

Tax Implications of Self-Employed Persons

Legal Practice Management Course



INLAND REVENUE
AUTHORITY
OF SINGAPORE

Outline



- Who is a Self-Employed Individual?
- Sole-Proprietorship
- Partnership
- Obligations of a Self-Employed Person
- Filing Income Tax Returns
- Making Compulsory Medisave Contributions
- Keeping Proper Records
- Avoiding Common Errors
- Penalties
- Voluntary Disclosure of Past Errors
- Seeking Assistance

Who is a Self-Employed Individual?



INLAND REVENUE
AUTHORITY
OF SINGAPORE

Who is a Self-Employed Individual?

- Carries on a **trade, business, profession or vocation**
- May be a:
 - **Sole-Proprietor** of a registered business
 - **Partner** of a partnership business (i.e. general partnership, limited liability partnership, limited partnership)

Who is a Self-Employed Individual?

- Self-employed or Employee?

Self-Employed	Employee
Contract <u>for</u> service	Contract <u>of</u> service
You are the owner of the business (work for yourself) and are in the position to realise a business profit or loss	You work under the control of your employer

Who is a Self-Employed Individual?



INLAND REVENUE
AUTHORITY
OF SINGAPORE

- Tax Treatment

Self-Employed	Employee
Income assessable as 'Trade Income'	Income assessable as 'Employment Income'
Can claim business expenses incurred against the trade income (subject to deductibility rules)	Can claim employment expenses if <ul style="list-style-type: none">• incurred in carrying out official duties• not reimbursed by employer• not private or capital expense
Trade losses can be offset against other income (e.g. employment, rental)	Not applicable

Sole-Proprietorship



INLAND REVENUE
AUTHORITY
OF SINGAPORE

Sole-Proprietorship

- A business owned by **one person** or one company.
- The sole-proprietor has **absolute say in the running of the business.**

Partnership



INLAND REVENUE
AUTHORITY
OF SINGAPORE



Partnership

- A partnership is a relationship between **two or more persons** who **carry on a business** with the **objective of making profit and sharing it** between them.
- Different types of partnerships:
 - General Partnership
 - Limited Liability Partnership (LLP)
 - Limited Partnership (LP)

Partnership

- The precedent partner is:
 - The partner who, among all the partners present in Singapore, is the first named in the partnership agreement.
 - If there is no partnership agreement, the precedent partner is a partner who is agreed upon and appointed by the other partners to be the precedent partner.
 - For an LP, the precedent partner must be the general partner.

Partnership Overview



General Partnership	LLP	LP
Not a separate legal entity	Separate legal entity	Not a separate legal entity
Partners have unlimited liability	<p>Partners have limited liability up to their contributed capital</p> <p>For income tax purposes, an LLP will be treated as a partnership and not as a separate legal entity</p>	<p>Consists of:</p> <ul style="list-style-type: none"> • one or more general partner(s) who have unlimited liability, and • one or more limited partners who enjoy limited liability up to their contributed capital
Partners pay tax on their share of partnership income	Partners pay tax on their share of income from the LLP	Partners pay tax on their share of income from the LP

Partnership Comparison



	General Partnership	LLP	LP
Tax Rate	Individual partners taxed according to their personal income tax rate		
Liability of Partners	Unlimited liability	Limited to the extent of partner's contributed capital	<u>General partner</u> Unlimited liability <u>Limited partner</u> Liability limited to the extent of his contributed capital
Contributed Capital (CC)	CC is irrelevant in determining the capital allowances & loss available for offset against other sources of income.	CC is necessary for application of relevant deduction restriction.	

Partnership LLP and LP

Deduction Restriction Rule for Partners with Limited Liability

- Relevant deduction for a Year of Assessment (YA) together with all of the past relevant deductions of the partner **shall not exceed** his contributed capital.

Partnership LLP and LP

- Relevant deduction
 - The amount of a partner's share of capital allowance and trade loss allowed against his income from other sources.
- Past relevant deduction
 - The aggregate of any relevant deduction allowed in all past Years of Assessment.

Partnership LLP and LP

- Contributed Capital
 - Amount of capital contributed in cash or in kind (not including any loan to the LLP/LP) that has not been withdrawn (directly/indirectly) or received back by the partner; **plus**
 - Amount of profits or gains from past Years of Assessment that the partner is entitled to but has not received.

Obligations of a Self-Employed Person



INLAND REVENUE
AUTHORITY
OF SINGAPORE

Obligations of a Self-Employed Person

- File Income Tax Return on time and pay tax payable within one month from the date of the Tax Bill
- Make compulsory Medisave Contributions
- Keep proper records and accounts for 5 years
- Register for GST if your business revenue exceeds \$1 million a year or if you expect your revenue to exceed \$1 million a year

Filing Income Tax Returns



INLAND REVENUE
AUTHORITY
OF SINGAPORE

Filing Income Tax Returns

- As a self-employed person, the business income is treated as a part of your total personal income and taxed at personal income tax rates.
- Sole-proprietor:
 - **Owner** should report business income in Form B
 - Report
 - 4-line statement if your revenue exceeds \$200,000, or
 - 2-line statement if your revenue is \$200,000 or less

Filing Income Tax Returns

- Partnership:
 - **Precedent partner** is required to report partnership income in Form P and inform all partners of their share of income from the partnership.
 - **Partner** should report his share of partnership income in Form B. Share of partnership income comprises:
 - Partner's share of divisible profit/ loss;
 - Partner's salary, bonus, CPF and benefits from the partnership; and
 - Partner's share of other income from the partnership (e.g. interest, rent, other Singapore income and foreign income)

Filing Income Tax Returns

Revenue is
\$200,000 or less

2-Line Statement

Revenue:

Adjusted Profit/Loss):

Revenue is more than
\$200,000 but less than
\$500,000

4-Line Statement

Revenue:

Gross Profit/Loss:

Allowable Business
Expenses:

Adjusted Profit/Loss):

Revenue is
\$500,000 or more

4-Line Statement

and submit Certified
Statement of Accounts

(Profit & Loss Account
and Balance Sheet signed by
the sole- proprietor/
precedent partner certifying
that accounts are true and
correct)

