

AIRCRAFT LEASING SCHEME

The Aircraft Leasing Scheme (ALS) is aimed at encouraging companies to develop aircraft leasing capabilities and grow the aircraft leasing industry in Singapore.

1. Overview of the Incentive

- 1.1 An approved aircraft leasing company is eligible for a concessionary tax rate of 8% on income derived from the leasing of aircraft or aircraft engine and qualifying ancillary activities.
- 1.2 An approved aircraft leasing company is also eligible for withholding tax exemption on interest and qualifying related payments on loans obtained for the purchase of aircraft or aircraft engines.
- 1.3 The incentive period is limited to five years. Extension of the incentive may be considered, subject to the company’s commitment to undertake further expansion plans on its aircraft leasing activities.
- 1.4 The company is required to maintain a separate account in respect of any non-qualifying activity undertaken during the incentive period. The income from the non-qualifying activity is not eligible for the incentive.

2. Assessment Criteria

- 2.1 To qualify for the ALS, companies must establish substantive activities and perform strategic functions in Singapore. Key activities include identifying and acquiring aircraft/aircraft engines to be leased, negotiating the leasing terms, management of leases of aircraft/aircraft engines, services relating to the management of such leases (e.g. arranging for the operation and maintenance of aircraft/aircraft engines/facilities) and financing the acquisition of aircraft/aircraft engines.
- 2.2 Applicant companies will be assessed on the quantitative and qualitative aspects of the proposed aircraft leasing operations. These include the employment created (including skills, expertise and seniority), total business expenditure which generates spin-off to the economy, as well as commitment to growing the capabilities and depth and breadth of the aircraft leasing activities in Singapore. Companies are also encouraged to grow capabilities through working with potential partners, such as in the professional services and financial sectors, as well as in the broader aerospace industry. An aircraft leasing company set-up generally has about 10 staff and incurs total business spending of about \$15 million.
- 2.3 The approval and award of any ALS will be subject to the company implementing its plans to grow and sustain its aircraft leasing operations in Singapore.

3. Administration

- 3.1 The ALS is subject to the provisions of Section 43Y of the Income Tax Act and Income Tax (Concessionary Rate of Tax for Aircraft Leasing Company)(Prescribed Activities) Regulations. An approved aircraft leasing company must submit regular progress reports to the EDB for the evaluation of performance. In the event of any breach of term or condition of the ALS, the company is subject to the potential revocation of the incentive and recovery of any associated benefits.
- 3.2 All business entities incorporated, registered or carrying on a business in Singapore must carry out any transaction with any related parties at arm’s length and are subject to transfer pricing guidelines. This requirement includes the preparation and keeping of contemporaneous transfer pricing documentation, which has to be submitted to the Inland Revenue Authority of Singapore (IRAS) upon request.

4. Enquiries

- 4.1 For general enquiries or clarifications, please contact EDB at 6832 6832 or client_services@edb.gov.sg.

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