

International Assignment News Alert

Compulsory Auto Inclusion Scheme (AIS)

Electronic filing of Employment Income for Employers – An update

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A Staggered Approach

In June 2008, the Inland Revenue Authority of Singapore (IRAS) announced a requirement for compulsory participation by all employers in the Auto-Inclusion Scheme (AIS) with effect from the Year of Assessment (“YA”) 2009 (ie. income for calendar year 2008). The AIS was made compulsory for employers in phases over 3 years as follows:

- YA2009: Employers with 100 or more employees to e-file employment income
- YA2010: Employers with 50 or more employees to e-file employment income
- YA2011: Employers with 30 or more employees to e-file employment income

The IRAS has now formally announced the expansion coverage of this requirement to all employers with 30 or more employees with effect from YA2011. This is the final phase of the three year staggered plan after which the AIS is likely to be made compulsory for all employers.

Clearly, the IRAS’ objective of automating the individual income tax filing process and moving towards a paperless environment is a move towards more efficient assessment of individual income and collection of taxes. The IRAS is placing more emphasis on audit and with automation of the tax filing and assessments processes, the available resources are being channelled towards tax audits instead.

How this Impacts Employers

Challenges in meeting the filing deadline of 1 March still remain for employers, especially where most global employers outsource employee remuneration support functions such as payroll, pension administration and equity compensation administration etc, to global service providers where records are maintained outside Singapore. Such employers have traditionally faced difficulties obtaining complete salary information from their overseas counterparts/service providers before the

filing deadline of 1 March. An extension of time from the IRAS tied to employee tax return filing has been previously granted on request based on the facts of each case but the deadlines are now being accelerated. For example, for the first time, extension of time for employee tax return filing from the IRAS is available only up to 30 June 2011, effective from Year of Assessment 2011.

With the recent development and focus on timely submission of employment data, it is only a matter of time before the IRAS extends the AIS requirement to the Employer’s Clearance Return (ie. the employer’s filing of employment income for departing employees) as well and also encourages more individuals to submit their tax returns in an electronic form.

Ensuring Compliance

Employers who receive the “Notice to File Employment Income Electronically” letter from IRAS are required to submit the employment income electronically. Employers are able to find out if their organisation is in the compulsory AIS through the following link in the IRAS’ website:

<http://www.iras.gov.sg/irasHome/page04.aspx?id=7202>

Employers who have 30 or more employees and have not received any notification by end May 2010 must notify the IRAS accordingly. Employers can be charged under the provisions of the Income Tax Act for non-compliance. The penalty for non-compliance will result in a fine (up to S\$1,000) and for default of payment, imprisonment for a term not exceeding 6 months.

E-submission of the employment income application can be obtained free of charge from the IRAS. New participating employers can always seek guidance with the IRAS for any enquiries via readily available guides in the IRAS website or consult directly with the IRAS officers.

In view of the above IRAS communication, employers should make every effort to adhere to the e-filing requirements and deadlines discussed above.

Contacts

Our dedicated tax professionals are available to assist with suggestions and practical experience on how to overcome common difficulties encountered by employers in complying with the auto-inclusion scheme requirements.

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