

# **IRAS CIRCULAR**

## **GUIDE ON SHOPPING CENTRE ASSESSMENT**



INLAND REVENUE  
AUTHORITY  
OF SINGAPORE

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# **GUIDE ON SHOPPING CENTRE ASSESSMENT**

## **1. Introduction**

This guide explains how IRAS determines the annual values of shops in shopping centres.

## **2. Definition of Annual Value**

Annual Value is the gross amount at which a property can reasonably be expected to be let from year to year, the landlord paying the expenses of repair, insurance, maintenance or upkeep and all taxes (other than GST). In short, it is the market rent of the premises.

## **3. Assessment Basis**

The rental comparison method is commonly adopted as the method of assessment for retail shops as there is ample market rental evidence available. Market rents can be evidenced by the actual rents of the shops if these are let out on an arm's length and year-to-year basis. Where actual rents are below market rents, the annual value of the shops would be estimated based on market rents.

Where the terms of the tenancy agreement include payment for the hire of furniture & furnishings (F&F), payments for other services excluding repair, maintenance and insurance of the building and Advertising & Promotion (A&P) contribution, such annual amounts would be excluded from the Annual Value if these are reasonable and are likely to be incurred.

If additional rent is payable by the tenant based on a percentage of the tenant's gross sales as required in the tenancy agreement, the additional rent has to be included in the annual value of a shop.

## **4. Court Decision on whether A&P Contribution is to be included in the Annual Value**

Following the High Court decision in BCH Retail Investment Pte Ltd v Chief Assessor, Advertising & Promotion (A&P) contribution can be excluded from the annual value of the shop, if the following conditions are satisfied:

- It is reasonable for the landlord to provide the A&P services;
- The tenants agreed to pay for such services;
- The services were indeed provided by the landlord; and

- The costs of providing the A&P services were reasonably incurred

To satisfy the above conditions, the tenancy agreement should clearly state the component of A&P contribution payable by the tenant and the obligations of the landlords and tenants with regards to such payment. The landlord should also prepare the expenditure statements showing the costs incurred for A&P services.

For verification purposes, IRAS may ask for copies of tenancy agreements, expenditure statements for A&P, and any other documentations pertaining to payments made by the tenants and costs incurred by the landlord. Landlords should keep these documents relating to A&P for 5 years.

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