

GUIDELINES ON THE BUSINESS AND INSTITUTION OF A PUBLIC CHARACTER PARTNERSHIP SCHEME

For IPCs

1 July 2016

This set of guidelines explains how an Institution of a Public Character (IPC) would administer the Business and IPC Partnership Scheme (BIPS).

What is BIPS

1. The pilot BIPS was introduced at Budget 2016 to encourage employee volunteerism through businesses for the period of 1 Jul 2016 to 31 Dec 2018.¹ Under this scheme, businesses will enjoy 250% tax deduction on wages and related expenses when they send their employees to volunteer and provide services to IPCs, including secondments.² This will be subject to the receiving IPCs' agreement. There will be a qualifying expenditure cap of \$250,000 per business per Year of Assessment (YA) and \$50,000 per IPC per Calendar Year (CY).

2. The BIPS incentivises businesses to support their employees in sustained volunteerism. The tax deduction from BIPS will help businesses defray some cost incurred in providing the voluntary services, and encourage businesses to do more. The tax deduction may also attract new businesses to provide valuable and useful services to IPCs. Through volunteering activities or secondments that provide services that IPCs need, both businesses and IPCs can build enduring and sustained partnerships.

IPC's 5-Step Guide to BIPS

3. IPCs play an important role in administering BIPS. Below is a **5-step** summary of **IPC's involvement** with regard to BIPS:

- 1) Identify areas of needs and priorities
- 2) Select businesses to partner and keep track
- 3) Reach an agreement, before business's provision of services
- 4) Evaluate business's provision of services
- 5) Submit BIPS data to IRAS

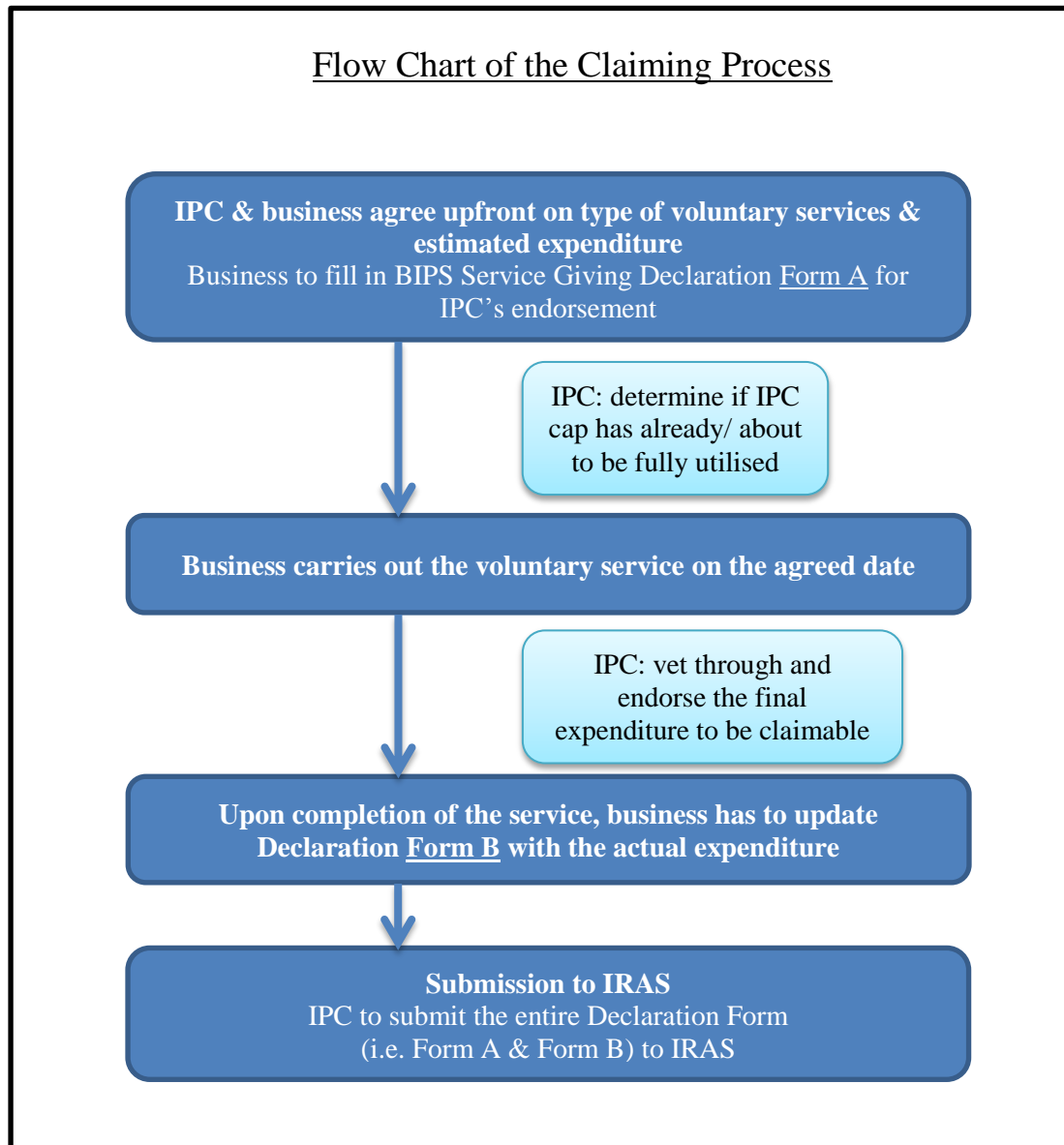
¹ This refers to:

