



INSURANCE AND FINANCIAL  
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# INCOME TAX FILING

# TUESDAY TIMES

## CAN CLAIM OR NOT? CAN DEDUCT OR NOT?

It's the time of the year again!

WHAT IS IT? **IT IS TAX FILING!**



## WHY DO WE NEED TO FILE TAX?



It is a social responsibility.



It may help in your loan application (you didn't know right?).



Most importantly, it is mandatory if your annual income is S\$20,000 or more. You may not need to pay tax if your annual income is less than \$20,000. However, you may still need to file a tax return if you have been informed by Singapore tax authority to submit your tax return. The penalty for failing to file your tax will be 5% of your unpaid tax liability for each month your return is late, up to 25% of your total unpaid taxes.

**This article hopes to share some points to know when filing our income tax during this season.**

# 1. INCOME REPORTING

As a self-employed who is earning a commission, we need to report our income under the category of "Trade, Business, Profession or Vocation." The principal that we are representing would most probably report our income to IRAS on our behalf under the Auto-Inclusion Scheme (AIS). However, it is still our responsibility to check that all other sources of income are reported. For instance, if you are receiving income from other sources, then report them under their respective category, e.g., interests, dividends etc. Depending on your income level, you can file your income tax using either the 2-line or 4-line statement.



## A. 2-Line Statement

The figures that you need when your revenue is \$200,000 or less from YA 2021 are:

First line	Revenue
Second line	Adjusted Profit/Loss

## B. 4-Line Statement

The figures that you need when your revenue is more than \$200,000 from YA 2021 are:

First line	Revenue
Second line	Gross Profit/Loss
Third line	Allowable Business Expenses
Fourth line	Adjusted Profit/Loss

Remember the case of the 6 financial advisors **(1)** who file their taxes incorrectly? They falsified their expenses to evade nearly \$93,000 in taxes. They were subsequently convicted where they had to pay the evaded income tax of \$93,000, and were slapped with \$280,000 of fines and penalties (which is 3 times of their original tax liability) and jail term. IRAS takes a serious view of non-compliance and tax evasion. Do refer to the IRAS website **(2)** on how to calculate your adjusted profit/ loss. It is important to keep proper records of your expenses for future references or for tax audit. These records are to be kept for 5 years.

## 2. RELIEFS

Then what can we claim or deduct from our income? IRAS has clear rules on this, but I thought I just highlight a few that is more applicable to self-employed professionals like us:



A. **Donations** to approved charities will be eligible for a 2.5 times tax deduction. You do not need to declare the donation amount in your income tax return. Tax deductions for qualifying donations will be automatically reflected in your tax assessments if you provide your NRIC / FIN when making donations to the approved charities. If you can't decide who to donate to, you can donate to IFPAS Love Fund to enjoy this tax deduction. You can start donating this year to enjoy the tax deduction next year.



B. **Reliefs** like earned income relief and spouse relief will be completed automatically, but it will be good if you check through them to see if you are still eligible for them. For example, grandparent caregiver relief is only claimable if your children are 12 years old and below.



C. **CPF** relief is completed automatically, based on what you have contributed. Some commonly asked questions are:

***"Must I contribute to Medisave?"***

***"Can I or should I contribute more so that I can enjoy more tax reliefs?"***

To qualify, the self-employed person (who may also be an employee) must have contributed to any of the following in the year preceding the Year of Assessment (YA):

- ***Employee CPF contributions***
- ***MediSave contributions.***

As a self-employed, we need to make mandatory Medisave contributions. Some of us may also make voluntary CPF contributions in the year 2022.

How is our CPF relief computed then? For YA 2023, your tax relief for your MediSave and voluntary CPF contributions will be capped at the **lowest of**:

- **37% of your net trade income assessed; or**
- **CPF relief cap of \$37,740; or**
- **Actual amount contributed by you in the year 2022.**

No CPF relief will be allowed in respect of your compulsory Medisave or voluntary CPF contributions made in 2022 if you have no assessable net trade income for the Year of Assessment 2023. If your total compulsory CPF contributions as an employee and compulsory Medisave contributions as a self-employed person is **more** than the CPF relief cap for self-employed persons, no tax relief will be allowed for your voluntary CPF contributions, as the total compulsory CPF contributions as an employee and compulsory Medisave contributions as a self-employed has exceeded the CPF relief cap.

