

EXPLANATORY NOTES FOR COMPLETION OF FORM IR8A & APPENDIX 8A FOR THE YEAR ENDED 31 DEC 2011

GENERAL

1. As an employer, you are required to complete a Form IR8A, Appendix 8A, Appendix 8B and Form IR8S (where applicable) to report your employee's remuneration every year.
2. You can download copies of these prescribed forms from our website at www.iras.gov.sg and select > **Forms** (from Quick links) > **Business and Employers** > under **Income Tax forms for Employers**. For more information on completing the forms, you can visit our homepage and click on "**Responsibilities as an employer**" under **Businesses**.
3. The completed Form IR8A and/or Appendix 8A (for year ended 31 Dec 2011) should be given to your employees by **1 Mar 2012**. Please **do not** send the completed Forms to IRAS.

Employers who fail to comply may be charged with an offence under Section 94. The penalty upon conviction is a fine not exceeding \$1,000 and in default of payment to imprisonment for a term not exceeding 6 months.

AUTO INCLUSION SCHEME

4. If you have already made an arrangement with IRAS to transmit your employees' salary data via electronic means, you do not need to prepare the Form IR8A and/or Appendix 8A/8B/ Form IR8S for your employees. However, you may wish to provide your employees with a separate statement of earnings for their records. Please include in the statement of earnings that the income and deductions are not required to be reported in the employees' tax form as the information will be automatically included in their income tax assessments. All salary data for the year ended 31 Dec 2011 should be transmitted to IRAS before **1 Mar 2012**. Please ensure that employment income information transmitted to IRAS is correct and complete.

Employers who fail to comply may be charged with an offence under Section 94. The penalty upon conviction is a fine not exceeding \$1,000 and in default of payment to imprisonment for a term not exceeding 6 months.

COMPLETING THE FORMS

Please observe the following guidelines when completing the forms to ensure the information reported on behalf of your employees are accurate:

5. The Form IR8A and Appendix 8A (if applicable) must be completed and signed by the company secretary/director, precedent partner, sole-proprietor, manager, honorary secretary/treasurer of Clubs and Associations, local representative of a non-resident company or a person authorised by the employer. For a computer-printed Form IR8A, signature is not compulsory. However, the name, designation, contact number of the authorised person and the date must be stated.
6. Fill in **ONLY ONE** copy of Form IR8A and Appendix 8A (if applicable) and give it to your **EMPLOYEES** who were **employed in Singapore** during the year 2011:
 - a) full-time resident employee;
 - b) part-time resident employee;
 - c) non-resident employee;
 - d) company director (including a non-resident director); and
 - e) pensioner.

Notes: You need not prepare Form IR8A and Appendix 8A for the period your employee is posted overseas unless his overseas assignment is incidental to his employment in Singapore.

7. You need to provide the date of commencement of employment if your employee commenced employment in the year 2011 or before 1 Jan 1969. If your employee ceased employment in the year 2011, please indicate the date of cessation.
8. If your employee was working on board a vessel during the year 2011, indicate the following information against your employee's designation on the Form IR8A:
 - a) name and registration number of the ship;
 - b) '**FR**' (foreign-registered ship);
 - c) '**SR**' (Singapore-registered ship plying within the port limits of Singapore); or
 - d) '**SRI**' (Singapore registered ship plying in international waters).

Tax exemption on the employment income derived will be applicable where the employee was a crew working on board a Singapore-registered ship plying in international waters and whose employment was exercised substantially outside Singapore during 2011. Such tax exemption is not available to employees who were based on shore but may periodically be required to board/sail with the ships for inspection work or other purposes.

9. Enter 'NA' for items that are not applicable.

10. If there are any changes made after your employee has submitted his Form IR8A and/or Appendix 8A, please complete another Form IR8A and/or Appendix 8A with the correct amount(s) and indicate “**AMENDED**” or “**ADDITIONAL**” on the top right-hand corner. You must give this form to your employee **for him to re-send it to us**.