Filing Income Tax Returns

- The 4-Line Statement

1. Revenue	Total payments/ fees/ commissions received or receivable for services provided before deducting any expenses
2. Gross Profit/ Loss	For a service business: Same as Revenue
3. Allowable Business Expenses	Expenses incurred wholly and exclusively in the production of your income
4. Adjusted Profit/ Loss	Gross Profit less Allowable Business Expenses

Filing Income Tax Returns

- **Business Expenses** must fulfill all the following **criteria** to be allowed as deduction against your business income:

Related to your
business

Incurred in the
production of
income

Allowed by tax
law

Filing Income Tax Returns

Examples of Allowable Business Expenses:

- Business running costs (e.g. rental, utilities, book-keeping fees)
- Stationery, printing and postage fees
- Repair and maintenance of assets for business use
- Subscription to professional bodies and trade associations
- Cost of hiring (e.g. employee's salary, bonus and compulsory CPF contribution by employer)
- Public transport incurred in the course of business
- Business entertainment (e.g. for customers)
- Capital allowance on fixed assets*
- Renovation & refurbishment of business premises (R&R Cost)*
- Pre-commencement revenue expenses*

* Further explained in subsequent slides

Capital Allowance on Fixed Assets

3-year write-off	1-year write-off
<ul style="list-style-type: none">• All qualifying assets	<ul style="list-style-type: none">• Computers and prescribed automation equipment• Low-value assets: cost of each asset is not more than \$5,000, capped at \$30,000 per YA

Alternatively, you may choose to write-off an asset over its prescribed working life.

Renovation & Refurbishment of Business Premises (R&R Cost)

- **Objective:** To help businesses reduce their business costs, tax deduction will be granted on all qualifying R&R costs incurred.
- **Expenditure cap** on qualifying costs: \$300,000 for each taxpayer for every relevant 3-year period, starting from the year in which the R&R costs are incurred, i.e. 1/3 of the R&R expenditure can be claimed in each of the 3 years of assessment.

Renovation & Refurbishment of Business Premises (R&R Cost)

Qualifying R&R Cost Examples:

- General electrical installation and wiring to supply electricity
- General lighting
- Hot/ cold water system (pipes, water tanks etc.)
- Gas system
- Kitchen fittings (sinks, pipes etc.)
- Sanitary fittings (toilet bowls, urinals, plumbing, toilet cubicles, vanity tops, wash basins etc.)
- Doors, gates and roller shutters (manual or automated)
- Fixed partitions (glass or otherwise)
- Wall coverings (such as paint, wall-paper etc.)
- Floorings (marble, tiles, laminated wood, parquet etc.)
- False ceilings and cornices
- Ornamental features or decorations that are not fine art (mirrors, drawings, pictures, decorative columns etc.)
- Canopies or awnings (retractable or non-retractable)
- Windows (including the grilles etc.)
- Fitting rooms in retail outlets

Pre-commencement Revenue Expenses

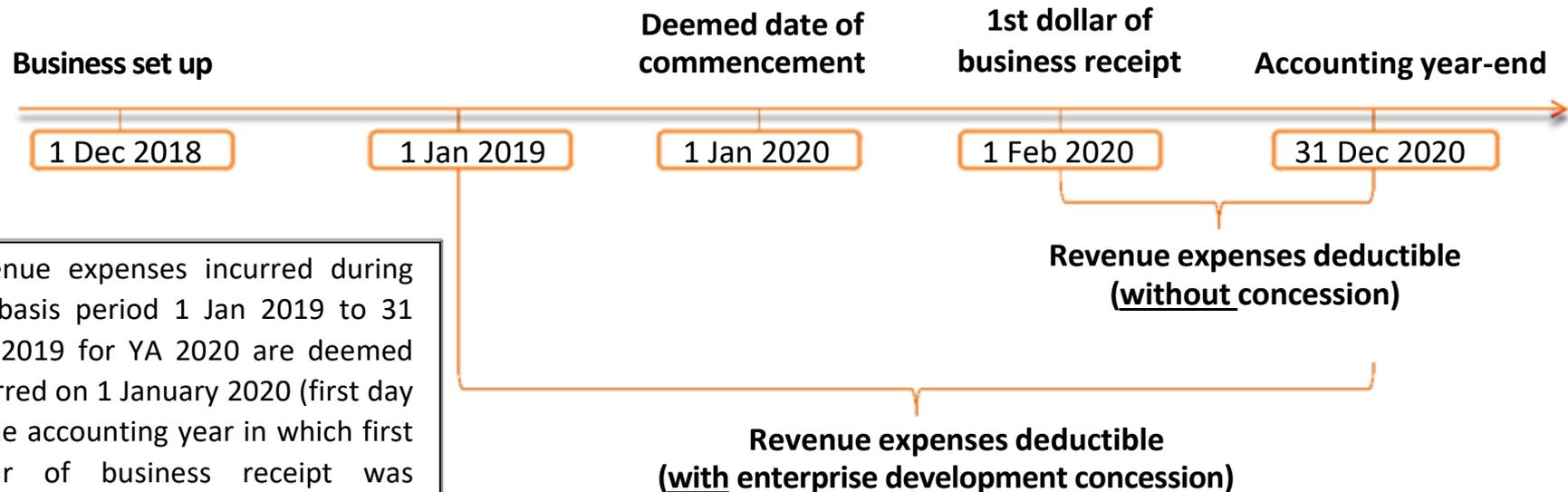
- Known as Concession for Enterprise Development
- You can claim revenue expenses incurred a year before the first day of the accounting year where revenue was earned



Pre-commencement Revenue Expenses

Example:

- Business was set up on 1 Dec 2018
- Accounting year end on 31 Dec
- The first dollar of business receipt was earned on 1 Feb 2020 (deemed to have commenced business on 1 Jan 2020)



Revenue expenses incurred during the basis period 1 Jan 2019 to 31 Dec 2019 for YA 2020 are deemed incurred on 1 January 2020 (first day of the accounting year in which first dollar of business receipt was earned) and deductible in YA 2021.

