EXPLANATORY NOTES ON FORM P

These notes are for reference only and are correct as at 1 January 2013.
For more information, please refer to our website at www.iras.gov.sg.

INLAND REVENUE AUTHORITY OF SINGAPORE

SINGAPORE QUALITY AWARD for business excellence 2011 WINNER

1 Declared Income

1.1 The precedent partner must complete and send in the Form P. Where no partner (or general partner in the case of a Limited Partnership) is personally present in Singapore, the attorney, agent, manager or factor of the partnership is responsible to complete and send in the Form P.

1.2 The declared income includes all income accruing in or derived from Singapore or received in Singapore in the preceding year. The precedent partner is required to inform all the partners of their share of profit or loss from the partnership. The partners will each have to declare their share of profit or loss in their Individual Income Tax Returns.

1.3 Limited Liability Partnership (LLP) or Limited Partnership (LP) which has incurred business loss will be required to complete and submit a Capital Contribution Form for the Year of Assessment in which the loss is incurred, and all subsequent Years of Assessment whether it makes a profit or loss. The Capital Contribution Form which is downloadable from IRAS website under Quick links > Forms > Business & Employers is for the precedent partner to declare the contributed capital of the partners.

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. However, you have to retain your accounts and all records such as invoices, bills, etc for 5 years.

2.2 If the partnership's revenue is $500,000 or more, you need to submit a profit and loss account and a balance sheet certified by you as true and correct.

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 to be sent to the Comptroller is prepared in that functional currency. However, the 4-line statement in the Form P should be declared in the Singapore currency. For more information, please refer to the IRAS e-Tax Guide - "Filing of Income Tax Computations in Functional Currencies other than Singapore Dollars" available on IRAS website.

2.4 If the gross receipts of your business 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 of the respective items on page 2 of the form. You also need to send in a 4-line statement showing the revenue, gross profit / loss, allowable business expenses and adjusted profit / loss for each branch.

Revenue

2.6 This is the total receipts, before deduction of expenses, of your business during the accounting year ending in the preceding year. This will include:

a) sale proceeds from goods sold;
b) payments / fees received or receivable for services provided;
c) bills (paid or unpaid) sent to customers; and
d) the selling price of goods or materials expended for non-business use e.g. goods taken for your own use, or for your family or friends.

Gross Profit / Loss

2.7 This is the amount of revenue after deducting cost of goods sold.
2.8 If your business does not involve the sale of goods, gross profit is equal to the amount of revenue.

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 and irrecoverable during the accounting period;
e) compulsory CPF contributions by you as an employer;
f) cash contributions by an employer on his employees' behalf, to his employees' Supplementary Retirement Scheme (SRS) accounts, subject to each employee's SRS contribution cap for the year in which the contribution was made;
g) cash top-ups by an employer on his employees' behalf, to his employees' CPF Minimum Sums, subject to conditions under the CPF Minimum Sum Topping-Up Scheme;
h) qualifying expenditure incurred on renovation or refurbishment works on business premises, subject to certain conditions. With effect from Year of Assessment 2013, the expenditure cap of $150,000 will be doubled to $300,000 for every relevant three-year period. For more information, please refer to the IRAS e-Tax Guide - "Deduction for Expenditure Incurred on Renovation or Refurbishment Works" available on IRAS website;
i) capital allowances on plant and machinery used in the business;

j) enhanced allowances or deduction on expenditure incurred on any of the six productivity and innovation enhancing activities under the Productivity and Innovation Credit (PIC) scheme. For more information, please refer to the IRAS e-Tax Guide - “Productivity and Innovation Credit” available on IRAS website. Please complete the “PIC Enhanced Allowances / Deduction Declaration Form” and submit the form together with the Form P to IRAS. The form can be downloaded from IRAS website under Quick links > Forms > Business & Employers;

k) Land Intensification Allowance (LIA). For more information, please refer to the EDB's circular on "Land Intensification Allowance Incentive" on EDB website;

l) revenue expenses incurred for business purposes within one year prior to the deemed date of commencement of business (i.e. the first day of the accounting year in which a business earns its first dollar of business receipt). For more information, please refer to the IRAS e-Tax Guide - “Concession for Enterprise Development - Deduction of Certain Expenses Incurred before Business Revenue is Earned” available on IRAS website.

