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Complete Corporate Services

TAX ALERT

JULY 2025

As the Year of Assessment (YA) 2025 Corporate Tax filing deadline approaches, it is essential for companies to ensure that their tax returns are prepared accurately and in a timely manner. Errors or omissions in corporate tax filings may result in incorrect or delayed tax assessments, and in more serious cases, may lead to penalties or audits by the Inland Revenue Authority of Singapore (IRAS).

To support businesses in navigating this filing season with confidence, we have highlighted several areas where corporate tax filing mistakes commonly occur. Being aware of these pitfalls and new regulatory updates can help you avoid costly errors and ensure full compliance.



Claiming Non-Deductible Expenses

One of the most common mistakes businesses make is incorrectly claiming expenses that are not deductible for corporate income tax purposes. Examples of such non-deductible expenses include:

- Fines and penalties paid to authorities (including CPF late payment interest)
- Personal expenses or expenses related to assets used for non-business purposes
- Interest expenses on loans used to purchase investments that generate exempt income, such as one-tier dividends

Claiming such expenses will result in disallowed deductions, may increase your taxable income and possibly incurring penalties. It is therefore essential to carefully review expense claims and distinguish between allowable business expenses and non-deductible costs.

Inadequate Record-Keeping & Supporting Documentation

Accurate and organised record-keeping is fundamental to compliant tax reporting. IRAS requires companies to retain sufficient documentation to substantiate all income and expenses claimed, including sales invoices, purchase receipts, contracts, and bank statements etc.

Insufficient or disorganised records may lead IRAS to issue estimated assessments in the absence of information to support tax claims, which could be unfavourable. As mandated by law, companies must keep clear and accessible records for at least 5 years. Maintaining sound accounting practices not only demonstrates good compliance efforts but also facilitates efficient tax filing and audit processes and potentially reduce resources required on tax dispute resolution.



New Areas of Focus

There are key areas that merit closer attention due to their recent updates and thus the potential for misapplication, particularly for companies that have yet to update their internal processes to reflect such changes. These changes may be prone to incorrect or incomplete reporting if not carefully managed.

A. Reporting of Foreign Income Received in Singapore

When foreign income is deemed as received in Singapore, companies are required to declare it in their tax returns and ensure that it is subject to tax accordingly. They are also expected to track the movement of such income and maintain adequate records to substantiate the tax treatment applied.

With effect from the YA 2024, companies are required to include detailed disclosures in their tax computations on foreign-sourced income considered received in Singapore. The required information includes:

- Unremitted foreign income brought forward from prior YAs
- Foreign income earned during the current financial year
- Foreign income received in Singapore during the financial year
- Foreign income used in Singapore but not received
- Unremitted foreign income carried forward

While the objective is to enhance tax transparency, this new reporting requirement may be overlooked by companies unfamiliar with the changes, particularly those with multiple foreign income sources or decentralised accounting functions. To facilitate compliance, IRAS has published a Standard Foreign Income Tracking Schedule, which companies are strongly encouraged to adopt or adapt.

B. Reimbursement of Transport Expenses to Employees

Another area receiving renewed attention is the deductibility of transport expense reimbursements. While reimbursements for business-related travel are generally deductible, the IRAS specifically disallow expenses related to the use of private cars (S-plated and Q-plated/RU-plated cars registered on or after 1 April 1998), even if such vehicles are used for business purposes.

Common scenarios such as travel between home and airport for overseas business trips, mileage reimbursements, or car park charges for client meetings may appear deductible; however, any portion relating to the use of private car remains non-deductible under the tax rules.





Other Common Pitfalls

In addition to the above, companies often encounter challenges in the following areas:

- Transfer Pricing Documentation - Related party transactions must be supported by appropriate transfer pricing reports. Lack of proper documentation can result in adjustments and penalties.
- Withholding Tax Compliance - Ensure that withholding tax on relevant payments such as royalties and license fees, interest, director fees, paid/payable to non-resident suppliers including service providers, lenders and directors, are correctly accounted for and remitted to the IRAS on a timely basis.
- Reconciliation of Taxable Income with Financial Statements - Differences between accounting profit and taxable profit should be clearly explained in your tax computation to pre-empt IRAS queries.

How We Can Help?

Accurate corporate tax filing is vital to avoid unnecessary penalties and ensure a smooth tax assessment process. Should you have any uncertainties regarding your tax filing or wish to have your tax computations reviewed prior to submission, please do not hesitate to contact us.

Our team of tax professionals is equipped to conduct comprehensive reviews, identify potential errors, and provide practical advice to optimise your tax position. Early engagement helps minimise last-minute surprises and grants you greater peace of mind as the filing deadline nears.

If you require any clarification on the updates shared in this newsletter or would like to discuss how these developments may impact your business, please feel free to reach out to us. Our team is ready to assist you with your tax compliance and advisory needs.



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