

Tax Guide for TUTION INDUSTRY

What you need to know if you run a tuition business



INLAND REVENUE
AUTHORITY
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This information aims to provide a better general understanding of taxpayers’ tax obligations and is not intended to comprehensively address all possible tax issues that may arise.

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A. Introduction

If you are carrying out a business of providing tuition services or providing/assigning tutors to your customers/students, this guide will help you report your business income when you file your tax.

To run a business in Singapore, you need to:

- (a) Keep proper records and accounts of your business for 5 years.
- (b) File tax and pay the amount of tax due within one month from the date of the Notice of Assessment.
- (c) Contribute Medisave if you are a self employed (**See Section D for more details**).
- (d) Register with IRAS as a GST-registered person if your annual Revenue exceeds \$1 million or you expect the Revenue/sales of your business for the next 12 months to exceed \$1 million. For more details, please refer to the IRAS website (www.iras.gov.sg) > GST > For non-GST registered businesses > Registering for GST > Do I need to register .

B. Keeping Proper Records and Accounts

1. Why do I need to keep business records?

Record keeping practice is an important part of your business. The benefits are as follow:

- (a) Better control of your business;
- (b) An essential source of evidence to determine business income/ losses and make adjustments;
- (c) Reduces cost & effort during collation of information.

These records need not be forwarded to IRAS unless they are specifically requested for verification. Improper records and mere estimations are not acceptable for tax purposes.

You need to keep proper records and accounts of your business transactions for 5 years for transactions. The accounts prepared must be supported by proper documents such as invoices, receipts and payment vouchers.

2. What business records should I keep?

You need to keep the following business records:-

- (a) Bank Accounts
- (b) Revenue/Sales
- (c) Purchases
- (d) Expenses
- (e) Assets
- (f) Stocks

3. How do I keep these business records?

3.1 Bank Accounts

You should maintain separate bank accounts for business and private purposes and the business bank account must be used solely for business transactions. You should retain the bank statements or passbooks of your business bank accounts.

3.2 Revenue / Sales

In order to ensure complete and accurate recording of your revenue/sales received for tax purposes, you need to maintain the following:

- (a) Records of the tuition fees / commission from tuition fees collected
- (b) Receipt book
- (c) Invoices issued
- (d) Returned goods
- (e) Goods taken for private usage
- (f) Customer's/student's records
- (g) Refunds made to customers/students

(a) Record of the tuition fees / commission from tuition fees collected

Either accounting software or a manual record should be used in the recording of tuition fees made to you/your business or commission made from tuition fees collected.

(b) Receipt book

You have to issue serially printed receipts and retain a duplicate if your gross income in any year exceeds \$18,000 from the sale of goods, or \$12,000 from providing services.

However, you need not issue receipts if you can ensure completeness and accuracy of your revenue by adopting one of the following practices:

- (a) Use cash register to record **all** cash sales and invoices are issued for **all** credit sales.
- (b) Input **all** sales into accounting software. Invoices should be generated by the system for all sales transactions and duplicate invoices are retained.
- (c) In the absence of a cash register or accounting software, a daily sales record book should be maintained to record **all** cash and credit sales.

(c) Invoices Issued

Invoices should be issued to record all your revenue collection. You may design your own invoices and get them printed or you can buy pre-printed invoices from stationery suppliers

A sales invoice should contain the following information:

- (a) Business name, address, telephone number and business registration number
- (b) Invoice number
- (c) Invoice date
- (d) Customers' names & addresses
- (e) Description of services such as tuition packages offered, term/package fees, period of service, etc.
- (f) Any cash discount offered/refund given
- (g) Total price

GST-registered businesses must issue **tax invoices** as required by GST legislation. For requirement to issue tax invoice, please refer to the GST e-tax guide "Record Keeping Guide for GST registered businesses" available on IRAS website (www.iras.gov.sg) > Quick Links > e-tax Guides > GST > GST e-tax Guides (2003 and before) > Reference No. 1994/GST/26.

(d) Returned Goods

Goods such as assessment books, reading or educational materials sold may be returned due to damage, defects, or incorrect goods or quantities being supplied. You may either issue a credit note to your customer for this adjustment to sales. Alternatively, you can record this transaction in your sales record book under a separate heading as 'Goods Returned'.

For GST-registered businesses, for information on requirement to issue credit notes and details to be shown on credit notes, please refer to the GST e-tax guide "Record Keeping Guide for GST registered businesses" available on IRAS website (www.iras.gov.sg) > Quick Links > e-tax Guides > GST > GST e-tax Guides (2003 and before) > Reference No. 1994/GST/26.

