

Commission Agents, Avoid These Common Filing Mistakes



Understatement of Income

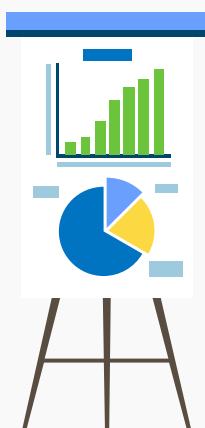


Reporting net commission (after deducting expenses) as revenue



Gross commission income (before deduction of business expenses) should be reported as revenue.

Allowable business expenses that are wholly and exclusively incurred in the production of the commission income can be claimed against the gross commission income to arrive at the adjusted profit/loss to be reported separately.



Individual Income Tax Return was not filed as income information has been submitted by the commission-paying organisations to IRAS.



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

You need to log in to myTax Portal to check and amend the pre-filled commission income if necessary (e.g. to include any additional commission). 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 deductible expenses.



Reporting commission income under "Employment" or "Other Income" in the Income Tax Return.



Commission income earned from carrying on a trade, business, profession or vocation should be declared under the "Trade, Business, Profession or Vocation" section of the Income Tax Return.

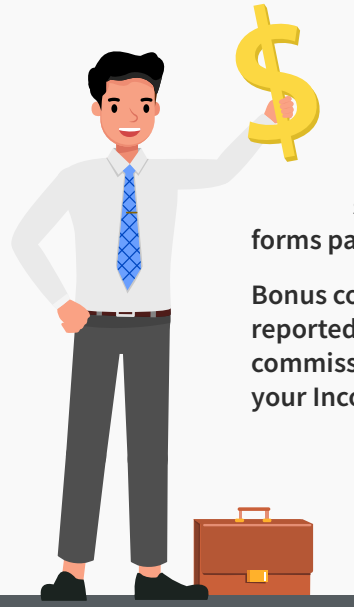


Bonus commission received directly from third parties is not declared.



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

Bonus commission should be reported together with other gross commission income received in your Income Tax Return.



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



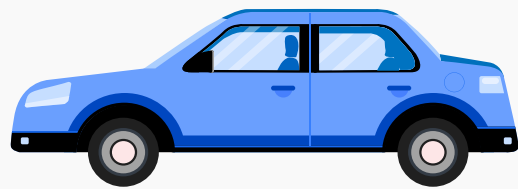
Generally, all incentives received by you are taxable because they are provided to either motivate you to increase the company's sales or reward you for your performance when certain targets are met.

Such incentives that are tied to your performance are taxable as gains and profits arising from your trade, business, or vocation. Incentives would not be taxable only if they are not tied to your performance (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/excessive claims of payments to related parties.

For example, a commission agent may hire family members to help out with the business and instead of a reasonable salary that is in line with market rates, excessive amounts are paid to the family members.



Excessive salary and other payment paid to related parties that are not in line with market rate are not deductible. Payments made to related parties should commensurate with the actual services performed by them.



Failure to Keep Records



Failing to 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.

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).