

Frequently Asked Questions for Businesses

| Topic | Question | Answer |
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| Qualifying business | Do non-resident businesses qualify for BIPS? | <p>Given that BIPS is to encourage employers to give back to society, there is no requirement that the qualifying business must be a tax resident in Singapore. However, the qualifying business must be carrying on a trade or business in Singapore.</p> <p>Non-resident businesses which are subject to final withholding tax will not qualify for BIPS as they are currently taxed at reduced final withholding tax rates on gross income, and not on net income.</p> |
| | Do investment holding companies qualify for BIPS? | Investment holding companies do not qualify for BIPS as they derive only passive income such as dividend, interest or rental and not regarded to be carrying on a trade or business for tax purposes. |
| | Do trusts qualify for BIPS? | Generally, trusts are used as passive investment vehicles, and do not conduct active business operations. Hence, trusts do not qualify for BIPS. However, a Registered Business Trust, which is treated as a company for tax purposes, qualifies for BIPS. |
| | Do service companies qualify for BIPS? | <p>A service company renders services to/on behalf of its related companies.</p> <p>Service companies that derive arm's length fees will qualify for BIPS if they prepare their tax computations under the normal tax rules. If a service company elects to use the cost plus mark-up basis of assessment, it will not qualify for BIPS. This is because an acceptance of mark-up as the chargeable income of the company is net of all available deductions and allowances (including BIPS).</p> |
| Qualifying employees | Who are qualifying employees whose wages qualify for BIPS? | Qualifying employees are full time staff who, at the time of provision of services or during the secondment, is under a contract of service with the employer under which the employee is required to work for at least 35 hours each week. |
| Qualifying wages | What are qualifying wages? | Qualifying wages consist of basic wages, including monthly variable component but excludes employer's contributions to CPF, bonus, benefits-in-kind, allowances and other components of wage costs. |
| | When are qualifying wages considered to be wages for time spent in volunteering? | <p>Only wages for the time spent volunteering during working hours will qualify for BIPS.</p> <p>Only wages for the time spent at the IPC's premises qualify for BIPS. For volunteering events which are provided outside the IPC's premise, only wages for time spent at the volunteering event will qualify for BIPS.</p> |

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| | | Wages for time spent preparing for the volunteering event, as well as wages for time spent travelling to and fro for the voluntary event will not qualify for BIPS. |
| | How do we allocate monthly wages to the time spent in volunteering? | Any reasonable apportionment method is acceptable (e.g. to apportion using the number of working days or working hours spent performing the service for the IPC, or on secondment with the IPC. |
| Qualifying expenditure | Can expenditure incurred on goods consumed in the process of volunteering qualify for BIPS? | Yes, expenditure incurred on goods consumed in the process of volunteering are allowable, as long as there is an accompanying service provided, and all qualifying conditions are met. However, donation of goods will not qualify for BIPS. |
| Application of business cap | In the case of a sole-proprietor who owns multiple businesses, how will the expenditure cap of \$250,000 per YA be applied? | The business cap of \$250,000 per YA will be applied at the sole-proprietor level, which means that the expenditure cap is the same regardless of the number of businesses the sole-proprietor is engaged in. |
| | In the case of a partnership, how will the expenditure cap of \$250,000 per YA be applied? | The business cap of \$250,000 per YA will be applied at the partnership level regardless of the number of partners. |
| Secondment of employees | What is considered as a secondment under BIPS? | A secondment is a temporary transfer of an employee to work for an IPC over a few days, weeks, months, or years and can be done in an interspersed manner. |
| Types of services performed | Do employees have to perform services which are related to the business in order to qualify for BIPS? | No, employees do not have to perform services which are related to the business in order to qualify for BIPS. For example, an accountant from an accounting firm does not necessarily have to perform accounting services for an IPC. |
| Tax rules | Can BIPS tax deductions which cannot be fully utilised be carried forward, carried back, or transferred via Group Relief? | As per existing tax treatment for business expenses, any unutilised tax deductions from BIPS form part of business loss and can be carried forward, carried back, and transferred under the Group Relief system, subject to existing rules. |

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| | <p>If my business is taxable at the prevailing rate and concessionary rate, how will the tax deduction under BIPS be allowed on qualifying expenditure in relation to income streams taxed at different tax rates?</p> | <p>Qualifying expenditure for BIPS are considered to be common expenses to be apportioned to each income stream using an appropriate basis (e.g. turnover basis).</p> |
| <p>GST implications</p> | <p>What are the GST implications for expenses incurred in the course of volunteering?</p> | <p>Under the GST Act, input tax is claimable if it is incurred to make a taxable supply. A supply exists only when a consideration is received in return for the provision of goods or services. Hence, services performed for free (e.g. volunteering) is not considered a supply. As for the wage expenses incurred in volunteering, there is no GST on it and hence no input tax claim arises. On the other hand, any GST on incidental expenses incurred in the course of volunteering is not claimable as volunteering is not a taxable supply.</p> |
| <p>Interaction with other schemes</p> | <p>How does BIPS interact with the matching grant under the Share as One Programme administered by the National Council of Social Services?</p> | <p>A single Corporate Social Responsibility initiative may benefit from either the matching grant under the Share as One Programme or BIPS, but not both.</p> |
| <p>Abuse of BIPS</p> | <p>What is the penalty for abusing BIPS?</p> | <p>IRAS takes a serious view of any non-compliance or abuse of BIPS.</p> <p>Offenders who are convicted of fraudulent tax deductions under BIPS can face penalties of up to 400% of the amount of tax undercharged and a fine not exceeding \$50,000 or to imprisonment or to both.</p> |