



# UPDATE

on Improving Tax Environment

## The Belt and Road Initiative Tax Administration Cooperation Mechanism

### *EDITOR'S NOTE:*

The strong desire for economic recovery after the COVID-19 pandemic has fired jurisdictions with the enthusiasm for enhancing business environment and they gradually adopted it as a national strategy. The business environment is the sum of the external environment involved in the life cycle of market players from entry, operating, to exit, including political, economic, rule-of-law, market, and tax factors. A jurisdiction's business environment is related to its investment attraction, foreign exchange and international competitiveness, and is an important economic soft power. The *Nur-Sultan Action Plan (2022-2024)* adopted by the Second BRITACOF has listed improving tax environment as one of the main topics and encouraged BRITACOM members to improve their tax environment by preparing taxation guidelines, optimizing procedures of tax law application, providing targeted services to taxpayers and improving taxpayers' compliance. To sum up, in order to facilitate the ease of tax business environment, a two-pronged approach from tax system and administration could be followed, i.e., reducing tax burden which hampers the operation and profitability of enterprises and enhancing tax administration capacity which mainly affects the experience and feelings of enterprises in tax-related aspects. The purpose is to encourage enterprises to focus on business development and minimize unnecessary losses in the process of operation, so as to effectively lift the burden on enterprises, stimulate their vitality, and promote economic growth.

The Special Edition of the BRITACOM Update on Improving Tax Environment is issued, aiming to provide a platform for BRITACOM Council Members, Observers, and other stakeholders to exchange views and share experience for improving tax environment and providing reference. Issue 5 is an article on Inland Revenue Authority of Singapore in embracing agility through innovation and digitalisation to provide excellent taxpayer-centred experiences.

Later we will share more experience of tax administrations from countries and regions and views of international organizations and tax experts with you. If you would like to provide material and experience to the Special Edition, please contact us via email [secretariat@britacom.org](mailto:secretariat@britacom.org) or [britacom@163.com](mailto:britacom@163.com).

# More than Just Tax Administration

## — the Inland Revenue Authority of Singapore

**Abstract:** This article is about the efforts of Inland Revenue Authority of Singapore in embracing agility through innovation and digitalisation to provide excellent taxpayer-centred experiences.

**Keywords:** Agility; Continual innovation; Data analytics; Digitalisation; Service excellence; Smart Nation; Taxpayers

### 1. Introduction and Background

The ongoing digital revolution and advancements in digital technologies are transforming rapidly the way we live, work and play. With the growing volume, changing lifestyles and increasingly sophisticated needs of taxpayers, tax administrations strive to continuously innovate, to improve the taxpayer experience.

The Inland Revenue Authority of Singapore (IRAS) leverages technologies and digitalisation to redefine the experiences of taxpayers and to bring greater value to the community. In line with the Smart Nation initiative announced by Singapore's Prime Minister Lee Hsien Loong back in 2014 for Singapore to harness technology and enhance productivity to improve the lives of the citizens, IRAS has been innovating continuously to improve the taxpayer experience.

### 2. Culture of Agility as an Enabler

Embracing agility and putting it into practice has allowed IRAS to pivot and respond quickly to emerging challenges in a VUCA (volatile, uncertain, complex and ambiguous) world. With agility as both a strategy and a mindset, IRAS (i) anticipates and stays alert to changes in the environment, (ii) innovates and experiments to try new ideas, (iii) responds swiftly, acts urgently and adjusts continually, and (iv) reflects and keeps improving to stay ahead.

The pandemic has severely disrupted global economic and social activities across the globe. A slew of pandemic relief measures were announced by the Singaporean government in 2020 and 2021 to help businesses overcome the widespread and unprecedented impact of the crisis, with the priority on supporting jobs and livelihoods. As part of a unified public service response to the pandemic, IRAS has contributed to wider government efforts by taking on a new function in granting disbursements to provide financial relief for businesses and enterprises affected by the pandemic.

The Jobs Support Scheme (JSS) is one of the key financial support initiatives offered by the Singaporean government. As of February 2021, the JSS payouts have benefited over 2 million local workers employed in more than 150,000 firms. The JSS provides financial support to employers by co-funding employees' wages, thereby helping employers retain their local employees during this period of economic uncertainty. The level of support varies by sector, with the hardest-hit sectors such as aerospace, aviation and tourism receiving more assistance.

