# A Tax Seminar for Maid Agencies

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# Agenda

- □ Tax Obligations as a Maid Agency Operator
- □ Filing of Income Tax Returns
- General Payment Information
- □ Keeping of Proper Records & Accounts
- Common Mistakes
- Offences and Penalties
- □ Seeking Assistance



# Tax Obligations as a Maid Agency Operator

- Considered as a self employed if you are carrying on a:
  - Trade
  - Business
  - Profession
  - Vocation
- □ Self-employed can be in the form of:
  - Sole-Proprietor
  - Partner of a partnership business (Partnership, Limited Liability partnership, Limited partnership)



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# Tax Obligations as a Maid Agency Operator

- □ File your Income Tax Returns (Form B) and make compulsory Medisave contributions
- If you are a Precedent Partner of a partnership, you need to file Form P in addition to Form B
- □ Comply with Income Tax Law requirements:
  - Keep a proper record & accounts of your business for 5 years
  - Report a complete and accurate set of business income in your Tax Returns



### **Medisave Contributions**

You have to make compulsory Medisave contributions if you are:

- A self-employed person and
- S'pore citizen or S'pore permanent resident and
- Earn a yearly net trade income of more than \$6,000

Note: 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



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# Tax Obligations as a Maid Agency Operator

- Compulsory registration with IRAS as a GSTregistered person if:
  - Your turnover exceeds \$1 million
  - Expecting your turnover for the next 12 months to exceed \$1 million
- Penalties may be imposed for failing to comply with Income Tax/ GST Law requirements



### Filing of Income Tax Returns

- Your income will be taxed in the year following the year you <u>earned</u> the income
- You should decide on your accounting period when you first started your business. Most accounting periods end on 31 December each year



### **Filing of Income Tax Returns**

#### □ For a **sole-Proprietorship**:

 Report business income under "Sole-Proprietorship/Self-Employed" in the "Trade, Business, Profession or Vocation" section



Enter a '0' in the last box if the item is not applicable. For instructions in Chinese, please refer to "Guide on Filing of income Tax".

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<b>b PARTNERSHIP 1</b> ~ Page E5 of Guide					
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9 Foreign Income S\$					
10 Share of Partnership Income (		(X) for loss			

### Filing of Income Tax Returns

- For a Partnership/ Limited Partnership (LP)/ Limited Liability Partnership (LLP):
  - Partnership/LLP: Precedent partner is required to report the partnership income in Form P
  - All partners should report their share of partnership income in their Form B under "Partnership" in the "Trade, Business, Profession or Vocation" section
  - Share of partnership income is the sum of your divisible profit/loss, salary, CPF, interest, rent and other income from the partnership



Enter a '0' in the last box if the item is not applicable. For instructions in Chinese, please refer to "Guide on Filing of income Tax".

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<b>b PARTNERSHIP 1</b> ~ Page E5 of G	uide					
If you are a partner of more th	an one partnership, please complete Aj	ppendb	(Part 2) for Partnership 2 and	d 3.		
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## Filing of Income Tax Returns

Revenue	Requirement
\$200,000 or less	Report summarised <b>2-line</b> statement (i.e. Revenue and Adjusted Profit/(Loss)
more than \$200,000 but less than \$500,000	Report summarised <b>4-line</b> statement (i.e. Revenue, Gross Profit/(Loss), Allowable business expenses and Adjusted Profit/(Loss)

**Note**: However for both of the above instances, you must still prepare the Statement of Accounts and keep proper records of your business transactions

Revenue	Requirement
more than \$500,000	Report summarised <b>4-line</b> statement <u>and</u> submit <b>certified Statement of</b> <b>Accounts</b> signed by you indicating the accounts are true and correct



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# **General Payment Information**

- Due date for tax bill, one month from the date of the Notice of Assessment
- GIRO payment, 12 interest-free monthly installments
- □ Late payment penalty of 5% if payment is not made by the due date
- Enforcement actions if tax continues to remain unpaid



#### □ Why Keep Records?

- Records need to be kept for 5 years
- Records need not be forwarded unless requested
- Penalties for failure to keep record



□ Business Records that need to be kept:

- Receipts and payments
- Source documents
- Assets and liabilities



Receipts	<ul> <li>Receipts issued</li> <li>Goods - \$18,000 / Services - \$12,000</li> <li>Issue serially printed receipts</li> <li>Ensure completeness and accuracy</li> <li>To issue receipts upon request</li> </ul>
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Do not have to issue receipts	<ul> <li>Cash register</li> <li>Used to record sales</li> <li>Issue invoices for credit sales</li> </ul>	
	<ul> <li>Accounting Software</li> <li>All sales entered into an accounting software</li> <li>Invoices generated and duplicate retained</li> </ul>	

No cash	<ul> <li>Sales record book should be maintained for all cash and credit sales</li> </ul>	
register	<ul><li>Record takings on daily basis</li><li>Make adjustments to reflect correct takings</li></ul>	



	Credit notes issued (if any)	
Credit	Issued due to defects, damaged or	
Notes	incorrect invoicing etc.	
	Adjustments to be made	

Invoices to be issued	<ul> <li>Invoices issued should contain:</li> <li>Business name, registration number and address, telephone number</li> <li>Date</li> <li>Invoice number</li> <li>Customer's name and address</li> <li>Description of services, goods and price</li> <li>Any cash discount offered</li> </ul>
	<ul> <li>Total price</li> </ul>



