14 March 2025

ISCA Financial Reporting Guidance 5

FRG 5:
Accounting for Refundable Investment Credit (RIC)

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The terms of reference are executed through FRC with the support of two Sub-Committees, namely the Core Sub-Committee and the Valuation Sub-Committee.

Important note:

- References made to publicly available information are accurate as at the issuance of this FRG.
- This FRG focuses on the accounting considerations under Singapore Financial Reporting Standards (International) (SFRS(I)s).
- Although this FRG makes reference to SFRS(I) 1-20 *Accounting for Government Grants and Disclosures of Government Assistance*, the guidance in this FRG is also applicable to entities applying FRS 20 *Accounting for Government Grants and Disclosures of Government Assistance*.
- The fact patterns and examples presented in this FRG are illustrative in nature. The appropriate accounting depends on the facts and circumstances of the entity and the specific terms and conditions of the RIC. Significant judgement may be required, and auditors or professional advisors should be consulted as needed.
- This FRG does not address the accounting of the tax effects arising from the RIC.

Contents

1. Background

As announced in the 2024 Budget Statement, Singapore will introduce the Refundable Investment Credit (RIC) scheme. The RIC encourages companies to make significant new or expanded investments in substantive economic activities in Singapore in key economic sectors and new growth areas. [1]

1.1 Key features of the RIC

(i) The RIC is awarded on qualifying expenditure incurred in carrying out qualifying activities during a specified qualifying period. The scheme is designed to be consistent with the Global Anti-Base Erosion Rules for Qualified Refundable Tax Credits ("QRTC").

(ii) Qualifying expenditure categories may include:
- Manpower
- Capital expenditure
- Where relevant, professional fees, freight and logistics costs, materials and consumables, intangible asset costs, training costs, and financing costs if the Project involves R&D, innovation, commodity trading, or ecosystem development.

(iii) The RIC will be **awarded on an approval basis** through the Economic Development Board ("EDB") and Enterprise Singapore ("EnterpriseSG").

(iv) The RIC can be used to **offset against Corporate Income Tax, including Domestic Top-up Tax and Multinational Top-up Tax** levied on or due from the company or other entities within the same group, subject to approval. The company may also elect to receive the RICs as cash payout[2] instead of using it to offset taxes.

(v) **Unutilised RICs will be refunded to the entity in cash** no later than four years from when the company makes the claim application in respect of qualifying expenditures incurred.

More information about the RIC could be found at:
- Budget Statement 2024 (link)
- IRAS – Refundable Investment Credit (link)
- EDB (link) and EnterpriseSG (link) websites

[1] The RIC scheme is only available to (i) a company incorporated in Singapore and (ii) a branch of a foreign company registered in Singapore.

[2] Upon election, the company will receive the RICs as cash payout within four years from the claim application date, with disbursements based on a stipulated schedule.

1.2 Typical RIC claim process

The table below sets out the typical RIC claim process:

	Stage	Description
1	Application and Award	Interested company approaches EDB/EnterpriseSG to apply for the RIC. If approved, EDB/EnterpriseSG issues a Letter of Award which sets out information such as the qualifying activity/activities, the type(s) of qualifying expenditure, qualifying period, and the condition(s) to be satisfied. Refer to Section 93B of the Singapore Income Tax Act 1947 (link) for more details.
2	Commencement of Project	Company commences project and makes claim application by submitting an external practitioner's report on the Statement of Qualifying Expenditure incurred during the qualifying period, in accordance with the applicable reporting requirements, and the accompanying supporting documents to the Statement to EDB/EnterpriseSG.
3	Confirmation and Giving of RICs	EDB/EnterpriseSG assesses the claim application and issues a Letter of Confirmation which sets out information such as: • the amount of RICs given • payout date for unutilised RICs Based on the Letter(s) of Confirmation issued, the amount of RICs claimed will be reflected in the company's RIC account maintained by Inland Revenue Authority of Singapore ("IRAS")
4	Utilisation of RIC	IRAS will offset the RICs against Corporate Income Tax, including Domestic Top-up Tax and Multinational Top-up Tax. Unutilised RICs will be carried forward to offset such tax liability in subsequent years, up to the stipulated payout date. Any remaining unutilised RICs will be paid in cash to the company by the stipulated payout date, which shall be no later than four years from when the company makes the claim application in respect of qualifying expenditures incurred.