(e) Goods Taken for Private Usage

If you take any goods such as assessment books, reading or educational materials that were bought, produced or manufactured by your business for your own private use, or for your family or friends, these should be entered into your business records. The sale price of the stock taken for all private usage should be added to sales. This could be achieved by recording the relevant details in a "goods taken for private usage" book. The details to be recorded are:

- (a) Date of goods taken
- (b) Description of goods
- (c) Sale price of goods

If you are GST-registered, you are required to account for output tax on deemed supply for business goods put to private use in situations where you are entitled to input tax claim. For more details, please refer to the GST e-tax guide "GST: General Guide for Businesses" available on IRAS website (www.iras.gov.sg) > Quick Links > e-tax Guides > GST > GST e-tax Guides (2003 and before) > Reference No. 1994/GST/28.

(f) Customer's/student's Record

Customer's/student's record card should be maintained for each customer/student who has signed up for subjects/tuition package. This serves as a tool for monitoring the number of lessons attended by the student against the revenue collected/overdue.

A customer's/student's record card should contain the following information:

- (a) Customer's/student's identity number, name & address
- (b) Description of subjects/tuition package taken
- (c) Price per subject/per package
- (d) Number of lessons entitled
- (e) Utilisation or acknowledgement of package through attendance taking

(g) Refunds made to customers/students

Any refund made must be recorded in the record card with the amount refunded and the reason(s) for such refund. This amount should also be properly reflected in the invoices issued in the next term when such refunds are given.

3.3 Purchases

You should obtain invoices when paying for purchases. For your convenience, you may want to consider arranging all payments through your business bank accounts.

However, where small amounts of cash are used for small or sundry purchases, the receipts indicating the goods purchased must be kept. If a receipt does not describe the good or services bought, you should provide a description of the transaction on the receipt or attach description to receipt.

Where no receipt is issued, a cash payment voucher showing the date, description and cost of purchase must be prepared and acknowledged by supplier or service provider. You should also maintain a purchases record book to record the name of supplier or service provider, date, description of goods or services and amount paid.

If you are GST registered, you must maintain proper tax invoices/simplified tax invoices to support your input tax claims. For more details, please refer to the GST e-tax guide "GST: General Guide for Businesses" available on IRAS website (www.iras.gov.sg) > Quick Links > e-tax Guides > GST > GST e-tax Guides (2003 and before) > Reference No. 1994/GST/28.

3.4 Expenses

The following are some examples of allowable business expenses and types of records to be kept:

Allowable Business Expenses	Type(s) of Records
Public transport expenses	Receipts such as taxi receipts, which substantiate your public transport expenses should be kept. You may want to refer to the sample Monthly Public Transport Expenses Record at Appendix 1 .
Overseas travelling expenses	Receipts or other travel documents that substantiate your business overseas travelling expenses, including meals & accommodation, should be retained. You may want to refer to the sample Monthly Overseas Travelling Expenses Record at Appendix 2 .
Entertainment	Invoices or receipts that substantiate the entertainment expenses should be kept. Retention of credit card slips or monthly credit card statements are not acceptable. You may want to refer to the sample Monthly Entertainment Expenses Record at Appendix 3 .
Staff Remuneration – includes wages, salaries, bonus, commission and allowances.	Payment vouchers, Form IR8A or remuneration schedule. You may want to refer to the sample Monthly Staff Remuneration Record at Appendix 4 .
Employer's CPF Contributions	CPF statements
Telephone/internet/utility charges for business	Bills from service providers (e.g. PUB, SingTel, M1, Starhub)
Rental charges	Lease agreements and monthly rental receipts paid should be kept.
Advertisement/printing/stationery expenses	Invoices/bills relating to such items which are incurred for the business should be kept in an orderly manner.

In summary, you should regularly prepare a consolidated business expenses record. Refer to the sample Monthly Business Expenses Record at **Appendix 5**.

If a receipt does not describe the goods or services received, you should provide a description of the transaction on the receipt. For cases where the supplier does not issue any receipt, you should maintain a record book to record the name of supplier or service provider, date, description of goods or services and amount paid.

3.5 Assets

A business usually has a number of assets, such as furniture and office equipments. You need to keep the following details and documents for each of the assets:

- (a) Date of purchase and cost
- (b) Date of sale and sale price
- (c) Copies of contracts of purchase and sale

You are advised to prepare a fixed asset schedule at the time you purchase or start your business so that you can record the items acquired, the dates of purchase and their costs. You may want to refer to the sample Fixed Asset Schedule at **Appendix 6**.

