

Tax Guide for Self-Employed Hawkers



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A. Tax Obligations of a Hawker

This guide is to help you in reporting your business income in your Income Tax Returns. Being a self-employed person, you have the following obligations:

- (a) To keep proper records and accounts of your business for 5 years.
- (b) To complete and submit the Income Tax Returns and pay the amount of tax due within one month from the date of the Notice of Assessment.
- (c) To make compulsory Medisave contributions.

B. Keeping Proper Records and Accounts

1. What business records should I keep?

For income tax purposes, you are required to keep proper records and accounts of your business transactions for 5 years. The set of accounts and records must be supported by proper documents such as invoices, receipts, payment vouchers and statements.

This is to enable us to ascertain your income and allowable business expenses readily. These records need not be forwarded to IRAS unless they are specifically requested for verification. Improper records and mere approximate amounts are not acceptable for tax purposes.

Simplified record keeping was introduced to assist small businesses to make record keeping easier, as businesses are only required to keep business records (e.g. registers, listings) and not source documents (e.g. receipts, invoices). You will qualify for simplified record keeping if you meet all of the following conditions:

- (a) Annual revenue must be \$200,000 or less for past 2 financial years;
- (b) Business' assets amounted to less than \$100,000 as at the end of the latest financial year;
- (c) Business is not in the area of investment holding or property development business; and
- (d) Business is a sole-proprietorship or partnership that is not GST-registered.

For details on simplified record keeping, please refer to: www.iras.gov.sg > Businesses > Self-Employed/ Sole-Proprietors/ Partners > Learning the Basics > Keeping Proper Records and Accounts > Guides on Record Keeping.

2. How do I keep records?

2.1 Sales

In order to ensure complete and accurate recording of your sales, you need to maintain the following:

- (a) Cash register tape; and/or
- (b) Daily sales record book

Cash register tape

- You must ensure that all cash sales are put through the register and the internal tape is retained as a source document.
- At the end of the day, you must record the total amount of receipts in a cashbook. If there is a discrepancy between these tapes and your records, you should provide a written explanation and attach it to that particular tape.

Daily sales record book

- In the absence of a cash register, you should maintain a sales book to record your daily sales. Refer to the sample of the “Daily Gross Sales Record” in Appendix 1.
- If takings are used to pay for your purchases or operating expenses, you must properly record the takings used and include in your net sales. Please report the gross takings in your Income Tax Returns as revenue.

2.2 Rental of stall

If you have sublet your stall, you have to include the rental income received as part of your revenue. You should prepare an agreement, stating the period of tenancy and agreed rental amount. The agreement should be duly signed by yourself and the tenant.

2.3 Purchases and other expenses

You have to keep proper documentation and records, for examples, invoices, vouchers, receipts and other documents, on all your business purchases and other expenses. Some examples are:

Allowable Business Expenses	Type(s) of Records
Rental paid for stall	Tenancy agreement with stall owner or NEA letter and bank statements if through GIRO deduction
Property tax paid for the stall	Property tax bills
Mortgage interest paid for stall	Bank statements
Utilities	Singapore Power Supply bills
Telephone charges for business	Bills from service providers (e.g. Singtel, M1 and Starhub)
Delivery and transport charges	Taxi receipts or diesel bills
Salary and wages for assistants/ helpers/ cleaners	Payment vouchers or salary and wages schedule Refer to the sample of the “Monthly Salary & Wages Record” in Appendix 2.
Compulsory employer’s CPF contributions made for assistants/ helpers/ cleaners	CPF statements
Capital allowances on fixed assets purchased for business use	Invoices or receipts of the fixed assets purchased

In summary, you can prepare a consolidated business expenses record. Refer to the sample of the “Business Expenses Record” in Appendix 3.

If a receipt does not describe the goods or services bought, you should provide a description of the transaction on the receipt. If the supplier does not issue any receipt, you should maintain a record book to record the name of the supplier or service provider, date, description of goods or services, and amount paid. Refer to the sample of the “Monthly Cost of Ingredients Record” in Appendix 4.

