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Oct 1, 2005

Time to reduce taxpayers' burden of record-keeping

By Ivan Png

For The Straits Times

A RECENT World Bank study rated Singapore as the second most business-friendly country in the world. (New Zealand ranked first.) We should do our best to maintain, if not improve, our attractiveness to business. One important and obvious way is to cut the burden of record-keeping for income tax.

Currently, the Income Tax Act requires taxpayers to keep 'sufficient records for a period of seven years from the year of assessment'.

The extent of this requirement is not quite clear, as the 'year of assessment' is the year following the year of income and expense.

The Inland Revenue Authority of Singapore's (Iras) information on Keeping Proper Records And Accounts clarifies: 'For example, you are required to retain business records and accounts of year 2004 from now until the end of the calendar year 2011.' So, the Act requires records to be kept for up to eight years (for example, from January last year until December 2011). This requirement dates back to 1994, prior to which the Income Tax Act did not specify a time limit.

We have fallen behind other developed countries. Australia requires that records be kept for five years after the record was prepared or completion of transaction, whichever is later. The United Kingdom requirement is six years for limited companies and five years for other businesses. The United States requirement is three to seven years, depending on the nature of the record.

The record-keeping requirement of the Income Tax Act also exceeds requirements under our Limitation Act. The Limitation Act specifies a six-year limit for actions in contract and tort. With various laws specifying different record-keeping requirements, the hapless taxpayer ends up being bound by the most burdensome requirement.

Today, Iras receives electronically information on salaries, dividends and profits, tax returns and so on. Its systems for processing and analysis are so highly computerised that it has reduced its workforce.

Extensive computerisation of taxpayer returns, processing and analysis must have substantially speeded up Iras' tax administration. Surely, in 2005, Iras need not force taxpayers to dig back eight years into their records?

It is time to cut the burden of record-keeping. My suggestion is to cut the requirement to three years from the year of assessment for individuals

and small businesses. This would be in line with the US. For larger businesses, I suggest that the requirement for record-keeping be six years, in line with the Limitation Act.

These reliefs would dovetail with the Government's efforts to simplify policies and procedures for all Singaporeans. They would be especially beneficial to individuals and small businesses, for whom record-keeping is relatively more onerous. (Let me disclose that I personally have several bulging folders of tax records awaiting disposal.)

Now is the time to enact the reliefs - as Parliament deliberates various amendments to the Income Tax Act. The proposed reliefs will also give us a leg up on New Zealand in terms of friendliness to business. New Zealand requires that tax records be kept for seven years. How about it, Iras?

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