

Back to Basics:

Goods and Services Tax (GST)

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Agenda

- GST compliance obligations
- GST classification – types of supply
 - Output tax
 - Input tax
 - Partial exemption
- Common GST mistakes
 - Related party transactions
 - Others
- Claiming GST/VAT in other countries
- Tax risk management and mitigation

GST compliance obligations

GST returns

- **GST F5 return** – For periodic filing of GST return
- **GST F7 return** – To correct errors in F5/F7/F8
- **GST F8 return** – Final GST return

GST filing deadlines

Normal accounting period

| | Without GIRO plan | With GIRO plan for GST payment | |
|-----------------------|-----------------------------|--------------------------------|---------------------|
| GST Accounting Period | Filing and Payment Due Date | Filing Due Date | GIRO Deduction Date |
| Jan - Mar | 30 Apr | 30 Apr | 15 May |
| Apr - Jun | 31 Jul | 31 Jul | 15 Aug |
| Jul - Sept | 31 Oct | 31 Oct | 15 Nov |
| Oct - Dec | 31 Jan | 31 Jan | 15 Feb |

Source : IRAS

Special accounting period

E.g.

Accounting period
5 Apr 2018 to 5 Jul 2018

Due date
5 Aug 2018

GST F5 return

**GST F5
GOODS AND SERVICES TAX RETURN
Goods and Services Tax Act (Cap 117A)**

Name : YourCompany
 Tax Reference No. : 0.0
 GST Registration No. : 451245688
 Due Date :
 Period covered by this return : 01-08-2017 to 31-08-2017

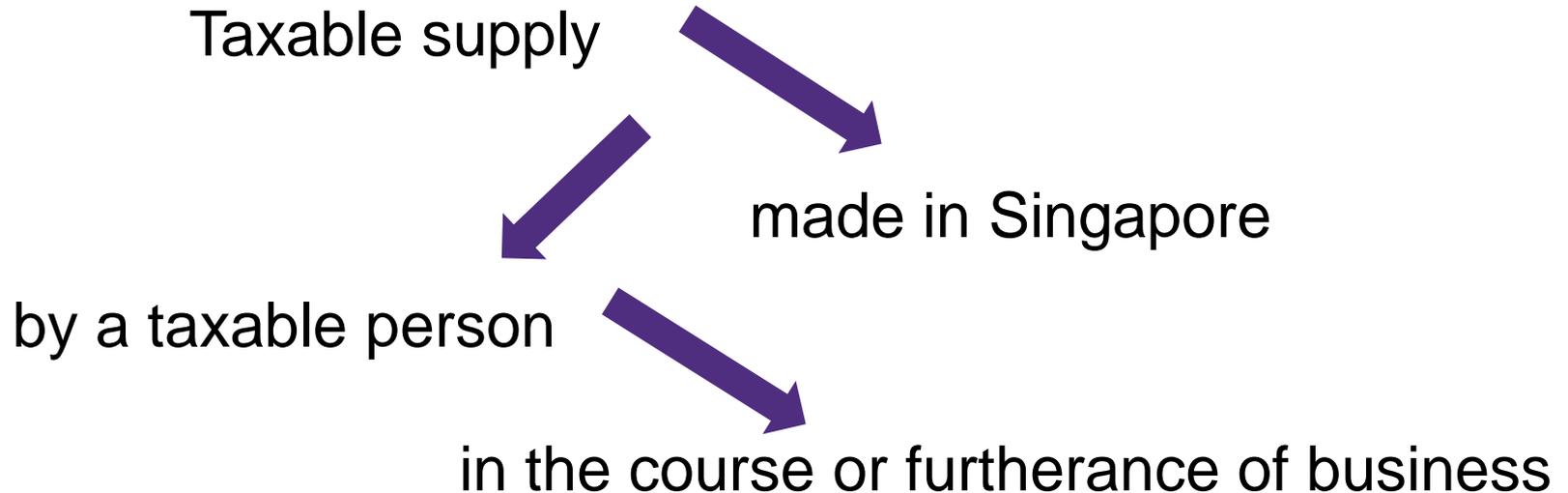
| | | |
|---|----------|-----------------------|
| Supplies | | |
| Total value of standard-rated supplies | 0.00 | <input type="radio"/> |
| Total value of zero-rated supplies | 25.00 | <input type="radio"/> |
| Total value of exempt supplies | 25.00 | <input type="radio"/> |
| Total value of (1) + (2) + (3) | 50.00 | <input type="radio"/> |
| Purchases | | |
| Total value of taxable purchases | 4,999.99 | <input type="radio"/> |
| Taxes | | |
| Output tax due | 0.00 | <input type="radio"/> |
| Less : | | |
| Input tax and refunds claimed | 350.00 | <input type="radio"/> |
| Equals : | | |
| Net GST to be paid to IRAS | 350.00 | <input type="radio"/> |
| Applicable to Taxable Persons under Major Exporter Scheme / Approved 3rd Party Logistics Company / Other Approved Schemes Only | | |
| Total value of goods imported under this Scheme | 0.00 | <input type="radio"/> |
| Did you make the following claims in Box 7 ? | | |
| Did you claim for GST you had refunded to tourists? | 100.00 | <input type="radio"/> |
| <input checked="" type="radio"/> Yes <input type="radio"/> No | | |
| Did you make any bad debt relief claims? | 100.00 | <input type="radio"/> |
| <input checked="" type="radio"/> Yes <input type="radio"/> No | | |
| Did you make any pre-registration claims? | 100.00 | <input type="radio"/> |
| <input checked="" type="radio"/> Yes <input type="radio"/> No | | |
| Self-reviewed of eligibility to Pre-Registration Input Tax Claims | | <input type="radio"/> |
| Revenue | | |
| Revenue for the accounting period | 4,949.99 | <input type="radio"/> |
| Declaration | | |
| I declare that the information given above is true and complete. | | |

