

# Tax Obligations of a Medical Practitioner

## 1 Introduction

1.1 IRAS recognises that the vast majority of taxpayers are compliant in their tax matters and that taxpayer education is the key to achieving voluntary compliance. We provide timely education to taxpayers so that they can take an active role to fulfill their tax obligations.

1.2 As the year 2010 has just ended and some of you may be busy collating your records in preparation to file your income tax returns in a few months' time, IRAS would like to share some filing tips for you as an individual, common mistakes made and proper record keeping for self-employed tax reporting. This is to help you, as individual taxpayers, to file this year's returns correctly.

## 2 Things to Note when Filing Your Tax Returns for Salaried Employee/Self-employed Taxpayers

### 2.1 Salaried employee

#### 2.1.1 Declaration of employment income

If you receive a No Filing Service letter, you do not need to file a return if there is no change as compared to the previous year in your employer and your claims for personal relief. However, if you are not sure if your claims for personal relief are correct i.e. whether you indeed meet the qualifying conditions for the claims, you may wish to refer to our website for the qualifying conditions. If you need to make any amendments to the relief claims or to your income details, you can do so by logging into myTaxPortal on our website.

#### 2.1.2 Omission of director's fees

Some taxpayers omit to report their director's fees income received on top of their employment income. You will have to declare all sources of income in relation to your employment in your income tax return form.

### 2.2 Self-employed

2.2.1 Income derived from the exercise of a profession, such as fees received for consultation by medical practitioners should be declared under 'trade, business, profession or vocation' instead of 'other income'. Medical practitioners who are salaried employees but received locum or other consultation income should also declare such income as trade.

2.2.2 Taxpayers who carry out a trade, business, profession or vocation need to prepare a 4-line statement. A 4-line statement is a summary of their business performance showing the following:

- Turnover;
- Gross profit/loss (turnover less cost of goods sold);
- Allowable business expenses (please refer to our website for the qualifying conditions); and
- Adjusted profit/loss (gross profit/loss less allowable business expenses).

## 3 Filing Obligations of Medical Practitioners Incorporated as Companies

3.1 Medical practitioners who run their businesses as companies need to observe the following tax filing obligations:

- Give an estimate of the company's income (Estimated Chargeable Income) within three months after the end of the accounting period. IRAS will send a letter at the end of the company's accounting period to remind the company to file its estimated chargeable income; and
- Report the company's actual income by filing the Income Tax Return by 30 November of each year. The tax return will be issued in March/April of each year. The company has to file a complete set of tax return which comprises the tax form (Form C), the company's financial accounts, tax computation and relevant supporting documents.

3.2 If a company does not file its estimated chargeable income or tax return on time, IRAS may raise an assessment on the company based on an estimate of the company's income. In addition, a Letter of Composition and/or Summons may be issued to the company and/or its directors for not submitting its tax return on time.

3.3 As part of IRAS' tax education programme to help new companies in their filing obligations, these companies can attend seminars organised by IRAS to get a better understanding of their corporate tax filing requirements, the tax concessions and incentives schemes, and the common filing mistakes to avoid. Information on the seminars can be found on IRAS' website ([www.iras.gov.sg](http://www.iras.gov.sg)).

## 4 General Common Mistakes

### 4.1 Claims for private motor vehicle expenses

Claims of motor vehicle expenses including petrol, insurance, repair and maintenance, parking and CBD charges with respect to private plate cars (E or S-plate) are not allowed under the Income Tax Act. These private car expenses are not allowed even if they are incurred for business purposes.

### 4.2 Incorrect claims for private and domestic expenses

Private and domestic expenses, e.g. personal insurance, travelling expenses incurred for personal trips, holiday expenses of family members, payment of personal housing loans, medical expenses, private entertainment, domestic utilities and telephone charges are not deductible for income tax purposes.