Filing Income Tax Returns

- Expenses are **not allowed as deduction** against your business income as long as they fall into any of the following categories:

Capital in nature

Personal and
private in nature

Disallowed by tax
law

Filing Income Tax Returns

Examples of Disallowable Business Expenses:

- Donations to charities & gifts to non-customers
- Capital costs (e.g. purchase of fixed assets, hire-purchase instalments)
- Private expenses (e.g. own medical expenses)
- Fines for breach of law (e.g. CPF late payment, interest, fines)
- Sole-proprietor's & partner's salary, bonus, CPF and medisave contributions
- All expenses in respect of private vehicles (even if it is incurred in the course of business)
- Entertainment of family members & friends

Filing Income Tax Returns

Adjusted Profit versus Net Profit?

- The following may have been included in the profit & loss accounts:
 - Non-trade income
 - Expenses that are not deductible for income tax purposes
- To arrive at the **Adjusted Profit/Loss**, **adjustments** have to be made to the net profit/loss to:
 - Exclude the non-trade income
 - Add back the disallowable expenses

Filing Income Tax Returns

- Examples of non-trade income:
 - Bank interest from deposits with approved banks or licensed finance companies in Singapore (i.e. exempt)
 - Rental income – to be declared under “Rent from Property” in the Income Tax Return (i.e. separate income source)

Filing Income Tax Returns

- To **compute** the **Adjusted Profit/ Loss**, use the Template for Computation of Adjusted Profit/ Loss (downloadable from the IRAS website)
 - Can be detached and submitted together with Form B and the certified Statement of Accounts

Filing Income Tax Returns

- **Template for Computation of Adjusted Profit/Loss** can be found at IRAS website (www.iras.gov.sg):
 - Business > Self Employed/ Sole Proprietors/ Partners > Working Out Your Taxes > Calculating and Reporting Business Income
 - Select Subheading “Preparing the Statement for Reporting Adjusted Profit/Loss for Sole-Proprietorship”
 - Under Heading “Summary Table”, click on the “Computation of Adjusted Profit/ Loss” hyperlink

(Detailed screenshots in the next few slides)



Search

Within IRAS Website

Companies ▶

- Overview of Form C-S/ C
- Guidance on Completing Form C-S/ C
- Checking Form C-S/ C Submission and Assessment Status
- If You Want to Make Changes to a Submitted Form C-S/ C
- Business Expenses
- Companies Applying for Strike off/to Cease Registration
- More...

Self-employed / Sole-proprietors / Partners ▶

- How to File Tax
- Deductions for Self-Employed (Reliefs, Expenses, Donations)
- What is Taxable, What is Not
- Am I an Employee or a Self-Employed
- Calculating and Reporting Business Income
- Getting Individuals to Comply
- More...

Employers ▶

- Reporting employee earnings (IR8A, Appendix 8A, Appendix 8B, IR8S)
- Tax Clearance for Foreign & SPR Employees (IR21)
- Information to share with employees
- Tax Treatment of Employee Remuneration
- Auto-Inclusion Scheme (AIS) for Employment Income
- More...

Upcoming Due Dates

[View all dates](#)



(Reliefs, Expenses, Donations)
Locals

Calculators
Quick Links

Checking if a Business is GST-Registered
GST-Registered Businesses

Latest Updates



15 Jan 2016 • Tax Crime
Singapore PR Found Guilty of Tourist Refund Fraud

13 Jan 2016 • Updated Content
Advisory on Scam & Fraudulent Activities

QUICK LINKS

- Calculators
- e-Learning



[Home](#) > [Businesses](#) > [Self Employed/ Sole Proprietors/ Partners](#)



Self Employed/ Sole Proprietors/ Partners

If you have received full-time or part-time income from trade, business, vocation or profession, you are considered a self-employed person. You have to report this income in your tax return. This page shows the relevant information to help you prepare and file your tax return.

Most Popular

- [Tax Season 2020– All You Need To Know](#) >
- [Tax Season 2020 - About Your Tax Bill](#) >
- [Deductions for Self-Employed \(Reliefs, Expenses, Donations\)](#) >
- [What is Taxable, What is Not](#) >
- [Am I an Employee or a Self-Employed](#) >
- [Calculating and Reporting Business Income](#) >

Learning the Basics

- [New Sole-Proprietorship and Partnership Start-Up Kit](#) **New**
- [Am I an Employee or a Self-Employed](#)
- [Basic Guide for Self-Employed Persons](#)
- [More](#)

Working Out Your Taxes

- [Calculating and Reporting Business Income](#)
- [What is Taxable, What is Not](#)
- [Deductions for Self-Employed / Partners \(Reliefs, Expenses, Donations\)](#)

Highlights



Click here to submit suggestions on regulatory matters

Calculating and Reporting Business Income

All self-employed persons must calculate and report their business income as part of their total personal income in Form B/B1. Freelancers, commission agents, hawkers, taxi drivers, sole-proprietors and partners in a partnership are self-employed persons.

Jump To [Select Subheading](#)



[Summary of Filing Obligations for Sole-Proprietors, Precedent Partners and Individual Partners](#)

[Calculating the Adjusted Profit/Loss](#)

[Preparing the Statement for Reporting Adjusted Profit/Loss for Sole-Proprietorship](#)

[Preparing the Statement for Reporting Adjusted Profit/Loss for Partnership](#)

[Calculating and Reporting the Divisible Profit/Loss for Partnership](#)

registered with the Accounting and
re self-employed. You are also
earn a living by carrying on a trade,

sons

Summary Table



	Revenue		
Checklist	\$100,000 or less	More than \$100,000 and less than \$500,000	\$500,000 or more
Prepare statement of accounts and keep proper records of your business transactions	Yes	Yes	Yes
Report 2-line statement: <ul style="list-style-type: none"> • Revenue • Adjusted Profit/Loss 	Yes		
Report 4-line statement : <ul style="list-style-type: none"> • Revenue • Gross Profit/Loss • Allowable Business Expenses • Adjusted Profit/Loss 		Yes	Yes

	Revenue		
Checklist	\$100,000 or less	More than \$100,000 and less than \$500,000	\$500,000 or more
Submit certified statement of accounts and Computation of Adjusted profit/Loss (37KB)			Yes

Note: You may use the Computation of Adjusted Profit/Loss to show the tax adjustments to the accounting profit to arrive at the income that is chargeable to tax. Tax adjustments include non-deductible expenses, non-taxable receipts, further deductions and capital allowances.



