

# **IRAS e-Tax Guide**

## **GST Treatment of Vouchers: Sale and Redemption (2<sup>nd</sup> Edition)**



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## Overview

GST has to be accounted for the taxable supplies made at the time of redemption of vouchers.

Prior to 1 January 2010, there was no need for GST to be accounted for the sale of vouchers at or below their monetary value.

As businesses innovate, many variations of vouchers have evolved in the market. With effect from 1 January 2010, the GST rules on voucher are extended to vouchers with monetary value or non-monetary value stated on or recorded in the voucher. These vouchers are called "Multi-Redemption Vouchers" for GST purposes.

Since vouchers are taxed only at the point of redemption, vouchers which are not redeemed are not taxed. With effect from 1 January 2010, vouchers expiring on or after this date will be taxable when the expired unredeemed amounts are recognised in the Income Statement.

Previously, an intermediary who bought and sold vouchers as a principal did not have to account for GST on the margin earned. With effect from 1 January 2010, the margin earned by the intermediary who buys and sells the vouchers as a principal will be taxable. An intermediary who buys and sells vouchers as an agent will continue to account for GST on the commission fees earned from the sale of voucher. This will ensure that there is a consistent imposition of GST regardless of whether the intermediary earns a separate commission fees or a margin from the voucher sale.

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## **1. Introduction**

- 1.1 The GST Act has been amended for the supply of vouchers<sup>1</sup>. This guide explains the changes to the GST treatment on the sale of vouchers, redemption of vouchers and vouchers sold through intermediaries effective from 1 January 2010. The changes are necessary to align the tax treatment with the innovations relating to vouchers in recent years.

## **2. GST Treatment On Vouchers Prior To 1 January 2010**

- 2.1 The sale and redemption of vouchers with face value denominated in monetary terms are treated as two separate supplies for GST purposes. The first supply is the sale of the voucher (i.e. the granting of a right to receive goods or services) which is a supply of services. The second supply is the sale of the redeemed goods and services which is subject to 7% GST, unless the supply qualifies for zero-rating as exports of goods or international services or exemption.
- 2.2 To avoid double taxation on the sale and redemption of vouchers, the supply of the voucher is disregarded up to the face value of the voucher. The seller of the voucher does not need to account GST on the voucher sold at or below the face value. If the voucher is sold above the face value, the seller needs to account GST on the amount in excess of the face value upon the sale of that voucher.
- 2.3 When the voucher is redeemed for standard-rated supplies of goods and services, the supplier of the goods and services (e.g. retailer) needs to account for GST based on the value of goods and services redeemed up to the face value of the voucher. In this way, only the supply of underlying goods or services is subject to GST.

## **3. Definition Of Vouchers**

- 3.1 Over time, many forms of vouchers which have no monetary face value stated (e.g. prepaid phone cards with talking time, game cards with gaming credits, etc) have evolved. The definition of vouchers has to be broadened to ensure similar treatment applies to different types of vouchers.

### Multi-Redemption Vouchers ("MRV")

- 3.2 With effect from 1 January 2010, only vouchers that meet the conditions below will be treated as consisting of 2 supplies –(i) the supply of the right to redeem for goods and services and (ii) the supply of the redeemed goods or services:

- (i) It must be sold for a consideration.

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<sup>1</sup> The legislations are Section 35A of the GST Act and Regulation 93A GST (General) Regulations.

- (ii) It confers a right to receive goods and services up to the monetary value or non-monetary value, stated on or recorded in the voucher. Both monetary and non-monetary value for all vouchers (with the exception of prepaid phone cards) must not make reference to the value or description of any particular goods or services that may be redeemed under the voucher.
- (iii) The voucher must be presented or utilised to exchange for the goods and services acquired.

3.3 Such vouchers will be referred to as 'Multi-Redemption Vouchers' ("MRV") for GST purposes. The value of such vouchers will be referred to as "specified value". If the value stated on or recorded in the voucher is a monetary value, the monetary value will be the specified value. If the value stated on or recorded in the voucher is a non-monetary value (e.g. gaming credits/dollars, paid loyalty points), the equivalent monetary value assigned by the issuer will be the specified value.

3.4 Common forms of MRVs are:

- i) Shopping vouchers which allow choice of supplies on redemption;
- ii) Stored value cards which allow redemption for supplies from the same or different suppliers;
- iii) Prepaid gaming cards with monetary value or gaming dollars/credits;
- iv) Prepaid calling cards including the top-up value cards, with monetary value or talk-time.

#### Non Multi-Redemption Vouchers ("Non-MRV")

3.5 Vouchers sold for a consideration and which state the type and value of goods or services for which the vouchers can be redeemed are not MRVs (e.g. a hair treatment service worth \$100 or 8 sessions of hair treatment services worth \$400). If the issuer is also the supplier of the redeemed goods and services, the supply of such vouchers and its redemption is treated as a single supply of the redeemed goods and services, subject to the normal time of supply rule. As the consideration received from the voucher sale is treated as a prepayment for the goods and services to be supplied, GST has to be accounted for when payment is received. If the issuer is not the supplier of the redeemed goods and services, the normal rules will apply in determining the supply flow between the issuer and customer (who bought the voucher for specified goods and services) and the supply flow between the issuer and supplier of the goods and services.

3.6 Common forms of non-MRVs are:

- (i) Vouchers which are given away free<sup>2</sup>;

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<sup>2</sup> No GST is chargeable on the issue of free vouchers. Upon redemption of the free voucher for goods worth \$200 or more, the supplier will have to account for deemed output tax on the supply of goods (with no consideration received) subject to the deeming rules. If consideration was received for the supply of the goods upon redemption of the free voucher, GST has to be accounted on the consideration received.

