

Taxation of Self-Employed Persons



INLAND REVENUE
AUTHORITY
OF SINGAPORE

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Who is a self-employed person



Who is a self-employed person?

A person who carries on a:

- Trade
- Business
- Profession
- Vocation



A self-employed person can be operating as a:

- Sole-proprietor of a sole-proprietorship business
- Partner of a partnership business
- Person exercising profession or vocation



Who is a self-employed person

Examples of persons exercising profession or vocation:



Profession:

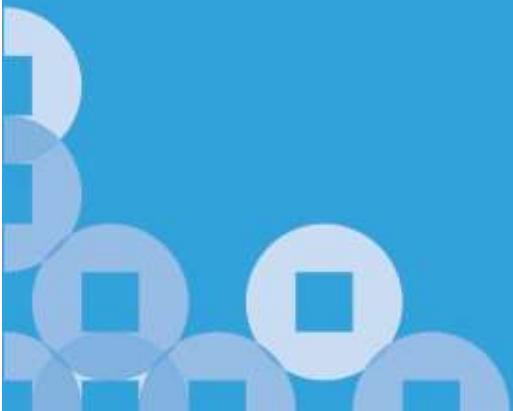
❖ Doctor, lawyer, accountant or architect



Vocation:

❖ Commission agent, freelancer, baby-sitter, tuition teacher

Features of Self-Employed Vs Employee



Self-Employed Vs Employee

- You are self-employed when you perform work for others (e.g. provide a service) under a contract for service.
- You are an employee if you perform work under a contract of service.

Here are some of the features of a Self-employed person vs an employee:

| Self-Employed | Employee |
|-----------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------|
| You work for yourself and you are in the position to realise a business profit or loss. | You work for an employer and take instructions from your employer as to how, when and where the work is to be carried out. |



Self-employed Vs Employee

Self-Employed

You are responsible for the costs of repair, insurance and maintenance to the tools, equipment and machinery.

You typically make significant investments in the tools and equipment required to do the work, and therefore retain a right over the use of the assets.

Employee

Your employer supplies most of the tools and equipment required by you to do your work. The employer is also responsible for repair, maintenance and insurance costs.

Your employer retains the right of use over the tools and equipment provided to you.



Self-employed Vs Employee

Self-Employed

You are paid a fee on a per-job basis.

You have the right to negotiate with the payer the exact amount you would be paid for.

Employee

You are paid a regular (fixed hourly/ weekly/ monthly) wage.

You get overtime pay or bonus payment.

You may receive a commission payment in addition to your regular wage.



Self-employed Vs Employee

| Self-Employed | Employee |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>You are financially liable if the obligations of the contract are not fulfilled.</p> <p>You pay your hired helpers and incur business expenses relating to the operation of the place (e.g. rental cost and utility bills).</p> <p>You may make capital investment in the business.</p> | <p>You are not financially liable for any losses of the employer's business resulting from any breach of obligations of the contract between your employer and its clients.</p> |



Self-employed Vs Employee

Self-Employed

You do not receive any protection or benefits from the payer.

You provide your own medical and insurance coverage.

Employee

You are entitled to benefits that are normally only offered to employees.

For example: employer's contribution to CPF, medical and vacation leave, medical reimbursement, group accident and health insurance, etc.

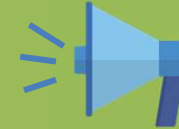


Tax obligations of a Self-Employed Person



Tax obligations

As a self-employed person, you will need to report your income earned from the performance of your services/ trading activities as Business income in your income tax form.



You may claim business expenses incurred against the business income (subject to deductibility rules).

You will be assessed on the net trade income (i.e. Gross revenue less Business Expenses).



The business income is treated as a part of your total personal income and taxed at progressive personal income tax rates.



Tax Obligation - Reporting Business Income

For self-employed, you will need to report your business income in a **2-line** or **4-line** statement in your income tax form.

(Increase in Revenue threshold of 2-line statement from \$100,000 to \$200,000 from Year of Assessment 2021 onwards)