Source : IRAS

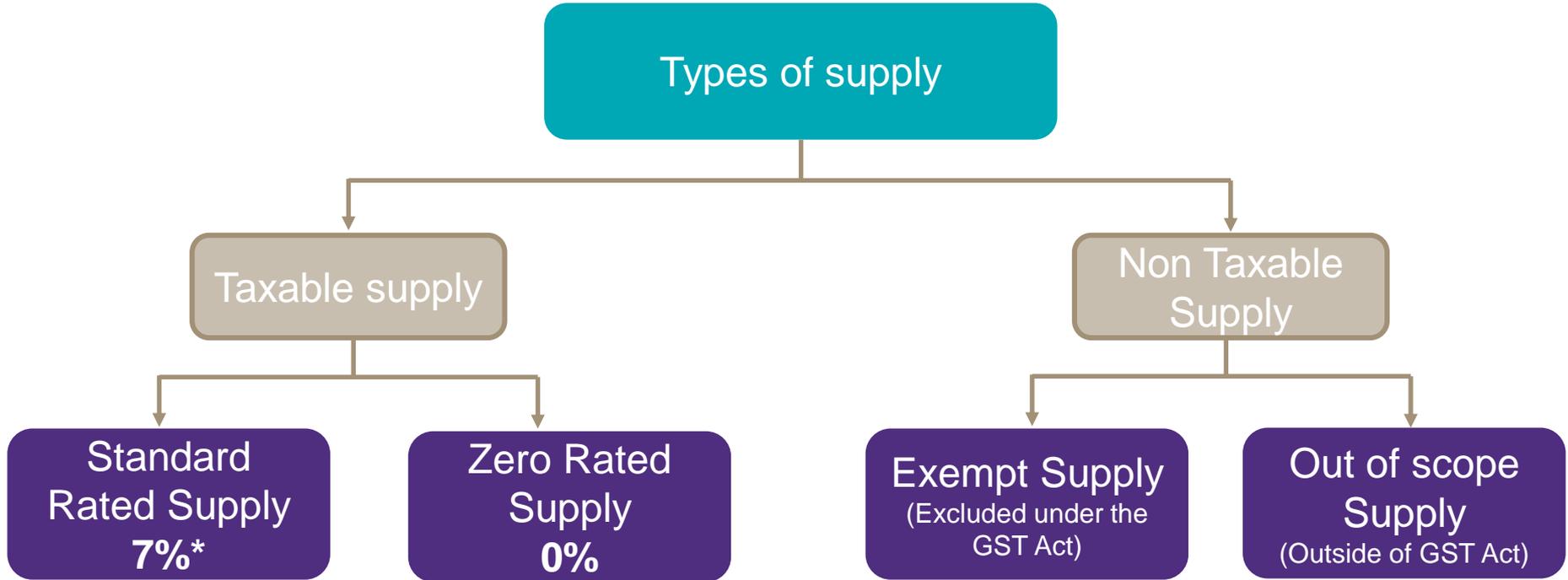
GST classification – types of supply

Supplies subject to GST

- GST is chargeable on a supply of goods and services if:



Types of supply



Source : IRAS

* Current rate. GST rate to be increased from 7% to 9% somewhere between 2021 to 2025

Standard-rated supply

- Sales of goods and services made in Singapore



- Deemed supply

Zero-rated supply

- Export of goods
- Provision of international services



Exempt supply

- Financial services
- Sale/lease of residential properties
- Local supply of investment precious metals