- (ii) Product vouchers which are purchased for specific goods or services (e.g. voucher for a kettle worth \$100, voucher for a walnut cake, voucher for 8 facial sessions, voucher for 5 massage sessions worth \$200);
- (iii) Discount vouchers<sup>3</sup> which entitle the holder to enjoy discount on the purchases. They do not confer a right to receive goods or services up to a specified value.

#### **4. GST Treatment For Multi-Redemption Vouchers (“MRVs”)**

4.1 The sale and redemption of MRVs generally falls within one of the following scenarios:

- (i) The issuer is also the supplier of the redeemed goods/services. The issuer may or may not be able to track the redemption of MRV.
- (ii) The issuer and the supplier of redeemed goods/services are two different persons. The issuer is usually able to track the redemption of MRV.

4.2 The sale and redemption of the MRVs are treated as two separate supplies:

- (i) The sale of MRV is a supply of a right to receive goods or services.
- (ii) The redemption of MRV for goods or services (excluding MRV exchanged for another MRV) is a supply of that goods or services redeemed. When an MRV is redeemed for another MRV, this will not trigger a tax point. A supply takes place when the second MRV is redeemed for goods or services.

4.3 To ensure that GST is not imposed twice on the sale and redemption of MRVs, the taxing principles for MRVs shall apply as follows:

##### **Sale of MRV**

- (i) The sale of MRV is disregarded up to the specified value provided that the MRV has been redeemed subsequently. No tax invoice should be issued for the sale of MRV at or below the specified value. If the MRV is sold above the specified value, GST has to be accounted on the difference above the specified value.

##### **Redemption of MRV for goods or services**

- (ii) The supply of the redeemed goods and services will be taxable. GST will be accounted for at redemption based on the specified value of MRV. Where the MRV was sold below the specified value, the supplier can choose to account at a lower consideration if he is able to

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<sup>3</sup> Where the discount voucher is sold for a consideration, GST is chargeable on the consideration received from the sale of discount voucher. Where the discount voucher is given free, there is no GST on the issue of free voucher.

When the discount voucher is used to obtain a discount on the purchase of goods and services, GST is chargeable on the net value (i.e. gross value less discount) of the goods and services acquired.

determine it at the point of redemption and reflect it on the tax invoice/invoice/receipt.

Option to bring forward the GST accounting for redemption

However, an option will be given to the issuer who is also the supplier to bring forward the tax point for the redemption of MRVs to the time when MRV is sold, if he is currently accounting upfront or is unable to track the redemption (see paragraphs 4.4 to 4.7 below for further details).

**Expiry of unredeemed MRV**

- (iii) For any expired MRV which has not been redeemed on or after 1 January 2010, the sale of MRV which was previously disregarded is brought back to tax when the MRV expires and the consideration received from the MRV sale is recognised in the Income Statement.

However, if the MRVs can only be used to redeem for zero-rated supplies (e.g. prepaid card that can only be used to make international calls), exempt supplies (e.g. voucher for one night stay in a residential property) or out-of-scope supplies (e.g. voucher for one night stay in a hotel located outside Singapore), no GST needs to be accounted on the unredeemed amounts of such MRVs when it is recognised as income.

- 4.4 One key differentiating point for GST treatment depends on whether the issuer cum supplier is currently able to track the redemption of MRVs. Further elaboration is given below.

4.5 Where the issuer cum supplier is currently able to track the redemption of MRVs

The sale of MRVs will be disregarded up to the specified value of the MRV. Upon redemption of the MRV, the supplier of the redeemed goods and services will have to account for GST<sup>4</sup> on the value of the goods and services redeemed.

The value of the redeemed goods and services is the specified value of MRV redeemed and any additional consideration received at the time of redemption. However, if the supplier of the redeemed goods and services is able to identify the consideration received from the sale of the MRV is lower than the specified value, the supplier can instead account for GST based on the consideration received from the sale of MRV.

If the MRVs are not redeemed and they expire on or after **1 January 2010**, the issuer will have to account for GST on the unredeemed amounts when they are recognised in the Income Statement. This is because the sale of MRV is a separate supply of service and should rightly be brought to tax when the MRV is not redeemed.

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<sup>4</sup> GST is chargeable at 7% on the sale of the redeemed goods and services, unless the supply qualifies for zero-rating as exports of goods or international services or exemption.

#### 4.6 Where the issuer cum supplier is currently unable to track the redemption of the MRVs

The sale of MRVs will still be disregarded up to the specified value of the MRV. The supply of the redeemed goods and services will be taxable, but the GST accounting for the redemption is brought forward to the point when the MRV is sold. Since GST is already accounted for upon the sale of MRV, any expired unredeemed MRV will not attract GST again.

#### 4.7 Election to bring forward the tax point for redemption

The option to bring forward the tax point for redemption is only available to an issuer who is also the supplier. Where the issuer cum supplier has been accounting upfront prior to 1 January 2010 or is unable to track redemption of the MRV sold, he may continue to account for GST at the time when he sells the MRV.

For the issuer cum supplier who has been accounting GST upon redemption previously and wishes to account for GST based on payment received from MRV sale with effect from 1 January 2010, he needs to make an application to the Comptroller. The Comptroller will approve the application only if there are valid grounds and he can comply with the conditions which the Comptroller may impose.

### **5. GST Treatment For MRVs Where Issuer Is The Same As Supplier And Issuer Is Able to Track Redemption**

#### 5.1 At the point of sale of MRVs where redemption can be tracked by the issuer

##### 5.1.1 ***Sale of MRV at or below specified value***

The issuer does not have to account for GST at the point of sale of the MRV if the MRV is sold at or below specified value. The issuer should not issue a tax invoice/simplified tax invoice/invoice/receipt<sup>5</sup> with GST charged for the sale of the MRV.

