Frequently Asked Questions (FAQs)

**General questions:**

Q: Why is there a requirement for the VAP form to be certified by auditor or CEO (or any equivalent)? Can’t we just send our audited accounts for BCA’s verification?

A: As certain data items required for the computation of VAP such as indirect taxes and number of employees are generally not shown in company’s audited accounts, the certification of the form by auditor / CEO (or any equivalent) serves as a declaration on the accuracy of data submitted to BCA.

Q: My financial statements are based on consolidated group accounts. Should I submit for my company or for the whole group?

A: The submitted VAP should be computed based on company’s accounts only. For foreign subsidiaries or branches, the submitted VAP should be based only on accounts of subsidiary or branch located in Singapore.

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**Questions relating to the five data items:**

I. **TOTAL REMUNERATION**

Q: In deriving total remuneration, should we include staff training costs?

A: No, staff training costs should be classified under operating expenditure.

Q: Should the value of share options (which are not cash settled) given by the company or parent company be included in total remuneration?

A: Yes.

Q: We have made provision for bonus for the audited year but it will only be paid out in the following year. Should we include this amount in the remuneration of the audited year?

A: Yes, provision of bonus should be included in remuneration of the audited year even though it will only be paid out in the following year.
Q: If the director of the company stays in the house owned by the company, should this be included under total remuneration (benefit-in-kind - housing). If yes, how should it be valued?

A: Yes, this item should be included in total remuneration. You will have to do a valuation on the benefits derived from the provision of housing for your employees, such as based on estimated rental value.

Q: Insurance premiums - What kind of insurance are we referring to?

A: Insurance premiums are premiums paid for insurance bought for the company’s employees. This includes the insurance under the Workmen Compensation Act.

Q: If firm pays personal income taxes for some of their employees as part of their remuneration package, can we include the amount paid under remuneration?

A: Yes, include this under remuneration as it can be treated as benefit-in-kind.

Q: If the company pays for workers’ dormitories, is this treated as a benefit-in-kind?

A: Yes, if the company does not charge the workers for it.

Q: The company gets reimbursement from the government for part of the salary of their employees who attend courses during office hours. This reimbursement is treated by the company as Other Income. So should this reimbursement be reflected in the total remuneration?

A: This reimbursement should not be included in total remuneration as it is not considered a benefit-in-kind to the employees but more so as a benefit for the company. If you were to add this reimbursement to total remuneration, it would be a double count of employees’ salary as full salary is still paid when they attend courses.

This reimbursement should instead be included under operating income since job credit grants are also treated as an operating income.

Q: The company pays for workers’ travelling expenses to and fro from workers’ dormitory. Is this part of benefit-in-kind?

A: Yes.

Q: The company pays for all refreshments such as water dispenser, food supplies in office pantry etc for employees. Is this part of benefit-in-kind?

A: Yes.

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II. OPERATING PROFIT BEFORE TAX

Q: Are scholarships considered operating expenditures?

A: Scholarships are not operating expenditures as operating expenditures refer to current expenditures incurred by the firm for its business operations.

Q: For 'Operating Profit before tax', do we adjust for our share of profits/losses from joint venture construction projects which are picked up as an operating receipt? If yes, how do we calculate number of employees relating to our share?

A: Share of profits/losses from joint venture construction projects should be **excluded** from the VAP computation as joint venture companies are considered a separate entity.

Employees from joint venture companies should be excluded as well since they are not directly under the company's payroll.

Q: Is share of profit/loss from associated companies considered as an operating receipt?

A: Profit/loss from associated companies should be **excluded** from the VAP computation as you should be calculating the company’s operating receipts only.

Q: Working directors of the company are paid by the holding company. Should their remuneration be added back to the company’s total remuneration?

A: No. These working directors are not on the payroll of the company. They are on the holding company’s payroll. Hence their remuneration **should not** be added into the VAP computation. These working directors **should not** add to the number of employees of the company as well.

Q: Are commissions paid to banks in respect of performance bonds considered operating expenses?

A: No, they are considered **non-operating** expenses.

Q: Are bank charges and interest paid considered operating expenses?

A: **Bank charges** refer to expenses such as bank fees, wire fees, service charge, commissions, etc. As bank charges are incurred by a firm as a result of performing its normal business operations, they are considered as operating expenses.

However, **interests paid** for bank loans or other forms of cost of borrowing such as trust receipt interest are considered non-operating expenses.
Q: Are annual dividend income paid to our holding company considered an operating expense?
A: No, it is a non-operating expense.

Q: Should we include job credit grants in ‘operating profit before tax’?
A: Yes, treat job credit grants as an operating income.

Q: Are consultancy services received considered operating income?
A: Yes.

Q: Are provisions (e.g. for bad debt, rectification, unforeseen circumstances, etc) considered operating expenses?
A: No. They are non-operating expenses.

Q: If rent paid for rental of office is considered an operating expenditure, shouldn’t rent paid for land be considered an operating expenditure too?
A: Rent paid for rental of office is typically recorded as operating expenditure whereas rent paid for land is recorded as non-operating expenditure under the national accounts.

Q: If the rental of land is used for storing machinery, shouldn’t the rent be considered as an operating expenditure?
A: Rent from land is always not treated as intermediate consumption in the national accounts regardless of what the land is used for. Hence it is a non-operating expenditure.

Q: Is Temporary Occupation License (TOL) fee classified as operating/ non-operating expenditure?
A: As temporary occupation licence (TOL) is a fee paid for rental of land, it is not treated as intermediate consumption in the national accounts. Hence it is a non-operating expenditure.

Q: How do we treat government subsidies such as SME Rebate Scheme received by firms?
A: They should be treated as operating receipts.

Q: Is ‘compensation income’ considered an operating income?
(An example of compensation income could be a settlement amount from a breach in contract.)
A: The settlement amount from a breach in contract is not an operating income.
III. **DEPRECIATION**

Q: Is amortisation the same as depreciation?

A: **Amortisation** is applicable to intangible assets such as trademarks and patents, etc., while **depreciation** is applicable to tangible assets like office equipment, plant & machinery, etc.

Amortization and depreciation can be included in the calculation of VA so long as they are fixed assets or computer software, etc. Amortization or depreciation of other items such as goodwill and marketing assets should be excluded as they are not considered fixed assets under national accounts.

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IV. **INDIRECT TAXES AND LEVIES**

Q: Is Goods & Services Tax (GST) considered an indirect tax?

A: No. It is not an indirect tax. VAP computation should **exclude GST**.

Q: Indirect taxes include license fees. What type of license fees are you referring to here?

A: Indirect taxes generally include license fees which are paid to government and not those paid to businesses (e.g. accounting software license should not be included under license fees).

Q: Are withholding taxes considered an indirect tax?

A: Withholding taxes are paid to foreign bodies/agencies and are not considered indirect taxes here. **Exclude** this from the VAP computation.

Q: Should we include Skills Development Levy?

A: **Exclude** Skills Development Levy from the VAP computation.

Q: Should we include provision for taxes?

A: According to the System of National Accounts (SNA), provisions (e.g. for taxation, bad debts) are not included in the computation for value added as they are typically considered non-operating expenditures.

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V. **TOTAL NUMBER OF EMPLOYEES**

Q: Should we include temporary staff and their recruitment expenses?

A: Yes, it is the same treatment since both permanent staff and temporary staff are under the company’s payroll. The headcount of temporary staff and their remuneration should be included under total number of employees and total remuneration respectively.

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