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IRAS e-Tax Guide

Tax Risk Management and Control Framework
for Corporate Income Tax
(First Edition)



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1 Aim

- 1.1 This e-Tax guide on Tax Risk Management and Control Framework for Corporate Income Tax (CTRM) provides guidance on the review of an entity's internal risk management and control system for Corporate Income Tax (CIT) compliance, and the requirements involved for an entity to attain CTRM Status. It aims to help entities better manage their CIT compliance risks.
- 1.2 You should read this e-Tax guide if you are a:
 - (a) Chief financial officer, tax director, tax manager, tax accountant or person involved in managing your entity's CIT compliance; or
 - (b) CTRM Reviewer appointed by an entity to conduct a review on the entity's CIT risk management processes and internal controls.

2 At a Glance

- 2.1 CTRM is a programme to promote the adoption of good tax governance principles and practices among large entities, particularly the public listed companies and multi-national corporations. It is designed to help these entities perform a self-review on the robustness and effectiveness of the internal control processes put in place to manage CIT compliance risks.
- 2.2 You may adopt CTRM on a voluntary basis. If you decide to adopt CTRM, you will need to submit an application to IRAS. IRAS will review your application and confirm your eligibility to participate in the programme.
- 2.3 Upon receipt of IRAS' confirmation on your eligibility to participate in the programme, you will perform a self-review of your internal control processes by completing the IRAS' CTRM Checklist. The completed self-review CTRM Checklist will have to be reviewed by a CTRM Reviewer and submitted to IRAS together with all other relevant documents. You will be awarded the CTRM Status if IRAS assesses that your internal control processes for CIT compliance are adequate and effective, and that you have low CIT compliance risks.
- 2.4 IRAS will apply a one-time waiver of penalties once for voluntary disclosure of prior years' CIT errors and once for voluntary disclosure of withholding tax errors¹ within 3 years of effective CTRM. If it is not applied within this period, the one-time waiver of penalties will continue to be applied to any non-compliance disclosed within a further 3-year period on the renewal of CTRM (if applicable). You can also expect a step-down on CIT compliance audit by IRAS.

¹ Disclosure of errors which meet the qualifying conditions for reduced penalties (see e-Tax guide on IRAS' Voluntary Disclosure Programme).

3 Glossary

3.1 Compensating control

A compensating control, also termed as alternative control, is a process that is put in place to satisfy the requirement for a control measure that is deemed infeasible or impractical to implement at the present time². Notwithstanding, a compensating control must meet the intent and rigor of the recommended control by providing a similar level of assurance.

3.2 CTRM

Tax Risk Management and Control Framework for Corporate Income Tax.

3.3 CTRM Checklist

Checklist for self-review of Corporate Income Tax Controls. The key controls and control features in the checklist cover three important levels, namely Tax Governance Structure, Entity-Level Controls and Tax Reporting Controls, that ensure continual CIT compliance.

3.4 CTRM Participant

An entity approved by IRAS to participate in the CTRM.

3.5 CTRM Period

CTRM Period is a 12-month period as follows:

- (a) The 12-month period immediately preceding the month in which IRAS approves the entity's participation in the CTRM; or
- (b) The 12-month period of the entity's latest financial year³.

3.6 CTRM Review

An independent review performed by a CTRM Reviewer covering the CTRM Period. The CTRM Reviewer performs a review on the adequacy and effectiveness of the entity's internal controls on CIT compliance to determine if it fulfills the minimum benchmark in the level of controls.

² For example, an entity may not have the resources to segregate employee duties as required within its internal control systems to satisfy the requirement for segregation of duties between preparer, reviewer and approver. In that case, a compensating control could be for the approver to also perform the reviewer function for transactions below certain threshold.

³ If the interval between the financial year-end and the approval date to participate in the CTRM is more than 6 months, the CTRM Participant should provide an update on whether there are changes to the level of controls during the interval.

3.7 CTRM Reviewer

A Public Accounting Entity (PAE)⁴ or its tax affiliate⁵ with a track record in conducting audits and/or tax return reviews of large entities. The CTRM participant's independent Internal Audit team which reports directly to its Audit Committee (or equivalent) can also be considered.

3.8 CTRM Status

A status awarded to the entity which completes the CTRM Review and meets the minimum benchmark in the level of controls, the internal control processes are assessed by IRAS to be adequate and effective, and it has low CIT compliance risks. The status is valid for 3 years and is renewable every 3 years provided the requirements are met.