##### 5.1.2 ***Sale of MRV above specified value***

If the MRV is sold above specified value, the issuer needs to account for GST on the difference above the specified value. If the issuer issues a tax invoice/simplified tax invoice/invoice/receipt with GST shown separately, the GST charged should only be on the difference above the specified value.

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<sup>5</sup> A supplier must issue a tax invoice showing GST amount separately when he makes a supply (including GST) exceeding \$1000 to a GST registered customer. If he makes a supply (including GST) not exceeding \$1000 to a GST registered customer or makes a supply to a non-GST registered customer, he need not show GST separately on his simplified tax invoice / invoice or receipt.

## 5.2 At the point of redemption of MRV for goods and services

### 5.2.1 **Full redemption of MRV<sup>6</sup>:**

- (i) For MRV sold at specified value or below specified value and the issuer is unable to determine the actual consideration received from the sale of MRV

The issuer accounts for GST on the value of redeemed goods and services, which is equal to the specified value of the MRV. If the issuer issues a tax invoice/simplified tax invoice/invoice/receipt with GST shown separately, the GST charged has to be on the specified value of the MRV.

- (ii) For MRV sold below specified value and the issuer is able to determine the actual consideration received from the sale of MRV

If the issuer is able to determine the actual consideration received from the sale of MRV, he can account for GST based on the actual consideration received from the sale of MRV. In this case, if the issuer issues a tax invoice/simplified tax invoice/invoice/receipt with GST shown separately, the GST charged has to be based on the actual consideration received from the sale of the MRV.

- (iii) For MRV sold above specified value

The issuer accounts for GST on the value of the redeemed goods and services up to the specified value of the MRV. The difference above the specified value would have already been accounted at the point of sale of the MRV.

If the issuer issues a tax invoice/simplified tax invoice/invoice/receipt with GST shown separately, the GST charged should be on the specified value of the MRV.

### 5.2.2 GST concession in invoicing when issuer accounts for GST based on actual consideration received from the sale of MRV

It is a common business practice that the issuer agrees to sell the MRVs to corporate customers (who in turn give them free to end-consumers) and **receive payment for the MRV sale from the corporate customers only after the MRVs are redeemed**. When such an issuer chooses to account for GST based on the actual consideration received from the sale of MRV (e.g. \$90 received instead of the MRV specified value at \$100), he may be unable to show the GST on the actual consideration received, on the tax invoice/simplified tax invoice/invoice/receipt issued.

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<sup>6</sup> This includes situations where the MRV was redeemed for goods or services costing less than the specified value and no refund was given for the difference.

As a concession, the Comptroller will allow the issuer to show GST on the amount by which the value of goods and services redeemed exceeded the specified value of MRV, on the tax invoice/simplified invoice/invoice/receipt issued at the time of redemption. However, the issuer will still have to account for GST on the full value of the goods and services redeemed (i.e. MRV sales value and any additional consideration) in the same accounting period as the redemption. See Illustration below.

Illustration

Retailer A enters into an arrangement with Company B to sell \$100 MRVs at \$90 for a period of time where the payment for the MRVs will be made only upon redemption. Company B gives MRVs free to its customers under its loyalty reward programme.

Customer C uses a \$100 MRV to redeem goods from Retailer A. Retailer A subsequently seeks reimbursement from Company B for \$90 after the redemption.

If Customer C redeems for \$100 worth of goods

Retailer A should account for GST on the value of redeemed goods and services of \$100 which is equal to the specified value of the MRV.

If Retailer A is able to determine the actual consideration of \$90 receivable from sale of MRV to Company B, he can account for GST based on the actual consideration received. In this case, Retailer A will have to show GST (if shown separately) at 7/107 of \$90 on the tax invoice / invoice or receipt issued to Customer C. If he is unable to do so, a concession is given to Retailer A to show \$0 GST on the tax invoice issued to Customer C. However, Retailer A will still have to account for GST at 7/107x \$90 in the same accounting period as the redemption.

If Customer C redeems for \$120 worth of goods

Retailer A should account GST on the value of redeemed goods and services of \$120 which is equal to the specified value of the MRV and the additional consideration of \$20 received from Customer C.

If Retailer A is able to determine the actual consideration of \$90 receivable from sale of MRV, he can account GST based on the sum of the actual consideration receivable from sale of MRV and the additional consideration received from Customer C. In this case, Retailer A will have to show GST (if shown separately) at 7/107 of \$110 on the tax invoice / invoice or receipt issued to Customer C. If he is unable to do so, a concession is given to Retailer A to show GST at 7/107 X \$20 on the tax invoice issued to Customer C. However, in total, the retailer will still have to account GST at 7/107x \$110 in the same accounting period as the redemption.

Retailer A seeks payment of \$90 from Company B for the sale of MRV

Retailer A cannot issue a tax invoice showing GST on the recovery of \$90 for the sale of MRV from Company B. This is because GST is disregarded on the supply of MRV to Company B and the supply of goods is made to Customer C and not Company B.

**5.2.3 Progressive redemption of MRV:**

The issuer can account for GST progressively on the value of supplies redeemed (e.g. prepaid calling cards). The total GST accounted upon full redemption would be up to the specified value of the MRV. However, if the MRV is sold below the specified value and the issuer can determine the actual consideration received from MRV sale, he can account for GST up to the consideration received.

### 5.3 MRVs that are no longer available for redemption on or after 1 January 2010

The issuer has to account for GST on the consideration received for the unredeemed MRVs expiring on or after 1 January 2010 when the unredeemed amounts are recognised in the Income Statement. The issuer will recognise 100/107 of the unredeemed amount as income and account for GST at 7/107 of the unredeemed amount.

No GST needs to be accounted on the unredeemed amounts if the MRVs can only be used to redeem for zero-rated, exempt or out-of-scope supplies.

