



USEFUL TAX POINTERS FOR MEDICAL PRACTITIONERS

By Inland Revenue Authority of Singapore

Introduction

The Inland Revenue Authority of Singapore (IRAS) adopts a proactive approach in providing timely education and assistance to taxpayers so that they can take an active role to fulfil their tax obligations.

Now is the season to file your individual income tax return, so here are some filing tips and information that IRAS would like to share with you. Armed with this information, you will be able to file your tax return confidently and accurately.

Things for salaried employees/the self-employed to note when filing your tax returns

Salaried employee income

If you have received a No Filing Service letter, you do not have to e-file your tax return by 18 April 2014 unless you have other sources of income (eg, rental, director's fees, honorarium) on top of the auto-included employment income, or if your relief claims (eg, child relief) have changed since or you wish to claim for course fees. Assuming you need not file, the Notice of Assessment will be automatically issued to you based on the income information sent to IRAS by your employer and your relief claims for last year. However, the reliefs may be adjusted by IRAS subsequently if it is later found that you do not meet the eligibility criteria.

If you have received a tax filing notification letter from IRAS, please e-file by 18 April 2014 even if your income was less than \$22,000 in 2013.

Your employment income will be automatically included in your tax return if your employer is participating in the Auto-Inclusion Scheme (AIS). You can check the list of employers on AIS on IRAS website (<http://www.iras.gov.sg/irasHome/page04.aspx?id=3260>). You do not need to include this auto-included employment income in your tax return.

If you are not sure if you need to file this year, simply SMS filetax <space> your NRIC/FIN number to 9116 4900. You will receive a reply from IRAS informing you whether you need to file your tax return this year.

Self-employed income

If you are a self-employed medical practitioner, you should declare your income under "trade, business, profession or vocation" instead of "other income". If you are a medical practitioner engaged as a salaried employee but also received locum or other consultation incomes, you should also declare these non-employment incomes under "trade, business, profession or vocation".

Generally, a self-employed person needs to prepare

a 2-line or a 4-line statement for income tax reporting purposes depending on the turnover for the business. A 4-line statement is required when the turnover exceeds \$100,000 but less than \$500,000, and would consist of the following:

- Revenue (total payments/fees received or receivable for services provided and goods sold before deducting any expenses);
- Gross profit/loss (revenue less cost of goods sold);
- Allowable business expenses (<http://www.iras.gov.sg/irashome/page04.aspx?id=1592> > Allowable Business Expenses); and
- Adjusted profit/loss (gross profit/loss less allowable business expenses).

In addition to the above, a certified statement of accounts, to be signed by the sole proprietor or precedent partner, stating it is true and correct, needs to be submitted if the revenue exceeds \$500,000.

If the turnover is below or equals to \$100,000, only a 2-line statement, showing the revenue and adjusted profit/loss is required.

Common tax mistakes made by medical practitioners

Through the audits we have conducted on medical practitioners in the past, we noticed some common mistakes that they tend to make:

Understatement of income

Gross consultation fees and revenue received from prescriptions and sales of medicine were not reported in full. You are required to maintain proper records of all fees or revenue received so that the revenue amount can be correctly reported. Fees charged to patients for lab and X-ray tests carried out should also be reported as revenue, regardless of whether a profit is made.

Income you received as a locum should also be reported as trade income. The payers should issue statements to the locums to aid them in reporting the income in their tax returns.

Employment income such as salaries, bonuses or director's fees received by medical practitioners who are employees or directors in companies should also be reported under the Employment Income section in the income tax returns.

Incorrect claim of expenses

Private and domestic expenses claims such as personal insurance, travelling expenses incurred for personal trips, holiday expenses with the family, payment of personal medical expenses, private entertainment, domestic utilities and telephone charges are not deductible for income tax purposes.

Unsubstantiated claims of payments to suppliers or claiming of disproportionate amounts of salaries made to family members are disallowed. Payments to family members who are helping out with the business should be pegged to market rates and the salaries paid must commensurate with the work and duties of the family members. Taxpayers must also keep complete and proper receipts or tax invoices to show that the expenses were incurred for business purposes.