2-line Statement
Revenue \leq \$200,000

- Revenue
- Adjusted Profit/Loss

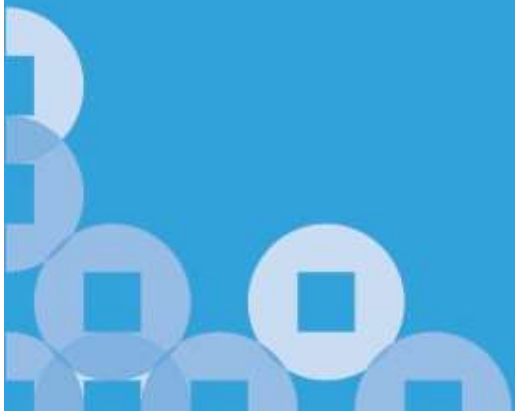
4-line Statement
Revenue $>$ \$200,000*

- Revenue
- Gross Profit
- Allowable Business Expenses
- Adjusted Profit/Loss

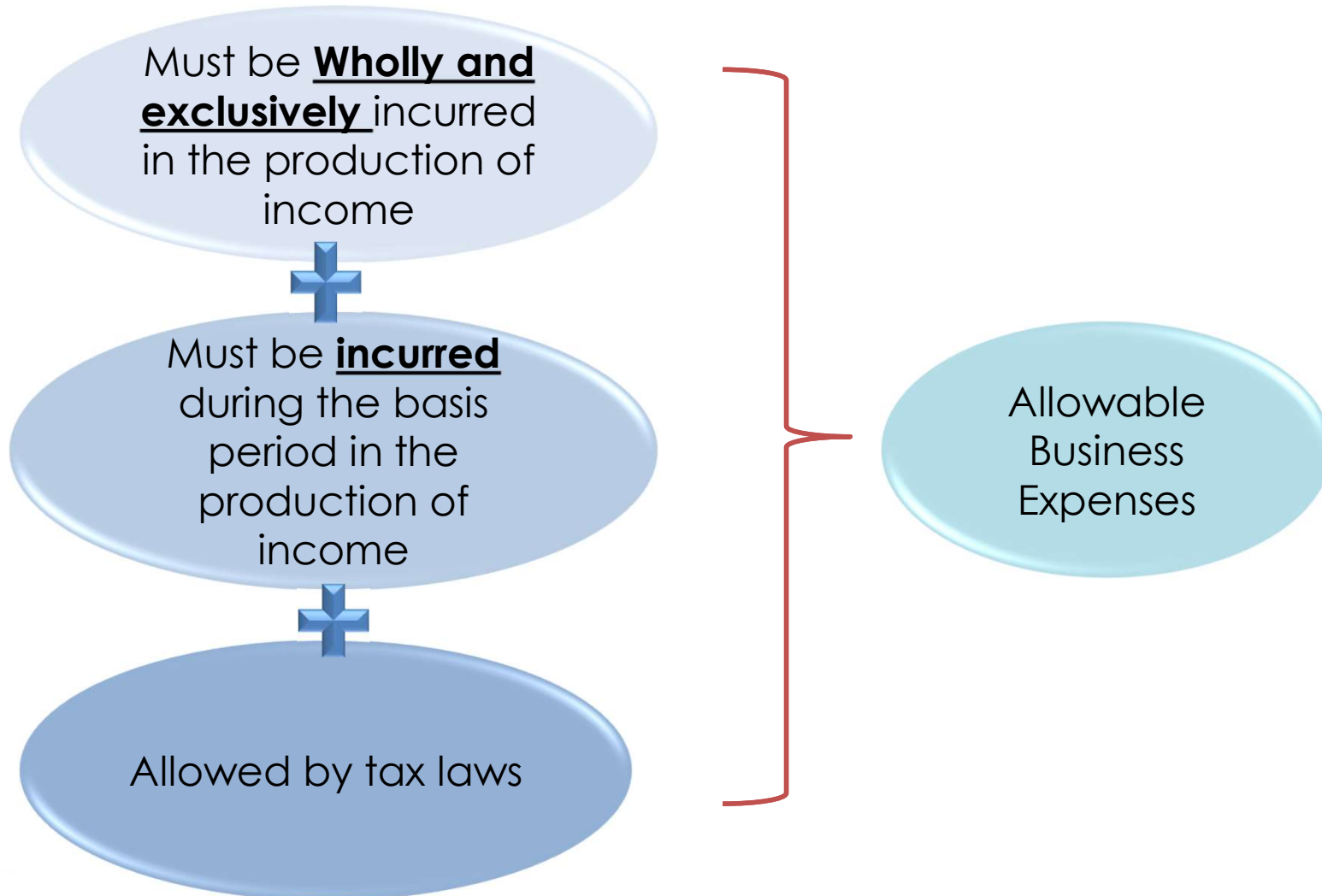
*Submit **certified statements of accounts** if revenue is **\$500,000 or more**.

"Certified" means signed by the sole-proprietor/precedent partner of the business, indicating that the accounts are true and correct.

