

EXPLANATORY NOTES ON FORM P 2008

These notes are intended only as a general guide for completing the Form P



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1 Declared Income

- 1.1 The precedent partner must complete and send in the Form P.
- 1.2 With effect from Year of Assessment 2005, the precedent partner of a husband & wife partnership must complete and send in the Form P.
- 1.3 The declared income includes all income accruing in or derived from Singapore or received in Singapore in the preceding year.

2 Profit of Trade, Business, Profession or Vocation

- 2.1 You are required to maintain a proper set of books of accounts or other records to enable us to verify your declared income. Do not send in supporting documents such as donation receipts etc together with your Form P unless they are specifically called for verification. All supporting documents sent in will not be returned and may be destroyed.
- 2.2 If the partnership's Turnover is \$500,000 or more, send in the Certified Trading and Profit and Loss Account and Balance Sheet.
- 2.3 If your financial accounts are maintained in a functional currency other than the Singapore dollar, you should ensure that the certified Statement of Accounts that is required to be sent to the Comptroller is prepared in that functional currency. (Please refer to IRAS' e-tax guide titled "Filing of Income Tax Computations and Financial Statements in Functional Currencies other than Singapore Dollars" published on IRAS website for details.)
- 2.4 If the gross receipts in the preceding year exceed \$18,000 from sale of goods, or more than \$12,000 from providing services, you need to issue serially numbered printed receipts or keep a proper cash register.
- 2.5 If the partnership has branches, give the aggregate amount on page 2 of the form. You also need to send in a 4-line statement showing the turnover, gross profit, allowable deductions and adjusted profits/loss for each branch.

Turnover

- 2.6 This is the total receipts before deducting expenses and includes:
 - a) sale proceeds from goods sold;
 - b) payments or fees received or receivable for services provided;
 - c) bills (paid or unpaid) sent to customers; and
 - d) the selling price of goods or materials taken out of the business by the partners.

Gross Profit

- 2.7 This is the amount of turnover after deducting cost of goods sold.
- 2.8 If a business does not involve the sale of goods, gross profit is the turnover.

Allowable Business Expenses

- 2.9 The allowable deductions include:
 - a) interest on any money borrowed for use in the business;
 - b) rent and utility charges of the business premises;
 - c) upkeep of equipment, machinery or business premises;
 - d) trade debts which become bad during the accounting period;
 - e) compulsory CPF contributions by an employer;
 - f) capital allowances on industrial buildings or structures as defined in the Income Tax Act; and
 - g) capital allowances on plant and machinery used in the business.
- 2.10 The general rules for capital allowance on plant and machinery are:
 - a) an initial allowance of 20% of the capital expenditure incurred during the year;
 - b) an annual allowance at the prescribed rate for wear and tear;
 - c) accelerated capital allowance instead of the initial and annual allowances mentioned above may be claimed on all plant and machinery (except motor cars, motorcycles, and light goods vehicles not exceeding 3000 kg). The capital expenditure can be written off over a 3-year period;
 - d) for computers, automation equipment and industrial robots, a claim may be made for 100% of the capital expenditure to be written off in one year;

- e) with effect from Year of Assessment (YA) 2005, assets costing no more than \$1,000 each that are acquired during or after the basis period relating to YA2005 may be written off in one year, subject to the condition that the total claim for 100% write-off of all such assets is no more than \$30,000 per YA (please refer to IRAS' e-tax guide titled "Simplification of Income Tax Rules and Procedures - 100% Capital Allowance For Items of Machinery or Plant Costing No More Than \$1,000 Each" published on IRAS website for details);
- f) where plant and machinery has been sold, scrapped or destroyed, a balancing allowance is given if the tax written down value exceeds the sale/disposal proceeds and a balancing charge is made if the sale/disposal proceeds exceed the tax written down value;
- g) for diesel driven goods vehicle or bus registered during the period from 15.2.2007 to 14.2.2012 as a replacement for an existing diesel-driven vehicle or bus which was registered on or after 1.1.1991 but before 1.10.2006, a claim may be made for 1 year write-off subject to certain conditions (please refer to IRAS' e-tax guide titled "Claim for one-year write-off for new diesel-driven goods vehicles and buses registered on or after 15 Feb 2007" published on IRAS website for details).

