

# CCS – MS GST WEBINAR

*Recent Development and key Changes*

18 November 2022



# WEBINAR HIGHLIGHT

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GST Rate Hike: Transitional Rules and Compliance Requirements

The Often-Overlooked Changes

Preventive & Detective Measures

GST Treatment of a Variable Capital Company (VCC)

Q&A







CCS-MS TAX WEBINAR - 18 NOVEMBER 2022

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# GST Rate Hike: Transitional Rules And Compliance Requirements





## HIGHLIGHTS OF TRANSITIONAL RULES

### Supplies that span the change of GST rate

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

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



## HIGHLIGHTS OF TRANSITIONAL RULES

Invoice issued before 1 January 2023:

Payment	GST rate to be applied
In full before 1 Jan 2023	7%
In full on / after 1 Jan 2023	Depends on when the goods / services are provided
Part before and part on/after 1 Jan 2023	<ul style="list-style-type: none"><li>• 7% on the portion where payment is received, and goods/services provided before 1 Jan 2023</li><li>• 8% for the rest</li></ul>





## HIGHLIGHTS OF TRANSITIONAL RULES

Invoice issued on/after 1 January 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	<ul style="list-style-type: none"><li>• 7% on the portion where payment is received, and goods/services provided before 1 Jan 2023</li><li>• 8% for the rest</li></ul>



# COMPLIANCE REQUIREMENT

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?

- 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 PAYMENT

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"><li>- Cheques dated before 1 Jan 2023 and banked in by 4 Jan 2023 and cleared successfully</li></ul>
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"><li>- GIRO deduction or CC payment successfully effected by end of Jan 2023;</li><li>- GIRO deduction or CC payment relates to bills/invoices that are issued before 1 Jan 2023; and</li><li>- Bills/Invoices are issued according to normal billing cycle of the business</li></ul>

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

## 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



# The Often-overlooked Changes

## THE OFTEN-OVERLOOKED CHANGES

### 1. Zero-rating provisions

- Services are considered international services if they fall within the provisions under Section 21(3) of the GST Act.
- GST treatment of zero-rate is applicable
- New!** ➤ Over the years, there are changes to the GST provisions which determine whether a supply of services would qualify for zero-rating



## THE OFTEN-OVERLOOKED CHANGES

### 1. Change in zero-rating provisions (cont'd)

Types of services	Before the change	After the change
Media Sales	<p><u>Before 1 January 2022</u></p> <ul style="list-style-type: none"> <li>Qualify for zero-rating under <b>S21(3)(u)</b> if the <u>place of circulation</u> of advertisement is substantially outside Singapore</li> </ul>	<p><u>On or after 1 January 2022</u> <b>New!</b></p> <ul style="list-style-type: none"> <li>Qualify for zero-rating under <b>S21(3)(j)</b> if the services are supplied <u>under a contract</u> with an overseas person and <u>directly benefit</u> an overseas person(s) and/or a GST-registered person in Singapore</li> </ul>

## THE OFTEN-OVERLOOKED CHANGES

### 1. Change in zero-rating provisions (cont'd)

Types of services	Before the change	After the change
Services supplied to overseas person	<p><u>Before 1 January 2020</u></p> <ul style="list-style-type: none"> <li>Qualify for zero-rating under <b>S21(3)(j), 21(3)(k), 21(3)(s) and 21(3)(y)</b>. Two important conditions to fulfil are: <ul style="list-style-type: none"> <li>➤ Services are supplied <u>under a contract</u> with a person who belongs in a country other than Singapore; and</li> <li>➤ Services <u>directly benefit</u>: <ul style="list-style-type: none"> <li>• A person who belongs in a country other than Singapore and who is outside Singapore at the time the services are performed.</li> </ul> </li> </ul> </li> </ul>	<p><u>On or after 1 January 2020</u></p> <ul style="list-style-type: none"> <li>Qualify for zero-rating under <b>S21(3)(j), 21(3)(k), 21(3)(s) and 21(3)(y)</b>. Two important conditions to fulfil are: <ul style="list-style-type: none"> <li>➤ Services are supplied <u>under a contract</u> with a person who belongs in a country other than Singapore; and</li> <li>➤ Services <u>directly benefit</u>: <ul style="list-style-type: none"> <li>• A person who belongs in a country other than Singapore and who is outside Singapore at the time the services are performed; or</li> <li><b>New!</b> • A GST-registered person who belongs in Singapore.</li> </ul> </li> </ul> </li> </ul>



