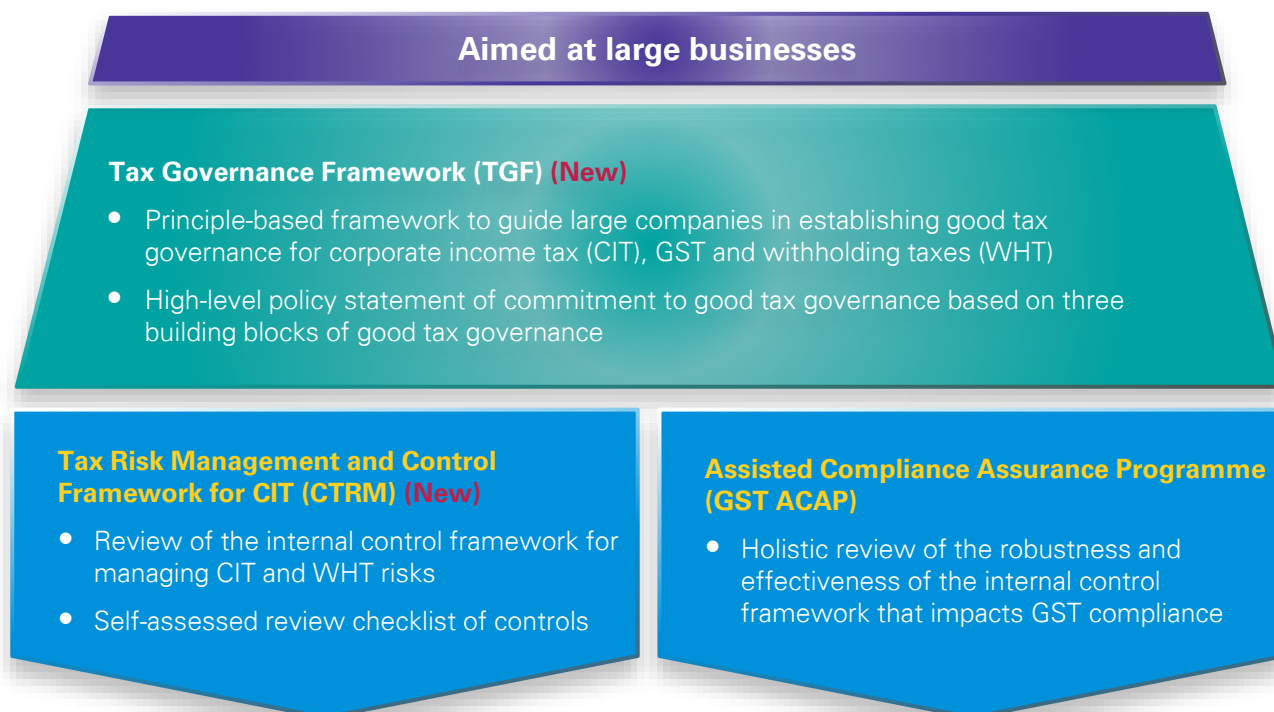


## Launch of Tax Governance Framework and Tax Risk Management and Control Framework for Corporate Income Tax

The Inland Revenue Authority of Singapore (IRAS) recently launched the (1) Tax Governance Framework (TGF) and (2) Tax Risk Management and Control Framework for Corporate Income Tax (CTRM), in addition to its existing Goods and Services Tax – Assisted Compliance Assurance Programme (GST ACAP).

The objective is to promote the adoption of good tax governance principles and practices among companies, in particular large companies. The TGF, CTRM and GST ACAP are voluntary compliance initiatives that can be adopted independently, depending on each company’s readiness and business needs. Companies are however strongly encouraged to adopt all three initiatives to demonstrate good tax governance and tax risk management.

### Broad framework at a glance



### Tax Governance Framework (TGF)

The TGF is a principle-based framework that encompasses a well-defined and communicated corporate policy on taxation that is approved at the strategic level of a company and reflects the attitude and culture of the company towards managing its tax risks across corporate income tax (CIT), GST and withholding taxes (WHT).

