

## Tax Exemption Scheme for New Start-up Companies

The tax exemption scheme for new start-up companies was introduced in Year of Assessment (YA) 2005 to support entrepreneurship and help our local enterprises grow.

Under this scheme, a newly incorporated company that meets the [qualifying conditions](#) can claim for full tax exemption on the first \$100,000 of normal chargeable income\* for each of its [first three consecutive YAs](#).

From YA 2008, a further 50% exemption is given on the next \$200,000 of the normal chargeable income\* for each of the first three consecutive YAs.

The exempt amount for each YA is as follows:

Year of Assessment	Exempt amount for new start-up companies
2008 onwards	First \$100,000 @ 100% = \$100,000 Next \$200,000 @ 50% = <u>\$100,000</u> Total \$300,000 <u>\$200,000</u>
2005 to 2007	First \$100,000 @ 100% = \$100,000

Companies that do not qualify for this scheme will still be eligible for partial tax exemption.

### **Companies not eligible for the Tax Exemption scheme**<sup>New!</sup>

As announced in Budget 2013, the Tax Exemption scheme does not apply to the following companies incorporated after 25 Feb 2013:

- A company whose principal activity is that of investment holding; and
- A company whose principal activity is that of developing properties for sale, for investment, or for both investment and sale.

Investment holding companies derive only passive incomes such as dividend and interest income, while the real estate industry typically incorporates a new company for each new property development. The start-up tax exemption for encouraging entrepreneurship is not intended for such companies. These companies will be given partial tax exemption.

## Qualifying Conditions

### With effect from Year of Assessment (YA) 2010

If your company is not [excluded from the Tax Exemption scheme](#), it can enjoy the tax exemption if it meets the following qualifying conditions:

1. incorporated in Singapore (including a company limited by guarantee\*\*);
2. a tax resident\* in Singapore for that YA; and
3. has no more than 20 shareholders throughout the basis period for that YA where:
  - all of the shareholders are individuals beneficially and directly holding the shares in their own names; or
  - at least one shareholder is an individual beneficially and directly holding at least 10% of the issued ordinary shares of the company.

Source : IRAS