Deloitte Tax LLP
Global Employer Services

GES NewsFlash
Singapore – IRAS Amnesty Program and Auto-Inclusion Scheme for Employment Income (AIS)

In this issue:

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Summary

The Inland Revenue Authority of Singapore (IRAS) will take strong deterrent actions against those who deliberately commit tax crimes including the omission or under-declaration of income. Employers who are not yet aware of the IRAS Voluntary Disclosure Program (VDP) should take note of the amnesty concessions provided under the VDP.

For the year ending 31 December 2010, employers should also note that the IRAS has mandated employers in Singapore who have 30 (previously 50 for year ending 31 December 2009) or more employees or who have received the "Notice to File Employment Income Of Employees Electronically" to submit the employees' income information to the IRAS electronically. This is provided for under the Auto-Inclusion Scheme for Employment Income (AIS).

IRAS Amnesty Program

In October 2010, the IRAS has deliberately publicized the case of a businessman sentenced to 1 week's jail by the Court and ordered to pay a penalty of 3 times the tax under-declared to reiterate its message that tax crime does not pay and to encourage voluntary compliance.

The IRAS is aware that some businesses and individuals could be negligent or unaware of their tax obligations, resulting in mistakes. The IRAS views such mistakes differently from tax evasion and in the spirit of encouraging voluntary compliance, the IRAS has in March 2009, introduced a Voluntary Disclosure Program (VDP) which provides for waiver or imposition of substantially reduced penalties for submission of incorrect tax returns and late payment of taxes due to negligence or without reasonable excuse for taxpayers who come forward to volunteer past mistakes in a timely manner.

To qualify under the VDP, the voluntary disclosure must be timely, accurate, complete and self-initiated by the taxpayer. The taxpayer should demonstrate full cooperation with the IRAS to correct mistakes made and be willing to arrange with the IRAS to pay additional taxes raised and/or penalties imposed (if any). Additionally, it must be made before the taxpayer receives a query from the IRAS relating to his tax assessment or before the IRAS notifies him to commence an audit or investigation. For cases under IRAS' query, audit or investigation, the disclosure must not be under the immediate scope of the query, audit or investigation. Tax evasion is specifically excluded from the VDP although the voluntary disclosure by the errant taxpayer could be accepted as a mitigating factor when the IRAS considers the penal charges.

Under the VDP, the IRAS will waive penalty for timely voluntary disclosures made within a 'grace period' of 1 year from the statutory filing date (excluding extensions). For voluntary disclosures made after the 'grace period', the IRAS will impose a reduced penalty of 5% p.a. for individual income taxes. The waiver and reduced penalties are available only once as the VDP reliefs would not be available for repeated errors or omissions.

Deloitte's View

The repercussion between those who qualify or do not qualify under the VDP is significant. Taxpayers who qualify under the VDP not only have penalties waived or reduced to 5% p.a., but also avoid prosecution and bad publicity. On the other hand, taxpayers who do not qualify under the VDP will be heavily penalized at 100% to 400% of the tax under-charged and may be subject to fines and imprisonment in addition to possible negative publicity. As the IRAS is increasing their audit resources to review the tax submissions of taxpayers, it would be prudent for employers to conduct a health check on the status of their payroll reporting and to take remedial actions as appropriate.

Auto-Inclusion Scheme for Employment Income (AIS)

The Auto-Inclusion Scheme for Employment Income (AIS) was introduced in 1998 and it is a scheme where the employers transmit details of employees' employment income to the IRAS electronically. Accordingly, this information will be auto-included in the employees' tax portal and the employees need only to review the accuracy of the income transmitted when filing their Singapore income tax returns.

For employers under the AIS, they do not need to distribute hard copies of the Form IR8A (Return of Employee's Remuneration), Appendices 8A and 8B (where applicable) to the employees. The employers will be required to transmit the employees' income information to the IRAS electronically by 1 March every year. If the employer cannot meet the deadline, the IRAS may consider granting extension of time for the submission of the employees' information on a case by case basis.

People to Contact

If you have any questions concerning the issues in this GES NewsFlash, please contact one of the tax professionals as follows:

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