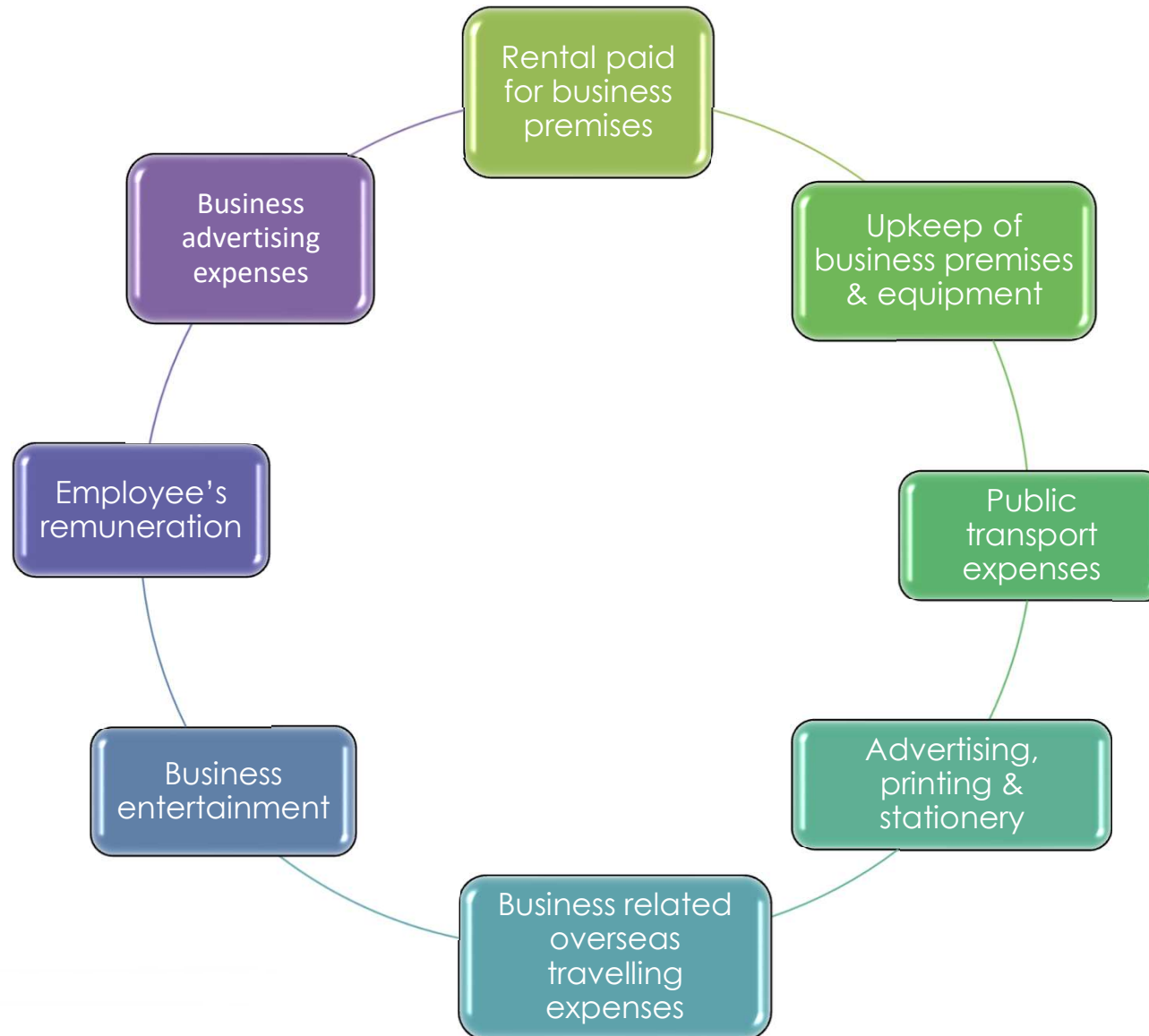
Business Expenses



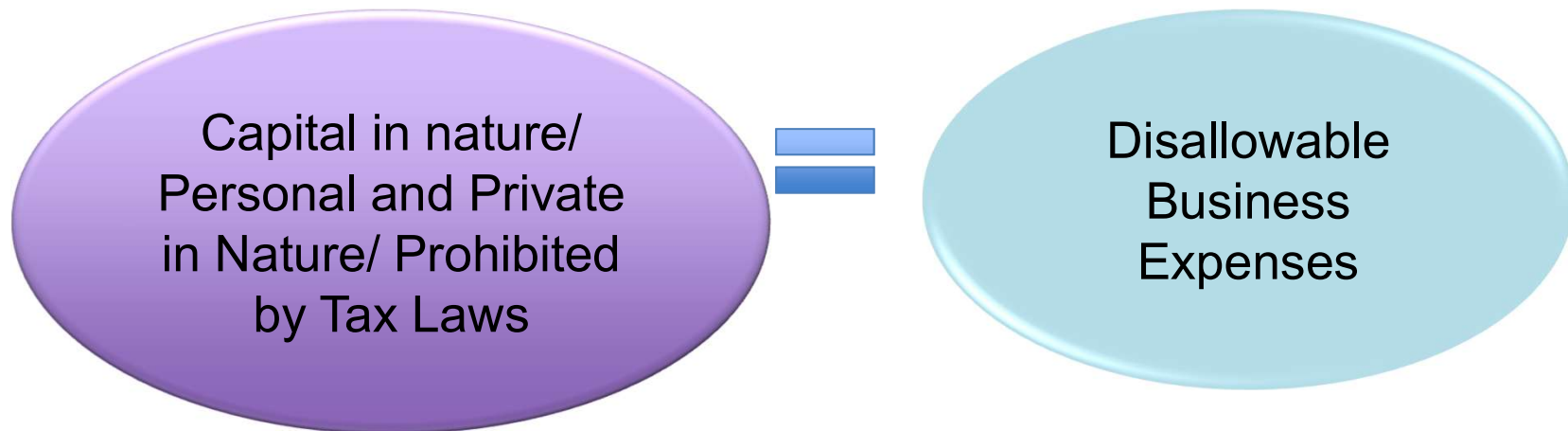
Allowable Business Expenses



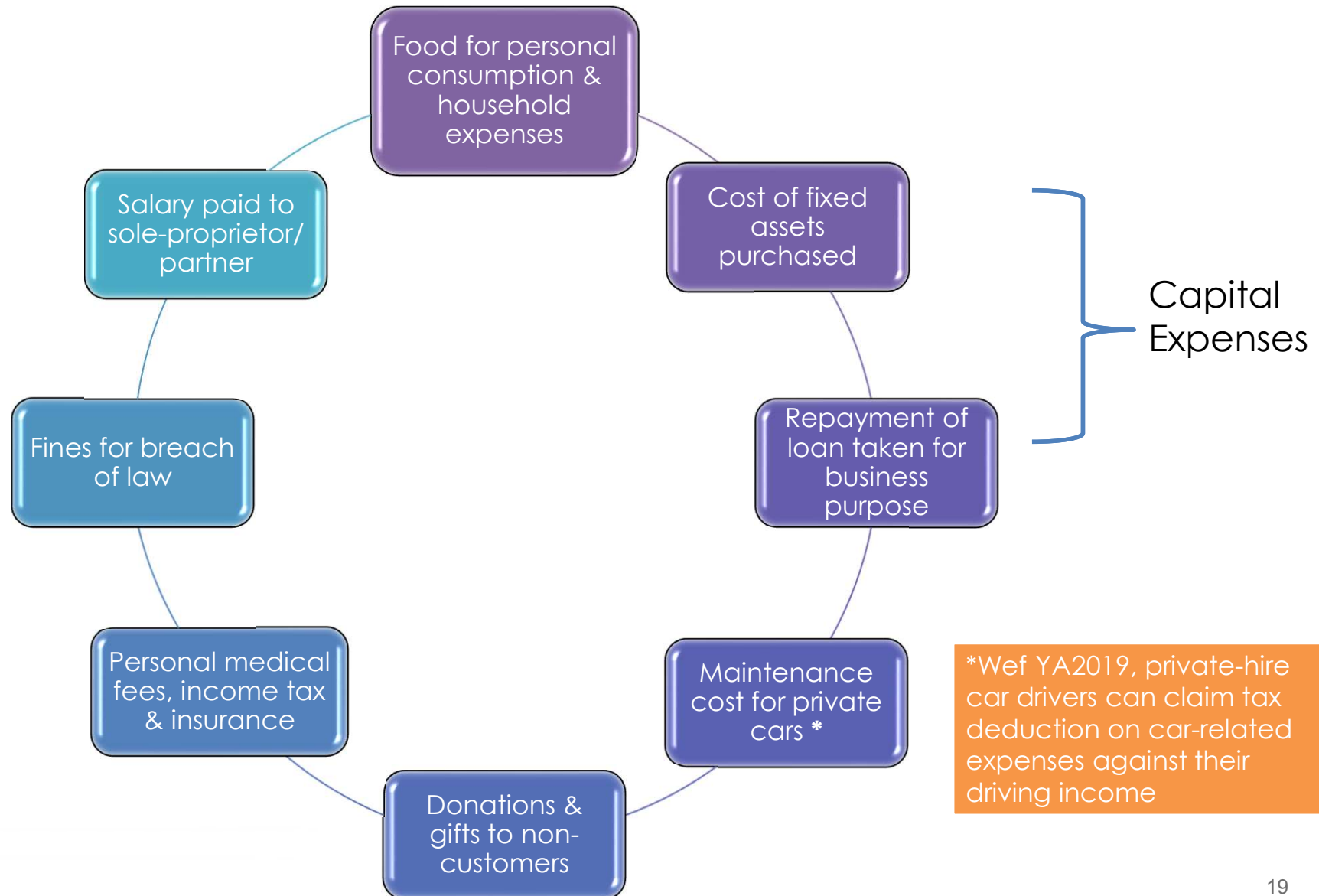
Examples of Allowable Business Expenses



Disallowable Business Expenses



Examples of Disallowable Business Expenses



Compulsory Medisave Contributions and CPF relief



Medisave Contributions

- Compulsory to contribute to Medisave if:



- IRAS will issue a Notice of Computation (NOC) to inform you of your Medisave contributions.



CPF Relief for Self-Employed persons

1. As a self-employed person, you **can claim CPF relief** on your **compulsory Medisave** and **voluntary CPF contributions**.
2. For YA 2021, your tax relief for your Medisave and voluntary CPF contributions will be capped at the **lower of** :
 - 37% of your net trade income assessed; or
 - CPF relief cap of \$37,740 (\$6,000 x 17 months); or
 - Actual amount contributed by you
3. You **need not make a claim for this relief** as the relief will be allowed automatically based on information provided by the CPF Board.

For more information, visit www.iras.gov.sg:

- Individuals
- Locals
- Working Out Your Taxes
- Deductions for Individuals (Reliefs, Expenses, Donations)
- Reliefs and Rebates
- CPF relief for Self-Employed

