

SUMMARY OF ISSUES TO CONSIDER AND PREPARE FOR GOODS AND SERVICES TAX (“GST”) RATE CHANGE WITH EFFECT FROM JANUARY 1, 2023

The Minister for Finance has announced that the GST rate will be increased in 2-steps:

- 1) From 7% to 8%, with effect from January 1, 2023; and
- 2) From 8% to 9%, with effect from January 1, 2024.

A GST-registered business (the “Company”) will need to account for GST at the new rate of 8% on its standard-rated supplies of goods and services [including imported services under the Overseas Vendor Registration (“OVR”) regime] made on and after January 1, 2023.

Under normal circumstances, the Company would refer to the time of supply rules to determine when its supply is treated as taking place for GST purposes and therefore when to account for GST on the supply. However, for the supplies straddling the change of GST rate, the Company will also need to consider the transitional rules to determine whether to charge GST at 8% or 7%.

1) Normal Time of Supply Rules

- For GST reporting purposes, Time of Supply Rules stipulates that a supply is considered as having taken place at the earlier of when:
 - i) The invoice is issued; or
 - ii) Payment has been received.

2) Transitional rules for rate change

- A transaction spans a GST rate change when one or more of the following events straddles the date of the rate change:
 - i) The issuance of invoice (e.g. date of tax invoice);
 - ii) The receipt of payment (e.g. date of receipt of payment from the customer);
and
 - iii) The delivery of goods or performance of services (also referred to as “Basic Tax Point”).

A. Application of transitional rules

- 1) The Company need to know when the supplies are delivered or performed, in addition to the invoice date and payment date, to determine whether and how the transitional rules would apply to a supply spanning across the date of rate change.

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2) Checklist for charging GST on transactions straddling January 1, 2023

a) Invoice issued *before* January 1, 2023

Payment Received	Goods delivered / services performed	GST rate to apply	Remarks
<u>Before</u> January 1, 2023	<u>Before</u> January 1, 2023	7%	The supply is subject to <u>7% GST</u> when: a) Full payment is received <u>before</u> January 1, 2023; or b) Goods are fully delivered, or services are fully performed <u>before</u> January 1, 2023.
	<u>On/after</u> January 1, 2023		
	<u>Part before and part on/after</u> January 1, 2023		
<u>On/after</u> January 1, 2023	<u>Before</u> January 1, 2023	7%	The supply is subject to <u>8% GST</u> when <u>full payment is received</u> , and the goods are <u>fully delivered</u> , or services are <u>fully performed on/after</u> January 1, 2023. a) The value of <u>part goods delivered</u> , or <u>part services performed before</u> January 1, 2023 is subject to <u>7% GST</u> ; and b) The value of <u>part goods delivered</u> , or <u>part services performed on/after</u> January 1, 2023 is subject to <u>8% GST</u> .
	<u>On/after</u> January 1, 2023	8%	
	<u>Part before and part on/after</u> January 1, 2023	7% and 8%	

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2) Checklist for charging GST on transactions straddling January 1, 2023 (continued)

a) Invoice issued *before* January 1, 2023 (continued)

Payment Received	Goods delivered / services performed	GST rate to apply	Remarks
<u>Part before and part on/after January 1, 2023</u>	<u>Before</u> January 1, 2023	7%	The supply is subject to <u>7% GST</u> when goods are <u>fully delivered</u> , or services are <u>fully performed before January 1, 2023</u> .
	<u>On/after</u> January 1, 2023	7% and 8%	a) The value of <u>part payment</u> received <u>before January 1, 2023</u> is subject to <u>7% GST</u> ; and b) The value of <u>part payment</u> received <u>on/after January 1, 2023</u> is subject to <u>8% GST</u> .
	<u>Part before and part on/after</u> January 1, 2023		a) The <u>lower</u> of the value of the following is subject to <u>8% GST</u> : i. part payment received on/after January 1, 2023; <u>or</u> ii. part goods delivered or part services performed on/after January 1, 2023; and b) The <u>remaining value</u> of the supply is subject to <u>7% GST</u> .

