



CCS - MS GST WEBINAR

Getting Ready for the GST Hike

1 July 2022



WEBINAR HIGHLIGHTS

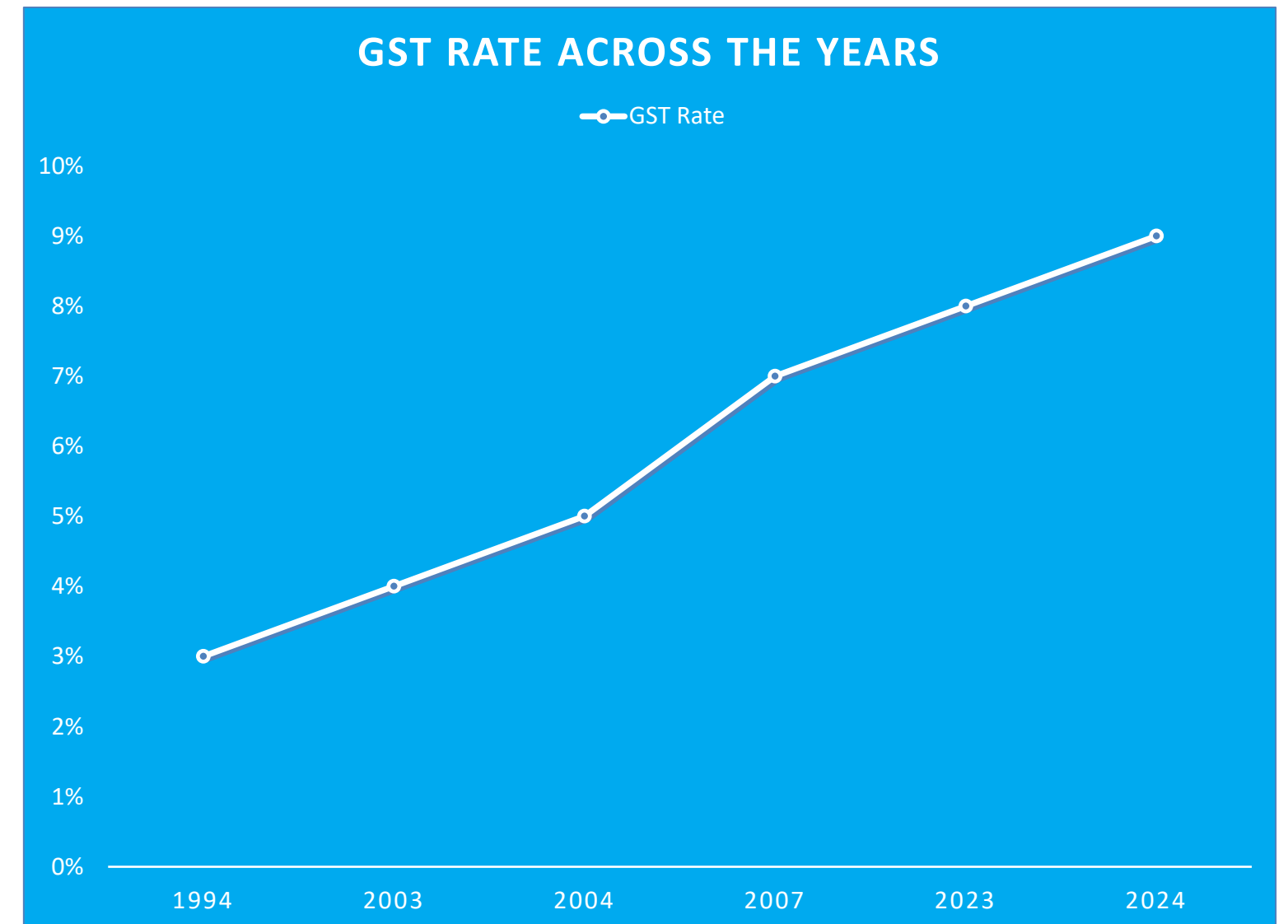
- Overview of the GST hike
- How will the GST rate hike impact you?
- Highlights of transitional rules
- Summary of regulatory and compliance requirements
- Practical examples and common scenarios
- Getting ready for the GST rate hike



