



# **Development and Expansion Incentive for Manufacturing**

**DEI(Mfg)**

## **1. What is DEI for Manufacturing?**

DEI for Manufacturing “DEI(Mfg)” encourages companies to engage in high value-added manufacturing activities in Singapore, either through a new set-up or an expansion of existing operations in Singapore.

## **2. Who can apply for DEI(Mfg)?**

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

## **3. How does DEI(Mfg) work?**

Tax at a concessionary rate of **5%, 10% or 15%** would be imposed on your entity’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 manufacturing activities that your entity 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(Mfg).

The base income, as well as non-qualifying income, is taxed at the prevailing 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.

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#### 4. What are the terms of the DEI(Mfg)?

- a) Qualifying Period: 5 years
- 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"><li>• Incur additional<sup>1</sup> Fixed Asset Investment (FAI) of at least <b>S\$13 million</b> by Year 5</li><li>• Employ at least <b>30</b> additional<sup>2</sup> Skilled Employees, all of whom shall be based in Singapore by Year 5</li></ul>
10%	<ul style="list-style-type: none"><li>• Incur additional<sup>1</sup> Fixed Asset Investment (FAI) of at least <b>S\$7 million</b> by Year 5</li><li>• Employ at least <b>20</b> additional<sup>2</sup> Skilled Employees, all of whom shall be based in Singapore by Year 5</li></ul>
15%	<ul style="list-style-type: none"><li>• Incur additional<sup>1</sup> Fixed Asset Investment (FAI) of at least <b>S\$5 million</b> by Year 5</li><li>• Employ at least <b>13</b> additional<sup>2</sup> Skilled Employees, all of whom shall be based in Singapore by Year 5</li></ul>

<sup>1</sup>The base FAI against which the fulfillment of this condition is determined is the Entity's FAI for its last Financial Year, as indicated in the EDB Core Form to be submitted by the Entity.

<sup>2</sup>The 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.

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## **5. What is the assessment criteria for DEI(Mfg)?**

Your entity will be assessed on its ability to meet the quantitative conditions in Q4, and the qualitative aspects of the project to set up or expand its manufacturing activities in Singapore including the quality of jobs created from the project. These include the generation of spin-offs to the economy, and commitment to grow capabilities 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 in the LOA, 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 be also 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.
- 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;

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- Entities engaged in the manufacture, distribution, sale, import or export of goods or technology that is regulated under the Strategic Goods (Control) Act or the Arms and Explosives 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.

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.

- As announced in Singapore's Budget 2024 statement, Singapore will be implementing 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.

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## 8. How do I apply?

To apply, your entity will be required to submit a formal application which will include the following:

- A **Core Form**, which requires your entity to provide information on its projected incremental investment in terms of employment, fixed asset investments and total business expenditure.
- A **Supplementary Form**, which requires your entity to provide additional information around products to be manufactured and skilled employment.

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## ADDITIONAL DEFINITIONS

- a) **Fixed Asset Investment** refers to fixed assets (at cost), excluding land, as at the milestone date specified. FAI shall be net of sale or disposal of assets.
- b) **Skilled Employees** mean “Managers”, “Professionals”, “Associate Professionals and Technicians” or “Skilled Production Craftsmen” as defined by the Singapore Standard Occupational Classification.
- c) An **Employee** is considered to be based in Singapore if the individual is a tax resident of Singapore.

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