Tax

Two New Tax Frameworks to Strengthen Corporate Governance, Tax Compliance

Introduction

On 18 March 2022, the Inland Revenue Authority of Singapore ("**IRAS**") announced the roll-out of two new tax frameworks to help companies strengthen their tax compliance. These are the Tax Governance Framework ("**TGF**") and the Tax Risk Management and Control Framework for Corporate Income Tax ("**CTRM**").

Together with the existing Goods and Services Tax ("**GST**") Assisted Compliance Assurance Programme ("**ACAP**") which was introduced in 2011, the TGF and CTRM provide a suite of voluntary compliance tools that companies can adopt holistically or as independent programmes. They were co-designed between IRAS and various stakeholders, including the Big 4 accounting firms and the Singapore Chartered Tax Professionals ("**SCTP**"), taking into account feedback gathered through a pilot programme.

In this Update, we provide an overview of the features and benefits of the two Frameworks.

Tax Governance Framework

Aimed at strengthening the tax governance standards of companies and raising tax governance to attention at the Board level, the TGF is applicable to both Corporate Income Tax ("**CIT**") and GST. It features a set of broad principles and practices centred on three essential building blocks of good tax governance, namely:

1. **Compliance with tax laws** – commitment to comply with the relevant tax laws, regulations and requirements, and respect the intent of the laws and regulations. Key practices include:

    a. Aligning the company’s policies, procedures and activities with relevant tax laws and regulations; and
    b. Undertaking activities driven by bona-fide commercial reasons.

2. **Governance structure for managing tax risks** – the Board is apprised of the company's governance structure and policy for managing tax risks. Key practices include:

    a. Formalising a governance structure for tax risk management;
    b. Documenting a tax governance policy;
    c. Apprising the Board of the tax governance policy and key tax risks; and

d. Maintaining a system of controls and processes, and appropriately skilled personnel, to make accurate and complete tax returns.

3. **Relationship with tax authorities** – support a collaborative and transparent relationship with tax authorities. Key practices include:

   a. Engaging proactively with IRAS to resolve issues that pose tax uncertainty;
   b. Voluntarily disclosing and rectifying tax errors in a timely manner; and
   c. Providing accurate and full disclosure of relevant facts when responding to tax queries from IRAS.

Importantly, companies that attain the TGF status can enjoy one-time extended grace periods for voluntary disclosure of tax errors as set out in the table below:

Tax Error	Grace Period
CIT and/or withholding tax errors	Two years for voluntary disclosure of CIT and/or withholding tax errors made within two years from the date of IRAS' approval of the TGF application
GST errors for GST-registered businesses	With ACAP status: three years for voluntary disclosure of GST errors made within two years from the date of IRAS' approval of the TGF application Without ACAP status: two years for voluntary disclosure of GST errors made within two years from the date of IRAS' approval of the TGF application

IRAS has highlighted that the above disclosure of errors has to meet the qualifying conditions for reduced penalties under IRAS' Voluntary Disclosure Programme. Kindly note that the abovementioned benefit does not apply to fraudulent errors or errors discovered under IRAS' audit or investigation.

Tax Risk Management and Control Framework for Corporate Income Tax

CTRM is a programme to promote the adoption of good tax governance principles and practices among large companies, particularly the public listed companies and multi-national corporations. In essence, the programme is designed to help entities perform a self-review of the robustness and effectiveness of the internal control processes put in place to manage CIT compliance risks.

Participating companies are required to conduct a self-assessment on their existing CIT controls by completing a CTRM checklist, which has to be reviewed by the entity's appointed CTRM reviewer. The CTRM checklist comprises practice-oriented tax control features that demonstrate sound tax risk controls and cover the following three levels:

1. **Tax governance structure** – to set the tone at the top (i.e. the Board) and regard tax risk management as an integral part of the company's corporate governance;

2. **Entity-level controls** – to enable senior management to maintain effective oversight over CIT compliance matters; and

3. **Tax reporting controls** – to ensure that the tax data extracted and compiled for CIT returns submissions is complete and accurate.

