

IRAS e-Tax Guide

**GST: GST and the
Gold Jewellery Industry
(3rd Edition)**



INLAND REVENUE
AUTHORITY
OF SINGAPORE

GST and the Gold Jewellery Industry

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GST and the Gold Jewellery Industry

1 Introduction

- 1.1 This guide is for the gold jewellers. The purposes of this guide are:
- (a) To explain the GST principles applicable to the gold jewellery industry; and
 - (b) To illustrate with examples how GST should be accounted for some of the common scenarios applicable to the gold jewellery industry.

2 Accounting for Output Tax

2.1 General Time of Supply Rules

- 2.1.1 The time of supply of goods or services determines when a taxable person should charge and account GST on a supply made.
- 2.1.2 A supply is treated as taking place at the earliest of the following events:
- (a) when goods are removed or made available; or when services are performed;
 - (b) when a tax invoice is issued; or
 - (c) when payment is received.
- 2.1.3 However, if the supplier issues a tax invoice within 14 days after the event in (a) and payment is not received before (a), then the time of supply is the date of the tax invoice. This is known as the 14-day rule.

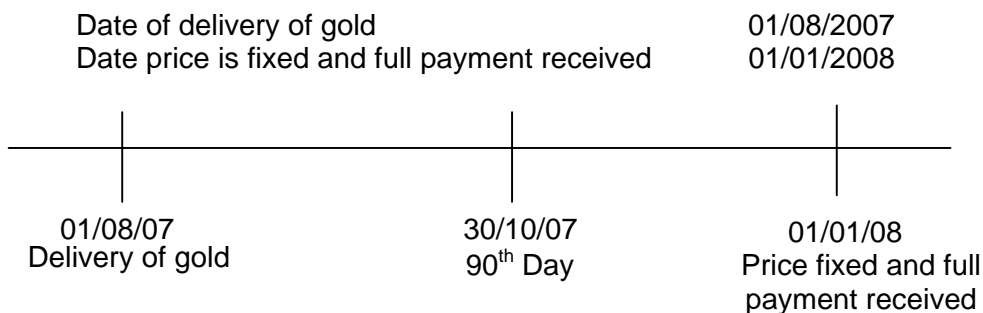
2.2 Special Time of Supply Rules for the Gold Jewellery Industry

- 2.2.1 Due to the fluctuation of gold price in the international market, a common practice in the gold jewellery industry is for both the supplier and the customer to fix the gold price at some future time (also known as the "Price Fixing Arrangement"). In 1994 when GST was introduced in Singapore, we received feedback from the industry that it is the customer who determines the time to fix the price of the gold. The price is usually fixed within 90 days from the date the gold is collected.
- 2.2.2 The Comptroller has given an administrative concession in 1994, referred to as the "90-Day concession", in view of the widely practised Price Fixing Arrangement.
- 2.2.3 Under the general time of supply rules, the supplier accounts output tax once the goods are delivered if no payment is received and no tax invoice is issued within 14 days of the delivery. However, under the 90-day concession, the supplier has up to 90 days after the date of delivery of the gold to issue a tax invoice and account for output tax provided no payment is received before the issuance of the tax invoice. If price has not been fixed by

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the 90th day, the supplier accounts output tax based on the Open Market Value (“OMV”) of the gold on that day.

Example 1 – Price not fixed / Payment not received



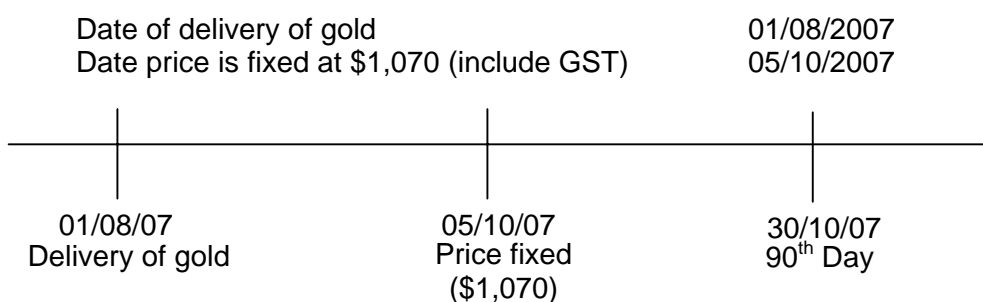
Based on the general time of supply rules, output tax should have been accounted in the prescribed accounting period 01/07/2007 to 30/09/2007 as the time of supply is the date of delivery of gold (see paragraph 2.1).