- (i) entities carrying on a business e.g. companies, sole proprietorships, partnerships (including limited partnerships and limited liability partnerships), registered business trust; and
- (ii) bodies of persons that are deemed to be carrying on a business e.g. clubs and trade associations that are deemed to be carrying on a business.

Services should be performed between the period of 1 Jul 2016 – 31 Dec 2018.

² Volunteering does not have to be organised by the employer, but the employer has to work with the IPC when claiming BIPS. Employees also do not have to perform services which are related to the business. In addition, secondment refers to the temporary transfer of an employee to work for an IPC.

4. The **claiming process** is also summarised in the flowchart below:



Step 1: Identify areas of needs and priorities

5. Every IPC has different needs and priorities, e.g. the need to upgrade its facilities or renovate its compound, organise activities for its beneficiaries, cultivate a base of long-term volunteers, or skills-based accounting, marketing and legal services.

6. To benefit most from BIPS, an IPC is recommended to identify its priorities for the year (e.g. build an indoor playground and library for children), or the types of services it values most (e.g. sustained volunteering), and select its partners accordingly (read [Step 2](#)).

Suggested questions to consider:

- What are your needs and priorities in the next 2 - 3 years?
- Are there any existing partnering businesses that can meet your current and future needs?
- What do you hope to achieve when partnering more businesses in providing voluntary service with you?
- Is there sufficient capacity to take in more voluntary services?

Step 2: Select businesses to partner and keep track

7. Under BIPS, an IPC can endorse up to \$50,000 of qualifying expenditure to be provided with 250% tax deduction in every CY. Any amount beyond that will not be allowed by IRAS for the 250% tax deduction. The IPC cap for the BIPS is summarised below. There will be no carry forward of the caps to the next CY, and the unutilised caps will lapse by end-December of the year.

Calendar Year	IPC Cap (\$)
Jul – Dec 2016	25,000
Jan – Dec 2017	50,000
Jan – Dec 2018	50,000

8. As businesses may offer their services any time of the year, IPCs have to track the utilisation of the \$50,000 cap, such that they do not endorse businesses' declaration forms when the \$50,000 cap has already, or is about to be fully utilised (read Step 3).

Tip: How can IPC track its utilisation of \$50,000 cap per CY?