The JSS was implemented expeditiously. Pre-COVID-19, IRAS had prior experience in implementing payouts and hence leveraged on the existing disbursement system by means of

agile and progressive enhancement methodology to develop the JSS system within eight weeks. To enable timely and appropriate financial support for our businesses, IRAS avoided lengthy application procedures and instead leveraged on existing data from other government agencies to determine the eligibility and the entitlement of each business, while putting in place an anti-gaming mechanism to ensure that the JSS is not being abused. Through data analytics, IRAS also conducts regular post-processing checks to detect anomalies in the JSS disbursements. This has enabled IRAS to balance timely disbursements with effective protection of public monies. The amount of the support entitled is determined by IRAS automatically and the funds are credited into the bank accounts of the businesses directly.

Short, iterative cycles were also deployed in the implementation of the Rental Relief Framework (RRF). The RRF is a government cash grant to qualifying property owners to provide rental relief for tenants that are small and medium enterprises and non-profit organisations. IRAS recognises that each relief scheme is different, and proactively engages with policy owners on the design of each disbursement scheme whilst keeping the public informed through constant updates on the IRAS website.

In addition to the role as the tax administrator of Singapore, IRAS was designated by the Singaporean government to be the Centre of Excellence for enterprise grant disbursements, which encompasses the facilitation of the smooth roll-out of business disbursement schemes. IRAS reacted quickly to its new functions and in 2021, housed expertise in a new branch for the end-to-end administration of government disbursements to enterprises. Through re-structuring and concentrating expertise in grant disbursements in a single branch, IRAS is able to implement new schemes speedily and help support businesses emerge stronger from the crisis.

For agility to create the most value, we rely on another constant: people—even when working remotely through the pandemic. New capabilities are required to deliver transformation outcomes. Through workforce transformation, a systematic process is put in place to enable an adaptable and future-ready workforce. IRAS officers gain foundational and functional competency through ongoing upskilling and taking ownership of their career development. We advocate career fitness and a life-long learning mindset as this allows IRAS officers to imbue an agile mentality and enhance competency to leverage on digital technologies and analytics to better fulfil IRAS' evolving mandate.

### **3. Continual Innovation**

Inculcating a culture of innovation has allowed IRAS to meet its goal of refining the experiences of taxpayers, engendering ground-up creation of service ideas and out of the box solutions to help businesses comply with their tax obligations. This includes simplifying filing procedures and educating businesses on their tax obligations.

Through developing new online tools such as the “New Company Start-Up Kit” and simplifying existing filing procedures through the launch of Form C-S (Lite), IRAS continues to explore new ways to minimize the time that taxpayers spend on understanding tax filing obligations and the

filing of taxes. These initiatives are elaborated below:

### 3.1 New Company Start-Up Kit

For newly incorporated companies (NICs), IRAS has developed the “New Company Start-Up Kit”, an interactive e-learning guide which provides NICs with customized information to guide them through their first filing obligations with IRAS and the Accounting and Corporate Regulatory Authority of Singapore<sup>1</sup> (ACRA). Upon signing up for the kit, NICs will have access to the following information:

- i) A tailored filing timeline reflecting the important filing due dates with IRAS and ACRA;
- ii) Email reminders that will be sent by IRAS prior to the NICs’ corporate tax filing due dates to remind them of their filing obligations;
- iii) ACRA’s information on filing of Annual Return and holding of Annual General Meeting;
- iv) Goods and Services Tax (GST) information to aid NICs in their understanding of their businesses’ GST registration liability; and
- v) Links to Enterprise Singapore’s<sup>2</sup> websites for NICs to seek information on industry insights, updates on grants and services to enhance their business efficiency.

Since its launch in February 2018, more than 10,500 NICs have used the kit.

### 3.2 Form C-S (Lite)

All companies carrying on a trade or business in Singapore need to report their income to IRAS annually by e-filing their corporate income tax return. There are two types of income tax return, Form C-S and Form C. Form C-S is a simplified income tax return with fewer fields to be completed as compared with the Form C. Qualifying companies with annual revenue of S\$ 5 million or below may use Form C-S, instead of Form C, to report their income.

Form C-S (Lite) was introduced from Year of Assessment<sup>3</sup> 2020 to further enhance the e-filing experience of small companies. Form C-S (Lite) is a streamlined version of Form C-S for companies with straightforward tax matters, requiring only six essential fields to be completed. To qualify to file Form C-S (Lite), companies must have an annual revenue of S\$ 200,000 or below, and meet the existing Form C-S qualifying conditions.