## 6. **GST Treatment For MRVs Where The Issuer Is The Same As The Supplier And The Redemption Is Not Tracked by the Issuer**

### 6.1 At the point of sale of MRV where redemption is not tracked by the issuer

The sale of MRV continues to be disregarded. However, as the issuer is unable to track the redemption of the MRV, the issuer can account for GST on the redemption of MRV at the time when the MRV is sold<sup>7</sup>. If the issuer issues a tax invoice/simplified tax invoice/invoice/receipt with GST shown separately, the GST charged should be on the actual consideration received for the sale of MRV.

### 6.2 At the point of redemption of MRV where redemption is not tracked by the issuer

If the issuer has already accounted for GST when he sells the MRV, he does not have to account for GST again on the redemption of the MRV for goods and services.

### 6.3 Expired unredeemed MRV where redemption is not tracked by the retailer

Since GST is already accounted when MRV is sold, the expired unredeemed MRV will not attract GST.

### 6.4 The common scenarios for the sale and redemption of MRVs where the issuer and the supplier is the same person can be found in Annex 1 to 3.

## 7. **GST Treatment For MRVs Where The Issuer And The Supplier Are Two Different Persons And Redemption Is Tracked by the Issuer**

### 7.1 Generally, for this scenario, the issuer sells MRVs to the customers. The issuer enters into contractual agreements with participating suppliers to accept the MRVs when the customers redeem for goods and services. The supplier will seek reimbursement from the issuer, based on the MRV accepted as payment for the redeemed goods and services. The amount paid by the

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<sup>7</sup> GST has to be accounted when the voucher is made available, payment is received or tax invoice is issued, whichever is the earliest.

issuer may be at or below the specified value of the MRV, depending on the arrangement.

## 7.2 At the point of sale of MRVs

### 7.2.1 ***Sale of MRV at or below specified value***

The issuer of MRV does not have to account for GST at the point of sale of the MRV. The issuer should not issue a tax invoice/simplified tax invoice/invoice/receipt with GST charged, for the sale of the MRV.

### 7.2.2 ***Sale of MRV above specified value***

The issuer needs to account GST on the difference above the specified value. If the issuer issues a tax invoice/simplified tax invoice/invoice/receipt with GST shown separately, the GST charged should only be on the difference above the specified value.

## 7.3 At the point of redemption of MRV for goods and services

The supplier accounts for GST on the value of redeemed goods and services which is equal to the specified value of the MRV.

If the supplier issues a tax invoice/simplified tax invoice/invoice/receipt with GST shown separately, the GST charged should be based on the specified value.

If the MRV is sold by the issuer below specified value and the supplier is able to determine the value at which the MRV was sold by the issuer, the supplier can account for GST on the value of redeemed goods and services based on the consideration from the MRV sale (being lower than specified value). Accordingly, if the supplier issues a tax invoice/simplified tax invoice/invoice/receipt with GST shown separately, the GST charged should be based on the consideration from the MRV sale.

## 7.4 At the point of payment by the issuer to the supplier

The supplier does not have to account for GST again on the payment received as GST has been accounted for when the goods/services were supplied. The supplier should not issue a tax invoice/simplified tax invoice/invoice/receipt to the issuer for the payment received.

The supplier should receive payment from the issuer of an amount not less than the consideration for which the MRV was sold by the issuer. If the supplier receives a lower amount than the amount for which the MRV was sold by the issuer, the difference would form the consideration for a separate supply of service made by the issuer to the supplier. The issuer of MRV will have to account for GST on the supply of service to the supplier.

7.5 MRVs that are no longer available for redemption on or after 1 January 2010

The issuer has to account for GST on the consideration received for unredeemed MRVs which expire on or after 1 January 2010 when the unredeemed amounts are recognised in the Income Statement. The issuer will recognise 100/107 of the unredeemed amount as income and account for GST at 7/107 of the unredeemed amount.

No GST needs to be accounted on the unredeemed amounts if the MRVs can only be used to redeem for zero-rated, exempt or out-of-scope supplies.

7.6 Please refer to Annex 4 to 6 for illustrations of the GST treatment.

**8. Vouchers (i.e. MRVs) Sold Through Intermediaries**

8.1 Very often, the issuer sells the vouchers to intermediaries (e.g. authorised distributors, dealers or retailers) who buy and sell the vouchers as a principal or as an agent.

8.2 The intermediaries either earn a mark-up on the sale of vouchers to the customers or a separate distribution fee from the issuer of vouchers.

8.3 Where intermediary acts as agent in selling the vouchers on behalf of issuer and earns a commission from voucher sales

As an agent for the issuer of voucher, the intermediary buys the voucher from the issuer and sells the voucher to the end-consumer at the same price. The intermediary agent in turn earns a separate distribution fee (i.e. commission) from the issuer. GST has to be accounted for by the intermediary on the distribution fee, being a separate supply of service to the issuer.

8.4 Where intermediary is a principal who buys and sells vouchers and earns a margin

An intermediary who buys and sells vouchers in his own capacity is a principal in the supply flow. He sells<sup>8</sup> the voucher at a price higher than its purchase price, earning a margin from the purchase and sale of voucher.

Under the previous GST rules, the intermediary principal need not account for GST on the vouchers sold at or below the face value. Only when the vouchers are sold above face value, the intermediary principal then needs to account for GST on the amount exceeding face value.

Hence, GST would not have been accounted for on the margin earned (i.e. difference between the selling price of the voucher up to the face value and the purchase price of the vouchers). The margin earned represents the value-add of the intermediary and should rightly be brought to tax. Hence,

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<sup>8</sup> The intermediary principal can sell the voucher at face value, below face value or above face value.

with effect from 1 January 2010, the intermediary has to account for GST on the margin earned from the sale and purchase of MRVs in Singapore.

8.5 Where MRV is redeemed for another MRV purchased and paid at a lower price from the sales value of the second MRV

When Issuer A of MRV(A) allows his customer to redeem MRV(A) in exchange for MRV(B) issued by a different person (e.g. Issuer B) directly from Issuer A, Issuer A is buying and selling MRV(B) as an intermediary.

