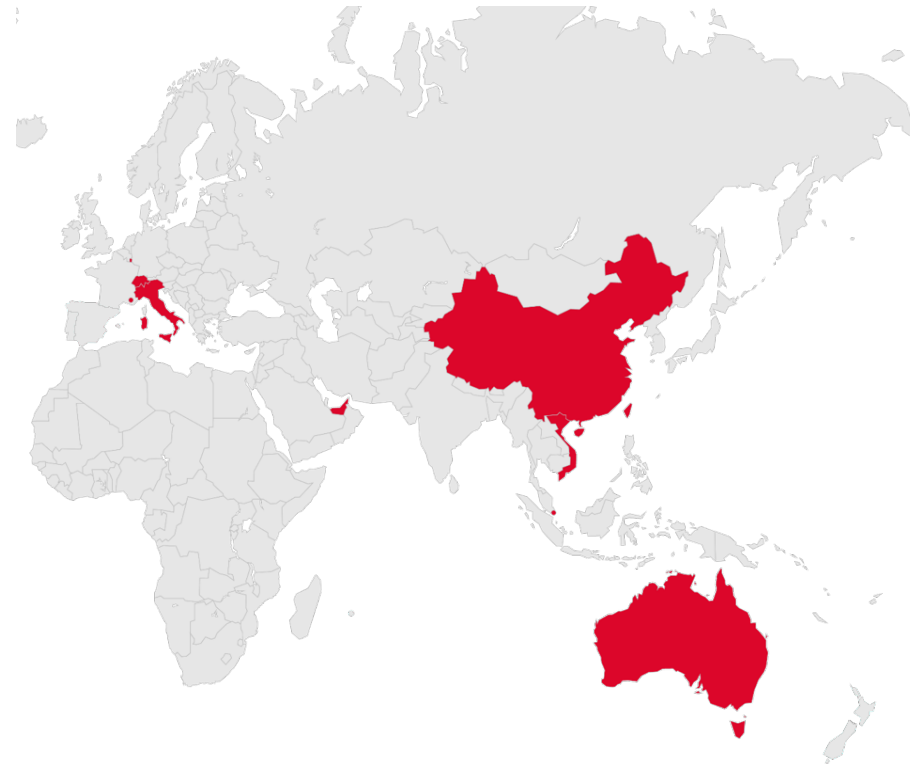


A large red trapezoidal shape is positioned on the right side of the page, extending from the top to the bottom. The word 'fidinam' is written in white, italicized serif font within this shape.

fidinam

- **Fidinam Group** was founded in 1960 in **Switzerland** and operates in the field of professional consulting for companies, individuals and investors.
- The main areas of professional activity are **Tax advisory, corporate services, business consultancy and real estate consultancy.**
- With more than 250 professionals, Fidinum is present in 12 jurisdictions and relies on a wide network of correspondents and strategic alliances.



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Basel

Milan
Luxembourg
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Asia Pacific /
Middle East

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MARKET-ENTRY SERVICES

Fidinam assists investors in evaluating and implementing investment opportunities in various countries by delivering market research and feasibility studies, preliminary tax opinions, identifying local partners and target companies.

CORPORATE SECRETARY

From incorporation and tax domiciliation to the management of contracts and work permits, we support companies at every stage of their lives including the provision of nominee services.

ACCOUNTING AND TAX SERVICES

Fidinam takes care of the accounting and administrative burdens for small or medium-sized companies, institutions and multinational companies offering our clients fully or partially outsourced administrative management.

HR & EMPLOYMENT SERVICES

With a team of experienced professionals, Fidinam supports clients in their HR needs, including identifying local staff, obtaining working permits/VISA, managing monthly payrolls and contributions, as well as drafting Labor Contracts.

INTERNATIONAL TAX ADVISORY

Fidinam assists corporates and individuals in cross-border tax matters by establishing efficient and sustainable structures.

DIGITAL CONSULTING

We partner with companies and entrepreneurs in the digital transformation of their businesses, offering them a wide range of solutions and technology consulting aimed at digitalization and optimization of business management.

WEALTH PLANNING

Our full range of services includes the creation and management of wealth and estate solutions, including family foundations and citizenship and residency planning. Fidnam offers targeted solutions to ensure stability and efficiency, tax optimized.





Intellectual Property insight & news

- 1. IP – Strategic asset & key driver to profitability
- 2. Singapore as HUB for IA and IP transactions
- 3. Withholding tax on Royalties
- 4. Tax grant & incentive
-



IP – Strategic asset & key driver to profitability

Intellectual property (IP) is becoming increasingly important as a **strategic asset and a key driver** to **profitability** due to its inherent ability to create wealth and thereby enhance shareholders' value.

IPRs are, indeed, important creators of value in a knowledge-based economy.

As more multinationals have started to shift from brick-and-mortar business to online business, there is an **increased awareness and usage of different forms of IP rights** which has led multinational businesses to start protecting their intangible assets, spending more on research and development (R&D) capabilities, developing brands, technical abilities and know-how, in order to stay ahead of the competition.

