



**CLA Global TS**  
The Growth Strategist For Asia

# Voluntary Disclosure Program (VDP): Minimizing Penalties with Proactive Compliance



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# Voluntary Disclosure Program (VDP): Minimizing Penalties with Proactive Compliance

Maintaining robust tax compliance is a key priority for businesses in Singapore. Even with the best intentions, tax errors can occur. The **Voluntary Disclosure Program (VDP)** introduced by the Inland Revenue Authority of Singapore (“IRAS”) offers businesses an opportunity to correct these errors and reduce penalties. When paired with the principles of the **Tax Governance Framework (“TGF”)**, the VDP becomes a cornerstone for businesses aiming to achieve comprehensive compliance.

## What Is the VDP?

The VDP is a voluntary compliance initiative by IRAS that allows businesses and individuals to disclose errors in their tax filings, including Corporate Tax, Income Tax (such as errors related to cash payouts or bonuses), GST, Withholding Tax, and Stamp Duty. By meeting specific qualifying conditions, taxpayers can benefit from reduced penalties or, in some cases, a full waiver.

To qualify, a voluntary disclosure must be:

- 1. Accurate and Complete:** All relevant details of the errors must be provided.
- 2. Timely and Self-Initiated:** Disclosures must occur before IRAS begins an audit or investigation, or sends a query regarding the specific matter.



# How the VDP Reduces Penalties

## 1. Errors Within the 1-Year Grace Period


No penalties are imposed if errors are disclosed within one year of the statutory filing deadline.

## 2. Errors Beyond the Grace Period

Penalties are reduced to 5% of the tax undercharged or GST amount owed for each year of delay, provided qualifying conditions are met.

## 3. For TGF-Adopting Companies

Businesses with TGF approval enjoy a **one-time extended grace period of two years** for voluntary disclosure of errors, further reducing compliance costs.



One of our clients unintentionally classified a **taxable income distribution** as a **tax-exempt dividend** in their recent YA 2023 filing. This misclassification led to an underreporting of taxable income, which could have resulted in penalties and strained relations with IRAS.

We conducted an internal compliance review, identified the issue, and guided the client through the VDP process. By submitting a timely and accurate disclosure, the client successfully mitigated penalties and resolved the matter with IRAS. This proactive step not only rectified their YA 2023 filing but also strengthened their commitment to transparent tax practices, fostering a positive relationship with IRAS.

## Real-Life Example: How We Helped a Client

## The Connection Between TGF and VDP

The TGF emphasizes proactive governance and transparent tax practices, while the VDP serves as a tool to address past mistakes in line with these principles. By aligning these initiatives, businesses can:

- Build trust with IRAS through timely disclosures.
- Minimize penalties and avoid reputational risks.
- Strengthen internal tax compliance processes, reducing future risks.

## Steps to Leverage the VDP Effectively

### Conduct Internal Reviews

Regularly review tax filings, including income tax classifications, to identify discrepancies.



### Prepare Accurate Disclosures

Ensure all errors, including those related to uncertain tax positions, are well-documented with supporting evidence.

### Engage Professional Tax Advisors

Tax specialists can provide guidance on preparing disclosures and navigating the VDP process.



### Submit Disclosures Promptly

Use the specified submission method to submit disclosures promptly.

## Why Work With Us?

At **CLA Global TS Tax Services**, we specialize in helping businesses align their tax practices with the TGF and prepare voluntary disclosures under the **VDP**. Our services include:

- Conducting internal compliance reviews.
- Identifying and rectifying tax errors, including those related to **taxable income misclassifications** and **uncertain tax positions**.
- Preparing accurate and timely submissions to IRAS.

In addition, we offer a **Corporate Tax Health Check** as part of good **tax risk management** practices to detect potential tax issues. This allows businesses to proactively identify potential errors, mitigate risks, and ensure full compliance with IRAS requirements. In addition, such exercise would may also present opportunities to identify areas for tax efficiencies.

## Take the First Step Today

Voluntary disclosure is not just a corrective measure—it's a strategic step toward building a resilient and transparent tax governance structure. Let us help you stay ahead with a **Corporate Tax Health Check** as part of your proactive tax risk management strategy. Contact us today to learn more about how we can enhance your compliance and minimize risks.

# Contact us

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