IRAS e-Tax Guide

IRAS' VOLUNTARY DISCLOSURE PROGRAMME

(Eighth Edition)

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IRAS' Voluntary Disclosure Programme

1 Aim

1.1 This e-Tax Guide provides guidance on the conditions for a voluntary disclosure to qualify under IRAS' Voluntary Disclosure Programme (VDP).

2 At a Glance

2.1 The VDP is applicable to Income Tax, Goods and Services Tax (GST), Withholding Tax and Stamp Duty (SD). For the purposes of this e-Tax Guide, references to "income tax" include cash payouts / bonus administered under the Income Tax Act (Cap 134). Correspondingly, references to "income tax undercharged" will also mean "amount of cash payout/ bonus exceeding entitlement obtained" and "evade taxes" will also refer to "obtain a higher amount of cash payout/ bonus than entitled to" (henceforth referred to as "obtain excessive cash payouts").

2.2 Since 1 Jan 2013, the reduced penalties for voluntary disclosures that meet the qualifying conditions are as follows:

(a) Disclosure made within the 1-year 'grace period'[1] – Penalty will not be imposed;

(b) Disclosure made after the 1-year 'grace period' –

(i) <u>Individual Income Tax and Corporate Tax</u>: Reduced penalty is 5% of the tax undercharged or of the amount of cash payout / bonus exceeding entitlement obtained for each year (after the grace period) the error was late in being rectified;

(ii) <u>Withholding Tax</u>: Reduced penalty is a flat 5% of the outstanding tax; and

(iii) <u>GST</u>: Reduced penalty is a flat 5% of tax undercharged.

Regardless of the frequency of voluntary disclosures made by a taxpayer, all voluntary disclosures meeting the qualifying conditions may be accorded reduced penalties depending on whether the disclosures are made within or after the 1-year grace period.

[1] 1 year from the statutory filing deadline and not the extended deadline (if any) given to a taxpayer - statutory filing deadlines for the various tax types are as follows:
- Individual Income Tax: 15 Apr
- Corporate Tax: 30 Nov
- GST: One month from the end of the accounting period covered by the GST return e.g. 30 Apr for accounting period from 1 Jan to 31 Mar
- Withholding Tax: 15th of the <u>following</u> month from the date of payment to non-resident (if date of payment is prior to 1 Jul 2012); 15th of the <u>second</u> month from the date of payment to non-resident (if date of payment is from 1 Jul 2012 onwards)

2.4 For a voluntary disclosure pertaining to late stamping or underpayment of SD that meets the qualifying conditions, the reduced penalty is 5% per annum computed on a daily basis on the additional SD payable. There is no grace period applicable to SD.

2.5 This e-Tax Guide also contains guidelines on what could be considered as an action involving a wilful intent to evade taxes or to obtain excessive cash payouts, and the reduced penalty applicable to a qualifying voluntary disclosure of such an action.

2.6 The information required from a taxpayer that wishes to qualify for the VDP can be found in Annex F. This is to aid taxpayers in the preparation of their VDP applications.

3 Background

3.1 Taxpayers may make errors in their returns / forms due to ignorance, negligence, or with a wilful intent to evade taxes or to obtain excessive cash payouts. IRAS' VDP aims to encourage taxpayers to come forward voluntarily, in a timely manner, to correct their errors. IRAS is prepared to impose reduced penalties on taxpayers who are prepared to correct their errors, and be compliant subsequently.

4 Qualifying Conditions for Reduced Penalties

4.1 A taxpayer may qualify for the reduced penalty treatment if the voluntary disclosure is timely, accurate, complete and self-initiated. The taxpayer must also:

(a) Cooperate fully with IRAS to correct the errors made; and

(b) Pay or make arrangements with IRAS to pay the additional taxes or amount exceeding cash payout / bonus than entitled to, and the penalties imposed (if any), and honour such arrangements till all payments are made.

4.2 A voluntary disclosure is considered timely and self-initiated when it satisfies the following:

(a) It is made **before** a taxpayer receives a query from IRAS relating to his/her tax or cash payout / bonus matters; or

(b) It is made **before** a taxpayer receives notification from IRAS of the commencement of an audit or investigation of his/her tax or cash payout / bonus matters.

For a taxpayer who has already received a query or is already under IRAS' audit or investigation, in order to qualify for reduced penalties, the errors or past actions that the taxpayer is disclosing must not be directly related to the scope of query, audit or investigation.

4.3 A VDP application will only be considered as complete when **ALL** information is submitted to IRAS (please see Annex F for the information required).

4.4 IRAS runs periodic programmes, which leverage on mass mailers or other communication channels, to encourage taxpayers to make voluntary disclosures on specific issues. Such disclosures will qualify under the VDP provided that the disclosures are made within the specified time frames of the programmes and the qualifying conditions in this section are satisfied.