Overview of the GST hike

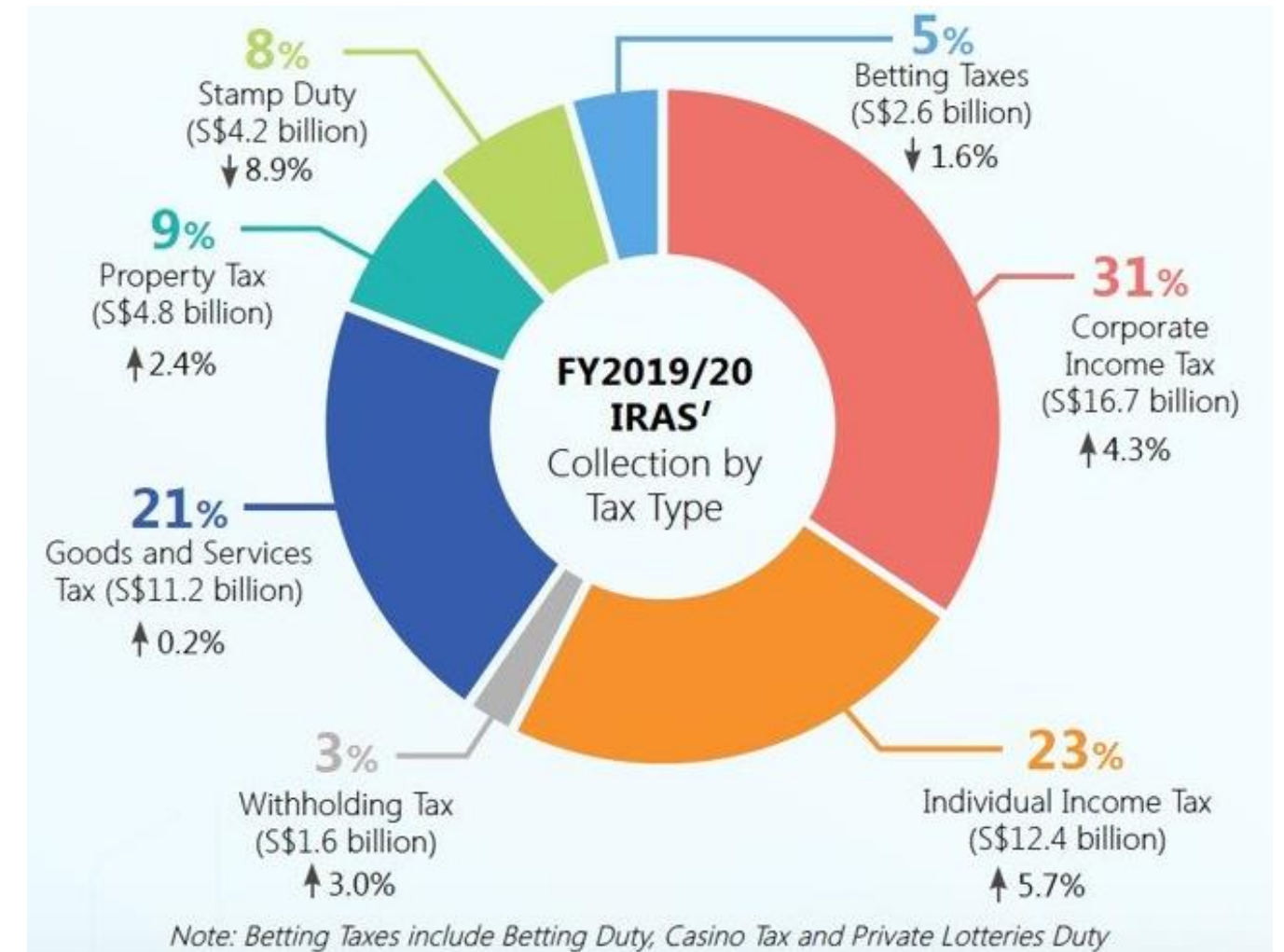
OVERVIEW OF GST HIKE

- GST rate will be increased in 2 steps:
 - i. from 7% to 8% with effect from 1 January 2023; and
 - ii. from 8% to 9% with effect from 1 January 2024.
- Last increase in GST rate was on 1 July 2007, from 5% to 7%.



OVERVIEW OF GST HIKE

- Intention: Raise tax revenues to meet recurrent healthcare and social spending.
- Decision to delay the GST increase & in a 2-step approach was announced in Budget 2022 - due to concerns from ongoing pandemic as well as the outlook on inflation.
- 6 months left for businesses to get ready for the GST hike.
- GST is expected to be the next largest contributor to the tax coffers (after corporate tax).



OVERVIEW OF GST HIKE

Up to **200%** penalties for GST errors

- Penalties of up to 200% of tax undercharged or overclaimed may be imposed for incorrect GST returns
- GST errors will be more costly due to the GST hikes

> **S\$207** million recovered from GST audit

- From 2,858 GST audits conducted the latest FY
- Average value of tax recovered and penalties imposed per GST audit case is S\$73,000

Up to **200%** penalties for GST errors

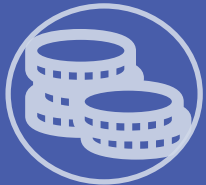
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How will the GST rate hike impact you?

HOW WILL THE GST RATE HIKE IMPACT YOU?

GST Registered Business

COST



GST compliance costs
(e.g. changes to
processes, GST filing,
GST training)

Price competitiveness –
increase in sale price

PRICING



Pricing decision –
whether to pass on GST
rate increase to
customers

Pricing in contracts –
who to borne GST?

SYSTEMS & PROCESSES



Creation of new tax
codes at 8% and 9%

Processes to manage
transitional rules



HOW WILL THE GST RATE HIKE IMPACT YOU?

GST Registered Business

- Increased scrutiny by IRAS in GST compliance area
- Costlier penalty - IRAS is empowered to impose penalty of up to 200% on any GST undercharged.



HOW WILL THE GST RATE HIKE IMPACT YOU?

Non-GST Registered Business

- Over 80% of businesses in Singapore are not GST-registered.
- Unable to recover the GST incurred on business expenses → cost of businesses increase
- To consider applying for GST registration on a voluntary basis even if not mandatory under the GST registration rules.
- Not a silver bullet - need to weigh the benefits of claiming GST on expenses against the compliance costs.



Highlights of transitional rules

HIGHLIGHTS OF TRANSITIONAL RULES

General Time of Supply

- To account for GST at the earlier of:
 - When an invoice is issued; or
 - When payment is received

Transitional rules

- Determine the GST rate applicable to transactions spanning the GST rate hike
- Applicable to standard-rated supplies



