

STREAMLINING OF PROCEDURE FOR FILING OF ACCOUNT OF RECEIPTS AND PAYMENTS WITH IRAS

1. Introduction

- 1.1 The Inland Revenue Authority of Singapore ("IRAS") will be streamlining the procedure for the filing of the Account of Receipts and Payments with the Comptroller of Income Tax ("CIT") by liquidators of companies which are winding up (voluntary or compulsory).
- 1.2 This paper sets out the details of the streamlined procedure for filing of the Account of Receipts and Payments.

2. Background

- 2.1 Currently, liquidators, with the exception of Official Receivers¹, file an Account of Receipts and Payments with IRAS every half yearly.
- 2.2 IRAS has noted that most companies which are in liquidation receive little or no income and the requirement to file an Account of Receipts and Payments with IRAS every half yearly throughout the process of liquidation may not be cost effective for the companies.
- 2.3 Similarly, it is also cost ineffective for IRAS to raise nil assessments half yearly² in response to these declarations of nil income. The high volume of the Account of Receipts and Payments received by IRAS has also delayed our response to requests for tax clearance from liquidators who are going to hold the Final Meeting.
- 2.4 In line with IRAS's policy to continually improve and excel in meeting our customers' needs and expectations, we have reviewed and simplified the procedure for the filing of the Account of Receipts and Payments.

3. Current Procedure

- 3.1 Section 59 of the Singapore Income Tax Act (SITA) sets out the duties of liquidators with regards to the tax matters of companies which are in liquidation.
- 3.2 Administratively, the duties of liquidators include the following:

¹ Official Receivers file a Summary Statement of Account with IRAS on a yearly basis. For the purposes of this paper, the reference to half yearly Account of Receipts and Payments also refers to the Summary Statement of Account filed by Official Receivers.

² Assessments are raised yearly for Summary Statement of Account filed by Official Receivers.

- (a) Inform IRAS of the commencement of the liquidation of the company;
- (b) Furnish IRAS with the details of the company's liquidator – Notice of Appointment and Situation of Office of Liquidators;
- (c) File all outstanding Income Tax Returns (including the Form C, accounts and tax computation up to the date of liquidation) to IRAS;
- (d) Reply to and settle all outstanding tax queries raised by IRAS;
- (e) File an Account of Receipts and Payments with IRAS every half yearly; and
- (f) File the liquidator's Final Accounts³ relating to the Final Meeting⁴.

3.3 We wish to highlight to liquidators that under Section 59(2) of SITA, the liquidator of the company shall not distribute any of the assets of the company to its shareholders unless he has made provisions for the payment in full of any tax which may be found payable by the company.

3.4 To provide liquidators with certainty on the tax status of the company, IRAS will upon request, issue tax clearance to proceed with the Final Meeting if there are no outstanding tax matters and liability.

4. Streamlined Procedure

4.1 The streamlined procedure for the filing of the Account of Receipts and Payments with IRAS will lessen the compliance cost of companies which are in liquidation by reducing:

- (a) The filing frequency of Account of Receipts and Payments; and
- (b) The waiting time for issuance of tax clearance to three months or less.

4.2 Instead of filing an Account of Receipts and Payments with IRAS every half yearly,

- (a) If the company in liquidation is in receipt of income, liquidators only need to file a Declaration of Receipts and Payments (See Annex B for format) with IRAS on a yearly basis, and also one Declaration three months before the Final Meeting.
- (b) If the company in liquidation is not in receipt of income, liquidators only need to file a Declaration of Receipts and Payments (See Annex B for format) with IRAS three months before the Final Meeting or once every four years, whichever is earlier.

³ For the purposes of this paper, liquidator's Final Accounts also refer to the Notice to creditors and contributories of intention to apply for release and its accompanying statement for companies in compulsory liquidation.

⁴ For the purposes of this paper, Final Meeting also refers to the date of application to court for release of liquidators for companies in compulsory liquidation.