DETAILS OF INCOME/DEDUCTIONS TO BE DECLARED IN FORM IR8A

11. All gains and profits derived by an employee in respect of his employment are taxable, unless they are specifically exempted from income tax or are covered by an existing administrative concession. The gains or profits include all benefits, whether in money or otherwise, paid or granted to him in respect of employment.
12. For more information on taxability of the various gains or profits arising from employment, please refer to our website at www.iras.gov.sg > **Businesses (Responsibilities as an employer)** > **FAQ on employee’s remuneration**

Below are some useful information to assist you to complete the form correctly:

Item No.	Income	What you need to know
a	Gross Salary, Fees, Leave Pay, Wages and Overtime Pay (Item a of Form IR8A)	<p>I) Report amount due for the year 2011 regardless of whether:</p> <p>i) it was paid within the year 2011; or</p> <p>ii) it was paid/is payable to the employee in Singapore or outside Singapore.</p> <p>II) Gross salary should:</p> <ul style="list-style-type: none"> • Include remuneration paid by overseas employers to employees performing personal services in Singapore and maternity leave payments for working mothers. • Exclude Nsmen Pay if it is paid directly to employees by Mindef, Singapore Civil Defence Force or Singapore Police Force. If the NSmen pay was reimbursed to your company, please report the full remuneration in the Form IR8A. <p>III) Where remission of tax has been granted on any payment, report the full amount including the amount for which remission of tax was granted and indicate the amount of income which remission of tax is granted and state the authority for the remission.</p>
b	Bonus (Item b of Form IR8A)	<p>Bonuses are assessed in the year in which they become <u>due and payable and not when they are paid</u>:</p> <p>I) Contractual bonuses are due and payable under the terms of a contract of service and are regarded as the employee’s income in the year specified by the contract. This is usually the year in which the employee’s services are rendered. Example: Contractual bonus for the services rendered in 2011 but paid in 2012 should be declared in the Form IR8A for the year ended 31 Dec 2011;</p> <p>II) Non-contractual bonuses are due and payable at the discretion of the employer and are regarded as the employee’s income on the date the employee is legally entitled to the payment. Example: When the employer decides in December 2011 to pay a non-contractual bonus and the employee is legally entitled to the payment in 2011, this bonus should be declared in the Form IR8A for year ended 31 Dec 2011 even though the payment was made in Jan 2012.</p>
c	Director’s Fee (Item c of Form IR8A)	<p>Director’s fees are regarded as accrued to the director on the date on which the <u>fees are voted for and approved</u> at a company’s Annual General Meeting or Extraordinary General Meeting. Example: Director’s fees voted for and approved at a company’s AGM in 2011 should be declared in the Form IR8A for the year ended 31 Dec 2011.</p> <p>Where the company held more than one meeting during the calendar year to approve payments of director’s fees for the same financial year, please enter the <u>date of approval of the latest meeting held</u>.</p> <p>If Section 45 withholding tax has been made on a non-resident director, indicate ‘S45 applied’ against your employee’s designation on the Form IR8A.</p>

d	<p><u>Others</u> (Item d of Form IR8A)</p>	<p>(I) Allowances [item d3 of Form IR8A]</p> <p>Allowances are taxable unless they are specifically exempted from income tax or are covered by an existing administrative concession. Please refer to our website at www.iras.gov.sg > Businesses (Responsibilities as an employer) > FAQ on employee's remuneration</p> <p>Item d3 "(iii) Others" include:</p> <ul style="list-style-type: none"> • SRS contributions by employer ; • Cash top-up to CPF Minimum Sum Topping-up Scheme by employer; • Monetary benefits provided /paid by employer which are not listed under item 4 of Appendix 8A; and • Housing allowance
	<p>(II) Lump sum payment (item d4 of Form IR8A)</p> <p>i) The details of payment are to be classified into the respective fields in the Form IR8A.</p> <p>ii) Compensation for loss of office is not taxable. However, the retrenchment benefit package may include some components, such as, Notice pay, that are taxable.</p> <p>iii) Gratuity for past/present/future service is taxable (eg. Contract gratuity upon completion of contract).</p> <p>iv) Employer needs to declare only the taxable components in item d4 of the Form IR8A and provide the following details on the lump sum payment in the table under d4:</p> <ul style="list-style-type: none"> • the circumstances under which the employee left the company; • detailed breakdown of the package and state the basis of arriving at each component; • date of approval, if approval has been granted by IRAS. <p>v) For more details, you may refer to IRAS circular "Retrenchment Pay that constitutes Payment for Loss of Employment is not taxable" at www.iras.gov.sg > e-Tax Guides (from Quick links) > Income Tax > Income Tax e-Tax Guides (2002 and before).</p>	
	<p>(III) Contributions made by employer to any Pension/Provident Fund constituted outside Singapore (item d6 of Form IR8A)</p> <p>Employer's contributions to any Pension/Provident Fund outside Singapore are taxable as part of your employee's income. The following contributions by employers are to be reported:</p> <p>i) voluntary contributions to overseas pension/provident funds or social security schemes for employees who are working outside their home country;</p> <p>ii) contributions to schemes not regulated and supervised by the Government;</p> <p>iii) contributions to any pension/provident funds or social security schemes, which are in addition to contributions to social security schemes operated by the Government.</p> <p>If tax concession is applicable, state the following:</p> <ul style="list-style-type: none"> • full amount of the contribution; • name of the fund; • whether the contributions were made to the social security schemes of the employee's home country; • whether the contributions were charged to the accounts of <u>or</u> deductions were claimed by a Singapore Permanent Establishment. 	