CPF relief will not be allowed in respect of your compulsory Medisave (for prior years' net business income) or voluntary CPF contributions made in 2020 if you have no assessable net trade income for the Year of Assessment (YA) 2021.

Filing Income Tax Returns



Filing Income Tax Return – Form B

You need to declare your self-employed income under Trade, Business, Profession or Vocation in your income tax form B

| | |
|---------------------------------------------------|---------------------------------|
| 2. Trade, Business, Profession or Vocation | S\$0.00 |
| Sole-Proprietorship/ Self-Employed Income | S\$ 0.00 UPDATE |
| Partnership | S\$ 0.00 UPDATE |

| | | |
|-------------------------------------------------------------------------------------------------------|----------------------------------------|------------------------|
| 3. Other Income | S\$ | 0.00 |
| Dividends | S\$ 0.00 | UPDATE |
| Interest ⓘ | S\$ <input type="text" value="0"/> .00 | |
| Rent from Property | S\$ 0.00 | UPDATE |
| Royalty, Charge, Estate/ Trust Income | S\$ 0.00 | UPDATE |
| Gains or Profits of an Income Nature | S\$ 0.00 | UPDATE |
| Income Not Previously Reported (The amount will be assessed in the relevant Year(s) of Assessment) | S\$ 0.00 | UPDATE |



Filing Income Tax Return- Revenue reporting

The accounting period is usually a 12-month period of trade for which you calculate your profits or losses. You may choose an accounting period that ends on any date of the year.

