved by EDB for the LIA incentive. It incurs the following qualifying capital expenditure on the construction of the approved LIA building:

<u>Year ended:</u>	<u>Capital expenditure incurred</u>
31 Dec 2011	\$1,000,000
31 Dec 2012	\$3,000,000
31 Dec 2013	\$2,000,000

Upon completion of the construction works in June 2013, the GPR of the completed building meets the relevant GPR benchmark. For the years 2013 to 2027, Company A uses 90% of the total floor area of the LIA building for its own business and rents out the remaining 10% to a related company.

The computation of LIA for the years of assessment (YA) 2012 to 2028 is as follows:

Qualifying capital expenditure -	Year ended 31 Dec 2011	1,000,000
	Year ended 31 Dec 2012	3,000,000
	Year ended 31 Dec 2013	2,000,000
		6,000,000
YA 2012 - initial allowance	[25% x 1,000,000]	250,000
YA 2013 - initial allowance	[25% x 3,000,000]	750,000
YA 2014 - initial allowance	[25% x 2,000,000]	500,000
YA 2014 to 2028 - annual allowance	[5% x 6,000,000 x 15 years]	4,500,000
Total allowances claimed		6,000,000