Expenses That Are Not Allowable

- 2.11 The expenses that are not deductible include:
- a) domestic or private expenses;
 - b) capital expenditure including additions, improvements or alterations;
 - c) amount payable in respect of income taxes;
 - d) interest payable by any person out of Singapore to another person out of Singapore except where tax has been deducted and accounted for to the Comptroller of Income Tax;
 - e) partners' salaries, allowances, bonuses, CPF contributions, interest on capital and any other expenses paid on behalf of the partners;
 - f) expenses incurred on a motor car not registered as a business service passenger vehicle (e.g. S-plate car or Q-plate car registered with COE issued on or after 1/4/1998);
 - g) medical expenses exceeding 1% of employees' remuneration. If the employer is implementing either Portable Medical Benefits Scheme (PMBS) or Transferable Medical Insurance Scheme (TMIS), the medical expenses will be capped at 2% of employees' remuneration;
 - h) Any amount of output tax paid or payable under the GST Act which is borne by a GST registered taxable person.

Adjusted Profit/Loss

- 2.12 This is the amount derived from gross profit/loss after deducting the allowable business expenses and any capital allowances claimed i.e. [d] = [b] - [c] on page 2 of the form.

Divisible Profit/Loss

- 2.13 This is the amount derived from adjusted profit/loss after deducting partners' salaries, allowances, bonuses, CPF contributions, interest on capital and any other expenses paid on behalf of all the partners i.e. [g] = [d] - [e] - [f] on page 2 of the form.

3 Interest

- 3.1 With effect from Year of Assessment 2006, interest received on or after 1/1/2005 from any deposit with approved banks or licensed finance companies in Singapore is tax exempt.
- 3.2 Give details of interest income from deposits with non-approved banks or finance companies which are not licensed in Singapore, pawnshops and loans to companies and persons in Section B on page 2 of the form.
- 3.3 For interest on loan or mortgage, please give the name and address of the borrower.

4 Dividend

Any foreign-sourced dividend received on or after 1/6/2003 in Singapore that has been subjected to tax in a foreign jurisdiction from which the dividend is received and where the highest corporate tax rate of that foreign jurisdiction is at least 15%, will be exempted from tax.

5 Other Income

Rent

- 5.1 You should give us the address of each property.
- 5.2 For each property, give details of the gross rent (include rental of furniture and fittings, service charges received from the tenant) and expenses incurred. Expenses include property tax, mortgage interest, fire insurance and repairs.

Royalty

- 5.3 Give details of gross income and statement of expenses incurred, if any.

Other Types Of Income

- 5.4 This includes:

- a) income which does not fall within any of the other classifications of income; and
- b) income received from sources outside Singapore.

Any foreign branch profits and/or foreign-sourced service income received on or after 1/6/2003 in Singapore that have been subjected to tax in a foreign jurisdiction from which profits or income is received and where the highest corporate tax rate of that foreign jurisdiction is at least 15%, will be exempted from tax. Profits of a foreign branch that qualify for tax exemption do not cover non-trade or non-business income such as interest income or royalty income.

6 Donations to Approved Institutions

- 6.1 List details of donations which were made in the name of partnership in Section B on page 2 of the form. Do not give details of donations if they were made in the name of partner.
- 6.2 You may claim a deduction of twice the amount of donations made to approved Institutions of a Public Character (IPC) in Singapore on or after 1/1/2002, except for Naming Donations made before 1/1/2005 to an IPC or its facility.
- 6.3 With effect from Year of Assessment 2006, a double tax deduction is granted for Naming Donations made on or after 1/1/2005 to IPCs and other approved recipients (include approved museums and prescribed educational and research institutions). In addition, Naming Donations where an IPC event or IPC programme acknowledges or is named after the donor will also be granted double tax deduction.
- 6.4 You may claim a deduction for donations of parcels of land and buildings ("asset") to approved IPCs with effect from 1/4/2003. The amount allowed will be twice the market value of the asset. However, should there be any naming opportunities, only a single tax deduction will be allowed if it was made before 01/01/2005.

7 Change of Partners

- 7.1 You must write to us when:

- a) a partner withdraws from the partnership or leaves Singapore; and
- b) the precedent partner is changed. (The new precedent partner must give us his full name, address and the date when he becomes the precedent partner.)

- 7.2 If a person liable to tax ceases or is about to cease being a partner, the partners present in Singapore must write to us not later than 1 month before the person ceases to be the partner in Singapore. Your letter must give the name and address of this partner and the date when he ceases to be a partner.

