Angel Investors Tax Deduction (AITD) FAQ

A. Overview
1. How does the AITD scheme work? The scheme is for angel investors who can commit a minimum of S$100,000 in a qualifying startup. As an approved angel investor, you can enjoy a tax deduction of 50% of your investment at the end of a two-year holding period. For each Year of Assessment (YA), the eligible investments will be subject to a cap of $500,000, and the corresponding maximum tax deduction is $250,000. **2. How can the scheme benefit me, apart from the tax deduction?** Aside from the tax deduction, SPRING will work closely with you to understand your investment preferences. You will be notified on relevant startup deal flows, as well as receive invitations to close-door pitching sessions and other events. Attending these events can help you get more involved in the community and meet other seasoned angel investors and angel networks.
B. Eligibility
1. What kind of investor is eligible for AITD? We are looking for three categories of investors: experienced angel investors, experienced/serial entrepreneurs, and senior management professionals who have the necessary experience to benefit the startups with smart money. These angel investors should possess one or more of the following criteria: • Rich business experience and acumen; • Strong managerial/business capabilities to advise on growth strategies and entry into new markets; • In-depth understanding of industry trends and developments; • In-depth technical/ scientific understanding; and • Strong industry networks and business contacts. **2. How can I apply for the AITD scheme?** The scheme is open for application to eligible angel investors who make investments before 31 March 2020. If you are interested, you may download the application form at the SPRING AITD webpage to apply. The instructions for application are stated in the application form.
C. Making a Qualified Investment
1. What investments can qualify for the AITD scheme? To qualify, the angel must invest at least S$100,000 within 1 year from the date of approval into a startup, which must be a private limited company incorporated in Singapore for less than three years, and not be listed on any stock exchange. The investee startup must not be engaged in any of the following activities: • Illegal / undesirable / speculative activities, gambling, tobacco-related products, or other activities which are in violation of law, or against public interest; • Real estate development or property investment; and • Holding of investment of any kind of asset. Only investments made within the AITD approved period will be eligible. There is a 2-year holding period for the investment to qualify for the tax deduction.

2. **When does the 2-year holding period commence?**
   If you are investing in tranches, the commencement date starts when the last tranche of investment is transferred to the startup in the same calendar year.

3. **I am an approved angel under the AITD scheme and recently found a potential investee. Do I need to inform SPRING before I invest into the investee?**
   Check that the startup and investment adhere to the conditions under the scheme as detailed in the Letter of Offer. You will need to report on your investment records annually in July. SPRING will notify you on which of your investments are eligible for tax deductions after the annual reporting period.

4. **Can I make multiple investments into the same investee?**
   Repeated investments into the same company are allowed, provided that at the point of the first investment, the investor's deemed financial interest is less than 25%. Deemed financial interest also takes into account the shareholding of related investors. The investor should also possess no more than 50% shares of any investee company after investment.

5. **Are syndicated deals allowed?**
   Syndicated deals are eligible, provided that the deal is structured as an individual investment, i.e. the investment is made in the name of the individual investors. To qualify for tax deduction under AITD, each individual investor will need to meet the criteria for AITD, and will be treated independently as separate applications.

6. **If I co-invest with the government, e.g. SPRING Startup Enterprise Development Scheme (SPRING SEEDS) and Business Angel Scheme (BAS), does the investment qualify under AITD?**
   Qualifying investments made from 24 February 2015 to 31 March 2020 co-funded under SPRING Startup Enterprise Development Scheme (SPRING SEEDS) or Business Angel Scheme (BAS) will be allowed to qualify under AITD.

7. **How will SPRING account for partial investment withdrawal?**
   Withdrawals are treated on a per investment basis based on the LIFO (last in first out) principle. To qualify for the tax deduction, the investor must maintain a minimum of S$100,000 in the startup after the withdrawal(s).

8. **If I loan money to the startup, will the investment be eligible?**
   No. Only equity investments and convertible loans are eligible.

9. **What happens if I do not make any qualified investments during the AITD approved period?**
   You will not enjoy any tax rebate. This will also be taken into consideration when you apply for AITD renewal.

10. **Do retrospective investments qualify once I have been approved as an Angel Investor?**
    No. Only investments made after you have been successfully approved as an angel investor can be qualified. Investments made prior to this, will not qualify, even if they meet all other qualifying conditions.

D. Obtaining Tax Deductions

1. **How will I receive the tax deduction?**
   At the end of the 2-year holding period, you will be notified to submit documents to verify holding of the investments. Thereafter, a letter will be issued to you and IRAS to certify that your investments have qualified for the tax deduction. Your tax deduction will be reflected in the same Year of Assessment.

2. **How will the S$500,000 cap on investment costs per Year of Assessment be imposed?**
   The $500,000 cap is imposed at the point of tax assessment after the 2-year holding period. There is no limit on the number of investments and amount an investor can commit in a single year. For example, at the end of the holding period, an angel could have invested in 10 companies amounting to S$1 million. However, only S$500,000 will qualify for tax deduction, where the tax deduction will amount to S$250,000.

3. **What sources of income will the tax deduction offset?**
   The tax deduction will be offset against total taxable income.

4. **Can I roll-over any unutilized tax reduction?**
   No. The tax deduction is limited to the Year of Assessment. Any unutilized tax deduction in that year will be disregarded.