

LAND INTENSIFICATION ALLOWANCE (LIA) FOR INTEGRATED CONSTRUCTION AND PREFABRICATED HUBS (ICPHs)

Introduction

1. The Land Intensification Allowance (LIA) incentive was first introduced by the Minister for Finance during his Budget Statement in 2010 as a targeted scheme to promote the intensification of industrial land use towards more land-efficient and higher value-added activities. Enhancements to the LIA were also made in 2014 and 2016. The LIA incentive, administered by the Economic Development Board (EDB), is available to businesses in industry sectors which have large land takes and low Gross Plot Ratios (GPR), namely the manufacturing and logistics sectors.
2. In 2017, as announced at the Ministry of National Development's (MND) Committee of Supply (COS) Debate, the LIA is further extended to support the development of Integrated Construction and Prefabricated Hubs (ICPHs). Approved LIA incentive recipients will enjoy an initial allowance of 25% and annual allowances of 5% on qualifying capital expenditure incurred for the construction or extension/ renovation works amounting to Addition and Alteration (A&A) works of a qualifying building or structure. Annual allowances of 5% are granted until total allowance amounts to 100% of qualifying capital expenditure.
3. Approvals for the incentive for ICPHs will be granted by the Building and Construction Authority (BCA) from 8 March 2017 to 31 December 2025 (both dates inclusive). Applications submitted after 30 Sept 2025 (less than 3 months from the incentive expiry date) will not be considered, unless the incentive is subsequently extended past 31 Dec 2025.
4. This brochure summarises all the key details of the LIA incentive.

Summary of Qualifying Criteria

5. The key qualifying criteria are summarised in the table below.

Qualifying Criteria	Effective from 8 March 2017
a. Zoning	<ul style="list-style-type: none"> • B2 land
b. Trade or business	<ul style="list-style-type: none"> • Manufacturing of prefabricated components/ sub-assemblies/ modules along the Design for Manufacturing and Assembly (DfMA) continuum. Activities to be conducted in ICPHs include:- <ul style="list-style-type: none"> - Prefabrication of individual components e.g. precast columns, beams, staircases; - Prefabrication of integrated sub-assemblies e.g. Prefabricated Bathroom Units (PBUs), prefabricated Mechanical, Electrical and Plumbing (MEP) systems; and - Prefabricated Prefinished Volumetric Construction (PPVC)

c. Minimum GPR	<ul style="list-style-type: none"> • 1.6; or • Incremental 10% GPR improvement for buildings that have already met GPR 1.6
d. User(s) and use(s) occupying at least 80% of building's gross floor area (GFA)	<ul style="list-style-type: none"> • May be used by a single user • May be used by multiple users related by at least 75% shareholding • May be used by multiple qualifying trades or businesses
e. Relationship between user(s) and owner of the building	<ul style="list-style-type: none"> • Must be related by at least 75% shareholding

6. All prospective LIA applications with Planning Permission application date on or after 8 March 2017 will be assessed against the above set of qualifying criteria.
7. All prospective applicants which receive their "URA's Grant of Written Permission on or after 1 Jan 2021 must register their interest to apply for the LIA within 3 months of the Written Permission date. (Please refer to clause 24 for more details).

Details on Qualifying Criteria

8. A qualifying building or structure (referred to as LIA building in this circular) must be built on land that is zoned as Business 2 as at the Planning Permission application date.
9. The minimum GPR benchmarks are reviewed periodically. The relevant GPR shall be the prevailing GPR benchmark at the Planning Permission application date.
10. For LIA buildings that have multiple qualifying trades or businesses that fulfil the minimum 80% GFA requirement, the overall GPR for the building shall meet the GPR benchmark of 1.6.
11. For LIA buildings that have multiple users, to be considered related, the LIA applicant and the user(s) fulfilling the 80% minimum GFA requirement must have at least 75% of their shareholdings held in common (or have entitlement to at least 75% of the income in the case of a partnership), whether directly or indirectly.
12. The Planning Permission application date refers to the date of first submission to URA and does not include any amendment application dates.

Qualifying expenditure

13. Capital expenditure incurred from the start of the relevant policy effective date to the date of completion of the approved LIA building can qualify for the LIA. The date of completion refers to the Temporary Occupation Permit (TOP) of the approved LIA building. For construction where no TOP will be issued, the date of completion refers to the date of Certificate of Statutory Completion (CSC).