## THE OFTEN-OVERLOOKED CHANGES

### 1. Change in zero-rating provisions (cont'd)

Types of services	Before the change	After the change
Arranging of international transport and insurance of passengers	<p><u>Before 1 January 2023</u></p> <ul style="list-style-type: none"> <li>Qualify for zero-rating under <b>S21(3)(c)</b> if the services are in relation to the international transport of passengers or goods.</li> </ul>	<p><u>On or after 1 January 2023</u> <b>New!</b></p> <ul style="list-style-type: none"> <li>Qualify for zero-rating under <b>S21(3)(j)</b> if the services are supplied <u>under a contract</u> with an overseas person and <u>directly benefit</u> an overseas person(s) and/or a GST-registered person in Singapore</li> <li>No longer dependent on nature of underlying travel products in which the arranging services relate to</li> </ul>

## THE OFTEN-OVERLOOKED CHANGES

### 2. Input tax incurred on medical expenses

- Pursuant to Regulation 26 of the GST (General) Regulations, input tax incurred on medical expenses is not claimable unless the expenses is:

- ✓ Obligatory under the Work Injury Compensation Act ("WICA") or;
- ✓ Any collective agreement within the meaning of the Industrial Relations Act.

**New!**

- In the wake of COVID-19 pandemic and the regulatory requirements of various public authorities, there is an expansion to the excluded expenses indicated under the abovementioned Regulation.



## THE OFTEN-OVERLOOKED CHANGES

### 2. Input tax incurred on medical expenses (cont'd)

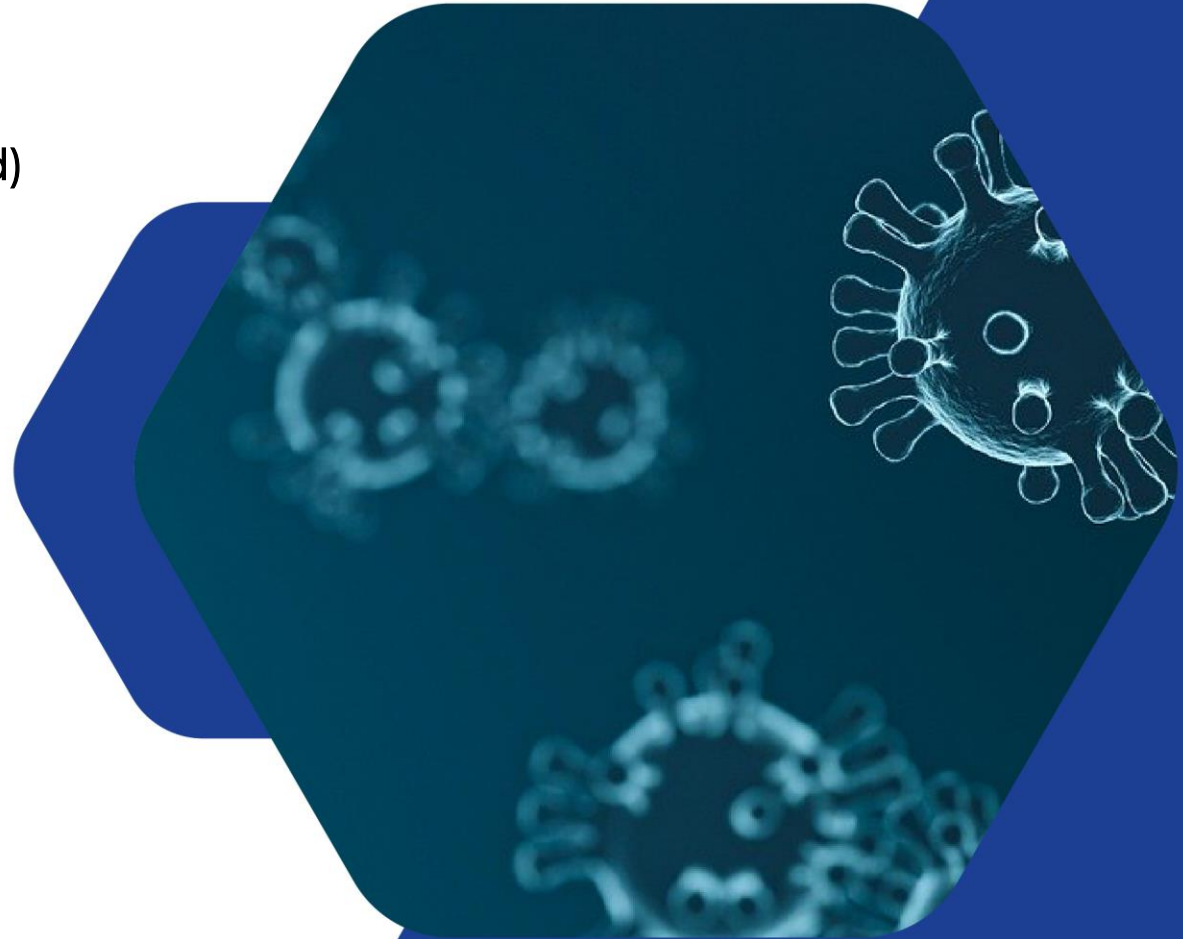
	Expenses	Claimable if	
		Relating to COVID-19	Not relating to COVID-19
<b>New!</b>	Medical treatment incurred <u>on or after 1 October 2021</u>	<ul style="list-style-type: none"> <li>✓ Employee is advised under written advisory to receive the treatment</li> <li>✓ Provided on account of nature of employee's work or work environment</li> </ul>	<ul style="list-style-type: none"> <li>✓ Employee is required under the law to receive the medical treatment</li> <li>✓ Provided in connection with any health risk or requirement due to nature of employee's work or work environment</li> </ul>