If your accounting year end is (a) 31 Mar (b) 31 Dec every year , you would need to report the revenue as follows:

- Example:

| Accounting Period | YA Income to be reported? |
|-------------------------------|---------------------------|
| (a) 1 Apr 2019 to 31 Mar 2020 | YA 2021 |
| (b) 1 Jan 2020 to 31 Dec 2020 | |
| (a) 1 Apr 2020 to 31 Mar 2021 | YA 2022 |
| (b) 1 Jan 2021 to 31 Dec 2021 | |



Filing Requirement

Notification to file Income Tax Return

You must file an Income Tax Return if you receive a notification from IRAS to file.

The income tax filing is required and it does not matter how much you earned in the preceding year.

The notification can be in the form of a letter, income tax form or an SMS from IRAS informing you to file tax.



Filing Requirement

If you did not receive any notification to file your tax return but you were in receipt of :

- Annual income (including your other taxable income e.g. employment income, rent) exceeding \$22,000 (OR)
- Net trade income exceeding \$6,000

You can request to file tax :

- Step 1 : Activate your myTax Portal account at www.iras.gov.sg
>Home > Contact Us > Email us by 1 March
- Step 2 : e-file your tax return at myTax Portal (<https://mytax.iras.gov.sg>) from 1 March to 18 April each year.



Keeping Proper Records

- Benefits of keeping proper records
- Ways to keep proper records
- Types of records
- Record Keeping Videos



Benefits of keeping Proper Records

- Be aware of the financial status of your business (e.g. profit or loss position)
- Make better business decisions.
- An essential source of evidence to detect business losses, internal fraud and theft.
- Reduce cost and effort required for tax filing and to reply to IRAS' queries (if any)



Ways to keep Proper Records

1. Manual Records

Recording your business transactions in a physical form.

2. Electronic Records

Through the use of a computer and/or accounting software.

- In line with statutory requirements, source documents must be kept for a minimum of five years to substantiate the business transactions.



Ways to keep Proper Records

Advantages of keeping Electronic Records

- Quick, efficient and accurate recording of your business transactions
- Provides timely updates on business performance for planning and forecasting of your business needs
- Convenient way of keeping invoices
- Ease of generating summaries and reports to fulfil your tax and other business reporting obligations
- Less storage space required as compared to manual records

- ✓ Do not need to seek approval from IRAS to keep records in an electronic format for tax purposes.
- ✓ Should ensure that proper internal controls are in place to maintain the integrity, completeness, accuracy, availability and reliability of the electronic records.

Types of Records

Source Documents

- Receipts, invoices, vouchers issued or received
- delivery notes
- credit and debit notes
- bank statements

Accounting Records & Schedules

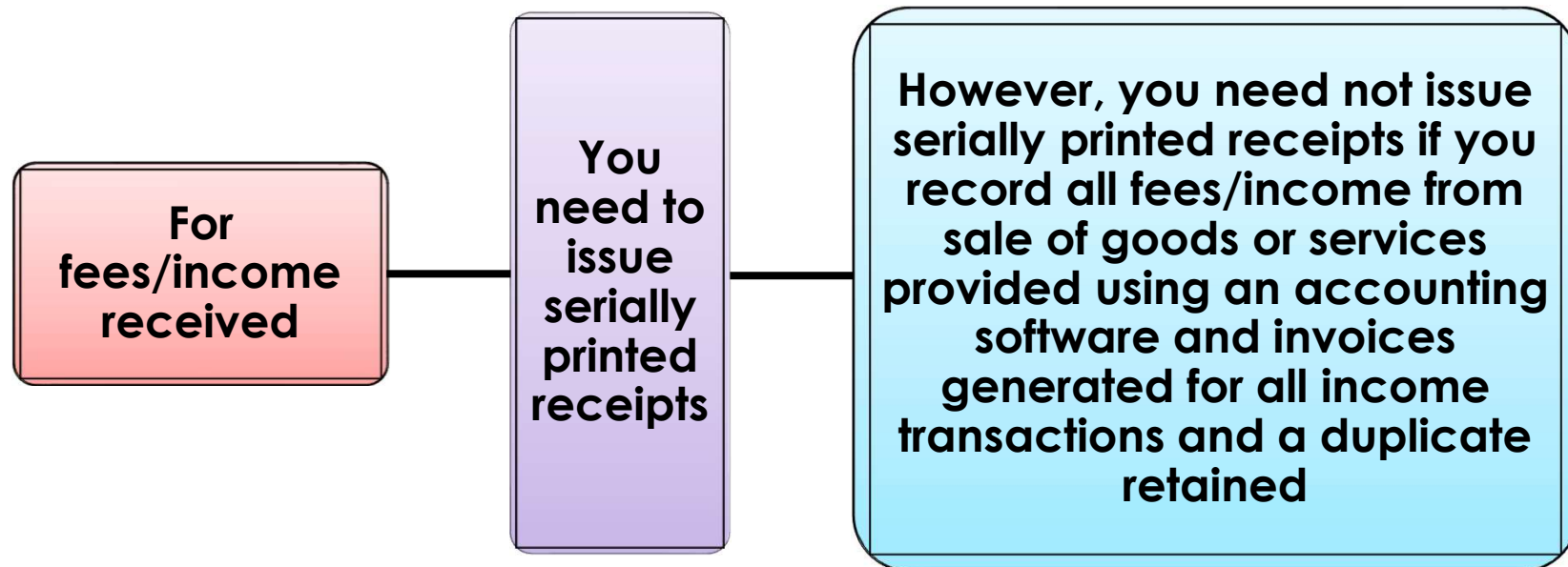
- General ledger
- debtors and creditors ledger
- Sales/Purchase listings
- balance sheet and profit & loss statement)