However, under the 90-day Concession the trader is only required to issue a tax invoice and account for output tax based on the OMV on 30 Oct 2007 (90th day) in the prescribed accounting period 01/10/2007 to 31/12/2007.

When the price is subsequently fixed and payment is received on 01 Jan 2008, an additional tax invoice or credit note must be issued on the difference between the OMV and the fixed price. Output tax must be adjusted accordingly in the prescribed accounting period 01/01/2008 to 31/03/2008.

(Assuming trader files GST F5 on a quarterly basis i.e. quarter ended Mar, Jun, Sep, Dec)

Example 2 – Price fixed within 90 days



Based on the general time of supply rules, output tax should have been accounted in the prescribed accounting period 01/07/2007 to 30/09/2007 as the time of supply is the date of delivery of gold (see paragraph 2.1).

However, the 90-day concession allows the trader to account the output tax of \$70 ($\$1,070 \times 7/107$) in the prescribed accounting period 01/10/2007 to 31/12/2007 since the price is fixed within 90 days after the date of delivery of gold. Tax invoice will have to be issued on 05 Oct 07.

(Assuming trader files GST F5 on a quarterly basis i.e. quarter ended Mar, Jun, Sep, Dec)

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- 2.2.4 If payment is received within 90 days after delivery of gold and price is only fixed after 90 days, output tax is accounted at the time the payment is received and on the 90th day.

Example 3 – Payment received within 90 days before price is fixed

Date of delivery of gold	01/08/2007
Date payment of \$700 received	15/08/2007
Date price is fixed and balance payment received	01/01/2008

As the payment of \$700 was received on 15 Aug 2007, output tax of \$45.79 ($\$700 \times 7/107$) must be accounted for in the prescribed accounting period 01/07/2007 to 30/09/2007 and tax invoice must be issued for the amount received.

As the price is fixed after 90 days, additional output tax must be accounted for in the prescribed accounting period 01/10/2007 to 31/12/2007 based on the OMV on the 90th day and tax invoice issued for the additional output tax.

When the price is subsequently fixed and payment is received on 01 Jan 2008, an additional tax invoice or credit note must be issued on the difference between the OMV and the fixed price. Output tax must be adjusted accordingly in the prescribed accounting period 01/01/2008 to 31/03/2008.

- 2.2.5 The 90-day concession is only applicable to gold. For the sale of other jewellery or precious metals, the general time of supply rules in paragraph 2.1 apply.

2.3 Workmanship

- 2.3.1 The charge of workmanship (also known as labour cost) varies with the design of the gold. In the gold jewellery industry, the gold price and workmanship fees are charged separately.

- 2.3.2 The supplies of gold and workmanship are two separate supplies. In the event that the price of gold is not fixed at the time of delivery and payment is only received for the workmanship, GST should be charged and accounted for on the workmanship. A tax invoice should be issued for the supply of workmanship.

- 2.3.3 If the price is fixed subsequently, GST should be charged and accounted on the price of the gold in accordance with the 90-day Concession. In this regard, a separate tax invoice has to be issued on the supply of gold jewellery reflecting GST charged solely on the fixed price of the gold.

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2.3.4 This is provided that no payment has been received for the gold prior to price fixing. If payment has been received, GST has to be accounted for based on the payment date (refer to Example 3).

2.4 Deposit

2.4.1 For retail sale of gold jewellery, there are instances where walk-in customers order gold jewellery that are not available upfront or require some modification works to be done on the gold jewellery. A deposit may be collected from the customer for the reserved item.

2.4.2 If the deposit forms part payment for the gold jewellery supplied, GST has to be accounted for on the amount of deposit received.

<u>Example 4</u>	
Price of the gold (inclusive of GST)	\$1,070
Date deposit of \$200 collected	01/08/2007
Date of delivery of goods & balance of \$870 collected	05/10/2007
Output tax of \$13.08 ($\$200 \times 7/107$) must be accounted for in the prescribed accounting period 01/07/2007 to 30/09/2007.	
Output tax of \$56.92 ($\$870 \times 7/107$) on the balance payment of \$870 must be accounted for in the prescribed accounting period 01/10/2007 to 31/12/2007.	
	\$
Output tax accounted in period ended 30/09/2007	13.08
Output tax accounted in period ended 31/12/2007	<u>56.92</u>
Total output tax accounted	<u>70.00</u>
<i>(Assuming trader files GST F5 on a quarterly basis i.e. quarter ended Mar, Jun, Sep, Dec)</i>	

2.5 Trade-in for All Goods

2.5.1 In a normal trade-in transaction between a jeweller and his customer, there are two separate supplies: (i) the supply of the new item by the jeweller to the customer and (ii) the supply of the old item by the customer to the jeweller. The jeweller should charge and account GST on the full value of the new item supplied to the customer even if the customer used another item to trade-in. The customer, if GST-registered, should also charge and account GST on the value of the old item supplied to the jeweller.