<b>Purchases</b> Records	<ul> <li>Invoices received from suppliers</li> <li>Receipts obtained and details to be shown on receipt are:</li> <li>Date</li> <li>Name of supplier or service provider</li> <li>Amount</li> <li>Description of goods</li> <li>Additional annotation</li> <li>Maintain purchase record book</li> <li>Payment vouchers with the following details:</li> <li>Full name, identification number, address of the supplier</li> <li>Date and description of services</li> <li>Acknowledgement of receipt by the recipient</li> <li>Payment vouchers should be filed</li> </ul>	
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Business Expenses Records	<ul> <li>Keep proper documentation</li> <li>Obtain invoices</li> <li>Common expenses:         <ul> <li>Staff remuneration and employer's CPF contribution</li> <li>Rental</li> <li>Administrative expenses</li> </ul> </li> </ul>
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Staff Remuneration and Employer's CPF Contributions
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<u>Allowable</u> Business Expenses	Disallowable Business Expenses
Rental paid for business premises	Your own salary, bonuses & medisave / CPF contributions
Property tax paid for business premises (if owned by you)	Your own medical fees, income tax, insurance and donations
Mortgage interest paid for business premises (if owned by you)	Entertainment expenses for family members and friends
Utilities (e.g. electricity, water, gas)	Food and household expenses
Telephone charges for business	Interest on loans obtained for private use
Salary and bonus for employees	Cost of fixed asset purchased
Compulsory employer's CPF contribution made for employees	Initial expenses such as license fee, registration fee, signboard fee



Allowable Business Expenses	Disallowable Business Expenses
Upkeep of motor vehicles such as vans and lorries	Depreciation
Capital allowances on fixed assets purchased for business use	Maintenance cost of private cars (E or S-plate cars)
Repair and maintenance of assets used for business	Cost of travelling to and from your home
Accountancy fees	Fines and penalties



#### Types of Capital Allowances (CA):

1) **One-year** write-off (Section 19A)

- Computers, computer peripherals, fax machines and other automation equipment which are used for business
- Low-value assets that cost \$5,000 or lesser each (capped at \$30,000 per year of assessment)
- 2) Three-years write-off (Section 19A)
  - Can be used on all assets that qualify for capital allowance
- 3) Write-off over the working life of the asset (Section 19)
  - Initial allowance = 20% x cost of asset (1<sup>st</sup> year only)
  - Annual allowances = (80% x cost of asset) / number of years of working life (in the second and subsequent YA)

For more information, visit <u>www.iras.gov.sg</u> > Businesses > Companies > Working out Corporate Income Taxes > Claiming Allowances > <u>Capital Allowances</u>



- Capital expenditure incurred on Renovation or Refurbishment (R&R) works
  - To help businesses, particularly small and medium enterprises reduce their business costs, tax deduction will be granted on all qualifying R&R costs
  - Subject to an expenditure cap of \$300,000 for each relevant three-year period, starting from the year in which the R&R costs are incurred



<ul> <li>Transport</li> <li>Date and destination</li> <li>Mode of transport</li> <li>Person incurring</li> <li>Purpose of travel</li> <li>Amount incurred</li> </ul>	
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### **Tips for Healthy Record Keeping**

- Set up a good filing system from the start of your business
- Make sure records can be understood by anyone
- Obtain the necessary source documents at time of transaction
- □ Keep your records up to date
- Record transactions accurately



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SUMMARY					08 543
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□ Incorrect reporting of sales/ revenue

- Overstatement of purchases and other business expenses
- □ Claim of non-deductible expenses
- □ Failure to keep proper records



# **Common Errors**

Incorrect reporting of sales/ revenue	<ul> <li>Failure to account for all the invoices issued for services rendered</li> <li>Reporting only the net revenue received</li> <li>Reporting only the revenue deposited into the business bank account and leaving out part of the revenue received which was deposited into the personal bank account</li> </ul>
Overstatement of expenses	<ul> <li>Inflating expenses due to double counting</li> <li>Insufficient or no supporting documents to support claimed for expenses</li> <li>Claiming expenses based on estimate</li> </ul>



# **Common Errors**

Claim of Non- Deductible expenses



# **Common Errors**

Failure to keep proper records	<ul> <li>Failure to keep sufficient and complete records to ascertain income and allowable business expenses</li> <li>Providing sketchy records which are merely estimates</li> <li>Misconception that records could be discarded once the Notice of Assessment is received</li> </ul>
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### **Avoiding Common Errors**

### Good record keeping practices

- Maintain a full and complete record of income received
- Maintain separate bank accounts for business and personal purposes
- Ensure all business income is deposited into business bank account
- Claims of expense should be based on actual amount incurred and supported with complete receipts and invoices
- Records should be retained for the required period whether or not an assessment has been raised



#### **Offences and 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 Programme**

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



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



#### **Seeking Assistance**



#### 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



#### 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.





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# **For More Information**

Visit <u>www.iras.gov.sg</u>:

On reporting of business income
 Businesses > Self Employed/ Sole Proprietors/
 Partners > Learning the Basics > Basic Guide for
 Self-Employed Persons

On record keeping
 Businesses > Self Employed/ Sole Proprietors/
 Partners > Learning the Basics > Keeping Proper
 Records and Accounts



# **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.