In this new environment, the ownership and use of IP within multinational corporate groups are coming under increasing scrutiny, cause

1. Any corporate transaction involving IP will create significant tax and IP issues (e.g. transfer pricing)
2. These issues are particularly complex when multinational corporations separate IP ownership and IP use
3. Failure to coordinate the Tax and IP Groups can compromise tax or IP positions

While this distinction is particularly important in the enforcement of legal rights, it is equally relevant for tax purposes in areas such as the coverage of **tax incentives**, availability of **tax deductions and applicability of withholding tax**.

Furthermore, the Base Erosion and Profit Shifting (BEPS) project led by the Organization for Economic Co-operation and Development (OECD) and more recently, BEPS 2.0, aims to align the value derived from IP to where the key functions in the IP lifecycle (that is, development, enhancement, maintenance, protection and exploitation) are undertaken.

Companies will, indeed, need to be agile in adapting to these imminent changes in global tax rules.

Areas of focus:

1. Intercompany licensing arrangements, where the pricing of intercompany transactions and robustness of transfer pricing documentation will be subject to a higher level of stress test

2. Mergers and acquisitions (M&As) undertaken to acquire technology and innovative solutions. As companies acquire targets with existing IA and IP to complement or expand their existing portfolio, they must carefully plan and consider whether the IP to be acquired should be integrated into existing operations and how it should be carried out, bearing in mind the tax measures available. This includes managing exit taxes if IP ownership is to be migrated to another jurisdiction.

3. New forms of IA and IP and their interaction with prevailing tax rules, to be considered by companies.

In addition to direct support measures such as grants, governments worldwide increasingly rely on tax incentives to promote business R&D and encourage innovation and economic growth.

Singapore as HUB for IA and IP transactions



Thanks to its strategic location, political and economic stability, efficient tax system and government grants and incentives, Singapore **aims to elevate its standing as a leader in intangible assets (IA) and IP expertise and services.**

EVOLVING IA/IP AND INNOVATION LANDSCAPE

The global economy has experienced important shifts in the last decade since the IP Hub Master Plan was published.



Value of global intangible assets hit an all-time high in 2020.

Source: Brand Finance's Global Intangible Finance Tracker 2020 study

Global payments for the use of IP have increased by 63.6% between 2010 and 2019 to



representing more than 7% of global import of services.²

Source: World Bank DataBank

Asia is at the forefront of innovation and R&D, accounting for **>45% of global gross domestic expenditure** on R&D in 2017.



Source: UNESCO Institute for Statistics

IN 2019 **65%**

of all patent applications worldwide in 2019 came from Asia. In comparison to just over 50% a decade ago.

Source: WIPO's World Intellectual Property Indicators Report 2020

70% trade mark applications & **2/3** industrial design applications also originated from Asia.³

AT IPOs

23% increase in patent applications & **20%** increase in trade mark applications^{4,5}

2015

2020



Singapore's capital stock related to Intellectual Property Products grew to **around 25% as of 2016**.⁶

Source: International Monetary Fund

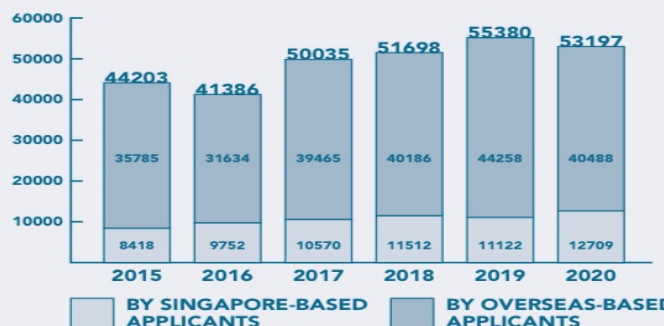
30% compound annual rate increase in corporate sector investment in intangible capital between 2013 and 2016.⁶

Source: International Monetary Fund

PATENTS



TRADE MARKS (BY CLASS)



GLOBAL RANKINGS

TOP 5 Since 2015
In the World Economic Forum's Global Competitiveness Report ranking for IP protection.

TOP 10 Since 2015 **8TH** In 2020
In Global Innovation Index Overall Ranking.

- Global Innovation Index Indicators
- Since 2015
 - Ranked 1st in Innovation Inputs
 - Ranked 1st in Political Environment*
 - Ranked 2nd in Investment*
 - Ranked 1st in Tertiary Education*
 - Ranked 6th in Intellectual Property Payments*

*Ranked in 2020

By implementing the SIPS, the Lion City aims to strengthen its position as a global hub for IA and IP transactions and become the Silicon Valley of Asia focusing on three main areas

1. supporting international activities,
2. attracting and growing innovative enterprises, and
3. building a high-calibre workforce.

Milestone:

Singapore is being ranked second globally and top in Asia for having the best IP protection system according to the World Economic Forum's Global Competitiveness Report 2019



Ensure a world-class and forward- looking IA/IP regime.