14. Capital expenditure incurred on the construction or extension/renovation works amounting to A&A works of the building to increase the GPR to meet or exceed the relevant minimum GPR can qualify for the LIA. This excludes the purchase price of any existing building or structure. In cases in which there is an existing building or structure, only the additional capital expenditure incurred on extension/renovation works amounting to A&A works would qualify for the LIA.
15. The following are examples of capital expenditure that can qualify for the LIA:
 - (a) Cost of feasibility study on the layout of the building or structure;
 - (b) Design fees of the building or structure;
 - (c) Cost of preparing plans for obtaining approval for the building or structure;
 - (d) Cost of piling, construction and extension/ renovation works amounting to A&A works;
 - (e) Cost of demolition of an existing building or structure;
 - (f) Legal and other professional fees in relation to the approved construction or approved extension/ renovation works amounting to A&A works; and
 - (g) Stamp duties payable in respect of title of the building or structure.

The LIA incentive

16. An initial allowance at 25% of the qualifying capital expenditure incurred on the construction or extension/renovation works amounting to A&A works of the approved LIA building will be granted in the year of assessment relating to the basis period during which the capital expenditure is incurred. Upon issuance of the TOP for the completed LIA building and where it meets all qualifying criteria, annual allowance at 5% of the qualifying capital expenditure incurred will be granted until total allowance amounts to 100% of qualifying capital expenditure. Please refer to Annex A on the example of how the initial and annual allowances will be computed.
17. LIA applicants must comply with all approved conditions (i.e. GPR condition, 80% GFA requirement and relatedness criteria for buildings used by multiple users) upon the completion of their building works and throughout the duration of the LIA incentive. BCA reserves the right to revoke the incentive by recovering initial and/or annual allowances if conditions are not met.
18. In cases where the completed building or structure fails to meet the relevant GPR benchmark, the initial and/or annual allowances will be recovered through re-assessment of preceding tax years.
19. For any basis period where there are any changes to qualifying user(s) and/or use(s) that count towards the minimum 80% GFA requirement, the applicant shall inform BCA of the change, and the change shall be assessed by BCA according to prevailing criteria and benchmarks at the time of application. If approval is granted by BCA, the taxpayer shall be allowed to continue to claim the LIA under the new qualifying use(s). Otherwise, the annual allowance will not be granted for the year of assessment relating to that basis period. If change is permanent, no further annual allowances will be granted to the taxpayer from the year of assessment relating to the basis period during which the

permanent change occurs, and the LIA incentive shall be terminated with effect from that year of assessment.

20. When the approved LIA building is sold at any time when there is still a balance of qualifying capital expenditure remaining to be claimed or after the qualifying capital expenditure has been fully claimed, any balance of the qualifying capital expenditure still remaining will be disregarded and there will not be any balancing adjustment on the seller of the building.
21. Where the LIA building is transferred to an amalgamated company under a qualifying amalgamation under section 34C of the Income Tax Act (ITA), the annual allowances will be given to the amalgamated company until the remaining qualifying capital expenditure is fully claimed, subject to the amalgamated company meeting the same conditions for the LIA incentive. The taxpayer is required to notify the BCA of the amalgamation.
22. When there is insufficient income in any year of assessment to absorb the initial or annual allowances, any unutilised LIA can be carried forward to offset against the taxpayer's income in future years of assessment, subject to the taxpayer meeting the prevailing conditions for carry forward of unutilised allowances. Any unutilised allowances can also qualify for carry back under the Carry-Back Relief System or for transfer under the Group Relief System, subject to the taxpayer meeting the prevailing conditions under those systems.

Application and Claim Processes

23. A building owner who proposes to construct /extend /renovate (works must amount to A&A works) a building or structure that meets the above qualifying criteria may apply to the BCA for the LIA incentive, if the development application in respect of the construction or renovation/extension works is submitted to the URA on or after 8 March 2017.
24. All prospective applicants which receive their "URA's Grant of Written Permission" on or after 1 January 2021 must register their interest to apply for the LIA within 3 months of the Written Permission date. This can be done by submitting the "Expression of interest to apply for the LIA" (Annex C) to the BCA within the 3 month window.
25. All applications must be submitted to the BCA within 3 months from the date of TOP issuance, with the completed application form and a copy of the Written Permission issued by URA. Please refer to (Annex B) for a flowchart of the application process.
26. Non compliance with clauses 24 and 25 will result in the LIA applications being rejected. There will be no exceptions made.
27. Upon approval by BCA, the applicant will receive a letter of offer (LOF) from BCA, stating the terms and conditions attached to the offer. BCA's decision on the outcome of any application shall be final and BCA shall assign no reasons for rejecting any application. The approval is subject to the completed building or structure meeting the GPR benchmark and subject to the sole discretion of BCA.

