

Back to Basics: Common Issues to take note of for your Corporate Tax year-end filing

Eng Min Lor & Emily Lin
Grant Thornton Singapore



Agenda

- IRAS' Compliance Management Approach
- Voluntary Disclosure Program
- Common issues and tax return change

IRAS' Compliance Management Approach

- Adopts a risk-based approach of identifying compliance programmes
- Focuses on certain industries annually.

“

What are IRAS' upcoming
industry of focus?

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Car dealers



Private hire operators



Food and Beverage operators

What are the consequences of non-compliance?

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Non-filing of tax return –
composition fine and jail term for
director

**Erroneous tax return (non-
fraudulent / wilful cases) – Penalty
of up to 200% of taxes
undercharged**

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Voluntary Disclosure Programme

- Reduced penalties
- Taxpayer must submit a letter to explain the mitigating controls that are put in place to avoid further errors

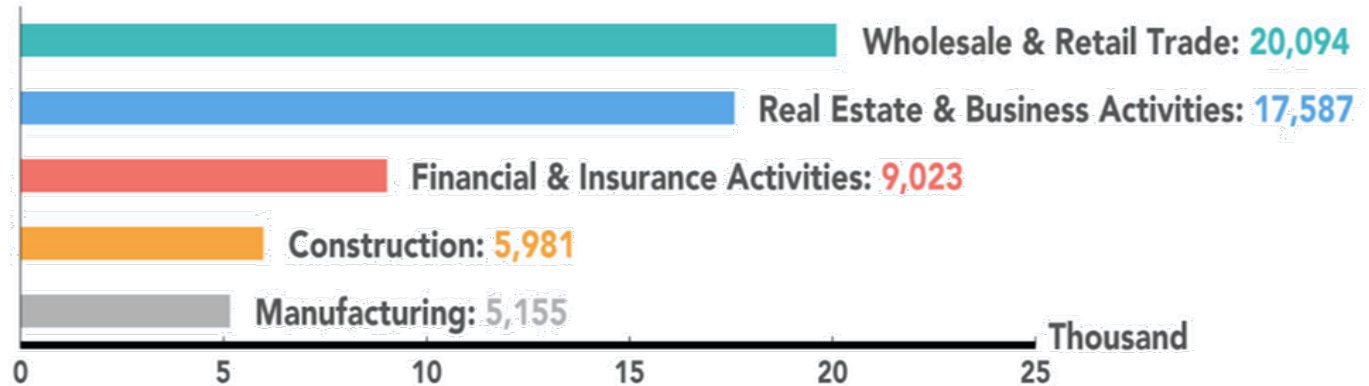
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Which sector do you think are the top contributors to corporate tax revenue in YA 2016?

