FAQ on the Broad-Based Fixed Expense Deduction Ratio (FEDR) for Self-Employed Individuals (SEIs)

A. Eligibility

No.	Question	Answer
1	Can I claim for the broad-based FEDR if I work part-time, freelance or take on ad-hoc assignments?	Yes. You may claim for the broad-based FEDR regardless of whether you work full-time, part-time, freelance or on an ad-hoc basis, provided you meet all the qualifying conditions.
2	I have employment income and self-employed income. Can I still claim for the broad-based FEDR on my self-employed income?	Yes. You can continue to claim for the broad-based FEDR on your qualifying self-employed income. The broad-based FEDR is not applicable to your employment income.
3	I have set up a partnership/ company. Why am I not able to claim broad-based FEDR?	The broad-based FEDR was introduced to simplify tax filing for SEIs. Individuals who set up businesses such as partnerships or companies operate differently from SEIs and generally have more complex tax matters, and are not allowed to claim the broad-based FEDR.
4	I am a partner in a partnership. Can I claim for the broad-based FEDR on my share of partnership income?	No. Business expenses relating to partnership income should be claimed by the partnership when it files Form P. The broad-based FEDR is intended for individuals carrying on business in their individual capacity, such as SEIs. As partnership income is taxed based on allocation of the partnership-level income to individual partners, the tax matters are more complex and better suited for standard reporting.

B. Revenue threshold and multiple businesses

No.	Question	Answer
5	How is the $50,000 revenue threshold applied?	The $50,000 threshold is applied to the total annual gross income from each Nature of Business (NOB). If you operate more than one business under the same NOB, you must combine the gross income from these businesses when determining whether the threshold is met. Please refer to IRAS' website on FEDR for SEIs for illustrative examples.
6	What is meant by "Nature of Business" (NOB)?	NOB refers to the business activity that you have selected in your Income Tax Return.

7	I have two sole proprietorships under the same NOB. Can I claim for the broad-based FEDR for one and actual expenses for the other?	No. The broad-based FEDR must be applied consistently to all businesses under the same NOB. If any business under that NOB does not qualify for the broad-based FEDR, you should claim tax deductions based on the actual amount of allowable business expenses incurred from all businesses under that NOB.
8	I carry on two different types of business that are classified under different NOB. Can I choose the broad-based FEDR for one business and claim actual allowable business expenses for the other?	Yes. As the businesses are reported under different NOBs, you can claim for the broad-based FEDR for one of them (provided the qualifying conditions are met) and claim actual allowable business expenses for the other.
9	What if my total annual gross income exceeds $50,000 from a NOB?	You will not be eligible for the broad-based FEDR as the total annual gross income from that NOB exceeded $50,000. Instead, you should claim actual allowable business expenses against the income from that NOB.

C. Claiming broad-based FEDR or actual expenses

No.	Question	Answer
10	How much can I claim under the broad-based FEDR?	The broad-based FEDR is set at 20% of the total annual gross income for each qualifying NOB. By opting for the broad-based FEDR, this means that you will claim deemed business expenses that is equivalent to 20% of the total annual gross income.
11	How do I determine whether claiming the broad-based FEDR or actual allowable business expenses is more beneficial for me?	To simplify tax filing, the broad-based FEDR of 20% will be allowed to you automatically if your total annual gross income from a NOB did not exceed $50,000. If you wish to claim tax deductions based on your actual amount of allowable business expenses, you need to opt out of the broad-based FEDR and claim the actual allowable business expenses incurred in earning the income.
12	Can I claim additional actual expenses on top of broad-based FEDR?	No. The 20% deemed expenses deduction under the broad-based FEDR covers all allowable business expenses for that NOB.

		You must choose either the broad-based FEDR or actual allowable business expense. You cannot claim both for the same NOB.
13	Can I claim for the broad-based FEDR if I did not incur any allowable business expenses?	No. The broad-based FEDR applies only where allowable business expenses were incurred in earning the business income.
14	If I have claimed the broad-based FEDR this year, can I opt to claim the actual allowable business expenses incurred next year?	Yes, you can elect your preferred claim basis yearly. Even though you may have exercised the option to claim tax deductions based on the FEDR(s) this YA, you may choose not to do so for future YAs.

D. Existing industry-specific FEDRs

No.	Question	Answer
15	I earn income as a commission agent, private hire car/ taxi driver or delivery worker, and also have other business income. How should I claim my business expenses?	The introduction of the broad-based FEDR does not affect the existing industry-specific FEDRs for commission agents, private-hire car/taxi drivers and delivery workers. The broad-based FEDR does not apply to income from these activities. For income earned as a commission agent, private hire car/ taxi driver or delivery worker, you may continue to claim the applicable industry-specific FEDR, subject to the relevant qualifying conditions, or claim actual allowable business expenses. For other business income that is not covered by the existing industry-specific FEDR, you may claim for the broad-based FEDR if the qualifying conditions are met. Please refer to IRAS' website on FEDR for SEIs for illustrative examples.