Computation of Adjusted Profit/(Loss) for Sole-Proprietor/Self-Employed Individuals

Personal & Business details

Name of Taxpayer	
Tax Reference (NPIC/FIN)	
Name of Business	
Business registration number	
Year of Assessment	
Accounting Period	To: S\$

To exclude non-trade receipts

Net Accounting Profit/(Loss) as shown in your Trading and Profit & Loss Account
(Please make the following adjustments where applicable)

Less: Income from Separate Source/Non-Taxable Income

- *Interest
- *Rental from property
- Profit on sale of fixed assets
- PIC Cash Payout
- Others: (please specify)
- 1) _____
- 2) _____
- 3) _____
- 4) _____

Total Income from Separate Source/Non-Taxable Income

To add back non-deductible expenses and claim for capital allowances

Add Disallowable Expenses

- Bank interest (private usage)
- Depreciation
- Domestic expenses
- Donations
- Employers' CPF contribution exceeding CPF statutory rates
- Fixed assets written off
- GST paid/payable if you are a GST-registered trader
- Income tax
- Loan/lease-purchase instalment payment
- Loss on sale of fixed assets
- Medical expenses for staff exceeding the cap of 1% or up to 2% of total employees' remuneration
- Travel expenses
- Private expenses
- Purchase of fixed assets
- Qualifying PIC expenses converted to cash payout
- Renovation
- Sole-proprietor's salary/ Bonus/ CPF/ Medisave/ Medical Fees/ Other benefits

Adjusted profit/loss for 4-line statement

Others: (please specify)

1) _____

2) _____

3) _____

Total Disallowable Expenses

Adjusted Profit/(Loss) before Other Deductions

Less: SHQ Deduction for Expenditure on Renovation or Refurbishment works (R&R costs)

Less: PIC Enhanced Deductions (300%)

Please specify type of expenses (Training, leasing of equipment, registration of IPRs, R&D, design costs)

1) _____

2) _____

Total Allowable Deductions

Add: Deemed Income - Enhanced Allowances / Deductions under PIC Granted Previously

Adjusted Profit/(Loss) before Capital Allowances

Less: Capital Allowances (including PIC Enhanced Allowances)

Adjusted Profit/(Loss) after Capital Allowances

Please enter this amount as the Adjusted Profit/(Loss) in the 4-line Statement in the Income Tax Return (Form D)

** Please declare your interest (excluding tax-exempt interest) and rental income, if any, in Form D page 2, Section 3 (OTHER INCOME).*

You have to keep complete and proper records of all expenses claimed. Invoices, receipts, payment vouchers, schedules and bank statements may be required for verification. These records should be kept for 5 years from the Year of Assessment to which the income relates. For example, invoices, receipts, etc. for the year 2014 should be retained for five years till 31 Dec 2019. Estimates are

Compulsory Medisave Contributions



INLAND REVENUE
AUTHORITY
OF SINGAPORE

Compulsory Medisave Contributions



INLAND REVENUE
AUTHORITY
OF SINGAPORE

- You have to make Medisave contributions if you are:
 - A Self-employed; and
 - A Singapore citizen or Singapore permanent resident; and
 - Earning a yearly net trade income > \$6,000.
(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 issue a Notice of Computation (NOC) to inform you of your Medisave contributions

Keeping Proper Records



INLAND REVENUE
AUTHORITY
OF SINGAPORE

Keeping Proper Records





Keeping Proper Records

Hmmm... I
wonder what
kind of business
records do I need
to keep??

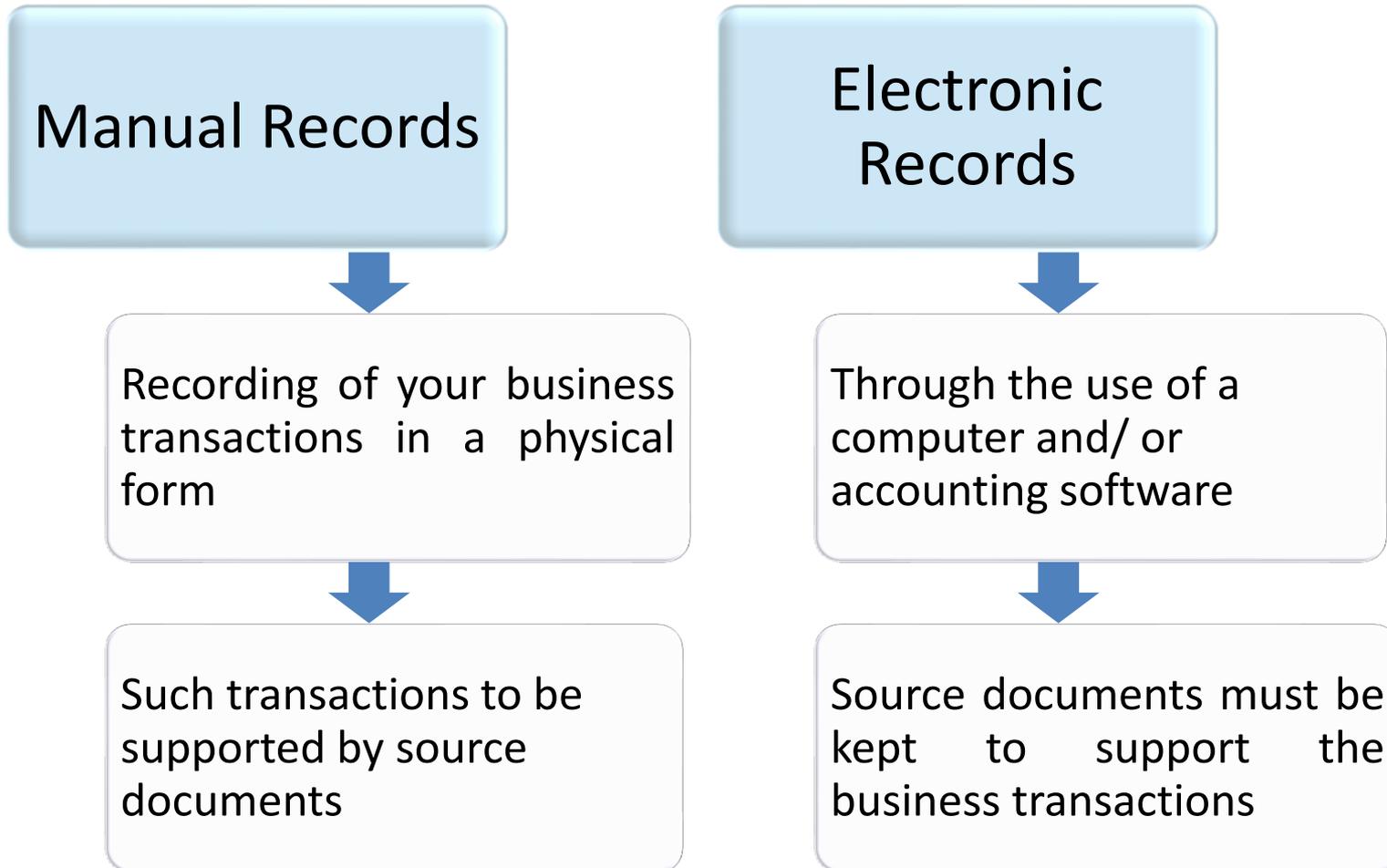
A record of receipts and payments,
or income and expenditure