3.9 Minimum benchmark

A key control is considered as implemented if 60% or more of the control features of each key control listed in the CTRM Checklist or their equivalents⁶ are present.

4 **Objectives of the CTRM**

4.1 The primary objective of the CTRM is to provide guidance for you to voluntarily initiate a holistic review on the robustness and effectiveness of your internal controls to assess and enhance your CIT compliance capability.

4.2 If you do not have an immediate intention to participate in the CTRM, you are encouraged to adopt the CIT control practices compiled in the CTRM Checklist to build or enhance your internal controls in managing CIT compliance risks.

5 **Overview of the CTRM**

5.1 As a CTRM participant, you will be required to conduct a self-assessment on your existing CIT control features by completing the CTRM Checklist and have it reviewed by your appointed CTRM Reviewer before submitting it to IRAS. The CTRM Checklist encompasses practice-oriented tax control features as demonstration of sound tax risk controls. It covers three important levels, namely Tax Governance Structure, Entity-Level Controls and Tax Reporting Controls, that ensure continual CIT compliance.

⁴ Refers to the Public Accounting firm, Public Accounting Corporation or Accounting LLP registered with the Accounting & Corporate Regulatory Authority.

⁵ Refers to the tax arm of a Singapore PAE, constituted separately and is related to the PAE by ownership or management.

⁶ Compensating controls, subject to acceptance by IRAS, if the control features listed in the CTRM Checklist are not present.

- 5.2 You have to provide the completed CTRM Checklist and all the relevant information to your CTRM Reviewer, who will perform an independent review on how your CIT control practices operate over the CTRM Period, and complete a CTRM Report (which includes the CTRM Checklist) for your submission to IRAS.
- 5.3 Where more than one entity within a corporate group intend to participate in the CTRM, a representative member entity may complete the CTRM Checklist on a consolidated basis. However, if the CIT controls and processes differ significantly⁷ among member entities, each member entity should consider completing a separate CTRM Checklist. Alternatively, each member entity may participate in the CTRM as a standalone entity.
- 5.4 Upon submission of the CTRM Report to IRAS, IRAS may request for documentary evidence, conduct site visits and interviews to verify the controls implemented and assess the effectiveness of such controls.
- 5.5 Following evaluation of the CTRM Report, IRAS will award the CTRM Status to you if you attain the minimum benchmark in the level of controls implemented and these are assessed to be adequate and effective, and your CIT compliance risks are assessed to be low.

6 Pre-requisites to Participate in the CTRM

- 6.1 You should meet all the following pre-requisites before you apply to participate in the CTRM.
- (a) You have implemented the key controls listed in the CTRM Checklist (**Annex 2**) for all the three levels (i.e. Tax Governance Structure, Entity-Level Controls and Tax Reporting Controls) covering the CTRM Period.

CIT Controls Framework

Controls	Objectives & Features of CIT Controls
Tax Governance Structure	<p>To set the tone at the top (i.e. the Board) and regard tax risk management as an integral part of the entity's corporate governance.</p> <p>The control features aim to establish whether the Board and senior management have incorporated CIT risk management framework and policies as part of the CIT Controls Framework in the entity.</p> <p>The relevant control checks are to ensure that the Board and senior management recognise the importance of CIT compliance and maintain an oversight over the entity's CIT matters, particularly CIT matters that potentially have significant tax implications to the entity.</p>

⁷ The business activities of the group entities may be very different such that the key tax risk areas, extent of processes and tax risk controls put in place are different.

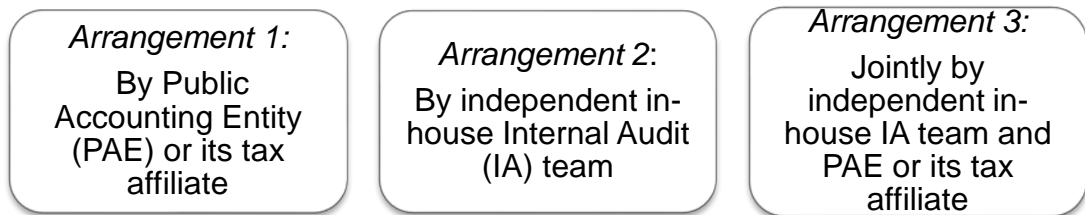
<p>Entity-Level Controls</p>	<p>To enable the senior management to maintain effective oversight over CIT compliance matters.</p> <p>The control features aim to establish whether the senior management has adopted an effective risk management framework to identify, evaluate and manage CIT risks and compliance.</p> <p>The relevant control checks are to ensure that:</p> <ul style="list-style-type: none"> (i) the senior management designates a credible and capable person or team who has the necessary skills and experience to manage CIT matters effectively; (ii) there is a process to identify, evaluate and manage CIT risks; (iii) the relevant information is disseminated in a timely manner to the relevant process owners; and (iv) the adequacy and effectiveness of the CIT risk management processes are reviewed periodically.
<p>Tax Reporting Controls</p>	<p>To ensure that the tax data extracted and compiled for CIT returns submission is complete and accurate.</p> <p>The control features aim to establish whether the tax values are compiled correctly for CIT reporting, and the tax treatment of CIT issues is applied appropriately and complies with the relevant tax laws and rules.</p> <p>The relevant control checks are to ensure that:</p> <ul style="list-style-type: none"> (i) both the tax data and tax treatment are captured in the CIT returns correctly and submitted to IRAS in a timely manner; (ii) the responses to IRAS' tax enquiries are timely, accurate and complete; and (iii) the adequacy and effectiveness of the CIT compliance processes are reviewed periodically.