- 4.3 Generally, the Declaration is to be filed within one month from the end of the last period covered. However, the last Declaration that is to be filed three months before the Final Meeting, is to be filed within seven days from the end of the last period covered in the Declaration.
- 4.4 The main differences between the current and streamlined procedures are summarized in Annex C.
- 4.5 The streamlined procedure only applies to the filing of Account of Receipts and Payments with IRAS. Companies under Judicial Management or Receivership will continue to file Form C on a yearly basis.

5. Implementation and Transitional Measures

- 5.1 The target date of implementation of the streamlined procedure is 1 July 2010.
- 5.2 The streamlined procedure will apply to all existing companies which are in liquidation or which commence liquidation on or after 1 July 2010.
- 5.3 Companies that are going to hold its Final Meeting within three months from 1 July 2010 need not comply with the streamlined procedure. They will continue to file Account of Receipts and Payments.
- 5.4 For further details, please refer to Annex A for the answers to some frequently asked questions.

Annex A

Frequently Asked Questions

A1. With the implementation of the streamlined procedure, what are the documents that need to be filed with IRAS at the point of commencement of liquidation?

Under the streamlined procedure, the documents to be filed with IRAS at the point of commencement of liquidation remain unchanged from the current procedure. The documents to be filed with IRAS include:

- (a) Written notice to inform IRAS of the commencement of liquidation of company;
- (b) Details of the company's liquidator – Notice of Appointment and Situation of Office of Liquidators;
- (c) All outstanding Income Tax Returns (including the Form C, accounts and tax computation up to the date of liquidation) to IRAS;
- (d) Reply to all outstanding tax queries raised by IRAS;

A2. With the implementation of the streamlined procedure, what are the documents that need to be filed with IRAS before the Final Meeting?

Under the streamlined procedure,

- (a) All companies in liquidation which are in receipt of income for each of the years they are in liquidation are required to file the Declaration of Receipts and Payments (See Annex B for format) with IRAS on a yearly basis.

For example, a company in liquidation from 06/06/2009 to 28/08/2011 (date of Final Meeting) would need to file the following documents with IRAS:

- i. Account of Receipts and Payments for each of the periods:
 - 06/06/2009 to 05/12/2009 (YA 2010); and
 - 06/12/2009 to 05/06/2010 (YA 2011).
- ii. 1 set of the Declaration of Receipts and Payments covering the periods:
 - 06/06/2010* to 31/12/2010 (YA 2011); and
 - 01/01/2011 to 28/05/2011 (YA 2012).

Because this is the last set of Declaration that is to be filed three months before the Final Meeting, it is to be filed by 04/06/2011 (i.e. within seven days from the end of the last period covered in the Declaration.)

* After the implementation of the streamlined procedure on 1 July 2010, no Account of Receipts and Payments would be accepted (with the exception of companies mentioned in example A5). Therefore, companies whose Account

of Receipts and Payments is not due for submission before 1 July 2010, do not need to furnish IRAS with the Account of Receipts and Payments after the mentioned date. Income relating to the last set of Account of Receipts and Payments before 1 July 2010 will be declared in the Declaration of Receipts and Payments instead.

IRAS will do the necessary matching of the declarations with the Accounts of Receipts and Payments previously filed with our office to ensure that the company's income will be accorded the correct tax treatment.

- (b) All companies in liquidation which are **not in receipt of income** are required to file 1 set of the Declaration of Receipts and Payments (See Annex B for format) with IRAS three months before the Final Meeting or once every four years, whichever is earlier.

For example, a company that did not receive any income during its liquidation from 23/08/2010 to 23/08/2016 would need to file the following documents with IRAS:

4th year of liquidation:

One set of the Declaration of Receipts and Payments covering the periods:

- 23/08/2010 to 31/12/2010 (YA 2011);
- 01/01/2011 to 31/12/2011 (YA 2012);
- 01/01/2012 to 31/12/2012 (YA 2013);
- 01/01/2013 to 31/12/2013 (YA 2014); and
- 01/01/2014 to 22/08/2014 (YA 2015).

This set of Declaration is to be filed by 22/09/2014 (i.e. within one month from the end of the last period covered by the Declaration.)

3 months before the Final Meeting :

One set of the Declaration of Receipts and Payments – assuming the Final Meeting is on 23/08/2016 – covering the periods:

- 23/08/2014 to 31/12/2014 (YA 2015);
- 01/01/2015 to 31/12/2015 (YA 2016); and
- 01/01/2016 to 22/05/2016 (YA 2017).