Out of scope supply



Third country sales



Sales made within free trade zones

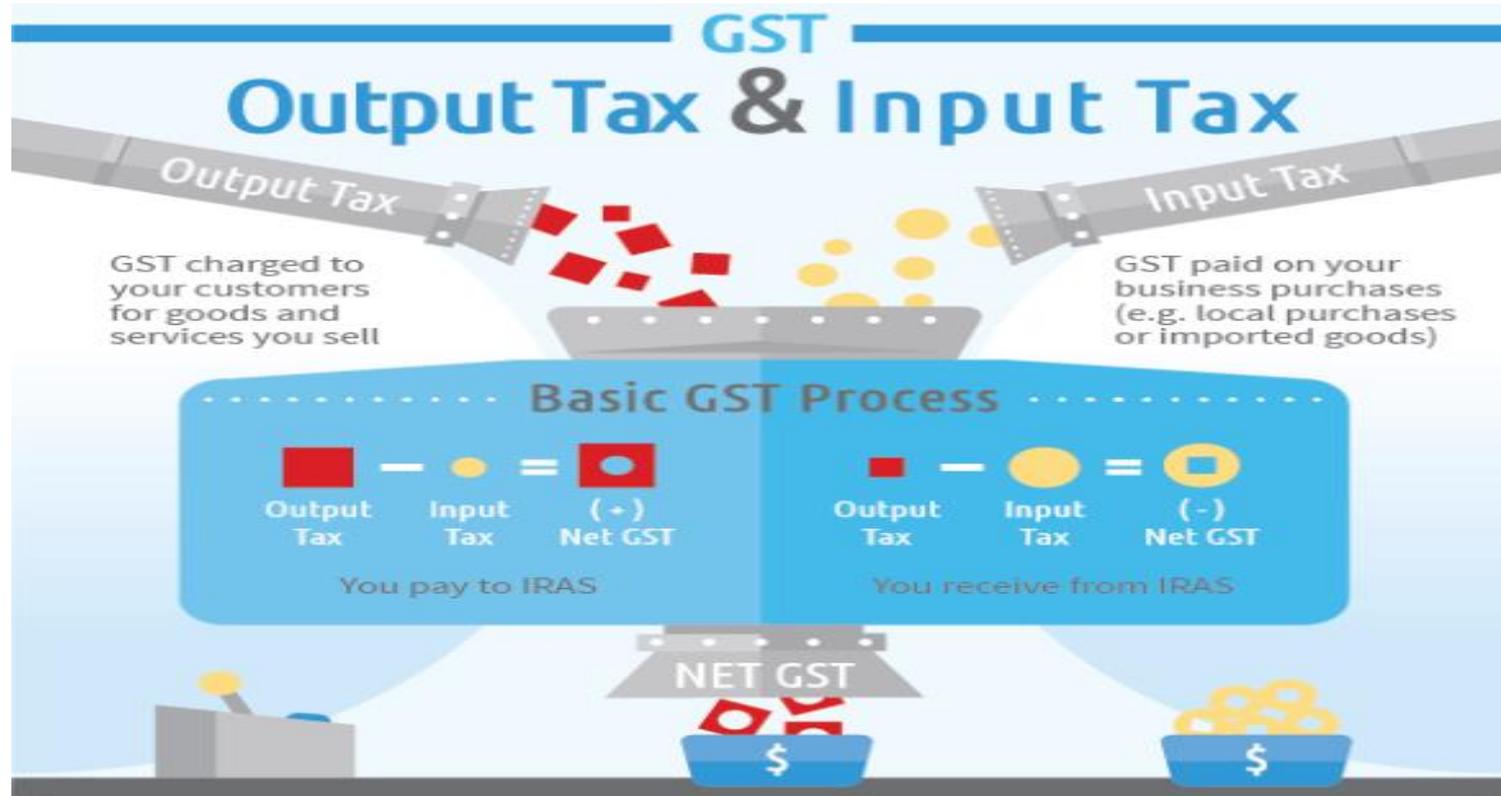


Salary and wages

(subject to conditions)

Output and input tax

Output and input tax



Input tax conditions

- GST-registered
- The goods or services must have been supplied to you or the goods have been imported by you
- The goods or services are used or will be used for the purpose of your business
- Local purchases must be supported by valid tax invoices
- Imports must be supported by import permits
- The input tax is directly attributable to taxable supplies
- The input tax claims are not disallowed under Regulations 26 and 27 of the GST (General) Regulations.

Disallowed input tax claims

Family benefits



Motor vehicle expenses



Medical expenses



Club subscription fees



Input tax claim – valid tax invoice

TAX INVOICE

The words 'tax invoice'

Supplier's name and address
Gallery Photo Supplier
888 Jalan Ang Teng
Singapore 560009

GST registration number
GST Reg No: M2-1234567-K

Customer's name (Customer's Name)
Customer's address (Customer's Address)
(Customer's Address)
(Customer's Address)

Date: 01/07/2007 Invoice date
Invoice No: F012345 An identifying number

Type of Supply: Cash / Credit Sale

| S/No | Description | Qty | Unit Price (\$) | Total (\$) | Discount (\$) | Total (\$) |
|--------------|-----------------|-----|-----------------|------------|---------------|------------|
| 1 | Yashica MG2 | 10 | 90 | 900 | 45 | 855.00 |
| 2 | Pentax Z-1 Body | 20 | 1,000 | 20,000 | 1,000 | 19,000.00 |
| 3 | Nikon W35 | 30 | 200 | 6,000 | 300 | 5,700.00 |
| 4 | Canon Prima 5 | 40 | 220 | 8,800 | 440 | 8,360.00 |
| Total | | | | | | 33,915.00 |
| Add GST @ 7% | | | | | | 2,374.05 |
| Amount Due: | | | | | | 36,289.05 |

Description of goods and services

Total amount payable excluding GST

Total GST

Total amount payable including GST

GST rate

Thank you. We look forward to being of service to you again.