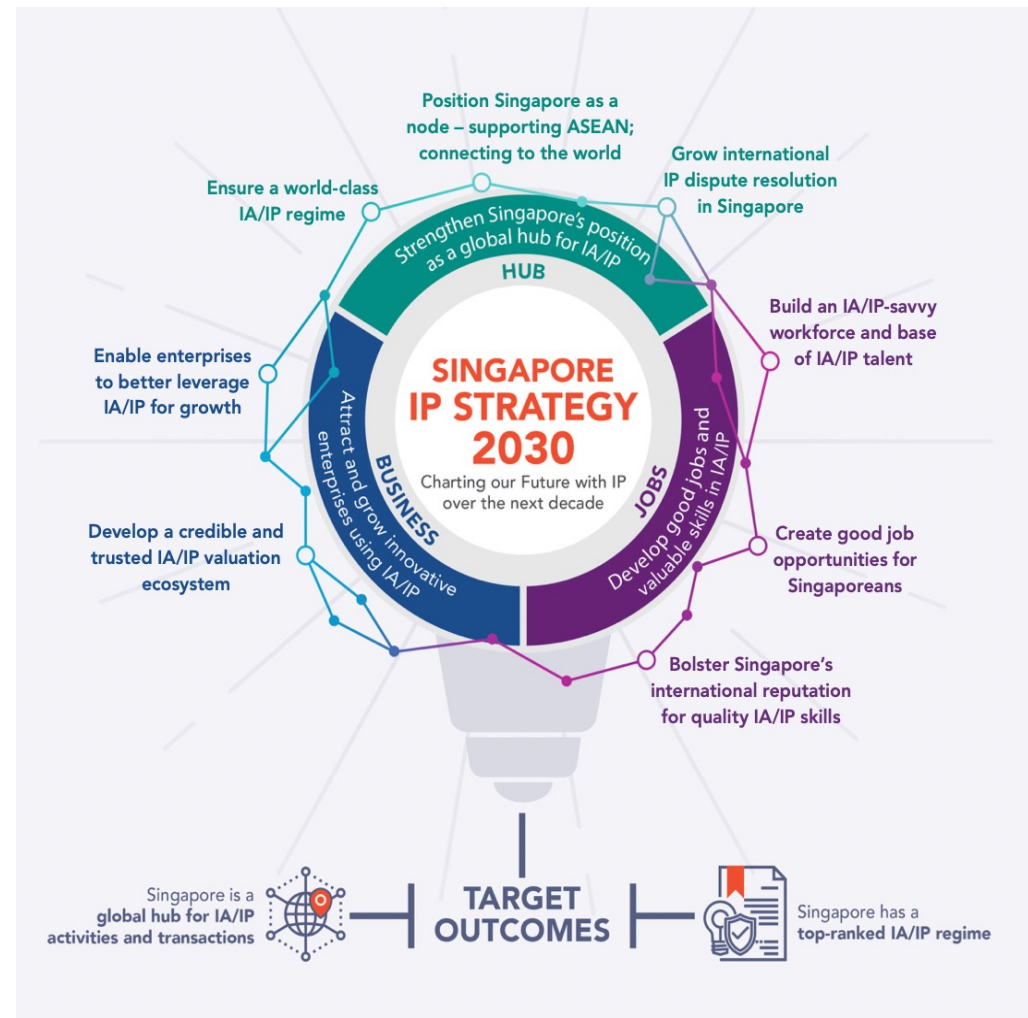
By proactively reviewing policies to support emerging areas such as artificial intelligence and big data, and leveraging technology to better serve its customers.

Develop Singapore as a node for ASEAN and the world.

By facilitating regional inter- operability of IP systems and strengthening the connectivity between ASEAN and the rest of the world. Singapore will enable investors to protect their IP more expediently in multiple markets through programmes such as the ASEAN Patent Examination Cooperation.

Position Singapore as a choice location for international IP dispute resolution.

By growing local expertise through working with law schools and professional training providers and setting up a one-stop resource portal on IP dispute resolution.



Facilitate Protection of Innovations in overseas Markets through Singapore

IP is territorial in nature, in that protection is only available in the jurisdiction of grant.

Singapore has participated in several initiatives to help IA/IP owners take their innovation to the global market.

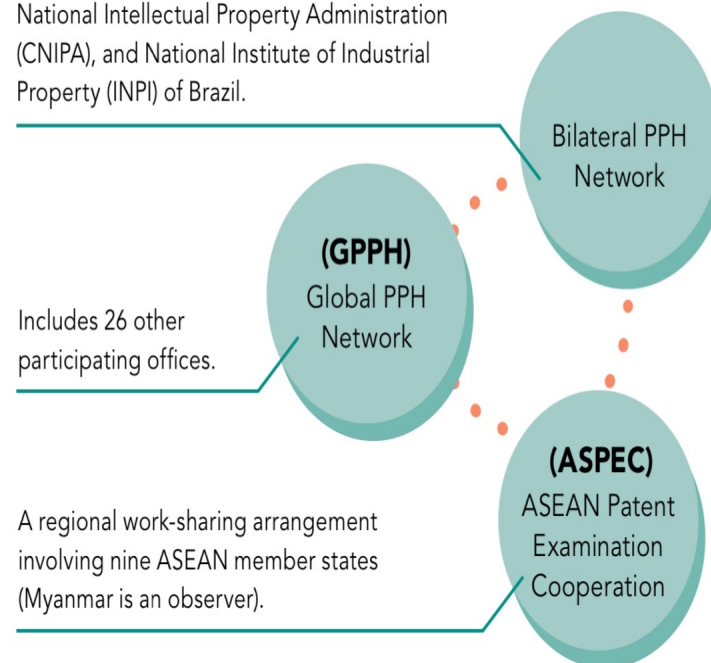
The Patent Prosecution Highway (PPH) is a work-sharing arrangement which helps businesses to use their patent search and examination (S&E) report from an earlier office to accelerate patent prosecution in another jurisdiction. This translates to a shorter time for patent grants and higher quality patents.

