

Commission Agents, Avoid These Common Filing Mistakes



INLAND REVENUE
AUTHORITY
OF SINGAPORE

Understatement of Income



Reporting net commission (after deducting expenses) as revenue



All the commission income earned in return for services rendered are to be reported as revenue. Expenses that are incurred wholly and exclusively to earn the income need to be reported separately.

As only allowable expenses can be deducted against the business income to reduce the amount of tax payable, such expenses are to be substantiated with records/ documents and need to be produced to IRAS when requested.



Commission agents are not required to file their tax returns as their income information is submitted to IRAS by the commission-paying organisations



You are still required to file an Income Tax Return i.e. Form B. You need to verify the pre-filled commission income and declare other sources of income if any, for e.g. rental income.

You can amend the 2-line or 4-line statement under the 'Trade, Business, Profession or Vocation' section of the tax return if your total business income is different from the pre-filled information and/or to claim business expenses.

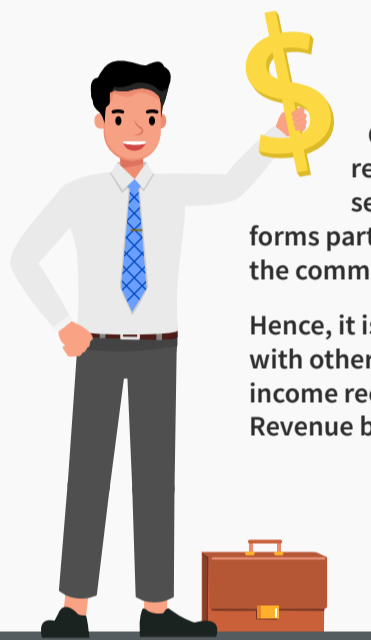


Bonus commission received directly from third parties is not declared.



Commission that you receive in return for your services is taxable as it forms part of the trade income for the commission agent.

Hence, it is to be reported together with other gross commission income received under the Revenue box of the Tax Return.



Incentives received by commission agents are not included as part of gross commission income received.



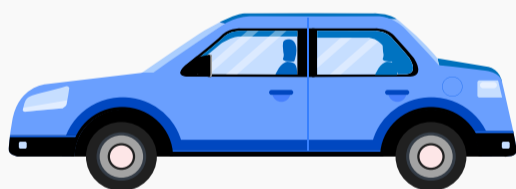
Generally, all incentives received by commission agents are taxable because they are generally provided to either motivate the agents to perform so as to increase sales of the company's products or reward the agents for their performance when certain targets are met.

Such incentives that are tied to the performance of the agents are taxable as gains and profits arising from trade, business, or vocation carried on by the agents. Incentives would not be taxable only if they are not tied to the performance of the agents, for e.g. door gift and prizes provided during team bonding event, tickets to annual awards night where the attendees are not selected based on their performance.

Incorrect Claim of Expenses



Claiming expense in respect of private-plated car such as an E, Q or S-plated car.



Expenses incurred on using private cars (E, Q or S-plated cars) such as repair, maintenance, parking fees, petrol costs are disallowable. These expenses are not deductible even if the private cars were used for business purpose.



Making unsubstantiated claims of payments to related parties or suppliers.

There may be instances where a commission agent may hire family members to help out with the business and a large amount of salary offered instead of a reasonable amount compared to other, non-related full-time employees.



Please claim for business expenses based on actual amounts. Such amount should also commensurate with the actual services performed.



Failure to Keep Records



Failing to keep and retain sufficient records for IRAS to ascertain income and allowable business expenses or reporting estimated income/ expenses due to lack of proper records/ documents.



You are advised to retain all business records and documents for 5 years as estimates are not acceptable for tax purpose. For example, invoices and receipts for the year 2021 should be retained for 5 years till 31 Dec 2026.

Commission agents are expected to put in place a record keeping system, electronically or manually, to ensure that your income tax declarations are duly supported with the required documents. The Comptroller may request for these documents in the course of audits.