Claiming expenses based on estimations and without any valid basis is incorrect. Claims of expenses against income should be made based on actual amounts incurred for the business, with supporting receipts and invoices. Sketchy records, with merely approximate amounts, are inadequate and not acceptable for income tax or GST purposes.

Claims of private motor vehicle expenses including petrol, insurance, repair and maintenance, parking and Electronic Road Pricing charges with respect to private plate cars (E- or S-plate) are not allowed under the Income Tax Act. Claims for these private car expenses are not allowed even if they are incurred for business purposes.

Failure to maintain business records for a period of five years

Some taxpayers have failed to keep and retain sufficient records to enable IRAS to ascertain their income and allowable business expenses. The common misconception is that they do not need to keep records or can discard their records once a Notice of Assessment is received. This is incorrect. The records should be retained for the requisite period of five years, whether or not an assessment has been raised. The Comptroller may request for these documents in the course of audits.

Keeping proper records

For information relating to keeping proper records, please refer to the IRAS website (<http://www.iras.gov.sg/irasHome/page04.aspx?id=510>).

Simplified record keeping (SRK)

From 1 January 2014, IRAS has further simplified the record-keeping requirements to make record keeping easier for small businesses. Small businesses that qualify for SRK will only need to keep business records (eg, registers, listings) and not source documents such as receipts and invoices. For more information on the qualifying conditions and requirements for SRK, please refer to the e-Tax Guide on SRK Requirements for small businesses at the IRAS website for more details (http://www.iras.gov.sg/irashome/search_etaxguide.aspx > Keyword Search: small businesses).

Do you need to register for GST?

Compulsory GST registration

You are required to continually assess whether your business needs to be registered for GST compulsorily. In

most cases, registering for GST is compulsory when:

- Your taxable turnover for the past four quarters is more than \$1 million (unless you are certain that business turnover in the next 12 months will not exceed \$1 million); or
- You can reasonably expect your taxable turnover in the next 12 months to be more than \$1 million.

If your situation is either of the above, you need to apply for GST registration within 30 days of the date when your registration liability arises.

Computing your business turnover

The method to use for computing business turnover for GST registration purposes depends on your business set-up (eg, sole proprietorship, partnership or private limited company).

Can you charge GST when you are not GST registered?

Only GST-registered businesses are allowed to charge and collect GST on their supply of goods and services. If you are a non-GST-registered business, you are not allowed to charge GST.

If you are not registered for GST and have wrongfully collected GST from your customers, you should stop this practice immediately. You are required to quantify and remit the amount of GST wrongly charged on your invoices to the Comptroller of GST.

Are you displaying prices correctly?

GST-registered businesses must show GST-inclusive prices on all price displays (eg, price tags, price lists, advertisements, publicity brochures, website). Prices that are quoted, whether written or verbal, must also be GST inclusive. Price displays with qualifying clauses that prices are before GST or are subject to GST are NOT acceptable. ■

	Sole proprietorship (individual)	Partnership	Company (eg, private limited company)
How do I compute business turnover?	Combine the turnover of: <ul style="list-style-type: none"> • All your sole proprietorship businesses; and • Income derived from your trade, vocation or profession. 	Combine turnover of all partnership businesses with the same composition of partners.	Compute turnover of that single company. If your company (as a legal entity) owns sole proprietorship businesses, you need to combine the turnover of: <ul style="list-style-type: none"> • The company; and • All its sole proprietorship businesses.
How will my businesses be registered for GST?	GST registration will be in the name of the sole proprietor (ie, your name). All sole proprietorship businesses under your name will be GST registered. This includes sole proprietorship businesses which you may set up in the future.	GST registration will be in the name of the respective partnership businesses. Once your partnership is GST registered, all businesses with the same composition of partners need to be GST registered. This includes businesses with the same composition of partners which you may set up in the future.	GST registration will be in the name of your company.