Singapore has

- ❖ formed PPH arrangements with the five key IP markets, i.e., the USA, Europe, China, Japan, and South Korea (often referred to as the IP5)
- ❖ established patent re-registration programmes with Cambodia and Laos which accelerate IP protection in the ASEAN market through a Singapore-granted patent.

Singapore's Free Trade Agreements (FTAs) also contain IP components that facilitate business activities around the world. Through the Regional Comprehensive Economic Partnership (RCEP), businesses can protect

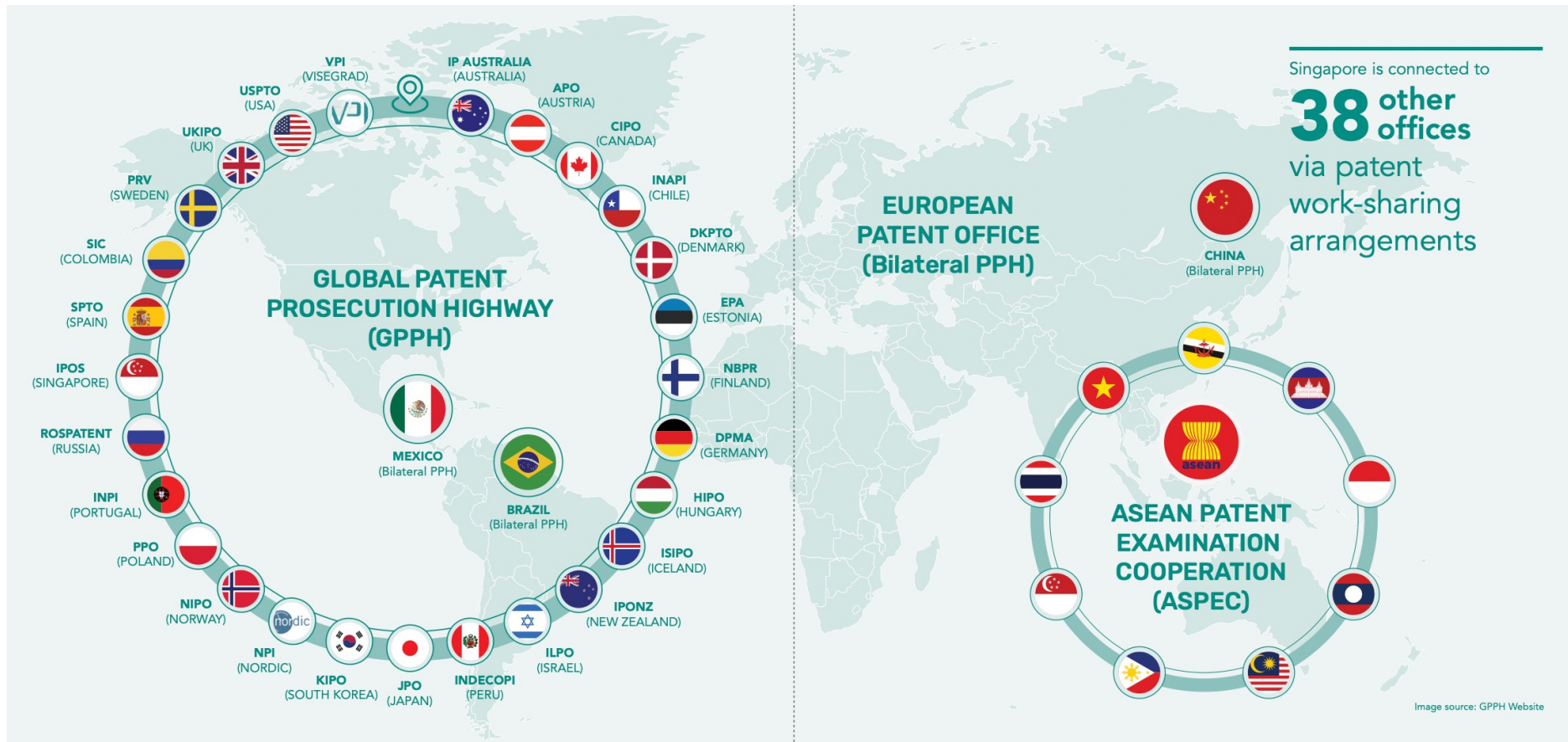
IPOS has bilateral PPH agreements with the European Patent Office, Instituto Mexicano de la Propiedad Industrial (IMPI) of Mexico, China National Intellectual Property Administration (CNIPA), and National Institute of Industrial Property (INPI) of Brazil.



non- traditional trade marks and a wider range of industrial designs in the region.

