

INVESTMENT ALLOWANCE (IA) FOR AIRCRAFT ROTABLES

Rationale for the incentive

1. The Investment Allowance (IA) scheme for aircraft rotables¹ was introduced on 10 September 2004 for a period of 5 years to encourage investments in aircraft rotables that would increase the productive capacity of the aerospace maintenance, repair and overhaul (MRO) companies. The IA scheme expired on 9 September 2009.
2. To demonstrate Singapore's commitment in developing the aerospace industry and to strengthen our status as the leading centre in Asia for aerospace MRO, the IA scheme for aircraft rotables will be renewed for another 5 years effective from 1 April 2010.
3. To attract companies to set up new rotables pools and encourage greater use of rotables by MRO companies in Singapore, the Minister for Finance announced in Budget 2010 an enhancement to the IA scheme for aircraft rotables.
4. The scheme is administered by the [Economic Development Board \(EDB\)](#). The relevant legislative provisions for the Investment Allowances are set out in Part X of the [Economic Expansion Incentives \(Relief from Income Tax\) Act](#).

How the incentive works

5. Companies awarded the incentive will be granted an IA up to 50% of the fixed capital expenditure incurred on aircraft rotables. The fixed capital expenditure must be incurred within the qualifying period of up to 5 years to be eligible for IA². The IA is to be set off against chargeable income derived from MRO activities and is given in addition to the normal capital allowances. The unutilised IA can be carried forward indefinitely for set-off against the chargeable income in future years.

The enhancement to the incentive

6. Under the previous IA scheme for aircraft rotables scheme, companies were required to recover the swapped rotatable from their customers with the same part number and serial number by the end of the service agreement following a swap of a rotatable with a customer. Under the enhancement, MRO companies will no longer need to recover the original rotatable subject to the following conditions:

¹ The industry generally defines a rotatable as "an item that can be economically restored to a serviceable condition and, in the normal course of operations, can be repeatedly rehabilitated to a fully serviceable condition over a period of time approximating the life of the flight equipment to which it is related". Some examples of aircraft rotatable include landing gears, auxiliary power units and major engine accessories.

² Any fixed capital expenditure incurred on aircraft rotatables from 10 September 2009 to 31 March 2010 (both dates inclusive) will not qualify for investment allowance.

- a) Companies have to submit documentary evidence such as repair and maintenance certificates or documents to prove that rotables have been exchanged with aircraft under a servicing contract;
- b) The company has to do reconciliation of rotables³; and
- c) The company will claim IA and capital allowance only on the cost of the original rotatable and not on the replacement rotatable swapped with clients.

Eligibility

7. The incentive is open to companies providing MRO services. All applications will be subject to the EDB's assessment and approval.
8. The company must own the aircraft rotatable for which the IA is being claimed.
9. The aircraft rotatables awarded IA must not be disposed, sold, leased or loaned out during the incentive period and two years thereafter.

Qualifying period

10. The enhancements to the IA scheme for aircraft rotatables will be effective from 1 April 2010 to 31 March 2015. Applications to the enhanced scheme for new awards and renewals can be made during this period.

Application procedure

11. For more information and application forms, please contact the Economic Development Board (EDB), at clientservices@edb.gov.sg, 6832 6832.

³ For reconciliation, companies are also required to ascertain that all swapped rotatables will have the same part numbers as the original rotatables..