## THE OFTEN-OVERLOOKED CHANGES

### 2. Input tax incurred on medical expenses (cont'd)

**New!**

- E.g. If employee goes on a business trip overseas and the Company pays for his pre-departure COVID-19 swab tests done in October 2021, input tax incurred on the medical expenses is claimable.





## THE OFTEN-OVERLOOKED CHANGES

### 3. Overseas Vendor Registration Regime

#### *Brief Recap*

- From 1 January 2020, any supplier belonging outside Singapore that has global turnover exceeding S\$1 Million and makes supplies of digital services exceeding S\$100,000 to non-GST registered customers in Singapore is required to register, charge and account for GST



#### Digital Services

GST is imposed on the imports of digital services under the OVR regime



#### Non-Digital Services

Imported services that do not fall within the definition of “Digital Services” are not subject to GST



#### Low-Value Goods

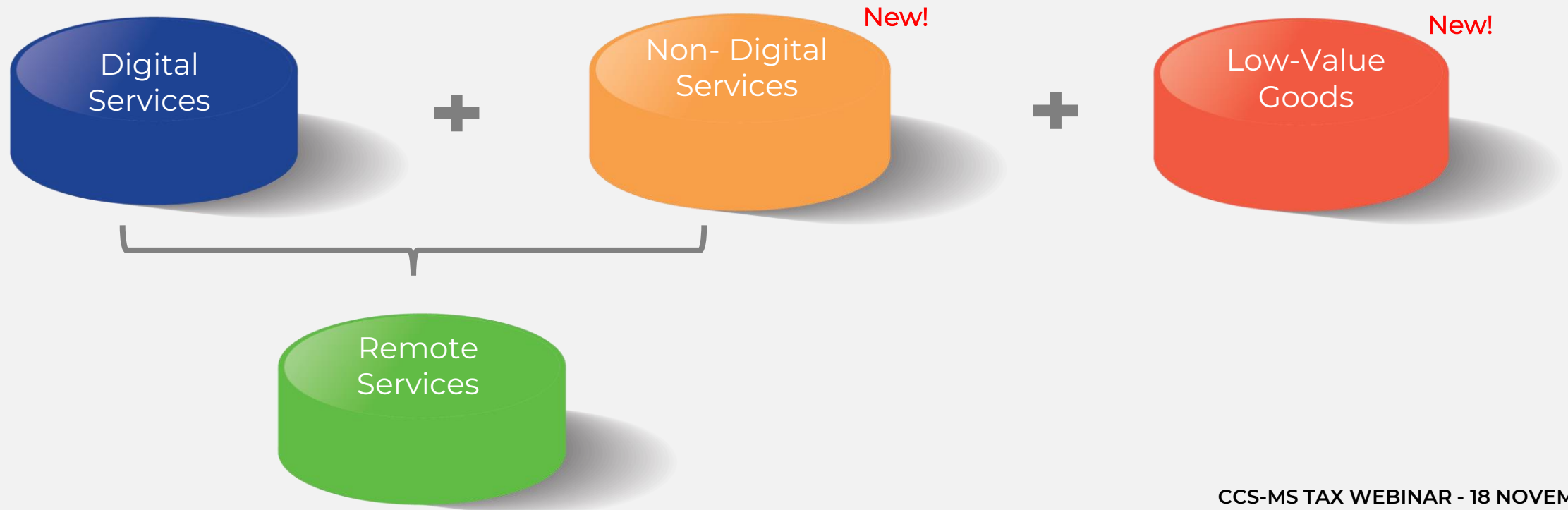
Goods imported via air or post with value not exceeding S\$400 are not subject to GST as they are eligible for the GST import relief

## THE OFTEN-OVERLOOKED CHANGES

### 3. Overseas Vendor Registration Regime

**New!** ➤ From 1 January 2023, OVR will be extended to:

- a. Business-to-Consumer (“B2C”) imported non-digital services; and
- b. Goods imported via air or post with value not exceeding S\$400 (“Low-Value Goods”).