The benefits of adopting TGF are as follows:

**CIT/WHT** A one-time extended grace period of 2 years for voluntary disclosure of qualifying CIT/WHT errors made within 2 years from the date of approval of the TGF application.

**GST**

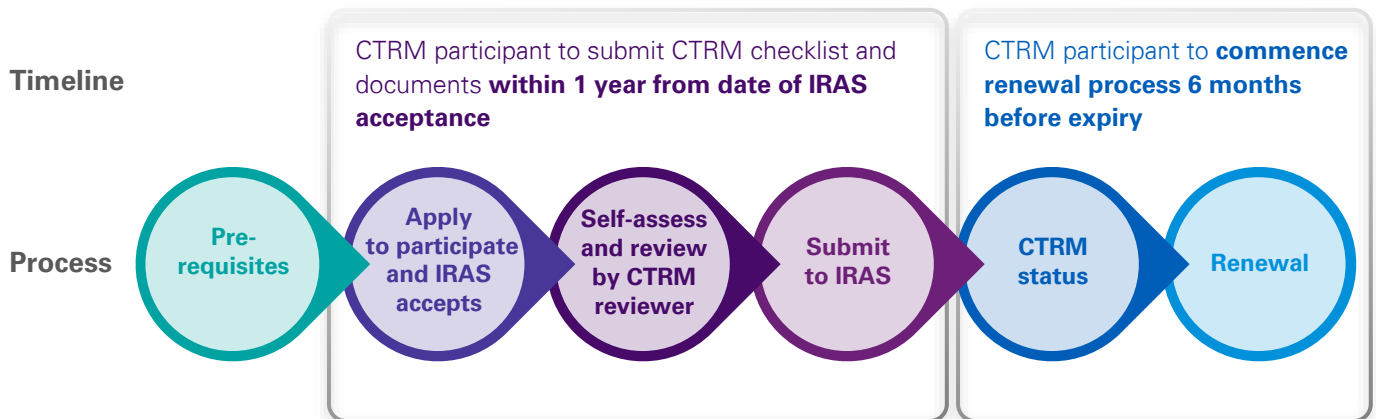
- (i) **GST-registered business with ACAP status:** a one-time extended grace period of 3 years for voluntary disclosure of qualifying GST errors made within 2 years from the date of approval of the TGF application. The voluntary disclosure of errors can be made under Post ACAP Review (PAR), ACAP Renewal or your own GST review; or
- (ii) **GST-registered business without ACAP status:** a one-time extended grace period of 2 years for voluntary disclosure of qualifying GST errors made within 2 years from the date of approval of the TGF application.

### Tax Risk Management and Control Framework for Corporate Income Tax (CTRM)

The CTRM, on the other hand, adopts a prescriptive approach (similar to GST ACAP) and entails:

- i. a review of internal tax risk control systems and processes for managing CIT and WHT risks; and
- ii. implementation of a robust tax control framework to identify, mitigate and monitor key tax risks on an ongoing basis.

A broad overview of the process and key features of the CTRM is summarised below:



### Actions

#### Pre-requisites

- Minimum 60% benchmark for each of 3 levels of **key controls (Note 1)**
- Unqualified audited accounts for last 3 years
- Not under IRAS audit/tax investigation
- Good compliance records for CIT, GST, property tax for last 3 years
- Commitment to appoint a qualified CTRM reviewer to conduct CTRM review

- On IRAS' acceptance, CTRM participant to commence review of **CTRM period (Note 2)** with **CTRM reviewer (Note 3)** and submit **relevant documents (Note 4)** to IRAS within 1 year
- IRAS to review application within 6 months