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2) Checklist for charging GST on transactions straddling January 1, 2023 (continued)

b) Invoice issued *on/after* January 1, 2023

Payment Received	Goods delivered / services performed	GST rate chargeable based on the <u>general time of supply</u>	Can the Companies elect to apply 7% GST?	Remarks
<u>Before</u> January 1, 2023	<u>Before</u> January 1, 2023	7%	Not relevant	The supply is subject to <u>7% GST</u> as <u>full payment is received before January 1, 2023</u> .
	<u>On/after</u> January 1, 2023			
	<u>Part before and part on/after</u> January 1, 2023			
<u>On/after</u> January 1, 2023	<u>Before</u> January 1, 2023	8%	Yes	The Company can elect to apply <u>7% GST</u> on the full value of supply as <u>goods are fully delivered or services are fully performed before January 1, 2023</u> .
	<u>On/after</u> January 1, 2023		No	The Company <u>cannot</u> elect to apply 7% GST as the goods are delivered or services are performed on/after January 1, 2023.

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2) Checklist for charging GST on transactions straddling January 1, 2023 (continued)

b) Invoice issued *on/after* January 1, 2023 (continued)

Payment Received	Goods delivered / services performed	GST rate chargeable based on the <u>general time of supply</u>	Can the Companies elect to apply 7% GST?	Remarks
	<u>Part before and part on/after</u> January 1, 2023		Yes, on part of the supply	The Company can elect to apply <u>7% GST</u> on the <u>value of part goods delivered</u> or <u>part services performed before January 1, 2023</u> . The <u>remaining value of the supply</u> (i.e., part goods delivered, or part services performed <u>on/after January 1, 2023</u>) is subject to <u>8% GST</u> .
<u>Part before and part on/after</u> January 1, 2023	<u>Before</u> January 1, 2023	Part payment <u>before</u> January 1, 2023 – <u>7% GST</u> .	Yes	The Company can elect to apply <u>7% GST</u> on the full value of the supply as <u>goods are fully delivered</u> or <u>services are fully performed before January 1, 2023</u> .
	<u>On/after</u> January 1, 2023	Part payment <u>on/after</u> January 1, 2023 – <u>8% GST</u>	No.	The Company <u>cannot</u> elect to apply 7% GST as the goods are delivered or services are performed on/after January 1, 2023.

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2) Checklist for charging GST on transactions straddling January 1, 2023 (continued)

b) Invoice issued *on/after* January 1, 2023 (continued)

Payment Received	Goods delivered / services performed	GST rate chargeable based on the <u>general time of supply</u>	Can the Companies elect to apply 7% GST?	Remarks
	<u>Part before and part on / after</u> January 1, 2023		Yes, on part of supply.	<p>The Company can elect to apply <u>7% GST</u> on the <u>higher</u> of the value of:</p> <ul style="list-style-type: none"> i. part payment received before January 1, 2023; or ii. part goods delivered or part services performed before January 1, 2023. <p>The remaining value of the supply is subject to 8% GST.</p>

- 3) The Company does not need to complete any form or seek prior approval from the Comptroller of GST for making the election. However, the Company must maintain documentary evidence (e.g., goods receipt note, delivery order, certification of work done, customer’s acknowledgement or other commercial documents used in the Company’ business) to show that the services have been performed before January 1, 2023.
- 4) For invoices issued before January 1, 2023, the Company should charge GST at 7%. The Company is not allowed to charge or reflect GST at 8% on invoices that are issued before the rate increase date.

