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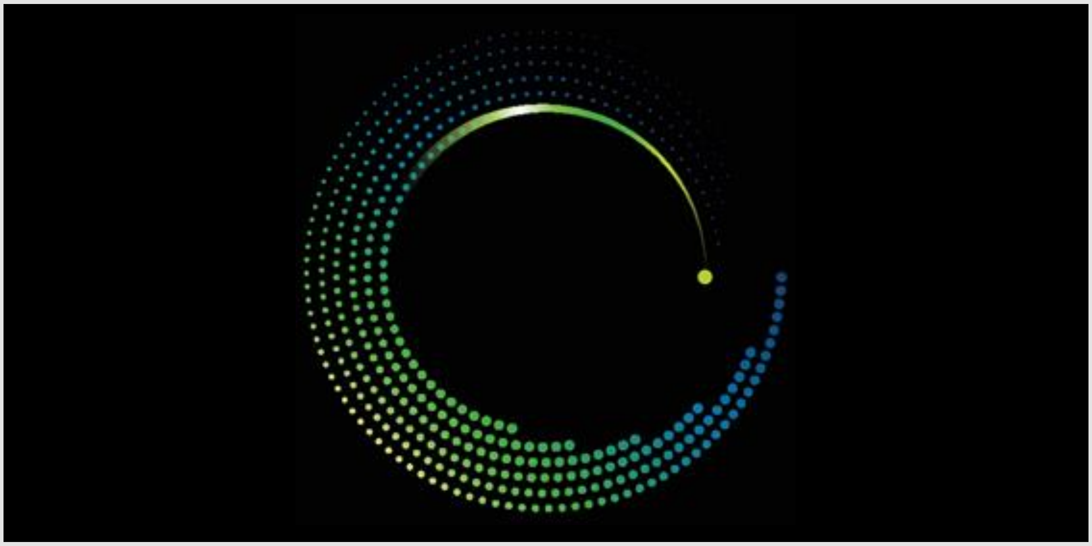


Tax Bytes

Concise insights to keep you ahead

Trusted. Transformational. Together.

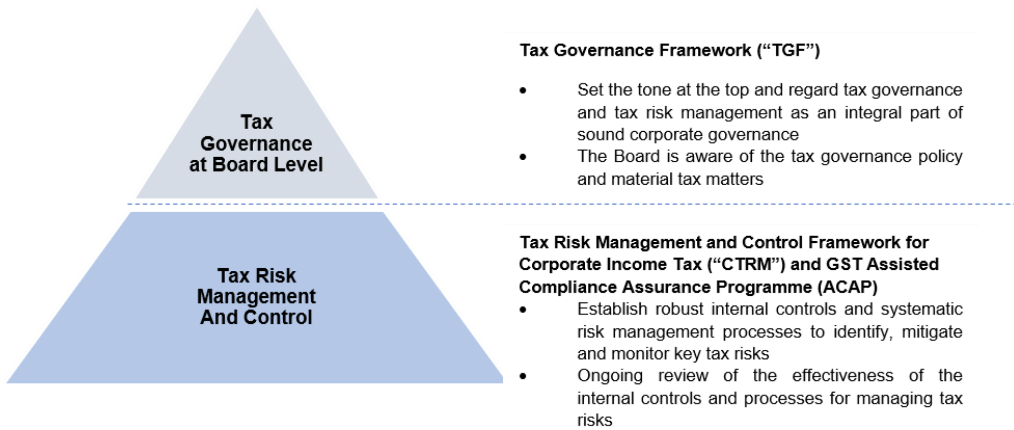
Greetings from your Tax & Legal team at Deloitte Singapore. We hope that you and your loved ones are staying safe and healthy despite these challenging times. As we navigate ourselves through this trying period, we are committed to giving you the support you need.

We are pleased to share the following with you:

IRAS updates on Tax Governance and Tax Risk Management

On 17 February 2022, Inland Revenue authority of Singapore (IRAS) updated its website on Tax Governance and Tax Risk Management and introduced two new voluntary compliance initiatives in addition to the existing Goods and Services Tax (GST) Assisted

Compliance Assurance Programme (ACAP). These are namely the Tax Governance Framework (TGF) and Tax Risk Management and Control Framework for Corporate Income Tax (CTRM).



Source: IRAS | About Tax Governance and Tax Risk Management

Companies are strongly encouraged to adopt all three initiatives (i.e., the TGF, CTRM and GST ACAP) to demonstrate their good tax governance and tax risk management although each initiative can be operated independently.

