



**Development and Expansion
Incentive for Services
DEI(Svc)**

1. What is DEI for Services?

DEI for Services “DEI(Svc)” encourages companies to engage in high value-added services or activities (excluding headquarters (HQ) and manufacturing activities) in Singapore, either through a new set-up or an expansion of existing operations in Singapore.

2. Who can apply for DEI(Svc)?

Your company can apply for the incentive if it is registered and operating in Singapore.

3. How does DEI(Svc) work?

Tax at a concessionary rate of **5%, 10% or 15%** would be imposed on your company’s qualifying income in excess of the base income. Qualifying income refers to income derived from qualifying activities. In this case, the qualifying activities shall be the services or activities (excluding HQ and manufacturing activities) that your company intends to undertake in Singapore.

The base income is the average income from qualifying activities of the entity for the 36 months immediately preceding the DEI(Svc).

The base income, as well as non-qualifying income, is taxed at the normal corporate tax rate. Any loss (i.e. unabsorbed allowances, losses or donations) arising from qualifying activities would be treated as concessionary rate loss for the purpose of applying Section 37A of the Income Tax Act.

4. What are the terms of the DEI(Svc)?

a) Qualifying Period: 5 years

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b) Your entity will need to meet the following conditions, as well as all standard conditions in the Letter of Award (LOA):

Concessionary Tax Rate	For every 5-year qualifying period
5%	<ul style="list-style-type: none"> • Carry out at least one service activity • Employ at least 18 additional¹ Skilled Employees, all of whom shall be based in Singapore by Year 3 • Incur additional² annual Total Business Expenditure (TBE) of at least S\$8.0 million by Year 3 • Employ at least 30 additional¹ Skilled Employees, all of whom shall be based in Singapore by Year 5 • Incur additional² annual TBE of at least S\$13 million by Year 5
10%	<ul style="list-style-type: none"> • Carry out at least one service activity • Employ at least 15 additional¹ Skilled Employees, all of whom shall be based in Singapore by Year 3 • Incur additional² annual Total Business Expenditure (TBE) of at least S\$5.5 million by Year 3 • Employ at least 25 additional¹ Skilled Employees, all of whom shall be based in Singapore by Year 5 • Incur additional² annual TBE of at least S\$9 million by Year 5
15%	<ul style="list-style-type: none"> • Carry out at least one service activity • Employ at least 8 additional¹ Skilled Employees, all of whom shall be based in Singapore by Year 3 • Incur additional² annual Total Business Expenditure (TBE) of at least S\$3 million by Year 3 • Employ at least 13 additional¹ Skilled Employees, all of whom shall be based in Singapore by Year 5 • Incur additional² annual TBE of at least S\$5 million by Year 5

¹The base employment against which the fulfillment of this condition is determined is the Entity's employment for its last Financial Year, as indicated in the EDB Supplementary Form to be submitted by the Entity.

²The base TBE against which the fulfillment of this condition is determined is the Entity's TBE for its last Financial Year, as indicated in the EDB Core Form to be submitted by the Entity.

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5. What are the assessment criteria for DEI(Svc)?

Your application will be assessed based on the quantitative conditions in Q4, and the qualitative aspects of the project. These include the generation of spin-offs to the economy, and commitment to grow capabilities (e.g. technology, skillsets, knowhow) in Singapore.

6. What happens if my entity does not meet the terms and conditions in the LOA?

In the event of any breach of the terms and conditions of the award, your entity will be subject to the termination of the incentive and recovery of any associated benefits.

7. What are some of the things that I need to take note of?

- Your entity will be required to maintain a separate account in respect of any non-qualifying activity undertaken during the incentive period.
- Your entity will also be required to submit to EDB an annual progress update (APU) in the prescribed format and/or an external auditor's report setting out its progress in meeting the terms and conditions of the incentive.
- Requests to terminate the incentive subsequent to its acceptance are subject to approval. The incentive will continue to have effect until EDB notifies your entity of the approval outcome of the request for termination.
- Qualifying income shall be income that is derived by the Entity from the qualifying activity/activities, and excludes all intellectual property (IP) income, as specified in the Economic Expansion Incentives (Relief from Income Tax) Act.