Source documents to support entries
in your records e.g. vouchers,
invoices, receipts

A record of the assets and liabilities
of your business, including listings of
your business debtors, creditors and
cash/ bank account balances



Keeping Proper Records





Keeping Proper Records

Good record keeping practice is an important part of your business



Better internal control of your business



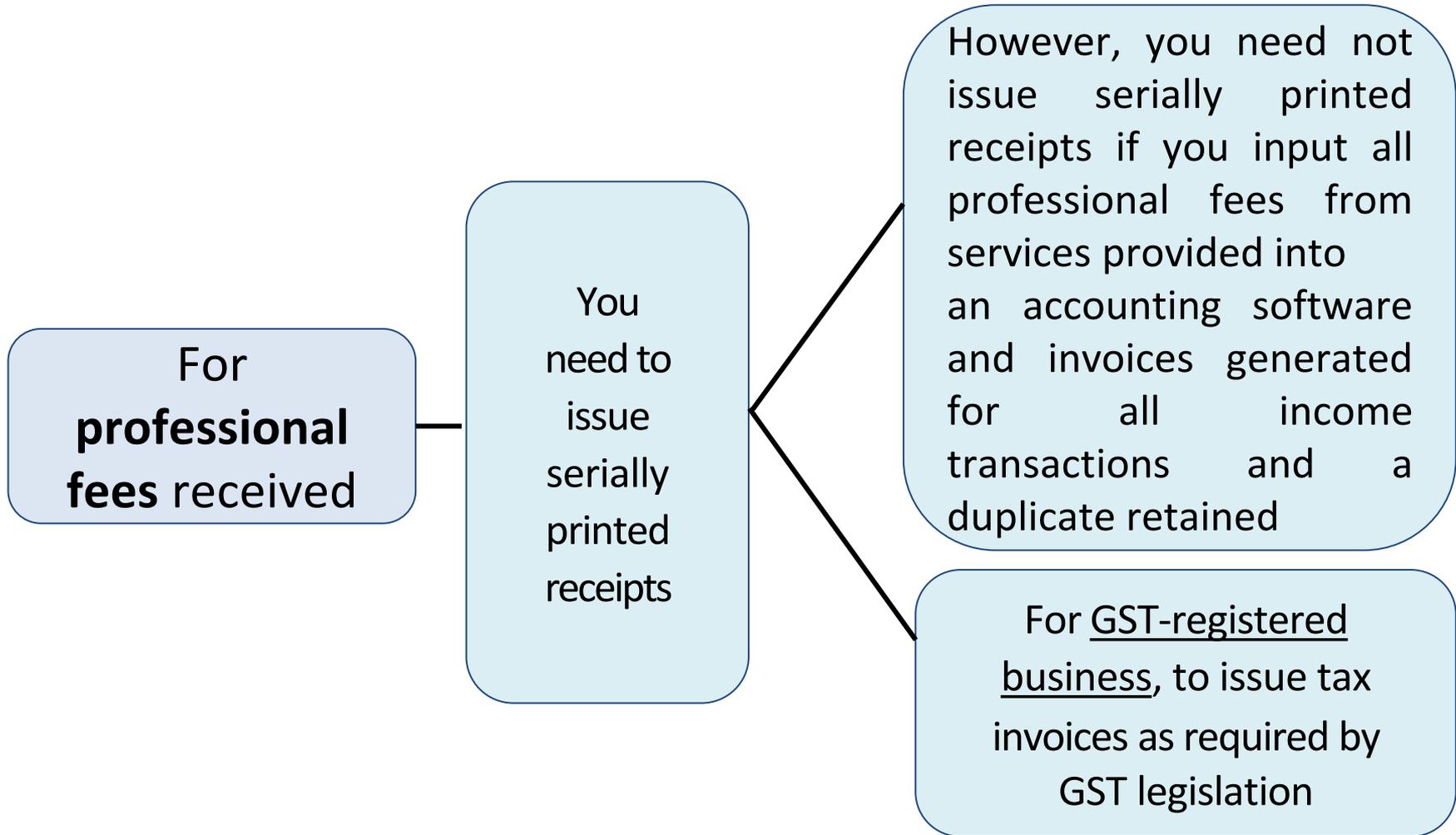
An essential source of evidence to detect business losses, internal fraud and theft