The amount incurred in purchasing these fixed assets is capital in nature and are not deductible for tax purposes. However, you may claim capital allowances as well as the Productivity & Innovation Credit (PIC)¹.

(See Q2 of Section C3 – “How do I calculate capital allowances?” for more details)

3.6 Stocks

Stocks refer to anything purchased for the purposes of sale such as educational / assessment books. A physical stock count should be carried out at the end of the accounting year to establish the correct amount of closing stock. You may want to refer to the sample stock list at **Appendix 7**. The closing stock for the current year will be the opening stock for the following year.

4. **What is a Certified Statement of Accounts?**

Certified statement of accounts is Profit and Loss Statement and Balance Sheet that are signed by you², indicating that the accounts are true and correct.

At the end of each year, you could use the business records kept to prepare the statement of accounts of your business.

Profit and loss statement shows the results of a business for the year. If the total revenue (i.e. income) exceeds the total expenses, the result is a net profit. If the total expenses exceed the total revenue, the result is a net loss. Refer to the sample statement of accounts at **Appendix 8**.

Some business expenses incurred might not be deductible for tax purposes. When preparing the income tax return, you must ensure that only deductible expenses are claimed. **(See 5.3 of Section C – “Allowable Business Expense” for more details)**

A balance sheet shows the assets, debts and money invested of your business as at the end of the financial year.

¹ Arising from the new budget changes, the PIC has been enhanced to provide tax benefits for investments by businesses in a broad range of activities. You may wish to refer to our website for more information on PIC.- (www.iras.gov.sg) < Businesses – For Companies (including Productivity and Innovation Credit scheme) < Productivity and Innovation Credit < About Productivity and Innovation Credit (PIC) >.

You may engage an accounting professional to prepare a proper statement of accounts for you.

² The person may be owner of the business (i.e. sole proprietor), a precedent partner (i.e. in the case of a partnership) or a director of a company.

C. Filing of Income Tax Returns for Individuals

1. I have just started my business as a sole proprietor or as a partner. Do I have to inform IRAS about it?

You do not have to inform IRAS. An income tax return (Form B or B1), letter or SMS will be sent to you at the beginning of the year, usually before 15 March, for you to report your income.

However, if you do not receive any form, letter or SMS by 15 March, you may contact our Taxpayer Services Officers at 1800-3568300 for assistance.

2. When will my business income be taxed?

The income you receive this year will only be taxed in the following year. For example, you will need to report your income for the year 2016 in year 2017, which is known as Year of Assessment 2017. You need to submit your tax return form by 15 April or e-File by 18 April every year.

3. What accounting period should I adopt?

An accounting period is a period of trading/business operation 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 December each year.

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

1st Accounting Period	01.04.13 to 31.03.14	Year of Assessment 2015
2nd Accounting Period	01.04.14 to 31.03.15	Year of Assessment 2016
3rd Accounting Period	01.04.15 to 31.03.16	Year of Assessment 2017
	and so on	

4. Where do I report my business income?

As a self-employed person, the business income is treated as part of your total personal income and taxed at personal income tax rates.

For a sole proprietor, you should report your business income in your income tax return (Form B) under "Sole Proprietorship" in the "Trade, Business, Profession or Vocation" section. If you received a Form B1, you should report your business income under 'Other Income' and provide the details in its Appendix 1.

For a partnership business, the precedent partner is required to report the partnership income in Form P. As a partner, you should report your share of partnership income in your individual income tax return (Form B) under "Partnership" in the "Trade, Business, Profession or Vocation" section. Your share of partnership income is the sum of your divisible profit/loss, salary, CPF, interest, rent and other Singapore income from the partnership.

5. How do I report my business income?

If you are a sole proprietor/partner, you are required to report your business income in a summarised 4-line statement, as follows:

Revenue

Gross Profit/Loss

Allowable Business Expenses

Adjusted Profit/Loss

If the revenue is less than \$100,000, you are only required to report in a summarised 2-line statement, i.e. revenue and adjusted profit/loss.

5.1 Revenue

Revenue refers to the total receipts of your business before deducting any business expenses. If you are a GST-registered person, the total receipts should exclude GST collected from customers (i.e. output tax). Revenue includes:

- All payments for sales of educational/ assessment books
- Tuition fees or commission from tuition fees for services provided (see 5.1.1 – “Accounting for tuition fees received for tuition packages or commission from tuition fees” for more details)

If you are a sole-proprietor/partner and the revenue of your business is less than \$500,000, you are not required to submit a certified Statement of Accounts but you must still prepare the accounts and be ready to submit it to IRAS if we request for it.