2.4 Bank accounts

You should maintain separate bank accounts for business and private purposes and the business bank account must be used solely for business transactions. You should keep the bank statements or passbooks of your business and personal bank accounts.

3. How do I use the records kept?

At the end of each year, you can use the set of business records to prepare the statement of accounts.

4. What is a certified statement of accounts?

Certified statements of accounts are profit and loss statement and balance sheet that are signed by you, indicating that the accounts are true and correct.

A profit and loss statement shows the results of a business for the year. If the total revenue exceeds the total expenses, the result is a net profit. If the total expenses exceed the total revenue, the result is a net loss. Refer to Appendix 5/ Section C – 4 for the sample of the statements of accounts.

Some business expenses incurred may not be deductible for tax purposes. When preparing the Income Tax Return, you must ensure that only deductible expenses are claimed. Please refer to Section C – 4.1 and 4.2 for more information.

The balance sheet shows the assets, debts and money invested of your business as at the end of calendar year.

You may seek an accounting professional to prepare a proper statement of accounts for you.

C. Filing of Income Tax Returns

1. I have just started my hawker business. Do I have to inform IRAS about it?

You do not have to inform IRAS immediately after you have started your business. An Income Tax Return (i.e. Form B or B1) will be sent to you at the beginning of the next year, usually before 15 March, for you to report your income.

However, if you do not receive the Income Tax Return by 15 March each year, please write to us through our secured email channel *myTax Mail*. Log in to myTax Portal using your Singpass or IRAS PIN at www.iras.gov.sg.

2. When will my business income be taxed?

Your income in the current year will only be brought to tax in the following year. For example, your income in 2020 will be brought to tax in 2021, which is known as Year of Assessment 2021.

The accounting period which you calculate your profits or losses of your hawker business will be from the start date of your business to 31 December of that year. Subsequent reporting will be from 1 January to 31 December each year.

3. Where do I report my business income?

As a self-employed person, your business income is treated as part of your total personal income and taxed at the personal income tax rates.

For a sole proprietor, you should report your business income in your individual Income Tax Return (Form B) under 'Sole Proprietorship' in the 'Trade, Business, Profession or Vocation' section.

For a partnership business, the precedent partner is required to report the partnership income in Form P. As a partner, you should report your share of partnership income in your individual Income Tax Return (Form B) under 'Partnership' in the 'Trade, Business, Profession or Vocation' section. Your share of partnership income is the sum of your divisible profit/ loss, salary, CPF, interest, rent and other Singapore income from the partnership.

4. How do I report my business income?

You will be required to report your sole proprietorship/ partnership business income in a summarised **4-line statement**, as follows:

Revenue (Total Sales/ Income/ Takings)

Gross Profit/ Loss

Allowable Business Expenses

Adjusted Profit/ Loss

Please refer to the sample of the statement of accounts in the next page for more details.

STATEMENT OF ACCOUNTS - HAWKERS/STALL HOLDERS			
NAME OF BUSINESS: _____			
BUSINESS ADDRESS : _____			
FOR PERIOD		FROM	to
		[]	[]
		\$	\$
Gross Sales (a)	Revenue refers to the total receipts of your business before deducting any business expenses. Revenue includes your takings from goods sold and rental received from stall.		
Add: Rental Received From Stall (b)			
Revenue (c) = (a) + (b)			
Less: Cost of Ingredients (d)	Gross profit/ loss refers to the amount of revenue after deducting the cost of goods sold.		
<i>(for eg, the cost of kway teow mee if you are selling char kway teow)</i>			
Gross Profit (e) = (c) - (d)			
Less: Allowable Business Expenses			
<i>(please refer to the section on "Claiming of deduction on non-deductible expenses" to ensure that you do not claim any non-allowable expense)</i>			
Rental paid for stall	Allowable business expenses include expenses and capital allowances incurred wholly and exclusively in the production of your income. Refer to Section C – 4.1 for examples of the allowable and disallowable business expenses.		
Property Tax paid for stall			
Utilities			
Salary/Wages for Assistants/Helpers	Capital allowances are deductible expenses for the wear and tear of fixed assets purchased and used in the business. Refer to Section C – 4.2 for the information on capital allowances.		
Capital Allowances			
Other Running Expenses of the Stall			
<i>(please indicate the nature and breakdown below)</i>			
i) _____			
ii) _____			
Total Allowable Business Expenses (f)	Adjusted profit/ loss refers to gross profit/ loss less the allowable business expenses and any capital allowances claimed.		
Adjusted Profit (g) = (e) - (f)			
SUMMARY (Amounts to be declared in Internet Filing/Income Tax Form)			
4-line Statement			
Revenue (c)	[]		
Gross Profit (e)	[]		
Allowable Business Expenses (f)	[]	Name of taxpayer: _____	
Adjusted Profit/Loss (g)	[]	Signature : _____	