Several international organisations / enterprises have set up their regional offices in Singapore, reinforcing Singapore's position as a hub for the IP community and businesses.

Singapore global HUB for IP & IA transactions



Withholding tax on Royalties

Domestic corporations paying certain types of income to non-residents are required to withhold tax.

Unless a lower treaty rate applies, Royalty payments are subject to **WHT at the rate of 10%**.

The tax withheld represents a final tax and applies only to non-residents who are not carrying on any business in Singapore and who have no PE in Singapore.

Royalties can be exempt from WHT in certain situations or subject to a reduction in tax rates, usually under fiscal incentives or DTAs.

As in Singapore, in **Vietnam** Royalties paid to foreign entities for the right to use or for the transfer of IP, transfer of technology or software copyright is subject to withholding tax of **10%** Corporate Income Tax (CIT).

Meanwhile, Vietnamese enterprises having income from intellectual property rights and income from technology transfer will be subject to 20% CIT.

China applies as well a **10%** withholding tax, which is lowered from a 20% statutory rate, to royalties paid to a non-resident company unless the rate is reduced under a tax treaty.

Tax grants & incentives

*' To **enhance** Singapore's **attractiveness** as a location for businesses to hold and commercialise IPRs, and to **promote** business **R&D** and **encourage innovation** and economic **growth** '*

Grant

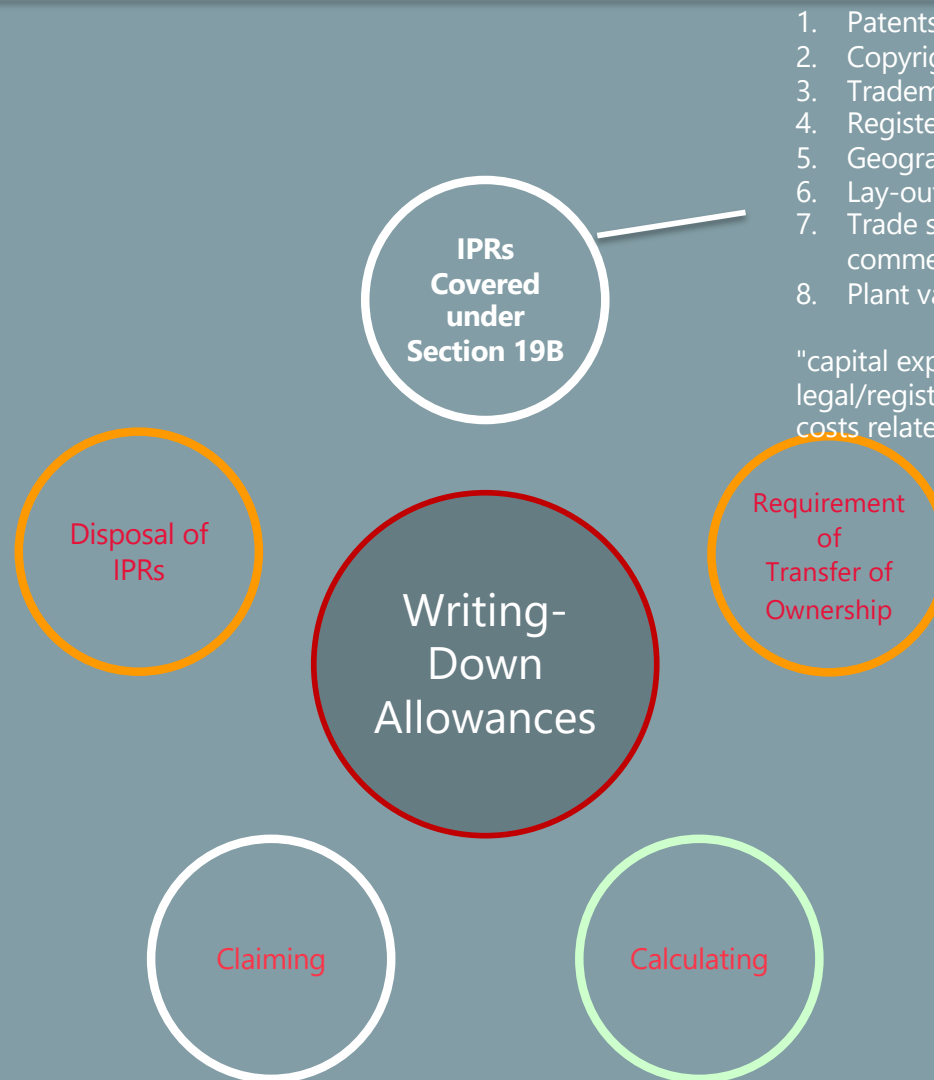


Writing-down **allowances** are granted **on capital expenditure** incurred in acquiring IPRs under Section 19B of the Income Tax Act up to the last day of the basis period for YA 2025, as extended in the budget 2019.