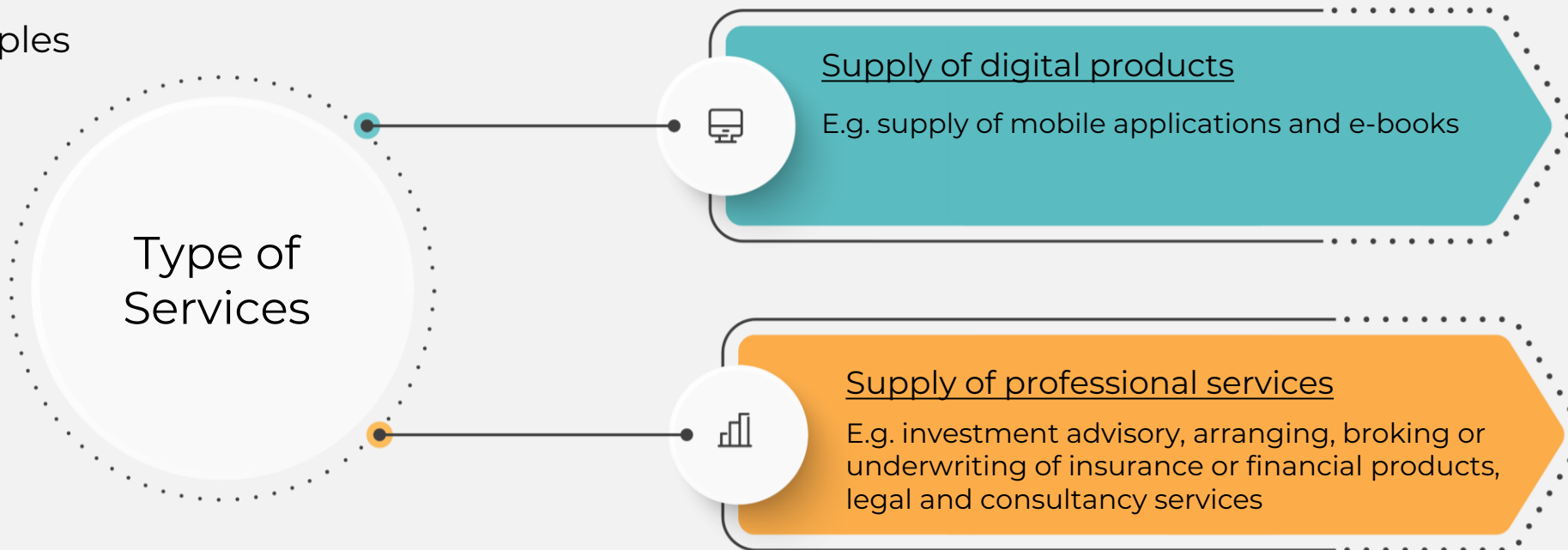
## THE OFTEN-OVERLOOKED CHANGES

### 3. Overseas Vendor Registration Regime

#### **New!** Remote Services

- Defined as any service where, at the time of the performance of the service, there is no necessary connection between the physical location of the recipient and the place of physical performance.

- Examples



## THE OFTEN-OVERLOOKED CHANGES

### 3. Overseas Vendor Registration Regime

**New!** Remote Services

➤ Excluded Services

Type of  
Services



Exempt services described in the Fourth Schedule of the GST Act

E.g. provision of loans, issue/sale of shares or bonds, operation of any current, deposit or savings account, exchange of currency



Services that qualify for zero-rating under section 21(3) of the GST Act had they been provided by a local supplier

E.g. prescribed financial services supplied in connection with goods exported or supplied outside Singapore, such as export credit insurance



## THE OFTEN-OVERLOOKED CHANGES

### 3. Overseas Vendor Registration Regime

**New!** Low-Value Goods (“LVG”)

- Defined as goods which at the point of sale:
  - a) have a value not exceeding the GST import relief threshold of S\$400;
  - b) are located outside Singapore and are to be delivered to Singapore via air or post;
  - c) are not exempt from GST; and
  - d) are not dutiable goods, or are dutiable goods, but payment of the customs duty or excise duty chargeable on the goods is waived under Section 11 of the Customs Act.

