

# **IRAS e-Tax Guide**

## **IRAS VOLUNTARY DISCLOSURE PROGRAM**

(Fourth Edition)



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**The Voluntary Disclosure Program has been updated to define the reference point for determining the ‘grace period’ for the GST Assisted Compliance Assurance Program (‘ACAP’) undertaken by GST registered businesses.**

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## IRAS VOLUNTARY DISCLOSURE PROGRAM

### OVERVIEW

1. Taxpayers may make errors in their tax matters due to ignorance or negligence, and without willful intent to cheat on taxes. The IRAS Voluntary Disclosure Program (VDP) aims to encourage this group of taxpayers to come forward voluntarily, in a timely manner, and get their tax matters right. It also aims to encourage taxpayers who have not made declarations on withholding tax to come forward.
2. The VDP is applicable to Income Tax (including withholding tax) and Goods and Services Tax (GST).
3. This e-Tax guide provides guidance on the qualifying conditions for disclosures to be considered voluntary and the reduced penalty treatment vis-à-vis all other disclosures. The VDP has been updated to define the reference point for determining the 'grace period' for GST registered businesses who conduct the GST Assisted Compliance Assurance Program ('ACAP') for the first time.

### QUALIFYING CONDITIONS

4. A voluntary disclosure is one which is timely, accurate, complete and self-initiated by the taxpayer. The taxpayer should also demonstrate the following:
  - (a) Full cooperation with IRAS to correct mistakes made; and
  - (b) Willingness to make arrangements with IRAS to pay additional taxes raised and/or penalties imposed (if any).
5. The voluntary disclosure is considered self-initiated and timely when it satisfies the following:
  - (a) It is made **before** taxpayer receives a query from IRAS relating to his tax assessment.
  - (b) It is made **before** taxpayer receives notification from IRAS of the commencement of audit or investigation; and
  - (c) For cases already under IRAS' query, audit or investigation, the disclosure must not be under the immediate scope of the query, audit or investigation.
6. IRAS may run periodic programs through mass mailers or other communication channels to encourage taxpayers to make voluntary disclosures on specific issues. Such disclosures within the specified time frame will qualify and be accorded treatments described in this guide.
7. Examples of voluntary disclosures and non voluntary disclosures are appended in Appendices A and B respectively.

## **SPECIFIC EXCLUSIONS**

8. The VDP is not available to taxpayers who are wilfully evading taxes. IRAS takes a serious view of such offences. While IRAS believes the vast majority of taxpayers are law-abiding and contribute their fair share of taxes, strong deterrent actions will be taken against the small minority who are deliberately errant.
9. However, voluntary disclosures made by those wilfully evading taxes will be accepted as a mitigating factor when IRAS considers penal charges.
10. Where taxes are collected and due to IRAS but timely notices were not given in a wilful manner, any disclosures thereafter will not qualify for reliefs under the VDP.

## **REDUCED PENALTY**

11. IRAS may impose penalties for submission of incorrect returns and late payment of taxes due to negligence or without reasonable excuse. However, to encourage voluntary disclosures of past errors and omissions, IRAS will either waive or reduce the penalty for cases which meet the qualifying conditions.
12. IRAS will waive the penalty for timely voluntary disclosures made within a 'grace period' of 1 year from the statutory filing date (not the extended deadline, if any, given to taxpayer).
13. For GST, the 'grace period' for voluntary disclosures of GST errors by businesses who have undertaken ASK Annual Review will be 1 year from the statutory filing date of their last GST return for the financial year. Please refer to Appendix C for examples of the relevant 'grace periods' applicable.
14. For GST registered businesses that have undertaken GST ACAP<sup>1</sup>, the 'grace period' for voluntary disclosure of GST errors will be 1 year from the statutory filing date of the last GST return<sup>2</sup> of the ACAP Period.
15. For voluntary disclosures made after the 'grace period', IRAS will impose a reduced penalty of 5% p.a. for Individual and Corporate Income Taxes, and 5% for GST and withholding taxes, with the exceptions of GST businesses that have undertaken GST ACAP that is elaborated under paragraph 16.

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<sup>1</sup> Conduct of GST ACAP is evidenced by the submission of ACAP Report.

<sup>2</sup> Assume a business that is under quarterly GST filing cycle selects the ACAP Period covering GST returns from 1 Apr 2010 to 31 Mar 2011. The grace period for it to make voluntary disclosure of errors discovered for the ACAP Period will be 30 Apr 2012, which is one year from the statutory filing date of the quarter ended 31 Mar 2011 (i.e. the last GST return of the ACAP Period).