4.5 Examples of qualifying voluntary disclosures and non-qualifying voluntary disclosures can be found in Annex A and Annex B respectively.

5 Reduced Penalties

5.1 IRAS may impose penalties for incorrect or inaccurate returns/ forms submitted. To encourage voluntary disclosures of errors, IRAS is prepared to either impose no penalties or reduced penalties on VDP cases which meet the qualifying conditions in Section 4. The reduced penalties[2] are as follows:

(a) Disclosure made within the 1-year 'grace period'[3] – Penalty will not be imposed;

(b) Disclosure made after the 1-year 'grace period' –

(i) Individual Income Tax and Corporate Tax: Reduced penalty is 5% of tax undercharged or of the amount of cash payout / bonus exceeding entitlement obtained, for each year (after the grace period) the error was late in being rectified;

(ii) Withholding Tax: Reduced penalty is a flat 5% of outstanding tax; and

(iii) GST: Reduced penalty is a flat 5% of tax undercharged.

5.2 After being accorded the reduced penalty treatment under the VDP, a taxpayer has to implement adequate and robust measures and controls to prevent a recurrence of similar errors.

5.3 GST

5.3.1 For a business that has undertaken the GST Assisted Self-help Kit (ASK) Annual Review, the grace period for a voluntary disclosure of GST errors is 1 year from the statutory filing deadline for the last GST return for the (i) financial year or (ii) 12-month period[4] reviewed. Annex C provides examples of the grace periods applicable to such businesses.

5.3.2 For GST late registrants, IRAS is prepared not to impose a penalty, provided the business voluntarily registers for GST and fulfils all the qualifying conditions in Section 4.

5.3.3 For a non GST-registered business that collected GST on an unauthorised basis,

[2] The reduced penalties may not apply to errors arising from willful intent to evade taxes or to obtain higher amount of cash payout/ bonus. Please refer to Section 7 for details.

[3] 1 year from the statutory filing deadline and not the extended deadline (if any) given to a taxpayer - statutory filing deadlines for the various tax types are as follows:

- Individual Income Tax: 15 Apr
- Corporate Tax: 30 Nov
- GST: One month from the end of the accounting period covered by the GST return e.g. 30 Apr for accounting period from 1 Jan to 31 Mar
- Withholding Tax: 15th of the following month from the date of payment to non-resident (if date of payment is prior to 1 Jul 2012); 15th of the second month from the date of payment to non-resident (if date of payment is from 1 Jul 2012 onwards)

[4] For ease of review, IRAS recommends that the ASK Annual Review be conducted based on businesses' financial year. Please refer to the e-tax guide: "GST: Assisted Self-Help Kit (ASK) Annual Review Guide" for more information on how to conduct the ASK Annual Review if the 12-month period selected for the review does not coincide with your financial year.

IRAS is prepared not to impose a penalty, provided the business makes a voluntary disclosure and fulfils all the qualifying conditions in Section 4.

5.3.4 For a voluntary disclosure under IRAS' GST Assisted Compliance Assurance Programme (ACAP)[5], ACAP Renewal and Post ACAP Review, please refer to Section 6.

5.4 SD

5.4.1 For a voluntary disclosure pertaining to late stamping or underpayment of SD that meets the qualifying conditions in Section 4, the reduced penalty is 5% per annum computed on a daily basis on the SD payable. There is no grace period applicable to SD.

5.5 Withholding Tax

5.5.1 For a voluntary disclosure pertaining to a failure to notify IRAS of the tax withheld or to pay the tax required to be withheld to IRAS, the reduced penalty is a flat 5% of the outstanding tax if the qualifying conditions in Section 4 are met.

6 Voluntary Disclosure of Errors under GST ACAP, ACAP Renewal and Post ACAP Review

ACAP

6.1 GST errors made in ACAP period[6] and subsequent GST returns disclosed in ACAP Report

6.1.1 No penalty will be imposed if the errors are disclosed within the 'ACAP grace period' i.e. by the ACAP Report due date[7].

6.2 GST errors made prior to ACAP period disclosed in ACAP Report

6.2.1 A flat 5% penalty of tax undercharged will be imposed.

6.2.2 An exception will apply to businesses accorded with ACAP status for the first ACAP Review conducted. For the first ACAP Review conducted, the grace period for the errors made prior to the ACAP period is applicable till the ACAP Report due date. This is given in recognition of a business' efforts to establish strong GST controls at Entity, Transaction and GST Reporting levels to manage GST risks and to ensure continual GST compliance.

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[5] A business is considered to be under GST ACAP when its ACAP application is accepted and it has submitted an ACAP Report.

[6] ACAP Period is the 12-month review period for GST ACAP, which can either be:
(a) the latest 12-month period of GST returns filed; or
(b) the 12-month period of GST returns filed for the past financial year.

