

Tax Checklist for Managing the Current Crisis

As the world continues to respond to the impact of COVID-19, Singapore has introduced a series of relief measures in the Unity, Resilience and Solidarity Budgets, which are being further refined as the situation progresses. In addition to taking advantage of such relief measures, businesses could also review other areas to determine the tax impact of COVID-19 on their business.

The Corporate Tax Action list below outlines the tax areas which businesses will benefit from reviewing now. The practical checklist provides an overview of the type of issues that businesses should consider to optimize their tax position in these uncertain times.

- Monitor government relief measures that reduces corporate tax liability and take steps to benefit from them. Check out the various measures here: <https://bit.ly/2RVNJI3>.
- Identify additional specific provisions (e.g. provisions for bad debts) to reduce the tax liability for the Year of Assessment 2021.
- Review any reductions to the taxable income that can be made by writing down inventories or other assets.
- Maximize benefit of Research & Development (R&D) incentives that reduce tax liability.
- Review tax incentives commitments and engage with the relevant agencies to ensure there is no termination or temporary halt of tax incentives.
- Consider tax benefits from implementing sustained flexible working arrangement.
- Review the deductibility of additional interest expenses due to interest restriction rules that limit the deduction of interest.
- Determine the deductibility of waiving inter-company debt and consider alternatives such as converting debt into equity.
- Determine deductibility of losses from breach of trade contracts due to non-delivery.
- Review the deductibility of impairment of investments made under Financial Reporting Standard (FRS) 109.
- Review the tax treatment of additional benefits provided to employees to enable them to work from home.
- If tax losses are expected this year, monitor foreign withholding taxes as foreign withholding taxes cannot be carried forward.
- Check tax and transfer pricing implications on funding arrangements within the group to support companies that require cash to counter the COVID-19 crisis.
- Difficulties in paying income tax. It is possible to reach out to the Inland Revenue Authority of Singapore (IRAS) to work out a suitable payment arrangement.
- Taxability of government grants provided to employers to help them retain employees.
- Review the taxability of pay-outs from insurance for business interruptions.
- Review the withholding tax implications of implementing cloud applications and solutions.
- Review permanent establishment exposure in other countries due to employees having to remain there due to travel restrictions.
- Review the tax residency status of the company due to restrictions on holding directors' meetings. The tax residency status may affect the business's eligibility to enjoy certain tax benefits and relief under tax treaties.
- Review the filing and tax payment deadlines for certain tax filing and payment obligations such as withholding tax. Such deadlines may have been extended due to the COVID-19 situation.