E. Filing, amendments and record-keeping

No.	Question	Answer
16	How do I claim for the broad-based FEDR in my Income Tax Return?	**For e-Filing** The broad-based FEDR will be automatically allowed to you if you qualify for it. To e-File your Income Tax Return: 1. Login to myTax Portal with your Singpass/ Singpass Foreign user Account (SFA) 2. Select **'Individuals'** > **'File Income Tax Return'**

3. Click **'File'** or **'Verify'** and select the relevant YA
4. Scroll down and go to **'2. Trade, Business, Profession or Vocation'** section
5. Click **'ADD NEW'** > Select **'Sole-Proprietorship/ Self Employment Income'** from the dropdown list.
6. Complete the tax form as follows:

Fields	What you need to complete
Nature of Business	Select the relevant business from the drop-down list.
Revenue	Declare your total annual gross income earned from your business.
Less: Expenses	**<u>Claiming FEDR(s)</u>** The 20% deemed expenses will automatically be computed if your total annual gross income from the same nature of business did not exceed $50,000. **<u>Claiming actual allowable business expenses</u>** Select 'Actual Allowable Business Expenses' if your actual amount of allowable business expenses is more than the FEDR.
Adjusted Profit/ Loss	If you are claiming FEDR, this field will be auto-computed. If you are claiming actual allowable business expenses, please enter the 'Adjusted Profit/ Loss' amount, which is computed by taking revenue less these expenses.

<u>For Paper Filing</u>
When you are filing your Income Tax Return (i.e. Form B/ B1) via hardcopy, you will need to compute the amount of FEDR manually and declare the amount in the paper Form B/ B1.

Illustrative example:

Assuming that:

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Your total annual gross income as a private tutor is $40,000.
You are claiming 20% broad-based FEDR.

Based on the above, you will declare the following amount in your paper Form B/B1:
<table>
<tr><td>Revenue</td><td>$40,000</td></tr>
<tr><td>Gross Profit / Loss</td><td>(Blank)*</td></tr>
<tr><td>Less: Allowable Business expenses</td><td>(Blank)*</td></tr>
<tr><td>Adjusted Profit / Loss</td><td>$32,000(i.e. $40,000 – (20% x $40,000))</td></tr>
</table>
*You are not required to complete these fields if your revenue is $200,000 or less.
</td></tr>
<tr><td>17</td><td>What if I selected the wrong expense claim method?</td><td>Before receiving your tax bill: You may re-file your Income Tax Return and change your option once by 18 April.

If you are unable to re-file (i.e., if you are re-filing after 18 Apr or you have already re-filed once), please wait for your income tax bill (i.e., Notice of Assessment) and follow the instructions below.

After receiving your tax bill: You may use the “Amend Tax Bill” digital service to amend your tax return once within 30 days from the date stated on your income tax bill (Notice of Assessment).

Your amendments must be filed within 30 days from the date stated in your income tax bill. IRAS will review your amendments and inform you of the outcome.

Notwithstanding any amendments filed, please note that you must still pay the taxes (if any), via GIRO (with instalments) or within 1 month from the date stated on your tax bill to avoid any late payment penalty.

IRAS will refund you the credit balance, if any, within 30 days from the date of your new tax bill after reviewing your amendment filed and revising your tax assessment.</td></tr>
<tr><td>18</td><td>Do I still need to keep records if I claim for the broad-based FEDR?</td><td>Yes, you are required to keep proper records for at least 5 years from the relevant Year of Assessment.</td></tr>
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		You will qualify for Simplified Record Keeping (SRK) if your total income per NOB is less than $200,000 for the past 2 financial years. **<u>If you qualify for SRK</u>** You will need to keep simple records (e.g. listings) without the need to keep supporting documents (e.g. receipts and invoices). For more information on SRK, please refer to the e-tax guide on Simplified Record Keeping Requirements for Small Businesses. **<u>If you do not qualify for SRK</u>** You are required to keep proper daily records and retain all supporting documents e.g. receipts, statements issued by the platform operators for at least 5 years from the YA to which the claim relate. For more information on proper record keeping, please refer to the e-tax guide on Record Keeping Guide for Non GST-Registered Business.

F. Other matters

No.	Question	Answer
19	How did IRAS decide on the 20% broad-based FEDR?	The broad-based FEDR was developed using information on actual expense ratios and feedback gathered through industry consultations, and covers most of the common allowable business expenses for the majority of qualifying SEIs.
20	Why is there a $50,000 revenue threshold?	The $50,000 revenue threshold ensures that the broad-based FEDR covers a wide range of SEIs with a large range of business income. The revenue threshold ensures that: • smaller businesses are more likely to benefit from a simplified tax filing; • the FEDR of 20% remains a reasonable reflection of the true level of allowable business expenses; and • we do not unduly benefit the higher earning group Businesses with revenue above the threshold should instead claim deductions based on their actual allowable business expenses.

21	Will IRAS consider increasing the broad-based FEDR and/or revenue threshold in the future?	IRAS will periodically review the broad-based FEDR and revenue threshold, taking into account relevant data and feedback, to ensure that they remain relevant.