### 3.3 Educational Programmes and Partnerships

IRAS conducts ongoing programmes to educate businesses on new standards, provides guidance to help businesses keep abreast of the latest tax developments and to comply with their tax obligations. For example, in the implementation of the Goods and Services Tax Reverse Charge (RC) and Overseas Vendor Registration (OVR) regime, which was effective from 1 January 2020,

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<sup>1</sup> Singapore’s regulator of business registration, financial reporting, public accounts and corporate service providers.

<sup>2</sup> Statutory board under the Ministry of Trade and Industry in Singapore which champions enterprise development and supports the growth of Singapore as a hub for global trading and startups.

<sup>3</sup> Year of Assessment refers to the year in which income tax is calculated and charged. The assessment is for the income earned in the preceding financial year. For example, for companies with a financial year end of 31 December, the Year of Assessment 2020 is for the basis period of 1 January 2019 to 31 December 2019.

IRAS initiated a series of interactive educational and outreach programmes with potential registrants and RC/OVR businesses to raise awareness of the new regime and educated businesses on the new tax rules to foster greater voluntary compliance.

Internationally, in the implementation of the Common Reporting Standard (CRS), an internationally agreed standard for the automatic exchange of financial account information between jurisdictions for tax purposes, IRAS issued CRS Compliance Guidelines<sup>4</sup> in July 2019 and organised industry engagement events to raise awareness on the CRS compliance approach that would ensure industry's effective compliance with the implementation of CRS in Singapore. IRAS believes in working with the community to help taxpayers understand their tax obligations, and to facilitate business growth and wealth through sound and effective tax policies. In this regard, IRAS has formed partnerships with relevant stakeholders to improve the business environment for tax compliance. Under the Strategic Partnership Programme, IRAS partners with large businesses and the Singapore Chartered Tax Professionals<sup>5</sup> to develop a tax governance policy framework for large businesses. The framework seeks to encourage good tax governance and practices for both Corporate Tax and GST. Under the Enhanced IRAS-Tax Agent Relationship Framework, IRAS partners and collaborates with tax agents, particularly in the area of training and improving the competence of tax agents in recognition of the close working relationship they have with their clients, and their valuable insights of the clientele's business needs and concerns.

#### **4. Leveraging on Data and Technology to Deliver Digital Solutions to Create Better Experiences for Taxpayers**

Early investment made by IRAS in the fields of technology, artificial intelligence (AI) and data analytics have laid a strong foundation for IRAS to offer digital services and solutions to taxpayers. IRAS has also enhanced (i) partnership with the digital ecosystem, and (ii) the way we communicate and serve our taxpayers.

##### **4.1 Enhancing Partnership with the Digital Ecosystem**

Through collaborations with various partners, IRAS has encouraged enterprises' digital transformations to reap the benefits of going digital from a business and tax perspective. Efforts were focused on digitalising processes in relation to filing and payments/refunds.

###### **4.1.1 Digital Filing for Small and Medium-Sized Enterprises**

For most Small and Medium-Sized Enterprises (SMEs), statutory filing obligations to IRAS and ACRA are last on their minds. To meet such obligations, SMEs commonly incur additional costs to engage third party service providers. Mindful of such challenges, IRAS and ACRA saw opportunities to streamline the preparation processes, and at the same time redefine the filing experience for these companies.

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<sup>4</sup> IRAS (2019). *IRAS e-Tax Guide*,

[https://www.iras.gov.sg/irashome/uploadedFiles/IRASHome/Quick\\_Links/International\\_Tax/IRAS%20CRS%20Compliance%20Guidelines%20e-Tax%20Guide.pdf](https://www.iras.gov.sg/irashome/uploadedFiles/IRASHome/Quick_Links/International_Tax/IRAS%20CRS%20Compliance%20Guidelines%20e-Tax%20Guide.pdf).

<sup>5</sup> An accreditation body for local tax professionals.

In line with the Smart Nation initiative to promote digitalisation among the SMEs, IRAS and ACRA collaborated with five accounting software vendors to co-create a seamless digital filing solution that allows SMEs to automate the preparation and filing of statutory returns and financial data directly from their accounting software to IRAS and ACRA. For tax purposes, the accounting software prepares the tax computation and tax return (Form C-S) which are submitted directly to IRAS via the Application Programming Interfaces (APIs). Safeguards are in place, through the Corppass<sup>6</sup> API to maintain confidentiality of SMEs' financial information and to ensure that only the authorised end-user submits the documents and returns to the two agencies. SMEs can also tap the existing government support schemes for funding of the accounting software.

