

Circular for sharing with self-employed members

IRAS regularly reviews the income reported by various professions and businesses. In the course of our review, we found that some taxpayers in the tuition business did not keep proper records of their businesses. Many were also not familiar with the tax laws and made reporting errors in their Income Tax Returns.

Hence, please go through the following checklist to check whether you have claimed the correct amount of expenses and whether you have declared all taxable income in your income tax returns.

(Note: This checklist is to help you in your review and need not be sent back to IRAS)

1 Check your expense claims

The following expenses are not deductible for tax purposes. If you have previously claimed the expenses, please **exclude** them from your revised Statement of Accounts.

X	Disallowable business expenses
	Your salary, bonus, allowances, CPF/ Medisave Contributions and income tax
	Excessive salary and bonus paid to related parties, e.g. spouse, parents, children, siblings, for services rendered to the business
	Payments of salaries, allowances or CPF to related parties, e.g. spouse, parents, children, siblings, when they are not employees of the business
	Private/ Domestic Expenses such as: <ul style="list-style-type: none"> - Food and household expenses for self, family members and friends; - Gifts for self, family members and friends; - Medical expenses for self and family members who are not working in the business; - Entertainment for self, family members and friends; - Travelling expenses for personal trips with family members or friends; - Personal membership/subscriptions/entrance fees to social clubs; - Insurance premiums for policies (e.g. life insurance policy, education plan, home insurance, mortgage insurance etc.) taken up for self and family.
	Motor vehicle expenses (e.g. petrol costs, insurance, repair and maintenance, road tax, COE, parking fees and ERP charges etc.) incurred by you and/or reimbursements of such expenses incurred by your employees, in respect of private hire cars or private cars (E, Q or S-plate cars)
	Praying and religious expenses including contributions to temples and religious organisations
	Donations to charitable organisations
	Penalties, fines (e.g. traffic fines) and late payment charges
	Purchase of fixed assets

You can find more information on allowable and disallowable business expenses at www.iras.gov.sg or scan the QR code below:



2 Report other sources of income

The following sources of income are taxable. Please make sure to **include** them in your statement of accounts if you have not previously done so.

✓	Other sources of income
	Rental income
	Freelance or part-time income
	Director's fees
	Consultancy fees
	Other commission income

3 Keep proper records of income and expenses

Do's	Don'ts
<p>Keep proper records of revenue received and support your reported income with a full and complete record of serially numbered invoices/receipts.</p> <p>Record revenue based on gross collection. Where revenue/sales is used to pay for business expenses or purchases, you must record the revenue used and report the gross revenue collection.</p>	<p>Report revenue based on estimates.</p> <p>Fail to report the full amount of revenue.</p>
<p>Keep proper records on the actual expenses incurred and support the claims with receipts, invoices, payment vouchers or schedules.</p>	<p>Claim expenses based on estimates.</p>

Keep supporting documents that show that the **expenses are incurred for income-producing purposes.**

For example:

Transport and entertainment expenses

- a) Mode of transport
- b) Date and place visited
- c) Name and address of the person(s) involved
- d) Specific reason(s) for the visit/ entertainment
- e) Amount of expenses incurred (keep receipt, if available)

Fail to keep proper records and supporting documents for expense claims.

Keep proper record of all **business bank account statements.**

Maintain separate bank accounts for business and personal purposes.

The business income should only be deposited into the business bank account to facilitate an accurate reporting of business income.

Fail to separate deposits made into personal and business bank accounts and not able to readily differentiate the business transactions from the personal transactions.

Keep all records for **5 years** from the year to which the income relates.

For example, invoices, receipts etc. for accounting period 1 Jan 2018 to 31 Dec 2018 (Year of Assessment 2019) must be kept up till 31 Dec 2023.

Dispose business records once you have received your Notice of Assessment.

How to correct past errors in your tax returns?

Voluntary Disclosure Programme (VDP)

We would also like to share with you that we have a Voluntary Disclosure Programme (VDP) that encourages taxpayers who have made errors in their tax returns to come forward voluntarily to correct their errors for reduced penalties.

We encourage you to review your past income tax declarations to ensure that their declarations are in order. To voluntarily disclose past errors in your tax returns, you can email the details to IIT_compliance@iras.gov.sg.

For any clarification on the Voluntary Disclosure Programme, you can contact us through our Compliance helpline on 6351 3121 or 6351 3122 from 8.30am to 5pm (Monday to Friday).