**IF YOU ARE CONTRIBUTING TO CPF AS AN EMPLOYEE, DO YOU STILL NEED TO CONTRIBUTE TO MEDISAVE?**

**THE ANSWER IS YES.**

Self-employed Singapore Citizens or Permanent Residents are required to contribute to their MediSave so long as they earn an annual Net Trade Income (NTI) of more than S\$6,000. The NTI is your gross trade income after subtracting all allowable business expenses, capital allowances and trade losses as determined by the IRAS. This applies even if you are already making regular CPF contributions for income earned from your full-time job. It is important to note and indicate MediSave contribution as a self-employed when making payment.

A personal income tax relief cap of \$80,000 will apply from the Year of Assessment (YA) 2018. This cap applies to the total amount of all tax reliefs claimed, including any relief on compulsory/voluntary CPF contributions made on or after 1 Jan 2017. There will be no refund for accepted voluntary CPF contributions. You should therefore evaluate whether you would benefit from tax relief on your voluntary CPF contributions and make an informed decision accordingly.



D. For **Life Insurance** Relief, it is applicable if your CPF contributions is less than \$5,000. For this, you can use your insurance premiums to claim relief up to the difference between \$5,000 or your CPF contribution. The following are details for the life insurance relief:



**New! From YA 2023 onwards**

The voluntary cash contribution to your Medisave account **is not considered** for the \$5,000 limit for the total CPF contribution for YA 2023 onwards.

### From YA 2023 onwards

Types of contributions	Total amount of contributions from YA 2023 onwards	Amount of Life Insurance Relief allowed
a. Compulsory employee CPF contribution; and  b. Self-employed Medisave/voluntary CPF contribution.	\$5,000 or more	Nil
	Less than \$5,000	You may claim the <b>lower</b> of:  a. the difference between \$5,000 and your CPF contribution; or  b. up to 7% of the insured value of your own/your wife's life, or the amount of insurance premiums paid.

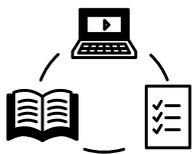
### What can qualify as insurance premiums for tax deductions?

1	You paid insurance premiums on your own life insurance policy. <b>For married men</b> , if you have paid for your wife's life insurance policy, you may also claim the insurance premiums paid.
2	The insurance company must have an office or branch in Singapore <sup>^</sup> if your policies are taken on or after 10 August 1973.  <sup>^</sup> The office or branch of the insurance company in Singapore should generally be performing the same range of activities as the overseas insurance company (in which the life insurance policy were purchased)



Examples of insurance policies/ riders that **do not** qualify for Life Insurance Relief:

- Accident insurance policy
- Hospitalisation policy
- Health insurance policy such as MediShield, Integrated Shield Plans etc.
- Disability insurance policy such as ElderShield, CareShield Life etc.
- Riders under life insurance policy (e.g total and permanent disability riders, critical illness rider, premium waiver riders, etc.)
- Critical illness policy
- Endowment policy



E. Do you know that you can claim relief of up to \$5,500 per year for **courses, seminars or conferences** that are relevant to our current trade as course fees relief. If you are not sure what course to take, come enrol into our High Net Worth (HNW) Certification or Fellow Chartered Financial Practitioner (FChFP) certification this year, so that you can claim relief next year.



F. There are other reliefs and deductions but the last one I would like to talk about is our **private car expenses**. You drive your car to meet your clients, you incurred petrol, parking etc. Can you claim deductions for such expenses? The answer is NO! Expenses incurred directly or in the form of reimbursement on using private hire cars or private cars (E, Q or S-plate cars) such as repair, maintenance, parking fees, petrol costs are disallowable. These expenses are not deductible even if the private cars were used for business purposes. Then what can one do? One can take taxi, grab or public transport instead which are allowable expenses. You may also refer to IRAS website **(3)** for the list of allowable and disallowable expenses.