Note:

- If your revenue is \$200,000 or less, you only need to submit a 2-line statement (i.e. revenue and adjusted profit/ loss).
- If your revenue is less than \$500,000, you are not required to submit the certified statement of accounts unless they are specifically required for IRAS verification.
- If your revenue is \$500,000 or more, you have to submit the certified statement of accounts together with your individual Income Tax Return.

4.1 Allowable and disallowable business expenses

Business expenses are allowed for tax purposes if they are wholly and exclusively incurred in the production of income. Capital, initial, private expenses and expense on private cars are not deductible. Some examples of allowable and disallowable expenses are:

Allowable Business Expenses	Disallowable Business Expenses
<ul style="list-style-type: none"> <input type="checkbox"/> Rental paid for stall <input type="checkbox"/> Property tax paid for stall <input type="checkbox"/> Mortgage interest paid for stall <input type="checkbox"/> Utilities (e.g. electricity and water) & gas for stall <input type="checkbox"/> Telephone charges for business <input type="checkbox"/> Conservancy charges <input type="checkbox"/> Hawker refuse fees <input type="checkbox"/> Packing materials <input type="checkbox"/> Delivery and transport charges <input type="checkbox"/> Salary & bonus for assistants/ helpers/ cleaners <input type="checkbox"/> Compulsory employer’s CPF contributions made for assistants/ helpers/ cleaners <input type="checkbox"/> Upkeep of motor vehicles such as pickups, vans, lorries <input type="checkbox"/> Capital allowances on fixed assets purchased for business use (refer to Section C – 4.2) 	<ul style="list-style-type: none"> <input type="checkbox"/> Your own salary, bonus and Medisave/CPF contributions <input type="checkbox"/> Your own medical fees, income tax, insurance and donations <input type="checkbox"/> Food and household expenses <input type="checkbox"/> Entertainment expenses for family members and friends <input type="checkbox"/> Interest on loans obtained for private use <input type="checkbox"/> Initial expenses such as licence fee, registration fee, signboard fee <input type="checkbox"/> Maintenance costs of private cars (E or S-plate cars) <input type="checkbox"/> Cost of travelling to and from your home <input type="checkbox"/> Cost of fixed assets purchased <input type="checkbox"/> Depreciation (to claim capital allowances instead – refer to Section C – 4.2) <input type="checkbox"/> Fines and penalties

Allowable Business Expenses	Disallowable Business Expenses
<ul style="list-style-type: none"> <input type="checkbox"/> Repair and maintenance of assets used for business <input type="checkbox"/> Accountancy fees 	

4.2 Capital allowances

You may need to purchase fixed assets such as equipment and refrigerators in the course of carrying out your business. The amount incurred in purchasing these fixed assets is capital in nature. Hence, you are not allowed to claim the costs as expenses. However, you may claim capital allowances.

4.2.1 One-year write-off

The full cost of the asset will be claimed as capital allowance in one year. This is applicable for computers, fax machines, other automation equipment and fixed assets costing no more than \$5,000 (with effect from Year of Assessment 2013) each. The claim for one-year write-off of all such assets is capped at \$30,000 per Year of Assessment.

4.2.2 Three-year write-off

The full cost of the asset will be claimed as capital allowance over three years. Generally, most of the fixed assets purchased would qualify for the three-year write-off (except motor cars, motorcycles and light goods vehicles).

4.2.3 Write-off over the working life of the asset

This method is applicable for motor vehicles such as motorcycles, vans, pickups, trucks and lorries.