This initiative significantly reduces the time spent by SMEs in the preparation and filing process and simplifies the tax filing preparation to the extent that it can be done without the need for tax knowledge (through an automatic tax conversion tool that retrieves relevant accounting data and converts them into tax data). The solution also improves the accuracy of the statutory returns submitted. In addition, the initiative allows SMEs to enjoy productivity gains through the direct transmission of data to IRAS, instead of keying them manually into the IRAS digital service. What previously took a SME approximately nine hours to prepare and file can now take as little as 35 minutes. This translates to time savings of more than 90%. The initiative has received strong endorsement from SMEs which have used the software.

#### 4.1.2 Chat Filing for Taxi and Private Hire Car Drivers

In 2020, IRAS collaborated with GovTech, the government agency driving Singapore's Smart Nation initiative and public sector digital transformation, to develop a conversational style chatbot as proof-of-concept for approximately 6,000 taxi and private hire car drivers. Technical jargon was replaced with users' natural language to make the tax form more understandable, and the conversational approach mimicked the experience of having an IRAS officer guide them through their filing. Close to 1,000 users had used this mode to file their taxes in 2020, and found the chatbot intuitive. In 2021, we enhanced the service based on users' feedback and would be scaling it up to more taxpayers as well as extending it to hawkers.

#### 4.1.3 Digital Payments

As part of Singapore's drive to adopt digital contact free payments, IRAS has collaborated with DBS bank to integrate APIs into IRAS' operating framework to digitalise payments. The initiative promotes the usage of digitalising tax payments and collections via GIRO and PayNow<sup>7</sup> to encourage businesses to go cheque free. Apart from the convenience of using digital methods to make tax payments, taxpayers also benefitted from instant settlement and real-time status updates of their outstanding tax balance. IRAS has also leveraged on the initiative to disburse

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<sup>6</sup> Corppass is a corporate digital identity for businesses and other entities (such as non-profit organisations and associations) to transact with Singaporean government agencies online.

<sup>7</sup> PayNow is a secure funds transfer service that allows customers to receive money into their participating bank account via mobile number, NRIC/FIN, Company Unique Entity Number or Virtual Payment Address.

government payouts (such as the JSS payouts), which proved critical during the pandemic when businesses' employees had to work from home. Businesses which adopted the initiative receive the payouts earlier and in a timely manner, as compared with the conventional method of receiving the payouts by cheques.

## 4.2 Strengthening Communication and Service to Taxpayers

### 4.2.1 Digital Communication and Interaction

In line with the Singaporean public sectors' focus on digital transformation, IRAS has been exploring innovative ways to improve the digital experience of our taxpayers, and at the same time, help them to fulfil their tax obligations in the most seamless manner.

To improve taxpayers' user experience on our corporate website, IRAS sought to use the best technologically advanced methods to understand our taxpayers' needs and behaviour. For example, we were the first government agency in Singapore to apply NeuroVision, an automatic attention prediction AI tool, to aid in reorganising key content within webpages. Validated by A/B testing<sup>8</sup>, customer satisfaction improved significantly from 38% to 83%, as taxpayers find the reorganised webpages more intuitive and clearer.

To truly offer an end-to-end digital experience for our taxpayers, IRAS also looked at how we communicated with them. From May 2021, most IRAS notices will be digitised, with paper notices minimised. By default, a digital copy of the tax notice will be uploaded in myTax Portal<sup>9</sup> and taxpayers will be notified once it is ready for viewing. Through this initiative, taxpayers will enjoy convenient online access to their notices, receive timely communications and be able to fulfil their tax obligations more readily.

As we had pivoted early in the digital transformation movement, we were able to quickly scale up and widen the provision of digital services during the pandemic, enabling us to maintain high levels of tax compliance and taxpayer satisfaction. For example, IRAS had begun piloting the use of video conferencing to serve our taxpayers digitally in February 2020. This was prior to when the nationwide safe management measures were implemented. Instead of dampening our digital transformation efforts, the pandemic accelerated it. Apart from redesigning the space at the IRAS Service Centre to accommodate safe distancing measures, we were able to successfully shift walk-ins to digital channels. From June 2020, we served taxpayers by appointment only and via video conferencing by default. Those who walked in were either channeled to designated self-help kiosks to be assisted remotely via video conferencing or given the option to speak with our officers via video conferencing from the comfort of their homes on another day, where they will receive a short message service with a link to join the Video Conference on the requested appointment date. Since then, we had served more than 21,000 taxpayers via this mode and had received highly positive feedback.