For MRV(B) sold on or after 1 January 2010 where he has bought and paid at a lower price than the sales value, Issuer A has to account for GST on the margin earned at tax fraction.

The sales value of MRV(B) redeemed by the customer from Issuer A is based on the specified value of MRV(A) [i.e. the worth of MRV(A) in exchange for MRV(B)].

The margin earned by Issuer A is calculated based on the difference between:

- the specified value of MRV(A) which represents the sale value of MRV(B); and
- the consideration paid for the purchase of MRV(B).

## **9. Margin Accounting For MRVs Sold By Intermediary Principal**

9.1 With effect from 1 January 2010, the margin earned by the intermediary principal from the sale of MRVs in Singapore is treated as a supply of service subject to GST.

9.2 The intermediary's margin from MRV sale is separate from supply of the goods and services upon the redemption of MRV. The margin earned is thus a standard-rated supply, notwithstanding that the MRVs can be redeemed for supplies of goods or services which qualify for zero-rating (e.g. sale of phone cards solely for making international calls) or exemption or outside the scope of GST.

9.3 The GST registered intermediary has to account for GST (at tax fraction 7/107) on the margin earned in each accounting period when the MRVs are sold on or after 1 January 2010. This will ensure that the value-add of the intermediary is brought to tax. No tax invoice should be issued for the accounting of GST on the margin earned.

9.4 As tax is chargeable only on the margin earned, the intermediary cannot claim GST incurred (if any) on the purchase of the MRV.

### Calculation of margin

- 9.5 The margin is calculated based on the total sales<sup>9</sup> of MRVs minus total purchase costs of MRVs sold in each accounting period.
- 9.6 If the total sales value of MRVs is greater than the total purchase costs of the sold MRVs, then GST (i.e. output tax) is accountable by the GST registered intermediary on the gross margin based on the tax fraction; i.e. Margin earned x 7/107.

#### Example 1

Total sales of 1000 pieces of voucher A @ \$10 each	\$10,000
Less: Total purchases of 1000 pieces of voucher A @ \$8 each	\$8,000
Margin earned	\$2000
GST to be accounted (i.e. 7/107 x \$2,000)	\$130.84

- 9.7 If the total sales value of MRVs is lower than or equal to the total purchase costs of the sold MRVs, the margin on sale of MRVs is treated as nil and GST is not chargeable.

#### Example 2

Total sales proceeds of 1000 pieces of vouchers B @ \$9 each	\$9,000
Less: Total purchases of 1000 pieces of vouchers B @ \$9.50 each	\$9,500
Margin earned	-\$500
GST to be accounted	\$0

- 9.7 In the event that the MRVs are purchased at different prices, the intermediary can use the same inventory valuation method (e.g. First In First Out, Weighted Average method) as the one used for their year-end financial accounting, to determine the cost of the MRVs sold in each accounting period.
- 9.8 If the intermediary has difficulty in determining the costs of sold MRVs on a quarterly basis, as an administrative concession, we would allow the intermediary to use an estimate of the unit cost of MRVs (e.g. weighted average of the total purchase costs in each period) multiplied by the number of MRVs sold.
- 9.9 The costing method used by the intermediary has to be consistently applied in the calculation of margin for all accounting periods.

### Registration liability

- 9.10 The value of supply of the intermediary's service is the amount of margin earned and not the sales value of the MRVs. Therefore, only the yearly margin earned by the intermediary supplier (and not the total sales value of vouchers) is to be taken into account as taxable supplies when determining \$1 million threshold for registration and de-registration purposes. The

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<sup>9</sup> Sale proceeds of MRVs comprise MRVs sold at face value, those sold below face value and those sold above face value.

intermediary will be required to register for GST when the margin earned exceeds \$1m.

## **10. Contact Information**

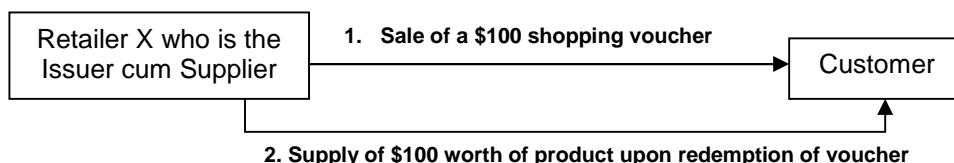
10.1 For enquiries on this e-Tax Guide, please contact:

Goods & Services Tax Division  
Inland Revenue Authority of Singapore  
55 Newton Road  
Singapore 307987

Tel: 1800 356 8633  
Fax: (+65) 6351 3553  
Email: [gst@iras.gov.sg](mailto:gst@iras.gov.sg)

Annex 1

**Full redemption of a shopping voucher where the issuer is also the supplier**



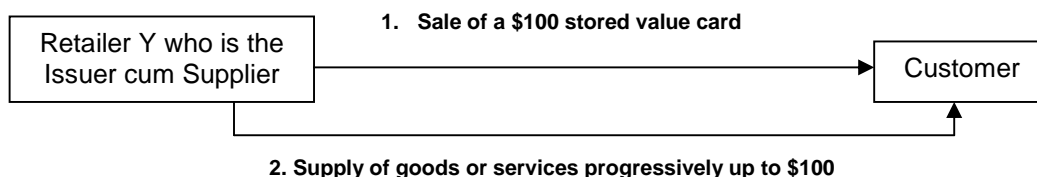
Sale of MRV at Event 1		
Event 1	If the redemption of the MRV (i.e. shopping voucher) cannot be tracked by Retailer X	If the redemption of the MRV (i.e. shopping voucher) can be tracked by Retailer X
(i) At specified value (e.g. \$100)	Retailer X has to account for GST at 7/107 of \$100 on the consideration received from the MRV sale.	No GST to be accounted by Retailer X on the sale of the MRV
(ii) Below specified value (e.g. \$90)	Retailer X has to account for GST at 7/107 of \$90 on the consideration received from the MRV sale.	
(iii) Above specified value (e.g. \$130)	Retailer X has to account for GST at 7/107 of \$130 on the consideration received from the MRV sale.	Retailer X has to account for GST at 7/107 on the amount exceeding specified value (i.e. \$130-\$100).