[7] For example, for a business that has a quarterly filing cycle, IRAS accepts the business' GST ACAP application on 2 Jun 2014 and the stipulated due date for the submission of the ACAP Report is 1 Jun 2015. The ACAP Period selected by the business is the latest financial year, 1 Jan 2013 to 31 Dec 2013. The grace period for the disclosure of GST errors made from 1 Jan 2013 to 31 Mar 2015 is till 1 Jun 2015.

6.2.3 No penalties will be imposed on GST errors made prior to the ACAP Period if all the following conditions are satisfied:

(a) The business notifies IRAS by 31 Mar 2024 of this intention to embark on the first ACAP Review, and submits the ACAP Report by the due date specified by IRAS;
(b) There is no fraudulent intent behind the errors made;
(c) ACAP status is accorded to the business for the first time; and
(d) Additional taxes are paid.

6.3 GST errors disclosed before ACAP participation

6.3.1 Errors disclosed during the preparatory stage of assessing a business' readiness to embark on ACAP may qualify for the penalty treatment in Paragraphs 6.1.1 and 6.2.2 to 6.2.3, if IRAS is notified of the ACAP participation within 6 months from:

(a) The date of engagement of an external reviewer; or
(b) The date of commencement of an internal review.

ACAP Renewal

6.4 GST errors made in the returns filed for the 'review year' as disclosed in the ACAP Renewal Declaration

6.4.1 No penalty will be imposed on the GST errors made in the returns that were filed for the review year (i.e. the 12-month period of GST returns) selected for ACAP Renewal if the errors are disclosed within 1 year from the statutory filing date of the last return of the review year.

6.4.2 GST errors made in the returns that were filed for the review year selected for ACAP Renewal but disclosed after 1 year from the statutory filing date of the last return of the review year will qualify for reduced penalties under Section 5.1 if the businesses fulfil all the qualifying conditions in Section 4.

6.5 GST errors made in returns filed for periods outside the 'review year'

6.5.1 GST errors made in returns filed for periods outside the 'review year' will qualify for waiver of penalties or reduced penalties under Section 5.1 if the businesses fulfil all the qualifying conditions in Section 4.

Post ACAP Review

6.6 GST errors disclosed in the Post ACAP Review

6.6.1 GST errors disclosed in the GST F28 (Post ACAP Review Declaration) will qualify for waiver of penalties or reduced penalties under Section 5.1 if the businesses fulfil all the qualifying conditions in Section 4.

6.6.2 For businesses that have adopted the GST ASK Annual Review methodology for the Post ACAP Review, the grace period under ASK in Paragraph 5.3.1 will not apply. All errors disclosed in the Post ACAP Review will be subject to the grace period of 1 year from the statutory filing deadline of the GST return specified under Section 5.1.

6.7 Annex D summarises the reduced penalty treatment for qualifying voluntary disclosures vis-à-vis the penalty treatment for all other disclosures.

7 Voluntary Disclosure of Past Actions Involving Wilful Intent to Evade Taxes or to Obtain a Higher Amount of Cash Payout / Bonus than Entitled to

7.1 IRAS treats cases arising from a wilful intent to evade taxes or to obtain excessive cash payouts, differently from cases arising from ignorance or negligence. Taxpayers can refer to Annex E for the guidelines used by IRAS to differentiate such cases.

7.2 In general, taxpayers who commit offences with a wilful intent to evade taxes or to obtain excessive cash payouts (including persons who assist in such acts), may face prosecution, and the consequent punishment of being jailed up to 7 years and / or fined up to $50,000, and penalised up to 400% of tax undercharged.

7.3 However, taxpayers who come forward and voluntarily disclose such past acts may be accorded the treatment of having their offences compounded at a reduced penalty rate of 200% in lieu of prosecution. In the event that taxpayers do not qualify for the VDP treatment, IRAS may charge the taxpayers in court for their tax evasion offences.

7.4 The above treatment applies to Income Tax, Withholding Tax and GST.

8 Contact Information

8.1 If a taxpayer wishes to qualify for the reduced penalties under the VDP, the taxpayer has to submit the information detailed in Annex F. IRAS will not accept a VDP application with incomplete information.

8.2 Taxpayers can make a voluntary disclosure to IRAS via the following modes:

Tax Type	How to Inform IRAS
Individual Income Tax	Email required information and supporting documentation (Annex F) to iit_compliance@iras.gov.sg
Corporate Tax	Email required information and supporting documentation (Annex F) via myTax Mail
GST	Send an electronic request to IRAS for GST F7 (Disclosure of Errors on GST Return) and e-File the GST

	F7 at any time, up to 14 days from the date of request for the GST F7[8] For GST late registrants, register for GST online at myTax Portal For unauthorised GST collections, email required information and supporting documentation (Annex F) via myTax Mail
Withholding Tax	Email required information and supporting documentation (Annex F) to enfs45@iras.gov.sg
SD	Stamp document via the e-Stamping system

For voluntary disclosures of past actions involving a wilful intent to evade taxes or to obtain excessive cash payouts, taxpayers can email IRAS at ifd@iras.gov.sg.

