



INLAND REVENUE  
AUTHORITY  
OF SINGAPORE

# Frequently Asked Questions

## Tax Treatment of Incentives provided to Commission Agents



### Questions

1. Other than the commission paid to our commission agents, we also provide them with many other different types of incentives. How do we determine the taxability of such incentives provided? ..... 3
2. The top performing agents may receive non-monetary incentives (e.g. a plaque, a trophy) for their outstanding performance for the year. Are these non-monetary incentives taxable?..... 3
3. The top performing agents receive a cash award of \$5,000 for their outstanding performance for the year. Is the cash award taxable? ..... 3
4. If the non-monetary awards / cash awards are given by the up-line, instead of the company, to the agents for their performance, are these taxable?..... 3
5. The agents are provided with flight ticket(s) to attend International Conferences/Convention. Are these taxable? ..... 4
6. Are overseas incentive trips provided to agents that meet certain performance targets taxable? If such incentive trips are provided locally, for example, a two nights stay at a local 5-star hotel, are they taxable? ..... 4
7. The company decides to hold a 2 days training session overseas to introduce and equip all the agents with knowledge about a new product. All the overseas expenses such as accommodation, meals and transport are paid for by the company. Are these taxable? ..... 4
8. The company will be holding a team bonding event to build camaraderie amongst its agents, is this taxable? What if the agents may bring along their spouses and children for the event?..... 4
9. To recruit and retain working mothers in the company, agents who are mothers will receive a child-care subsidy in respect of the child care fees that they pay for sending their children to a child care center. Is this subsidy taxable? ..... 4
10. To incentivise agents to join the company as a property agent, the company pays for the CEA license fees that the agent is required to hold before he can be a property agent. Is this taxable?..... 5
11. The top performing agents are usually invited to join certain privileged association to network and share resources, for example, Million Dollar Round Table (MDRT) membership. To reward such agents for their

- performance, the company may provide certain incentives, for example, travel subsidy and overseas accommodation to attend the association's annual meeting etc. Are these taxable? .....5
12. Some agents are provided with sign-on incentive bonus which has to be repaid fully or partially to the company if certain targets are not met. Are these taxable? ..... 5
13. If the agents incur expenses relating to conferences and meetings that they are attending (e.g. MDRT), of which the company's incentives did not cover, are these expenses claimable against the commission income of the agents? ..... 5
14. If the agents incur fees to renew their license (e.g. CEA license), are these fees claimable against the commission income of the agents?..... 5

## Answers

1. Other than the commission paid to our commission agents, we also provide them with many other different types of incentives. How do we determine the taxability of such incentives provided?

As a general principle, all incentives provided by the company are taxable in the hands of the agents because they are generally provided to either motivate the agents to perform so as to increase sales of the company's products or to reward the agents for their performance when certain targets are met. Incentives would not be taxable only if they are not tied to the performance of the agents. For example, door gift and prizes provided during team bonding event, tickets to annual awards night where the attendees are not selected based on their performance.

[BACK TO TOP](#)

2. The top performing agents may receive non-monetary incentives (e.g. a plaque, a trophy) for their outstanding performance for the year. Are these non-monetary incentives taxable?

All non-monetary incentives given as a reward for the agents' performance are taxable, unless the items provided have no commercial value (e.g. plaque, trophy).

[BACK TO TOP](#)

3. The top performing agents receive a cash award of \$5,000 for their outstanding performance for the year. Is the cash award taxable?

Yes, the cash award of \$5,000 is taxable, being incentives tied to the performance of the agents.

[BACK TO TOP](#)

4. If the non-monetary awards / cash awards are given by the up-line, instead of the company, to the agents for their performance, are these taxable?

As the award is given as a reward for the performance of the agents, it is taxable regardless of whether the award is given by the company or the up-line. The agent has to report incentives received from all sources.

[BACK TO TOP](#)

5. The agents are provided with flight ticket(s) to attend International Conferences/Convention. Are these taxable?

If the tickets are given to motivate the agents to generate more sales or as a reward for outstanding performance, they are taxable.