2.10 Calculating capital allowances:

a) the general rules for capital allowance on plant and machinery are:
   i) an initial allowance of 20% of the capital expenditure incurred during the year; and
   ii) an annual allowance at the prescribed rate for wear and tear;

b) accelerated capital allowance instead of the initial and annual allowance mentioned above may be claimed on all plant and machinery (including motor cars, motorcycles, and light goods vehicles). The capital expenditure can be written off over a three-year period;

c) 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;

d) assets costing no more than $1,000 each 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 Year of Assessment. With effect from Year of Assessment 2013, the threshold on the cost of each low value asset will be increased from $1,000 to $5,000. For more information, please refer to the IRAS e-Tax Guide - “Simplification of Income Tax Rules and Procedures - 100% Capital Allowance for Items of Machinery or Plant Costing No More Than $1,000 Each” available on IRAS website;

e) for diesel driven goods vehicle or bus registered during the period from 15 Feb 2007 to 14 Feb 2012 as a replacement for an existing diesel-driven vehicle or bus which was registered on or after 1 Jan 1991 but before 1 Oct 2006, a claim may be made for one year write-off subject to certain conditions. For more information, please refer to the IRAS e-Tax Guide - “One Year Write-Off for New Diesel-Driven Goods Vehicles and Buses” available on IRAS website;

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. If the sale / disposal proceeds exceed the tax written down value, the balancing charge which is imposed is taxable.

<u>Expenses That Are Not Allowable</u>

2.11 The expenses that are not deductible include:

a) capital contributions or withdrawals;

b) domestic or private expenses;

c) partners’ salaries, allowances, bonuses, CPF contributions, interest on capital and any other expenses paid on behalf of the partners;

d) expenses incurred on using private hire cars, private cars (E or S-plate cars) and company cars registered as business service passenger vehicles (S or Q-plate cars) with COE issued on or after 1 Apr 1998;

e) medical expenses exceeding 1% of total employees' remuneration. However, employers may claim medical expenses of up to 2% of the total employees' remuneration if they have:
   i) provided their employees with inpatient medical insurance benefits in the form of a Portable Medical Benefits Scheme, a Transferable Medical Insurance Scheme or a portable Shield Plan; or
   ii) made ad-hoc contributions to their employees’ Medisave Accounts (subject to a cap of $1,500 per employee per year regardless of the number of employers the employee has) during the relevant basis period; <u>and</u>
   iii) met the qualifying conditions under the respective scheme / plan.
   For more information, please refer to the IRAS website;

f) any amount of output tax paid or payable under the GST Act which is borne by the registered taxable person;

g) depreciation;

h) penalties, fines / late payment charges;

i) loan repayment and hire purchase instalment payment;

j) donation;

k) 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;

l) employers’ CPF contribution exceeding CPF statutory rates;

m) amount payable in respect of income taxes; and

n) under the Productivity and Innovation Credit (PIC) scheme, any qualifying expenditure which has been converted into a cash payout.

   Please note that if a PIC automation equipment or Intellectual Property Rights (“IPRs”) is disposed of within one year from the date of purchase / registration, and if enhanced allowances / deduction (i.e. 300% of the qualifying cost) have been allowed on the equipment or IPR in the previous Year of Assessment, the amount of "Allowable Business Expenses" (Item 1[c] on page 2 of the form) should be reduced by that amount of enhanced allowances / deduction allowed in the previous Year of

Assessment. Nevertheless, for disposal of PIC automation equipment, you may apply for a waiver from this claw-back provision on a case-by-case basis. Please submit the Productivity and Innovation Credit (PIC) Disposal of Qualifying Assets Form downloadable from IRAS website if you wish to apply for this waiver.

For more information, please visit the IRAS website at www.iras.gov.sg > Businesses > For companies > Productivity and Innovation Credit and the IRAS e-Tax Guide - “Productivity and Innovation Credit” available on the IRAS website.

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] mentioned in point 1 under Section A ‘Income Declaration’ 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] mentioned in point 1 under Section A ‘Income Declaration’ on page 2 of the form.

