CCS-MS GST UPDATES AND Q&A SESSION 2023

Complete Corporate Services and Moore Stephens LLP jointly organised the **CCS-MS GST Webinar** on 13 October 2023. The webinar was thoughtfully designed with the intent to provide businesses and individuals with valuable insights in managing the ever-evolving realm of GST. Participants were offered a comprehensive understanding on critical aspects such as transitional rules pertaining to the GST rate hike, prevalent GST errors, and effective strategies to mitigate GST-related costs.

This post-event report aims to summarise the highlights and key takeaways, offering an overview of the knowledge and expertise shared during the session.

Mr. Dilpreet Singh, Director of Taxation Services, Complete Corporate Services, kick-started the seminar with his opening address.

[A] GST Rate Hike – Overview of Transitional Rules

Comprehending the transitional rules is of paramount importance for GST-registered businesses to apply the correct GST rate on the supply of goods and services. Businesses need to strictly adhere to the requirements and refrain from charging or collecting GST at the increased rate of 9% prior to the scheduled rate hike, effective from 1 January 2024.

For transactions spanning the change of GST rate, businesses must carefully consider three primary factors to ascertain the correct GST rate to apply – the **invoice date, payment receipt date and basic tax point** (i.e. goods delivery or service performance date). Generally, for payments that are received in full prior to the GST rate hike, businesses should apply the old rate, regardless of whether the invoice date or basic tax point falls before or after the rate increase.

Mr. Jerome Goh, GST Manager, Complete Corporate Services, shared about GST Rate Hike.

[B] Common GST Misconceptions - Key Insights

Through our extensive interactions with clients and engagement with the Inland Revenue Authority of Singapore (IRAS), we have identified common misconceptions among businesses regarding GST treatment. These misunderstandings have led to incorrect GST treatment applied which resulted in penalties imposed by the IRAS which could have been avoided.

During our webinar, we delved into specific instances of prevalent GST misconceptions and brought forth the fundamental tax principles critical for correcting these misunderstandings effectively. Appended below is a glimpse of the tax principles that were discussed during the session:

- Disposal of obsolete assets for consideration is considered as making a taxable supply – GST should be accounted based on the consideration received

- Input tax claims on pre-employment medical examination to assess whether the candidates are suitable for employment are allowed as they are not specifically disallowed under Regulation 26 of the GST (General) Regulations.

- GST Treatment on recovery of expenses that are ancillary to a primary supply will follow that of the primary supply.

Ms. Heng Hui Ping, GST Manager, Complete Corporate Services, shared about the Common GST Misconceptions & Key Insights.

[C] Rectifying Past Errors

To address errors in past GST returns, businesses should file GST F7 Forms to correct the errors. The GST F7 Form can be requested from the online IRAS myTax Portal and should be completed within 14 days upon retrieval. In cases where errors affect multiple accounting periods, businesses have the option to consolidate them into a single GST F7 on either a financial or calendar year basis. This simplifies the correction process and enhances efficiency.

By way of an administrative concession, businesses can choose to adjust the errors made in the following GST F5 return provided specific relevant quantitative conditions are satisfied.

[D] Reducing GST-related Costs

GST-registered businesses are essentially acting intermediaries that collect GST on behalf of the IRAS. The avoidable GST costs typically stem from penalties resulting from under-accounting of GST and erroneous claims related to disallowed expenses. Maintaining accurate and compliant GST accounting is key to prevent these unnecessary costs.

In the event that the IRAS discovers any GST errors during an IRAS audit, the IRAS is empowered to impose penalties of up to 200% on any GST undercharged. This would inevitably result in higher business costs after the GST rate hike. Hence, it is highly advisable for GST-registered businesses to proactively engage in complia nce initiatives introduced by the IRAS, such as the:

(i) GST Assisted Compliance Assurance Programme ("ACAP")

(ii) GST Assisted Self-Help Kit Review ("ASK").

<u>GST Health-Check</u>

In situations where businesses are hesitant to alert the IRAS, particularly when they are still uncertain whether they have indeed made errors in their GST returns, the GST Health-Check could be a more suitable alternative. This approach addresses the concern by offering a cautious two-phased review process.

Firstly, we will initiate an internal review of the company's GST submissions to identify any potential errors. Only in the event that errors are identified during the internal review, the company could consider the option to voluntarily disclose them to the IRAS either via ACAP or ASK so to benefit from the penalty waiver.

While many businesses might have cost considerations over such initiatives, it is important to note that the cost of non-compliance undoubtedly outweighs compliance costs.

Mr. Jerome Goh, GST Manager, Mr. Dilpreet Singh, Director of Taxation Services, and Ms. Heng Hui Ping, GST Manager.

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