[BACK TO TOP](#)

6. Are overseas incentive trips provided to agents that meet certain performance targets taxable? If such incentive trips are provided locally, for example, a two nights stay at a local 5-star hotel, are they taxable?

As the trips are meant to reward agents for meeting certain performance targets, the cost of the trips are taxable regardless of whether they are overseas trips or stays at local hotels.

[BACK TO TOP](#)

7. The company decides to hold a 2 days training session overseas to introduce and equip all the agents with knowledge about a new product. All the overseas expenses such as accommodation, meals and transport are paid for by the company. Are these taxable?

If the trip is not tied to the performance of the agents and the purpose of the trip is intended to equip the agents with necessary knowledge about a new product, the sponsored costs of the trip are not taxable in the hands of the agents.

[BACK TO TOP](#)

8. The company will be holding a team bonding event to build camaraderie amongst its agents, is this taxable? What if the agents may bring along their spouses and children for the event?

Generally, if the team bonding session is meant to foster goodwill and relationship between agents and the company, the agents are not considered as deriving a taxable incentive. Where such events include sponsored costs such as hotel accommodation and airfare paid for the family members of the agents, these would be taxable in the hands of the agents.

[BACK TO TOP](#)

9. To recruit and retain working mothers in the company, agents who are mothers will receive a child-care subsidy in respect of the child care fees that they pay for sending their children to a child care center. Is this subsidy taxable?

The child-care subsidy is taxable as it is meant to incentivise agents who are mothers to work for the company.

[BACK TO TOP](#)

10. To incentivise agents to join the company as a property agent, the company pays for the CEA license fees that the agent is required to hold before he can be a property agent. Is this taxable?

The payment of the CEA license fees by the company is taxable as it is provided to incentivise the agents to join the company.

[BACK TO TOP](#)

11. The top performing agents are usually invited to join certain privileged association to network and share resources, for example, Million Dollar Round Table (MDRT) membership. To reward such agents for their performance, the company may provide certain incentives, for example, travel subsidy and overseas accommodation to attend the association's annual meeting etc. Are these taxable?

These incentives are taxable as they are provided as a reward for outstanding performance.

[BACK TO TOP](#)

12. Some agents are provided with sign-on incentive bonus which has to be repaid fully or partially to the company if certain targets are not met. Are these taxable?

Yes, such sign-on bonus paid to the agents are taxable at the point the full payment is made. In the event that such bonus is clawed back/repaid to the company when the agents did not meet the targets, the agents can claim the amount as a deduction in the year of claw back/repayment.

[BACK TO TOP](#)

13. If the agents incur expenses relating to conferences and meetings that they are attending (e.g. MDRT), of which the company's incentives did not cover, are these expenses claimable against the commission income of the agents?

The deductibility of such expenses depend on whether they are incurred wholly and exclusively in the production of their commission income. In the example of MDRT, all MDRT expenses are not allowed as tax deductions, being not incurred wholly and exclusively in the production of income as such meetings and conferences are for social networking purposes.

[BACK TO TOP](#)

14. If the agents incur fees to renew their license (e.g. CEA license), are these fees claimable against the commission income of the agents?

The agents can claim the license renewal fees incurred against the commission income as they are incurred wholly and exclusively in the production of income.

[BACK TO TOP](#)

---

## Contact Information

For enquiries on this FAQ, please call 1800 356 8300 or email [se@iras.gov.sg](mailto:se@iras.gov.sg).

Published by  
Inland Revenue Authority of Singapore

Published on 5 Sep 2019

The information provided is intended for better general understanding and is not intended to comprehensively address all possible issues that may arise. The contents are correct as at 5 Sep 2019 and are provided on an "as is" basis without warranties of any kind. IRAS shall not be liable for any damages, expenses, costs or loss of any kind however caused as a result of, or in connection with your use of this user guide.

While every effort has been made to ensure that the above information is consistent with existing policies and practice, should there be any changes, IRAS reserves the right to vary its position accordingly.

© Inland Revenue Authority of Singapore