Because this is the last set of Declaration that is to be filed three months before the Final Meeting, it is to be filed by 29/05/2016 (i.e. within seven days from the end of the last period covered in the Declaration.)

A3. With the implementation of the streamlined procedure, what are the documents that need to be filed with IRAS after the Final Meeting but before the dissolution of the company?

Under the streamlined procedure, companies in liquidation would need to file the liquidator's Final Accounts with IRAS before the dissolution of the company. The Final Accounts are to be filed within seven days from the date of the Final Meeting.

If the Final Accounts show income made after the date of submission of the last Declaration of Receipts and Payments, the Comptroller will raise additional assessments accordingly. Alternatively, the liquidator can file an interim Declaration of Receipts and Payments to declare the income made so that assessments can be raised on a timely basis.

A4. Would IRAS still accept the submission of half-yearly Account of Receipts and Payments after the effective date of 01/07/2010?

No. With effect from 01/07/2010, you are required to forward the Declaration of Receipts and Payments to IRAS unless your company is going to hold the Final Meeting within three months after 01/07/2010 (please refer to question A5 for elaboration).

A5. If I have not held my Final Meeting and is going to do so within three months from 01/07/2010, do I have to file the Declaration of Receipts and Payments (See Annex B for format) with IRAS?

No, you do not need to file the Declaration of Receipts and Payments in this case. You may continue with the current procedure of filing the Account of Receipts and Payments and furnish IRAS with the liquidator's Final Accounts before the dissolution of the company.

A6. If the liquidation of the company is going to be completed within three months from the date of commencement of liquidation, what do I have to file with IRAS?

Companies which will complete liquidation within three months from the date of commencement of liquidation are to file the following documents with IRAS on the date of commencement of liquidation:

- (a) Written notice to inform IRAS of the commencement of liquidation of company;
- (b) Details of the company's liquidator – Notice of Appointment and Situation of Office of Liquidators;
- (c) All outstanding Income Tax Returns (including the Form C, accounts and tax computation up to the date of liquidation) to IRAS;
- (d) Reply to all outstanding tax queries raised by IRAS;
- (e) Letter requesting for tax clearance;

Before the dissolution of the company, liquidators are to furnish IRAS with the liquidator's Final Accounts within seven days from the date of the Final Meeting.

A7. My client's company is currently under Receivership or Judicial Management, does the streamlined procedure apply to his/her company?

The streamlined procedure only applies to companies which are in liquidation (voluntary or compulsory). Companies under Receivership or Judicial Management will continue to file Form C on a yearly basis.

A8. Can my client's company apply for tax clearance at the commencement of liquidation of the company and again three months before the Final Meeting?

No. The purpose of tax clearance is to provide liquidators with the assurance that the company has no outstanding tax matters or liability before it holds the Final Meeting. As such, it will only be issued once before the Final Meeting.

A9. Does the streamlined procedure apply to my filing with the Accounting and Regulatory Authority of Singapore (ACRA)?

No, liquidators' obligations to ACRA remain unchanged. The streamlined procedure only applies to filing obligations with IRAS.

Other Enquiries

- A10. For further enquiries or clarification, you may wish to email leeyun@iras.gov.sg or contact Ms Goh Pei Shan at 6351 3246.

Annex B-1

ABC Pte Ltd (In Liquidation) (UEN Number) Declaration of Receipts and Payments (Extract) For the Period from dd/mm/yyyy to dd/mm/yyyy		
Description	Period ¹ S\$	Period ¹ S\$
Balance b/f		
<u>Receipts</u>		
Fixed deposit Interest		
Gross rental income		
Disposal of property		
Recovery of bad debts		
Other receipts (if any) ²		
Total Receipts	-	-
<u>Payments</u>		
Advertising fee		
Property tax		
Utilities expenses for the property		
Valuation fees incurred for the sale of the property		
Liquidator's fees and disbursements		
Legal fee		
Total Payments	-	-
Balance c/f	-	-

Annex B- 1 continuation sheet 1

- ¹ Liquidators are to provide details on income received from the date of commencement of liquidation to the last day of the calendar year. For example, the company was placed under liquidation on 02/04/2010 and the date of the Final Meeting is 01/07/2011.