An example of tracking in excel is provided below:

Date/ Period of service provision	Name of business	Tax Reference No.	Type of service provided	Qualifying expenditure declared at Form A	Endorsed expenditure	Utilisation of \$50,000 cap for CY16/ 17/ 18

9. It is important that IPC identifies its needs and manage businesses' expectations upfront in getting the BIPS tax deduction. When working with new businesses for the first time, IPC can also look out for the following:

- a) Whether the business has the abilities, or is best suited to provide the services. For example, if a law firm and a renovation firm offer painting services to the IPC, the IPC is recommended to choose the firm with more experience in this field, and the one that can offer more value; and

- b) Whether the business demonstrates commitment to see through the voluntary service period, or provide its services on a long-term basis. For example, IPC can choose a firm which can devote sufficient resources, keep to the agreement, or garner its management's support.

Tip: How can IPCs manage expectations of businesses on whether they could receive tax deductions under BIPS?

IPCs have the right to select businesses that would receive the tax deduction, and should carefully manage expectations of businesses that are interested in providing services to the IPCs.

For example, a business expresses interest to partner a Nursing Home (an IPC) to bring elderlies for day-trips to the places of interest. The Nursing Home could assess whether this is the most useful/needed, taking into consideration other needs. If it is not a priority of the IPC, the Nursing Home should communicate to the business that such an activity would not be endorsed by the IPC for BIPS tax deduction.

Similarly, when the annual cap is reached, the Nursing Home should inform businesses that they would not be able to endorse any expenditure to qualify for tax deduction in that year. The business can nonetheless still carry out the service or volunteering project in the spirit of giving.

Step 3: Reach an agreement, before business’s provision of services

10. First, the IPC and business shall agree upfront on the type of services and/or secondment to be provided, duration of services and estimated expenditure. This information would be provided by the business in the BIPS Service Giving Declaration (“Declaration Form”) Form A.

11. Specifically, an IPC shall check the following before endorsing Form A:

- a) IPC’s \$50,000 cap for that CY has not been exceeded;
- b) The type of expenditure are qualifying expenditures; and
- c) The estimated expenditures are reasonable.

12. The type of qualifying expenditure can be broadly classified into 2 types (also see Annex A for examples of qualifying/ non-qualifying expenditure):

Types of qualifying expenditures

a) Basic wages of employees involved in providing the voluntary services	
Basic wages	Include monthly variable component of the wages, but exclude employer’s contributions to CPF, bonus, benefits-in-kind, allowances, other components of wage costs, mark-up to wages. For general voluntary services, MOF recommends that IPCs impose a \$250/day/volunteer basic wage cap ³ . This will be applicable for labour intensive non-professional voluntary service events. This ensures that total tax deduction is reasonable for large scale events involving many volunteers.
Employees	Full time employees; they can be permanent or contract staff, but exclude part-time staff that work less than 35 hours a week. Also exclude owners of sole-proprietorship, partners of partnerships and shareholders who are also directors of companies.
Time spent in providing the	Time spent for the volunteering activities has to be within business’ official working hours ⁴ , pro-rated based on the number of hours/ days involved in providing the voluntary services.

³ For skills-based volunteering (i.e. involving higher value professional skills), the cap need not apply.

⁴ For example, if a business works 5.5 days/week, and provides voluntary services on a Saturday morning, wages of the involved employees would qualify. However, volunteer work done outside working hours (e.g. Sundays) will not in general qualify for BIPS.

voluntary services, pro-rated	Only wages for the time spent at the IPC's premises/ volunteering event will be allowable. Wages for time spent preparing for the volunteering event, and time spent travelling to and fro for the voluntary activity will not be allowable.
b) Related expenses incurred for the voluntary services	
Must meet the following conditions	<ul style="list-style-type: none"> - Unreimbursed by the IPCs at any time; - Incurred only because of the voluntary services; - Not considered as personal, living, or family expenses; and - Not capital expenditure
Related expenses that are allowable	<p>Expenditure on materials and goods, and transport charges incurred in the process of performing the service.⁵</p> <p>In general, the allowable related expenses should be based on expenditure incurred by the business rather than market price.⁶</p>
Related expenses that are <u>not</u> allowable	Pure donations of goods (without associated volunteering activities), sponsorships ⁷ , those with "strings attached" in business' voluntary services (i.e. businesses set conditions such as requesting that IPC has to engage or procure their services in the future).