Source : IRAS

Partial exemption

Partial exemption rules

- General rule – businesses can claim input tax that is attributable to the making of taxable supplies
- Partial exemption rules allow businesses to claim some input tax incurred in the making of exempt supplies that would not be allowed under the general rules if,
 - The business satisfies the De Minimis rule, or
 - Only makes regulation 33 supplies (and is not a regulation 34 business)

De Minimis rule

- Total value of all exempt supplies made does not exceed:
 - an average of \$40,000 a month; and
 - 5% of the total value of all taxable and exempt supplies made in that period

Example

Prescribed accounting period of 1 Apr 2013 to 30 Jun 2013.

| Types of supplies | Value of supplies |
|-------------------------|-------------------|
| Standard rated supplies | \$2,080,000 |
| Zero-rated supplies | \$ 300,000 |
| Exempt supplies | \$ 105,000 |
| Total supplies | \$2,485,000 |

Average value of exempt supplies per month:
 $\$105,000/3 = \$35,000$ per month

Percentage of the exempt supplies over the total supplies:
 $\$105,000/\$2,485,000 \times 100\% = 4.2\%$

Since the value of exempt supplies does not exceed an average of \$40,000 per month and 5% of the total value of supplies, the De Minimis Rule is satisfied and all input tax incurred is claimable, including input tax incurred for the making of exempt supplies.