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Example 5

The GST-registered Jeweller should charge GST of \$105 (7% x \$1,500) and the customer should also charge GST of \$84 (7% x \$1,200), if he is a GST registered person.

The following should be reflected in the tax invoices of the Jeweller and Customer separately:

<u>Jeweller</u>			<u>Customer</u>	
		\$		\$
Value of new jewellery	1,500		Value of old jewellery	1,200
GST 7%	<u>105</u>		GST 7%	<u>84</u>
Total include GST	<u>1,605</u>		Total include GST	<u>1,284</u>

2.6 Trade-in for Gold Jewellery

- 2.6.1 Recognising that the inherent value of gold is high and that trade-in arrangements are common for gold jewellery, the Comptroller has given an administrative concession in 1994 to allow jewellers to charge GST on the difference between the value of the new gold jewellery and the value of the old gold jewellery. This concession applies whether or not the customer is GST-registered.

Example 6

The GST-registered Jeweller should charge GST on the difference between the value of the new gold jewellery (i.e. \$1,500) and old gold jewellery (\$1,200).

	\$
Value of new gold	1,500
Less: Value of old gold	<u>1,200</u>
Amount payable excluding GST	300
GST @ 7%	<u>21</u>
Amount payable including GST	<u>321</u>

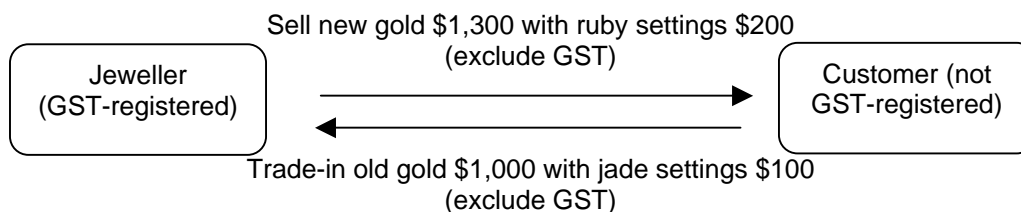
The value of standard-rated supplies and output tax to be reported in the GST returns of the Jeweller should be \$300 and \$21, respectively.

If the Customer is GST-registered and is entitled to claim the input tax, he should report the value of taxable purchases and input tax as \$300 and \$21, respectively.

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- 2.6.2 However, the trade-in concession is only applicable to gold jewellery. If the gold jewellery sold or traded-in includes other materials (e.g. setting of diamonds, ruby or other precious/semi precious stones, etc), those materials have to be excluded in determining the value of supply.

Example 7



The GST-registered Jeweller should charge GST on the difference between the value of the new gold jewellery (i.e. \$1,300) and old gold jewellery (i.e. \$1,000) and the full value of the ruby (i.e. \$200).

The jeweller should issue a tax invoice as follows:

	\$
Value of new gold	1,300
Less: Value of old gold	1,000
Price differential on gold	300
Add: Other charges (i.e. ruby value)	200
Amount payable excluding GST	500
GST @ 7%	35
Amount payable including GST	535

The jeweller should report the value of standard-rated supplies and output tax in its GST returns as \$500 and \$35, respectively.

For purposes of payment, if the jeweller allows offsetting of the value of jade in the old gold jewellery traded-in, the net amount payable by the customer would be \$435 (\$535 - \$100). This is merely a payment arrangement and should not affect the GST that should be charged by the jeweller.

Example 8

If, in example 7 above, the customer is also GST-registered, the customer will be required to issue a tax invoice to the supplier for the value of the jade (i.e. \$100) and charge GST of \$7.

However, the value of supply made by the jeweller will not change (i.e. \$500) and he will still have to charge GST of \$35.

For purposes of payment, if the jeweller allows offsetting of the value of jade in the old gold jewellery traded-in, the net amount payable by the customer would be \$428 (\$535 - \$107). This is merely a payment arrangement and should not affect the GST that should be charged by both parties.

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- 2.6.3 If the value of the new gold jewellery is less than the value of old gold jewellery traded-in, no GST is charged on the gold as the price differential is negative. GST will only be charged on the workmanship fee, if any.