Full redemption of MRV at Event 2		
Event 2	If the redemption of the MRV (i.e. shopping voucher) cannot be tracked by Retailer X	If the redemption of the MRV (i.e. shopping voucher) can be tracked by Retailer X
(i) For MRV sold at or above specified value	No GST to be accounted by Retailer X on the supply of the goods or services, if GST has been accounted earlier on the consideration received from the MRV sale.	Retailer X has to account for GST at 7/107 of \$100 on the supply of the goods or services redeemed based on the specified value of the MRV.
(ii) For MRV sold below specified value (e.g. \$90)		Retailer X has to account for GST at 7/107 of \$100 on the supply of the goods or services based on the specified value of the MRV.  However, if Retailer X is able to track the consideration received from the MRV sale, Retailer X can account for GST at 7/107 of \$90 on the supply of the goods or services based on the consideration received.

Expired unredeemed MRV		
Event	If the redemption of the MRV (i.e. shopping voucher) cannot be tracked by Retailer X	If the redemption of the MRV (i.e. shopping voucher) can be tracked by Retailer X
For unredeemed MRVs expired on or after 1 January 2010	No GST to be accounted by Retailer X on the expiry of the MRV	Retailer X has to account for GST on the unredeemed MRV when unredeemed amount is recognised in the Income Statement. The accounting of GST on unredeemed amount will apply to MRVs expiring on or after 1 January 2010.

Annex 2

**Progressive redemption of a stored value card where issuer is also the supplier**



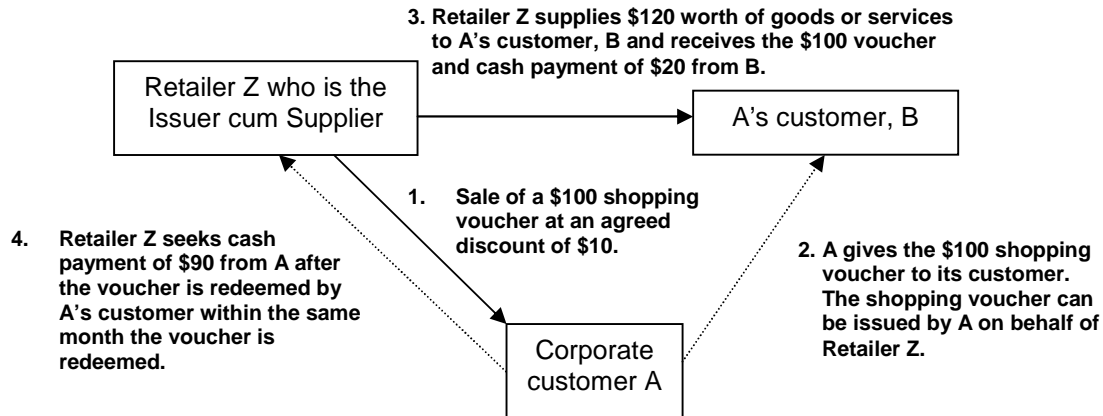
Sale of MRV at Event 1		
Event 1	If the redemption of the MRV (i.e. stored value card) cannot be tracked by Retailer Y	If the redemption of the MRV (i.e. stored value card) can be tracked by Retailer Y
(i) At specified value (e.g. \$100)	Retailer Y has to account for GST at 7/107 of \$100 on the consideration received from the MRV sale.	No GST to be accounted by Retailer Y on the sale of the MRV.
(ii) Below specified value (e.g. \$90)	Retailer Y has to account for GST at 7/107 of \$90 on the consideration received from the MRV sale.	
(iii) Above specified value (e.g. \$130)	Retailer Y has to account for GST at 7/107 of \$130 on the consideration received from the MRV sale.	Retailer Y has to account for GST at 7/107 on the amount exceeding specified value (i.e. \$130-\$100).

Progressive redemption of MRV at Event 2		
Event 2	If the redemption of the MRV (i.e. stored value card) cannot be tracked by Retailer Y	If the redemption of the MRV (i.e. stored value card) can be tracked by Retailer Y
For MRV sold at, below or above specified value	No GST to be accounted by Retailer Y on the supply of the goods or services, as GST has been accounted for the consideration received from the MRV sale.	Retailer Y has to account for GST on the supply of goods or services, based on the credits in MRV redeemed.

Expired unredeemed MRV / Unredeemed credits		
Event	If the redemption of the MRV (i.e. stored value card) cannot be tracked by Retailer Y	If the redemption of the MRV (i.e. stored value card) can be tracked by Retailer Y
For unredeemed credits in MRVs expiring on or after 1 January 2010	No GST to be accounted by Retailer Y on the expiry of the MRV.	Retailer Y has to account for GST on the unredeemed credits in MRVs when the unredeemed amount is recognised in the Income Statement. The accounting of GST on unredeemed amount will apply to MRV expiring on or after 1 January 2010.