- (b) The minimum benchmark is met.
- (c) The statutory auditor's opinion of your last 3 years' financial statements is unqualified.
- (d) You are not currently under any CIT audit for tax avoidance or investigation conducted by IRAS.

- (e) You have good compliance records⁸ for CIT (including withholding tax), GST and Property Tax for the last 3 years including no outstanding tax⁹ with IRAS as at the date of application to participate in the CTRM.
- (f) You are committed to appoint a CTRM Reviewer to conduct the CTRM Review.

7 Eligibility Conditions to be a CTRM Reviewer

7.1 A CTRM Review can be conducted by a CTRM Reviewer based on any of the following 3 arrangements:



7.2 Arrangement 1: CTRM Review is conducted by a Public Accounting Entity (PAE) or its tax affiliate

A PAE or its tax affiliate is engaged to perform the CTRM Review. The CTRM Review team must fulfil the following conditions:

- (a) The team is led by an Accredited Tax Advisor (Income Tax) of the Singapore Chartered Tax Professionals (SCTP) who is directly involved in conducting the CTRM Review. The accredited person is:
 - an audit partner, tax partner or tax director; or
 - a team lead who reports to an audit partner, tax partner or tax director for the CTRM Review.
- (b) The team's tests of controls follow the audit methodology based on accepted auditing standards¹⁰.
- (c) If the PAE or its tax affiliate has been involved in other CIT specific engagements as listed below, additional safeguards (other than the usual safeguards required by the profession) must be put in place:

⁸ Include filing of tax return and payment of tax promptly as well as responding to queries by the deadlines as agreed with IRAS.

⁹ Excludes tax due under instalment plan or amount due for the next GIRO deduction.

¹⁰ For example, the audit procedures relating to tests of controls as prescribed in the Singapore Standard on Auditing (SSA 330).

CIT specific engagements	Additional safeguards in the conduct of the CTRM Review
<p>PAE or its tax affiliate engaged to prepare and/or review the CIT returns for the CTRM Participant prior to the submission of the tax returns.</p>	<p>The 12-month CTRM Period should not coincide with the same period for which the CIT return is prepared or reviewed¹¹.</p> <p>If the periods coincide, the entire team (tax associate, tax senior, tax manager, tax director and tax partner) from the PAE or its tax affiliate involved in the preparation or review of the CIT return must not be involved in the CTRM Review.</p> <p>However, an entirely different team from the PAE or its tax affiliate with proper “China Wall” established can be engaged to conduct the CTRM Review.</p>
<p>PAE or its tax affiliate engaged to design and document the new CIT process flows and controls of the CTRM Participant.</p>	<p>The entire team from the PAE or its tax affiliate must not be involved in the CTRM Review.</p> <p>However, an entirely different team from the PAE or its tax affiliate with proper “China Wall” established can be engaged to conduct the CTRM Review.</p>
<p>PAE or its tax affiliate engaged to document the existing CIT process flows and controls already established by the CTRM Participant (e.g. existing CIT reporting process is in place but not documented, or CIT controls in practice but not properly incorporated in the process flows documentation).</p>	<p>The staff from the PAE or its tax affiliate who are involved in the review or approval of the documents (e.g. process workflows and controls, procedures, manuals, checklists) must not be involved in the CTRM Review.</p>

7.3 Arrangement 2: CTRM Review is conducted by an independent in-house Internal Audit (IA) team

The CTRM Review is conducted independently by your in-house IA team. The IA team in charge of the CTRM Review must fulfil the following conditions:

¹¹ For example, an entity with financial year end 31 Dec decided that the CTRM Period to be 1 Jan 2020 to 31 Dec 2020. In this case, the entire team from the PAE or its tax affiliate who prepared or reviewed the CIT return submission (which relates to the financial year ended 31 Dec 2019 (year of assessment 2020)) during the period 1 Jan 2020 to 31 Dec 2020 must not be involved in the CTRM Review to avoid conflict of interest.

