

CLIENT MEMORANDUM

March 31, 2022

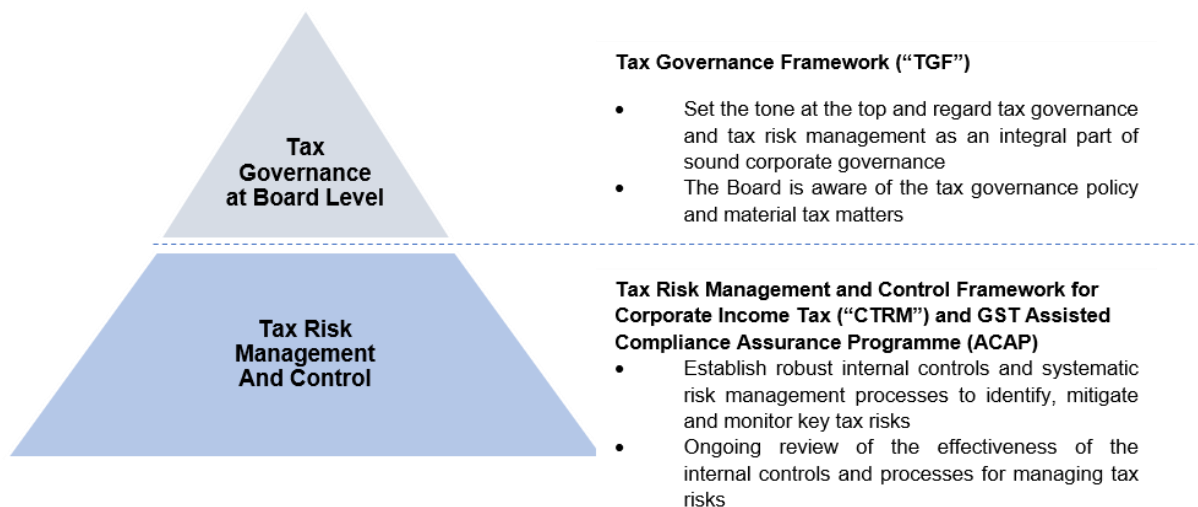
On February 17, 2022, the Inland Revenue Authority of Singapore (“IRAS”) introduced two new voluntary compliance initiatives i.e.:

- (1) The Tax Governance Framework (“TGF”); and
- (2) Tax Risk Management and Control Framework for Corporate Income Tax (“CTRM”).

These initiatives were rolled out to promote the adoption of good tax governance and tax risk management practices among large companies, although all companies may adopt the initiatives when they are ready.

A company may now participate in any or all the following IRAS’ initiatives depending on its readiness and business needs. Companies are strongly encouraged to adopt all 3 initiatives to demonstrate that they have good governance and tax risk management:

- (1) TGF ^{new};
- (2) CTRM ^{new}; and
- (3) GST Assisted Compliance Assurance Programme (ACAP) (Note: this IRAS’ initiative was introduced in 2011)



Source: IRAS | About Tax Governance & Tax Risk Management

We set out the details of TGF and CTRM in the table below:

	TGF	CTRM
Overview	<p>TGF sets out principles and key practices centred around 3 essential building blocks of good tax governance, which a company should incorporate in its tax governance policy for effective management of tax risks.</p> <p>The three building blocks and their respective principles are as follows:</p> <ol style="list-style-type: none"> 1. Compliance with Tax Laws <p>The Company is committed to comply with the relevant tax laws, regulations and requirements and respects the intents of the laws and regulations.</p> 2. Governance structure for managing tax risks <p>The Board is apprised of the company's governance structure and policy for managing tax risks.</p> 3. Relationship with Tax Authorities <p>The Company supports a collaborative and transparent relationship with tax authorities based on mutual trust and respect.</p> 	<p>CTRM provides guidance to assist companies in establishing robust internal controls and systematic risk management process, mitigate and monitor key corporate income tax ("CIT") risk.</p> <p>CTRM sets out the key control features and control checks for three important levels as follow:</p> <ol style="list-style-type: none"> 1. Tax Governance Structure <p>The objective is 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.</p> 2. Entity-Level Controls <p>The objective is to enable the senior management to maintain effective oversight over CIT compliance matters.</p> 3. Tax Reporting Controls <p>The objective is to ensure that data extracted and compiled for CIT returns/ forms submission is accurate and complete.</p>
Type of taxes	It is applicable to both CIT and GST.	It is applicable to CIT.