Interest income	Date received
\$100	02/08/2010
\$100	30/11/2010
\$300	28/03/2011

In the Declaration of Receipts and Payments, the interest income will be apportioned into:

- (a) \$200 for period 02/04/2010 to 31/12/2010 (consisting of \$100+\$100); and
(b) \$300 for period 01/01/2011 to 01/04/2011.
- ² To include only if applicable. Examples of other receipts include refund of deposits for utilities, disposal of fixed assets, etc.
- ³ The Declaration of Receipts and Payments has to be completed and duly signed by the liquidator (Refer Annex B-1 continuation sheet 2 below)

Annex B- 1 continuation sheet 2³

I / We*, liquidator(s) of the above mentioned company hereby confirm that the information provided in the Declaration of Receipts and Payments for the period _____ to _____ is true to the best of my / our* knowledge and belief.

Name of liquidator (1) :

NRIC :

Signature :

Date :

Name of liquidator (2), if any :

NRIC :

Signature :

Date :

Please issue company with tax clearance[#]

*Delete where applicable

[#]Tick where applicable

Annex B- 2

Worked Example 1(a):

Assume that the profile of the company in liquidation is as follows:

- The company commenced liquidation on 02/04/2010.
- The company is in receipt of income for the period 02/04/2010 to 01/02/2012.
- The Final Meeting of the company is scheduled on 31/05/2012.
- Receipts by company include cash balance, fixed deposit interest, gross rental income, disposal of property, recovery of bad debts and disposal of fixed assets.
- Payments by company include advertising fee, property tax, utilities expenses for the property, valuation fees incurred for the sale of the property and liquidator's fees and disbursements.

The 1st Declaration of Receipts and Payments of the company would need to be submitted to IRAS by 01/05/2011 and would be prepared as follows:

ABC Pte Ltd (In Liquidation)

(UEN Number)

Declaration of Receipts and Payments

For the Period from 02/04/2010 to 01/04/2011

Description	02/04/2010 to 31/12/2010	01/01/2011 to 01/04/2011
Balance b/f	S\$ 10,000.00	S\$ 20,900.00
Receipts		
Fixed deposit Interest	900.00	1,100.00
Gross rental income	18,000.00	2,000.00
Disposal of property	-	1,100,000.00
Recovery of bad debts	1,000.00	-
Disposal of fixed assets	500.00	-
Total Receipts	30,400.00	1,124,000.00
Payments		
Advertising fee	-	1,200.00
Property tax	1,800.00	600.00
Utilities expenses for the property	2,700.00	300.00
Valuation fees incurred for the sale of the property	-	1,391.00
Liquidator's fees and disbursements	5,000.00	8,000.00
Legal fee	-	4,500.00
Total Payments	9,500.00	15,991.00
Balance c/f	20,900.00	1,108,009.00

The 2nd (and last set of) Declaration of Receipts and Payments of the company would need to be submitted to IRAS by 07/03/2012 and would be prepared as follows:

ABC Pte Ltd (In Liquidation)
(UEN Number)
Declaration of Receipts and Payments
For the Period from 02/04/2011 to 28/02/2012

Description	02/04/2011 to 31/12/2011	01/01/2012 to 28/02/2012
	S\$	S\$
Balance b/f	1,108,009.00	1,104,009.00
<u>Receipts</u>		
Fixed deposit Interest	1,000.00	400.00
Total Receipts	<u>1,109,009.00</u>	<u>1,104,409.00</u>
<u>Payments</u>		
Liquidator's fees and disbursements	5,000.00	3,000.00
Legal fee	-	2,000.00
Total Payments	<u>5,000.00</u>	<u>5,000.00</u>
Balance c/f	<u>1,104,009.00</u>	<u>1,099,409.00</u>

After the Final Meeting has been held on 31/05/2012, the liquidator is to furnish IRAS with the liquidator's Final Accounts. If the Final Accounts show income made after the date of submission of the last Declaration of Receipts and Payments, the Comptroller will raise additional assessments accordingly. Alternatively, the liquidator can file an interim Declaration of Receipts and Payments to declare the income made so that assessments can be raised on a timely basis.