1.3 Purpose and scope of this FRG

ISCA, through its Financial Reporting Committee, is issuing this FRG to provide guidance and key considerations on how to account for the RIC in accordance with SFRS(I)s.

Illustrative examples have also been included to aid in the understanding of the principles being applied.

2. Accounting considerations

[Note: As the term 'entity' is used in SFRS(I), this term will be used in following sections to refer to a company which has been awarded an RIC.]

2.1 Which accounting standard should be applied in accounting for the RICs?

For financial accounting purposes, the RIC qualifies as a government grant. This is because there is a transfer of resources from the government to the entity in return for compliance with stipulated conditions relating to incurring of qualifying expenditures for qualifying activities, and there is no service or goods provided back to the Singapore Government by the entity.[3] Therefore, SFRS(I) 1-20 *Accounting for Government Grants and Disclosures of Government Assistance* should be applied in accounting for the RICs.

The RIC is a tax credit with a refundable cash feature. Although entities have the option to use the RICs to offset due taxes, this offset is a payment settlement mechanism and the provision of RICs is not computed based on or dependent on the availability of taxable income. Hence, the RIC is akin to a grant from the Singapore Government that is disbursed through the tax system.

2.2 How should the entity account for the RICs in its financial statements?

Recognition:

(i) Initial recognition of the RICs in the statement of financial position

Paragraph 7 of SFRS(I) 1-20 states that an entity shall not recognise government grants until there is **reasonable assurance** that:

- it will comply with the conditions attaching to them; and
- the grants will be received.

The entity should assess whether it has reasonable assurance in meeting the above two conditions required by SFRS(I) 1-20. If there is reasonable assurance, the entity should recognise a grant receivable.

<u>Important note</u>

When applying the recognition criterion to the recognition of RIC, the entity should start assessing whether it has "reasonable assurance" from when the Letter of Award is received.

"Reasonable assurance" is not defined in SFRS(I) and the entity needs to apply judgement (in some cases, it may involve significant management judgement) in assessing whether it meets the recognition criterion in SFRS(I) 1-20.

When there is "reasonable assurance", the amount of RICs to be recognised in its financial statements is based on management's best estimates at that point in time.

As required under paragraphs 122 and 123 of SFRS(I) 1-1, an entity shall disclose management judgements that have the most significant effect on the amounts recognised in the financial statements.

[3] Paragraph 3 of SFRS(I) 1-20

(ii) Subsequent recognition of the RICs in the profit or loss

Paragraph 12 of SFRS(I) 1-20 states that government grants shall be recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grant is intended to compensate. For instance, if the recognition criterion in paragraph 7 of SFRS(I) 1-20 is met:

- For a grant that is received to support the cost of an item of property, plant and equipment ("PPE"): the grant will be recognised in profit or loss over the period in which that PPE is depreciated.
- For a grant that is received to support manpower costs over 5 years: the grant will be recognised in profit or loss in those 5 years.

If a portion of the grant relates to a past period, the entity should recognise that portion in profit or loss immediately (paragraph 20 of SFRS(I) 1-20).

It should be noted that recognition of a grant on a receipts basis is not in accordance with the accrual accounting assumption (see SFRS(I) 1-1 *Presentation of Financial Statements*) and would be acceptable only if no basis existed for allocating a grant to periods other than one in which it was received (paragraph 16 of SFRS(I) 1-20).

Presentation:

<u>For grants related to assets</u>
If the related expenditure is capitalised (as an asset), paragraph 24 of SFRS(I) 1-20 states that the government grant is presented in the statement of financial position as either:

- deferred income; or
- a deduction against the carrying amount of the relevant asset.

Accounting policy choice

The grant is subsequently recognised in profit or loss as other income, or as a deduction in depreciation/amortisation expense of the relevant asset on a systematic basis over the life of the asset.