If the revenue of your business is \$500,000 or more, you have to submit a certified Statement of Accounts together with your individual income tax return.

You must keep proper records of your business transactions regardless of your revenue. These records must be furnished upon request for audit purposes.

5.1.1 **Accounting for tuition fees received for tuition packages or commission from tuition fees**

There are various types of tuition packages/courses provided in this industry. These packages/courses are generally provided to customers specifying the number of lessons and the course term. Payments are normally made upfront before the start of each course term.

Under the accounting standard FRS 18¹, when the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction should be recognised by reference to the stage of completion of the transaction at the balance sheet date.

In this regard, income is recognised based on the number of lessons utilised as at the balance sheet date. The amount attributable to unutilised lessons should then be deferred to subsequent periods.

At the end of each specified course term, income attributable to unutilised lessons should be recognised as revenue earned.

¹ Please refer to website at www.asc.gov.sg for more details

5.2 Gross Profit/Loss

Gross profit/loss refers to the amount of revenue after deducting the cost of goods sold. However, if your business involves only the provision of services, the gross profit will be your revenue.

Example 1:

	\$	\$
Revenue		30,000
(Tuition fees/Commission received)		
Less: <u>Cost of Goods Sold (For education/assessment books)</u>		
Opening Stock	10,000	
Purchases	5,000	
Closing Stock	(7,000)	
Cost of Goods Sold	8,000	8,000
Gross Profit/(Loss)		22,000

If you are a GST-registered person, the total purchases should exclude the GST paid on business purchases (i.e. input tax).

5.3 Allowable Business Expenses

Business expenses are allowed as tax deductions if they are wholly and exclusively incurred in the production of income. Private expenses and expenses on private cars are not tax deductible. Expenditure on capital assets is not deductible. However, if the assets qualify as furniture and office equipments, capital allowances may be allowed. Some examples of allowable and disallowable expenses are:

Allowable Business Expenses ¹	Disallowable Business Expenses
Employee Costs	
<ul style="list-style-type: none"> • Employees' salary, commission, bonus, allowances • Compulsory employer's CPF contributions • Retrenchment benefits • Employees' medical fees up to 1% of their total remuneration (2% if you as the employer are implementing either the Portable Medical Benefits Scheme or the Transferable Medical Insurance Scheme) 	<ul style="list-style-type: none"> • Employer's CPF contributions above the statutory limit • Employees' medical fees exceeding 1% of their total remuneration (2% if you as the employer are implementing either the Portable Medical Benefits Scheme or the Transferable Medical Insurance Scheme) • Sole proprietor's/partner's salary, bonus, allowances and Medisave/CPF contributions • Sole proprietor's/partner's personal drawings, medical fees, income tax, insurance and donations.
Basic Costs	
<ul style="list-style-type: none"> • Rent, utility and telephone charges for the business • Stationery and postage fees • Advertising costs • Upkeep of business premises, equipment and machinery • Cost of traveling on public transport in the course of business • Repair and maintenance of assets used for business • Capital allowances on fixed assets purchased for business use 	<ul style="list-style-type: none"> • Private expenses such as food, household and entertainment expenses for yourself, family members and friends • Maintenance costs of private vehicles (E or S-plate cars) including ERP, petrol and parking • Cost of traveling to and from your home • Renovation costs¹ • Cost of fixed assets purchased for business use² • Depreciation of fixed assets²
Finance & Professional Costs	
<ul style="list-style-type: none"> • Interest on money borrowed for use in business • Hire purchase interest for qualifying assets • Accountancy fees • Legal fees incurred in renewal of leases 	<ul style="list-style-type: none"> • Interest on loans obtained for private use • Repayment of loans • Legal fees and stamp duty on new lease agreement • Fines and penalties • Capital contributions or withdrawals

If you are a GST-registered person, the total allowable business expenses should exclude the GST paid on business expenses (i.e. input tax).

5.4 **Adjusted Profit/Loss**

Adjusted profit/loss refers to gross profit/loss after deducting the allowable business expenses and any capital allowances claimed.

¹ You may wish to visit our website for details on tax deductions on qualifying Renovation or Refurbishment (R&R) cost.

² You may claim capital allowance for these expenses. Please refer to points 2, 3 & 4 of part **C3** for examples on capital allowance.

