

## FAQ on the 25% Fixed Expense Deduction Ratio for Commission Agents

<p>1. How did IRAS decide on 25% as the prescribed deemed expense ratio?</p>	<p>In arriving at the appropriate deemed expense ratio, IRAS had consulted various stakeholders including commission paying companies and commission agents to understand the types of expenses incurred by agents in earning their commission income and the average percentage of business expenses over their gross commission income.</p> <p>Based on available data and inputs obtained, the deemed expense ratio has been set at 25% where it will cover most of the common deductible business expenses incurred by self-employed commission agents with gross commission of up to \$50,000. This ratio strikes a balance between simplifying tax compliance and ensuring that it is realistic.</p>
<p>2. Can I claim the 25% prescribed deemed expense ratio on my commission income?</p>	<p>The 25% prescribed deemed expense ratio is only applicable to qualifying individual commission agents whose annual gross commission is not more than \$50,000.</p>
<p>3. How will the 25% prescribed deemed expense ratio be allowed to me?</p>	<p>If your annual gross commission income is pre-filled and is not more than \$50,000, the 25% prescribed deemed expenses will be allowed to you automatically based on the income information transmitted by your commission-paying organisation(s)</p> <p>If your commission income is not pre-filled and you are e-filing, you will have to select one of the following under the “Nature of Business” field in order for the 25% prescribed deemed expense to be allowed to you:</p> <ol style="list-style-type: none"> <li>1) Other Commission Agent / Agency</li> <li>2) Insurance Agents / Agency</li> <li>3) Real Estate agent / Agency</li> <li>4) Broker (Stocks, Shares, Bonds)</li> <li>5) Broker (Foreign Exchange)</li> <li>6) Broker (Commodity And Futures)</li> </ol> <p>If you file via paper return, you need to compute the 25% prescribed deemed expense manually and complete the 2-line statement accordingly.</p>
<p>4. Instead of the 25% prescribed deemed expense amount, can I claim tax deduction based on the actual amount of expenses incurred?</p>	<p>Yes. You can choose to claim the actual amount of expenses incurred based on records maintained by you by amending the pre-filled information in your tax form if your actual deductible expenses incurred are more than 25% of your gross commission income.</p>
<p>5. If I am claiming deduction based on actual business expenses, do I need to keep documentation and records?</p>	<p>You will qualify for Simplified Record Keeping (SRK) if your commission revenue is less than \$100,000 for the past 2 financial years.</p> <p>From YA 2021, this revenue threshold will be increased to \$200,000.</p> <p>If you qualify for SRK, you will need to keep simple records (e.g. listings) without the need to keep supporting documents (e.g. receipts and invoices).</p>

	<p>For more information on keeping of simple records, please refer to <a href="#">Simplified Record Keeping Requirements for Small Businesses</a>.</p> <p>However, if you do not qualify for SRK, you are required to keep proper daily records and retain all supporting documents e.g. receipts, statements issued by the platform operators for 5 years from the YA to which the claim relate.</p> <p>For more information on proper record keeping, please refer to the <a href="#">Record Keeping Guide for Non GST-Registered Business</a>.</p>
<p>6. If I opt for the 25% prescribed deemed expense amount, do I still need to keep documentation and records?</p>	<p>You will need to keep simple records (e.g. listings) without the need to keep supporting documents (e.g. receipts and invoices). Good record keeping practices provide benefits such as helping you to make better business decision and enabling a more effective tracking of the business financial position.</p> <p>For more information on keeping of simple records, please refer to <a href="#">Simplified Record Keeping Requirements for Small Businesses</a>.</p>
<p>7. If I have claimed the 25% prescribed deemed expenses against my commission income, can I still change my decision and claim a deduction based on the actual expenses incurred instead?</p>	<p>If you would like to change your option, you can lodge an objection within 30 days from the date of the Notice of Assessment.</p>
<p>8. If I have claimed the 25% prescribed deemed expense against my commission income this year, can I opt to claim the actual amount of expenses incurred next year?</p>	<p>Yes, you can elect your preferred claim basis yearly.</p>
<p>9. I set up a partnership to provide financial advisory services and have received commission income. Can I claim business expenses against the commission income from the partnership based on the 25% prescribed deemed expense ratio?</p>	<p>The 25% prescribed deemed expense ratio is introduced to simplify tax filing for individuals who exercise their trade, business, profession or vocation as a commission agent. Individuals who set up partnerships to provide financial advisory services are not allowed to claim the 25% prescribed deemed expenses ratio. Instead, the partnership is required to continue to keep proper business records in relation to its income and expenses for tax purposes.</p>
<p>10. I am an insurance agent and have earned a gross commission of \$350 in a year. However, I did not incur any deductible expenses in earning the commission of \$350. Can I still claim the 25% prescribed deemed expense ratio when filing my income tax return?</p>	<p>No, the 25% prescribed deemed expense will only apply if there are deductible expenses incurred in respect of the commission income derived from the prescribed activities of a trade, business, profession or vocation.</p>