<u>For grants related to income</u>
If the related expenditure is charged to profit or loss, paragraph 29 of SFRS(I) 1-20 states that the government grant is recognised in profit or loss either:

- separately as grant income or under "other income"; or
- deducted against the related expenditure.

Accounting policy choice

The above accounting policy choices are to be consistently applied by the entity.

Disclosures:

As required under SFRS(I) 1-20, where the grant income is deducted against the related expenditure, clear disclosures on the effects of the grant income on the related expenditure will need to be included in the notes to the financial statements. [4]

As required under SFRS(I) 1-1, the entity should disclose material accounting policy information and management judgements that have the most significant effect on the amounts recognised in the financial statements.[5]

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[4] SFRS(I) 1-20 paragraph 31 and 39

[5] SFRS(I) 1-1 paragraph 117 and 122

2.3 Is the entity required to 'discount' the RIC receivable (for time value of money)?

Under the RIC, any unutilised RICs will be refunded to the entity in cash no later than four years from the date when the entity makes the claim application in respect of qualifying expenditures incurred. Questions arise as to whether the entity is required to 'discount' the RIC receivable.

The answer is No as the RIC is akin to a government grant and SFRS(I) 1-20 does not require a government grant receivable to be "discounted".

2.4 Considerations in relation to the transfer of RICs to offset taxes of related company

The entity may elect to transfer its RICs to offset outstanding tax liabilities of entities within the same group (as defined under SFRS(I) 10 *Consolidated Financial Statements*).

The entity (i.e. the transferor) continues to be responsible for meeting the conditions of the RIC and therefore, will continue to apply SFRS(I) 1-20 when accounting for the RICs. The entity receiving the "transferred" RICs (i.e. the transferee) will not apply SFRS(I) 1-20 when accounting for the "transferred" RICs. For both the transferor and the transferee, the transfer of the RICs is an intercompany transaction and relevant disclosures (as required under SFRS(I) 1-24 *Related Party Disclosures*) should be included in the financial statements.

2.5 Considerations in relation to repayment of government grants

Under paragraph 32 of SFRS(I) 1-20, when a government grant (or part of) becomes repayable (for instance, due to the entity's failure to meet grant conditions), the amount to be repaid is accounted for as a change in accounting estimate in accordance with the requirements of SFRS(I) 1-8 *Accounting Policies, Changes in Accounting Estimates and Errors*. This is recorded in the period where the change in circumstances take place.

For grants related to assets
Depending on the accounting policy choice made previously (see **Section 2.2** Presentation), for the amount to be repaid, the entity recognises a financial liability and either:

- decrease the deferred income; or
- increase the carrying amount of the relevant asset.

The entity also recognises in the profit or loss the cumulative additional depreciation/amortisation expense of the relevant asset that would have been recognised to date in the absence of the grant.

In cases where the carrying amount of the relevant asset is increased, the entity should consider whether the change in circumstances that gives rise to the repayment of the grant is an indication of impairment of the new carrying amount of the relevant asset (paragraph 33 of SFRS(I) 1-20).

For grants related to income
The entity first applies the amount to be repaid against any unamortised deferred credit recognised in respect of the grant. To the extent that the repayment exceeds any such deferred credit, or when no deferred credit exists, the entity recognises the amount to be repaid immediately in profit or loss. At the same time, the entity recognises a corresponding financial liability for the amount to be repaid.

3. Illustrative examples

To aid in the understanding of the principles being applied, consider the following illustrations which include the journal entries to be recorded by the entity.