C2. Filing of Income Tax Returns for Companies

1. I have just incorporated my company. What are my company's filing obligations?

Every company incorporated in Singapore has the following income tax filing obligations:

- Filing of the company's Estimated Chargeable Income (ECI)
- Filing of the company's Income Tax Return (Form C)

IRAS will automatically send the first ECI reminder letter and Form C to a new company in the second year following the year of incorporation. The ECI reminder letter serves to remind companies to file their ECI within three months from their financial year end.

However, if the company closes its first set of accounts in the year of incorporation and has commenced business during the year, you have to request for a Form C from IRAS to file the tax return by 30 November of the Year of Assessment.

Example:

Year of Incorporation	2016	2016
First accounting period ends on	Any date in year 2016	Any date in year 2017
First Form C	Year of Assessment 2017	Year of Assessment 2018
How to obtain Form C?	Request for Form C from IRAS	Form C will automatically be issued to company by April 2011

2. When will my company's income be taxed?

Your company's income is assessed on a preceding year basis. This means that the basis period for any Year of Assessment (YA) is the accounting year ending in the year preceding the YA.

3. What accounting period should my company adopt?

An accounting period is the period of trading/business operation 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 December each year.

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

1st Accounting Period	01.04.13 to 31.03.14	Year of Assessment 2015
2nd Accounting Period	01.04.14 to 31.03.15	Year of Assessment 2016
3rd Accounting Period	01.04.15 to 31.03.16	Year of Assessment 2017
	and so on	

Newly incorporated companies need to notify IRAS once they close their first set of accounts if their accounting year end is not 31 December,. To notify IRAS, please complete and submit the "Request for Form C for newly incorporated companies or companies granted waiver to submit Form C / change of particulars", as appropriate. The form is available at the IRAS website (www.iras.gov.sg) > For companies > Guide for new companies > Form C & ECI Filing Obligations >. The completed form can be sent to IRAS by post or via fax to + 65 6351 4360.

However, there is no need for a newly incorporated company to inform IRAS if your financial year end is 31 December.

It is important that you inform us of your accounting year end if it is not on 31 December as otherwise, the ECI reminder letter, will be issued to the company in December instead of the last month of the actual financial year end.

3.1 Tax Exemption Scheme for new start-ups

New companies that meet certain qualifying conditions do not need to pay tax on the first \$100,000 of normal chargeable income (excluding Singapore franked dividends) for any of the first 3 Years of Assessment. A 50% exemption will be given on the next \$200,000, for any of the first 3 years of tax assessment. Please refer to the IRAS website (www.iras.gov.sg) >For companies > Guide for new companies > Tax Exemption Scheme for New Start-Up Company for further information.

4. How do I report my company's income?

A company is required to report an estimate of its income by filing its ECI within 3 months from its accounting year-end. If the ECI is 0 or the company is in a tax loss position, you still have to file a "nil" ECI.

You may file your company's ECI:

- electronically via *myTax Portal* (<https://mytax.iras.gov.sg>); or
- by completing and submitting an ECI Form.

A company is required to report its actual income by filing its Form C together with its financial accounts, tax computation and relevant supporting documents by **30 November of each year**.

C3. Capital Allowances

1.	What are capital allowances?	<p>The amount incurred in purchasing these fixed assets is capital in nature; hence you are not allowed to claim the costs as expenses. However, you may claim capital allowances for the wear and tear of fixed assets purchased and used in the business.</p> <p>If you are a GST-registered person, you have to exclude the GST paid on the assets purchased when computing the capital allowances.</p>								
2.	<p>How do I calculate capital allowances?</p> <p>(i) One Year Write-off</p> <p>(ii) Three Years Write-off</p>	<p>Below are the ways to calculate capital allowances for the tuition industry:</p> <p>The full cost of the asset will be claimed as capital allowance in one year. This is applicable to capital expenditure incurred in respect of computers, peripherals, fax machines and other automation equipment.</p> <p>For fixed assets costing no more than \$1,000 each, the claim for one year write-off of all such assets must be capped at \$30,000 per year of assessment.</p> <p>Generally, most of the fixed assets purchased would qualify for the three years write-off (except motor cars, motor cycles & light goods vehicles weighing 3,000 kilograms and below are excluded). The full cost of the asset will be claimed as capital allowance over three years.</p> <p>Example 2 : Purchased air-conditioner for \$3,000 in the year 2009.</p> <p>The capital allowance you can claim for each year is \$1,000 (\$3,000/3) as follows:-</p> <table border="1" data-bbox="805 1297 1338 1423"> <thead> <tr> <th><u>Year of Assessment</u></th> <th><u>Annual Allowance(\$)</u></th> </tr> </thead> <tbody> <tr> <td>2010</td> <td>1,000</td> </tr> <tr> <td>2011</td> <td>1,000</td> </tr> <tr> <td>2012</td> <td>1,000</td> </tr> </tbody> </table> <p>As the cost of the air-conditioner has been fully claimed over 3 years, no allowance can be claimed from Year of Assessment 2013 onwards.</p>	<u>Year of Assessment</u>	<u>Annual Allowance(\$)</u>	2010	1,000	2011	1,000	2012	1,000
<u>Year of Assessment</u>	<u>Annual Allowance(\$)</u>									
2010	1,000									
2011	1,000									
2012	1,000									
3.	What if I bought assets on hire purchase?	<p>You may still claim capital allowances on the cost of the asset you have bought under hire purchase terms. However, you should exclude the hire purchase interest when you calculate the capital allowance. Hire purchase interest should be claimed as an expense in the Profit and Loss Statement.</p> <p>The following examples illustrate the 3 methods of calculating the capital allowances under hire purchase terms:</p>								