- (a) The team lead is a member of a professional accounting or auditing body¹².
- (b) At least one member¹³ in the team is an Accredited Tax Practitioner (Income Tax) or Accredited Tax Advisor (Income Tax) of SCTP.
- (c) The team reports directly to an Audit Committee (AC) (or equivalent) comprising all independent non-executive directors¹⁴ or reports to a committee specifically tasked by the senior management to oversee the review independently and this committee reports the findings to the AC (or equivalent).
- (d) If the CTRM Review is performed by a global IA team, the global IA team should have a similar composition as per paragraphs 7.3(a) and 7.3(b), and reports to an overseas AC (or equivalent) comprising non-executive directors.

7.4 Arrangement 3: CTRM Review is conducted jointly by an independent in-house IA team and a PAE or its tax affiliate

A PAE or its tax affiliate is appointed to conduct the CTRM Review jointly with your in-house IA team. The composition of the team members may vary depending on your needs. If the lead CTRM Reviewer is from the PAE or its tax affiliate, he must fulfil the conditions under Arrangement 1. If the lead CTRM Reviewer is from your in-house IA team, he must fulfil the conditions under Arrangement 2.

- 7.5 It is the responsibility of the PAE or its tax affiliate or the IA team to ensure that all the eligibility conditions above are fulfilled before accepting the appointment as the CTRM Reviewer.

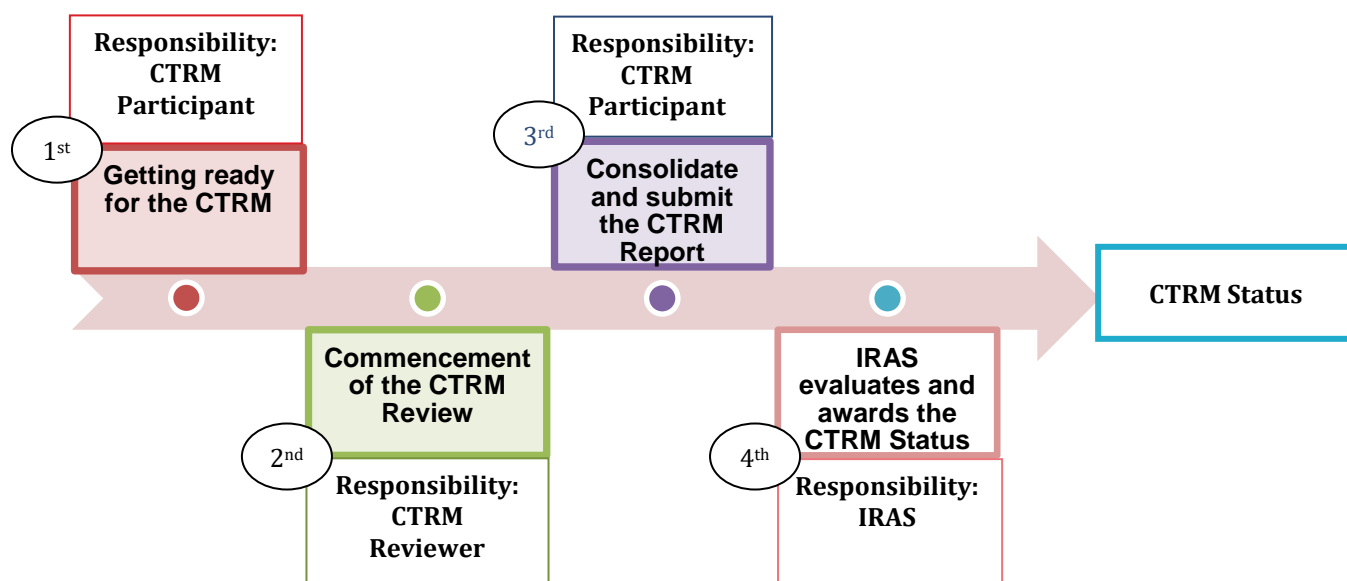
¹² Examples of professional accounting or auditing bodies include the Institute of Singapore Chartered Accountants (ISCA), Association of Chartered Certified Accountants (ACCA), Institute of Internal Auditors (IIA).