Annex 3

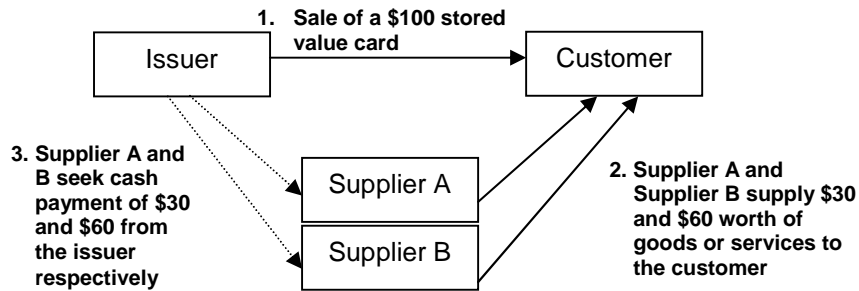
**Sale and redemption of a shopping voucher where the issuer is also the supplier, and the payment for sale of shopping voucher is received after the redemption.**



Event	Description of Event	Where the redemption of the MRV (i.e. shopping voucher) can be tracked by Retailer Z
1	Sale of shopping voucher	No GST to be accounted by Retailer Z on the sale of MRV.
2	Provision of free shopping voucher	Customer A does not need to account for deemed output tax on the provision of free shopping voucher (i.e. being a right which is a supply of service) to B as there is no deemed supply on the provision of free services.
3	Redemption of shopping voucher with any additional consideration	Retailer Z has to account for GST at 7/107 of \$120 based on sum of the specified value of voucher and the additional cash payment received upon redemption.  However, if Retailer Z is able to track the consideration received from the voucher sale, he can account for GST at 7/107 of (\$90 + \$20) on the supply of goods or services redeemed, based on total consideration received.  The amount of GST shown on the tax invoice/simplified tax invoice/invoice/receipt must be based on \$110. Alternatively, as a concession, the GST amount shown can be based on \$20. (Please refer to paragraph 5.2.2.)
4	Payment to Supplier for the value of goods or services redeemed	Customer A is merely paying Retailer Z for the shopping vouchers he had agreed to purchase.  Retailer Z should not issue a tax invoice charging GST when seeking payment from A as there is no GST chargeable on the sale of MRV.  A cannot claim any input tax claim on the payment made to the Retailer for the goods redeemed by B because the redeemed goods or services are supplied to B and not A.

Annex 4

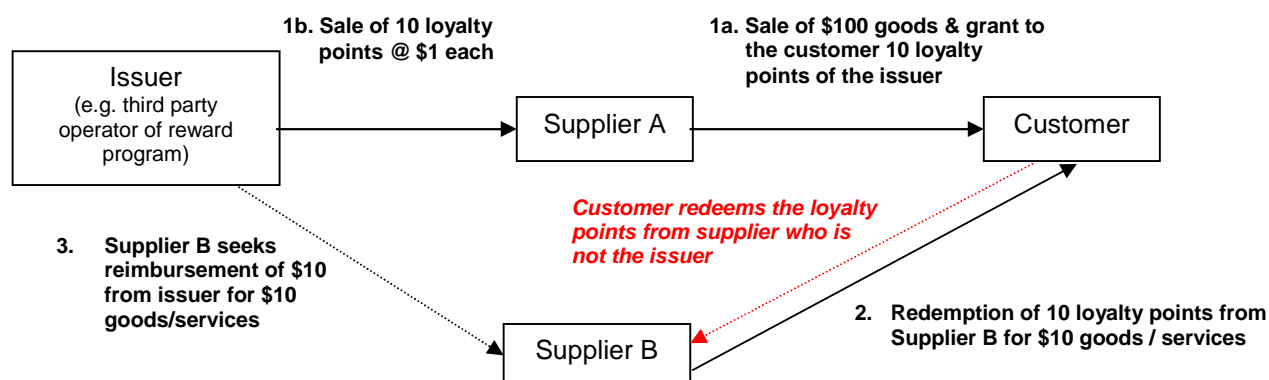
**Sale of a stored value card where the issuer is different from the supplier**



Event	Description of Event	Where the stored value card qualifies as a MRV
1	Sale of stored value card (usually at specified value)	No GST to be accounted by the Issuer on the sale of the stored value card.
2	Redemption voucher of	Supplier A has to account for GST at 7/107 of \$30 on the supply of the goods or services redeemed.
		Supplier B has to account for GST at 7/107 of \$60 on the supply of the goods or services redeemed.
3	Payment of \$30 and \$60 from Issuer to Supplier A and B for the value of goods or services redeemed	<p>The Issuer is merely paying the Suppliers for the goods or services redeemed by the customer, for which the customer had already paid to the issuer when he first bought the stored value card.</p> <p>The Suppliers should not issue a tax invoice charging GST when seeking payment (made on behalf of the customer) from the issuer.</p> <p>No GST to be accountable by the Suppliers on the payment received from the issuer.</p> <p>The Issuer cannot claim any input tax claim on the payment made to the Suppliers for the goods redeemed by the customer because the Issuer is not buying the goods or services from the suppliers.</p>
	If the Issuer pays an amount lower than the sale value to the suppliers (e.g. issuer only pays \$25 and \$55 to supplier A and B respectively)	The Issuer is making a separate supply of service to the Suppliers. The difference of \$5 forms the consideration for the supply of service to Supplier A and Supplier B respectively. The Issuer has to issue a tax invoice charging GST on the supply of service to supplier A and B respectively.
	Expiry of voucher on or after 1 January 2010	The Issuer has to account for GST at 7/107 on the unredeemed credits (i.e. \$100-\$30-\$60) of the expired stored value card when the unredeemed credits are recognised as income.

