

Employment Income and Expenses

Q1. What are gains and profits from employment?

A1. Gains or profits from employment include the following:

- a) Cash receipts such as wages, salary, bonus, director's fees, pension excluding pension from the Singapore Government, leave pay, commission, gratuity, perquisites or allowance for entertainment, housing, travelling, etc.
- b) Benefits-in-kind, which are goods or services given to the employee in lieu of cash.
- c) Gains or profits from share/stock option schemes, such as Employee Stock Option (ESOP) / Employee Share Ownership Plan (ESOW). Please send in Appendix 8B by 15th April 2011, if your employer is not in the Auto-Inclusion Scheme for Employment Income and you have gains or profits from stock options from:
 - i) Equity Remuneration Incentive Scheme (Start-Ups) [ERIS (Start-Ups)]
 - ii) Equity Remuneration Incentive Scheme (SMEs) [ERIS (SMEs)] (previously known as Entrepreneurial Employee Equity-based Remuneration Scheme)
 - iii) Equity Remuneration Incentive Scheme (All Corporations) [ERIS (All Corporations)](previously known as Company Employee Equity-based Remuneration Scheme)

Q2. How do I report my income during e-Filing if I worked with more than one company?

A2. ALL the companies are in the Auto-Inclusion Scheme for Employment Income:
You do not have to report the details of your income and salary deductions in the Main Tax Form if the details are shown in your Income, Deductions and Reliefs Statement (IDRS). This information is submitted directly to IRAS by your employer and will be automatically included in your assessment.

However, if your employer is participating in the Auto-Inclusion Scheme for Employment Income but the details are not reflected in your IDRS, tick the box under item '1.Employment' in Section A of the Main Tax Form. You need not declare the employment income as your employment income will be automatically included in your assessment when we receive the information from your employer.

SOME of the companies are in the Auto-Inclusion Scheme for Employment Income:

You do not have to report the details of income and salary deductions for those companies that participate in the Auto-Inclusion Scheme for Employment Income.

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For employment income from non-participating employers, please fill in the total amount of salaries, bonuses, director's fees, etc. from the non-participating employers in the respective boxes in Section B of the Main Tax Form.

ALL the companies are NOT in or has withdrawn from the Auto-Inclusion Scheme for Employment Income

Fill in the **total** amount of salaries, bonuses, director's fees, etc. from the various employers in the respective boxes in Section B of the Main Tax Form.

Q3. Are retrenchment payments taxable?

A3. No. Retrenchment payments made to compensate for the loss of employment are not taxable. However, the retrenchment packages may include payments for other purposes that are taxable, for example, leave pay, salary in-lieu of notice and gratuity. These are not payments received as compensation for loss of office but are payments for services rendered.

Q4. What is 'Other' employment income?

A4. 'Other' employment income includes the following:

- a) Part-time income
- b) Allowances for travelling, entertainment, housing, etc
- c) Benefits-in-kind
- d) Gratuity
- e) Pension, but excluding Singapore Government pension
- f) Commission reflected in Form IR8A
- g) Retrenchment benefits
- h) Taxable benefits in cash or in kind; for example, stock option gains

Q5. What are the types of expenses I can claim against employment income?

A5. Expenses incurred in the discharge of your official duties, which were not reimbursed by your employer may be claimed. For example:

- a) Travelling expenses other than expenses incurred on motorcars
- b) Entertainment expenses
- c) Subscriptions paid to professional bodies
- d) Mosque building fund/zakat fitrah/harta other than those deducted through your salary if your employer is in the Auto-Inclusion Scheme for Employment Income

For travelling and entertainment expenses, please give details of expenses claimed; for example, the date, nature, purpose, amount incurred on each occasion, mode of public transport (for travelling expenses), etc.

With effect from Year of Assessment 2006, Zakat harta payment will be automatically deducted against the taxpayer's respective income source for

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NRIC/FIN (Foreign Identification Number) holders who have provided the information to the Majlis Ugama Islam Singapura (MUIS).

Income from Sole-Proprietorship/Partnership and Expenses

Q6. I am self-employed. How should I declare my income from trade, business, profession or vocation?

A6. Please declare all your income including your income from trade, business, profession or vocation in the tax return issued to you annually before 15 April of each year. There is no separate tax return issued for your sole-proprietor business.

If you e-File:

- a) Click "Sole-Proprietorship/Self-employed Income (e.g. commission agents, taxi drivers, hawkers etc)" under item 'Trade, Business, Profession or Vocation' in Main Tax Form if you are carrying on trade, business, profession or vocation (e.g. Taxi drivers, hawkers, insurance agents, etc.) If your business is registered with ACRA, enter the Business Registration Number in the field provided
- b) Click "Partnership" under item 'Trade, Business, Profession or Vocation' in Main Tax Form if you are carrying on a Partnership.