28. Upon the issuance of the Temporary Occupation Permit (TOP) of the LIA building, the applicant is required to submit a verification form (attached to LOF) within 3 months to the BCA. The verification form should have a declaration made by a qualified person (either a registered architect or a registered professional engineer) to confirm the GPR of the completed LIA building, and that at least 80% of the GFA is used by the approved user(s) and use(s).
29. Taxpayers will claim the LIA when submitting their income tax returns to the Inland Revenue Authority of Singapore (IRAS) and are not required to submit any supporting documents. However, they should still maintain the following documents as the IRAS may request for them when reviewing the tax returns:
- (a) a copy of the LOF from BCA;
 - (b) details of qualifying capital expenditure incurred on the construction or extension of the approved LIA building or structure and a computation of the amounts of initial or annual allowance to be claimed;
 - (c) a copy of the verification form(s) submitted to BCA previously
30. The LIA applicant must not file with IRAS any annual allowance claims under LIA for the basis period in which there are any changes to approved conditions and fulfilment of qualifying criteria. The applicant must also indicate these changes in BCA's annual request for conditions declaration, and BCA reserves the right to revoke the incentive and recover any allowances previously granted if the above conditions are not met.

Enquiries

31. For other information, please refer to the FAQs on the BCA website.
32. For general enquiries or clarification, please contact Mr Terence Teo at 68044231 or terence_teo@bca.gov.sg or Ms Tan Mui Kheng at 68044257 or tan_mui_kheng@bca.gov.sg
33. For enquiries relating to filing of LIA claims, please refer to the LIA claim procedure on IRAS' website.

ANNEX A – EXAMPLE OF INITIAL AND ANNUAL ALLOWANCE COMPUTATION

Company A (with accounting year-end 31 December), which is developing an Integrated Construction and Prefabrication Hub (ICPH), is approved by BCA for the LIA incentive. It incurs the following qualifying capital expenditure on the construction of the approved LIA building:

<u>Year ended:</u>	<u>Capital expenditure incurred</u>
31 Dec 2017	\$1,000,000
31 Dec 2018	\$3,000,000
31 Dec 2019	\$2,000,000

Upon completion of the construction works in June 2019, the GPR of the completed building meets the relevant GPR benchmark.

The computation of LIA for the years of assessment (YA) 2018 to 2034 is as follows:

Qualifying capital expenditure -	Year ended 31 Dec 2017	1,000,000
	Year ended 31 Dec 2018	3,000,000
	Year ended 31 Dec 2019	2,000,000
		6,000,000
YA 2018 – initial allowance	[25% x 1,000,000]	250,000
YA 2019 – initial allowance	[25% x 3,000,000]	750,000
YA 2020 – initial allowance	[25% x 2,000,000]	500,000
YA 2020 to 2034 ¹ – annual allowance	[5% x 6,000,000 x 15 years]	4,500,000
		6,000,000
Total allowances claimed		6,000,000

¹ Assuming all qualifying criteria are met.

ANNEX B – APPLICATION PROCESS

Expression of Interest to apply for the LIA

All prospective applicants which receive their “URA’s Grant of Written Permission on or after 1 Jan 2021 must register their interest to apply for the LIA within 3 months of the Written Permission date. This can be done by submitting the “Expression of interest to apply for the LIA” Form (Annex C) to BCA at terence_teo@bca.gov.sg

This is not required for prospective applicants which received its “URA’s Grant of Written Permission” before 1 January 2021.

Preliminary Assessment

Complete the Preliminary Assessment Checklist to ensure fulfilment of the qualifying criteria for the scheme as set out within this brochure. Please refer to Annex D for the Preliminary Assessment Checklist.

Submit a soft copy of completed Preliminary Assessment Checklist to BCA at terence_teo@bca.gov.sg to indicate interest to apply for LIA incentive, together with:

- A copy of the URA Planning Permission (indicating application date* and proposed GPR)
- A copy of the floor plan, with a detailed description of activities and user(s) occupying the facility, broken down by GFA.

**The Planning Permission application date can be found on the URA Provisional Permission (PP) or Written Permission (WP). The appropriate date is in the “Decision No.” (top right box) and the format of the date is reflected as PDDMMYY-XXXX-XXXX (e.g. P251115-12A3-B000 to mean 25 Nov 2015). Any subsequent amendment application date after the first submission will not be considered as a planning permission application date.*



After evaluation of the Preliminary Assessment Checklist, BCA will advise the LIA applicant to submit an application form. The LIA applicant is required to submit a soft and hard signed copy to the BCA.

The application form should be submitted not later than 3 months from the date of TOP issuance for the approved LIA building. Example if TOP date is 2 January 2019, application deadline will be 2 April 2019.



Upon approval, a letter of offer (LOF) will be issued to the applicant. Terms and conditions of the award will be set out within the letter. The acceptance of the LOF should be submitted to BCA not later than 30 days from the LOF issuance.

The LOF must be retained and submitted to IRAS upon request.