## **One-time Waiver of Penalty beyond Grace Period for GST Errors arising from Conduct of the First GST ACAP**

16. For voluntary disclosure of errors discovered from conducting GST ACAP for the first time, the 'grace period' can be extended beyond 1 year to the business that is **accorded with ACAP status**.
  - a. The extension of 1-year grace period for businesses that conduct GST ACAP is given in recognition of the business' efforts to establish strong GST Controls at Entity, Transaction and GST Reporting levels to manage GST risks and ensure continual GST compliance. This exceptional waiver is for a period of 5 years from 5 April 2011 to 4 April 2016, based on business' notification to IRAS of its GST ACAP participation.
  - b. Penalties on past GST errors disclosed will be fully waived, regardless of the time period to which the errors relate, if all the following conditions are satisfied:
    - i. business notifies IRAS of its intention to undertake the first GST ACAP, received by IRAS no later than 4 April 2016;
    - ii. the errors arise from the conduct of the first GST ACAP by the business are voluntarily disclosed;
    - iii. there is no fraudulent intent on the errors made; and
    - iv. ACAP status is accorded to the business for the first time.
  - c. GST errors discovered during preparatory stage for assessing readiness for the purpose of embarking GST ACAP may also qualify for waiver provided that:
    - i. all the conditions in paragraph 16b have been met; and
    - ii. IRAS is notified of the GST ACAP participation no later than 6 months from:
      - The date of engagement of external review; or
      - The date of commencement of an internal review.
17. If any of the conditions for full waiver of penalty beyond the grace period (determined in paragraphs 16b and 16c) is not met, the reduced penalty under paragraph 15 in respect of errors made after the grace period and the waiver of penalty under paragraph 12 in respect of errors made during the grace period (as defined in paragraph 14) will apply.
18. The waiver of penalty and reduced penalty are only available **once** to taxpayers. After being accorded the VDP reliefs, taxpayers should put in good and sufficient controls to prevent recurrence of similar errors or omissions. IRAS may not accord the same VDP reliefs for repeated errors or omissions (including re-filing of returns, submission of revised tax computations and disclosures of omissions/errors) made without reasonable grounds.
19. Appendix D shows the reduced penalty treatment under the VDP vis-à-vis the penalty treatments for all other disclosures provided they do not fall within the specific exclusions described above.

## HOW TO INFORM IRAS

20. The following table shows how taxpayers can inform IRAS on errors or omissions made in the past.

<b>Tax Type</b>	<b>How to Inform IRAS</b>
Individual Income Tax	Email to <a href="mailto:iit_compliance@iras.gov.sg">iit_compliance@iras.gov.sg</a>
Corporate Income Tax	Email to <a href="mailto:ctmail@iras.gov.sg">ctmail@iras.gov.sg</a>
Withholding Tax	Email to <a href="mailto:enfs45@iras.gov.sg">enfs45@iras.gov.sg</a>
GST	Send an electronic request for GST F7 (Disclosure of Errors on GST Return) and e-file the GST F7 anytime up to 14 days from the date of request.

21. Alternatively, taxpayers may also write in to:

Inland Revenue Authority of Singapore  
55 Newton Road, Revenue House  
Singapore 307987

## MORE INFORMATION

22. For more information on the VDP, please visit the IRAS' website at [www.iras.gov.sg](http://www.iras.gov.sg) (About IRAS > Taxpayer Compliance > IRAS Voluntary Disclosure Programme).

