

Tax alert

Updates from the IRAS e-tax guide *Intellectual Property Rights Valuation Report for Purposes of Section 19B of the Income Tax Act 1947 (Second Edition)*

On 30 January 2026, the Inland Revenue Authority of Singapore (IRAS) released the e-tax guide *Intellectual Property Rights Valuation Report for Purposes of Section 19B of the Income Tax Act 1947 (Second Edition)*.

Under section 19B of the Income Tax Act 1947 (ITA), a company may claim writing-down allowance (WDA) on qualifying intellectual property rights (IPRs) subject to conditions. Where the value of the qualifying IPRs acquired exceeds certain thresholds, the company is required to submit an independent valuation report to the IRAS. The first edition, published on 27 June 2018, provides guidance on when the valuation report is required, the information to be provided in the valuation report and record-keeping requirements for making WDA claims.

The key updates and further guidance in the second edition include:

- Factors to consider when open market price of the qualifying IPR is not available
- Changes to threshold requirements where the Comptroller requires a valuation of the IPRs
- Computing charge on disposal of IPRs
- Additional guidance on information to be included in the valuation report



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Factors to consider when open market price of the qualifying IPR is not available

Where the open market price of the qualifying IPR is not available, factors such as economic life, forecasted revenue, forecasted profits and discount rates can be considered when determining the amount qualifying for WDA.

Changes to threshold requirements where the Comptroller requires a valuation of the IPRs

Previously, an independent valuation report was required to determine the open market price of the IPRs when the capital expenditure incurred in acquiring the qualifying IPRs is:

- Equal or greater than S\$0.5 million for a related party transaction
Or
- Equal or greater than S\$2 million for an unrelated party transaction

These thresholds have now been revised to:

- Equal or greater than S\$10 million for a related party transaction
Or
- Equal or greater than S\$40 million for an unrelated party transaction

The above revised thresholds are effective from Year of Assessment (YA) 2026 onwards. The valuation report should also provide a breakdown of the value of the IPRs into qualifying and non-qualifying IPRs where the IPRs are acquired as part of a business acquisition or in combination with other assets.

Computing charge on disposal of IPRs

It is made clear in this second edition that where a company disposes of qualifying IPRs for which WDA claims were made in the prior years and the disposal value is higher than the tax written down value (TWDV) of the IPRs, a balancing charge equal to the difference between the disposal value and the TWDV is brought to tax in the year of disposal. This balancing charge remains capped at the amount of WDA claimed previously.

It is also clarified that companies may be required to submit an independent valuation report for the disposed IPRs upon the IRAS' request if the disposal value is lower than the original acquisition value. If the disposal value is higher than the original acquisition value, companies are not required to submit a valuation report for the disposed IPRs.

Additional guidance on the information to be included in the valuation report

Background of the company's business and value drivers

Details of the background of the company's business and value drivers should include the following:

- Overview of the industry that the company operates in
- Company's background
- Analysis of company's products and services
- Profiles of its customers and competitors
- Company's competitive positioning in the industry
- Historical financial performance of the products or services that would utilise the acquired IPRs
- Economic and market outlook of the products or services to which the IPRs relate
- Analysis on how the IPRs contribute to the value of the business

Types of IPRs being valued

IPRs being valued should relate only to acquired IPRs as at the time of acquisition and should not include future IPRs expected to be developed by the company after the acquisition. This is because such research and development activities have yet to be conducted and the associated value have yet to be created at the time of acquisition.

Valuation assumptions and inputs

The IRAS has provided greater clarity on the information to be provided in the valuation report to support the valuation assumptions and inputs used as follows:

- The economic life should only relate to the IPRs acquired at the date of transaction and should not include the extension of economic life from subsequent research and development activities
- List of factors (non-exhaustive) considered when arriving at the economic life such as legal life of IPRs, validity and scope of legal protection, expected usage of the IPRs, life cycle of products or services, rate of technical, technological, commercial or other type of obsolescence, and key factors and trends that may affect the usefulness or value of the IPRs
- Examples of analysis supporting the basis of revenue/profit projections including historical and expected future financial performance of the IPRs before and after acquisition, product life cycle relating to the IPRs, etc

- Details of selected comparable licenses where the royalty rate used in the valuation is obtained from
- Analysis on whether additional risk premium should be added to the discount rate to reflect the risk or uncertainty associated with the cash flows attributable to the IPRs

Observations

- The increase in the thresholds for which a valuation report is required when acquiring qualifying IPRs would ease the administrative burden and costs on companies whose capital expenditure on IPRs are lower than the new thresholds.
- Having said that, companies should continue to maintain rigorous documentation to support the qualifying amount for WDA claims as the IRAS may still request for such documentation in their review of the companies' WDA claims.
- Many of the additional information to be included in the valuation report are areas that the IRAS focuses on in their review of WDA claims. Having these included in the valuation report should support companies in gathering such information upfront, thereby enhancing the robustness of the valuation report.

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