8.3 Alternatively, instead of emailing IRAS, taxpayers can write in to:

Inland Revenue Authority of Singapore
55 Newton Road
Revenue House
Singapore 307987

8.4 For more information on the VDP, please visit IRAS' website at www.iras.gov.sg (About Us > Taxes in Singapore > Helping and Encouraging Compliance > IRAS' Voluntary Disclosure Programme).

[8] For GST errors discovered during the GST ASK Annual Review, submit ASK: Declaration Form on Completing Annual Review & Voluntary Disclosure of Errors that can be downloaded from the IRAS website. Businesses under GST ACAP can disclose their GST errors in the ACAP Report (please see Section 6 for more details).

9 Updates and Amendments

	Date of amendment	Amendments made
1	6 May 2015	a) The e-Tax guide was amended to increase clarity that voluntary disclosures relating to cash payouts / bonus are within the scope of the Voluntary Disclosure Programme. b) Section 6 has been amended to enhance the clarity of IRAS' treatment of GST errors disclosed in the ACAP Annual Review. c) Editorial changes were made to enhance the clarity of IRAS' treatment towards voluntary disclosures.
2	18 Dec 2015	a) Editorial changes were made to update the naming change from "ACAP Annual Review" (AAR) to "Post ACAP Review" (PAR)
3	1 Jul 2016	a) Section 6.4 has been added to clarify IRAS' treatment of GST errors disclosed in the ACAP Renewal.
4	24 Jul 2017	a) Editorial changes were made to Section 8.2 to update the mode for Corporate Tax and GST taxpayers to make voluntary disclosures to IRAS.
5	22 Feb 2018	a) Editorial changes were made to Sections 5.3.2 and 8.2 to update the mode of GST registration for late GST registrants.
6	2 Apr 2018	a) Changes were made to paragraph 6.3.2(a) to update the notification date for businesses to embark on their first ACAP review in order to qualify for the treatment described in paragraphs 6.2.2 and 6.2.3.
7	3 Dec 2018	a) Changes were made to paragraph 5.3.1 to allow a taxpayer to enjoy the longer grace period for disclosure of errors if he selected a 12-month period for ASK Annual Review that does not coincide with his financial year. b) Changes were made to Annex C to update the example on the grace period that is applicable to

		such taxpayers as well as to make the examples more current.

Annex A: Examples of Qualifying Voluntary Disclosures

Scenario 1:

Taxpayer informed IRAS that he omitted income due to negligence after reading about IRAS' compliance focus in the media. He made an accurate and complete disclosure before the agreed upon deadline with IRAS. He cooperated fully with IRAS to correct the errors and subsequently paid the additional taxes and penalties imposed.

Was the disclosure timely, accurate, complete and self-initiated?	Yes
Did the taxpayer cooperate fully with IRAS to correct errors?	Yes
Did the taxpayer honour payment arrangements till all payments were made?	Yes
Does the voluntary disclosure qualify for reduced penalty?	**Yes.** Taxpayer has fulfilled all the qualifying conditions.

Scenario 2:

Taxpayer filed a GST F7 (Disclosure of Errors on GST Return) to disclose output tax errors for a specified accounting period although his purchases and input tax for same accounting period were being audited by IRAS. He made an accurate and complete disclosure before the agreed upon deadline with IRAS. He cooperated fully with IRAS to correct the errors and subsequently paid the additional taxes and penalties imposed.

Was the disclosure timely, accurate, complete and self-initiated?	Yes
Did the taxpayer cooperate fully with IRAS to correct errors?	Yes
Did the taxpayer honour payment arrangements till all payments were made?	Yes
Does the voluntary disclosure qualify for reduced penalty?	**Yes.** The voluntary disclosure is not directly related to IRAS' audit on input tax.

Scenario 3:

Taxpayer filed a GST F7 to disclose input tax errors that were not uncovered during a previous audit by IRAS. The errors relate to the same period that was audited. He made an accurate and complete disclosure before the agreed upon deadline with IRAS. He cooperated fully with IRAS to correct the errors and subsequently paid the additional taxes and penalties imposed.

Was the disclosure timely, accurate, complete and self-initiated?	Yes
Did the taxpayer cooperate fully with IRAS to correct errors?	Yes
Did the taxpayer honour payment arrangements till all payments were made?	Yes
Does the voluntary disclosure qualify for reduced penalty?	**Yes.** The voluntary disclosure is not directly related to the scope of an ongoing query, audit or investigation.

Scenario 4:

Taxpayer is a minority shareholder of X Pte Ltd and the sole proprietor of Y. While IRAS was auditing Y, X Pte Ltd came forward to disclose that it had omitted income. Taxpayer made an accurate and complete disclosure before the agreed upon deadline with IRAS. He cooperated fully with IRAS to correct the errors and subsequently paid the additional taxes and penalties imposed.