13. IPCs shall exercise due diligence to ensure that the information declared by businesses is an accurate account of the expenditure incurred in the course of volunteering/ secondment, and these expenditures meet the qualifying conditions. For good governance, IPCs are recommended to check with the business the basis of cost, should it appear to be excessive or where it is perceived that there are unnecessary expenditure items incurred.

⁵ For instance, travelling costs incurred by the employee in travelling from his/her home to the IPC's premises and vice versa are not allowable expenses.

⁶ Only under special circumstances such that the cost of expenditure is unable to be derived, business should benchmark against other indices, e.g. market prices.

⁷ Sponsorship occurs when the provision of voluntary service confers a commercial benefit to the Giver (e.g. advertising rights).

Step 4: Evaluate business's provision of services

14. Upon completion of services, it is also the business' responsibility to update the Declaration Form (using Form B) with the actual expenditure and seek IPC's endorsement.

15. Similarly, IPC can, at any point, ask to verify the expenditure, before endorsing the final expenditure to be claimable. Correspondingly, IPC shall update its own records on its utilisation of the \$50,000 cap for that CY.

16. To facilitate IPCs' future decisions on which businesses to partner with for BIPS, IPCs may consider evaluating businesses' performances during the course of their provision of the voluntary services, on areas such as:

- a) Value of service provision. IPCs can consider assessing whether the service provided was of quality, and the extent of IPC benefitting from the services (e.g. whether the elderly in the nursing home benefitted from the volunteers' interactions); and
- b) Businesses' declared expenditure. IPCs can assess whether the business has been transparent in declaring its expenditure, has spent wisely (e.g. value for money), and whether the expenditure items are declared correctly.

Tip: What to take note in verifying expenditure?

- Check that expenditures are reasonable. Where possible, check against past expenditure to see if the claims made by businesses are reasonable.
- Request for proofs of expenditure for big ticket items, or claims that appear excessive.⁸ E.g. request for basic wage or salary details when manpower costs are a large claim item, in the case of large scale volunteering project.
- IPCs shall protect the confidentiality of the information provided by businesses, especially expenditure items and salary details.

⁸ IPC has the rights to refuse to endorse the expenditure items should the business be unable to provide proofs on the declared expenditure amount, when requested.

Step 5: Submit BIPS data to IRAS

17. Upon the completion of the services, IPCs are recommended to log on to myTax Portal using their existing IDs and passwords, and submit the completed entire Declaration Form (i.e. Form A & B) to IRAS for processing. The portal would allow IPCs to upload either scanned copies of the manually filled forms or electronic copies of the filled form in PDF format.

18. IPCs can either submit the entire Declaration Form that they endorse as and when a service is completed, or latest by end-January of the following year.⁹

19. In the event that IPCs submit the data late, the corresponding businesses will not be allowed 250% tax deduction.

20. IPCs shall continue to declare qualifying donation receipts to IRAS through existing IT systems (e.g. ipcLink).

⁹ Correspondingly, the business is to include the BIPS tax deduction in its tax computation, based on the amount endorsed by the IPC in Form B, and file its income tax return to IRAS.

Frequently Asked Questions (FAQs)

21. We've provided IPCs with some FAQs that could be useful in answering questions from the business community (refer to Annex B). For further queries, IPCs can contact Charities Hotline at 6337 6597 or email MCCY_Charities@mccy.gov.sg for clarifications.

**MINISTRY OF FINANCE
INLAND REVENUE AUTHORITY OF SINGAPORE
OFFICE OF THE COMMISSIONER OF CHARITIES**

Annex A – Illustrative examples on the types of allowable expenditure

Example 1: Volunteering Activities

- Company A mobilised its employees to help paint a building of an IPC on a working day.
- Expenditure incurred:

Types of Expenditure	Expense
(I) Volunteering activity incurred expenditure, e.g. paint, ladder, brush, rags, etc.	\$500
(II) Time-related expenditure, e.g. employees' wages, 3 pax, \$3,000/mth	\$409.10 ¹⁰

- Refurbishment of facilities and renovation of compound can fall under this category.
- IPC can allow the above expenditures to be given 250% tax deduction.