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- Your entity is not eligible for the incentive if it falls within any of the following categories:
 - Entities which fall within sanctions lists maintained by the Singapore Government, or entities controlled or owned by individuals / entities / countries which fall within such lists;
 - Entities engaged in activities which are illegal under the laws of Singapore;
 - Entities engaged in the manufacture, distribution, sale, import or export of goods or technology that is regulated under Part 1 of the Schedule of the Strategic Goods (Control) Order of the Strategic Goods (Control) Act (commonly referred to as military goods and technology) or the Arms and Explosive Act;
 - Entities engaged in the manufacture, distribution, sale, import or export of tobacco products, as defined under the Tobacco (Control of Advertisements and Sale) Act, and related activities;
 - Entities under investigation or prosecution for, or having a history of, regulatory issues, such as corruption, fraud, anti-competitive issues or other regulatory breaches;
 - Entities which are licensed financial institutions (including banks, fund managers and capital market players) or licensed insurance players which are regulated by Monetary Authority of Singapore (MAS), unless specifically referred by MAS to apply for the incentive;
 - Entities which are ship owners or operators, or in the business of providing maritime leasing, ship financing, ship broking, ship management, ship agency, marine insurance or other shipping-related support services (excluding ports and shipyards) which are regulated by Maritime and Port Authority of Singapore (MPA), unless specifically referred by MPA to apply for the incentive.

EDB may engage external service provider(s) and rely solely on the information returned from these external service provider(s) in the process of determining an applicant's eligibility.

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EDB also reserves the right to revoke or terminate the incentive if the entity falls within any of the categories listed above during the tenure of the incentive.

- Singapore has implemented a Domestic Top-up Tax on profits of group entities operating in Singapore if their effective tax rate is less than 15%. This will apply to multinational enterprises groups with annual group revenue of €750 million or more in at least two of the four preceding financial years. For avoidance of doubt, companies receiving incentives from the EDB are not precluded and applicants should assess the implications accordingly.

8. How do I apply?

The entity will be required to submit a formal application which includes the following:

- A **Core Form**, which will require your entity to provide information on its projected incremental investment in Singapore in terms of employment, fixed asset investments and total business expenditure.
- A **Supplementary Form**, which will require your entity to provide additional information on the proposed activities to be undertaken and skilled employment.

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ADDITIONAL DEFINITIONS

- a) **Total Business Expenditure** refers to annual operating expenditure incurred in Singapore, including remuneration, rental for land / building, and other expenses such as interest expense, royalties and know-how fees, work subcontracted out, incurred in Singapore, i.e. paid to contracting parties in Singapore. It excludes expenses outside Singapore, capital investments, depreciation, and expenditure on raw materials, components and packaging.
- b) **Fixed Asset Investment** refers to fixed assets used by the Entity for the production of income over the long term, both owned and leased (including building costs, assets located in Singapore that are not movable, assets on capital lease) incurred in Singapore up to the milestone date specified.
- c) **Skilled Employees** mean “Managers”, “Professionals”, “Associate Professionals and Technicians” or “Skilled Production Craftsmen” as defined by the Singapore Standard Occupational Classification.
- d) An **Employee** is considered to be based in Singapore if the individual is a tax resident of Singapore.
- e) **Qualifying service activities** only include the following:
- Engineering or technical services including laboratory, consultancy and research and development activities
 - Computer-based information and other computer-related services
 - The development or production of industrial design
 - Services and activities which relate to the provision of entertainment, leisure and recreation
 - Publishing services
 - Services which relate to the provision of education
 - Medical services
 - Services and activities which relate to agricultural technology

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- Services and activities which relate to the provision of automated warehousing facilities
 - Financial services
 - Business consultancy, management and professional services
 - Services and activities which relate to international trade
 - Services provided by an auction house
 - Services and activities engaged in by a company which relate to logistics and freight forwarding and which are not approved as shipping-related support services provided by the company under section 43U of the Income Tax Act.
- f) **Headquarters (HQ)** activities refer to provision of the following activities to related entities in the company group: Management, coordination and control functions of business activities for the group, sourcing and procurement, supply chain management, marketing control and planning, human resource management, provision of legal services, provision of finance services, and provision of brand management services.

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