FACTSHEET

Tax Filing Advisory for Online Businesses

Between 2015 and 2019, IRAS recovered more than $3.8 million in taxes and penalties from 65 audit cases on taxpayers who operate online businesses. IRAS would like to remind anyone who operates online business of the tax obligations involved. Compliance requirements may include:

1. Declaration of Income from Online Business in Income Tax Return

Like regular brick-and-mortar businesses, all income from online and e-commerce businesses in Singapore must be reported for tax purposes. Individuals, sole proprietors or partners of a partnership who are in receipt of more than $6,000 in annual net business income in the current year will be required to file a tax return for the Year of Assessment 2021 during the tax filing period from 1 March to 18 April 2021. Those who are working for an employer but separately earning additional income from running an online business on the side will also be required to declare the additional income under the “Trade, Business, Profession or Vocation” section in their individual income tax return.

Examples of online business income that are to be reported include:

- Sale of goods on an e-commerce website, social media platforms etc.
- Revenue earned through drop shipping (i.e. transferring customer’s orders to a third-party supplier who will fulfil the order)
- Commissions from promoting a company’s products or services (i.e. affiliate marketing)
- Advertising revenue through video channels, social media posts or blogging
- Sale of digital products such as podcasts, games, e-books and gaming currency
- Sale of digital services such as graphic design, virtual assistant, online tutoring, webinars and consultancy.

Taxpayers are reminded that estimates of income are not acceptable. Income reported must be supported with full and complete records.

2. Tax-Deductible Business Expenses

Taxpayers may claim expenses that are wholly and exclusively incurred in the production of their online business incomes as tax-deductible expenses. Examples of deductible expenses include the cost of maintaining a website, Internet subscription fees, cost of advertising and cost of goods sold. However, private expenses such as travelling expenses for personal trips, or private car expenses even if used for business, cannot be claimed. More information on the claiming of business expenses can be found here.

3. GST Registration

All online businesses, including individuals deriving income from their trade, profession or vocation, should closely monitor their income on a calendar year basis to assess if they need to register for GST. If their 12-month taxable turnover exceeds $1 million at the end of the calendar year, they will be required to apply for GST registration within 30 days.

Any business that fails to register for GST is still required to pay GST on all their past transactions from the date the business became liable for GST registration. GST is payable even if the amount has not been collected from customers. In addition, failure to register for GST is an offence and businesses may be required to pay 10% of GST due as a penalty, and fined up to $10,000.

IRAS regularly conducts audits to identify businesses that fail to register for GST. Each year, IRAS typically uncovers about 100 businesses that fail to register for GST. On average, each of these businesses has had to pay about $100,000 in GST and penalties to IRAS as a result.

To help businesses determine whether they are liable for GST registration, IRAS has published a GST Registration Calculator that allows businesses to compute their 12-month taxable turnover.

Businesses whose taxable turnovers have exceeded $1 million but are not sure if they will exceed $1 million in the following year, should nevertheless register for GST. From

IRAS' audits, we found that some businesses failed to register for GST after their past 12 months' turnover exceeded $1 million because they assumed that they would not hit the $1 million mark again the following year.

4. Keep Proper Records and Documentary Evidence

All businesses, including those operating online, must keep records and documentary evidence such as accounts of business transactions, for a minimum of five years in line with statutory requirements. In the event that they are unable to produce record and documentary evidence to support their declarations upon IRAS' request, IRAS may disallow their expenses claims and their tax payable may be adjusted upwards accordingly.

To ensure that they pay the right amount of taxes, businesses should practise good record keeping by maintaining a full and complete physical or digital record of income and expenses such as invoices, receipts, vouchers, bank and credit card statements, bills, cheques, proof of payments and other documentary evidence.

IRAS encourages businesses to adopt accounting software that are able to meet IRAS' requirements and assist them in complying with tax obligations. For a list of IRAS-compliant accounting software, please refer to IRAS' website.

For more information on the tax obligations relating to online business, please refer to Paragraph 4 (Marketplace and Service-Related Activities) of the Essential Tax Information for Players of the Sharing Economy on the IRAS website.