HIGHLIGHTS OF TRANSITIONAL RULES

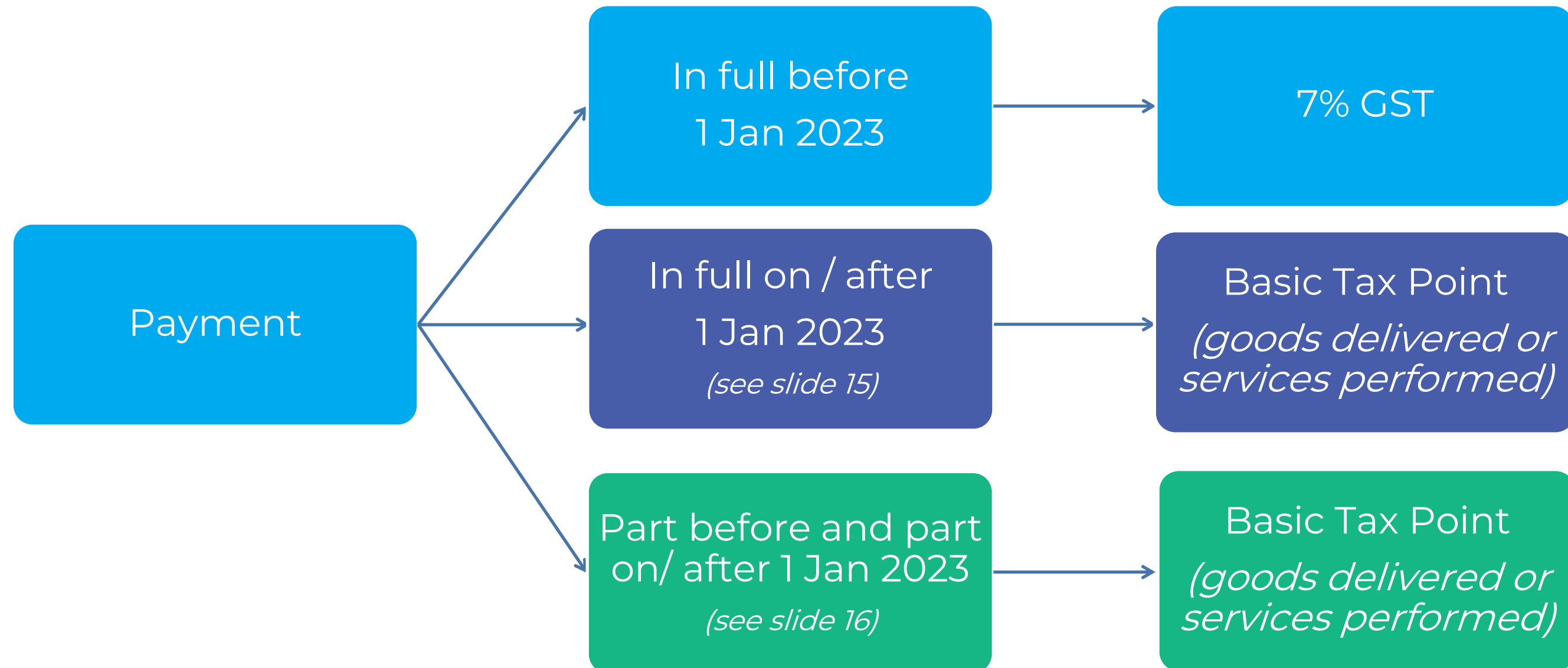
Supplies that span the change of GST rate

Where one or two of the following events takes place wholly or partially on after 1 January 2023:

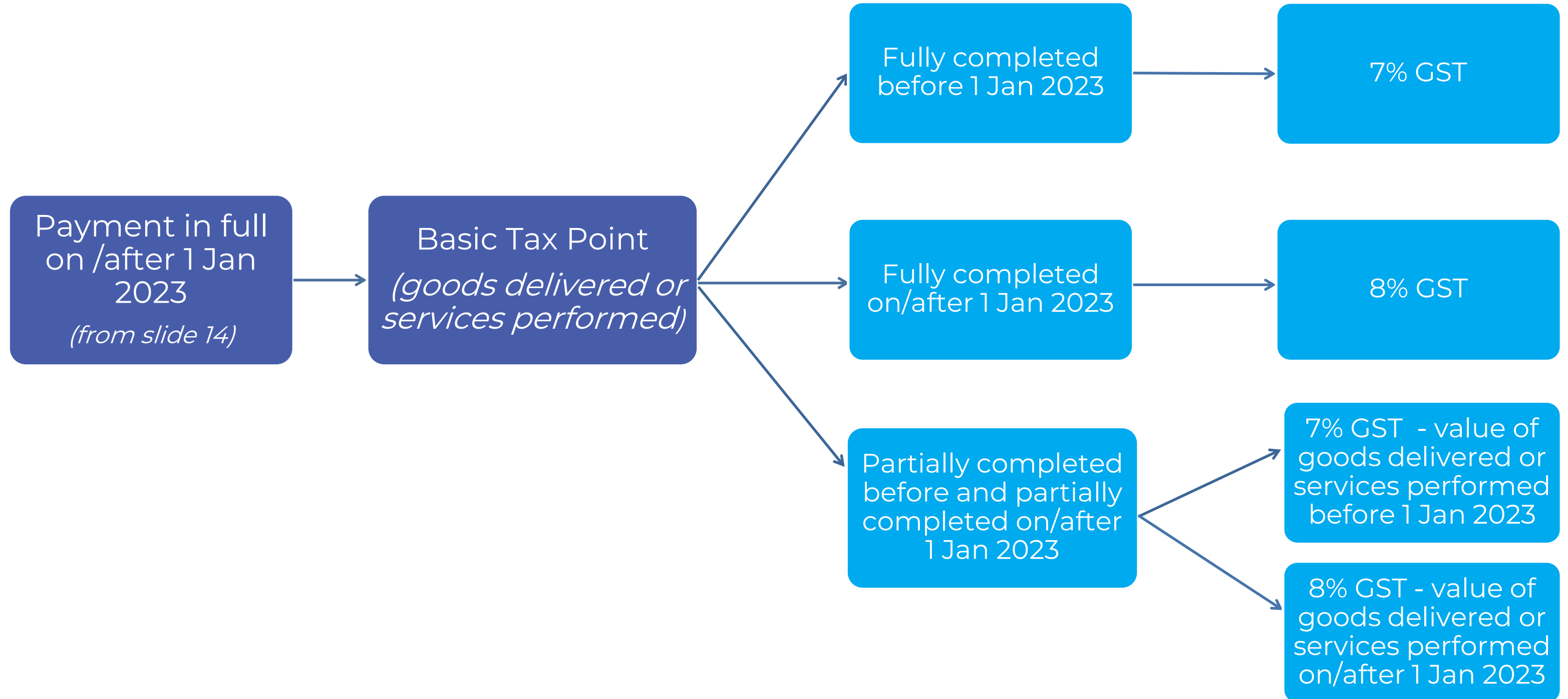
- Issuance of invoice;
- Receipt of payment; and
- Delivery of goods or performance of services (i.e. Basic Tax Point)