Any other supporting records relating to your business

- Business contracts

Types of Records

For Revenue:



Types of Records

For Purchases and Expenses:

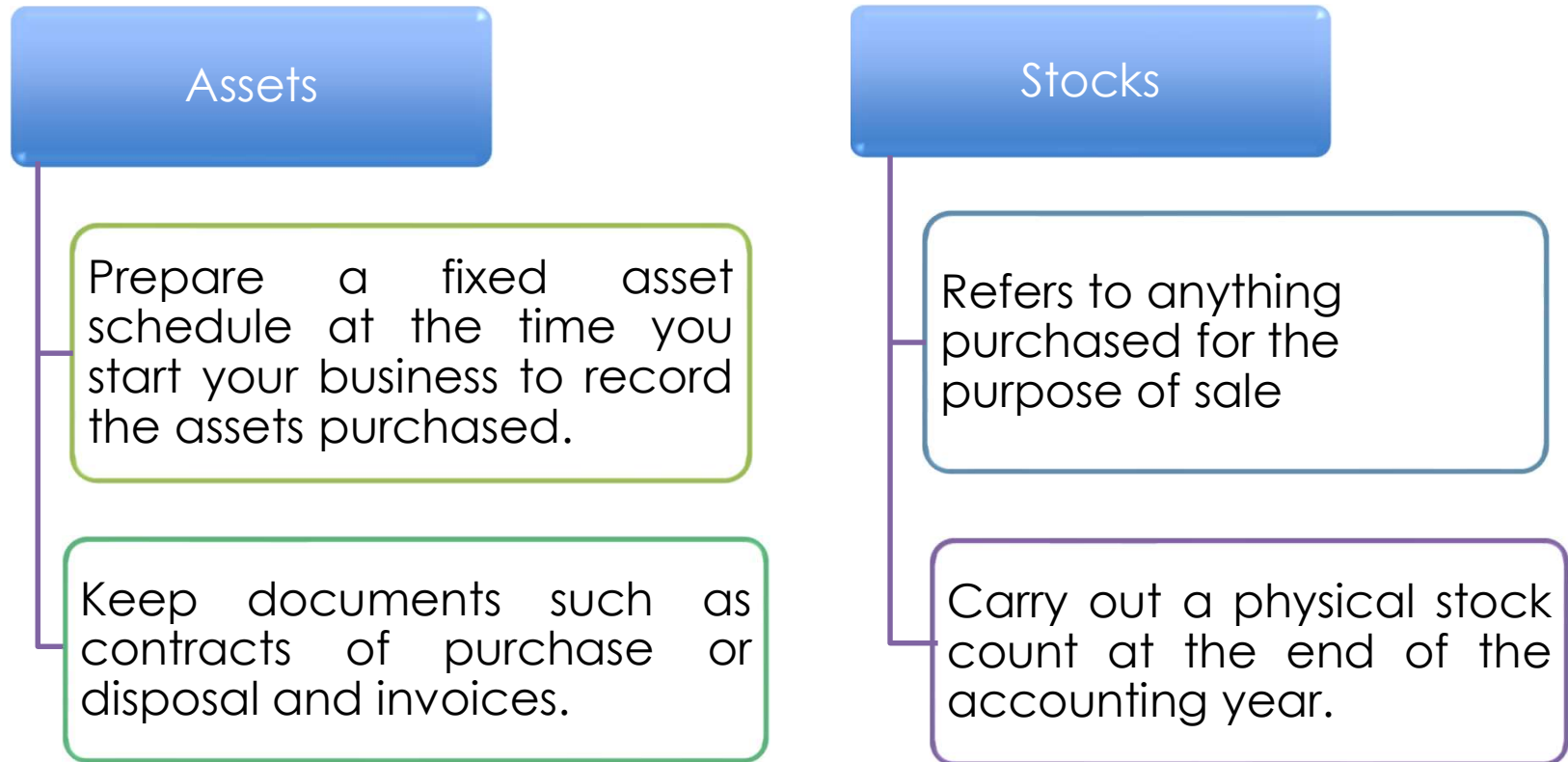
To obtain invoices / receipts when paying for purchases or expenses. Good practice to make such payments through a separate business bank account.

- When receipt is not issued, to prepare payment voucher with acknowledgement.
- To also maintain records on the details of purchase / expenses.

- Cash receipts to be retained even though the amount is of low value.
- To provide description if receipt does not provide details on the items bought.