## APPENDIX A

### EXAMPLES OF VOLUNTARY DISCLOSURES

No	Situation	Commencement of IRAS query, audit or investigation?	Timely, accurate and complete disclosure?	Cooperation with IRAS to pay taxes / penalties?	Voluntary Disclosure?
1	Taxpayer informed IRAS of his omission of income due to negligence after reading about IRAS' compliance focus in the media. His disclosure was within the specified time frame.	No	Yes	Yes	Yes, taxpayer has fulfilled all the qualifying conditions.
2	Taxpayer filed a GST F7 to disclose output tax errors for a specified accounting period.	Yes, taxpayer was audited on his purchases and input tax for the same period.	Yes	Yes	Yes, the disclosure was not directly related to IRAS' audit on input tax.
3	Taxpayer filed a GST F7 to disclose input tax errors that were not uncovered during a previous audit by IRAS. The errors relate to the same period that was being audited.	No, but taxpayer was audited on purchases and input tax previously.	Yes	Yes	Yes, the disclosure was made after IRAS closed the audit on input tax.
4	Taxpayer is a minority shareholder of X Pte Ltd and the sole proprietor of Y. He is being audited by IRAS for his sole proprietor business. At the same time, X Pte Ltd came forward and disclosed income omission.	Yes, on the sole proprietor business only.	Yes	Yes	Yes, X's disclosure is voluntary since the audit on Y was not directly related to X's disclosure.
5	Taxpayer informed IRAS that he failed to withhold tax on royalties paid to a non-resident.	Yes, taxpayer is under IRAS audit for income omission and GST input tax.	Yes	Yes	Yes, the disclosure on withholding tax error was not directly related to IRAS' audit on taxpayer's other tax matters.

## APPENDIX B

### EXAMPLES OF NON VOLUNTARY DISCLOSURES

No	Situation	Commencement of IRAS query, audit or investigation?	Timely, accurate and complete disclosure?	Cooperation with IRAS to pay taxes / penalties?	Voluntary Disclosure?
1	Taxpayer informed IRAS of his omission of income due to negligence after reading about IRAS' compliance focus in the media. His disclosure was within the specified time frame.	No	Timely, but not accurate nor complete.	No	No, taxpayer did not meet all the qualifying conditions.
2	Taxpayer informed IRAS of his omission of income. His business partner is under IRAS' investigation for income omission from the partnership business with taxpayer.	Yes, audit has commenced on taxpayer's business partner.	No	Yes	No, IRAS has initiated an investigation on the partnership which is directly related to taxpayer's specific liability.
3	Taxpayer is currently audited by IRAS on his purchases and input tax for a specified accounting period. He disclosed input tax errors for other accounting periods.	Yes	No	Yes	No, the disclosure is directly related to IRAS' audit on input tax.
4	Taxpayer informed IRAS that he did not account for output tax on supplies made to a customer.	Yes, audit has commenced on the customer for input tax claimed on the same supplies.	No	Yes	No, IRAS has initiated an audit or investigation that is directly related to the specific liability of the taxpayer and IRAS has reasons to believe that the taxpayer is aware of the audit or investigation.