¹⁰ Cost basis: 1/22 working days * 3 pax * \$3,000

Example 2: Secondment of Services

- Firm B seconds a lawyer to an IPC that require legal aid for half a month.
- Expenditure incurred:

<u>Types of Expenditure</u>	<u>Expense</u>
Wage of lawyer, \$10,000/month	\$5,000

- Some professional services that IPCs need include legal, accounting, marketing and PR.
- IPC can allow the above expenditure to be given 250% tax deduction.

Example 3: Donation of Goods

- Company C donated 100 tins of Milo to an IPC that serves old folks.
- Expenditure incurred:

<u>Types of Expenditure</u>	<u>Expense</u>
Milo Tins x 100, \$10 each	\$1,000

- IPC **cannot** allow Company C to claim any expenditure for 250% tax deduction, as this is a pure donation of goods.
- The BIPS does not encourage pure donation of goods that does not engage beneficiary in the volunteered services. Similarly, for rental of facilities, without the business participating in the voluntary services, it would not be considered as qualifying expenditure.

Example 4: Provision of Goods through a volunteering activity

- On a working day, Company D mobilised employees to provide drinks and put up a series of songs and performances during an IPC event.
- Expenditure incurred:

<u>Types of Expenditure</u>	<u>Expense</u>
(I) Volunteering activity incurred expenditure, 10 tins' worth of milos, \$10 each	\$100
(II) Time-related expenditure, e.g. employees' wages, 10 pax, \$3,000/mth	\$1,230 Cost basis: 1/22 working days *10 pax * \$3,000

- IPC can allow both types of expenditure to be given 250% tax deduction.

Annex B – FAQs

1. Would cash donations be affected by BIPS?

No, BIPS is independent of cash donations. For both the donor and the IPCs, the processes and conditions to claim 250% tax deduction for donation of cash remain the same.

2. What are the types of services allowed under BIPS?

The BIPS does not discriminate the types of services that are supportable, but leave it for IPCs to decide the services most valuable to them. For example, IPC A may value accounting/legal services and uses the tax deduction for these services, while IPC B may value transportation/renovation services more.

3. Would voluntary activity provided by related parties be allowed to benefit from BIPS?

In the same vein as tax deductible donations from related parties, voluntary activities provided by related parties would be allowed under BIPS. However, an IPC must evaluate whether it is in the best interests of the IPC to obtain the services from the related party and it needs to ensure arms-length transaction.

4. Will the Government be helping to get more businesses on board BIPS?

The Government agencies will be conducting a seminar for businesses to promote BIPS and encourage businesses to provide volunteering opportunities to their employees.

In addition, with the introduction of the Giving.sg portal, the matching of businesses with suitable beneficiary on volunteering opportunities would be better facilitated.

5. How are the IPC cap (\$50,000/ CY) and business cap (\$250,000 / YA) determined? Is the cap for IPC too small? Why is the cap for IPC and business different?

As this is a new scheme with a generous tax deduction, the caps on IPCs and businesses are put in place to prevent abuse.

IPC cap

While the total donations received by IPCs, across the sectors, amount to around \$1 billion per year, there are several IPCs which take up a large proportion of tax deductible donations (over 30%). About a third of the IPCs also receive annual donation of less than \$50,000.

The \$50,000/CY cap for IPC will enable voluntary services to be distributed across the IPCs. BIPS, when fully utilised by those IPCs that currently receive annual donation of less than \$50,000, will more than double their benefits receivable via voluntary services. This group of IPCs that received less cash donations may, as a result, benefit more from BIPS.

Business cap

The \$250,000/YA cap on business is designed to encourage SMEs to embark on the giving journey and contribute their employees' manpower or services.