Source : IRAS

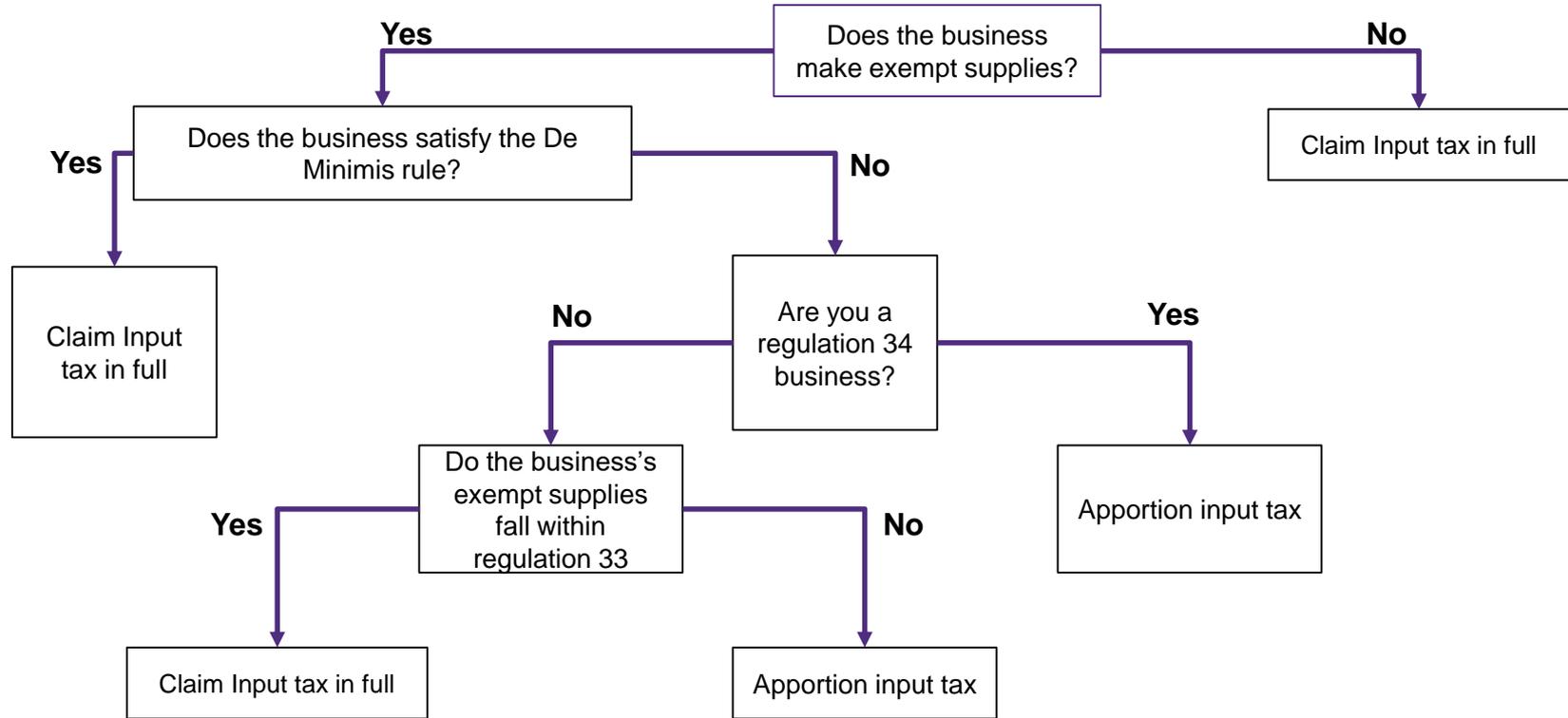
Regulation 33 exempt supplies

- Deposit of money
- Exchange of currency
- Issue, allotment or transfer of ownership of a debt or equity security
- Assignment of a trade receivable
- Hedging of currency risk
- Hedging of interest rate risk

Regulation 34 businesses

- A full bank, wholesale bank or offshore bank
- A merchant bank or financial institution
- A life insurance, a general or life reinsurance company
- A finance company
- A moneylender
- A pawnbroker
- A debt factor

Flow chart summary



Common mistakes

Types of mistakes

- Related party transactions
- Reimbursement v disbursement
- Bad debt
- Secondment of staff

Related party transactions – provision of services

- Many businesses set up in Singapore, some for example have functions which include providing services back to head office
