

# Commission Agents, Avoid These Common Filing Mistakes



## Understating Your Income

**✗** “I report my net commission (i.e. after deducting expenses) as revenue.”

**✓** You should report the gross commission income, before deducting business expenses, as revenue.

**i** You can claim allowable business expenses that are wholly and exclusively incurred in the production of the commission income. To calculate your adjusted profit/loss, subtract these expenses from your gross commission income. Remember to report this separately.



**✗** “I do not need to file an Individual Income Tax Return as my income information has been submitted by my commission-paying organisations to IRAS.”

**✓** Even though your commission-paying organisations have submitted your commission income information, you are still required to file an Income Tax Return unless you are selected for the No-Filing Service (NFS).

**i** Log in to myTax Portal to check the pre-filled income and amend accordingly (e.g. to include any additional commission/ rental income). If you qualify for the Fixed Expense Deduction Ratio (FEDR), you will be automatically allowed 25% of the gross commission income as your deemed expenses. Alternatively, you may claim deduction on the actual amount of allowable business expenses.

**✗** “I report my commission income under 'Employment' or 'Other Income' in the Income Tax Return.”

**✓** Your commission income earned from carrying on a trade, business, profession or vocation should be declared under the 'Trade, Business, Profession or Vocation' section of your Income Tax Return.



**✗** “I do not declare the bonus commission that I received directly from third parties.”

**✓** Commission that you receive in return for your services is taxable as it forms part of your trade income. Bonus commission should be reported together with other gross commission income received in your Income Tax Return.



**✗** “I do not include incentives that I received as part of my gross commission income.”

**✓** Generally, all incentives received by you are taxable because they are provided to either motivate you to increase the company's sales or reward you for your performance when certain targets are met.

**i** Such incentives that are tied to your performance are taxable as gains and profits arising from your trade, business, or vocation. Incentives are tax-exempt if they are not linked to your performance. E.g. gifts like door prizes and team bonding event rewards, tickets to annual awards nights where attendees aren't chosen based on performance.

## Incorrectly Claiming Your Expenses

**✗** “I make unsubstantiated/excessive claims of payments to related parties. For example, I hire my family members to help out with the business and pay them excessive amounts instead of a reasonable salary that is in line with market rates.”

**✓** Excessive salaries and other payments paid to related parties that are not in line with market rates are not deductible. Payments made to related parties should be proportionate to the actual services performed by them.



**✗** “I claim expenses for my private-plated cars, 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 not allowed. These expenses are not deductible even if the private cars were used for business purpose.



## Failure to Keep Records

**✗** “I do not keep proper records for income earned and expenses claimed.”

**✓** All business records and accounts should be kept for 5 years. Reporting of estimates are not acceptable. IRAS may require you to substantiate your reported income and expense claims with records and accounts upon request.



**i** If your annual revenue is \$200,000 or less for the past 2 financial years and your business qualifies for Simplified Record Keeping, you will only need to keep business records (e.g. registers, listings) and not source documents (e.g. receipts, invoices).