- CTRM status confers certain **benefits (Note 5)** and is valid for 3 years and renewable every 3 years if requirements are met

| Note | Key features   | Points to note   |
|------|--|--|
| 01   | <b>3 levels of key controls and their objectives</b> | <ol style="list-style-type: none"> <li><b>Tax Governance Structure</b> to demonstrate that the Board and senior management have incorporated and adhered to the corporate tax risk management framework and tax governance policy, including implemented monitoring control checks</li> <li><b>Entity-Level Controls</b> to enable senior management to adopt an effective risk framework to identify, evaluate and manage corporate income tax risks and compliance, including putting in place the control checks to evaluate effectiveness of process</li> <li><b>Tax Reporting Controls</b> to ensure company has effective control checks to capture accurate relevant data in a timely manner in response to IRAS tax enquiries and compliance to CIT processes</li> </ol> |
| 02   | <b>CTRM period</b>                                   | <p>Period under review can be either:</p> <ol style="list-style-type: none"> <li>12-month period immediately preceding the month in which IRAS approves the company's participation in CTRM; or</li> <li>12-month period of the company's latest financial year</li> </ol>   |
| 03   | <b>CTRM reviewer</b>                                 | <p>Companies can appoint CTRM reviewer as follows:</p> <ol style="list-style-type: none"> <li>Public Accounting Entity (PAE) or its tax affiliate<sup>1</sup>;</li> <li>Independent in-house Internal Audit (IA) team<sup>2</sup>; or</li> <li>Jointly independent in-house IA team and PAE or its tax affiliate<sup>2</sup></li> </ol>  |
| 04   | <b>Relevant documents to be submitted</b>            | <ol style="list-style-type: none"> <li>CTRM Checklist</li> <li>CTRM reviewer's finding report and relevant appendices</li> <li>CTRM Report</li> </ol>  |
| 05   | <b>Benefits of adopting CTRM</b>                     | <ol style="list-style-type: none"> <li>One-time penalty waiver for voluntary disclosure of prior years' corporate income tax and withholding tax errors within 3 years from date of CTRM award</li> <li>Carry-forward of Benefit for further 3 years, on successful renewal of CTRM Status if benefit not utilised within first 3 years</li> <li>Step-down CIT compliance audit by IRAS</li> <li>IRAS to calibrate review of key tax risk areas/issues (capped at 5 excluding new issues due to exceptional circumstances) for the next 3 consecutive YAs</li> </ol>   |

## Our views

With environmental, social and governance (ESG) agendas on the rise and gaining momentum globally across all facets of business, tax governance and risk management are becoming critical ESG measures, with tax transparency often being used as a key metric for demonstrating a responsible attitude towards tax.

When it comes to tax transparency, the direction of travel is abundantly clear. More reporting is being required by governments and more comprehensive standards are being developed globally. Singapore is no exception, with its recent official launch of the TGF and CTRM. It is expected that this trend will only continue as stakeholders' and public expectations increase for businesses. A company that adopts good tax governance and tax risk management practices can

give confidence to its stakeholders and the general public that it is transparent in its tax matters and is contributing its fair share of taxes.

One thing that has become clear, however, is that not all businesses are at the same point in their tax transparency journey and not all have the same tax transparency destination. Working towards and achieving that goal can also be filled with complexities. The key is to embark on the journey early.

## How we can help

KPMG in Singapore can partner you wherever you are on your tax transparency journey. Our holistic approach unlocks opportunities to harness technology and process enhancements to improve governance, efficiency and effectiveness, riding on our credentials below.

<sup>1</sup> Team is led by an Accredited Tax Advisor (Income Tax) of the Singapore Chartered Tax Professionals (SCTP)

<sup>2</sup> Arrangement requires at least one member to be Accredited Tax Practitioner (Income Tax) or Accredited Tax Advisor (Income Tax) of SCTP



### International best practices

We have developed intensive international experience and methodologies for our Governance practice