6. What happens when the IPC cap is exceeded?

IPC should keep track of the \$50,000 per CY cap, such that it does not commit to new BIPS agreement with businesses when the cap is about to be reached. In the event that IPC exceeds the cap, IPC should work with the affected businesses and come to an agreement on which businesses should be granted tax deduction and how much, and amend the submission accordingly.

As a principle, the IPC should grant tax deduction to businesses that reach an upfront agreement with the IPC first (i.e. endorsement of Declaration Form A). The IPC should inform IRAS of the entity for which the deduction would be disallowed and the amount exceeding the IPC cap will be denied/ clawed back by IRAS.

7. **What is the possible recourse if the IPC is not satisfied with the services provided by the business?**

We encourage the IPC to negotiate and work out a mutually agreed arrangement with the affected business.

IPC should engage a business for voluntary activities only when it is comfortable that the business could provide the services at the competency level required. Otherwise, it is advisable for IPCs to hire the services professionally.

8. **For service provision that stretches across CY and YA, how should the Declaration Form be filled?**

If the service provision stretches across CY, in order to facilitate the IPC's submission to BIPS data to IRAS, the Declaration Form should break the project into parts, i.e. ends on 31 Dec of the CY and starts on 1 Jan of the subsequent CY. For example, if a project duration is from 1 Sep 2016 to 1 Mar 2017, the tax deduction claim should then be done in separate parts. The first part being 1 Sep 2016 to 31 Dec 2016, while the second part being 1 Jan 2017 to 1 Mar 2017.

Likewise, if the service provision stretches across a business' YA, in order to facilitate the business' tax returns, the business should break the Declaration Form in similar manner illustrated above.

9. **What is the apportionment method to allocate wage cost and expenses to the volunteering event/ secondment?**

As a guide, total monthly basic wages divided by 22 working days * days volunteered.

For activities that take up a short period of time, the business can apportion the wages by hourly wage, based on total monthly basic wages divided by number of working hours * hours volunteered.

10. Could IPC exercise its own discretion in endorsing claims, to maximise the benefits of BIPS?

IPC should abide by the guidelines on the types of qualifying expenditure for BIPS. However, for unique circumstances, an IPC could exercise judgment and discretion when evaluating the business's claims based on necessity and reasonableness.

For example, if the IPC's activities are only possibly done outside of businesses' working hours (i.e. weekday evening or weekends), and to attract volunteers/businesses to help, the IPC might have to allow non-working hours wage claims for business that provide such services.

11. Should wages or professional service fees be the qualifying expenditure for professional services such as legal and accounting?

The qualifying expenditure should be based on basic wages of the employees involved in the professional service, rather than the charge out rate for the service, which include overhead and markup charges.

12. It appears that the onus is on the IPC to verify the claims. However, IPCs might not have the means to know the market wage due to reasons of confidentiality. Would IPCs be penalised if it made a wrong judgment when verifying claims for submission to IRAS?

While it is the responsibilities of the businesses to declare the qualifying expenditure as accurately as possible, IPCs need to exercise good governance and ensure that claims are reasonable. IPCs can at any point ask to verify claims that appear out of the norm or are excessive.

IPCs can take reference based on knowledge from past experience or seek for suitable benchmarks. IPCs should also take steps to ensure sensitive information of businesses are kept confidential.

While there are no penalties on IPCs if BIPS claims were found not to qualify or were erroneous, the businesses that IPCs partner with will be disallowed the tax deduction. For wrongful claims, penalty will be imposed on businesses.

Other FAQs

- 13. Why are the beneficiaries of BIPS limited to only IPCs? Are other charities, such as religious organisations, less deserving of donation of services?**

The BIPS is designed to support IPCs, as IPCs are dedicated to serving the needs of the community in Singapore as a whole and not confined to sectoral interests or groups based on race, belief or religion. IPCs are also subject to higher standards in both regulatory compliance and governance. Other charities, on the other hand, comprise of religious organisations or those that do not qualify for IPC status.

- 14. Why is BIPS only for 2.5 years?**

The BIPS is intended to be a pilot scheme, and will run for 2.5 years (1 Jul 2016 – 31 Dec 2018). Upon the end of the pilot, MOF/MCCY will review the scheme, taking in feedback from the IPCs and business community, examining whether the scheme is successfully implemented, and whether the scheme has been effective in encouraging and sustaining corporate volunteerism.