Example 1 – RICs on manpower costs and equipment costs

Fact pattern

- Entity A applied and received the Letter of Award on 1 January 2025.
- Under the Letter of Award, Entity A is entitled to claim RICs on the following qualifying expenses in relation to Project X:
  - 30% of $4,000 **manpower costs**
  - 30% of $5,000 **equipment costs**
- The RICs will be used to offset against Entity A's Corporate Income Tax payable.
- Entity A incurred the $4,000 manpower costs and $5,000 equipment costs in FY2025. Entity A submitted its RIC claim application and received the Letter of Confirmation on 31 December 2025.[6]
- The equipment is accounted for as an item of property, plant and equipment, with **a useful life of 5 years**.
- Entity A's financial reporting year-end is 31 December 2025.
- **[Accounting policy choice]** Entity A has elected to present the RICs on manpower costs and equipment costs as follows:
  - RICs on manpower costs is a "grant related to income"; it will be presented as grant income.
  - RICs on equipment costs is a "grant related to assets", it will be presented as deferred income and subsequently amortised as grant income in the profit or loss over the life of the asset.
- **[Assumption]** Entity A has assessed that the reasonable assurance criterion in paragraph 7 of SFRS(I) 1-20 is met in FY2025. This is the point in time[7] in which it has assessed that there are no conditions in the Letter of Award that it cannot fulfil or that it is reasonably assured that it can fulfil all the stated conditions in the Letter of Award.
- Entity A has assessed and determined that the "related costs" for which the RIC is intended to support are (i) the manpower costs and (ii) the cost of the equipment incurred. Therefore:
  - the RICs received to support the manpower costs will be recognised in the profit or loss when the manpower costs are incurred; and
  - the RICs received to contribute towards the cost of the equipment will be recognised in the profit or loss over the period in which the equipment is depreciated.

[6] For simplicity, the illustrative example assumes that the Entity A submitted its RIC claim application for the manpower costs and equipment costs incurred for the whole year of FY2025 (i.e. $4,000 and $5,000 respectively) and received the Letter of Confirmation on 31 December 2025. The actual situation may vary in practice.

[7] As highlighted in Section 2.2 above, when applying the recognition criterion to the recognition of RIC, the entity should start assessing whether it has "reasonable assurance" from when the Letter of Award is received. The timing of recognition is independent of when (i) the RIC claim application is submitted and (ii) the Letter of Confirmation pertaining to the entity's claims is received.

Entity A records the following journal entries in FY2025.

Journal entries (FY2025)

	Debit ($)	Credit ($)
Dr Grant receivable (B/S)	2,700[(a)]	
Cr Deferred income (B/S)		2,700
Being recognition of RIC receivable and deferred income (when Entity A assesses[(b)] that the recognition criterion is met in FY2025)		

Note:

[(a)] 30% of $4,000 ***manpower costs*** *+ 30% of $5,000* ***equipment costs***

[(b)] The timing of recognition is independent of when (i) the RIC claim application is submitted and (ii) the Letter of Confirmation pertaining to Entity A's claims is received.

	Debit ($)	Credit ($)
Dr Property, plant and equipment (B/S)	5,000	
Cr Cash/Accruals for expenses (B/S)		5,000
Being recognition of the qualifying equipment acquired		

	Debit ($)	Credit ($)
Dr Depreciation expense (P/L)	1,000	
Cr Accumulated depreciation (B/S)		1,000
Being recognition of depreciation on the qualifying equipment		

	Debit ($)	Credit ($)
Dr Manpower costs (P/L)	4,000	
Cr Cash/Accruals for expenses (B/S)		4,000
Being recognition of qualifying manpower costs incurred		

	Debit ($)	Credit ($)
Dr Deferred income (B/S)	1,500[(c)]	
Cr Grant income (P/L)		1,500
Being recognition of grant income relating to RIC		

Note:

[(c)] Grant income on ***manpower costs*** *+ Grant income on* ***equipment costs***

*= $1,200 + $1,500/5 years**

= $1,200 + $300

= $1,500

**The grant income on equipment costs is amortised to profit or loss over 5 years in tandem with the period over which the equipment costs are depreciated.*

	Debit ($)	Credit ($)
Dr Income Tax Liability (B/S)	2,700[(d)]	
Cr Grant receivable (B/S)		2,700
Being recognition of RICs proceeds via offset against Corporate Income Tax payable (on receipt of the Letter of Confirmation)		

Note:

[(d)] This is on the assumption that Entity A has sufficient income tax liability available to offset/utilise the RICs. If the entity does not have sufficient income tax liability, the "unutilised" portion of the RICs will continue to be recognised as "Grant receivable".