## THE OFTEN-OVERLOOKED CHANGES

### 3. Overseas Vendor Registration Regime

**New!** Impact for customers

#### GST-registered customers

- Required to provide GST registration number to the OVR Vendor so that GST will not be charged
- If applicable, to perform reverse charge on remote services and LVG
- For input tax that is wrongly charged, to contact the OVR Vendor to seek a refund

#### Non-GST registered customers

- Should not provide incorrect or false information to the OVR Vendors

# Quiz Time

## QUIZ 1

ABC Company is incorporated in Singapore and is registered for GST with effect from 1 April 1994. It has entered into a contract to render accounting services to EFG Company, an entity incorporated in Singapore and registered for GST with effect from 1 January 2000. In the agreement, it is stated that the accounting services would benefit EFG Company as well as its overseas related entities. ABC Company issues an invoice on 30 June 2020 for the aforesaid services.

What should be the GST treatment to be adopted by ABC Company on the rendering of services?

- a. 7%
- b. 0%

## QUIZ 1 – ANSWER

ABC Company is incorporated in Singapore and is registered for GST with effect from 1 April 1994. It has entered into a contract to render accounting services to EFG Company, an entity incorporated in Singapore and registered for GST with effect from 1 January 2000. In the agreement, it is stated that the accounting services would benefit EFG Company as well as its overseas related entities. ABC Company issues an invoice on 30 June 2020 for the aforesaid services.

What should be the GST treatment to be adopted by ABC Company on the rendering of services?

a. 7%

b. 0%



## QUIZ 2

JK LLC is a GST-registered law firm that is incorporated in Singapore. Due to urgent need by its overseas client to furnish the deliverables by end of December 2021, it has arranged a business trip (from Singapore to Philippines) for its employee, Alex. Alex took a pre-departure COVID-19 swab tests on 1 November 2021 and sought full reimbursement from JK LLC.

Can JK LLC claim the input tax incurred on the COVID-19 swab tests?

- a. Yes
- b. No

## QUIZ 2 – ANSWER

JK LLC is a GST-registered law firm that is incorporated in Singapore. Due to urgent need by its overseas client to furnish the deliverables by end of December 2021, it has arranged a business trip (from Singapore to Philippines) for its employee, Alex. Alex took a pre-departure COVID-19 swab tests on 1 November 2021 and sought full reimbursement from JK LLC.

Can JK LLC claim the input tax incurred on the COVID-19 swab tests?

a. Yes

b. No



# Goods & Services Tax - Preventive and Detective Measures



## COVID-19 - PREVENTIVE AND DETECTIVE MEASURES



# Living with COVID-19

What to do if you are exposed or test positive for COVID-19

<b>I AM UNWELL</b> Please follow Protocol 1	<b>I AM WELL OR ASSESSED MILD</b> Please follow Protocol 2	<b>I AM A CLOSE CONTACT</b> Please follow Protocol 3	<b>I AM NOT SURE WHAT TO DO</b> Use this checker
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## COVID-19 - PREVENTIVE AND DETECTIVE MEASURES

### Preventive

- Wear Mask
- Keep Safe Distance

### Detective

- Consult Doctor
- Swab Tests – ART & PCR



## COVID-19 - PREVENTIVE AND DETECTIVE MEASURES

### Preventive

- Seek clarity on GST treatments
- Periodic GST self-reviews including GST healthchecks

### Detective

- Assisted Compliance Assurance Programme (ACAP)
- Assisted Self-Help Kit (ASK)

## COVID-19 - PREVENTIVE AND DETECTIVE MEASURES

### Up to 200% penalties for GST errors

- Penalties of up to 200% of tax owed
- GST errors will be more costly due to the GST hikes

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

- 2,858 GST audits in the last FY
- Average tax and penalties recovered per audit case is S\$73,000

## ASSISTED COMPLIANCE ASSURANCE PROGRAMME (ACAP)

### What is ACAP?

- Compliance initiative introduced by the Inland Revenue Authority of Singapore (“IRAS”)
- Encourage businesses to set up a robust GST control framework
- By conducting a holistic self-review of GST controls
- An alternative to IRAS GST Audit
- To reduce risks of making GST errors and avoid penalties

## ASSISTED COMPLIANCE ASSURANCE PROGRAMME (ACAP)

### What is ACAP?

- More than 1000 businesses have successfully applied for ACAP
- Applicants have 15 months to complete the ACAP project – usually completed within 8 to 10 months
- Need to be endorsed by a qualified ACAP reviewer
- MSLLP is one of the few qualified ACAP reviewers in Singapore