Incentive



The IDI was designed to encourage the use and commercialisation of intellectual property rights (IPRs) arising from research and development (R&D) activities, and confers a **concessionary tax rate of 5% or 10% on a percentage of qualifying IP income** determined by the modified nexus approach.



1. Patents;
2. Copyrights;
3. Trademarks;
4. Registered designs;
5. Geographical indications;
6. Lay-out designs of integrated circuit;
7. Trade secrets or information with commercial value*; and
8. Plant varieties.

"capital expenditure" excludes legal/registration fees, stamp duty and other costs related to the acquisition of the IPRs.

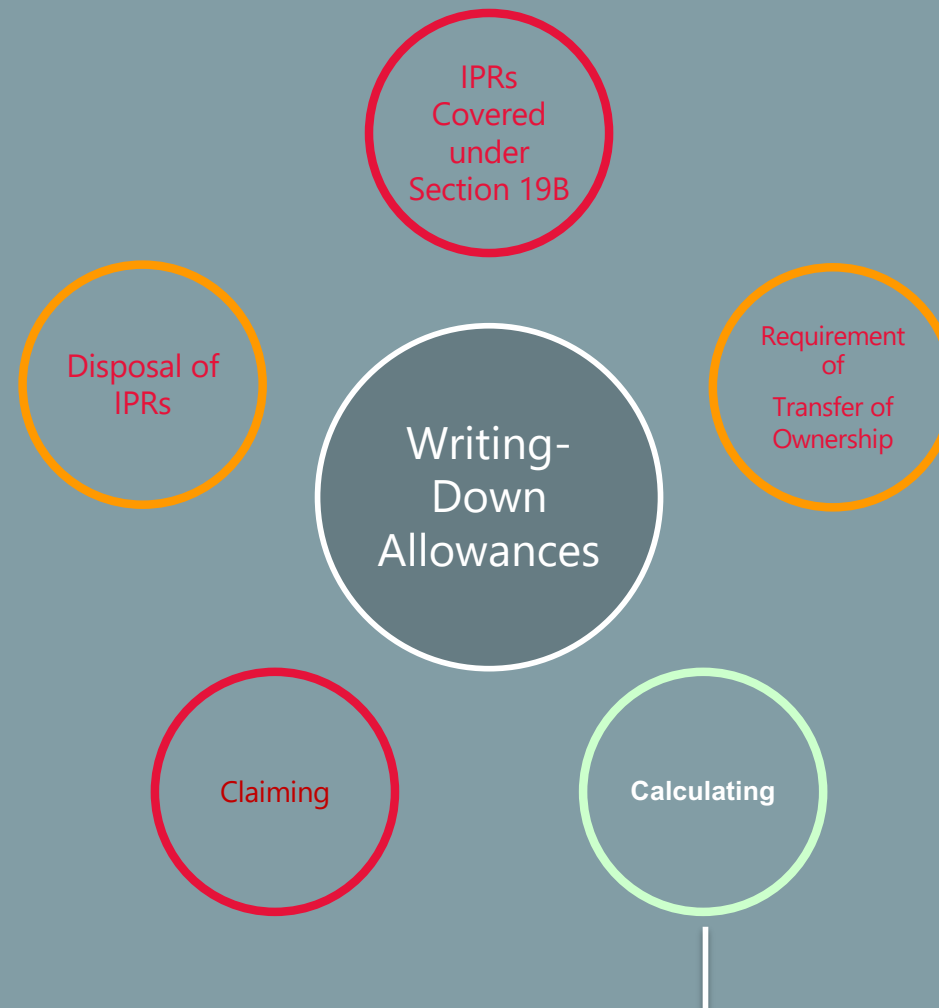


To be eligible for W-D allowances, the **transferee** (company that acquires the IPRs) **must acquire the legal and economic ownership** of the IPRs from the transferor (person who sells the IPRs to the transferee).