¹³ If the internal auditors are not Accredited Tax Practitioner (Income Tax) or Accredited Tax Advisor (Income Tax) of SCTP, for the purpose of conducting the CTRM Review, the IA team members may include the CTRM Participant's in-house tax advisory personnel or an external tax advisory consultant who is an Accredited Tax Practitioner (Income Tax) or an Accredited Tax Advisor (Income Tax) of SCTP. The in-house tax advisory personnel or external tax advisory consultant must not be involved in the preparation or review of the CIT returns, or the design and documentation of the CIT process flows and controls of the CTRM Participant. Otherwise, the additional safeguards in paragraph 7.2(c) must be put in place.

¹⁴ IRAS follows the requirements of "The Singapore Exchange Listing Rules" on the composition of the Audit Committee members.

8 CTRM Process Milestones

8.1 There are four milestones in the CTRM process.



1st Milestone: Getting ready for the CTRM

- 8.2 If you wish to participate in the CTRM, you must first satisfy the pre-requisites in paragraph 6. Particularly, you must ensure that your internal control processes put in place to manage CIT compliance risks are ready for the CTRM. To make a preliminary self-assessment if your internal control processes meet the minimum benchmark, you should refer to the CTRM Checklist and its accompanying important notes (**Annex 2**).
- 8.3 Once the preliminary self-assessment is performed and the preliminary results meet the minimum benchmark, you can proceed to submit an application to IRAS and indicate the choice of your CTRM Review arrangement by submitting the Form for "Participation in CTRM Programme" (**Annex 1**). You do not need to submit the CTRM Checklist at this point in time. You will only need to submit a copy of the "Summary of Scores" at the "Summary" worksheet of the CTRM Checklist.
- 8.4 IRAS will review your eligibility and inform you of the status of your application within 14 working days from the date of receipt of the form or such other timeline as may be informed by IRAS. If you fulfil all the pre-requisites and your application is accepted by IRAS, you should work closely with your CTRM Reviewer to commence the CTRM Review. Should there be any changes to the information submitted in the Form for "Participation in CTRM Programme", you should notify IRAS immediately for IRAS to reconsider your eligibility to participate in the CTRM.

2nd Milestone: Commencement of the CTRM Review by the CTRM Reviewer

- 8.5 As a CTRM Participant, you will proceed to complete and collate the following information for the conduct of the CTRM Review:
- (a) CTRM Checklist on the extent of the CIT control features present at all the three levels (i.e. Tax Governance Structure, Entity-Level Controls and Tax Reporting Controls);
 - (b) Documentary evidence in support of the CIT control features present at all the three levels;
 - (c) Flowcharts for the business or functional processes relevant to tax risk management and key CIT risks, and the corresponding control measures put in place to mitigate such risks;
 - (d) Other risk management strategies or other key controls established as part of a good tax governance;
 - (e) Control measures implemented for not more than 6 months during the CTRM Period;
 - (f) Control gaps or lapses identified as well as the CIT and withholding tax errors discovered;
 - (g) Follow-up actions which will be taken after the CTRM Period to address the control gaps or lapses identified; and
 - (h) Any other information essential for the CTRM Reviewer's review.
- 8.6 Once you have provided your CTRM Reviewer with all the information in paragraph 8.5, your CTRM Reviewer should proceed to formalise a plan (e.g. resource requirement, time schedule, review methodology based on accepted auditing standards) to review your internal control processes including the CTRM Checklist completed by you.
- 8.7 Your CTRM Reviewer should proceed to perform the review, which may include tests of controls or substantive testings (e.g. conducting interview and performing walk-through with appropriate personnel to confirm understanding of control designs, inspecting documentary evidence such as Standard Operating Procedures, sample testing to ensure that the controls are working as intended), and document the procedures used, work performed, evidence obtained and findings, and highlight any further gaps or lapses identified. Your CTRM Reviewer has to determine the extent of the review procedures required to substantiate the presence of CIT control features at all the three levels and the types of evidence required.