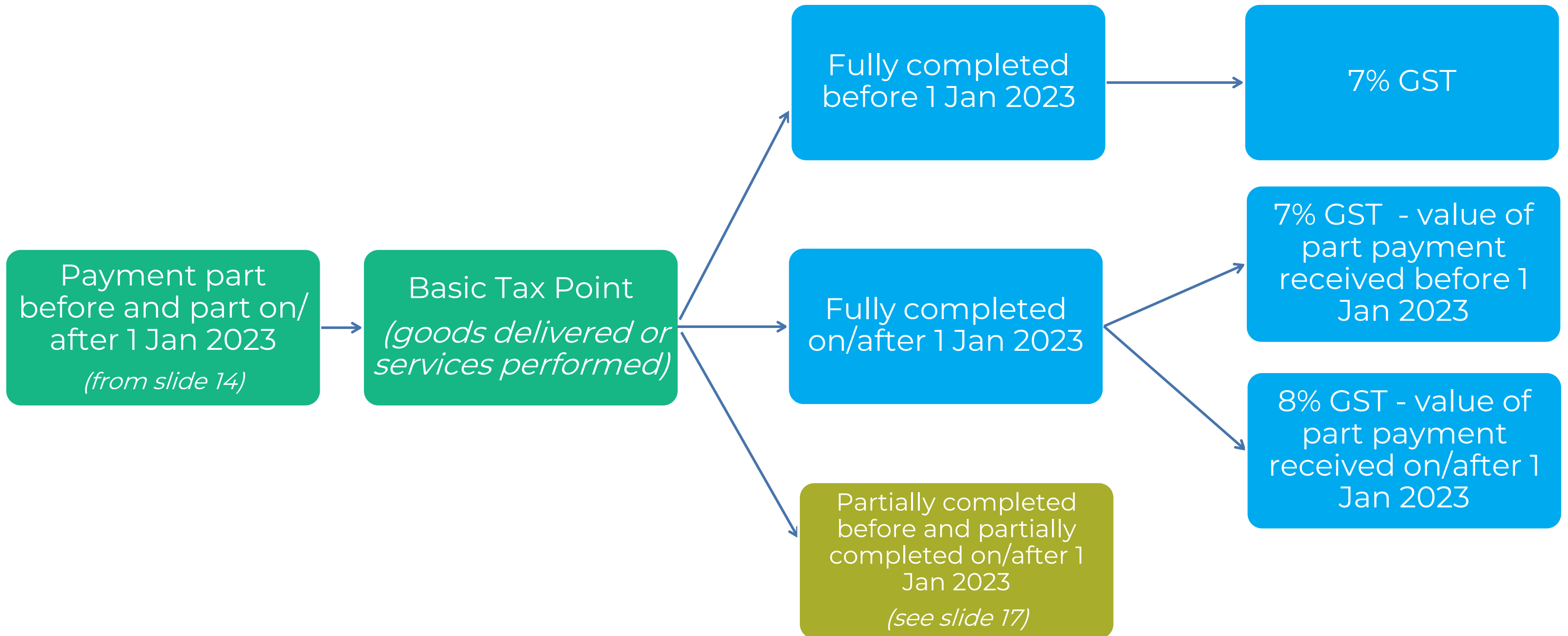
INVOICE ISSUED BEFORE 1 JAN 2023



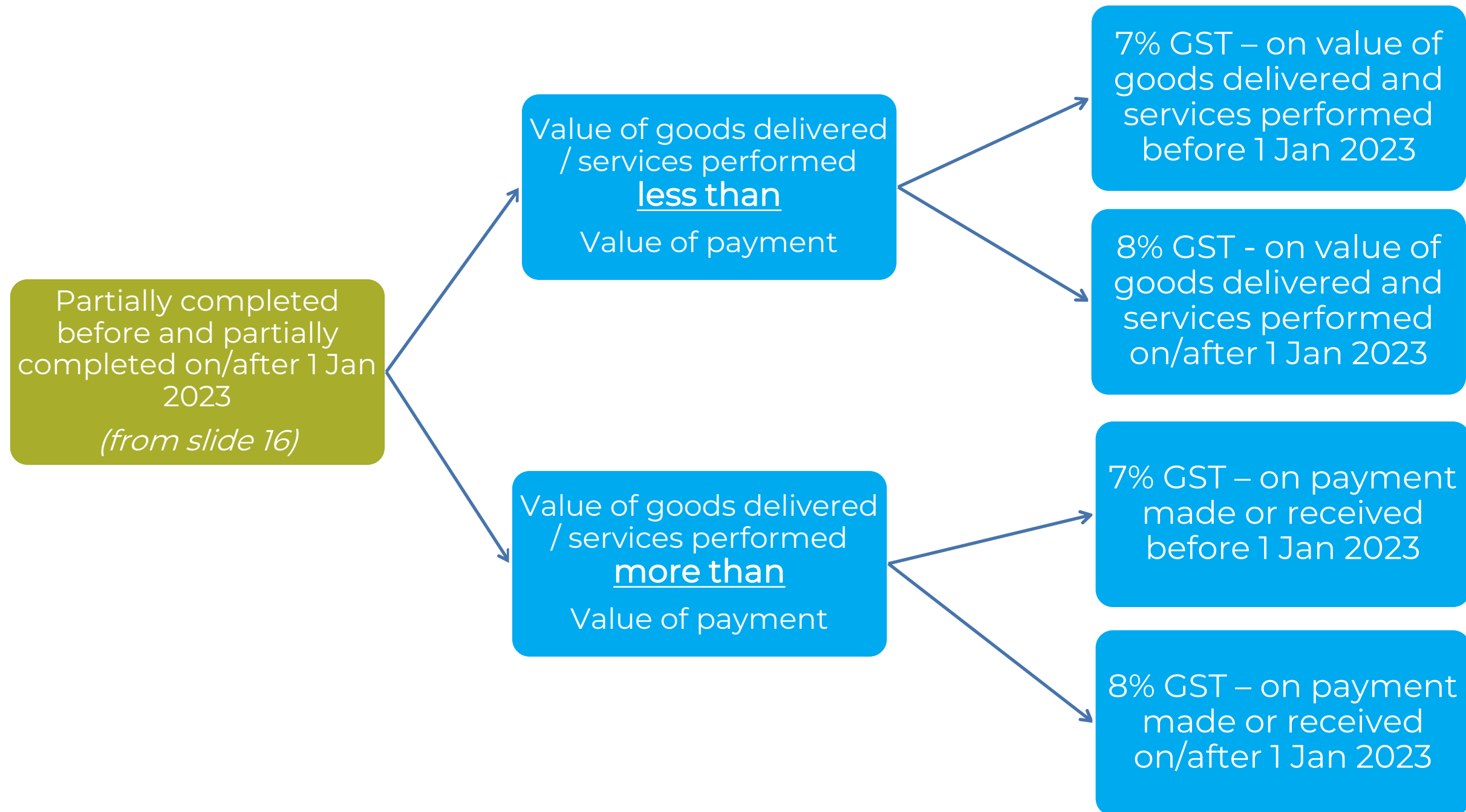
INVOICE ISSUED BEFORE 1 JAN 2023



INVOICE ISSUED BEFORE 1 JAN 2023



INVOICE ISSUED BEFORE 1 JAN 2023



INVOICE ISSUED ON / AFTER 1 JAN 2023

Payment	GST rate to be applied
In full before 1 Jan 2023	7%
In full on/after 1 Jan 2023	8%
Part before and part on/after 1 Jan 2023	7% GST applies on value of part payment received before 1 Jan 2023
	8% GST applies on value of part payment received on/after 1 Jan 2023



QUIZ 1

ABC Company is GST registered with effect from 1 January 2021 and is in the business of selling electronics. After delivering the goods (within Singapore) to its customer on 6 December 2022, ABC Company issues invoice to the customer on 10 December 2022. It only receives payment from the customer on 10 January 2023.

What should be the GST rate that ABC Company should apply on the invoice?

- a. 7%
- b. 8%
- c. 0%

QUIZ 1

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What should be the GST rate that ABC Company should apply on the invoice?

a. 7%

b. 8%

c. 0%

Regulatory and compliance requirements

REGULATORY & COMPLIANCE REQUIREMENTS

Absorbing GST

Tax Invoices

Receipt of
payments

Methods of
apportionment

Filing of GST returns

ABSORBING GST

What should I do if I wish to absorb the GST hike?

- Tax invoice issued before 1 Jan 2023 with GST of 7%
(e.g. supply of \$1000 and GST of \$70 = \$1070)
 - Goods delivery and payment after 1 Jan 2023
 - GST chargeable at 8%
- Issue credit note and new tax invoice to reflect GST of 8%
(e.g. supply of \$990.74 and GST OF \$79.26 = \$1070)

Total amount payable by customer remains the same!



TAX INVOICES

Where a new tax invoice is to be issued due to rate change adjustment for a transaction and to charge GST at 8%:

- New tax invoice issued by **15 Jan 2023**
- New tax invoice contain same information as required for any ordinary valid tax invoice