Annex 5

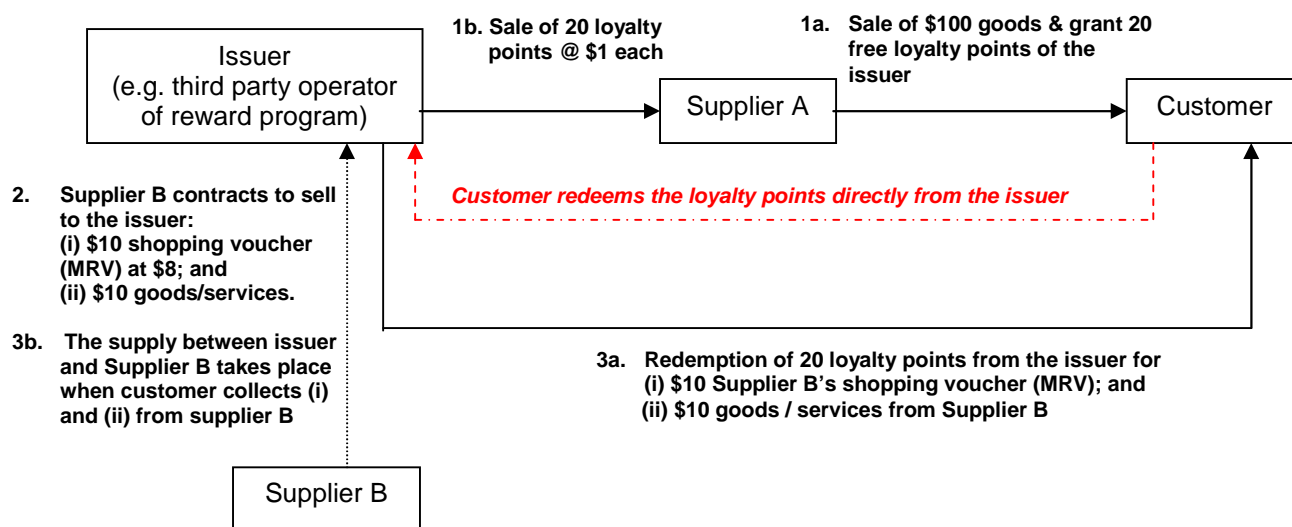
**Issue and redemption of paid loyalty points (where the customer does not redeem the points from the issuer)**



Event	Description of Event	Where the loyalty points qualifies as a MRV
1a	Sale of goods and grant of free loyalty points to customer	Supplier A has to account for GST at 7/107 of \$100 on the supply of goods. No GST needs to be accounted for on the grant of free loyalty points to the customer.
1b	Sale of loyalty points	No GST to be accounted by the issuer on the sale of loyalty points (i.e. qualifying as MRV).
2	Redemption of points for goods / services from Supplier B	Supplier B has to account for GST at 7/107 of \$10 on the supply of the goods or services redeemed.
3	Payment of \$10 from Issuer to Supplier B for the value of goods/ services redeemed	<p>The Issuer is merely paying Supplier B for the goods/services redeemed by the customer, for which Supplier A had already paid to the Issuer when the loyalty points were issued.</p> <p>No GST to be accountable by Supplier B on the receipt of payment from the Issuer. Supplier B should not issue a tax invoice charging GST when seeking payment (made on behalf of the customer) from the Issuer.</p> <p>The Issuer cannot claim any input tax on the payment made to Supplier B for the goods/services redeemed by the customer because the Issuer is not buying the goods/ services from Supplier B.</p>
	If the Issuer pays a lower amount to supplier B (e.g. issuer only pays \$8 to supplier B)	The Issuer is making a separate supply of service to Supplier B. The difference of \$2 forms the consideration for the supply of service to Supplier B. The Issuer has to issue a tax invoice charging GST on the supply of service to Supplier B.
Expiry of unredeemed points on or after 1 January 2010		The Issuer has to account for GST at 7/107 on the expiry of the loyalty point unredeemed when the income from the unredeemed points is recognised in the Income Statement.

Annex 6

**Issue and redemption of paid loyalty points (where the customer redeems the points from the issuer)**



Event	Description of Event	Where the loyalty points qualifies as a MRV
1a	Sale of goods and grant of free loyalty points to customer	Supplier A has to account for GST at 7/107 of \$100 on the supply of goods. No GST needs to be accounted on the grant of free loyalty points to the customer.
1b	Sale of loyalty points	No GST to be accounted by the issuer on the sale of loyalty points (i.e. qualifying as MRV).
3a	Redemption of loyalty points for \$10 voucher from the issuer	No GST to be accounted by the Issuer on the redemption of loyalty points for another MRV. Issuer has to account for GST at 7/107 on the margin of \$10-\$8=\$2 earned from the sale of supplier B's \$10 voucher on or after 1 January 2010, when Supplier B has sold the voucher to the Issuer (at event 3b).
	Redemption of loyalty points for \$10 goods/services from the issuer	The issuer is supplying goods/services to the customer, which the issuer has contracted to purchase from supplier B. Issuer has to account for GST at 7/107 of \$10 on the value of goods/services supplied to the customer.
3b	Sale of voucher by Supplier B to the issuer	No GST to be accounted by Supplier B on the sale of voucher.
	Sale of goods / services by Supplier B to the issuer	Supplier B has to account for GST at 7/107 of \$10 on the supply of the goods or services to the Issuer. Issuer can claim input tax on the purchase of the goods/services from Supplier B.
	Expiry of unredeemed points on or after 1 January 2010	The Issuer has to account for GST at 7/107 on the expiry of the unredeemed loyalty points when the income from the unredeemed points is recognised in the Income Statement.

<p>Expiry of Supplier B's shopping voucher (MRV) on or after 1 January 2010</p>	<p><u>If Supplier B has sold the MRV to the Issuer</u> Supplier B has to account for GST at 7/107 on the expiry of the MRV when the income from the unredeemed voucher is recognised in the Income Statement.</p> <p><u>If Supplier B has not sold the MRV to the Issuer</u> The Issuer has to account for GST at 7/107 on the expiry of Supplier B's MRV if the income from the loyalty points has been recognised in the Income Statement. This is because the loyalty points exchanged for another MRV which was eventually not purchased from Supplier B and hence, the expiry of the loyalty points is pegged to the expiry of Supplier B's shopping voucher.</p>
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