- These entities often don't have any third party clients and are remunerated in a number of different ways
- The most common form of remuneration is the re-charge of costs
- Generally, these re-charges are taxable supplies for GST purposes
- However, we often see errors when it comes to the treatment of these supplies and how they are accounted for in GST returns

Types of transactions



- ABC and DEF are related parties
- ABC books all the costs
- DEF books a lot of the revenue
- Year end audit adjustment

Types of transactions



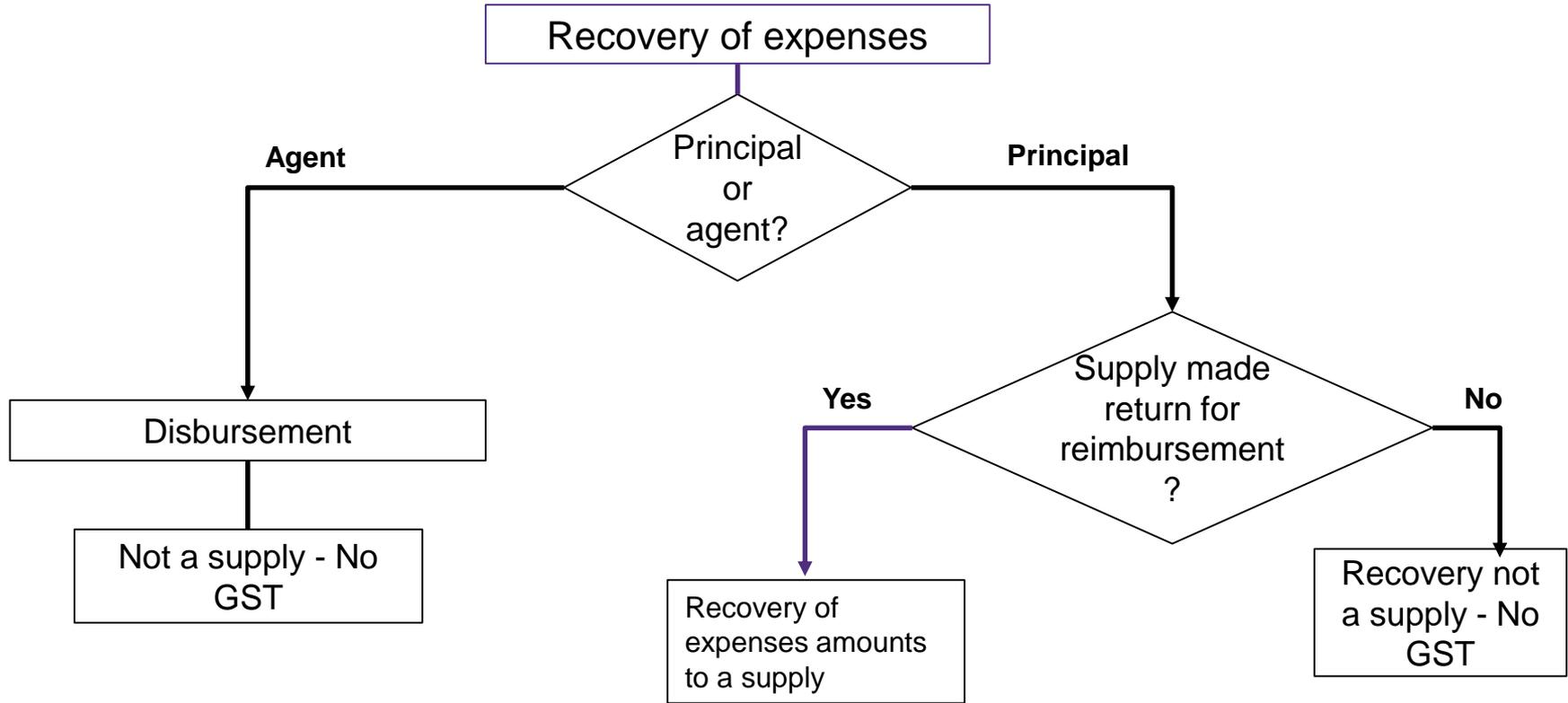
- HIJ is a cost plus entity
- Often businesses forget that the recovery of costs is not a fund reimbursement
- The way the Service Level Agreement has been drafted, the recovery of costs is a supply for GST purposes