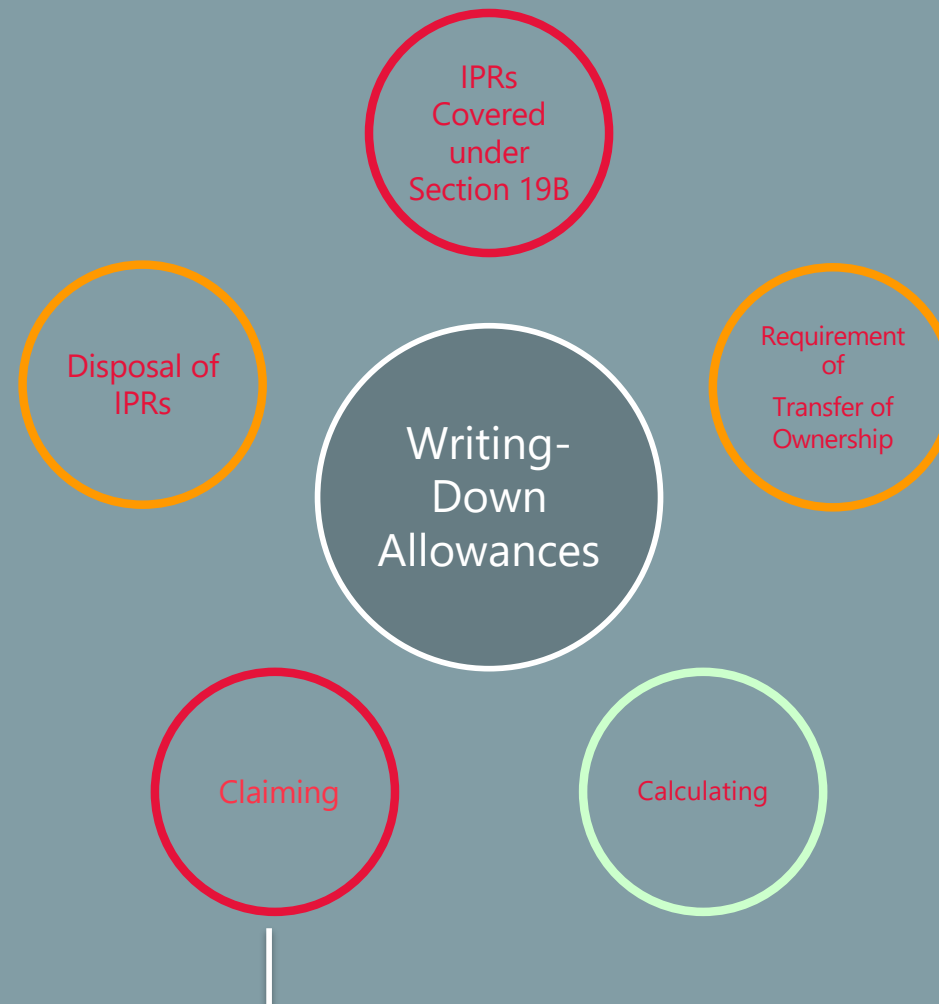
Exceptions are cases where approval for waiver from legal ownership has been granted by the Economic Development Board (EDB) under Section 19B(2B).

Legal ownership means the legal assignment of the IPRs is granted to the transferee.

Economic ownership means the future economic benefits attributable to the IPRs will accrue to the transferee.



To recognise the varying useful lives of IPRs, a company will be allowed to make an **irrevocable election via Declaration Form** at the time of filing of the income tax return (Form C-S/ C) in the first YA of the writing-down allowances claim to **claim** the writing-down allowances **over a 5-year, 10-year or 15-year period (on a straight line basis)** beginning from the YA of the basis period in which the capital expenditure is incurred in acquiring the IPR



To Submit

1. **Declaration Form** to confirm that the ownership requirements of the acquired IPRs have been met and for IPRs acquired in or after YA 2017, and make the election to claim over 5/10/15 years
2. Third-party **independent valuation report** on the value of the IPRs acquired where:
 - (a) the capital expenditure incurred in acquiring the IPRs is \geq \$0.5 million for a related party transaction; or
 - (b) the capital expenditure incurred in acquiring the IPRs is \geq \$2 million for an unrelated party transaction.

Where the IPRs come to an end without being subsequently revived, or a company permanently ceases to carry on the trade or business for which the IPRs were acquired, no writing-down allowance shall be granted to the company for the year in which the event occurs or any subsequent year.
Any writing-down allowances granted previously shall not be deemed as income in the year in which the event occurs.

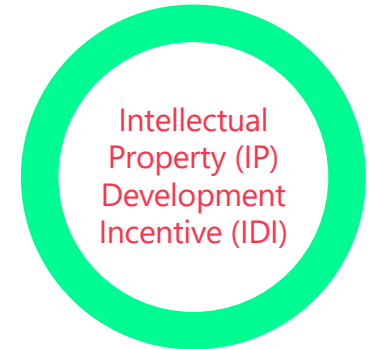


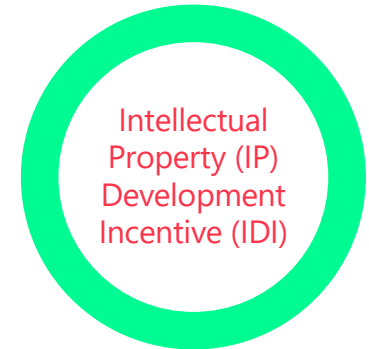
First Announced in Budget 2017 effective 1 July 2018, To align with the requirements specified in the OECD report on Base Erosion and Profit Shifting (BEPS) Action 5, the IDI was amended to incorporate the “modified nexus ratio” and on 22 January 2021, the subsidiary legislation, Income Tax (Concessionary Rate of Tax for IP income) Regulations 2021 (Regulations), was gazetted.

The introduction of the IDI follows the amendments made to the Pioneer Certificate – Services (PC-S) and Development and Expansion Incentive (DEI) to exclude IP income from the scope of these incentives for new incentive awards approved on or after 1 July 2018.

The Regulation sets out the details on the application of the IDI, such as:

1. The percentage and computation of qualifying IP income subject to the concessionary rate of tax
2. Change in the composition of the elected family of qualifying intellectual property rights (IPRs)
3. Application of deemed income
4. Record-keeping requirements





The Incentive

A percentage of qualifying **IP income is taxed at 5% or 10%**.