## ASSISTED COMPLIANCE ASSURANCE PROGRAMME (ACAP)

### Benefits of ACAP

- Full waiver of penalties for GST errors voluntarily disclosed as part of the ACAP review
- As opposed to penalties up to 200% of tax owed for errors discovered in an IRAS audit
- Penalty waiver will cease for participation after 31 March 2024
- Accorded with a “ACAP Status”
  - Premium – 5 years
  - Merit – 3 years





## ASSISTED COMPLIANCE ASSURANCE PROGRAMME (ACAP)

### Benefits of ACAP

- Business accorded with ACAP status will enjoy the following benefits:
  - ✓ Step-down of IRAS GST compliance activities
  - ✓ Expeditious GST refunds
  - ✓ Dedicated team to handle GST rulings and resolve GST issues
  - ✓ Auto-renewal of GST schemes (if applicable)



## ASSISTED COMPLIANCE ASSURANCE PROGRAMME (ACAP)

### Sample Award Letter Issued by IRAS

Dear Sir/ Madam

**GOODS AND SERVICES TAX (GST)  
- ASSISTED COMPLIANCE ASSURANCE PROGRAMME (ACAP)**

1. We refer to your ACAP Report submitted on 30 Nov 2020.

**Award of ACAP Status**

2. We are pleased to award you an '**ACAP Premium**' status from 4 Nov 2021 to 3 Nov 2026. This is in recognition of your efforts in establishing a good tax infrastructure to ensure GST compliance on an ongoing basis.
3. Fundamentally, you have demonstrated your long-term commitment to incorporate GST risk management as part of good corporate governance through the presence of the following key elements:

## ASSISTED COMPLIANCE ASSURANCE PROGRAMME (ACAP)

4. Accordingly, your company will enjoy the following benefits for 5 years:
  - a. Step-down of IRAS-GST compliance activities unless significant anomalies are noted in GST declarations;
  - b. Expeditious GST refunds, if no anomalies are noted; and
  - c. Dedicated team to handle GST rulings and resolve GST issues expeditiously.
5. Arising from the ACAP Review, you have voluntarily disclosed GST errors totalling \$            Under the ACAP incentive, we have waived all the penalties relating to the filing of incorrect GST returns.

## ASSISTED COMPLIANCE ASSURANCE PROGRAMME (ACAP)

### Overview of ACAP

1. Apply to IRAS to participate in ACAP
2. Commencement of ACAP Review
3. Consolidate findings and submit ACAP report to IRAS
4. IRAS reviews & seek clarification
5. IRAS accords ACAP status to ACAP-participant

## ASSISTED COMPLIANCE ASSURANCE PROGRAMME (ACAP)

### Overview of ACAP

#### WALKTHROUGH

- Selection of period for review
- Perform trend analysis / analytical checks
- Walkthrough of GST worksheets
- Review and documentation of process flowcharts (for sales, purchases and GST reporting)

#### TEST OF CONTROLS

- Testing of GST controls
- Assess whether key GST controls are present and operating effectively
- To prevent risks of recurring GST errors

#### SUBSTANTIVE TESTING

- Select samples to perform substantive testing
- Review validity of tax invoice, application of GST treatment, incorrect claims etc.
- Based on IRAS' prescribed sample size



## ASSISTED COMPLIANCE ASSURANCE PROGRAMME (ACAP)

### Eligibility conditions to participate in ACAP

- Established to have acceptable GST controls
- Auditor's opinion of latest financial statement is unqualified
- Registered for GST for at least 3 years
- Currently not under GST audit
- Committed to engage qualified ACAP reviewer

## Assisted Self-help Kit (ASK)

### What is ASK?

- Focuses on verifying transactions reported in GST returns to ensure correct GST treatments (*rather than internal controls*)
- Substantive testing based on IRAS prescribed sample size (*rather than walkthrough and test of controls*)
- Shorter review time (3 months)
- For errors within 1 year grace period – full waiver of penalties
- For errors made more than 1 year ago – reduced penalty of 5%

## Assisted Self-help Kit (ASK)

### Overview of ASK

1. Review GST declarations for past financial year, perform high level checks
2. Select GST return(s) for review
3. Perform checks for the selected GST return(s)
- 4 Review and compare financial statement against your GST declarations
5. Quantify error (if any) and submit findings to the IRAS

# Quiz Time

## QUIZ 3

As compared to an ASK review, what are the additional benefits a Company can enjoy by participating in ACAP?

- (i) Step down of IRAS GST Audit
  - (ii) Full waiver of penalties for non-fraudulent errors
  - (iii) Lower cost to perform the review
- 
- a. Only (i) and (ii)
  - b. Only (i) and (iii)
  - c. All of the above



## QUIZ 3 – ANSWER

As compared to an ASK review, what are the additional benefits a Company can enjoy by participating in ACAP?