Was the disclosure timely, accurate, complete and self-initiated?	Yes
Did the taxpayer cooperate fully with IRAS to correct errors?	Yes
Did the taxpayer honour payment arrangements till all payments were made?	Yes
Does the voluntary disclosure qualify for reduced penalty?	**Yes.** Taxpayer has fulfilled all the qualified conditions.

Scenario 5:

While being audited by IRAS in respect of his GST input tax claims, Taxpayer informed IRAS that he had previously failed to notify that he had withheld tax on royalties paid to a non-resident. He made an accurate and complete disclosure before the agreed upon deadline with IRAS. He cooperated fully with IRAS to correct the errors and subsequently paid the additional taxes and penalties imposed.

Was the disclosure timely, accurate, complete and self-initiated?	Yes
Did the taxpayer cooperate fully with IRAS to correct errors?	Yes
Did the taxpayer honour payment arrangements till all payments were made?	Yes
Does the voluntary disclosure qualify for reduced penalty?	**Yes.** The voluntary disclosure pertaining to Withholding Tax is not directly related to the scope of IRAS' audit on taxpayers' GST matters.

Annex B: Examples of Non-Qualifying Voluntary Disclosures

Scenario 1:

Taxpayer informed IRAS that he had omitted income due to negligence after reading about IRAS' compliance focus in the media. However, he failed to provide a complete set of documents to determine the actual amount of the income omitted by the agreed upon deadline with IRAS. He subsequently cooperated fully with IRAS to correct errors and paid the additional taxes and penalties imposed.

Was the disclosure timely, accurate, complete and self-initiated?	No
Did the taxpayer cooperate fully with IRAS to correct errors?	Yes
Did the taxpayer honour payment arrangements till all payments were made?	Yes
Does the voluntary disclosure qualify for reduced penalty?	**No.** Although he cooperated fully with IRAS to correct errors and paid additional taxes and penalties involved, he had failed to make a complete disclosure.

Scenario 2:

Taxpayer submitted an accurate and complete disclosure that he had omitted partnership income. His business partner is currently under IRAS' investigation for omitting his share of income from the partnership with the taxpayer.

Was the disclosure timely, accurate, complete and self-initiated?	No
Did the taxpayer cooperate fully with IRAS to correct errors?	Yes
Did the taxpayer honour payment arrangements till all payments were made?	Yes
Does the voluntary disclosure qualify for reduced penalty?	**No.** Although the taxpayer submitted an accurate and complete disclosure, it does not qualify for reduced penalty as IRAS has initiated an investigation on the partnership which is directly related to the taxpayer's voluntary disclosure.

Scenario 3:

Taxpayer filed a GST F7 (Disclosure of Errors on GST Returns) to disclose input tax errors. He had not received a query from IRAS and was not under any ongoing IRAS' audit or investigation. Although he submitted a disclosure by the agreed upon deadline, he did not respond to IRAS' query to determine the actual amount of errors involved, even after several reminders.

Was the disclosure timely, accurate, complete and self-initiated?	No. He did not submit a complete disclosure.
Did the taxpayer cooperate fully with IRAS to correct errors?	No
Did the taxpayer honour payment arrangements till all payments were made?	Yes
Does the voluntary disclosure qualify for reduced penalty?	**No.** Even if he subsequently paid the additional taxes and penalties involved, he had failed to cooperate fully with IRAS to make an accurate and complete disclosure.

Scenario 4:

Taxpayer informed IRAS that he did not account for output tax on supplies made to a customer. Subsequently, he submitted an accurate and complete disclosure by the agreed upon deadline but failed to honour payment arrangements to pay additional taxes and penalties imposed.