3 Interest

3.1 With effect from Year of Assessment 2006, interest received on or after 1 Jan 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 Other Income

Rent

4.1 You should give us the address of each property. For each property, give details of the gross rent (inclusive of rental of furniture and fittings, service charges received from the tenant) and expenses incurred. You can only claim expenses incurred solely for the purpose of producing the rental income and during the period of tenancy. Examples of deductible expenses are property tax, mortgage interest, fire insurance, repairs and maintenance expenses and commission. Do not claim non-deductible expenses such as penalty imposed for late payment of property tax, payment of back year’s property tax, expenses (e.g. commission, advertising and legal costs) incurred to secure the first tenant, cost of initial purchase and depreciation of furniture and fittings, cost of initial repairs and renovations, loan repayment, cost of additions and alterations to property.

Royalty

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

Other Singapore Income

4.3 Any income which does not fall within any of the other classifications of income.

Foreign Income

4.4 Any foreign-sourced service income received on or after 1 Jun 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. For more information, please refer to the IRAS e-Tax Guide - “Tax Exemption for Foreign-Source Income” available on IRAS website.

5 Donations to Approved Institutions of Public Character

5.1 A tax deduction of 2.5 times the value of the donation will be given on all cash or specified donations made to approved Institutions of Public Character (IPCs) and other approved recipients, and for cash donations made through approved grant-making philanthropic organisations (‘grantmakers’) to IPCs.

5.2 In order to be given tax deductions on the donations, from 1 Jan 2011, all businesses are required to provide their names and Unique Entity Numbers (UEN) directly to the IPCs when they make the cash donations. IRAS will no longer accept claims for tax deduction in respect of such donations based on donation receipts. Tax deductions for such donations will be automatically reflected in the tax assessments of the donors based on information from the IPCs.

6 Change of Partners

6.1 You must write to us when:

a) a partner withdraws from the partnership or leaves Singapore; and

b) there is a change in precedent partner. (The new precedent partner must give us his full name, address and the date when he becomes the precedent partner.)

6.2 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 one 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.

6.3 If any partner liable to tax is leaving or intending to leave Singapore for any period exceeding three months, the partners present in Singapore must also write to us not later than one 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.

6.4 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, pay the money or any part thereof to that person.

6.5 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.

7 Failure to submit Form P

There are penalties for failing to furnish a tax return by the due date or furnishing an incorrect tax return. For failure to file a tax return by the due date, a person may be punishable under Section 94 of the Income Tax Act, to a fine not exceeding $1,000. In addition, a taxpayer who fails to file his tax return for any Year of Assessment for two years or more after the filing due date may have to pay a penalty equal to double the amount of tax assessed for that Year of Assessment and a fine of up to $1,000.

FREQUENTLY ASKED QUESTIONS

1. 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 or loss from this partnership in your Individual Income Tax Return (Form B) accordingly.

2. 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 a profit and loss account and a balance sheet certified by you as true and correct if the partnership's revenue 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.

3. 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 / profit and loss account and balance sheet certified by you as true and correct for the different periods concerned showing clearly the various partners' allocation of profit or loss. You have to complete pages 3 and 4 of the Form P in respect of all the partners concerned for each relevant period.

4. How do I e-File the Form P?

If you are already authorised to e-File Form P via e-Services Authorisation System (EASY), simply e-File your Form P at *myTax Portal* (https://mytax.iras.gov.sg) by logging in for your organisation's / business' tax matters using your individual SingPass or IRAS PIN. Step by step guides are available online at our website (http://www.iras.gov.sg) under Quick links > e-Services > Businesses > Partners for your reference.

IRAS SERVICES AT A GLANCE

INCOME TAX & PROPERTY TAX HELPLINE (1800-356 8300)

IRAS WEBSITE (http://www.iras.gov.sg)
Visit our website for:

- Tax information
- Downloadable brochures and forms
- Other information on IRAS

TAXPAYER SERVICES CENTRE
1st Storey, Revenue House
55 Newton Road
Singapore 307987 (Opposite Novena MRT Station)
Opening Hours:
Monday to Friday : 8am - 5pm (for Income Tax & Property Tax matters)
Saturday : 8am - 1pm (for Income Tax matters only)