- Support new tax invoice with documents such as a copy of credit note and original tax invoice



RECEIPT OF PAYMENTS

Examples of payment modes	Time of receipt for GST purposes
Cash from customer via electronic funds (e.g. PayNow)	Date of receipt of funds
Cheque payment	Treated as received before 1 Jan 2023 for: <ul style="list-style-type: none">- Cheques dated before 1 Jan 2023 and banked in by 4 Jan 2023 and cleared successfully
Recurring payments made via GIRO deductions and Credit Card (CC)	Treated as received before 1 Jan 2023 if <u>all</u> the conditions are met: <ul style="list-style-type: none">- GIRO deduction or CC payment successfully effected by end of Jan 2023;- GIRO deduction or CC payment relates to bills/invoices that are issued before 1 Jan 2023; and- Bills/Invoices are issued according to normal billing cycle of the business

METHODS OF APPORTIONMENT

- Apportionment of goods delivered or services performed before and on/after 1 Jan 2023 should be based on appropriate methods.
- Examples:
 - Valuation of measurable work based on open market value; or
 - Costing/pricing system

Sale of raw materials	Provision of cleaning services
<ul style="list-style-type: none">• 40% of goods delivered before 1 Jan 2023• Value of goods can be based on 40% of the value of supply	<ul style="list-style-type: none">• Service period from Nov 2022 to March 2023• Performance of services spread out evenly during period• Value of services apportioned based on number of days/months

FILING OF GST RETURNS

GST rate change does not affect how GST returns are completed

- Reporting of standard-rated supplies must be in accordance with the transitional rules for rate change
- No separate GST return or form required for supplies spanning/straddling rate change



QUIZ 2

ABC Pte. Ltd. is an investment holding company which derives rental income by leasing commercial properties. It is GST-registered with effect from 1 January 1998.