Types of transactions



- XYZ loans money to ABC
- The interest charged by XYZ is treated as a taxable supply subject to GST at the rate of 0%

Reimbursement vs disbursement



Bad debt relief

- When a business is owed money that it cannot recover
- It may apply for bad debt relief, subject to satisfying certain conditions
- The bad debt relief claim has to be made within 5 years from the date of the supply.

Secondment of staff

- Secondment of staff is considered to be a supply of services for GST purposes
- Therefore the seconding company has to charge GST on the value of the supply (provided its registered)
- Unless the seconding company can make use of the administrative concession provision

Conditions for charging GST

- No secondment fees, mark-up, handling charges or administrative fees are levied by the seconding company
- Both the seconding company and recipient company are related within the meaning of section 6 of the Companies Act
- The staff is seconded to one company only at any one time
- The recipient company exercises exclusive control over the allocation and performance of the duties of the staff during secondment, and
- The seconding company does not claim any input tax directly relating to the secondment of staff

Claiming GST/VAT in other countries

Incurring GST/VAT on business travel expenses?

- In countries where businesses are not established but have business expenses, the business may be entitled to claim GST/VAT
- OECD estimates that > 50% of businesses do not claim GST/VAT



Deadline to claim the refund



+

3 European free trade association
countries

- Switzerland
- Iceland
- Norway



The application period is on
a calendar year basis,

and

The application must be
submitted by 30 September
of the following year

Tax risk management and mitigation

GST schemes

- **ACAP - Assisted Compliance Assurance Programme**
 - Participate in IRAS's voluntary disclosure programme and enjoy reduced or no penalties
 - Reduced IRAS GST reviews
 - Expedited GST refunds
 - Dedicated team to handle the company's GST rulings and resolve GST issues
 - Auto-renewal of GST schemes
- **ASK - Assisted Self-Help Kit (ASK) Annual Review**
 - Participate in IRAS's voluntary disclosure programme and enjoy reduced or no penalties for timely disclosure of errors
 - Review accuracy of GST submissions
 - Reduce risk of incurring penalties
 - Fulfil requirement for application or renewal of GST schemes

Thank you

Questions



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