Types of Records

For Assets and Stocks:



Types of Records

For Bank Account:

- Maintain separate bank accounts for business and personal purpose.
- The business bank account should be used solely for business purpose.
- Retain all business related bank statements.



Types of Records

Simplified Record Keeping (SRK):

Small businesses who have simpler business and tax affairs, may adopt Simplified Record Keeping if they meet all the conditions as listed on go.gov.sg/simplified-record-keeping.

They will only need to keep business records (e.g. registers, listings) and not source documents such as receipts and invoices.



Record Keeping Videos

IRAS has produced the following record-keeping videos which are available in YouTube:

- Record Keeping (RK) for Small and Medium-sized Businesses
- Part 1 : Keeping Tax Records the Healthy Way
- Part 2 : Keeping Proper Records
- Part 3 : Commonly Made Mistakes

The QR codes and URLs to watch the video(s) can be found below:

RK for Small and Medium-sized biz.



<https://youtu.be/wvJhfCC-dc0>

Part 1



<https://youtu.be/KfXhNlvYk0Q>

Part 2



<https://youtu.be/ZPM6709iIBA>

Part 3





<https://youtu.be/lzbXGHUhkwc>

Avoiding Common Reporting Errors





Incorrect Categorisation of Income

| Error  | Correct Way  |
|----------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|
| Self-employed income incorrectly reported under “Employment” or “Other Income” section of the tax return | To declare under “ Trade, business, profession or vocation ” section of the tax return |





Understatement of Income

| Error  | Correct Way  |
|------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|
| Reported net collection (after deducting purchases / expenses from total receipts) as revenue. | Report gross revenue earned by you. Expenses should be reported separately. |





Incorrect Claim of Expenses

| Errors  | Correct Way  |
|----------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------|
| Claim private and domestic expenses as business expenses e.g. Food for personal consumptions and medical fees. | Claim only expenses incurred for your business. |
| Claim expenses in respect of private cars (E or S-plate cars). | These expenses are not deductible even if incurred for business purpose. |
| Claim estimated/unsubstantiated expenses. | Claim expenses based on actual amount incurred. |





Incorrect Claim of Expenses

| Error  | Correct Way  |
|---------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Claim excessive salary, bonus and commission paid to sole-proprietor's/ partner's related parties (e.g. family members) that are not in line with market rate | <ul style="list-style-type: none">Amount claimed should commensurate with the actual services performed (ie. in line with market rate/industry norms based on the scope of duties/working hrs etc) |



Failure to Keep Records

| Errors  | Correct Way  |
|-------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <p>Failing to keep and retain sufficient records to ascertain income & allowable business expenses.</p> | <ul style="list-style-type: none">• To retain business records for a minimum of 5 years. For e.g. invoices, receipts, etc. for the year 2020 should be retained for 5 years till 31 Dec 2025.• The Comptroller may request for these documents in the course of audits. |
| <p>Misconception that records can be discarded once a Notice of Assessment is received.</p> | |



Case Studies



Case study 1

I am an independent software developer based in Singapore and offer my services online. Most of my clients are from overseas and the income received is credited to my bank account in Singapore.

Do I need to report such income received in Singapore since the buyers are mainly from overseas?

- a) Yes
- b) No



As the business is carried out from Singapore, the income received from such online sales is taxable in Singapore regardless whether the buyers are from Singapore or overseas.

You are required to report for the income earned and keep all the supporting documents in an orderly manner so that your tax reporting is accurate.



Case Study 2

As a commission agent, I mainly use my car to meet my clients. Sometimes, I take taxis or private-hire cars to meet them. Since I'm using both my car & public transport for business purpose, can I claim the total cost as travelling expense against my business income?

- a) Yes
- b) No



Please note that cost incurred on private car is not deductible against the business income even though it is used for business purpose.

On the other hand, the cost incurred on taking public transport for business purpose can be claimed as an expense. You are required to retain the receipts and keep track of the purpose and details of the trips.

Case Study 3

I spent \$40 for a dinner with my client at a restaurant. I have kept the receipt and claimed the full amount as entertainment expenses. Is this correct?

- a) Yes
- b) No



- You can only claim for expenses incurred for your business (ie. the amount spent on your client's dinner). The portion of the meal payment **for your own consumption** is considered as private expense.
- Example : Client's meal - \$30 (You can claim \$30 as a tax deductible expense)
Own meal - \$10 (Non tax deductible expense and cannot be claimed)
- Also, note that apart from keeping the receipt, you would need to **record the details of all your entertainment expenses** incurred for business purposes in a record sheet (e.g. excel spreadsheet) with the following details:

Record-Keeping Guide for Non-GST Registered Businesses Entertainment expense record

Name of Business : Not applicable (Freelance)
Month: January 2020

| S/No. | Date | Place of Entertainment | Name and Designation of Person(s) met: | Purpose | Amount |
|-------|----------|------------------------|-------------------------------------------------|------------------------------|--------|
| 1 | 3.1.2020 | XYZ Restaurant | Ms Gloria - Production manager of DEF Drama Co. | To discuss on script writing | \$30 |

Excluded own meal cost of \$10

Case Study 4

I have included my medical fees as part of my business expenses as I fell sick for a few days and could not work. Is this correct?