- 15. In the case of a (a) sole-proprietor who owns multiple businesses, and (b) sole-proprietor in multiple partnerships, how would the expenditure cap of \$250,000 apply?**

The business cap of \$250,000/YA will be applied on each sole-proprietor (unique NRIC) (for the case of sole-proprietor), and applied on each unique partnership.

- 16. Why are wages of owners of Sole Proprietorships and Partnerships and shareholders who are directors of companies not claimable under BIPS?**

Business owners determine their own wages; it is hence difficult for IPCs or IRAS to assess whether the wages are fair. In addition, business owners and shareholders who are directors of companies benefit from the tax deduction given to their businesses when they send their employees to volunteer in IPCs under BIPS.

17. Can the unutilised tax deduction under BIPS be carried forward, carried back, or transferred under the group relief system?

As per existing treatment for business expenses, any unutilised tax deductions under BIPS form part of business loss and can be carried forward. The unutilised tax deduction can also be allowed for loss carry-back relief and group relief.

18. Who can claim the tax deduction - the business responsible for the wages of employees, or the centralised hiring firms?

The economic employer who bears the responsibilities of the wages should be the one benefiting from the tax deduction.

19. Is a 150% or 250% tax deduction given to businesses?

The business will in total receive 250% tax deduction on qualifying expenditure incurred, subject to the receiving IPC's agreement:

- Where the qualifying expenditure under BIPS is currently deductible under Section 14(1) of the Income Tax Act, an additional 150% tax deduction will be given subject to meeting the relevant conditions under the scheme; or
- Where qualifying expenditure under BIPS is currently not deductible under Section 14(1) of the ITA, a 250% tax deduction will be given provided all relevant conditions under the scheme are met.

As mentioned, this deduction will be subject to a cap of \$250,000 per business per YA and \$50,000 per IPC per CY.

20. In the event that IRAS subsequently disallows a business's tax deduction claims for BIPS, will the corresponding IPC (that endorses the affected business's claims) be "refunded" such that the IPC can now endorse the claim for another business?

No, as the IPC's cap would be regarded to have been utilised notwithstanding that IRAS may have subsequently disallowed any claims.

21. What will happen when a business cap is exceeded?

IRAS will claw back the tax deduction accordingly.

22. Does IPC's endorsement of Declaration Form B automatically guarantee that businesses will receive the corresponding tax deduction?

No, as there could be scenarios where IRAS's verification found that businesses have included expenditures that were not eligible for 250% tax deduction claims.

23. Can businesses claim the Community Chest SHARE matching grant¹¹ and the enhanced tax deductions under BIPS on the same CSR project?

A single CSR initiative may benefit from either the SHARE matching grant or the enhanced tax deduction under BIPS, but not both.

24. Which scheme is more attractive for businesses that want to do CSR?

This depends on the business' CSR objectives. A business who wants to encourage its employees to donate (cash) more regularly may find Community Chest SHARE matching grant more attractive, which also gives them some funds to organise CSR activities thereafter.

On the other hand, a business who wants to kick-start CSR, and supportive of its employees to volunteer during working hours may find BIPS more attractive.

Other considerations include the business' assessable income of the year.

25. Who can businesses contact to find out more information?

Interested businesses can enquire with IRAS at 1800 356 8622 or IRAS Website > Contact Us > Email Us.¹²

¹¹ In Budget 2016, the government will provide dollar-for-dollar matching for any additional donations through Community Chest SHARE, over and above the FY2015 level, for three years, starting from April 2016. Where businesses encourage their staff to donate regularly, part of the matching funds would be allowed to be used by them to organise Corporate Social Responsibility (CSR) activities. Enquires on SHARE can be directed to National Council of Social Services.

¹² Direct link at <https://www.iras.gov.sg/irashome/Contact-Us/Email-Us/General-Enquiries-or-Feedback/>