Once the TOP has been issued for the approved LIA building, the LIA applicant is required to submit a verification form** (attached to the LOF) to BCA not later than 3 months from the date of TOP issuance.

*** In cases where approved building or structure has multiple TOPs, the applicant must submit interim verification forms at each TOP. If the approved building or structure has multiple TOPs, applicant should submit Verification Form Annex 2B (which will be attached to the letter of offer) within 3 months of each interim TOP, and Verification Form Annex 2A within 3 months of final TOP. Annual allowances relating to the total qualifying capital expenditure will be granted upon verification at final TOP.*

If an applicant with multiple TOPs wishes to claim the annual allowances pertaining to the specific building that has received an interim TOP, the applicant is required to declare in Verification Form Annex 2B that the qualifying user(s) performing the qualifying activity(s) take up at least 80% of the total floor area of that specific building.

ANNEX C – EXPRESSION OF INTEREST TO APPLY FOR THE LIA FORM

All prospective applicants which receive their “URA’s Grant of Written Permission on or after 1 Jan 2021 must register their interest to apply for the LIA within 3 months of the Written Permission date. This can be done by submitting the “Expression of interest to apply for the LIA” Form (Annex C) to BCA at terence_teo@bca.gov.sg

This is not required for prospective applicants which received its “URA’s Grant of Written Permission” before 1 January 2021.

CHECKLIST QUESTIONS	RESPONSE (Please fill in or circle the answer)
1) Name of Applicant (owner of industrial building)	
2) Business sector of User(s)	
3) Please indicate the nature of the building project	New Construction / Extension & Renovation work
4) Has the “URA Grant of Written Permission” been issued?	Yes / No Please attached a copy of the letter if available.
5) Gross Plot Ratio before extension/renovation work (the “Current GPR”), where applicable	
6) Estimated Final built up GPR of building	

We hereby express our interest in applying for the Land Intensification Allowance (LIA) scheme

Name of Contact Person:

Designation:

Company:

Contact Number:

ANNEX D – PRELIMINARY ASSESSMENT CHECKLIST

To apply for the scheme, kindly complete the Preliminary Assessment Checklist below.

Your project may be eligible for the LIA, only if your answer is “Yes” to all the questions below (except qns 7).

If you have assessed your project to be eligible for the LIA, please send the completed Checklist back to BCA together with the required documents and further queries you may have.

CHECKLIST QUESTIONS	RESPONSE
1) Name of Applicant (building owner)	
2) Is the property zoned B2?	Yes / No Address of the property: -
3) Is the Date of application for Planning Permission* for the property made on or after 8 March 2017? *Please refer to URA’s Written Permission to find out the application date. The appropriate date is provided in the “Decision No.” (top right box). The format of the date is reflected as PDDMMYY-XXXX-XXXX (e.g. P251114-12A3-B000 to mean 25 Nov 2015)	Yes / No
4) Is at least 80% of the property’s gross floor area used by; a) a single entity Or multiple related entities with 75% shareholding b) Please provide a floor plan, with a detailed description of activities and user(s) occupying the facility, broken down by GFA.	Yes / No
5) Do the single or multiple related entities’ activities fall within those listed in the circular?	Yes / No Single user’s name: _____ SSIC code: _____ (Please list all the SSIC codes) Description of activities:
6) Please answer according to nature of project.	

<p>a) Please indicate whether this is a new construction (go to ii.) OR extension/ renovation works amounting to A&A works (go to iii.)</p> <p>i. For New construction projects:</p> <ul style="list-style-type: none"> • Does the project have a GPR that meets or exceeds the relevant benchmark in the circular? <p>ii. For Extension/ Renovation works amounting to A&A works:-</p> <ul style="list-style-type: none"> • If the existing GPR is below the relevant benchmark in the circular, does the project result in GPR that meets or exceeds the benchmark? <p>OR</p> <ul style="list-style-type: none"> • If the existing GPR is at or above the relevant benchmark in the circular, does the project result in an incremental 10% increase in GPR? <p>b) Please provide a copy of the Grant of Written Permission from the URA</p>	<p>New construction / Extension/ Renovation works amounting to A&A works</p> <p>Yes / No</p> <p>Yes / No</p> <p>Relevant GPR benchmark: _____</p> <p>Expected GPR: _____</p> <p>Current GPR (if extension/ renovation works amounting to A&A works): _____</p>
<p>7) Please provide the Temporary Occupation Permit (TOP)** information. If TOP has already been issued, please provide a copy of the TOP document.</p> <p>**The Certificate of Statutory Completion (CSC) can be used as a substitute, <u>if and only if</u> no TOP is issued or to be issued.</p>	<p>Estimated TOP date: _____</p> <p>Actual TOP date (if available):</p>