Example 2 – RICs on manpower costs and equipment costs
Same fact pattern as in Example 1 except for the following: • Entity A incurred the \$4,000 manpower costs and \$5,000 equipment costs in FY2025. Entity A submitted its RIC claim application and received the Letter of Confirmation on 1 April 2026. • **[Assumption]** Entity A has assessed that the reasonable assurance criterion in paragraph 7 of SFRS(I) 1-20 is met in FY2026. This is the point in time[8] in which it has assessed that there are no conditions in the Letter of Award that it cannot fulfil or that it is reasonably assured that it can fulfil all the stated conditions in the Letter of Award.

Entity A records the following journal entries in FY2025 and FY2026:

Journal entries (FY2025)

	Debit (\$)	Credit (\$)
Dr Property, plant and equipment (B/S)	5,000	
Cr Cash/Accruals for expenses (B/S)		5,000
Being recognition of the qualifying equipment acquired		

	Debit (\$)	Credit (\$)
Dr Depreciation expense (P/L)	1,000	
Cr Accumulated depreciation (B/S)		1,000
Being recognition of depreciation on the qualifying equipment		

	Debit (\$)	Credit (\$)
Dr Manpower costs (P/L)	4,000	
Cr Cash/Accruals for expenses (B/S)		4,000
Being recognition of qualifying manpower costs incurred		

Journal entries (FY2026)

	Debit (\$)	Credit (\$)
Dr Depreciation expense (P/L)	1,000	
Cr Accumulated depreciation (B/S)		1,000
Being recognition of depreciation on the qualifying equipment		

	Debit (\$)	Credit (\$)
Dr Grant receivable (B/S)	2,700[(e)]	
Cr Deferred income (B/S)		2,700
Being recognition of RIC receivable and deferred income (when Entity A assesses[(f)] that the recognition criterion is met in FY2026)		

Note:

[(e)] 30% of \$4,000 ***manpower costs*** *+ 30% of \$5,000* ***equipment costs***

[(f)] The timing of recognition is independent of when (i) the RIC claim application is submitted and (ii) the Letter of Confirmation pertaining to Entity A's claims is received.

[8] As highlighted in Section 2.2 above, when applying the recognition criterion to the recognition of RIC, the entity should start assessing whether it has "reasonable assurance" from when the Letter of Award is received. The timing of recognition is independent of when (i) the RIC claim application is submitted and (ii) the Letter of Confirmation pertaining to the entity's claims is received.

Journal entries (FY2026)		
	Debit ($)	**Credit ($)**
Dr Deferred income (B/S)	1,575[g]	
Cr Grant income (P/L)		1,575
Being recognition of grant income relating to RIC		

Note:

*[g] Grant income on **manpower costs** + Grant income on **equipment costs***
*= $1,200 + $1,500/4 years***
= $1,200 + $375
= $1,575

***The grant income on equipment costs is amortised to profit or loss over 4 years in tandem with the remaining period over which the equipment costs are depreciated.*

	Debit ($)	**Credit ($)**
Dr Income Tax Liability (B/S)	2,700[h]	
Cr Grant receivable (B/S)		2,700
Being recognition of RICs proceeds via offset against Corporate Income Tax payable (on receipt of the Letter of Confirmation)		

Note:

[h] This is on the assumption that Entity A has sufficient income tax liability available to offset/utilise the RICs. If the entity does not have sufficient income tax liability, the "unutilised" portion of the RICs would continue to be recognised as "Grant receivable".