(i) One Year Write-off	The amount of capital allowance you can claim is 100% of the principal repayment made in the year. <u>Example 3</u> : Purchased a computer for \$3,000 in the year 2010 under the following hire purchase terms:					
	Cash price	:	\$3,000			
Downpayment	:	\$ 300				
Hire purchase interest	:	\$ 600				
Hire purchase price	:	\$3,600				
Amount for each instalment	:	\$ 275				
Total number of instalment	:	12				
4 instalments paid in the 1 st year	:	4 x \$275	= \$1,100			
8 instalments paid in the 2 nd year	:	8 x \$275	= \$2,200			
Hire purchase interest paid in 1 st year	:	\$600/12 x 4	= \$200			
Hire purchase interest paid in 2 nd year	:	\$600/12 x 8	= \$400			
		Year of Assessment				
		2015	2016	Total		
Downpayment		300	--	300		
Add : Total instalments paid		1,100	2,200	3,300		
Less : Hire-purchase interests		200	400	600		
Annual Allowance		1,200	1,800	3,000		
As the cost of the computer has been fully claimed in the first two years, no more capital allowances can be claimed from the Year of Assessment 2017 onwards.						
(ii) Three Years Write-off	The amount of capital allowance you can claim is calculated by dividing equally over 3 years the total principal repayments made in the year less hire purchase interest. <u>Example 4</u> : Purchased air-conditioner for \$3,000 in the year 2015 under the same hire purchase terms as Example 3 (i.e. \$1,200 and \$1,800 in Example 3) equally over three years as follows:					
	Year of Assessment					
		2016	2017	2018	2019	Total
Annual Allowance (\$1,200 / 3)		400	400	400	--	1,200
Annual Allowance (\$1,800 / 3)		--	600	600	600	1,800
Annual Allowance		400	1,000	1,000	600	3,000

C4. Treatment of Losses Incurred

1. For business (i.e. sole proprietorship/partnership)

What if I incur business losses?

If you incur business losses after deducting the allowable expenses and any capital allowances claimed, these business losses could be offset against your other income such as employment, interest, dividend and rental income in the same year.

If your other income is not enough to offset your business loss, you can carry forward the unabsorbed capital allowances and unabsorbed business losses to the following year to offset against income of that year. However, if your business ceases, you can only carry forward unabsorbed business losses but not unabsorbed capital allowances to the following year.

Current year unutilised trade losses and capital allowances can be carried back for one year of assessment immediately preceding the year of assessment in which trade loss and capital allowance arose to deduct against income of the preceding Year of Assessment. The company will also be subjected to qualifying conditions. You can refer to the IRAS circular on 'Carry-Back Relief System' for more details at < www.iras.gov.sg < For companies < Preparing tax computation < What can be deducted < Loss carry-back relief < Circular on Carry-back Relief System >.

2. For company

What if my company has unutilised losses and/or capital allowances?

Unutilised losses for a particular YA arises when the company has insufficient or no income from other sources to offset business losses incurred during that YA.

Unutilised capital allowances for a particular YA arises when the capital allowances claimed in that YA cannot be fully utilised due to insufficiency of income or business losses incurred during that YA.

The qualifying condition for claiming unutilised trade losses is:

- There must be no substantial change (i.e. 50% or more total issued shares remain the same) in the shareholders and their shareholdings as at the relevant dates.

The qualifying conditions for claiming unutilised capital allowances are:

- There must be no substantial change (i.e. 50% or more total issued shares remain the same) in the shareholders and their shareholdings as at the relevant dates; and
- There must be no change in the company's principal activities during the relevant dates.