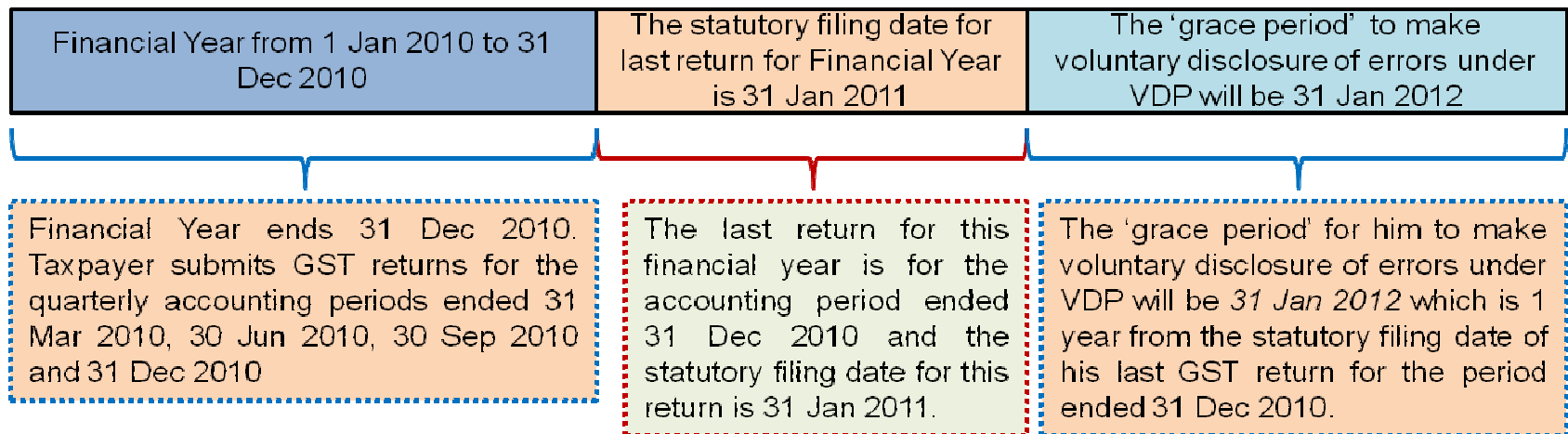
## APPENDIX C

### EXAMPLES OF 'GRACE PERIODS' APPLICABLE FOR GST REGISTERED BUSINESSES UNDER 'ASK' ANNUAL REVIEW

#### Situation 1: Financial year-end coincides with GST filing cycle

Assume taxpayer's financial year is from 01 Jan 2010 to 31 Dec 2010 and he submits GST returns for the quarterly accounting periods ended 31 Mar 2010, 30 Jun 2010, 30 Sep 2010 and 31 Dec 2010. Hence, his last return for this financial year is for the accounting period ended 31 Dec 2010 and the statutory filing date for this return is 31 Jan 2011.

If taxpayer conducts 'ASK' Annual Review on his GST returns for the above periods, the 'grace period' for him to make voluntary disclosure of errors under VDP will be 31 Jan 2012 which is 1 year from the statutory filing date of his GST return for the period ended 31 Dec 2010.



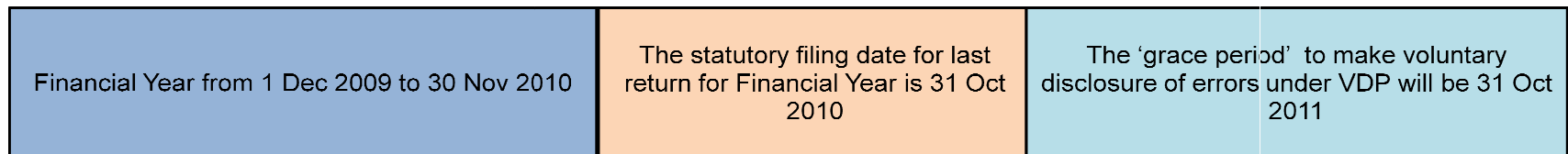
## Situation 2: Financial year-end does not coincide with GST filing cycle

(this only happens if there was a change in financial year-end and taxpayer did not inform IRAS to change his GST filing cycle to coincide with his new financial year-end)

Assume that another taxpayer's new financial year is from 01 Dec 2009 to 30 Nov 2010 and he submits GST returns for the quarterly accounting periods ended 31 Dec 2009, 31 Mar 2010, 30 Jun 2010, 30 Sep 2010 and 31 Dec 2010.

If taxpayer chooses to conduct 'ASK' Annual Review, the 4 GST returns falling within the financial year ended 30 Nov 2010 would be for the accounting periods ended 31 Dec 2009, 31 Mar 2010, 30 Jun 2010 and 30 Sep 2010. So, his last return for this financial year is for the accounting period ended 30 Sep 2010 and the statutory filing date for this return is 31 Oct 2010.

Hence, the 'grace period' for him to make voluntary disclosure of errors under VDP will be 31 Oct 2011.



Financial year ends 30 Nov 2010. Taxpayer submits GST returns for the quarterly accounting periods ended 31 Dec 2009, 31 Mar 2010, 30 Jun 2010, 30 Sep 2010 and 31 Dec 2010

The 4 GST returns falling within the financial year ended 30 Nov 2010 would be for the accounting periods ended 31 Dec 2009, 31 Mar 2010, 30 Jun 2010 and 30 Sep 2010. The last return for this financial year is for the accounting period ended 30 Sep 2010 and the statutory filing date for this return is 31 Oct 2010.

The 'grace period' for him to make voluntary disclosure of errors under VDP will be 31 Oct 2011 which is 1 year from the statutory filing date of his last GST return for the period ended 30 Sep 2010.

## APPENDIX D

### PENALTY TREATMENTS FOR VOLUNTARY DISCLOSURES VIS-À-VIS ALL OTHER DISCLOSURES

#### Income Tax

	During Grace Period	After Grace Period
Voluntary disclosures which qualify under the IRAS Voluntary Disclosure Program	0%	5% p.a.
All other disclosures	Up to 200% of tax undercharged	

#### Withholding Tax

	During Grace Period	After Grace Period
Voluntary disclosures which qualify under the IRAS Voluntary Disclosure Program	0%	5%
All other disclosures	Up to 20% of tax unpaid	

#### GST

	During Grace Period	After Grace Period
Voluntary disclosures which qualify under the IRAS Voluntary Disclosure Program	0%	5% (not applicable for GST ACAP disclosures under paragraphs 16b and 16c)
All other disclosures	Up to 200% of tax unpaid	