The **IDI award** may **not exceed 10 years** in the initial tax relief period and each subsequent extension of the IDI may not exceed 10 years.

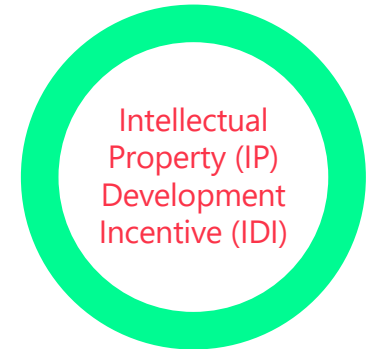
Qualifying IP income & IPR

IP income refers to royalties or other income receivable by the approved IDI company as consideration for the commercial exploitation of an elected qualifying IPR.

IPR means:

- ❖ A patent;
- ❖ An application for a patent;
- ❖ A copyright subsisting in software; or
- ❖ A "family" of qualifying IPRs, where "family" means two or more IPRs that are interlinked.

Att. Where IP income derived from a patent application (that is not a software copyright), and where the IDI recipient has ceased to have the patent application, a deemed income would be subject to tax at the normal tax rate category in the discovery year of assessment.



The Nexus Ratio

The percentage of qualifying IP income from an elected qualifying IPR is determined by the nexus ratio

$$(C \times 130\%) / C + D$$

where:

C = Qualifying expenditure: Includes R&D carried out directly by the IDI company, qualifying outsourced R&D, and payments under cost-sharing agreements (CSAs); and

D = Non-qualifying expenditure: Includes acquisition costs, licensing, amalgamation, buy-in payments for CSAs, and nonqualifying outsourced R&D, etc.

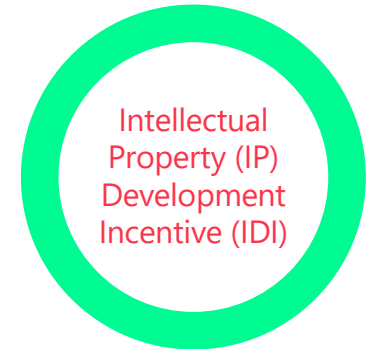
The nexus ratio focusses on establishing a nexus between cumulative expenditure, the family of IPRs, and the associated income by apportioning overall qualifying income from the family of qualifying IPRs according to the above ratio of expenditure.

Comments

The rules governing the qualifying IP income and determination of the modified nexus ratio are not straightforward to implement. The IDI is, indeed, a complex incentive with nuances in implementation.

Systems, processes and an appropriate methodology have to be put in place to identify, track and trace the qualifying IPRs that the company has, including those that the company ceases to have in each year of assessment (for example, when a patent application is no longer a qualifying IPR).

Since there is no precedent on the application of the Regulations, an upfront clarification should be sought with the IRAS as how to apply the rules to the specific facts and circumstances.



China provides R&D tax relief through a volume-based R&D tax allowance.

Key features:

- ❖ The headline rate is 75% for SMEs and large enterprises, up from 50% in 2017 and 2020 respectively.
- ❖ In case of insufficient tax liability, unused credits can be carried-forward for 5 years. With effect of January 2018, this carry-over period has been extended to 10 years in the case of SMEs and so-called high and new technology enterprises (HNTEs).
- ❖ In the case of subcontracted R&D, R&D tax relief is limited to 80% of eligible costs (per project).

		R&D tax allowance (Super-deduction)
Tax incentive*		Tax allowance
Type of instrument		Volume-based
Eligible expenditures[†]		Current and depreciation (machinery and equipment, land and buildings)
Headline rates (%)		75
Refund		No
Carry-over (years)		5 (carry-forward)) – 10 (SMEs and HNTEs)
Ceilings	Subcontracted R&D (domestic R&D service providers)	Tax relief limited to 80% of eligible costs (per project); no cap currently applies in the case of foreign R&D service providers

China also offers an **accelerated depreciation** of machinery and equipment used in R&D (immediate write-off up to a limit of CNY 1 million and declining balance depreciation at a rate of 40% above this limit).

In addition, China provides **customs duty and value added tax exemptions** for purchases of R&D equipment.

It also provides **income-based tax incentives** (reduced corporate income tax rate for high and new tech enterprises and Advanced Technology Service Enterprises and a tax concession on technology transfer) for outcomes of R&D activities.

FIDINAM SINGAPORE TEAM



Marta Giordano

Managing Director Fidinam Singapore

Ms. Giordano has over 15 years' experience in the Corporate Services Industry and has developed an in-depth experience in the professional and business consultancy environment, managing a portfolio of blue-chip clients across a range of industries and regions. She graduated in Business Management & Administration from Catholic University of the Sacred Heart in Milan and is a professional Chartered Accountant.



Tommaso Barindelli

Head of Singapore Desk

A solid professional holding a Masters' Degree in Business Administration who gained substantial experience in strategic, commercial, and operational advice for SMEs and large European corporations investing in Asia. Mr. Barindelli manages a vast portfolio of corporate clients, advising local and international clients in Singapore and Southeast Asia with a main focus on industrial investments, retail and ICT.

Thank you!

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