Q7. What kind of records should I keep for my business /sole-proprietorship?

A7. Every person carrying on any trade, business, profession or vocation must keep proper records of his income and expenses.

- a) Proper records include invoices, receipts, and books of account, which are related to your business activities. Estimates are not acceptable for income tax purposes.
- b) You may follow book-keeping procedures to keep your business records and transactions.
- c) Receipts and other documents to substantiate expenses claims should be kept for at least 5 years but need not be sent to us unless they are needed for verification. These records must be sufficient to enable us to ascertain your income and allowable business expenses.

Q8. What is ACRA? What if I cannot remember my Business Registration Number?

A8. ACRA stands for the Accounting and Corporate Regulatory Authority. You may search your Business Registration Number using your Business Name at the ACRA website.

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Q9. Do I need to submit receipts/bills to substantiate my claims?

A9. Receipts and other documents to substantiate claims for reliefs and expenses need not be submitted unless we require them to verify your claims. However, these receipts and other documents should be kept for at least 5 years.

Q10. Is the income from a sole-proprietorship taxable at individual or corporate tax rate?

A10. If the sole-proprietor is a resident for tax purposes, his income from his sole-proprietorship is taxable at individual tax rates. He is required to report this income together with his income from other sources in his tax return.

Q11. For a husband & wife partnership, is there a special form to submit?

A11. Yes. With effect from Year of Assessment 2005, the main or precedent partner of a husband and wife partnership is required to file a Form P. At the same time, both husband and wife are to declare their share of profit/(loss) in the Partnership section of their respective individual tax return.

Q12. I am an acting/sleeping partner of a partnership. How do I report the income that I received from my partnership?

A12. In the Partnership section of the tax return, enter the partnership name, business registration number/partnership tax reference number and your share of divisible profit/(loss), your salary, bonus, CPF, interest, dividends, rent and other benefits derived from the partnership. You may claim your share of donations made through the partnership.

If you e-File, click "Partnership" under item 'Trade, Business, Profession or Vocation' in the Main Tax Form to enter the Name of Partnership, Partnership Tax Reference Number, Partner's Status and your share of income/(loss) through partnership in the fields provided. Do not report your salary, bonus, allowances and other benefits received from the partnership separately under the 'Employment Income' in the Main Tax Form.

Q13. My wife and I are the only partners of a partnership. How do we report the income from the partnership?

A13. With effect from Year of Assessment 2005, the precedent partner of a husband and wife partnership business is required to file a Form P. At the same time, both husband and wife are to declare their share of profit/(loss) in the Partnership section of their respective tax return.

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Q14. Do I need to report my salary received from partnership in Form B?

A14. Yes, you need to declare your salary, your CPF, your other benefits and your own share of profit/(loss) from the partnership in the Partnership section of the tax return.

If you e-File, click "Partnership" under item 'Trade, Business, Profession or Vocation' in the Main Tax Form to access Partnership Page. Enter your share of divisible profit/loss, salary, bonus, CPF and other benefits from the Partnership in the fields provided.

Q15. Can I claim expenses that are partly for business and partly private?

A15. No. You can only claim only the portion of expenses incurred for your business.

Q16. Are the expenses on business trips allowable deductions?

A16. Yes. You can only claim deduction for business trips undertaken solely for business purposes. You are not allowed to claim deduction for any private purpose. To back up the claim for deduction, details such as purpose of business trip, date of trip, and copies of relevant receipts of expenditure incurred must be kept. These details may be required to verify your claims.

Other Income (e.g dividend, interest, rental, etc)

Q17. Do I have to declare my dividend income during e-Filing?

A17. Dividends are not taxable if they are

- a) Foreign-sourced dividends received in Singapore on or after 1 Jan 2004.
- b) One-tier exempt dividends from Singapore companies under the one-tier corporate tax system.
- c) Income distributions from unit trusts and real estate investment trusts (REIT), that are authorised under Section 286 of the Securities and Futures Act (excludes distributions out of franked dividends) on or after 1 Jan 2004.

You have to declare dividend income if you derived any other Singapore dividends that are not exempted from tax.

If you e-File, declare your dividend income as follows:

Step 1: Click 'Other Income' in the Main Tax Form

Step 2: Select 'Dividends'

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Step 3: Enter the required information

Q18. Do I have to declare interest income?

A18. You need not declare interest income received from deposit of money with any approved bank or licensed finance company in Singapore as it is tax-exempt.

You have to declare interest income received from deposit of money with non-approved banks or finance companies not licensed in Singapore, such as pawnshops, loans made to companies and persons, etc.