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Top 5

Sectors by
Number of
Tax-paying
Companies
in **YA2016**



Corporate Income Tax Rebate

Number of Companies that Received the Rebate

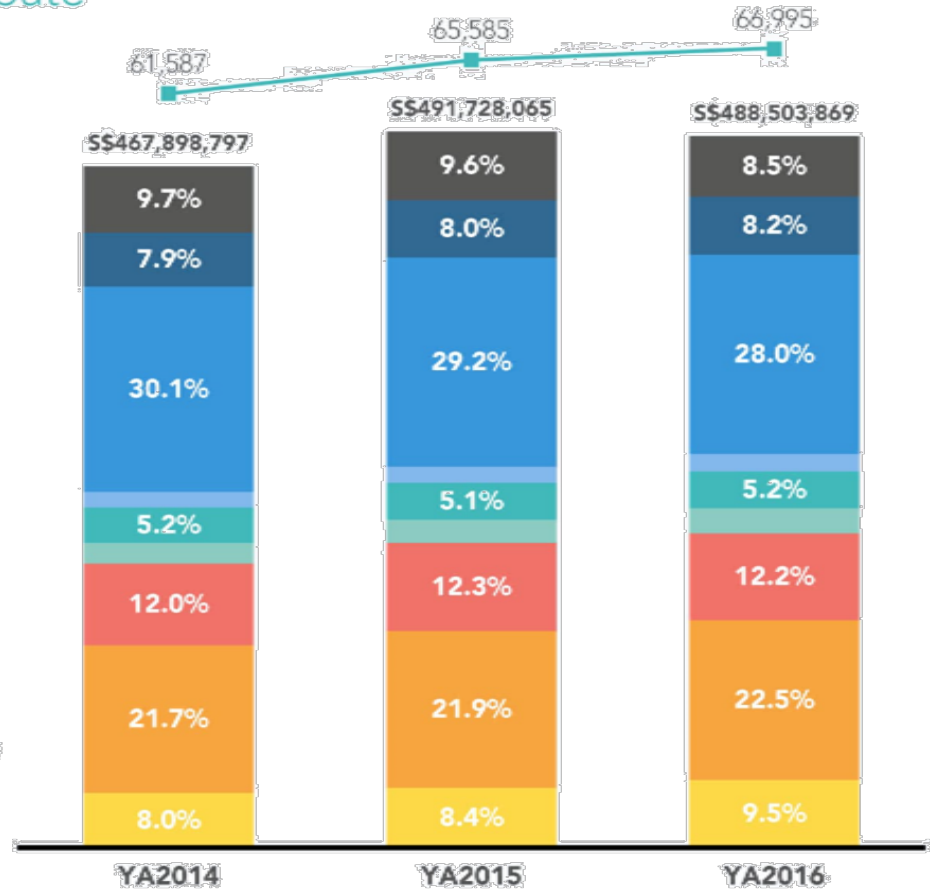


Total Corporate Income Tax Rebate by Industry Sector

- Manufacturing
- Construction
- Wholesale & Retail Trade
- Accommodation & Food Service Activities
- Transportation & Storage
- Information & Communications
- Financial & Insurance Activities
- Real Estate & Business Activities
- Others

For YA 2014 to 2015, rebate is at 30% of the corporate tax payable capped at S\$30,000 for each YA.

For YA 2016, rebate is at 50% of the corporate tax payable capped at S\$20,000.



Common Issues and recent change to tax return



What are the common errors with PIC claims?



How should we be dealing with provisions?



How should Exchange Differences be treated, on Revenue or Capital account?



Private car expenses claim



Revenue versus Capital items – Plant, Equipment, Renovation and Refurbishment (sec 14Q) or Revenue deduction (sec 14) or Non-Qualifying items?



What are the recent changes to tax return?

How should Exchange Differences be treated, on Revenue or Capital account?

- Concession to tax / deduct gain / losses on revenue account regardless of whether they are realised or unrealised
- Capital / Revenue Divide
- Translation Difference
- Intercompany balance for branches

“

Our Company is currently on the pre-FRS 39 tax treatment. Thus, I still have to track trade exchange difference on a **realised** basis.

True or false?

”

Capital Exchange Difference

- Revaluation of capital accounts (e.g. non-trade balances, loans, fixed assets etc)
- What about revaluation of bank account?

Plant, Equipment, Renovation and Refurbishment, Revenue deduction or Non-Qualifying items?

- Expenditure incurred
 - Revenue or capital in nature
 - Relevance of accounting treatment – capitalised or expensed
 - Annex A – IRAS e-Tax Guide : Machinery and plant: Section 19/19A of the Income Tax Act
 - Section 22 : Extends the meaning of expenditure qualifying for capital allowance claims



Microsoft Word
Document

Renovation and Refurbishment (R&R), Revenue deduction or Non-Qualifying items?

- Revenue item versus capital item
- Section 14 Q deduction
 - Capped at \$300,000 over 3 years of assessment
 - List of qualifying R&R deductible expenditure
 - General principles
 - does not cover structural works; and
 - exclude designer fees, antiques, fine art
 - exclude work done on place of residence of employees

How should we be dealing with provisions?

- Specific vs General Provision
- Specific Provision – claim tax deduction when the provision is first made and tax any write-back subsequently
- General Provision
 - Add back the provision when it is first made and not tax any write back
 - Claim tax deduction when the provision is utilised
- Supporting documents to support deduction claim
- Provision for Stock obsolescence
- Provision for annual leave
- Provision for trade debts
- Impairment of financial assets under FRS 39 / FRS 109 tax treatment

Private car expenses claim



Reimbursement of transport expenses



Allowance for transport



What about expenses for Uber / Grab?

What are the common errors with PIC claims?

PIC crimes

3 Aug 2018	Sole proprietor convicted for PIC sham
12 Feb 2018	Promoter of PIC scam jailed 7 months for fraudulent PIC claims
21 Jul 2017	Wholesale Trader and Company to Pay Penalties of \$169,194.60 and Fine of \$5,000 for False PIC Claim
20 Jul 2017	Director Behind PIC Sham Convicted
27 Apr 2017	Robotic Ice-Cream Machine Dealer Convicted of False PIC Claim

1. Duplicate claim for cash pay-out and 400% tax deduction
2. Claiming 500% total tax deduction
3. Wrong PIC claims
 - Claiming PIC on GST for GST-registered business
 - Claiming PIC on items that are supported by grants / subsidies
4. Equipment that does not fall within the “PIC IT & Automation Equipment List”



What are the recent changes to tax return?

Related Party Transactions (RPT) Form

- Effective YA 2018
- Only applies to Companies who are submitting Form C; and
- Aggregate value of all RPTs (excluding dividends, key management personnel compensation) and year-end balances of loans and non-trade amounts due to/from all related parties exceeds S\$15 million

Thank you

Questions