- 8.8 Review of the CTRM Checklist may include but is not limited to the following:
- (a) Understanding your business operations including major transactions and events ¹⁵ which may have significant impact to the tax risk management and internal controls;
 - (b) Assessing if the key CIT risk areas have been identified and corresponding adequate and effective control measures (or their equivalents) have been put in place to mitigate such key CIT risks at all the three levels;
 - (c) Assessing the adequacy and effectiveness of the follow-up actions taken to mitigate the CIT risks arising from the control gaps or lapses identified;
 - (d) Assessing the adequacy and effectiveness of the control measures implemented for not more than 6 months during the CTRM Period;
 - (e) Verifying the documentary evidence in support of the presence of the CIT control features at all the three levels; and
 - (f) Verifying whether the quantification of the CIT and withholding tax errors discovered is in order.
- 8.9 Your CTRM Reviewer should provide the following report and documents (**Annex 3**) to you on the completion of the CTRM Review:
- (a) Report on Findings by the CTRM Reviewer;
 - (b) Notes to Report on Findings by the CTRM Reviewer - This is to document adequately the review performed by your CTRM Reviewer, evidence obtained and findings, and highlight any further gaps or lapses identified; and
 - (c) Compilation of Control Gaps and CIT and Withholding Tax Errors for Follow-up Actions.
- 8.10 The “Report on Findings by the CTRM Reviewer” should be signed off by the authorised person as follows:

¹⁵ Refer to Section 1 Tax Governance Structure, Control Ref No. 2 of the CTRM Checklist.

Choice of CTRM Reviewer Arrangement	Authorised Person
Arrangement 1	
Public Accounting Entity (“PAE”) or its tax affiliate	<ul style="list-style-type: none"> • Audit Partner; or • Tax Partner or Tax Director
Arrangement 2	
Independent in-house Internal Audit (IA) team	<ul style="list-style-type: none"> • Team Lead of IA team
Arrangement 3	
Jointly by in-house IA team and PAE or its tax affiliate	<p><u>If IA is the team lead</u></p> <ul style="list-style-type: none"> • Team Lead of IA team <p><u>If PAE or its tax affiliate is the team lead</u></p> <ul style="list-style-type: none"> • Audit Partner; or • Tax Partner or Tax Director

3rd Milestone: Consolidation of the findings and submission of the CTRM Report to IRAS

- 8.11 Upon the completion of the CTRM Review by your CTRM Reviewer, you should evaluate the findings by your CTRM Reviewer and determine the appropriate follow-up actions such as:
- Implementing additional control measures to address the control gaps or lapses identified by your CTRM Reviewer;
 - Reviewing and quantifying all the CIT and withholding tax errors discovered for the relevant years concerned; and
 - Updating the control gaps or lapses as well as the CIT and withholding tax errors in the “Compilation of Control Gaps and CIT and Withholding Tax Errors for Follow-up Actions”. You should describe the nature of the errors and determine the amounts associated with each category of errors for the relevant years concerned.
- 8.12 You will need to submit the following documents via *myTax Portal* [select “Email Us (myTax Mail)”] to IRAS for evaluation within 1 year¹⁶ from the date of IRAS’ acceptance of your participation in the CTRM:
- CTRM Checklist;
 - Report on Findings by the CTRM Reviewer;
Appendix A - Notes to Report on Findings by the CTRM Reviewer;
Appendix B - Compilation of Control Gaps and CIT and Withholding Tax Errors for Follow-up Actions; and
 - CTRM Report (**Annex 4**).

¹⁶ IRAS may consider extending the deadline for the submission of the documents on a case-by-case basis and only if there are valid reasons given.

You need not submit the relevant documents in support of the presence of the CIT control features (e.g. tax risk management framework and tax governance policy, tax process workflows and operating manuals on key CIT risk areas, documentary evidence that control checks have been performed, etc.) together with the above documents. You will only need to submit these supporting documents when IRAS requests for them.

4th Milestone: Evaluation by IRAS on the documents submitted

- 8.13 IRAS will evaluate the documents submitted in paragraph 8.12 to assess the adequacy and effectiveness of your internal control processes. If the need arises, IRAS may request for meetings with you and your CTRM Reviewer to clarify information submitted. IRAS may also request for supporting documentary evidence¹⁷ or conduct site visits and interviews to verify the control measures implemented by you.
- 8.14 IRAS will determine whether you will be awarded the CTRM Status within 6 months¹⁸ from the date of receipt of the documents. IRAS' decision in awarding the CTRM Status is final.
- 8.15 If you are unsuccessful in obtaining the CTRM Status, you may re-apply for the CTRM Status again 1 year from the date of IRAS' decision.