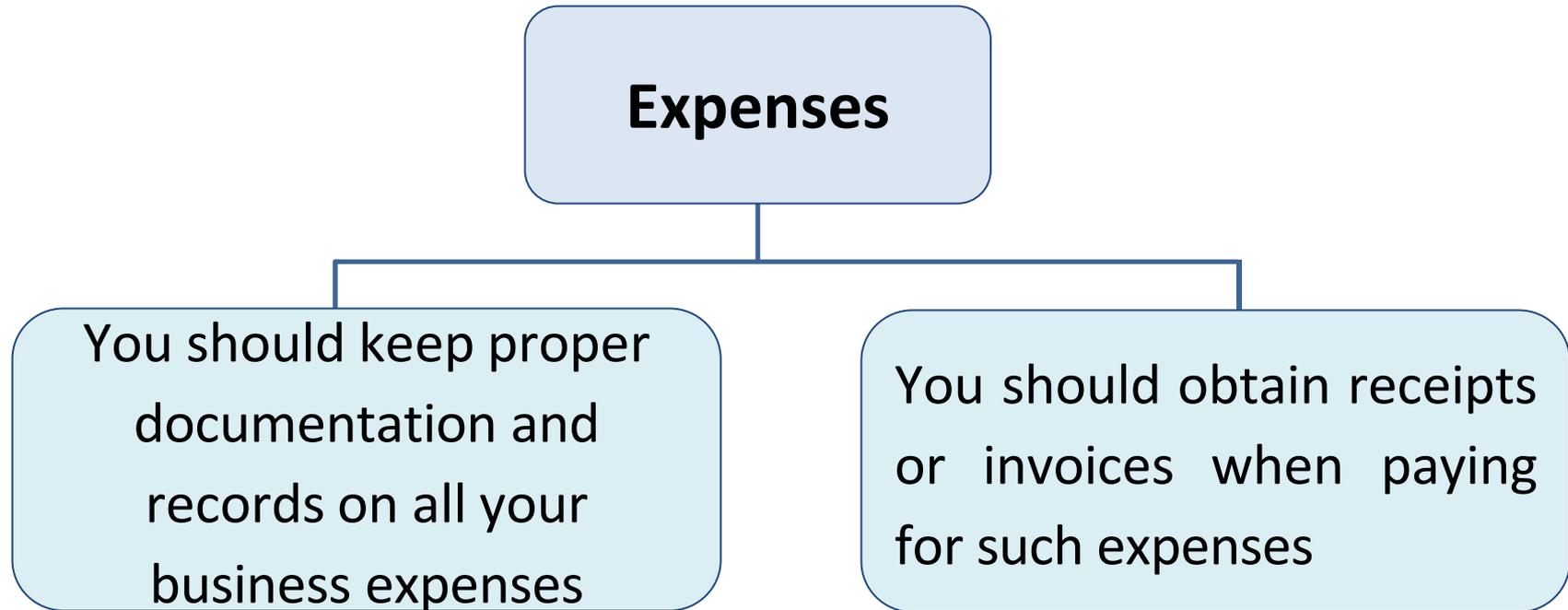
Reduces cost and effort during collation of information

Under the Income Tax Act, you are required to keep the business records for **at least 5 years**.

Keeping Proper Records



Keeping Proper Records



Keeping Proper Records



INLAND REVENUE
AUTHORITY
OF SINGAPORE

Source Documents			Category of taxpayers for Record Keeping Requirements	
Record Type	Item No	Documents Required	GST-Registered Businesses	Non-GST Registered Businesses
INCOME RECORDS (Records of each sales transaction)	1	Serially numbered receipts issued or cash register tapes or invoices issued	1	1
	2			
	3	Tax invoice/simplified tax invoice issued	1	
	4	Rental Agreement signed by both landlord and tenant	1	1
	5	Books to record goods taken for private usage	1	1
	6	Credit notes for returned goods	1	1
	7	Documents relating to exports	1	1
BUSINESS EXPENSE RECORDS (Records of each business expense transaction)		Evidence that payment have been received (e.g. bank statement)	1	
	8	Invoice received or Receipt received	1	1
	9	Payment made to individuals/companies for services rendered and the relevant contracts/agreements on the provision of services	1	1
	10	Payment vouchers for staff remuneration	1	1
PURCHASE RECORDS (Records of each purchase transaction)	11	Employer's CPF contributions	1	1
	12	Payment evidence (e.g. bank statement)	1	
	13	Tax invoices received, Invoices received or Receipt received	1	1
	14	Documents relating to imports	1	1
	15	Payment evidence (e.g. bank statement)	1	
OTHER RECORDS (FOR GST PURPOSES)	16	Business goods which were put to non-business use	1	
	17	Disposals of business goods, whether or not for a consideration	1	
	18	Removal of goods from customs-licensed warehouse	1	

Keeping Proper Records



INLAND REVENUE
AUTHORITY
OF SINGAPORE

ACCOUNTING RECORDS AND SCHEDULES			Category of taxpayers for Record Keeping Requirements	
Record Type	Item No	Documents Required	GST-Registered Businesses	Non-GST Registered Businesses
ACCOUNTING RECORDS AND SCHEDULES	1	Stock List	i	i
	2	Sales Record Book/ Sales Listing	i	i
	3	Purchase Record Book/ Purchase Listing	i	i
	4	General Ledgers	i	i
	5	Balance Sheet, Profit and Loss Statement	i	i
	6	GST account summary of input and output tax, including GST refunded to tourists	i	
BANK STATEMENT	7	Bank statements; with separate bank accounts for personal and business purposes	i	i (Recommended)
Record Type	Item No	Documents Recommended	GST-Registered Businesses	Non-GST Registered Businesses
ACCOUNTING RECORDS AND SCHEDULES	1	Detailed schedules of Public Transport expenses	i	i
	2	Detailed schedules of Travelling expenses	i	i
	3	Detailed schedules of Entertainment expenses	i	i
	4	Fixed asset Schedules	i	i
	5	Records of Capital Allowances	i	i

Note: The “required records” are mandatory records that businesses **must** keep for tax purposes. The “recommended records” are records that the businesses are **advised** to keep as good practices, and these should be available, or able to reproduce upon request by the Comptroller of Income Tax or/ GST 56

Keeping Proper Records

Simplified Record Keeping (SRK)

- Introduced on 1 Jan 2014
- Assist small business to make record keeping easier
- Small business* that qualify only need to keep business records (register, listing) and not source documents.

*Terms & conditions apply.