If you e-File, declare your interest income as follows:

Step 1: Click 'Other Income' in the Main Tax Form

Step 2: Enter the amount of interest

Q19. How do I declare my rental income during e-Filing?

A19. Please note the following:

a) Rental from property:

For each property, state the gross rent. This includes the rental of furniture and fittings, maintenance and service charges received from the tenant.

b) Other income from property:

With effect from Year of Assessment 2010, Net Annual Value (NAV) of all residential properties would not be taxable.

c) Co-owner of the property:

State the gross rent, expenses incurred and your share of net rent (in percentage).

d) Period of tenancy:

You can only claim expenses incurred during the period of tenancy, including property tax, mortgage interest, fire insurance, repairs and maintenance, etc.

If you e-File, declare your rental income as follows:

Step 1: Click 'Other Income' in the Main Tax Form

Step 2: Select Rent from Property

Step 3: Enter the required information

Q20. What types of rental expenses are deductible?

A20. The following are examples of Deductible Rental Expenses:

a) Related to property:

i. interest on your mortgage loan

ii. fire insurance

iii. commission paid to secure subsequent tenant

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- iv. cost of renewing a lease or getting a new tenant provided he is not the first tenant
- v. cost of supervision and rent collection subject to a maximum of 5% of the total rental income

b) Repairs and maintenance:

- i. painting
- ii. pest control
- iii. monthly maintenance charges paid to management corporations

Please note that the following expenses are not deductible from rental income:

- a) any expenses incurred outside the period of tenancy
- b) mortgage or bank loan repayments
- c) expenses incurred to obtain the first tenant; for example, agent's commission, advertising and legal costs
- d) depreciation of furniture & fixtures
- e) costs of renovation, additions, alterations to your property; for example, extension of car porch, cementing of walls and floors, and installation of window grills

Q21. Do I have to declare my share of estate or trust income?

A21. Yes, you have to declare your share of estate or trust income. Any income distribution received from an estate under administration or your share of entitlement of income from a trust is assessable on you in the year you are entitled to the income. This is irrespective of when the income is distributed, or will be distributed by the trustee.

If you e-File, declare your share of estate or trust income as follows:

- Step 1: Click 'Other Income' in the Main Tax Form
- Step 2: Select 'Royalty, Charge, Estate/Trust Income'
- Step 3: Enter the required information

Q22. Do I have to declare my investment income?

A22. Investment income obtained from a Singapore source on or after 1 Jan 2004 from the ownership of financial instruments not held as trading assets is tax exempt.

Examples of such investment income are:

- a) Interest from debt securities
- b) Discount income from debt securities with tenure of 1 year or less
- c) Some annuities
- d) Distributions from unit trusts
- e) Distributions from real estate investment trusts

However, investment income is not tax exempt if it is obtained through a partnership in Singapore.

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Q23. Do I have to declare my income from outside Singapore?

A23. All income received in Singapore from outside Singapore by resident individuals is tax exempt. However, this does not include income received in Singapore from outside Singapore obtained through partnerships in Singapore.

Q24. How do I declare my income during e-Filing if it does not fall into any of the categories?

A24. For income that does not fall within any of the other classifications of income, please declare the income as follows:

Step 1: Click 'Other Income' in the Main Tax Form

Step 2: Select 'Gains or Profits of an Income Nature'

Step 3: Enter the required information

Withdrawals from the Supplementary Retirement Scheme (SRS) for example, are income, which does not fall within any of the other classifications of income. In this case, the information will be sent electronically to the Comptroller of Income Tax by the SRS operators and will be automatically included in the assessment.

If you are a foreigner or a Singapore permanent resident who is leaving Singapore, please send us a statement from your SRS operator for the purpose of tax clearance.

Q25. How do I declare any income which was not previously reported during e-Filing?

A25. To declare income which was not previously reported during e-Filing, please do the following:

a) If you receive income for any period prior to 1 Jan 2010 that has not been previously reported, please state:

i. the type of income

ii. the period it relates to

iii. the date of payment

iv. the amount of income

b) This includes gains or profits obtained on or after 15 May 1996 but before 13 Oct 2001 from the sale of:

i. real property within 3 years from the date of purchase, other than properties held as trading stocks

ii. shares in private 'Real Property' companies

Please give details if you have not previously sent us a statement of gain/loss on sale of real property/shares.

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- c) In the case of director's fees, state the date on which the fees were voted for and approved at the company's Annual General Meeting or Extraordinary General Meeting.

Please declare your income not previously reported as follows.

Step 1: Click 'Other Income' in the Main Tax Form.

Step 2: Select 'Income Not Previously Reported'.

Step 3: Enter the required information.

Q26. Should I declare the NSmen income?

- A26. No. NSmen income is taxable. However you do not need to declare your NSmen income as IRAS receives this information directly from MINDEF/MHA.