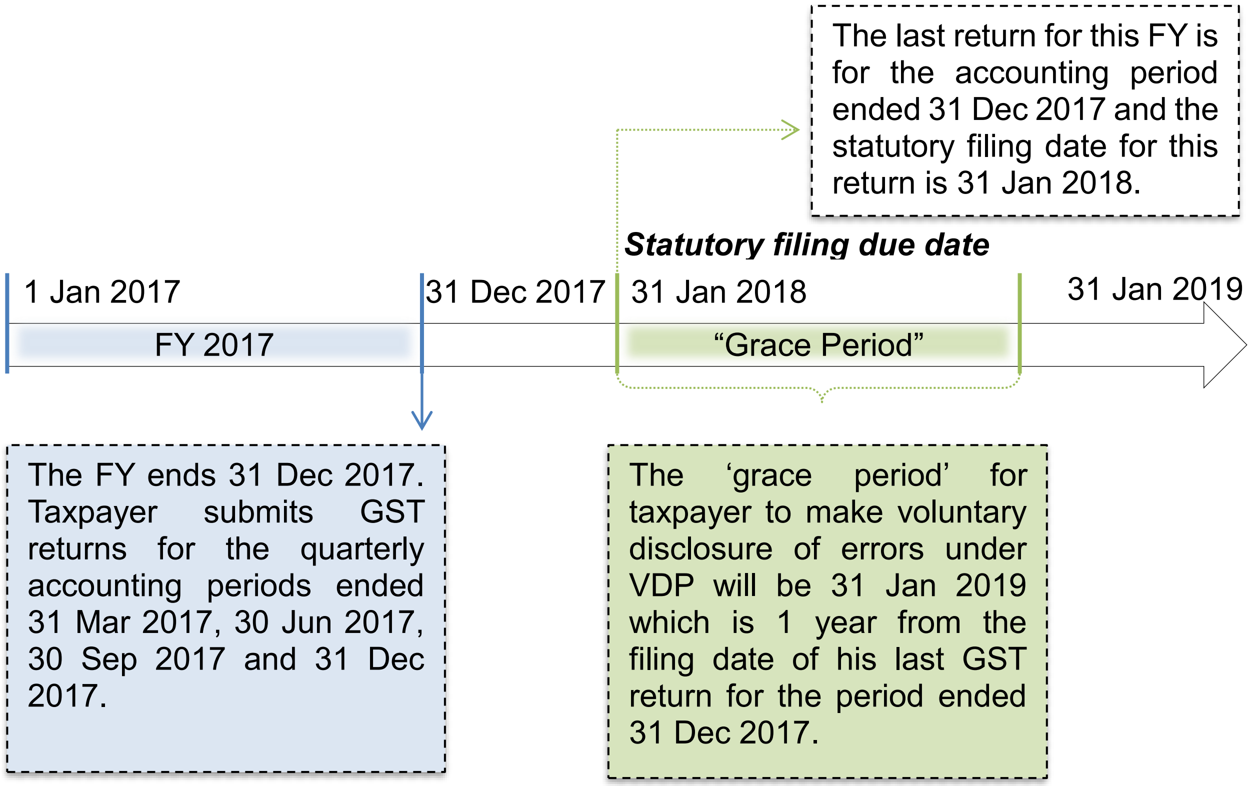
Was the disclosure timely, accurate, complete and self-initiated?	Yes
Did the taxpayer cooperate fully with IRAS to correct errors?	Yes
Did the taxpayer honour payment arrangements till all payments were made?	No
Does the voluntary disclosure qualify for reduced penalty?	**No.** He did not honour the payment arrangements till all payments were made.

Annex C: Examples of Grace Periods Applicable to GST-Registered Businesses under ASK Annual Review

Scenario 1: Period of review coincides with financial year

Assume taxpayer's financial year is from 1 Jan 2017 to 31 Dec 2017 and he submits GST returns for the quarterly accounting periods ended 31 Mar 2017, 30 Jun 2017, 30 Sep 2017 and 31 Dec 2017. Hence, his last return for this financial year is for the accounting period ended 31 Dec 2017 and the statutory filing date for this return is 31 Jan 2018.

If taxpayer conducts ASK Annual Review on his GST returns for the above accounting periods, the 'grace period' for him to make voluntary disclosure of errors under VDP will be 31 Jan 2019 which is 1 year from the statutory filing date of his GST return for the accounting period ended 31 Dec 2017.



