

STEP 4:

Review your Financial Statements or Management
Accounts for the Same Financial Year

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Overview

In Step 1, you have already reviewed your GST returns filed for the past financial year. Now in Step 4, you are to review and compare your financial statements⁹ against your GST declarations for the same financial year. The checks performed in Step 4 below provide another level of assurance that your GST declarations are complete and accurate. If discrepancies are noted, you need to explain and quantify the errors (if any).

4.1 Compare Sales or Turnover (in financial statements) to annual Total Supplies (in GST returns)

Compare the Sales or Turnover reported in your financial statements to the annual Total Supplies reported in your GST returns, and compute the difference ([refer to Row 97 of Template 1](#)).

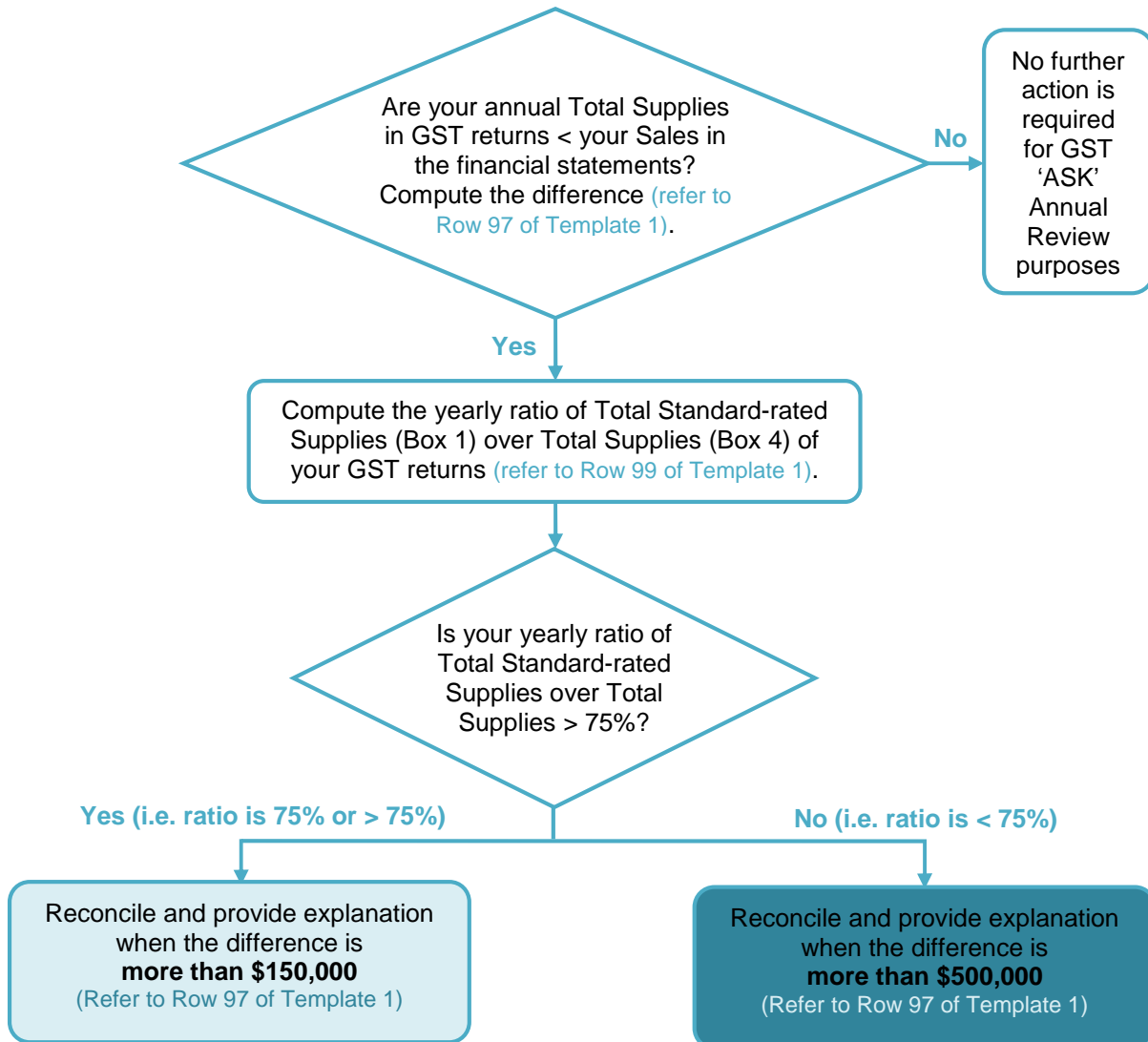
When your annual Total Supplies in GST returns are significantly lower than your Sales in the financial statements¹⁰, this could indicate that you have substantially under-declared the supplies figure in your GST reporting. You should quantify the errors (if any), unless you are able to explain for the difference and be satisfied that they are in order.