		<p>(IV) Excess/Voluntary contribution to CPF by employer (item d7 of Form IR8A)</p> <p>The excess/voluntary employer's contributions are taxable in your employee's name. Please complete this item if the contributions:</p> <ol style="list-style-type: none"> are <u>more than the compulsory contributions (pegged to a CPF rate which is higher than the rate for each age group of your employees)</u> under the CPF Act, or on monthly Ordinary Wages (OW) subject to CPF contribution is more than: <ul style="list-style-type: none"> \$4,500 from 1 Jan 2011 to 31 Aug 2011 \$5,000 from 1 Sep 2011 to 31 Dec 2011; &/ or on total Additional Wages (AW) more than \$79,333 less OW subject to CPF contributions or total wages (OW subject to CPF contributions + AW) more than \$79,333; or are <u>not compulsory</u> under the CPF Act. The CPF contributions made by employer for foreign employees or on director's fees are considered as voluntary contributions. <p>State the amount of employer's excess contributions less amount refunded / to be refunded to the employer and complete Form IR8S.</p> <p>For more information, please refer to the Explanatory Notes for Completion of Form IR8S.</p>
		<p>(V) Gains or profits from Employee Stock Option (ESOP) / other forms of Employee Share Ownership (ESOW) Plans (item d8 of Form IR8A)</p> <ol style="list-style-type: none"> Gains or profits derived by the employee, either directly or indirectly from the exercise, assignment, release or acquisition of any right or benefit to acquire shares in any company and where such right or benefit was obtained by him by reason of any office or employment is taxable. Please provide the details in Appendix 8B. The amount to be stated in Form IR8A is the amount in Section E of Appendix 8B. <p>For more information, please refer to the Explanatory Notes for Completion of Appendix 8B.</p> <ol style="list-style-type: none"> Tax exemptions under the ERIS (Start-ups)/ERIS (SMEs)/ERIS (All Corporations) Schemes will NOT apply under circumstances where the employee receives cash compensation for the release of his right or benefit to acquire shares in a qualifying company by reason of resignation or termination of employment due to misconduct. <p>State the amount of cash compensation in item d3 "(iii) Others" of the Form IR8A. DO NOT complete Appendix 8B.</p>
	TOTAL (items d1 to d9)	The total of items d1 to d9 of Form IR8A should not include compensation for loss of office and the amount of retirement benefits accrued up to 31 Dec 1992.
e	Deductions	<p>(I) Employee's Compulsory contribution to CPF/Designated Pension or Provident Fund</p> <p>Please adopt the appropriate CPF rates published by CPF Board at www.cpf.gov.sg and exclude excess/voluntary amount of CPF contributions in this item.</p> <p>(II) Voluntary Contributions made by Employer Do not include the following voluntary contributions as deductions will be allowed automatically:</p> <ol style="list-style-type: none"> Voluntary contributions to Medisave Account; Voluntary contributions to CPF Minimum Sum Topping-up Scheme; or SRS contributions

DETAILS OF BENEFITS-IN-KIND TO BE DECLARED IN APPENDIX 8A

Employers have to declare the benefits-in-kind in the Appendix 8A unless they are granted administrative concession or exempted from Income Tax. Please refer to our website at www.iras.gov.sg > **Businesses (Responsibilities as an employer)** > **FAQ on employee's remuneration.**

- Generally the actual cost of providing the benefit-in-kind should be reported except where the rates or computation are given in items 2 and 3 of the Appendix 8A and paragraphs 14 to 17 below. The total value must be entered in **item d9 of Form IR8A.**
- Value of the place of residence** (item 1 of Appendix 8A)

For apportionment and/or value of place of residence, please refer to our website at www.iras.gov.sg > **Businesses (Responsibilities as an employer) > FAQ on employee's remuneration > Accommodation provided**

The taxable value is the lower of :

- (i) 10% of gains or profits from employment, or
- (ii) the *Annual Value (AV) of the premises

Less Rent paid by employee (if any).

***AV** can be found on the property tax bill. If the AV is not available, you can report the value which is the gross rent paid by employer less rental for furniture and fittings.

