

News Highlight

Six insurance agents working at the same agency were jailed for falsifying expense claims to evade nearly S\$93,000 in taxes. Read more at go.gov.sg/news-6insuranceagents.

IRAS takes a serious view of non-compliance and tax evasion. Penalties will be imposed on taxpayers who file incorrect tax returns or evade tax.

This guide provides essential information for commission earners to understand and comply with their tax obligations.



Income Reporting

Categorisation of Commission Income in Income Tax Return



Incorrect reporting of commission income under “Employment” or “Other Income” will affect the amount of Medisave that agents need to contribute to CPF Board.

Commission income earned from carrying on a trade, business, profession or vocation should be declared under the category “**Trade, Business, Profession or Vocation**” in the Income Tax Return.

Reporting of Commission Income

Report the total **gross commission income** received before deduction of business expenses and co-broking commission. Other fees related to the commission income (i.e. co-broke fees, incentives, allowances, referral fees and trainer/lecture fees) should also be declared.

Benefits-in-kind (e.g. incentive overseas trips) are taxable if they are tied to the performance of the agents. These benefits should be declared as well.

Reporting of Other Sources of Income

Commission agents earning other sources of income must declare such income under the different categories in their income tax returns (e.g. rental income must be declared under “Other Income: Rent from property” while interest income must be declared under “Other Income”).



Claiming Expenses



Deductions may be claimed on business expenses that are **wholly and exclusively incurred** in the production of the income. Examples of **disallowed** business expenses are:

- Commission agent's own salary, bonus, allowances, CPF/Medisave and Income Tax
- Excessive salary and bonus paid to related parties
- Salaries, allowances or CPF to related parties who are not the commission agent's employees
- Private/Domestic expenses (e.g. food, household expenses, gifts for family members, personal trips, etc.)
- Private car expenses including reimbursement of such expenses incurred by the commission agent's employees
- Purchase of fixed assets (e.g. printers, laptops)
- Praying and religious expenses including contributions to temples and religious organisations
- Donations to charitable organisations
- Penalties, fines (e.g. traffic or parking fines) and late payment charges

Essential Tax Information for Self-Employed Commission Agents

Record Keeping



Keep proper records of all business transactions, such as complete records of income statements, receipts, invoices and payment schedules of actual expenses incurred and all business bank account statements. These records must be kept for 5 years. Declaring of estimates in the income tax returns and keeping improper records are not acceptable.

Simplified Record Keeping (SRK)

Small businesses* that qualify for SRK only need to keep business records (e.g. registers, listings) and not source documents such as receipts and invoices.

*Conditions to qualify for SRK:

- Business' annual revenue must not be more than \$200k for the past 2 financial years
- Business' assets amounted to less than \$100k as at the end of the latest financial year
- Not in the business of investment holding or property development
- Business is a sole-proprietorship or partnership that is not GST-registered



Voluntary Disclosure Programme

IRAS encourages taxpayers to disclose any past errors voluntarily and in a timely manner. Penalty will be waived for voluntary disclosure made within the grace period of one year from statutory filing date and a reduced penalty of 5% of the income tax undercharged will be imposed on disclosure made after the 1-year grace period.

Useful Reference Materials

-  [FAQ on "Tax Treatment of Incentives Provided to Commission Agents"](#)
-  [FAQ on "Preparing Information for e-Submission of Commission Income"](#)
-  [FAQ on "Pre-filing of Income for Commission Agents"](#)
-  [Video on "FEDR for Commission Agents"](#)

-  [Video on "The Importance of Record Keeping for Commission Agents"](#)
-  [e-Tax Guide on "Simplified Record Keeping Requirements for Small Businesses"](#)
-  [e-Tax Guide on "IRAS' Voluntary Disclosure Programme"](#)
-  [Commission Agent Quiz](#)
-  [Video on "Tax Obligations of Commission Agents"](#)



Initiatives to Simplify Tax Filing



The following initiatives aim to ease tax compliance and facilitate tax filing for commission agents.

E-Submission of Commission Income

Commission-paying organisations are required to submit commission information to IRAS electronically if they pay commission for services provided by commission agents who are not their employees. IRAS will pre-fill the commission agents' income tax returns with the submitted commission information. Commission agents will need to log in to check and submit their tax returns. If required, the amount pre-filled can be amended, but should not be deleted or reclassified to another income source, such as employment income.

Fixed Expense Deduction Ratio (FEDR)

Commission agents with gross commission income (from all commission sources) not exceeding \$50,000 annually can claim tax deduction based on 25% of gross commission income earned.

Alternatively, actual amount of deductible business expenses can be claimed if the amount is more than 25% of gross commission earned.

For enquiries, please call 1800 356 8300 or write to us through our secured email channel myTax Mail. Log in to myTax Portal using your Singpass at mytax.iras.gov.sg and click on <myTax Mail> followed by <Compose Mail> to compose your enquiry.

This information guide 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. The information contained in this guide is correct as at 25 Nov 2022. 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."