The Company usually issues invoices to bill for office rental on the 5th of each month, in advance.

For ease of administration, ABC Pte. Ltd. decides to bill GST at 8% for the invoice issued on 5 December 2022 (for the rental period 5 December 2022 to 4 January 2023). The management is of the view that this approach is acceptable because the Company is collecting more GST on behalf of the IRAS. Is this correct?

- a. Yes
- b. No
- c. Not sure

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ABC Pte. Ltd. is an investment holding company which derives rental income by leasing commercial properties. It is GST-registered with effect from 1 January 1998.

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a. Yes

b. No

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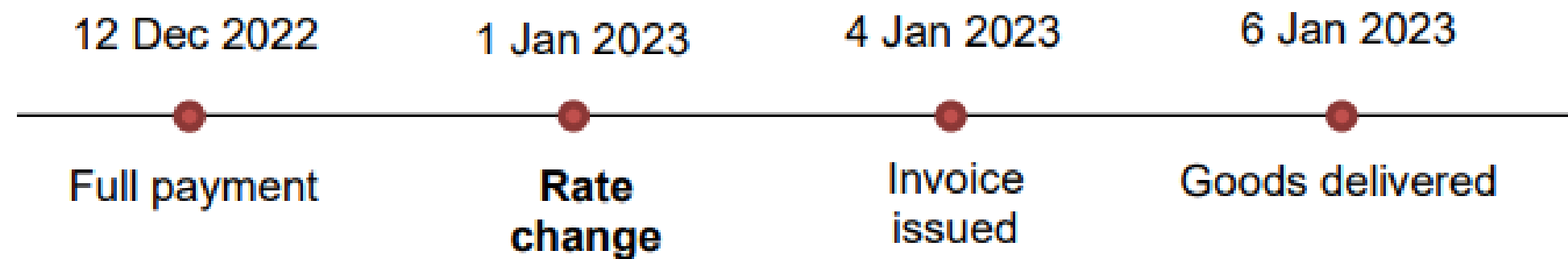
QUIZ 2

- Invoice issued on 5 Dec 2022 should reflect GST of 7%.
- If payment is received in full before 1 Jan 2023, the time of supply for GST purpose is triggered on the payment date, regardless of when the delivery of services takes place → GST is correctly charged at 7% and no further action is required.
- If payment not received before 1 Jan 2023, to issue credit note (by 15 Jan 2023) to cancel the portion of the rental for the period 1 Jan 2023 to 4 Jan 2023.
- A new tax invoice for 1 Jan 2023 to 4 Jan 2023 to be issued at 8%.
- The rental amount can be apportioned based on number of days (*e.g. 4 / 31 days of the monthly rental subject to 8% GST*)

Practical examples and common scenarios

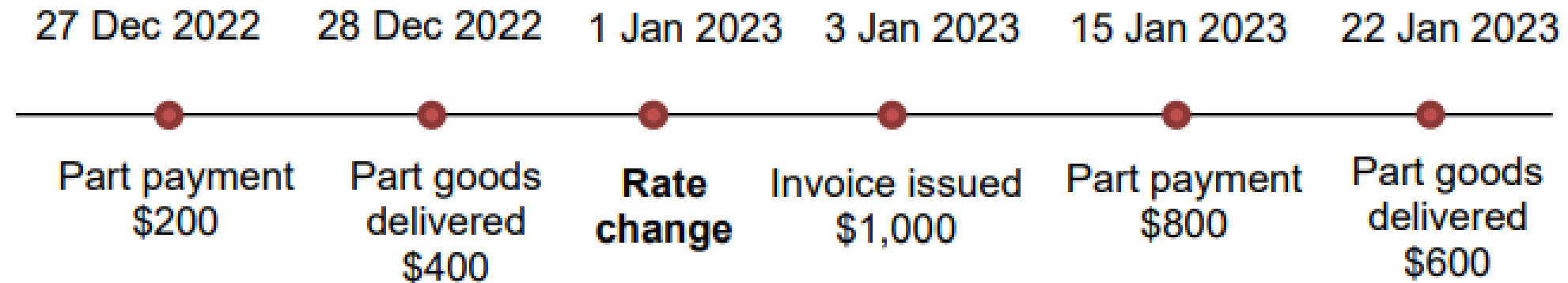
SCENARIO 1

- Invoice issued on 4 Jan 2023 but receive full payment on 12 Dec 2022



- Time of supply is triggered on 12 Dec 2022 when full payment is received (before rate change)
- Notwithstanding that invoice is issued and goods are delivered after the rate change
- To charge 7% on the supply – do not need to consider Basic Tax Point