	TGF	CTRM
Pre-requisites to participate in TGF or CTRM	<ol style="list-style-type: none"> (1) The Company has adhered to the guiding principles and key practices for the TGF. (2) Publish the Company's tax governance policy on its corporate website or an annual report which is publicly accessible 	<p>The Company must meet all the following conditions before submitting the CTRM application to IRAS:</p> <ol style="list-style-type: none"> (1) It has implemented the key controls listed in the CTRM Checklist for all 3 levels covering the CTRM period. A key control is considered as implemented if at least 60% of the control features of each key control are attained. (2) The statutory auditor's opinion for last 3 years' financial statements are unqualified. (3) It is currently not under any CIT audit for tax avoidance or investigation conducted by IRAS. (4) It has good compliance records for CIT/Withholding tax/GST/Property tax for the last 3 years and no outstanding tax with IRAS as at the date of application to participate in the CTRM. (5) It has committed to appoint a qualified CTRM Reviewer to conduct the CTRM review. A qualified CTRM reviewer can be a qualified public accounting entity (or its tax affiliate), an independent in-house internal audit team, or jointly.

	TGF	CTRM
Applying for TGF or CTRM status	<p>The Company can apply for TGF status in the name of its company (i.e. single company) or on behalf of a GST or a corporate group, by taking the following steps:</p> <ol style="list-style-type: none"> (1) Publish the Company's tax governance policy on its corporate website or an annual report which is publicly accessible (2) Complete the TGF Declaration Form which should be signed off by the Chief Executive Officer or Chief Financial Officer. (3) Submit the TGF Application Form via FormSG to IRAS. The TGF application is subject to IRAS' approval. 	<p>The Company can apply for CTRM status by adopting the following steps:</p> <ol style="list-style-type: none"> (1) submit a CTRM application form to IRAS for their review. (2) Once IRAS confirms the Company's eligibility to participate in CTRM, the Company must perform a self-review of its internal control processes by completing the CTRM checklist. (3) The completed CTRM checklist must be reviewed by a qualified CTRM reviewer. (4) Both the Company and the CTRM reviewer need to submit the CTRM checklist and other prescribed documents to the IRAS for evaluation within one year from the date of IRAS' acceptance of the Company's CTRM application. <p>The Company will be awarded the CTRM Status if IRAS assesses that its internal control processes for CIT compliance are adequate and effective, and that it has low CIT compliance risks.</p> <p><u>CTRM renewal</u></p> <p>Companies are encouraged to commence the CTRM renewal process 6 months before the CTRM status award expires. A CTRM reviewer will have to be appointed to conduct a review covering a 12-month period on the Company's CTRM checklist for the CTRM renewal purposes.</p>

	TGF	CTRM
Benefits of adopting TGF or CTRM	<p>A one-time extended grace period of 2 years for voluntary disclosure of CIT/withholding tax/GST errors# made within 2 years from the date of approval of the Company's TGF application.</p> <p>Companies accorded with ACAP status, will be granted a one-time extended grace period of 3 years for voluntary disclosure of GST errors#.</p> <p><i># The errors do not include fraudulent errors and errors discovered under IRAS' audit or investigation.</i></p>	<p>(1) One-time waiver of penalties for voluntary disclosure of prior years' CIT and/or withholding errors# made within 3 years from the date the CTRM status awarded to the Company</p> <p>(2) Step-down on CIT compliance audit.</p> <p><i># The errors do not include fraudulent errors and errors discovered under IRAS' audit or investigation.</i></p>

How will this impact your business?

In 2011, IRAS has launched GST ACAP to set up robust GST Control Framework as part of good corporate governance. With GST ACAP being adopted by taxpayers, the next logical step would be to roll this initiative to corporate tax via the CTRM. This is complimented with an overarching TGF framework which encompasses both direct and indirect taxes.

The TGF and CTRM are targeted at large business with complex structures or business models, including listed companies. There are rapid developments in the international tax environment which require increased tax reporting and transparency such as country by country reporting under the GloBE rules and the impending implementation of a minimum effective tax rate for multi-national corporations. The early adoption of a robust framework will assist companies to reduce their tax risks in Singapore.

Additionally, the review will give companies a chance to review past tax positions and companies which attain the GST ACAP, TGF and CTRM will be able to enjoy benefits of penalty waivers for CIT (including withholding tax) and GST errors discovered and step-down compliance audit by IRAS.

FURTHER INFORMATION

If you have further queries as to how these developments may impact your business, please contact:

Tham Suit Fun

Tax Director

+65 6632 8439 or +65 9012 5931

suitfun@pioneerassociates.com.sg

Agnes Wang

Senior Tax Manager

+65 6632 8476 or +65 9144 1459

agneswang@pioneerassociates.com.sg

Additional information is available on request

Contact us at 4 Shenton Way #04-01 SGX Centre 2, Singapore 068807 Tel: (65) 6632 8488 Fax: (65) 6327 3855

www.pioneerassociates.com.sg