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B. Requirements to take note

<p>Credit notes to be issued</p>	<p>Where the Company is required to issue a credit note for its supplies which are affected by the change in tax rate, the Company must issue the credit note to the customer by <u>January 15, 2023</u>.</p> <p>However, to ease compliance, the Comptroller will allow the Company up to <u>90 days</u> after the date of issue of the <u>original tax invoice</u> to issue credit notes/new tax invoices. This only applies to scenarios where the Company has issued a tax invoice with GST at 8% but subsequently elect to apply GST at 7% if the basic tax point takes place before January 1, 2023.</p> <p>The Company’s accounts or supporting documents must clearly state the nature of the adjustments and the reason for the adjustments.</p> <p>The credit note must contain the following information:</p> <ul style="list-style-type: none"> a) Properly headed as “Credit Note”; b) An identifying number; c) Date of issue; d) The businesses’ name, address and GST registration number; e) Customer’s name and address; f) The identifying number and date of issue of the original tax invoice; g) A description which identifies the goods and services to which the credit relates; h) Reason for the credit; i) The quantity and value of goods or services to which the credit relates; and j) The rate and amount of GST being credited.
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<p>Rebates and returned goods</p>	<p>If the rebate given to customer represents a <u>discount for past sale</u>, the GST of the rebate will be calculated at the rate that <u>is originally charged on the sale</u>.</p> <p>If the rebate is <u>used to offset against the value of the Company’s next sale to the customer</u> which takes place <u>on or after January 1, 2023</u>, the Company should charge GST at <u>8%</u> on the net value of the sale.</p> <p>For <u>returned goods</u>, the Company should adjust the GST using the rate that is <u>originally charged on the supply of goods</u> and maintain documentary evidence to show whether the goods returned were supplied before or on/after January 1, 2023.</p>
<p>Input tax claims</p>	<p>On or after January 1, 2023, the Company may receive tax invoices showing 8% GST and tax invoices showing 7% GST for goods or services which the Company bought before the rate change (e.g. received invoice dated December 31, 2022 on January 15, 2023 from the supplier).</p> <p>The Company can only claim the GST amount shown on the supplier’s tax invoice as its input tax.</p>

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C. Checklist for GST rate change

Accounting software and invoicing system	The Company should work closely with the IT team to specify the parameters for the application of the different GST rates to make sure the correct GST rates are being applied.
Transitional rules and GST rate to apply	Trained the staff on the transitional rules for rate change and to apply the correct GST rate for sales transactions spanning the date of rate change.
Price display	<p>With effect from January 1, 2023, price display must be inclusive of GST at <u>8%</u>.</p> <p>The Company may display two prices:</p> <p>a) One applicable <u>before January 1, 2023</u> showing prices inclusive of GST at <u>7%</u>; and</p> <p>b) One applicable <u>from January 1, 2023</u> showing prices inclusive of GST at <u>8%</u>.</p>
Review existing contracts	<p>Review the contracts/agreements for the GST rate to be charged or borne by each party (including both the contracts with customer and supplier).</p> <p>If the Company has existing contracts to supply services on/after January 1, 2023, the Company can increase the contractual consideration to charge GST at <u>8%</u> unless the contract has explicitly specified that any tax change is excluded or has already been considered.</p> <p>If the contract contains such express provision, the Company will be bound by the contractual terms and will not be able to revise the consideration. In such instance, the Company should account for GST using the tax fraction 8/108 multiplied by the total consideration.</p>

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	<i>[Example: The contract has excluded the Company from increasing the contractual consideration due to a tax change. Hence, if the consideration for the supply is \$10,700 (\$10,000 plus 7% GST of \$700), the Company should account for GST at \$792.59 (\$10,700 x 8/108) to the IRAS and not S\$700. The additional <u>S\$92.59</u> will be borne by the Company.]</i>
Informed the customers of the GST rate increase	To state in its quotations that GST would be charged at the rate prevailing at the time of supply.

D. Extend GST to imported services and imported Low-Value Goods

Singapore has implemented the Reverse Charge and OVR rules on January 1, 2020, whereby imported services (under certain circumstances) and digital services supplied by overseas vendors to Singapore non-GST registered customers are subject to GST.

The scope of GST will be extended further to tax imported low-value goods & Business-to-Consumer (“B2C”) imported non-digital services with effect from January 1, 2023.

Special transitional rules will apply to these supplies. Please refer to the IRAS e-Tax Guide “2023 GST Rate Change: A Guide for GST-registered Businesses” for more information on how the transitional rules will apply to such supplies.