- a) Yes
- b) No



You can only claim expenses incurred for your business

Consulting a doctor is considered as **private and personal in nature**. It is not incurred for the purpose of earning your business income. Hence, your medical fees is not deductible against your business income.



Case Study 5

I mainly use my credit cards for payments whenever I purchase stationeries for my business. I kept the monthly credit card statements as proof to claim for my business expenses. Is this sufficient?

- a) Yes
- b) No



Credit card slips or monthly credit card statements alone are not sufficient to substantiate your stationery expense claims.

You should also **keep the source records (original receipts)** when claiming for such business expenses in addition to the credit card statements.



Case Study 6

I am a freelance artist. I am required to report my income and complete the Form B Income Tax Return. Since I am not an employee nor do I own a business, I shall report my income under the “Other Income” section of the Income Tax Return. Is this correct?

- a) Yes
- b) No



You need to **report a 2 or 4 line statement** under the “**Trade, Business, Profession or Vocation**” instead of the “Other Income” section. This consist of detailing your revenue, gross profit/loss, allowable business expenses and adjusted profit/loss, where applicable.



Case Study 7

I am a renovation contractor. In the course of my business, I've to buy tools, materials and other miscellaneous items. In order to make revenue tracking easier and cut down in retaining receipts, can I just report the net revenue after deducting such costs incurred?

- a) Yes
- b) No



Assuming your total revenue is \$200,000 or less, you need to report the **gross revenue (ie. total gross receipts)** received under the 1st line "Revenue" of the 2-line statement.

Other business related expenses such as tools and materials can be claimed as deductions to arrive at the "Adjusted Profit" of the 2-line statement.



Case Study 8

After I completed the filing of my income tax return for the year, I can safely discard all the related documents and reuse the files for storing my new receipts and invoices. Is this correct?

- a) Yes
- b) No

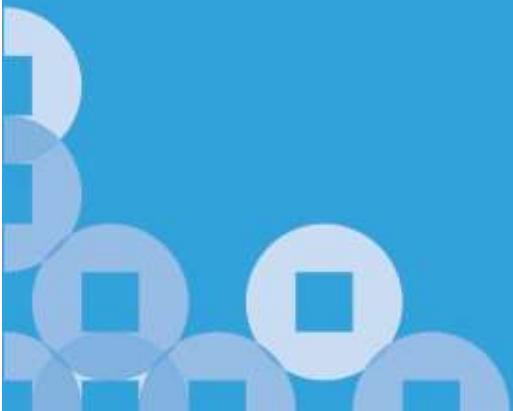


Even after you had filed your income tax return or had already received the latest Notice of Assessment, you are still **required under the law to retain your business records for 5 years**. IRAS may request for these documents in the course of audit.

Example : Business records for the year 2020 should be retained till 31 Dec 2025.



Penalties



Penalties for Non-Compliance

Taxpayers are responsible for the information declared in their income tax returns.


IRAS takes a serious view of non-compliance. To determine accuracy during filing of tax returns, audits are carried out to detect and correct the errors. Penalties may be imposed.



 **Fail to submit a tax return**

 **Furnish incorrect information**

 **No proper record keeping**

 **Tax evasion**

Voluntary Disclosure Programme



How do I disclose reporting errors made in previous years?

IRAS imposes reduced penalties for taxpayers who come forward with full disclosure of the mistakes voluntarily.

If you wish to disclose omissions or errors made in your past income tax returns, you can email the details to IRAS at iit_compliance@iras.gov.sg.

For more information, please visit go.gov.sg/voluntary-disclosure-programme.



Seeking Assistance/Self-help



If You Need Assistance

| Service Details | Contacts |
|-----------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Self help (Record keeping guide) | http://www.iras.gov.sg > Businesses > Self-Employed / Sole-Proprietors / Partners > Learning the Basics > Keeping Proper Records and Accounts > Guides on Record Keeping > Record Keeping Guide for GST/Non-GST registered Businesses |
| Email | <ul style="list-style-type: none"> myTax Mail (a secure email system where you are required to log in using SingPass) https://mytax.iras.gov.sg Email us (Home of IRAS > Contact us > Email us > General Enquiries (Income tax on businesses)) |
| Self-Help Channels for a shorter waiting time | <ul style="list-style-type: none"> - Ask Jamie (Please refer to the next slide); or - Chat with us online (Mon to Fri 8 am to 5pm) |
| Helpline | Individual Income Tax: 1800-356 8300 Goods & Services Tax: 1800-356 8633 |
| Taxpayer and Business Services Centre | 1st Storey, Revenue House 55 Newton Road, Singapore 307987 (Located opposite Novena MRT Station) Operating Hours: 8am to 5pm (Mon to Fri) |

IRAS Website


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...

Ask Jamie

Upcoming Due Dates

[View all dates](#)

| | | | |
|-------------------------------------------|---------------------------------------------------|-----------------------------------|---------------------------------------------------|
| 31 JAN e-Submission of Donation | 31 JAN e-File GST return (1 Oct-31 Dec) | 31 JAN Pay Property Tax | 30 APR e-File GST return (1 Jan-31 Mar) |
|-------------------------------------------|---------------------------------------------------|-----------------------------------|---------------------------------------------------|

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

(Reliefs, Expenses, Donation Locals

Calculators
Quick Links

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

QUICK LINKS

- Calculators
- e-Learning





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.