The relevant dates differ for the claim of unutilised capital allowances and unutilised losses.

Relevant dates	
Unutilised capital allowances	Unutilised losses
Last day of the YA in which the capital allowances arose and First day of the YA in which the capital allowances are to be deducted:	Last day of the year in which the losses was incurred and First day of the YA in which the losses are to be deducted:
E.g. If the unutilised capital allowances for YA 2015 (assuming the basis period is from 1 Oct 2013 to 30 Sep 2014) are utilised in YA 2016, the relevant dates for comparing the shareholders are 31 Dec 2015 and 1 Jan 2016.	E.g. If the loss incurred for YA 2015 (assuming basis period is from 1 Oct 2013 to 30 Sep 2014) is utilised in YA 2016, the relevant dates for comparing the shareholders are 31 Dec 2014 and 1 Jan 2016.

D. Medisave Contributions

1. Do I need to contribute to Medisave?

Medisave contributions are compulsory for all self-employed persons who are Singapore citizens or permanent residents. If you earn a net trade income of more than \$6,000 a year, you have to contribute Medisave based on a specified percentage of your net trade income, subject to a maximum amount.

Net trade income refers to your gross trade income less all allowable business expenses, capital allowances and trade losses as determined by IRAS. IRAS will send you a Notice of Computation (NOC) after assessing your actual income for the relevant Year of Assessment, to inform you of the amount of Medisave you need to contribute to Central Provident Fund (CPF). You may contact CPF Board on Medisave payment matters.

2. Can I claim Provident Fund relief for the Medisave contributions and voluntary CPF contributions made?

As a self-employed person, you may claim tax relief in respect of your compulsory and voluntary CPF contributions up to the total mandatory CPF contribution rate (37% for 1 Jan 2016 onwards of your net business income assessed) for the assessment year or the CPF relief cap for the year (\$26,775 for Year of Assessment 2011), whichever is lower.

We will allow the Provident Fund relief based on the date that you contributed to the CPF account. For example, CPF contributions made in year 2015 will be allowed for tax deduction in the Year of Assessment 2016. You need not make a claim in your tax return. The Provident Fund relief will be automatically allowed to you based on information given by the CPF Board.

E. Offences and Penalties

1. What if I did not keep proper records or keep incomplete records?

You may be liable on conviction to a fine not exceeding \$1,000 and in default of payment of the \$1,000, to imprisonment for a term not exceeding 6 months.

2. What if I failed to submit my return?

You may be liable on conviction to a fine not exceeding \$1,000 and in default of payment to imprisonment for a term not exceeding 6 months.

3. What if I submit an incorrect return without reasonable excuse?

For submission of incorrect returns without reasonable excuse, you are liable on conviction to pay a penalty equal to double the amount of tax which has been undercharged and to pay a fine not exceeding \$5,000, or imprisonment for a term not exceeding 3 years, or both.

4. What if I wilfully evade taxes or to assist any other person to evade tax?

If you wilfully evade, or assist other persons to evade, you are liable on conviction to pay a penalty of 3 times the amount of tax evaded and to pay a fine not exceeding \$10,000, or imprisonment for a term not exceeding 3 years, or both.

For serious fraudulent evasion cases, you are liable on conviction to pay a penalty of 4 times the amount of tax evaded and a fine not exceeding \$50,000, or imprisonment for a term not exceeding 5 years, or both.

F. IRAS Voluntary Disclosure Programme

We encourage you to come forward voluntarily to disclose any omissions or errors made in past years' income tax returns.

For voluntary disclosures, IRAS will accord reduced penalty, that is, penalty will be waived for voluntary disclosures made within the year of income tax filing and a reduced 5% penalty will be imposed for every back-year disclosures, capped at 30%.

For example, for sole-proprietorship & partnership, voluntary disclosures made before 15 Apr 2017 in respect of an error/omission made in 2015 (i.e. For Year of Assessment 2016) will usually not attract any penalty. Voluntary disclosures made before 15 Apr 2017 in respect of an error/omission made in 2013 and 2014 will attract a penalty of 5% and 10% of the tax undercharged respectively.

For companies, voluntary disclosures made before 30 Nov 2016 in respect of an error/omission for Year of Assessment 2015 will usually not attract any penalty. Voluntary disclosures made before 30 Nov 2015 for an error/omission for Year of Assessment 2009 and 2008 will attract a penalty of 5% and 10% of the tax undercharged respectively.