- (i) Step down of IRAS GST Audit
- (ii) Full waiver of penalties for non-fraudulent errors
- (iii) Lower cost to perform the review

- a. Only (i) and (ii)
- b. Only (i) and (iii)
- c. All of the above



# Introduction To Variable Capital Company



# OVERVIEW OF VARIABLE CAPITAL COMPANY



VCC framework was launched in January 2020



New corporate structure for investment funds



Business owners / investors can have greater flexibility to raise capital for investments



Normally handled by a fund management company

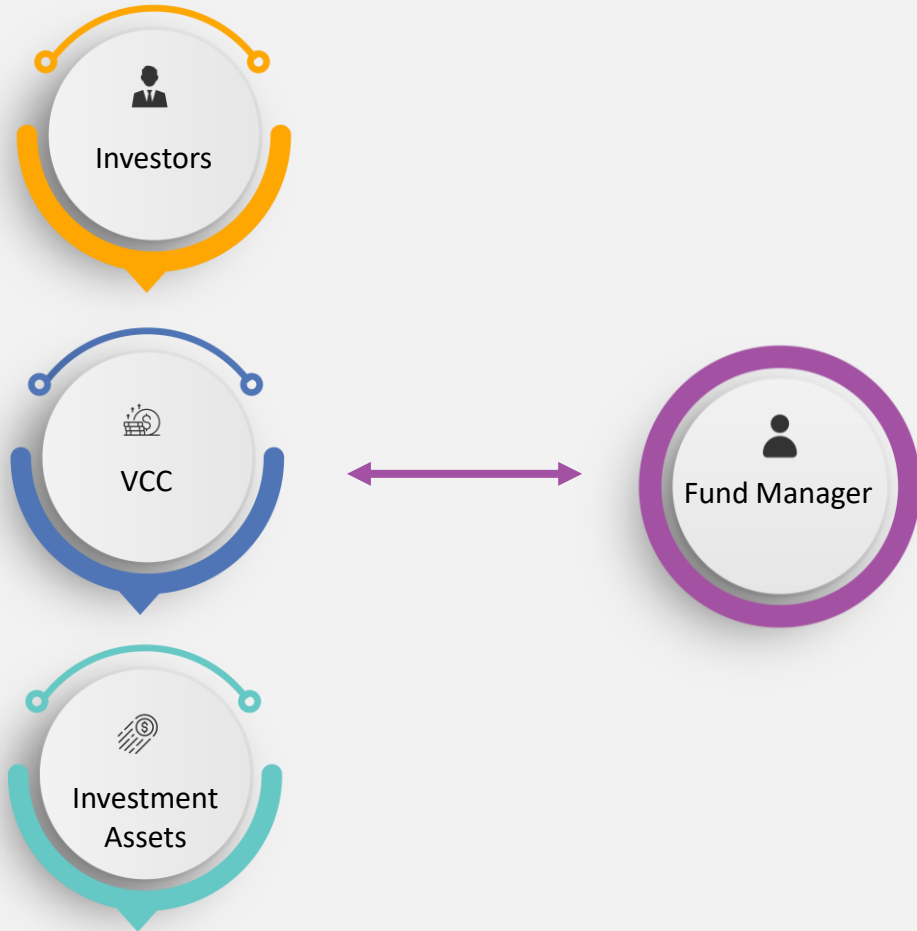


VCC incorporated under the VCC Act is treated as company for income tax purposes

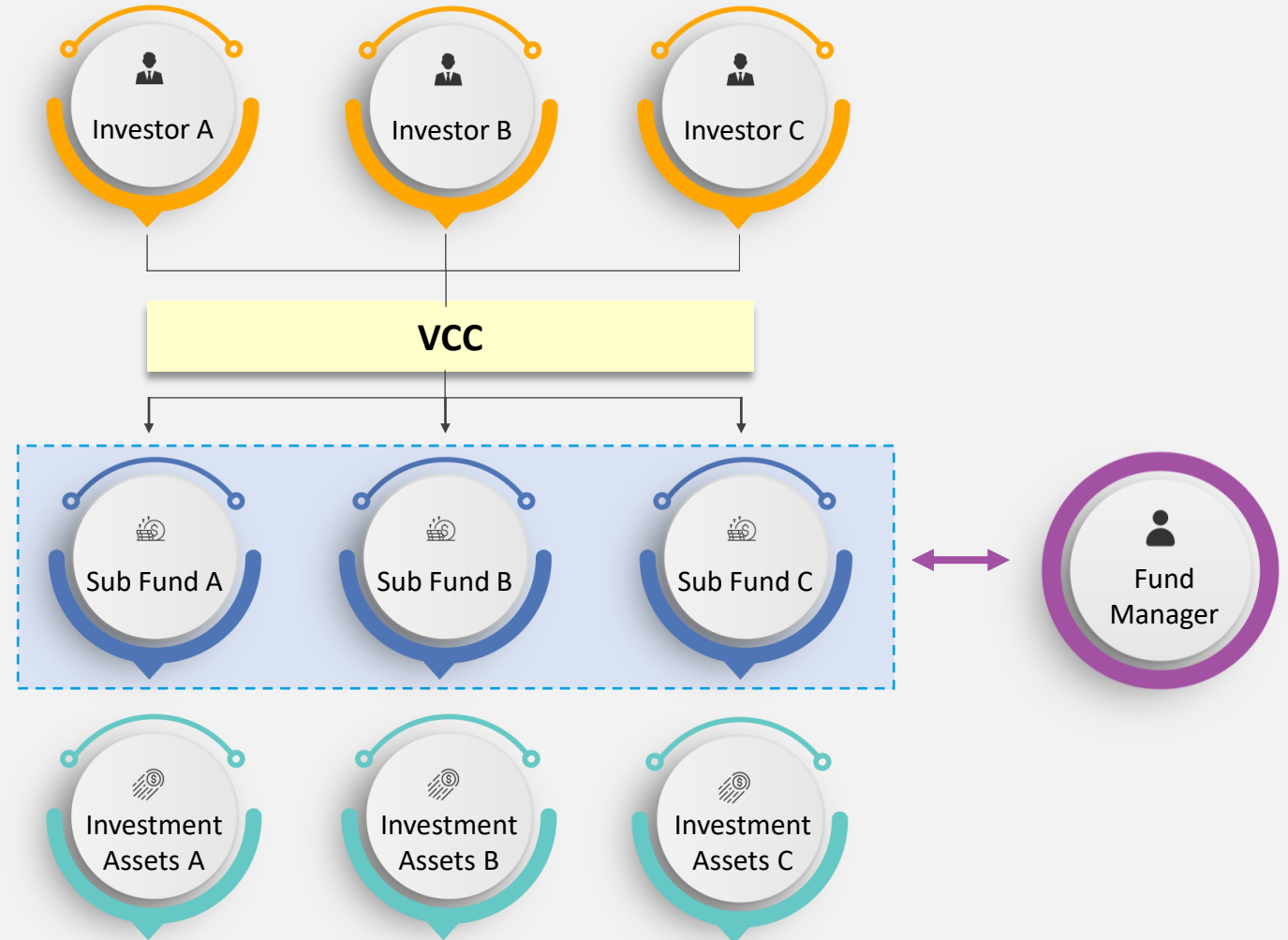


Can be set up as single fund structure or umbrella fund

## Single fund (stand-alone) VCC



## Umbrella VCC



## GST IMPLICATIONS OF VCC



GST  
Treatment



Registration  
Liability



Accounting for  
output tax and  
claim input tax



GST  
Remission





## GST TREATMENT

- From **GST perspective**, each sub-fund of an umbrella VCC is regarded as a separate person.
- Each sub-fund has to assess its own GST registration liability based on the value of taxable supplies made.





# GST REGISTRATION LIABILITY

## Determining GST registration liability

- Value of taxable supplies made or;
- Value of services acquired from overseas suppliers

exceeds S\$1 Million for the past calendar year OR is expected to exceed S\$1 Million for the next 12 months

# ACCOUNTING FOR OUTPUT TAX AND CLAIMING INPUT TAX



## Supplies

Charge and account output GST on taxable supplies made / imported services incurred (where applicable)



## Purchases

- Claim GST on expenses incurred by sub-fund
- Allocate common expenses on reasonable basis
- Maintain relevant documents to support GST claims



## GST REMISSION FOR VCC

- GST remission can be accorded to sub-funds which are not GST-registered by enabling them to claim a portion of the GST incurred on expenses (other than disallowed expenses)
- The percentage claimable is determined by the Monetary Authority of Singapore (MAS) and could differ from year to year - usually ranges from 87% to 89%.
- For GST remission to apply, non-GST registered stand-alone VCC and sub-funds of an umbrella VCC would need to meet the following conditions:
  - Be managed or advised by a prescribed fund manager in Singapore; and
  - Ensure that the conditions for specific income tax concessions are met as at the last day of their preceding financial year.
- File quarterly Statement of Claims to IRAS





Q&A?



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