9 General Guidance on How IRAS Evaluates the CTRM Report

An Effective CTRM

- 9.1 IRAS will assess if the CIT control features established at all the three levels (i.e. Tax Governance Structure, Entity-Level Controls and Tax Reporting Controls) are adequate (i.e. controls are relevant given current context) and effective (i.e. controls able to mitigate tax risks and controls in place are adhered to by the relevant stakeholders).
- 9.2 Generally, the following criteria should be met:
- (a) Systematic CIT risk management processes are incorporated as part of your corporate governance with most of the key CIT risks identified and managed;

¹⁷ To verify the process of escalation of major tax matters to the Board for deliberation (Section 1 Tax Governance Structure, Control Ref No. 2 of the CTRM Checklist), the entity is not expected to provide documents such as tax risk registers or professional advice/ opinion submitted to the Board for IRAS' review. However, alternative documents which appropriately support and demonstrate the proper conduct of the escalation process should be available for IRAS' review. In the absence of such alternative documents, IRAS will discuss with the CTRM Participant to agree on what other supporting information should be provided to corroborate that the escalation process controls put in place are effective.

¹⁸ Subject to full resolution of the issues submitted in the CTRM Report (e.g. additional control measures implemented, complete quantification of the CIT and withholding tax errors, full payment of the additional taxes raised, etc).

- (b) The key CIT controls put in place are well integrated into your operating and financial work processes;
- (c) The CIT control features established at all the three levels (i.e. Tax Governance Structure, Entity-Level Controls and Tax Reporting Controls) are adequate and effective;
- (d) Monitoring and review of your CIT tax declarations and adherence to the CIT requirements are performed on a regular basis by the designated person; and
- (e) Proper documentation is maintained for your CIT risk management processes and internal controls.

9.3 An effective CTRM should have all the key controls listed in the CTRM Checklist for all the three levels (i.e. Tax Governance Structure, Entity-Level Controls and Tax Reporting Controls). A key control is considered as implemented if 60% or more of the control features of each key control listed in the CTRM Checklist are present.

9.4 IRAS recognises that the range and degree of control features supporting the key controls may vary among entities, depending on the entity's risk management policies and processes. Where a key control is not supported by at least 60% of the control features but you have implemented other compensating control features, IRAS will consider these other compensating controls in determining whether you have an effective CTRM.

10 Benefits under the CTRM

10.1 An entity that has been assessed to have an effective CTRM is accepted by IRAS to be generally tax compliant. Accordingly, due consideration and mitigation will be applied in respect of isolated instances of non-compliance (where such non-compliance does not involve deliberate tax evasion or serious tax avoidance). Hence, under the CTRM, IRAS will

- Apply a one-time waiver of penalties once for voluntary disclosure of prior years' CIT errors and once for voluntary disclosure of prior years' withholding tax errors for entities with an effective CTRM. This excludes any non-compliance involving deliberate tax evasion or serious tax avoidance and all the qualifying conditions of the voluntary disclosure programme¹⁹ continue to apply.
- Step-down on CIT compliance audit.

¹⁹ Disclosure of errors which meet the qualifying conditions for reduced penalties (see e-Tax guide on IRAS' Voluntary Disclosure Programme).

One-time waiver of penalties for voluntary disclosure of errors

- 10.2 The one-time waiver of penalties applies to non-compliance disclosed within 3 years of effective CTRM. If it is not applied within this period, the one-time waiver of penalties will continue to be applied to any non-compliance disclosed within a further 3-year period on the renewal of CTRM (if applicable). The one-time waiver of penalties will not be applied after the extended period.
- 10.3 During the CTRM process, you may discover prior years' CIT and/or withholding tax errors. All errors discovered together with the relevant revised tax computations should be disclosed to IRAS on a timely basis. Where more time is required to ascertain the extent of the errors, you should inform IRAS of the errors and request for more time to investigate further. For the errors disclosed to IRAS during the CTRM process and in the Report on Findings by the CTRM Reviewer (**Appendix B of Annex 3**) - "Compilation of Control Gaps and CIT and Withholding Tax Errors for Follow-up Actions", the date of the disclosure of these errors will be deemed to be the date of award of the CTRM Status. IRAS will apply the one-time waiver of penalties for the disclosure of the errors.
- 10.4 If you do not discover errors during the CTRM process but discover errors only after the CTRM Status is awarded, you should disclose the errors discovered together with the relevant revised tax computations and the form for voluntary disclosure of errors under the CTRM to IRAS on a timely basis. The form for voluntary disclosure of errors under the CTRM can be downloaded from <https://www.iras.gov.sg> (Home> Taxes> Corporate Income Tax> Corporate Income Tax Compliance> About Tax Governance and Tax Risk Management> Tax Risk Management and Control Framework for Corporate Income Tax ("CTRM")).