A company that has been assessed to have an effective CTRM by IRAS will be granted a CTRM status with a three-year validity period. With a CTRM status, IRAS will:

1. Apply a one-time waiver of penalties for voluntary disclosure of prior CIT and/or withholding tax errors. This excludes any non-compliance involving deliberate tax evasion or serious tax avoidance.

2. Step-down on CIT compliance audit for three consecutive Years of Assessment, starting from the date IRAS awards the CTRM status.

As mentioned above, the one-time waiver of penalties applies to non-compliance disclosed within three years of effective CTRM. If the waiver is not applied within this period, the one-time waiver of penalties will continue to be applied to any non-compliance disclosed within a further three-year period upon the renewal of CTRM. The one-time waiver of penalties will not be applied after the extended period.

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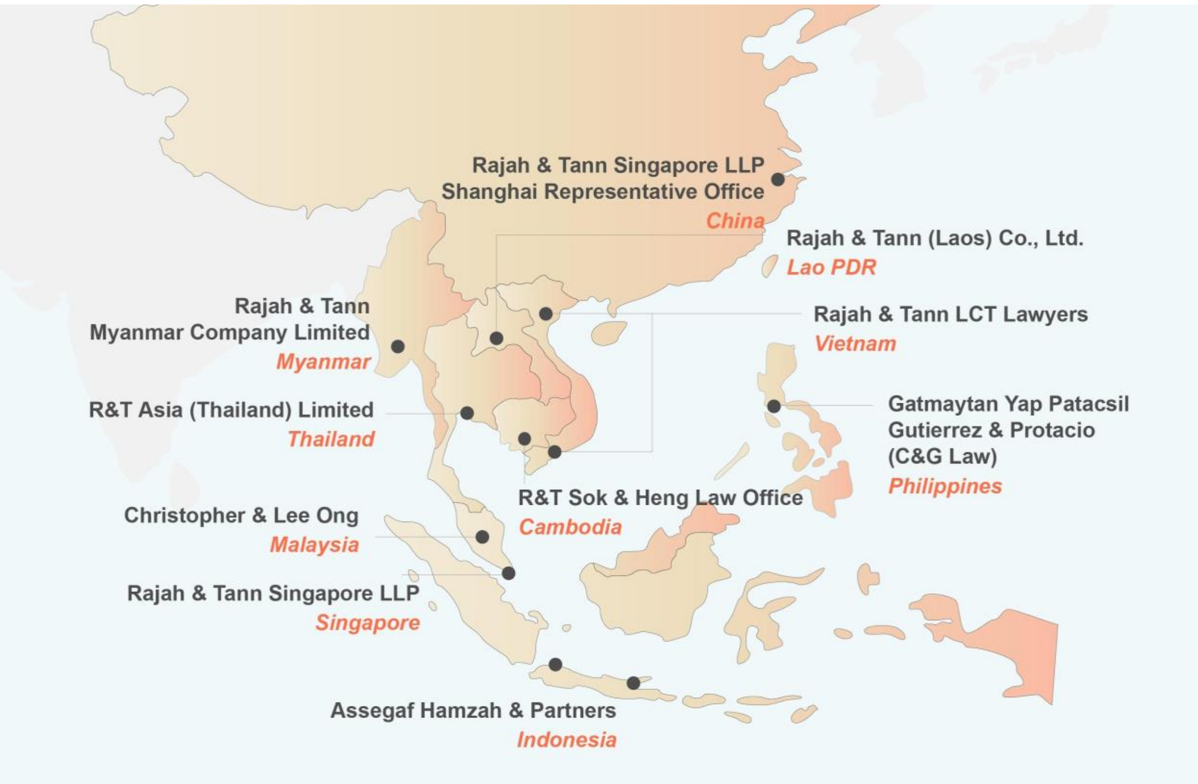

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