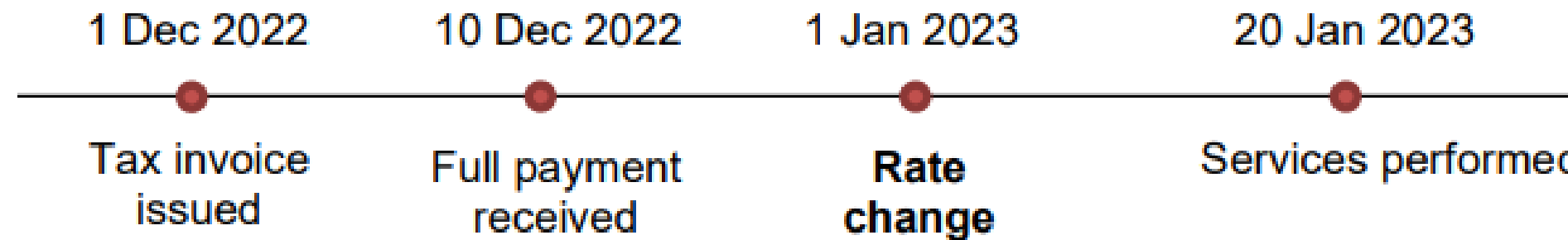
SCENARIO 2



- GST is chargeable at:
 - 7% on the \$200 received before 1 Jan 2023
 - 8% on the \$800 received after 1 Jan 2023
- However, can make election to:
 - Charge GST at 7% on the value of goods delivered before 1 Jan 2023 (i.e. S\$400) *which is the higher of value of payment received or goods delivered before 1 Jan 2023*; and
 - The remaining value of goods delivered after 1 Jan 2023 (i.e. S\$600) will be subject to 8% GST.

SCENARIO 3

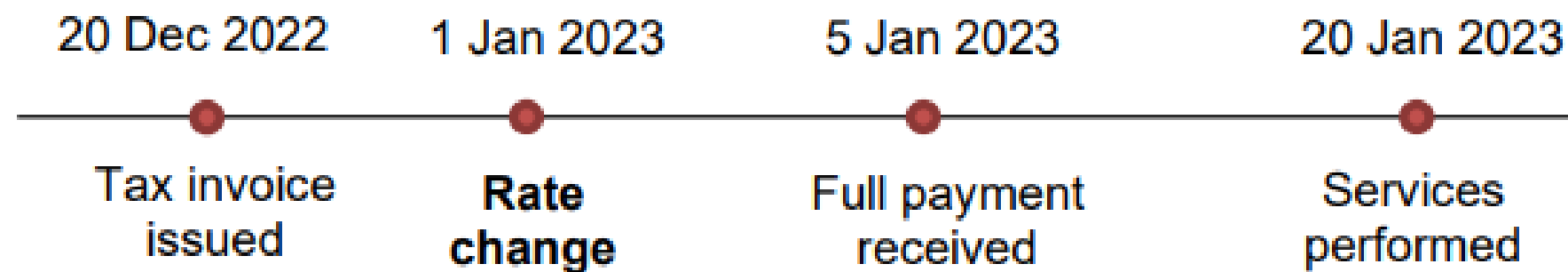
- Invoice issued before rate change and full payment received before rate change



- To charge GST at 7% on the supply when invoice issued on 1 Dec 2022 (i.e. time of supply is triggered)
- Since payment for full value of supply received before 1 Jan 2023, no adjustment is required
- Notwithstanding that the services are performed after rate change

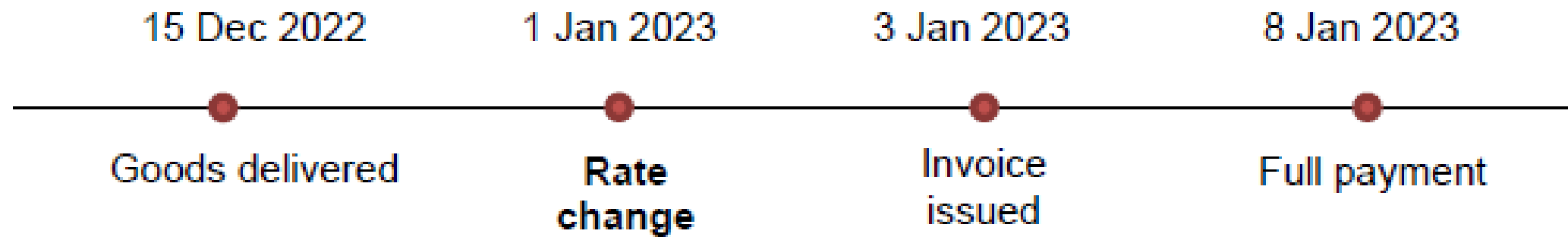
SCENARIO 4

- Invoice issued before rate change but full payment only received after rate change



- Must charge and account for GST at 7% when invoice issued on 20 Dec 2022
- As payment is only received after rate change, the supply is subject to GST at 8%
- By 15 Jan 2023, to issue **credit note to cancel original tax invoice** and new tax invoice to **charge GST at 8%** on the supply.