Example 3 – RICs on construction costs of new building

Fact pattern

- Entity B applied and received the Letter of Award on 1 January 2025.
- Under the Letter of Award, Entity B is entitled to claim RICs on the following qualifying expenses in relation to Project Y:
    - 10% of $20,000,000 **construction costs of new building**
- The RICs will be used to offset against Entity B's Corporate Income Tax payable.
- Entity B commenced the construction of the new building on 1 January 2025 and completed the construction of the said building on 30 November 2026. The new building is available for use on 1 January 2027.
- The new building is accounted for as an item of property, plant and equipment, with **a useful life of 20 years**.
- Entity B incurred $15,000,000 in FY2025 and $5,000,000 in FY2026 in relation to the construction of the new building. Entity B submitted its RIC claim applications in the respective years and received the respective Letters of Confirmation on 01 April 2026 and 01 April 2027.
- Entity B's financial reporting year-ends are 31 December 2025, 31 December 2026 and 31 December 2027.
- **[Accounting policy choice]** Entity B has elected to present the RICs on construction costs of the new building as follows:
    - RICs on construction costs of new building is a "grant related to assets", it will be presented as deferred income and subsequently amortised as grant income in the profit or loss over the life of the asset.
- **[Assumption]** Entity B has assessed that the reasonable assurance criterion in paragraph 7 of SFRS(I) 1-20 is met in both FY2025 and FY2026. This is the point in time[9] in which it has assessed that there are no conditions in the Letter of Award that it cannot fulfil or that it is reasonably assured that it can fulfil all the stated conditions in the Letter of Award.
- Entity B has assessed and determined that the "related costs" for which the RIC is intended to support are the construction costs of the new building incurred. Therefore, the RICs received to contribute towards the construction costs of the new building will be amortised to profit or loss over the period in which the new building is depreciated.

[9] As highlighted in Section 2.2 above, when applying the recognition criterion to the recognition of RIC, the entity should start assessing whether it has "reasonable assurance" from when the Letter of Award is received. The timing of recognition is independent of when (i) the RIC claim application is submitted and (ii) the Letter of Confirmation pertaining to the entity's claims is received.

Entity B records the following journal entries in FY2025, FY2026 and FY2027:

Journal entries (FY2025)

	Debit ($)	**Credit ($)**
Dr Construction in progress (B/S)	15,000,000	
Cr Cash/Accruals for expenses (B/S)		15,000,000
Being recognition of the FY2025 costs incurred in relation to the construction of the new building		

	Debit ($)	**Credit ($)**
Dr Grant receivable (B/S)	1,500,000[i]	
Cr Deferred income (B/S)		1,500,000
Being recognition of RIC receivable and deferred income (when Entity B assesses[j] that the recognition criterion is met in FY2025)		

Note:

*[i] 10% of $15,000,000 **FY2025 construction costs of new building***

[j] The timing of recognition is independent of when (i) the RIC claim application is submitted and (ii) the Letter of Confirmation pertaining to Entity B's claims is received.

Journal entries (FY2026)

	Debit ($)	**Credit ($)**
Dr Income Tax Liability (B/S)	1,500,000[k]	
Cr Grant receivable (B/S)		1,500,000
Being recognition of RICs proceeds via offset against Corporate Income Tax payable (on receipt of the Letter of Confirmation)		

Note:

[k] This is on the assumption that Entity B has sufficient income tax liability available to offset/utilise the RICs. If the entity does not have sufficient income tax liability, the "unutilised" portion of the RICs would continue to be recognised as "Grant receivable".

	Debit ($)	**Credit ($)**
Dr Construction in progress (B/S)	5,000,000	
Cr Cash/Accruals for expenses (B/S)		5,000,000
Being recognition of the FY2026 costs incurred in relation to the construction of the new building		

	Debit ($)	**Credit ($)**
Dr Grant receivable (B/S)	500,000[l]	
Cr Deferred income (B/S)		500,000
Being recognition of RIC receivable and deferred income (when Entity B assesses[m] that the recognition criterion is met in FY2026)		

Note:

*[l] 10% of $5,000,000 **FY2026 construction costs of new building***

[m] The timing of recognition is independent of when (i) RIC claim application is submitted and (ii) the Letter of Confirmation pertaining to Entity B's claims is received.