Worked Example 1(b):

Assume that the same company in worked example 1(a) now has the following changes to its profile:

- (a) The company's Final Meeting is scheduled on 31/05/2018.
- (b) Company does not receive any income after 01/04/2011.

The 1st Declaration of Receipts and Payments of the company would remain the same as that of worked example 1(a).

Since no income is received after 01/04/2011, the company does not need to file the Declaration of Receipts and Payments with IRAS on a yearly basis. The company may file the Declaration of Receipts and Payments (See Annex B-1 for format) with IRAS

- (a) three months before the Final Meeting; or
- (b) once every four years, whichever is earlier.

Therefore, the 2nd Declaration of Receipts and Payments of the company would need to be submitted to IRAS by 01/05/2015 and would be prepared as follows:

ABC Pte Ltd (In Liquidation)
(UEN Number)
Declaration of Receipts and Payments
For the Period from 02/04/2011 to 01/04/2015

Description	02/04/2011 to 01/04/2015 S\$
Balance b/f	1,108,009.00
<u>Receipts</u>	-
Total Receipts	1,108,009.00
<u>Payments</u>	
Liquidator's fees and disbursements	6,000.00
Legal fee	2,000.00
Total Payments	8,000.00
Balance c/f	1,100,009.00

The 3rd (and last set of) Declaration of Receipts and Payments of the company would need to be submitted to IRAS by 07/03/2018 and would be prepared as follows:

ABC Pte Ltd (In Liquidation)
(UEN Number)
Declaration of Receipts and Payments
For the Period from 02/04/2015 to 28/02/2018

Description	02/04/2015 to 28/02/2018
	S\$
Balance b/f	1,100,009.00
<u>Receipts</u>	-
Total Receipts	<u>1,100,009.00</u>
<u>Payments</u>	
Liquidator's fees and disbursements	6,000.00
Legal fee	2,000.00
Total Payments	<u>8,000.00</u>
Net Cash Balance as at 28/02/2018 *	<u>1,092,009.00</u>
* Inclusive of amount for settlement of tax liabilities and distribution to unsecured creditors and/or contributories	

After the Final Meeting has been held on 31/05/2018, the liquidator is to furnish IRAS with the liquidator's Final Accounts. If the Final Accounts show income made after the date of submission of the last Declaration of Receipts and Payments, the Comptroller will raise additional assessments accordingly. Alternatively, the liquidator can file an interim Declaration of Receipts and Payments to declare the income made so that assessments can be raised on a timely basis.

Annex C

Table 1: Summary of differences between current and streamlined procedure

	<u>LIQUIDATION PROCESS</u>	<u>CURRENT PROCEDURE</u>	<u>STREAMLINED PROCEDURE</u>
Commencement	Petition to wind up company	<u>Commencement of liquidation</u> <ul style="list-style-type: none"> Furnish Notice of Appointment and Situation of Office of Liquidators. File all outstanding Income Tax Returns (including Form C, accounts and tax computation up to the date of commencement of liquidation). Reply to all queries raised. 	
	Appointment of liquidator		
Processing	Statement of Affairs filed by directors/ secretarial/ other officer	<u>1. Throughout liquidation process</u> <ul style="list-style-type: none"> File Account of Receipts and Payments on a half yearly basis. 	<u>1. Throughout liquidation process</u> <ul style="list-style-type: none"> File Declaration of Receipts and Payments <ol style="list-style-type: none"> For companies in receipt of income <ul style="list-style-type: none"> On a yearly basis For companies not in receipt of income <ul style="list-style-type: none"> Three months before Final Meeting or once every four years, whichever is earlier.
	Realisation of assets		
	Adjudication of claims		
	Declaration of dividends to creditors		
	Return of capital to contributories (if any)		
Completion	Release of liquidator & dissolution of company	<u>Completion of liquidation</u> <ul style="list-style-type: none"> File liquidator's Final Accounts relating to the Final Meeting. 	