Capital allowances are not applicable for private cars.

In the year of purchase, you can claim an initial allowance of 20% of the cost of the asset. In the subsequent years, you can claim annual allowance, which is calculated by taking 80% of the cost and dividing it by the working life of the asset.

Assets	Working Life (No. of Years)
Lorries, trucks and vans	6
Motorcycles and bicycle	8

For more details on capital allowances, please refer to: www.iras.gov.sg > Businesses > Self-Employed/ Sole-Proprietors/ Partners > Working out Your Taxes > Deductions for Sole-Proprietors, Self-Employed Individuals or Partners in a Partnership > Capital Allowances (CA) on fixed assets

5. What if I incur business losses?

If you incur business losses after deducting the allowable expenses, this business losses and any capital allowances claimed can be offset against your other income such as employment, interest, dividend and rental income in the same year. If your other income is not enough to offset your business losses, you can carry forward the balance of the business losses and capital allowances claimed to the next year to offset against income of that year.

However, if your business ends, you can only carry forward the balance of the business losses but not the balance of the capital allowances to the next year.

D. Medisave Contributions

1. Do I need to contribute to Medisave?

Medisave contributions are compulsory for all self-employed persons who are Singapore citizens or permanent residents. If you earn a net trade income of more than \$6,000 a year, you have to contribute Medisave based on a specified percentage of your net trade income, subject to a maximum amount.

Net trade income refers to your gross trade income less all allowable business expenses, capital allowances and trade losses as determined by IRAS.

IRAS will send you a Notice of Computation (NOC) after assessing your actual income for the relevant Year of Assessment, to inform you of the amount of Medisave you need to contribute to Central Provident Fund (CPF). You may contact CPF Board on Medisave payment matters.

2. Can I claim Provident Fund relief for the Medisave contributions and voluntary CPF contributions made?

As a self-employed person, you may claim tax relief in respect of your compulsory and voluntary CPF contributions up to the total mandatory CPF contribution rate of your net business income assessed or the CPF relief cap for the year, whichever is lower. Please refer to the IRAS website for the rates and CPF relief cap.

We will allow the Provident Fund relief based on the date that you contributed into the CPF account. For example, CPF contributions made in 2020 will be allowed for tax deduction in the Year of Assessment 2021. You need not make a claim in your Income Tax Return. The Provident Fund relief will be automatically allowed to you based on the information given by the CPF Board.

E. Offences and Penalties

1. What if I did not keep proper records or keep incomplete records?

For failure to keep proper records, you are liable on conviction to a fine not exceeding \$1,000 and in default of payment of the \$1,000, to imprisonment for a term not exceeding 6 months.

2. What if I failed to submit my return?

For failure to submit return, you are liable on conviction to a fine not exceeding \$1,000 and in default of payment to imprisonment for a term not exceeding 6 months.

3. What if I submit incorrect return without reasonable excuse?

For submission of incorrect return without reasonable excuse, you are liable on conviction to pay a penalty equal to double the amount of tax which has been undercharged, and to pay a fine not exceeding \$5,000, or to imprisonment for a term not exceeding 3 years, or both fine and imprisonment.

4. What if I wilfully evade tax or assist any other person to evade tax?

You are liable on conviction to pay a penalty of 3 times the amount of tax evaded, and to pay a fine not exceeding \$10,000, or to imprisonment for a term not exceeding 3 years, or both fine and imprisonment.

For serious fraudulent cases, you are liable on conviction to pay a penalty of 4 times the amount of tax evaded, and to pay a fine not exceeding \$50,000, or to imprisonment for a term not exceeding 5 years, or both fine and imprisonment.

5. What if I voluntarily disclose my errors to IRAS?

For voluntary disclosure of errors, IRAS will accord a reduction or waiver of the relevant penalties, if you have met the qualifying conditions under the IRAS' Voluntary Disclosure Programme (VDP). To qualify for IRAS' VDP, you need to submit a timely, accurate, complete and self-initiated voluntary disclosure. You 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 and penalties imposed (if any), and honour such arrangements till all payments are made.