## 5 Do You Need to Register for GST?

### 5.1 Compulsory GST registration

5.1.1 You are required to continually assess whether your business needs to be registered for GST compulsorily. In most cases, registering for GST is compulsory when:

- Your business turnover for the past four quarters is more than \$1 million (unless you are certain that business turnover in the next 12 months will not exceed \$1 million); or
- You are currently making sales and you can reasonably expect your business turnover in the next 12 months to be more than \$1 million.

5.1.2 If your situation is either of the above, you need to apply for GST registration within 30 days of the date from when your registration liability arises.

	<b>Sole-proprietorship (Individual)</b>	<b>Partnership</b>	<b>Company (e.g. Private Limited Company)</b>
<b>How do I compute my business turnover?</b>	Combine the turnover of: <ul style="list-style-type: none"> <li>• All your sole-proprietorship businesses, and</li> <li>• Income derived from trade, vocation or profession.</li> </ul>	Combine turnover of all partnership businesses with the same composition of partners.	Compute turnover of that single company.  If your company (as a legal entity) owns sole-proprietorship businesses, you need to combine the turnover of: <ul style="list-style-type: none"> <li>• The company, and</li> <li>• All its sole-proprietorship businesses.</li> </ul>
<b>How will my businesses be registered for GST?</b>	GST registration will be in the name of the sole-proprietor (i.e. your name).  All sole-proprietorship businesses under your name will be GST-registered. This includes sole-proprietorship businesses which you may set up in the future.	GST registration will be in the name of the respective partnership businesses.  Once your partnership is GST-registered, all businesses with the same composition of partners need to be GST-registered. This includes businesses with the same composition of partners which you may set up in the future.	GST registration will be in the name of your company.

## 5.2 Computing your business turnover

5.2.1 The method to use for computing business turnover for GST registration purposes depends on your business set-up (e.g. sole-proprietorship, partnership or private limited company).

## 6 IRAS' Compliance Focus on Medical Practitioners

6.1 Medical practitioners have been selected as IRAS' compliance focus for the years 2009 and 2010. Apart from the common mistakes in general as described above, we have noticed that medical practitioners tend to have poor record keeping habits which result in the following mistakes:

### 6.2 Gross consultation fees/sales of medicine not reported in full

6.2.1 Consultancy fees and revenue received from prescriptions/sales of medicine were not reported correctly. Such income should be recorded regardless of the amount involved and proper record should be kept of all fees/revenue received.

### 6.3 Claiming of expenses based on estimations

6.3.1 The estimations of expenses were made without any valid basis. Claims of expenses against income should be made based on actual amounts incurred for the business, with supporting receipts and invoices. Sketchy records, with merely approximate amounts, are inadequate and not acceptable for income tax/GST purposes.

### 6.4 Keeping of incomplete records/unsubstantiated claims

6.4.1 The claims on expenses/input tax were made without maintaining proper records. To support these claims, taxpayers must keep complete records and proper receipts/tax invoices to show that the expenses are incurred for business purposes. In some cases, the purchases of goods and other items were inflated

due to double counting. Some were even estimated without any valid basis. Taxpayers are reminded that they should keep proper documentation and records to substantiate their business purchases and expenses.

### 6.5 Business bank account versus personal bank account

6.5.1 There are instances where medical practitioners did not keep separate bank accounts for business and personal purposes. Although business income was deposited into business and personal bank accounts, some taxpayers only reported the business income deposited into the business bank accounts. As a result, the business income was often understated. Taxpayers should maintain separate bank accounts for business and private purposes and ensure that the business income is deposited into the business bank account only. This will facilitate an accurate reporting of business income.

### 6.6 Failure to maintain business records for a period of five years

6.6.1 Some taxpayers have failed to keep and retain sufficient records to enable us to ascertain their income and allowable business expenses. The common misconception is that they do not need to keep records or could discard their records once a Notice of Assessment is received. This is incorrect. The records should be retained for the requisite period of five years whether or not an assessment has been raised. The Comptroller may request for these documents in the course of audits.

## 7 Keeping Proper Records

For information relating to keeping proper records, please refer to our website ([www.iras.gov.sg](http://www.iras.gov.sg)). **SMA**