Journal entries (FY2027)

	Debit ($)	Credit ($)
Dr Income Tax Liability (B/S)	500,000[(n)]	
Cr Grant receivable (B/S)		500,000
Being recognition of RICs proceeds via offset against Corporate Income Tax payable (on receipt of the Letter of Confirmation)		

Note:

[(n)] This is on the assumption that Entity B has sufficient income tax liability available to offset/utilise the RICs. If the entity does not have sufficient income tax liability, the "unutilised" portion of the RICs would continue to be recognised as "Grant receivable".

	Debit ($)	Credit ($)
Dr Depreciation expense (P/L)	1,000,000	
Cr Accumulated depreciation (B/S)		1,000,000
Being recognition of depreciation on the qualifying new building		

	Debit ($)	Credit ($)
Dr Deferred income (B/S)	100,000[(o)]	
Cr Grant income (P/L)		100,000
Being recognition of grant income relating to RIC		

Note:

*[(o)] Grant income on **construction costs of new building***
*= $2,000,000/20 years****
= $100,000

****The grant income on equipment costs is amortised to profit or loss over 20 years in tandem with the period over which the construction costs of new building are depreciated.*

Example 4 – Repayment of RICs on manpower costs

Fact pattern

- Entity C applied and received the Letter of Award on 1 January 2025.
- Under the Letter of Award, the RIC is granted for a 5-year period (FY2025 to FY2029) and Entity C is entitled to claim RICs on the following qualifying expenses in relation to Project Z:
    - 10% of $800,000 **manpower costs**
- One of the conditions for the RIC is for Entity C to hire employees over the 5-year period ("Hiring Condition").
- The RICs will be used to offset against Entity C's Corporate Income Tax payable.
- Entity C incurred manpower costs of $100,000 and $200,000 in FY2025 and FY2026 respectively. It submitted its RIC claim applications and received the Letters of Confirmation on 01 April 2026 and 01 April 2027 respectively.
- Entity C's financial reporting year-end is 31 December.
- **[Accounting policy choice]** Entity C has elected to present the RICs on manpower costs as follows:
    - RICs on manpower costs is a "grant related to income"; it will be presented as grant income.
- **[Assumption]** Entity C has assessed that the reasonable assurance criterion in paragraph 7 of SFRS(I) 1-20 is met in FY2025 and FY2026. This is the point in time[10] in which it has assessed that there are no conditions (including the Hiring Condition) in the Letter of Award that it cannot fulfil or that it is reasonably assured that it can fulfil all the stated conditions in the Letter of Award.
- Entity C has assessed and determined that the "related costs" for which the RIC is intended to support are the manpower costs incurred. Therefore:
    - the RICs received to support the manpower costs will be recognised in the profit or loss when the manpower costs have been incurred; and
- In Q2 FY2027, due to an economic downturn, Entity C is unable to meet the Hiring Condition (i.e. no new employees are/will be hired in FY2027). Entity C further assessed that there is no reasonable assurance that it will meet the Hiring Condition for FY2028 and FY2029, and informed EDB/Enterprise SG accordingly.
- EDB/EnterpriseSG then assessed and determined that Entity C is required to repay the RICs given in FY2026 and FY2027 to IRAS.

[10] As highlighted in Section 2.2 above, when applying the recognition criterion to the recognition of RIC, the entity should start assessing whether it has "reasonable assurance" from when the Letter of Award is received. The timing of recognition is independent of when (i) the RIC claim application is submitted and (ii) the Letter of Confirmation pertaining to the entity's claims is received.

Entity C records the following journal entries in FY2025, FY2026 and FY2027:

Journal entries (FY2025)

	Debit ($)	Credit ($)
Dr Manpower costs (P/L)	100,000	
Cr Cash/Accruals for expenses (B/S)		100,000
Being recognition of qualifying manpower costs incurred		

	Debit ($)	Credit ($)
Dr Grant receivable (B/S)	10,000[p]	
Cr Deferred income (B/S)		10,000
Being recognition of RIC receivable and deferred income (when Entity C assesses[q] that the recognition criterion is met in FY2025)		

Note:

*[p] 10% of $100,000 **manpower costs***

[q] The timing of recognition is independent of when (i) the RIC claim application is submitted and (ii) the Letter of Confirmation pertaining to Entity C's claims is received.