Gains or profits from employment = [(Total of item a to d8 of Form IR8A) + (Items 2 and 4 of Appendix 8A)]

- b) Where the accommodation provided to an employee is a **service apartment**, the basis of assessing the taxable value will be as described in paragraph 14(a) above. Rental paid for utilities & housekeeping services should be declared as benefits-in-kind in Appendix 8A. Prescribed rates are applicable on the furniture and fittings provided.

However, if the service apartment is located within the hotel building, the hotel accommodation rates (see item 3 of Appendix 8A) should be applied to compute the taxable value of the accommodation.

- c) The annual value of place of residence provided or rent paid by employer must also be declared for cases where no salary is paid to the employee.
- d) Where the rental agreement is signed between the landlord and the employee, but the employer pays the landlord the rent, this is treated as housing allowance paid to the employee. The full amount of rent paid is taxable on the employee as housing allowance. Please report in item d3 "(iii) Others" of Form IR8A.

15. **Monthly rate per unit for other benefits-in-kind** (item 2 of Appendix 8A).

	Item	Rate per unit per month
a)	Fan, Toaster, Iron, Air Cooler, Light Fittings	\$1.00
b)	Vacuum Cleaner	\$2.00
c)	Cooker, Water Heater, Jet-Steam Oven	\$2.50
d)	Juicer/Blender, Kettle, Coffee Maker	\$3.00
e)	Floor Polisher	\$4.00
f)	Lawn Mower	\$5.00
g)	Fax Machine: –	
	i. \$20 pm + total telephone bill paid by employer for the year (<i>if employer pays for the recurring telephone charges linked to the use of the fax machine</i>); or	
	ii. \$20 pm (<i>if the recurring telephone charges are paid by the employee</i>); or	
	iii. The full cost of the fax machine as incurred by the employer in the year of purchase (<i>if the employee gets to keep the fax machine and does not have to return it to the employer even if he resigns</i>); or	
	iv. The full cost of the fax machine as incurred by the employer in the year of purchase plus the telephone bill paid by the employer (<i>if the case is similar to (iii) above and the employer pays for the telephone charges</i>)	

For items not listed above and not found in the website, please give details and actual cost of the items provided on a separate sheet.

16. **Cost of home leave passages and incidental benefits** (item 4a of Appendix 8A):

a) For expatriate employees

- i) 20% of the cost of one home leave passage provided to employee, his/her spouse and 2 passages for each child;
- plus ii) the full cost of any subsequent leave passages provided to the employee, his/her spouse and children;
- plus iii) the full cost of any leave passages provided to other family members.

Tax remission will not be granted to all expatriate employees of companies which are awarded or granted extension of pioneer, export, pioneer service and Operation Headquarters (OHQ) incentives **on or after 1 Jan 2004**.

- b) For non-expatriate employees including permanent residents
The full cost of leave passage provided to employee and his/her family.

17. **Car benefits** (item 4j of Appendix 8A)

- (a) For car provided by the employer, the taxable benefits are calculated as follows:

If the cost of petrol is borne by the employer: $3/7 \times (\text{car cost} - \text{residual value}) / 10 + (\$0.55/\text{km} \times \text{private mileage})$ or $(3/7 \times \text{rental cost incurred by the employer}) + (\$0.10 \text{ per km} \times \text{private mileage})$
If the cost of petrol is borne by the employee: $3/7 \times (\text{car cost} - \text{residual value}) / 10 + (\$0.45/\text{km} \times \text{private mileage})$ or $(3/7 \times \text{rental cost incurred by the employer})$

Where:

- 3/7 refers to the use of the car outside office hours for private matters, which is estimated at 3 out of 7 days in a week.
- "Car cost" refers to the acquisition cost of a car (inclusive of COE) paid or payable at the date of purchase. If the car was "**company-registered**" (i.e. **Q-plate**) **before 1 Apr 1998**, the cost of the car should be pegged to that of an identical private car.
- "Residual Value" is equal to 80% of the Open-Market Value (OMV) of the car if the car was registered on or after 1 Nov 1990. The OMV of the car at the time of purchase can be obtained from the owner's logbook/log card or car dealer.

Notes:

- i) If your employee was only provided with the car for part of the year, the car benefit can be apportioned based on the number of days that the car was provided to him in the year.
 - ii) If you have rented a car for your employee's use, the rental cost of the car should be used instead of the car cost.
- (b) If employee owns a car and running expenses are reimbursed by employer, please refer to www.iras.gov.sg > **Businesses (Responsibilities as an employer) > FAQ on employee's remuneration > Car-related items** for the tax treatment. Please declare the taxable amount in **item d)3 "(iii) Others"** of Form IR8A.