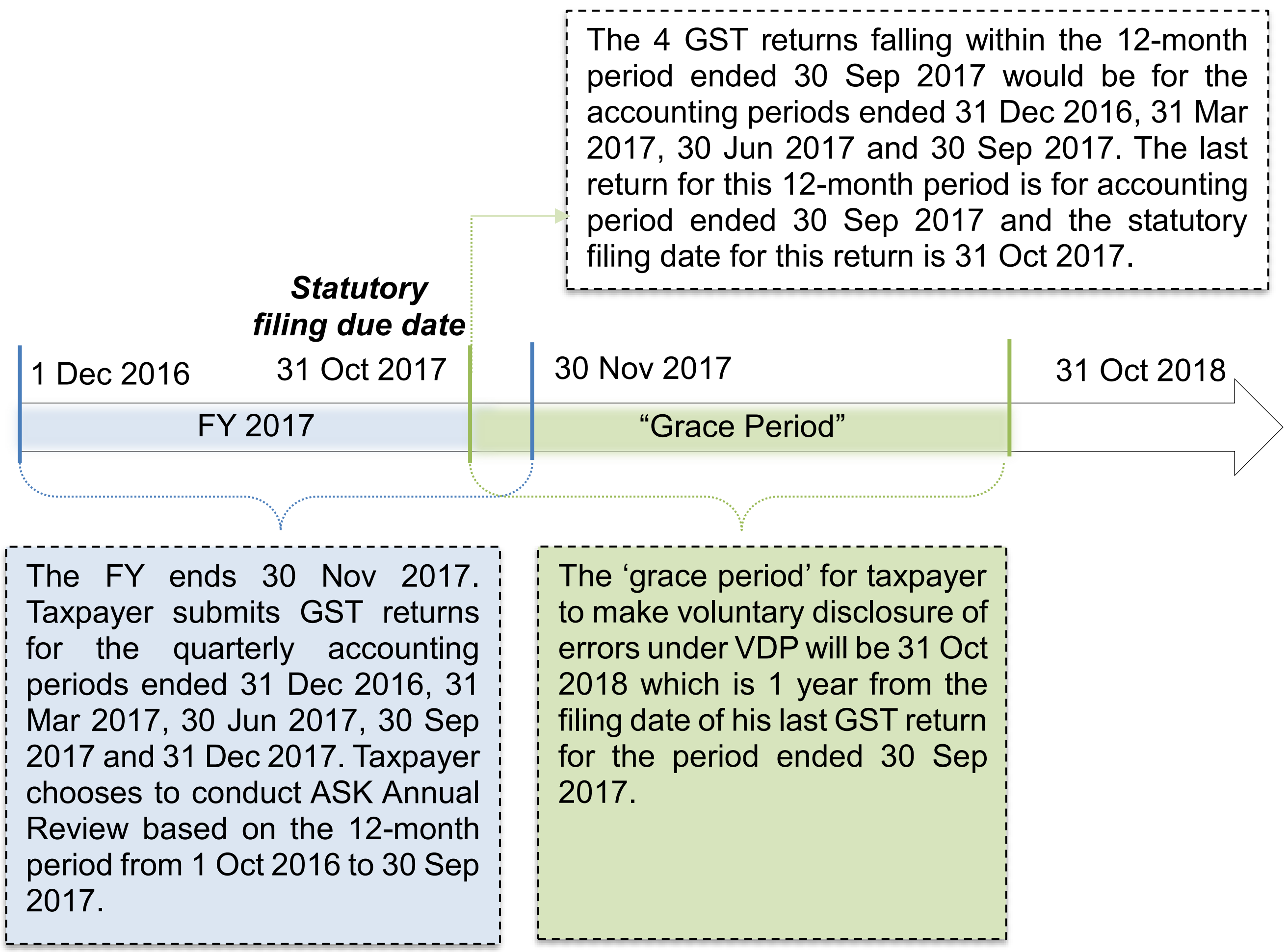
Annex C: Examples of Grace Periods Applicable to GST-Registered Businesses under ASK Annual Review

Scenario 2: Period of review does not coincide with financial year

Assume that the taxpayer's financial year is from 1 Dec 2016 to 30 Nov 2017 and he submits GST returns for the quarterly accounting periods ended 31 Dec 2016, 31 Mar 2017, 30 Jun 2017, 30 Sep 2017 and 31 Dec 2017.

If taxpayer chooses to conduct ASK Annual Review based on the 12-month period from 1 Oct 2016 to 30 Sep 2017, the 4 GST returns falling within the 12-month period would be for the accounting periods ended 31 Dec 2016, 31 Mar 2017, 30 Jun 2017 and 30 Sep 2017. So, his last return for this 12-month period is for the accounting period ended 30 Sep 2017 and the statutory filing date for this return is 31 Oct 2017.

Hence, the grace period for him to make voluntary disclosure of errors under VDP will be 31 Oct 2018.



Annex D: Penalty Treatment for Qualifying Voluntary Disclosures Vis- À- Vis All Other Disclosures

<u>Please note that the information below does not apply to errors arising from wilful intent to evade taxes or to obtain excessive cash payouts.</u>

<u>Income Tax</u>

	During Grace Period	After Grace Period
Voluntary disclosures which qualify under IRAS' VDP	0%	5% of the tax undercharged or of the amount of cash payout / bonus exceeding entitlement obtained for each year (after the grace period) it was late in being rectified
All other disclosures	Up to 200% of the tax undercharged or of the amount of cash payout / bonus exceeding entitlement obtained	

<u>GST</u>

	During Grace Period	After Grace Period
Voluntary disclosures which qualify under IRAS' VDP	0%	Flat 5% of the tax undercharged [not applicable to GST ACAP disclosures covered in Section 6]
All other disclosures	Up to 200% of the tax undercharged	

<u>Withholding Tax</u>

	During Grace Period	After Grace Period
Voluntary disclosures which qualify under IRAS' VDP	0%	Flat 5%
All other disclosures	Up to 20% of the outstanding tax	

<u>SD</u>[9]

	During Grace Period	After Grace Period
Voluntary disclosures which qualify under IRAS' VDP	5% per annum on the additional SD payable [computed on a daily basis]	
All other disclosures	Up to 4 times of the additional SD payable	

[9] There is no grace period applicable to SD.