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<sup>8</sup> A/B testing (also known as split testing) is a user experience research methodology.

<sup>9</sup> MyTax Portal is a secured and personalised portal to view and manage tax transactions with IRAS.

We also explored the use of acoustic pods to improve the video conferencing experience. As the existing Service Centre setup could allow taxpayers of neighbouring counters to overhear conversations, confidentiality is potentially compromised. To address that, the acoustic pods seek to provide taxpayers with a conducive environment to safely discuss their personal tax matters with officers over video conferencing, as it isolates sound internally and externally. This initiative was first trialled in October and November 2020 with 116 taxpayers. As feedback was mainly positive, we procured another 12 pods. Since 14 March 2021, we had served approximately 3,500 taxpayers in these pods.

#### 4.2.2 Quicker Refunds and Registration to Serve Taxpayers Better

IRAS' embedded analytics models within IRAS' business processes and core tax processing system have enabled a better targeting of risky GST refund claims and speedier processing of GST registration applications. For GST registrations, IRAS is now able to automatically process lower-risk applications so that businesses can be GST-registered promptly to fulfil their GST obligations. High-risk applications are systematically flagged out by using data analytics for more in-depth review.

### 5. Providing Tax Certainty

To facilitate voluntary tax compliance, IRAS adopts a multi-pronged approach to provide tax certainty to our taxpayers. To provide clarity and administrability on the more complex tax matters, IRAS regularly publishes advance tax rulings, and new or updated e-Tax Guides on a variety of tax issues/matters. Other initiatives that seek to provide tax certainty include the Enhanced Taxpayer Relationship (ETR) Programme, participation in the Organisation for Economic Co-operation and Development (OECD) International Compliance Assurance Programme (ICAP) and Singapore's adoption of the use of arbitration as an additional mechanism for the resolution of Mutual Agreement Procedure (MAP) cases.

The e-Tax Guides aim to provide taxpayers with IRAS' guiding principles on specific tax topics, compliance requirements, examples of practical scenarios and other information to facilitate voluntary compliance and provide better clarity on IRAS' positions. Some examples of the recently published e-Tax Guide include transfer pricing guidelines for centralised activities in multinational enterprise groups and income tax treatment of digital tokens. To enhance taxpayers' understanding of IRAS' interpretation and application of tax laws in specific scenarios, IRAS has worked with key stakeholders in the tax ecosystem to implement a framework to publish advance rulings summaries. The publication framework has features that protect taxpayers' information and business arrangements while ensuring published rulings enhance taxpayers' understanding of tax laws.

The ETR Programme is a service initiative aimed at building an open and collaborative taxpayer relationship through regular engagement with large companies. It is designed to address the needs of large companies, which are generally more complex, and help these companies manage their tax compliance. It offers large companies the benefits of finalising their tax assessments in a



timely manner through a collaborative review process with IRAS, as well as tax certainty on significant current events through consultation with IRAS. During the engagement, IRAS gains a better understanding of the company's business operations which enables IRAS to better identify and address revenue risks early.

IRAS will also be participating in the ICAP from 2021, a voluntary risk and assurance programme to facilitate co-operative multilateral engagements between multinational enterprises (MNEs) and tax administrations developed by the OECD. The ICAP complements the ETR Programme, and augments other programmes to provide upfront tax certainty to MNEs.

The adoption of mandatory binding arbitration complements the existing MAP process provided under the tax treaties. Arbitration will provide finality for the taxpayers as a decision rendered by the arbitrators will be binding on the competent authorities (unless the taxpayer chooses to disagree with it, in which case the taxpayer may still pursue domestic remedies e.g. through litigation).

## **6. Conclusion**

The vision and principles of an agile IRAS has allowed the organisation to anticipate and be responsive to change, as well as rapidly transform in a dynamic fast-evolving environment. Continual innovation has allowed IRAS to develop new ideas and initiatives to redefine taxpayer-centred experiences. Through leveraging and adopting new technologies, IRAS is able to work with the community to shape social norms that embrace the value of taxpaying and improve tax compliance. By providing tax certainty, IRAS aims to foster a competitive tax environment that facilitates economic growth.



## **BRITACOM Update on Improving Tax Environment**

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