### Leading ACAP advisors

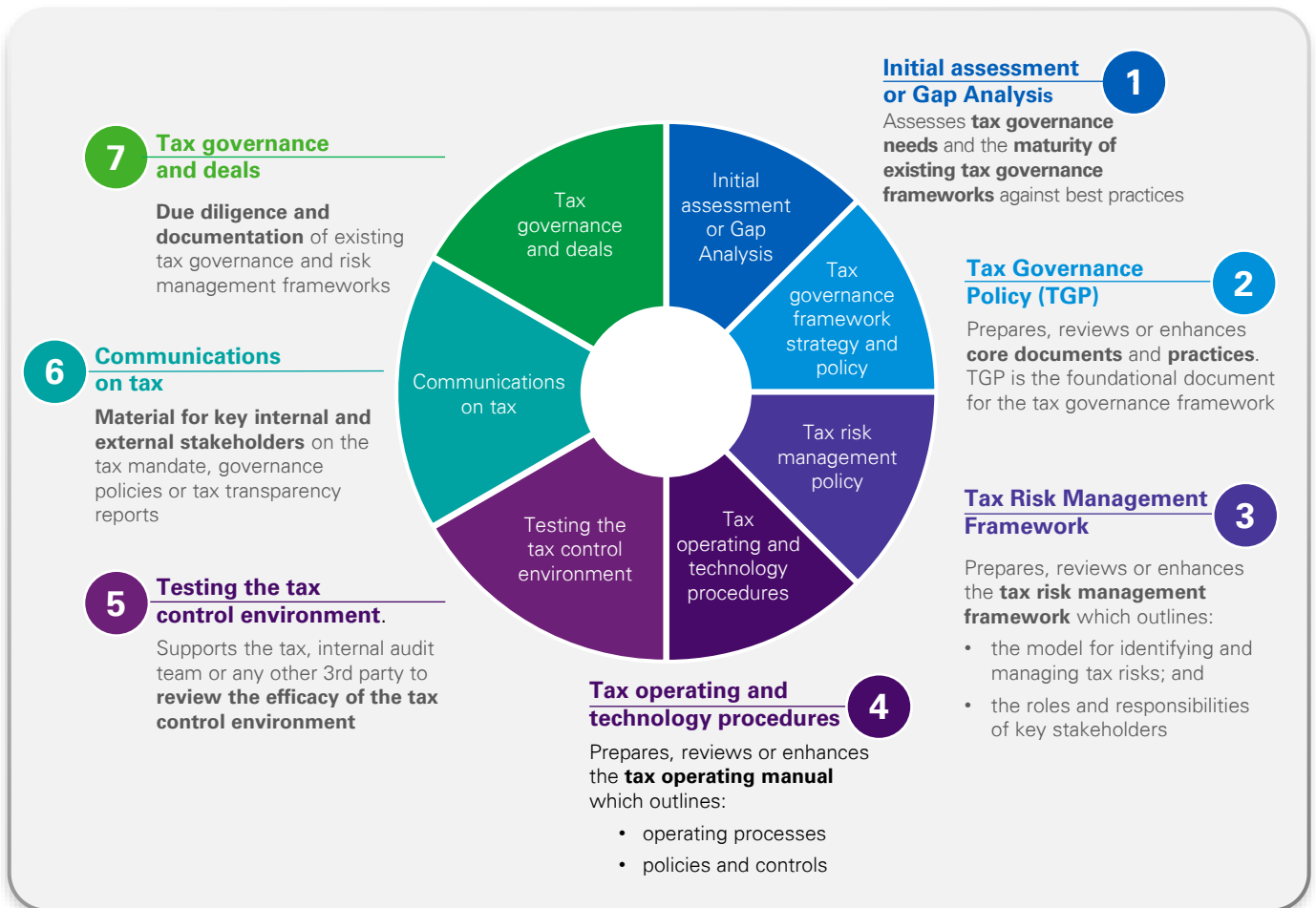
We have extensive experience in providing GST ACAP governance and controls reviews



### Industry-leading tools

Our industry-leading tax governance software, KPMG Tax Control Room, can benchmark your governance status against best practices and your peers

We are also pleased to summarise below some of the key assistance and services that we can provide, as part of your tax transparency journey.



Please contact our Tax Governance team if you would like to discuss your tax strategy and governance and control framework in more detail.

#### About Tax Alert

KPMG Tax Alert highlights the latest tax developments, impending change to laws or regulations, current practices and potential problem areas that may impact your company. As certain issues discussed herein are time sensitive it is advisable to make plans accordingly.

Tax Alert is issued exclusively for the information of clients and staff of KPMG Services Pte. Ltd. and should not be used or relied upon as a substitute for detailed advice or a basis for formulating business decisions.

To uncover more insights on the global tax implications of COVID-19, read our [COVID-19 Global Tax Developments Summary](#)  
Read more of our insights and perspectives at the [KPMG in Singapore Webpage](#)

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