⁹ If your audited financial statements are not ready when you perform this step, you may use your unaudited financial statements or your management accounts.

¹⁰ Sales or Turnover in the financial statements should not deviate much from the annual Total Supplies in GST returns. Some common reasons for the difference are categorized as follows:

- *Out-of-scope supplies which are not required to be reported in GST returns, but are included in the financial statements.*
- *Different basis on when sales are recognised in GST returns and financial statements.*
- *Different basis in the valuation of transactions for GST reporting and accounting.*

Follow the flowchart below to determine when you need to reconcile and explain for the difference between your Sales and annual Total Supplies.



4.2 Review for transactions with related parties and non-trade transactions

- a. Review your financial statements (including the supporting schedules and notes to financial statements, etc.) for the following transactions:

Nature of transactions	Examples of such transactions	Examples of what to look for in your financial statements
i. With your related parties (e.g. holding company, subsidiary company, etc.)	<ul style="list-style-type: none"> ▪ <i>Sales made to related company</i> ▪ <i>Interest income from loan to related company</i> 	<ul style="list-style-type: none"> ▪ Amount due from/(to) related companies or related parties ▪ Significant related party transactions
ii. For non-trade purposes	<ul style="list-style-type: none"> ▪ <i>Sale or disposal of fixed asset</i> ▪ <i>Sale or rental of commercial property</i> 	<ul style="list-style-type: none"> ▪ Fixed assets ▪ Other income

- b. Check whether these transactions were reported in your GST returns. **If these transactions were not reported, you have to quantify and account for the omitted transactions.**

4.3 Review for outstanding payments not made to your suppliers

- a. Review for purchases which you have not paid the supplier within 12 months from the due date for payment (e.g. based on your supplier ageing report or by matching your supplier's tax invoices against your payment records).
- b. Check whether you had accounted back the GST previously claimed on these purchases in your GST returns. **If no, you have to quantify the amount of input tax to be accounted back.**

- 4.4 Record the results of your checks and your explanation for the discrepancy (if any) in Template 1 (same template used in Step 1).

Important Note

Please note the following:

- a) The specified sample size and methodology of selecting samples are the minimum requirements if this review is requested by IRAS for a specific purpose. Other than that, they serve as suggested guidelines to help businesses determine how much and what to check in conducting an annual review for GST health-check.

- b) IRAS recommends quantitative indicators at various steps in the 'ASK' Annual Review process to help flag out differences that are significant enough to point the businesses to investigate further. While the size of differences below the recommended threshold may not be considered as significant under 'ASK' Annual Review, this does not necessarily imply that the GST declarations are error-free. Businesses may wish to conduct their own checks and ascertain whether the differences can be explained or substantiated.

- c) IRAS reserves the rights to verify and extend the scope of audit checks beyond the samples selected by businesses which have performed the checks according to this 'ASK' Annual Review Guide. Should additional errors be detected during the course of IRAS audits, they will be treated no differently than those errors detected without an 'ASK' Annual Review.

If you have any enquiry on Assisted Self-Help Kit ('ASK'), please call 1800-356 8633 or email to gst@iras.gov.sg.