Annex E: Guidelines to Distinguish Cases Involving Wilful Intent to Evade Taxes or to Obtain Higher Amount of Cash Payout / Bonus than Entitled to

1. Generally, an action involving the wilful intent to evade taxes or to obtain excessive cash payouts has two elements:
   (a) An act such as:
      (i) Omitting any income which should be included in an income tax return;
      (ii) Understating output tax in a GST return;
      (iii) Overstating input tax in a GST return;
      (iv) Making a false entry in an income tax return;
      (v) Giving a false answer to the Comptroller of Income Tax;
      (vi) Giving a false answer to the Comptroller of GST;
      (vii) Preparing false books of accounts or records;
      (viii) Giving false information in a claim or an entry in a form to obtain a higher amount of cash payout / bonus than entitled to;
   (b) Knowledge that the act will lead to lower tax liabilities and / or excess tax refunds.

2. Both elements i.e. the “act” and “knowledge” must be present to constitute an action involving wilful intent to evade taxes. This means that the “act” is done deliberately and intentionally to evade taxes and the mind of the person who performs the “act” goes with it.

3. Examples of actions involving wilful intent to evade taxes:

   (a) Taxpayer only declared sales via cheque, NETS and credit card, but not cash sales;
   (b) Taxpayer chose to report an estimated income which was lower than the income in the financial statements, even though proper financial statements were prepared;
   (c) Taxpayer claimed high input tax despite knowing that its business did not incur the input tax;
   (d) Taxpayer did not charge GST on some sales and subsequently excluded such sales from the sale figures reported in the income tax returns;
   (e) Taxpayer falsified the accounts and records to reflect non tax-deductible expenses as tax-deductible expenses;
   (f) Taxpayer asked suppliers to bill it for non-existent services and claimed such falsified expenses in its tax returns;
   (g) Taxpayer prepared two sets of accounts, one true copy for personal use to monitor the status of its business, and another copy for IRAS;
   (h) Taxpayer falsified accounting documents such as invoices (e.g. fictitious purchase invoices) to reduce its business’ gross profit or to claim inflated input tax.

4. Please note that the above examples are meant to provide guidance and are not intended to be exhaustive.

Annex F: Information Required for Making a Voluntary Disclosure

1. Applicant's[10] name, identification number (NRIC/Passport/FIN), address, contact number and email address

2. For businesses/companies, business'/ company's name, identification number and address[11]

3. Details of voluntary disclosure[12]:
   (a) Tax type;
   (b) Relevant assessment periods; and
   (c) Description of voluntary disclosure (e.g. previously omitted employment income of $X) *[supporting documentation should be provided if available e.g. salary slips]*

4. Circumstances under which error(s) voluntarily disclosed was / were uncovered

5. Details of controls that is put in place / will be put in place to prevent recurrence of similar error(s), including date of implementation of controls *[supporting documentation should be provided if available[13]]*

6. Confirmation that:

   (a) The voluntary disclosure is not directly related to the scope of the ongoing query, audit or investigation;
   (b) To the best of applicant's knowledge, the voluntary disclosure is complete and accurate;
   (c) Applicant will cooperate fully with IRAS to correct the error(s) made;
   (d) Any additional taxes, amount exceeding cash payout / bonus than entitled to and penalties arising from the voluntary disclosure will be paid; and
   (e) The controls (detailed in item no. 5) to prevent the recurrence of similar error(s) have been or will be put in place.

<u>*Please note that:*</u>

(i) All information listed above and supporting documentation has to be provided to IRAS when making a voluntary disclosure. If you need more time to provide all the required information and supporting documentation, please let IRAS know the additional time required[14] and the reasons for needing more time. If IRAS is agreeable to your request for additional time, all information and supporting documentation have to be submitted to IRAS by the agreed upon deadline otherwise, the VDP application will be invalid; and

(ii) The applicant is required to sign off on and date the VDP application.

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[10] For a voluntary disclosure on a company's / business' tax affairs, the applicant should be the Managing Director / Chief Executive Officer / Precedent Partner / Sole Proprietor, or any officer duly authorised by the Managing Director / Chief Executive Officer / Precedent Partner / Sole Proprietor. "Duly authorised" means that a letter of authority has to be submitted to IRAS.
[11] Such information is to be provided if the voluntary disclosure pertains to a business'/ company's tax affairs.
[12] Such information is to be provided if the voluntary disclosure relates to Individual Income Tax or Corporate Income Tax. For Withholding Tax, details of the voluntary disclosure are to be provided in the Form IR37/A/B/B1/C/D, which is to be submitted together with the information and supporting documentation listed in Annex F.
[13] For example, a control that could be put in place is the purchase and installation of accounting software, with the supporting documentation being e.g. receipt showing purchase and installation of software.
[14] Additional time required should not be more than 3 months from the date of the VDP application.

Glossary

ACAP	Assisted Compliance Assurance Programme
ASK	Assisted Self-help Kit
GST	Goods and Services Tax
FY	Financial Year
IRAS	Inland Revenue Authority of Singapore
SD	Stamp Duty
VDP	Voluntary Disclosure Programme