When you come forward and voluntarily disclose past actions involving a wilful intent to evade taxes, you may be accorded the treatment of having your offences compounded at a reduced penalty rate of 200% instead of being prosecuted. If you do not meet the qualifying conditions for IRAS' VDP, you may be charged in court for your tax evasion offences.

For more details, please refer to the e-Tax Guide on IRAS' Voluntary Disclosure Programme: www.iras.gov.sg > Businesses > Self-employed / Sole-proprietors / Partners > Getting It Right > Voluntary Disclosure of Errors for Reduced Penalties.

For voluntary disclosures

Email to iit_compliance@iras.gov.sg

IRAS website

www.iras.gov.sg



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G. Appendices

APPENDIX 1 - DAILY GROSS SALES RECORD

Name of Business : _____

Year: _____

Month	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1												
2												
3												
4												
5												
6												
7												
8												
9												
10												
11												
12												
13												
14												
15												
16												
17												
18												
19												
20												
21												
22												
23												
24												
25												
26												
27												
28												
29												
30												
31												
Total												

Grand Total (\$)

APPENDIX 2 - MONTHLY SALARY & WAGES RECORD

Name of Business : _____

Month: _____

S/n	Name of Assistant/Helper	NRIC/M'sia IC/Fin/WP No.	Salary/Wages (\$)	CPF Payable (\$)			Skills Development Levy (SDL) (\$)	Foreign Worker Levy (FWL) (\$)
				Employee	Employer	Total		
1								
2								
3								
4								
5								
6								
7								
8								
9								
10								
11								
12								
Tota								

APPENDIX 3 - BUSINESS EXPENSES RECORD

Name of Business :

Year:

Type of Expense	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
Cost of Ingredients												
Business Expenses												
Rental paid for stall												
Property tax paid for stall1												
Utilities												
Gas												
Conservancy charges												
Hawker refuse fees												
Delivery and transport charges												
Salary/Wages for												
Employer's CPF contributions for assistants/helpers												
Other running expenses of the stall:												
Total												

Total Business Expenses (\$)

Note:-

1 You may record the annual property tax paid as one lump sum in the month that you are billed. In this case, it is not necessary for you to give monthly breakdown of the expenses.

STATEMENT OF ACCOUNTS - HAWKERS/STALL HOLDERS

NAME OF BUSINESS: _____
 BUSINESS ADDRESS : _____

FOR PERIOD FROM to

	\$	\$
Gross Sales (a)	<input type="text"/>	
Add: Rental Received From Stall (b)	<input type="text"/>	
Revenue (c) = (a) + (b)		<input type="text"/>
Less: Cost of Ingredients (d) <i>(for eg, the cost of kway teow mee if you are selling char kway teow)</i>	<input type="text"/>	
Gross Profit (e) = (c) - (d)		<input type="text"/>
Less: Allowable Business Expenses		
<i>(please refer to the section on "Claiming of deduction on non-deductible expenses" to ensure that you do not claim any non-allowable expense)</i>		
Rental paid for stall	<input type="text"/>	
Property Tax paid for stall	<input type="text"/>	
Utilities	<input type="text"/>	
Gas	<input type="text"/>	
Conservancy Charges	<input type="text"/>	
Hawker Refuse Fees	<input type="text"/>	
Delivery and Transport Charges	<input type="text"/>	
Salary/Wages for Assistants/Helpers	<input type="text"/>	
Employer's CPF contributions made for Assistants/Helpers	<input type="text"/>	
Capital Allowances	<input type="text"/>	
Other Running Expenses of the Stall <i>(please indicate the nature and breakdown below)</i>	<input type="text"/>	
_____	<input type="text"/>	
Total Allowable Business Expenses (f)		<input type="text"/>
Adjusted Profit (g) = (e) - (f)		<input type="text"/>

SUMMARY (Amounts to be declared in Internet Filing/Income Tax Form)

4-line Statement

Revenue (c)	<input type="text"/>
Gross Profit (e)	<input type="text"/>
Allowable Business Expenses (f)	<input type="text"/>
Adjusted Profit/Loss (g)	<input type="text"/>

Name of taxpayer:
Signature :