Keeping Proper Records

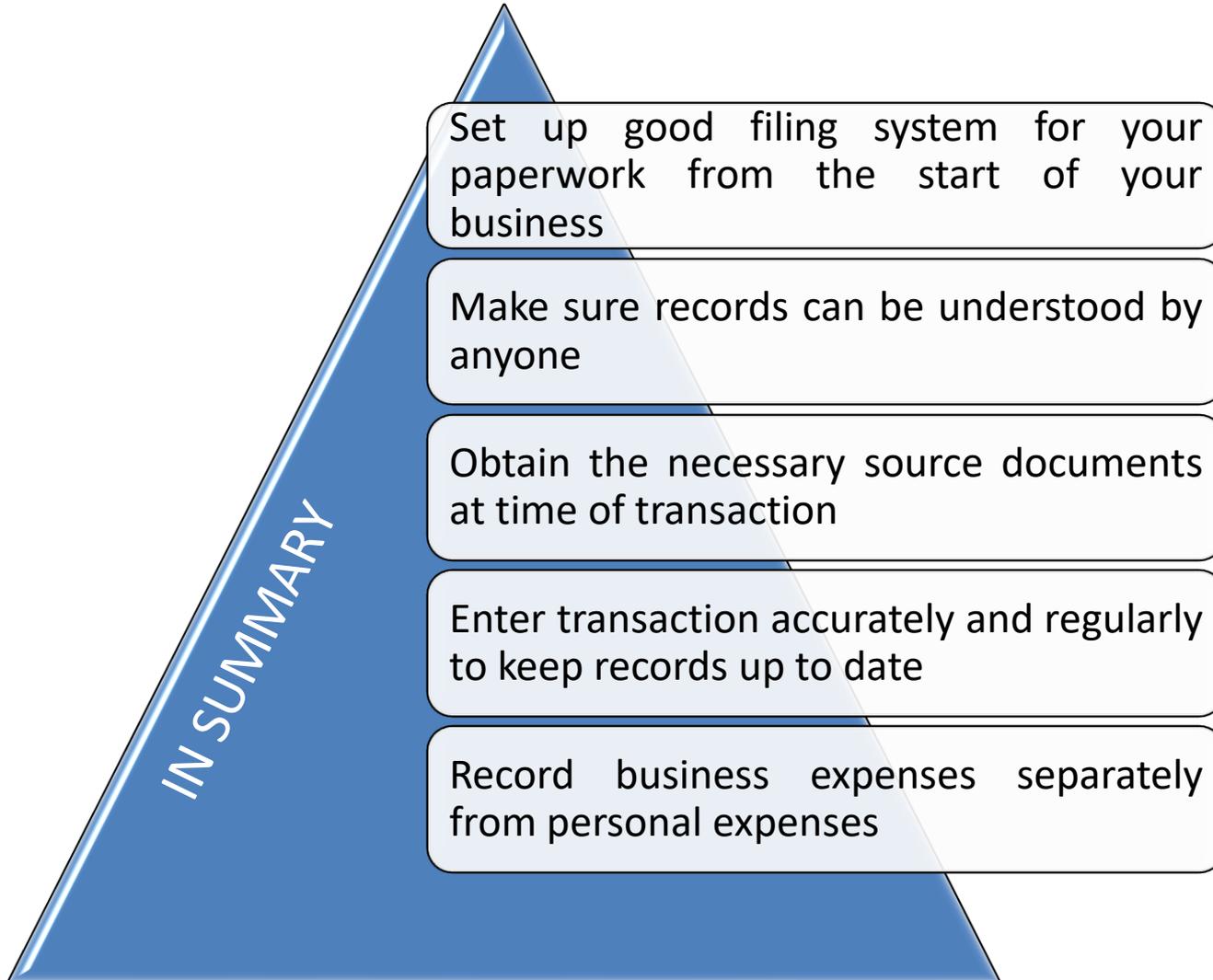
Conditions for SRK at a glance:

- Business annual revenue \leq \$200,000 for past 2 FY
- Business assets $<$ \$100,000 at end of latest FY
- Must not be investment holding or property development business
- Business is a sole-proprietorship or partnership that is not GST-registered.

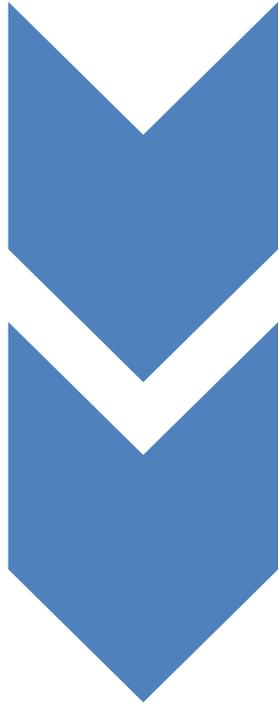
Keeping Proper Records



INLAND REVENUE
AUTHORITY
OF SINGAPORE



Keeping Proper Records



- You can find these information at www.iras.gov.sg
- Follow this link: Businesses > Self-employed/ Sole-Proprietors/ Partners > Learning the Basics > Keeping Proper Records and Accounts

Avoiding Common Errors



INLAND REVENUE
AUTHORITY
OF SINGAPORE

Avoiding Common Errors

Income Category	Common error	The right way
Gross consultation fees	Reported net consultation fees (after deducting expenses) as revenue	Report gross consultation fees as revenue. Expenses should be reported separately. Maintain proper records of all fees received.

Avoiding Common Errors



Expense Category	Common error	The right way
Entertainment	<ul style="list-style-type: none">• Not keeping complete records of expenses• Claiming estimated expenses• Claiming personal and private expenses	<ul style="list-style-type: none">• Record all expenses• Record the following details:<ul style="list-style-type: none">- Date and place of entertainment- Name and designation of person incurring it- Purpose of entertainment- Name and designation of person(s) entertained- Amount incurred• Keep receipts• Claim actual expenses incurred in the production of income• Exclude personal and private expenses

Avoiding Common Errors

Expense Category	Common error	The right way
Transport	<ul style="list-style-type: none"> • Claiming expenses incurred on using private cars (e.g. repair, maintenance, parking fees, petrol costs) • Not keeping sufficient or complete records to support claim for public transport 	<ul style="list-style-type: none"> • Not to claim expenses on private car usage, as it is disallowed from deduction under the Income Tax Act, even if the expenses were incurred for business purposes • Record details such as: <ul style="list-style-type: none"> - Date expense incurred and destination - Mode of transport - Name and designation of person incurring it - Purpose of travel - Amount incurred • Keep receipts (e.g. taxi receipts)

