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Tax alert

New reporting requirement for foreign income received in Singapore

The Inland Revenue Authority of Singapore (IRAS) recently updated new content on its website regarding the reporting of income received in Singapore from outside Singapore (foreign-sourced income).

With effect from the Year of Assessment (YA) 2024, companies are required to provide certain information in their tax computations to facilitate the tracking of the movement of foreign-sourced income.

This alert provides an overview of the new reporting requirement and our observations and comments.

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Background

Taxation of foreign-sourced income

Foreign-sourced income is subject to tax in Singapore if it is received in Singapore, unless otherwise exempted.

Under Section 10(25) of the Income Tax Act 1947 (ITA), foreign-sourced income is treated as received in Singapore (whether or not the source from which the income is derived has ceased) if the amount is:

(a) Remitted to, transmitted or brought into Singapore
Or
(b) Applied in or towards satisfaction of any debt incurred in respect of a trade or business carried on in Singapore
Or
(c) Applied to purchase any movable property that is brought into Singapore

As foreign-sourced income is taxable only when it is received in Singapore, there is usually a timing difference between the YA in which the foreign-sourced income was derived or earned, and the YA in which it is taxable. When foreign-sourced income is considered received in Singapore, companies must declare such income and ensure that the relevant amount is brought to tax in the relevant YA.

New reporting requirement

With effect from the YA 2024, companies[1] are required to provide the following information in their tax computations:

- Unremitted foreign income brought forward from prior YAs
- Foreign income earned in the current financial year
- Foreign income received in Singapore during the financial year
- Foreign income used during the year and not received in Singapore
- Unremitted foreign income carried forward
- Tracking of allowable expenses attributable to the foreign income if the company is electing for the liberalised treatment of expenses incurred in Singapore

This reporting requirement will ensure that companies keep track of their foreign income and accurately report and subject the amount to tax in the YA in which it was received in Singapore.

To facilitate reporting, the IRAS has developed a standard template (with explanatory notes and illustrative examples) for companies to use. While the IRAS strongly encourage companies to use the standard template, companies may continue to use their own existing templates for tracking foreign income as long as they include all the required information. Companies may also modify the standard template to include additional information and details.

Overall comments

The new reporting requirement is to ensure that companies have in place a tracking mechanism to monitor how their unremitted foreign-sourced income is used or kept outside Singapore.

Even before this new reporting requirement was introduced, companies are already expected to track the movement of their foreign-sourced income and provide source documents and records to substantiate the tax treatment adopted in their tax returns in the event of an IRAS query or audit.

Companies that have not been tracking their unremitted foreign-sourced income in the past may encounter difficulties in obtaining the necessary details required by the IRAS, especially if different sources of income are co-mingled in the same offshore bank account, or if the foreign-sourced interest income arises from a cash pooling arrangement with frequent movement of funds. Retrieving records beyond the statute of limitation and record keeping period could also pose challenges.

Companies will need to do a one-time review and collation exercise to comply with the IRAS' new reporting requirement and seek guidance from its tax advisors as appropriate. There are penalties for filing an incorrect tax return without reasonable excuse or as a result of negligence. Where errors or discrepancies are uncovered, companies could consider a voluntary disclosure to the IRAS to correct the previous tax filing positions, if applicable.

Entities deriving gains or losses from the sale or disposal of foreign assets that occur on or after 1 January 2024 and are subject to Section 10L of the ITA should take note of a similar requirement of the IRAS to provide information on the movement of such gains or losses in their tax computations.

[1] Companies that qualify to file Form C-S/ Form C-S (Lite) are required to prepare and retain the schedule and submit it to the IRAS upon request

If you would like to know more about the issues discussed or EY services, please contact one of the following or your usual EY contact:

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