Tax Governance framework (TGF)

The TGF aims to help companies attain and maintain good standards of tax governance and raises tax governance to attention at the board level. It is mainly targeted at companies that:

- Have complex structures and business models;
- Recognise the importance of tax accountability and transparency; and
- Are willing to commit to good tax governance practices to manage the ongoing performance and tax affairs of the company.

Companies applying for the TGF status will have to publish their tax governance policy on their corporate website or any publicly accessible reports (i.e., annual report) and complete a Declaration Form for Tax Governance Framework.

Successful applicants which obtained the TGF status will be granted a one-time extended grace period of two years for voluntary disclosure of corporate income tax, withholding tax and GST errors# made within two years from the date of the IRAS' approval of the company's TGF application. The extended grace period for voluntary disclosure of GST errors will be three years instead (of two years) for successful applicants with GST ACAP status.

As an example, for a withholding tax error that is voluntarily disclosed after the one-year grace period from the statutory filing deadline (in respect of a payment made in January 2021, such grace period will be from 15 March 2021 to 15 March 2022), such error will attract a penalty. With the TGF benefit, if the error is disclosed in June 2022, it will fall under the extended grace period of two years from 15 March 2021 to 15 March 2023, such that no penalty applies.

#Disclosure of errors which meet the qualifying conditions for reduced penalties under the **IRAS' Voluntary Disclosure Programme**. Errors do not include fraudulent errors and errors discovered under IRAS' audit or investigation.

Tax Risk Management and Control Framework for Corporate Income Tax (CTRM)

The objective of the CTRM is to allow companies to perform a holistic review of their controls and tax risk management for corporate income tax matters and is targeted at large companies that have complex structures and business models, particularly publicly listed companies and other multinational corporations.

Companies that wish to adopt CTRM need to take note that there are pre-requisites. One of the key pre-requisites is that the company must have implemented all the key controls listed in the CTRM checklist.

Upon receipt of IRAS' confirmation on their eligibility to participate in the CTRM programme, companies will perform a self-review of their internal control processes by completing and submitting the CTRM checklist to be reviewed by a CTRM reviewer (i.e., qualified independent third party), together with all other required documents.

Successful applicants who obtained the CTRM status will be granted a one-time waiver of penalties for voluntary disclosure of prior years' corporate income tax and withholding tax errors# made within three years of effective CTRM or within a further three-year period on the renewal of CTRM (if applicable).

The CTRM Status is valid for three years and is renewable before the end of the third year.

Deloitte Singapore's views

Taxpayer cooperation in Singapore has been progressing steadily over the years.

In Singapore, the Enhanced Taxpayer Relationship (ETR) Programme was introduced in 2008 by the IRAS and the GST ACAP, a form of tax control framework, was introduced in 2011. Therefore, it is a logical step from IRAS' perspective to extend the management of tax risks to corporate tax (i.e., the CTRM) and add an overarching framework (i.e., the TGF) covering direct and indirect taxes. With the roll out of TGF, the IRAS has also caught up with international trends for tax transparency and reporting, for example in relation to the standard issued by the Global Reporting Initiative (GRI) organisation and the corresponding Disclosures 207-1/2/3 focusing on good tax governance.

With respect to the CTRM, the IRAS initiative offers companies a chance to formally review their corporate tax processes and enjoy the benefits of penalty waivers for errors discovered and stepped down audits. It should grow in importance over time as large multinationals will likely need to update their tax reporting processes as a result of the Global Anti-Base Erosion (GloBE) model rules and the impending implementation of a minimum effective tax rate for multinational corporations within the scope of GloBE. Thus, companies should consider taking the momentum and adopt the TGF/CTRM early whilst stepping up its tax processes to prepare for the future.

Contacts

Should you have any comments or questions arising from this newsletter, please contact either the listed contacts below, or any member of the **Singapore Tax & Legal team**.

Daniel Ho
Tax Policy Leader
Deloitte Singapore
danho@deloitte.com
+65 6216 3189

Richard Mackender
Indirect Tax Leader
Deloitte Southeast Asia
rimackender@deloitte.com
+65 6216 3270

Andreas Kirsch
Director | Tax Governance Group
Deloitte Singapore
ankirsch@deloitte.com
+65 6800 4535

Chua Kong Ping
Director | Tax Governance Group
Deloitte Singapore
kchua@deloitte.com
+65 6800 2966

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