	Debit ($)	Credit ($)
Dr Deferred income (B/S)	10,000	
Cr Grant income (P/L)		10,000
Being recognition of grant income relating to RIC		

Journal entries (FY2026)

	Debit ($)	Credit ($)
Dr Income Tax Liability (B/S)	10,000[r]	
Cr Grant receivable (B/S)		10,000
Being recognition of RICs proceeds via offset against Corporate Income Tax payable (on receipt of the Letter of Confirmation)		

Note:

[r] This is on the assumption that Entity C has sufficient income tax liability to offset/utilise the RICs. If the entity does not have sufficient income tax liability, the "unutilised" portion of the RICs would continue to be recognised as "Grant receivable".

	Debit ($)	Credit ($)
Dr Manpower costs (P/L)	200,000	
Cr Cash/Accruals for expenses (B/S)		200,000
Being recognition of qualifying manpower costs incurred		

	Debit ($)	Credit ($)
Dr Grant receivable (B/S)	20,000[s]	
Cr Deferred income (B/S)		20,000
Being recognition of RIC receivable and deferred income (when Entity C assesses[t] that the recognition criterion is met in FY2026)		

Note:

*[s] 10% of $200,000 **manpower costs***

[t] The timing of recognition is independent of when (i) the RIC claim application is submitted and (ii) the Letter of Confirmation pertaining to Entity C's claims is received.

Journal entries (FY2026)		
	Debit ($)	**Credit ($)**
Dr Deferred income (B/S)	20,000	
Cr Grant income (P/L)		20,000
Being recognition of grant income relating to RIC		

Journal entries (FY2027)		
	Debit ($)	**Credit ($)**
Dr Income Tax Liability (B/S)	20,000[u]	
Cr Grant receivable (B/S)		20,000
Being recognition of RICs proceeds via offset against Corporate Income Tax payable (on receipt of the Letter of Confirmation)		

Note:

[u] This is on the assumption that Entity C has sufficient income tax liability to offset/utilise the RICs. If the entity does not have sufficient income tax liability, the "unutilised" portion of the RICs would continue to be recognised as "Grant receivable".

As Entity C is unable to meet the Hiring Condition (i.e. no new employees are/will be hired in FY2027); and it has further assessed that there is no reasonable assurance that it will meet the Hiring Condition for FY2028 and FY2029, no grant income relating to the RIC is recognised in FY2027.

	Debit ($)	**Credit ($)**
Dr Reversal (or clawback) of grant income (P/L)	30,000[v]	
Cr Payable to IRAS (B/S)		30,000
Being recognition of the grant repayable to IRAS		

Note:

[v] This is a repayment of the "grant related to income". As there is no unamortised deferred credit in respect of the RIC, Entity C recognises the repayment to be made to IRAS immediately in profit or loss.

For reference: ISCA Financial Reporting Codification Framework

In November 2019, ISCA issued the ISCA Financial Reporting Codification Framework (Framework). The Framework establishes a formalised categorisation, degrees of authority and a due process for future issuance of ISCA's technical documents. It provides credence to ISCA's technical content, promulgates ISCA's views on the application of accounting standards as well as promotes quality, consistency and best practices in financial reporting.

The Framework is summarised in the table below.

Category	Nature	Degree of authority	Due Process	Highest level of approval
1. Financial Reporting Practice (**FRP**)	Recommended best practices for financial reporting for specific industries, sectors or transactions	Expected to apply	Public consultation required	ISCA Council
2. Financial Reporting Guidance (**FRG**)	Technical guidance, views and insights on specific financial reporting issues for specific industries, sectors or transactions	Expected to follow or explain departures	Public consultation required	ISCA Financial Reporting Committee (FRC), with authority delegated by the ISCA Council
3. Financial Reporting Bulletin (**FRB**)	Technical bulletin containing discussions and highlight of emerging topical financial reporting issues	For information and educational purposes	Public consultation not required	ISCA FRC

For more details on the Framework and the guidance issued under the Framework, please refer to the following:

- Framework [link]
- FRG [link]
- FRB [link]