- 7.3 If any partner liable to tax is leaving or intending to leave Singapore for any period exceeding 3 months, the partners present in Singapore must also write to us not later than 1 month before the partner is expected to leave Singapore. This is not necessary if the partner needs to leave Singapore at frequent intervals for business purposes.

- 7.4 If any person who has ceased or is about to cease being a partner in Singapore has money due or payable to him from the partnership, the partners present in Singapore shall not, without the written permission of the Comptroller, pays such moneys or any part thereof to that person.

- 7.5 When a new partner joins or an existing partner withdraws from the partnership, and section 24 is elected, capital allowances are only allowed to the buyers who own the assets as at the end of the basis period of the year of assessment in which there is a change of partners of the partnership. No capital allowances will be allowed to the sellers.

FREQUENTLY ASKED QUESTIONS

1. Who is responsible for the filing of Form P?

The precedent partner of the partnership is responsible for reporting the partnership income in Form P.

2. Who is the precedent partner?

The precedent partner is the partner who, among all the partners present in Singapore, is the first named in the partnership agreement; or in the absence of such agreement, is a partner who is mutually appointed by other partners of the partnership.

3. What is the procedure for lodging an objection to the profit/loss allocation?

The precedent partner is responsible for lodging the objection to the partnership allocation of profit/loss. He/she must write to us stating clearly the grounds of objection within 30 days from the date of allocation notice.

4. Will there be any tax on the partnership?

As a partnership is not a separate legal person for income tax purposes, the income of a partnership cannot be assessed in the partnership's name. The share of adjusted profit/loss from the partnership will be assessed/allowed in the individual partners' names and taxes will be levied accordingly.

5. We have registered a new partnership business last year, where can I get Form P?

For a new partnership business, you can call 1800-356 8611 and press option '2' for a registration form to be sent to you. Upon receipt of your registration form, a Partnership Income Tax Return (Form P) will be sent to the precedent partner for his/her completion and submission to IRAS.

6. My wife and I have registered a partnership, is Form P still required? How do I declare my share of profit/loss for husband & wife partnership?

Yes. With effect from Year of Assessment 2005, Form P is required for husband & wife partnership. If you are the precedent partner, you have to complete Form P for the partnership and at the same time, you and your spouse have to declare your respective share of profit/loss in your Individual Income Tax Return by completing Section 1b on page 2 of Form B or Appendix 1 of Form B1.

7. If I receive Form P and Form B, am I supposed to fill in both forms?

Yes. As a precedent partner, you have to complete Form P for the partnership and at the same time, declare your share of profit/loss from this partnership in your Individual Income Tax Return (Form B) accordingly.

8. If there is no business done or losses incurred for the partnership, do I need to submit the Form P?

Yes. You are still required to submit Form P to IRAS. You have to declare the losses incurred and attach certified statement of accounts if the business turnover is \$500,000 or more.

If there is no business done, you have to cross the box [X] for no business done on the "Declaration" column on the front page of Form P and sign the form before submitting it to IRAS.

9. If there is a change in the constitution of the partnership, how do I make the declaration in the Form P?

You need to complete item 1 and/or item 2 on page 1 of the form and submit a 4-line statement/statement of account for the different periods concerned showing clearly the various partners' allocation of profit/loss. You have to complete pages 3 and 4 of the Form P in respect of all the partners concerned for each relevant period.

10. What accounting period should I adopt?

An accounting period is a period of trading for which you calculate your profits or losses. You should decide on your accounting period when you first start your business.

Most accounting periods end on 31 Dec each year. For example, if your business commenced on 1 Apr 2007, your accounting periods and the respective Years of Assessment will be: -

<u>Accounting Period (ending 31 Dec)</u>	<u>Year of Assessment</u>
01.04.07 to 31.12.07	2008
01.01.08 to 31.12.08	2009
01.01.09 to 31.12.09	2010

However, if you decide to draw up your accounts to a date other than 31 December, for example 31st March, then your accounting periods and the respective Years of Assessment will be: -

<u>Accounting Period (ending 31 Mar)</u>	<u>Year of Assessment</u>
01.04.07 to 31.03.08	2009
01.04.08 to 31.03.09	2010
01.04.09 to 31.03.10	2011

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BUSINESS INCOME TAX HELPLINE (1800-356 8611)

TAXPAYER SERVICES CENTRE

1st Storey, Revenue House
55 Newton Road
Singapore 307987
(Opposite Novena MRT Station)

Opening Hours: Monday to Friday : 8am - 5pm
 Saturday : 8am - 1pm