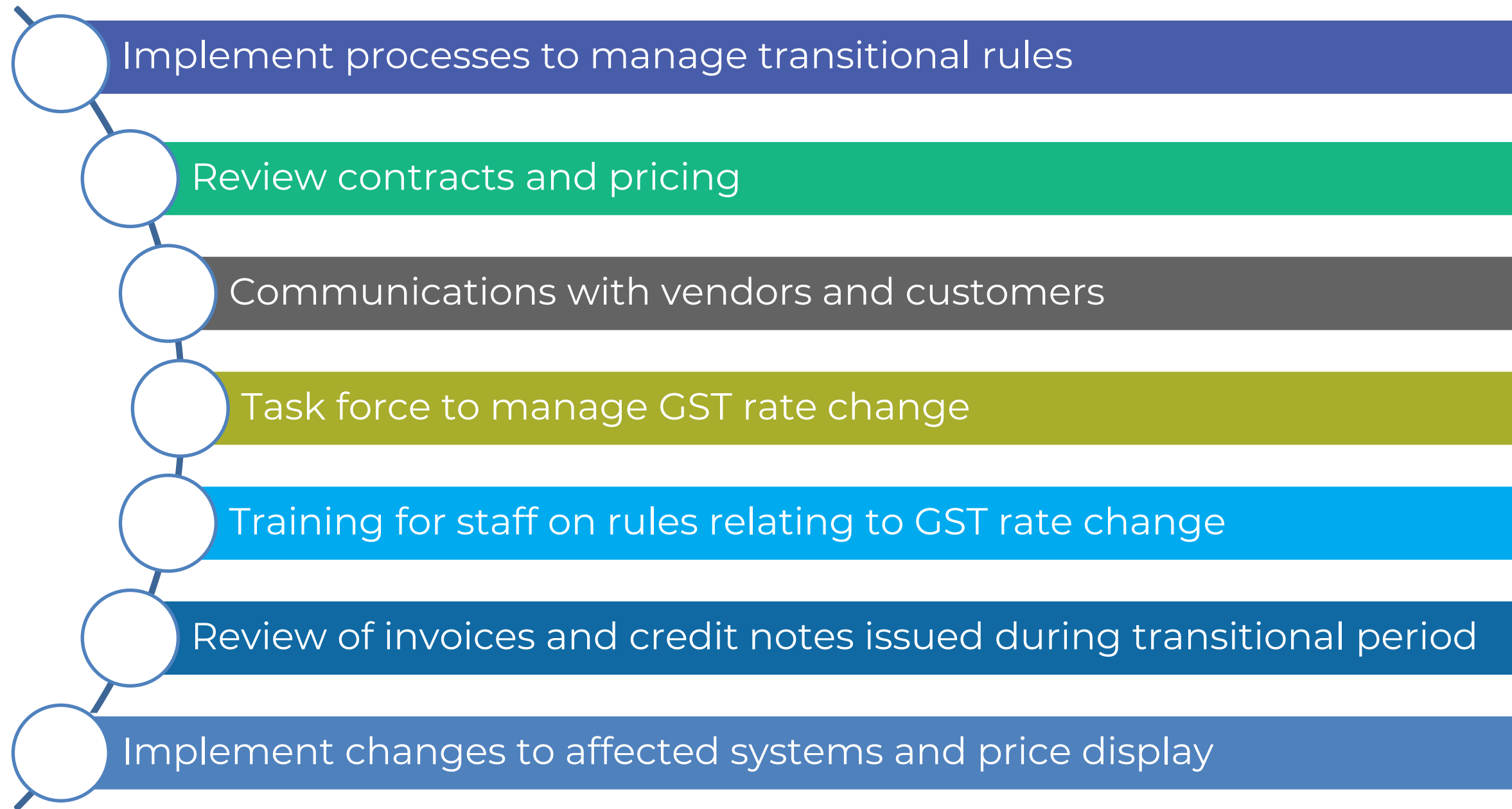
SCENARIO 5



- Time of supply is triggered when invoice is issued
- GST is chargeable at 8%, as it is after the rate change
- Can choose to elect to charge GST at 7% on the entire value of the supply as goods are fully delivered before 1 Jan 2023.

Getting ready for the GST rate hike

GETTING READY FOR THE GST RATE HIKE



GETTING READY FOR THE GST RATE HIKE

- Conduct GST health-check to identify existing GST errors – penalties will be more costly as they are imposed on value of tax owed.
- Participate in Assisted Self-Help Kit review
 - ❑ Comprehensive self-assessment compliance package, designed to help GST-registered businesses review the correctness of their GST submissions and effectively manage their compliance.
 - ❑ Penalties will potentially be waived via voluntary disclosure.

GETTING READY FOR THE GST RATE HIKE

- Participate in Assisted Compliance Assurance Programme (“ACAP”)
 - ❑ Self-review compliance initiative by the tax authority to encourage business to set up a robust GST control framework.
 - ❑ Full penalties will be waived for any non-willful GST errors disclosed in the course of the ACAP review.
 - ❑ Businesses accorded with “ACAP status” will enjoy step-down of IRAS GST compliance activities and expeditious GST refunds.
- In comparison to ASK, there is **FULL** waiver of penalties granted for all periods with respect to disclosure of errors as part of an ACAP review.

GETTING READY FOR THE GST RATE HIKE – TAX GOVERNANCE

NEW

Tax Governance Framework (TGF)

- Principles-based framework to guide companies in establishing good tax governance for Corporate Income Tax (CIT) and GST
- High level corporate policy statement of commitment to good tax governance

NEW

Tax Risk management and Control Framework for CIT (CTRM)

- Review of the internal control framework for managing CIT risks

GST Assisted Compliance Assurance Programme (ACAP)

- Holistic review of the robustness and effectiveness of the internal control framework that impacts GST compliance

GETTING READY FOR THE GST RATE HIKE – TAX GOVERNANCE (BENEFITS OF PARTICIPATING)

NEW

Tax Governance Framework (TGF)

- One-time extended grace period of 2 years for each voluntary disclosure of CIT, WHT or GST errors (3 years for GST ACAP companies for GST errors)
 - To be utilised within 2 years from the date of TGF approval

NEW

Tax Risk management and Control Framework for CIT (CTRM)

- One-time waiver of penalties for voluntary disclosure of CIT / WHT errors
 - Step-down on CIT compliance audit

GST Assisted Compliance Assurance Programme (ACAP)

- Step-down GST checks, expeditious GST refunds, dedicated team for GST rulings, auto-renewal of applicable GST schemes

GETTING READY FOR THE GST RATE HIKE – TAX GOVERNANCE

- TGF, CTRM and GST ACAP are voluntary compliance initiatives that operate independently.
- Company can choose to adopt each or all the initiatives based on its readiness and business needs.
- Companies are strongly encouraged to adopt all three initiatives to demonstrate their good tax governance and tax risk management.

Q&A

OUR STRENGTH. YOUR NUMBERS.