G. Contact Us

For voluntary disclosures

Email:

For Individual Income Tax: iit_compliance@iras.gov.sg

For Corporate Income Tax: ctmail@iras.gov.sg

myTax Mail

<https://mytax.iras.gov.sg/>

IRAS Website

<https://www.iras.gov.sg>

24-hour Business Income Tax Integrated Phone Service

1800-356 8300

Goods and Services Tax Integrated Phone Service

1800-356 8633

Taxpayer Services Centre

1st Storey, Revenue House

55 Newton Road

Singapore 307987

(Located opposite Novena MRT Station)

Operating Hours: 8am to 5pm (Mon to Fri);

8am to 1pm (Sat) – Individual Income Tax enquiries

**MONTHLY PUBLIC TRANSPORT
EXPENSES RECORD**

Appendix 1

Name of Business : _____
Month: _____

S/n	Date	Destination	Mode of Transport	Person Incurring It	Purpose	Duration	Amount (\$)
1							
2							
3							
4							
5							
6							
7							
8							
9							
10							
11							
12							
13							
14							
15							
16							
17							
18							
19							
Total							

**MONTHLY OVERSEAS TRAVELLING
EXPENSES RECORD**

Appendix 2

Name of Business :

Month:

S/n	Date	Destination	Purpose & details of expenses incurred	Person incurring it	Duration	Amount (\$)
1						
2						
3						
4						
5						
6						
7						
8						
9						
10						
Total						

**MONTHLY ENTERTAINMENT EXPENSES
RECORD**

Appendix 3

Name of Business : _____

Month: _____

S/n	Date	Place of Entertainment	Name of Person(s) Entertained	Purpose	Person Incurring It	Amount (\$)
1						
2						
3						
4						
5						
6						
7						
8						
9						
10						
11						
12						
13						
14						
15						
16						
17						
18						
19						
20						
Total						

MONTHLY STAFF REMUNERATION RECORD

Appendix 4

Name of Business : _____

Month: _____

S/n	Name of Employee	NRIC/M'sia IC/Fin/WP No.	Remuneration	CPF Payable			SDL	FWL
				Employee	Employer	Total		
1								
2								
3								
4								
5								
6								
7								
8								
9								
10								
11								
12								
13								
14								
15								
16								
17								
18								
19								
20								

Total												
--------------	--	--	--	--	--	--	--	--	--	--	--	--

BUSINESS EXPENSES RECORD

Appendix 5

Name of Business : _____

Year: _____

Type of Expense	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
<u>Business Expenses</u>												
Telephone charges												
Transport charges:-												
- MRT/Taxi/Bus												
<i>Overseas travelling</i>												
Entertainment												
Salary/Wages/Fees for assistants/helpers												
Employer's CPF contributions for staff												
<i>Rental charges</i>												
Utility charges												
<u>Other running expenses :</u>												
Total												

STOCK LIST

Appendix 7

**Name of
Business :**

Year end :

Stock Description / Type of books / Education materials	Stock On Hand (A)	Unit Cost * (\$) (B)	Stock Balance (\$) (A) X (B)

* You may use the **average cost method** to compute the unit cost of the stock

Example : to compute the cost of books at year end,

Average cost =

$\frac{\text{cost of books available for sale (opening stock + total purchases for the year)}}{\text{no. of books available for sale (opening stock + total purchases for the year)}}$

STATEMENT OF ACCOUNTS

NAME OF BUSINESS: _____
 BUSINESS ADDRESS: _____

FOR PERIOD FROM to \$

REVENUE (Total Sales /Income) Box 1

Less: Cost of Goods Sold

GROSS PROFIT Box 2
 (Revenue less Cost of Goods sold)

Less: **ALLOWABLE BUSINESS EXPENSES**
(please refer to the section on "Claiming of deduction on non-deductible expenses" to ensure that you do not claim any non-allowable expense)

Rental paid for Business Premises

Utilities

Gross Employee Salary

Employer CPF Contributions

Upkeep of Furniture & Office equipments

Transport Expenses (Public Transport)

Other Running Expenses of the business:
(please indicate the nature and breakdown below)

i) _____

ii) _____

iii) _____

iv) _____

Total Allowable Business Expenses Box 3

ADJUSTED PROFIT/(LOSS) Box 4

Box 2 less Box 3

SUMMARY

Amounts to be declared in Internet Filing / Income Tax Form:

4-line Statement

Revenue (Total Sales/Income) (Box 1)

Gross Profit (Box 2)

Allowable Business Expenses (Box 3)

Adjusted Profit/(Loss) (Box 4)

Name of taxpayer : _____

Signature : _____