Avoiding Common Errors



INLAND REVENUE
AUTHORITY
OF SINGAPORE

Expense Category	Common error	The right way
Personal and private expenses	<ul style="list-style-type: none">• Claiming personal and private expenses as business expenses• Examples:<ul style="list-style-type: none">- Insurance premiums for policies taken on the sole-proprietor's/partner's life- Club subscriptions and entrance fees paid for the sole-proprietor's/partner's membership- Medical expenses incurred for the sole-proprietor/partner- Income tax of sole-proprietor/partner	<ul style="list-style-type: none">• Exclude personal and private expenses as they do not relate to your business

Avoiding Common Errors



INLAND REVENUE
AUTHORITY
OF SINGAPORE

Expense Category	Common error	The right way
Payments to related parties	<ul style="list-style-type: none">• Making unsubstantiated claims to related parties Example: Paying family members who were hired to help out with the business large amounts of salary (i.e. not in line with market rate), instead of reasonable amounts as compared to the salaries of fulltime employees	<ul style="list-style-type: none">• Payments made to the related parties should commensurate with the actual services performed by them (reasonable as compared to an independent employee with the same qualification and experience performing the same services)
Miscellaneous/ General expenses	<ul style="list-style-type: none">• Not keeping complete records of expenses• Claiming estimated expenses	<ul style="list-style-type: none">• Record details such as:<ul style="list-style-type: none">- Date incurred- Name of the payee- Purpose of payment- Amount incurred• Keep receipts• Claim actual expenses incurred (not estimated)

Avoiding Common Errors

Expense Category	Common error	The right way
Depreciation	<ul style="list-style-type: none">• Claim depreciation of fixed assets as a business expense in the the Profit & Loss account	<ul style="list-style-type: none">• Depreciation is not an allowable business expense and must be added back to the net profit• Claim capital allowances instead on plant & machinery used in the business

Avoiding Common Errors



INLAND REVENUE
AUTHORITY
OF SINGAPORE

Expense Category	Common error	The right way
Partner's expenses in Form B	<ul style="list-style-type: none">• Claiming the partnership business expenses as your own expenses• Claiming personal expenses incurred on the usage of private vehicles (not allowable even if trips are for business purposes)• Claiming subscription/entrance fees to private social clubs	<ul style="list-style-type: none">• Not to claim expenses that are charged to the partnership's Profit & Loss Account (in Form P) as your own expenses as a partner in Form B• Not to claim personal and private expenses• May claim:<ul style="list-style-type: none">- Interest expenses on monies borrowed to invest in partnership- Subscription to professional bodies not reimbursed by the partnership business- Public transport for business purposes (e.g. taxi fare) not reimbursed by the partnership business

Penalties



INLAND REVENUE
AUTHORITY
OF SINGAPORE



Penalties

- Penalties may be imposed for the following offences:
 - No proper record keeping
 - Failure to submit income tax return
 - Furnishing an incorrect return
 - Tax evasion
- Penalty varies from a fine to imprisonment depending on the nature and severity of offence.

Voluntary Disclosure of Past Errors



INLAND REVENUE
AUTHORITY
OF SINGAPORE

Voluntary Disclosure Programme

IRAS' Voluntary Disclosure Programme encourages taxpayers to come forward voluntarily to correct their errors for reduced penalties, subject to qualifying conditions.

Timely voluntary disclosures made within the 1-year grace from statutory filing date



No penalty imposed

Voluntary disclosures made after the 1-year grace period



Reduced penalty of 5% p.a. on income tax undercharged

For more information, visit www.iras.gov.sg > Quick Links > e-Tax Guides > Keyword Search: IRAS Voluntary Disclosure Programme

Seeking Assistance



INLAND REVENUE
AUTHORITY
OF SINGAPORE

Seeking Assistance



INLAND REVENUE
AUTHORITY
OF SINGAPORE

The screenshot shows the IRAS website with the following sections:

- Navigation: WHO WE ARE, CAREERS, NEWS & EVENTS
- Main Menu: Individuals, Businesses, GST, Property, Other Taxes
- Survey: WILL YOU USE AN EDITING FEATURE? (Take a quick 2-min survey)
- Upcoming Due Dates:
 - 31 DEC: File Estimated Chargeable Income (ECI) (Sep year-end)
 - 31 JAN: e-Submission of Donations
 - 01 MAR: e-Submission of Employment Income
 - 01 APR: e-Submission of Commission
- Latest Updates:
 - 10 Dec 2020: e-Tax Guide: Certainty of Non-taxation of Companies' Gains on Disposal of Equity Investments (Third Edition)
 - 9 Dec 2020: New Content: About the International Compensation Assurance Programme
 - 7 Dec 2020: Updated Content: Digital Taxes
 - 7 Dec 2020: Updated Content: Income Tax Treatment of COVID-19 Related Payouts to Business Individuals
 - 20 Nov 2020: Updated Content: Nov 2020 - Scam Email - 'Coronavirus Tax Relief and Economic Impact Payments'
 - 18 Nov 2020: Updated Content: S45 Offline Data-Entry (ODE) latest version 3.14 and Import now available for download
- Footer: Inland Revenue Authority of Singapore, Who We Are, Careers, News & Events, Publications, Useful Links, Contact, Feedback, © 2020, Government of Singapore, Last Updated on 16 Dec 2020



Chat Online with Us

Operating Hours:

- 8:00am to 5:00pm for Mondays to Fridays (except Public Holidays)
- 8:00am to 1:00pm for Eve of Christmas, New Year and Chinese New Year

[Chat with us](#)



Call Us

Operating Hours:

- 8:00am to 5:00pm for Mondays to Fridays (except Public Holidays)
- 8:00am to 1:00pm for Eve of Christmas, New Year and Chinese New Year



Email Us

For added security, you may email us via myTax Mail in [myTax Portal](#) using your SingPass, IRAS Unique Account (IUA) or CorpPass.



Visit Us

Strictly by appointment basis only.

[Make your appointment online](#) and at least two working days in advance.



Report Tax Evasion

Email us via the [Reporting Tax Evasion template](#) if you are aware of someone who has evaded tax in Singapore or have information about some tax-related fraudulent activities. Your identity and all information / documents provided by you will be kept confidential.

Thank You

The information presented in the slides aims to provide a better general understanding of taxpayers' tax obligations and is not intended to comprehensively address all possible tax issues that may arise. This information is correct as at the date of presentation. While every effort has been made to ensure that this information is consistent with existing law and practice, should there be any changes, IRAS reserves the right to vary its position accordingly.