## 3. INTERACTIVE TOOL TO HELP TAX FILING

IRAS website has interactive tools (4) to help you in your tax filing:

The screenshot shows the IRAS website navigation menu. The 'Taxes' menu is expanded, showing 'Individual Income Tax' selected. Under 'Individual Income Tax', 'Basics of Individual Income Tax' is selected, leading to a page with the following content:

Basics of Individual Income Tax	
Managing myTax Portal account	Understanding my Income Tax filing
Tax residency and tax rates	What is taxable, what is not
Tax reliefs, rebates and deductions	Receive tax bill, pay tax, check refunds
Consequences of non-compliance	Voluntary disclosure of errors for reduced penalties
Report tax evasion	

Additional elements visible in the screenshot include the IRAS logo, navigation links (Who We Are, Taxes, Schemes, Digital Services, Digital Collaboration), a LOGIN button, a search icon, and a 'Chat with IRAS' button.

By clicking on the parameters, the tool will show you what are your eligible tax reliefs.

The screenshot shows the breadcrumb trail on the IRAS website: [Home](#) > [Taxes](#) > [Individual Income Tax](#) > [Basics of Individual Income Tax](#) > [Tax reliefs, rebates and deductions](#) > [Tax reliefs](#)

## Tax reliefs

You are eligible for personal reliefs and rebates if you are a Singapore Tax Resident and if you fulfilled the qualifying conditions of the reliefs and rebates.



Answer a few simple questions to find out what personal reliefs you are eligible for.

**Note:** Only a tax resident (including non-Singapore Citizens who are in Singapore for more than 183 days in a year) can claim for tax relief.

Please check if you have met the qualifying conditions of the reliefs before making a claim for them. To find out more, click on the different reliefs below. A personal income tax relief cap of \$80,000 applies to the total amount of all tax reliefs claimed for each Year of Assessment.

CITIZENSHIP

- Singaporean
- Permanent Resident
- Foreigner

You may be able to claim for the following reliefs:

 <b>Earned Income Relief</b>	 <b>Spouse/Handicapped Spouse Relief</b>	 <b>Foreign Domestic Worker Levy Relief</b>
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 <b>CPF Relief for Employees</b>	 <b>CPF Relief for Self-Employed</b>	 <b>NSman (Self) Relief</b>
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GENDER

- Male
- Female

 <b>NSman (Wife) Relief</b>	 <b>NSman (Parent) Relief</b>	 <b>Parent/Handicapped Parent Relief</b>
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MARITAL STATUS

- Single
- Married
- Divorced

 <b>Grandparent Caregiver Relief</b>	 <b>Qualifying/Handicapped Child Relief</b>	 <b>Working Mother's Child Relief</b>
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 <b>Handicapped Brother/Sister Relief</b>
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EMPLOYMENT STATUS

- Employed (including part-timers) / Self-employed

Other reliefs which an individual may claim if eligible:

You may be able to claim for the following reliefs:

 <b>Earned Income Relief</b>	 <b>Spouse/Handicapped Spouse Relief</b>	 <b>Foreign Domestic Worker Levy Relief</b>
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 <b>CPF Relief for Employees</b>	 <b>CPF Relief for Self-Employed</b>	 <b>NSman (Wife) Relief</b>
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 <b>Parent/Handicapped Parent Relief</b>	 <b>Handicapped Brother/Sister Relief</b>
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Other reliefs which an individual may claim if eligible:



It will be good for one to explore the interactive tool at IRAS to help in your tax filing.

**In conclusion, I hope the above-mentioned points are helpful tips for your tax filing. Tax filing is a personal responsibility, and it is important to file our tax correctly. With this, I wish all a happy and correct tax filing.**

Note:

1. <http://go.gov.sg/news-6insuranceagents>
2. <https://www.iras.gov.sg/>
3. <https://www.iras.gov.sg/taxes/individual-income-tax/self-employed-and-partnerships/business-expenses-and-deductions>
4. <https://www.iras.gov.sg/taxes/individual-income-tax/basics-of-individual-income-tax/tax-reliefs-rebates-and-deductions/tax-reliefs>



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