Step-down on CIT compliance audit

- 10.5 IRAS will, through the review of your CTRM documents, assess whether you have put in place adequate and effective internal control processes to mitigate your key tax risk areas²⁰ and calibrate the scope of the CIT compliance audit review accordingly.
- 10.6 IRAS will discuss with you upfront to identify the key tax risk areas or key CIT issues (capped at 5 tax risk areas/CIT issues, excluding new CIT issues which have emerged due to exceptional circumstances²¹) based on your current business and structure. IRAS will calibrate the review of these tax risk areas/CIT issues for the next 3 consecutive YAs.

²⁰ For example, related party transfer pricing, withholding tax compliance, Research & Development (R&D) claim and capital allowance claim, where applicable.

²¹ Such as award of a new tax incentive, once off transaction which give rise to significant gain or loss, or merger and acquisition, etc.

11 After Award of the CTRM Status and Benefits

Circumstances where the CTRM Status and benefits awarded may be terminated before expiry

- 11.1 IRAS may terminate the CTRM Status and benefits awarded to you under the following circumstances:
- (a) A statutory auditor has given a qualified report on the ability of your business to continue as a going concern or an adverse report on the financial statements.
 - (b) A public accountant has expressed a qualified conclusion on the effectiveness of the internal control systems of your entity from the performance of other assurance engagements.
 - (c) Your entity is under receivership or liquidation or is under a Scheme of Arrangement with the creditors or if it ceases business or is dormant.
 - (d) You fail to comply with any of the CIT tax compliance conditions or requirements imposed by IRAS (e.g. failure to file your CIT returns and pay your CIT promptly, failure to respond to queries raised by IRAS by the deadlines as agreed with IRAS).
 - (e) You have provided false, misleading or inaccurate information in respect of your participation in the CTRM, submitted incorrect CIT returns with willful intent to evade taxes or engage in tax avoidance schemes.
- 11.2 During the validity period of the CTRM Status and benefits, you should notify IRAS if any of the events in paragraph 11.1 occurs.

Merger and acquisition during the validity period of the CTRM Status and benefits

- 11.3 In the case of merger and acquisition involving your entity after it has been awarded with the CTRM Status and benefits, the CTRM Status and benefits are not transferable to another entity. Generally,
- (a) if you acquire or are being acquired by a non-CTRM entity, you may retain the CTRM Status and benefits for the remaining validity period but the CTRM Status and benefits will not be extended to the target or the acquirer entity;
 - (b) if you merge or amalgamate with another entity (whether it is an entity awarded the CTRM Status or not), the new or surviving entity (whether it is you or the other entity) may retain the CTRM Status for the remaining validity period if a written confirmation is submitted to IRAS to affirm that the existing controls are still adequate and will continue to operate effectively to mitigate the CIT risks arising from the merger or amalgamation. The written confirmation should be signed off by the

Chief Executive Officer, Chief Financial Officer or Chief Corporate Officer of the new or surviving entity.

12 CTRM Renewal

- 12.1 You are encouraged to commence the CTRM renewal process 6 months before the expiry of the CTRM Status award. Similarly, you will need to appoint a CTRM Reviewer to conduct a review covering a 12-month period²² on your CTRM Checklist for the CTRM renewal. You will also need to submit all the relevant documents in paragraph 8.12 at least 3 months before the expiry of the CTRM Status award for evaluation by IRAS.

13 Contact Information

- 13.1 For enquiries on this e-Tax guide and the annexes, please call IRAS at 1800-356 8622.

²² The 12-month period can be the 12 months before the start of the CTRM renewal process. For example, expiry date of the CTRM Status award is 31 Dec 2025 and start of the CTRM renewal process is 1 Jul 2025. The 12-month period can be from 1 Jul 2024 to 30 Jun 2025.

Annexes

The following annexes can be downloaded from <https://www.iras.gov.sg> (Home> Taxes> Corporate Income Tax> Corporate Income Tax Compliance> About Tax Governance and Tax Risk Management> Tax Risk Management and Control Framework for Corporate Income Tax (“CTRM”)):

Annex 1	Form for “Participation in CTRM Programme”
Annex 2	Self-Review of Corporate Income Tax Controls Checklist
Annex 3	Report on Findings by the CTRM Reviewer
	Appendix A - Notes to Report on Findings by the CTRM Reviewer
	Appendix B - Compilation of Control Gaps and CIT and Withholding Tax Errors for Follow-up Actions
Annex 4	CTRM Report