<u>Example 9</u>	
	\$
Value of new gold	1,500
Less: Value of old gold	1,600
Price differential on gold	<u>(100)</u>
Workmanship fee	30.00
GST @ 7%	<u>2.10</u>
Amount payable including GST	<u>32.10</u>
The value of standard-rated supplies and output tax to be reported in the GST returns of the Jeweller should be \$30 and \$2.10, respectively.	
The net amount refundable to the customer will be \$67.90 (\$100 - \$32.10).	

- 2.6.4 The following is an example of what should NOT be reflected in the tax invoice issued by a jeweller in a trade-in arrangement. The jeweller can only charge GST on his supply of new gold jewellery and should not reflect any GST being charged on the old gold jewellery traded-in by his customer.

<u>Example 10 (This method of invoicing is incorrect)</u>	
	\$
Value of new gold	1,500
GST @ 7% on new gold	105
	<u>1,605</u>
Less:	
Value of old gold	1,200
GST @ 7% on old gold	84
Amount payable including GST	<u>321</u>
<i>[Note: refer to Example 6 for the correct invoicing method]</i>	

- 2.6.5 Gold jewellers using the administrative concession should maintain documents showing the value of the old gold jewellery to substantiate the trade-in arrangement. Examples of the documents to be maintained include gold payment vouchers received from their customers or gold receipt vouchers issued to their customers.

3 Exports

3.1 Hand-carried Goods

3.1.1 Where gold is hand-carried out of Singapore via Changi International Airport on or after 1 April 2009 by the jeweller (including employee or appointed agent of jeweller) or his overseas customer (including representative or employee of overseas customer), the jeweller can zero-rate his supply of the hand-carried goods if he maintains all of the following documents required under the Hand-Carried Exports Scheme¹ (HCES).

- (a) A list of the invoices / tax invoices and export permits² issued;
- (b) Copies of the invoices / tax invoices issued for the goods sold;
- (c) Original copy of the export permits endorsed by Singapore Customs and
- (d) Evidence of payment made to the customer for the refund of GST that is previously charged and collected from the customer at the time of sale (this is relevant for instances where the jeweller has previously standard-rated the supply and subsequently makes a refund to the customer upon receiving the export permit endorsed by Singapore Customs).

For more details on the conditions of the HCES, please refer to the e-Tax Guide "GST: Guide on Hand-Carried Exports Scheme"³.

3.1.2 For hand-carried exports via Changi International Airport prior to 1 April 2009, sea, land or Seletar airport, the Hand-Carried Exports Scheme does not apply. For such hand-carried exports, the jeweller can zero-rate his supply of the goods if he maintains all of the following documents listed in the e-Tax Guide "A Guide on Exports"³:

- (a) a sales invoice to overseas customer;
- (b) evidence of payment received from overseas customer;

¹ The HCES is implemented on 1 April 2009. The scheme is compulsory and applies to all GST-registered persons who export their goods by hand-carrying them out of Singapore via Changi International Airport and wish to zero-rate such supplies. Under this scheme, the carrier of the goods would be required to present an export permit and the goods to Singapore Customs for inspection at the airport. Upon successful inspection, Singapore Customs would endorse the permit. This permit should be returned to the GST-registered person in order to support his zero-rating of the supply.

² Export permit is also known as 'Out Permit' or 'Cargo Clearance Permit'.

³ You may download these e-Tax Guides from www.iras.gov.sg > Quick Links > e-Tax Guides > GST.

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- (c) a confirmation of receipt of goods by overseas customer;
- (d) a “Declaration of Carrier for Goods Hand-carried out of Singapore” form⁴ fully completed and endorsed by both the carrier and the jeweller, showing the date of collection of goods and the name and passport number of each carrier;
- (e) copy of transport documents such as confirmed air / ferry ticket and boarding pass bearing the carrier’s name as the passenger. A copy of airline excess baggage receipt (if applicable) for goods exported as accompanied baggage;
- (f) extract of the carrier’s passport containing the personal details and photograph of the carrier and the relevant immigration endorsement of his exit from Singapore / entry to a foreign country;
- (g) for export via land, an export permit showing the jeweller as the exporter and the vehicle number;
- (h) endorsed export permit for temporary export of goods, if applicable.

In cases where the goods sold are hand-carried out by more than one carrier, the jeweller must maintain the documents in paragraph 3.1.2(d) to (f) for each carrier involved.

3.2 Gold Payment to Overseas Suppliers

- 3.2.1 When a jeweller imports gold jewellery from his overseas supplier, he has to pay import GST to the Singapore Customs at the point of importation. There may be situations where the overseas supplier allows payment to be made in the form of gold (i.e. gold bars or scrap gold). The overseas supplier or the jeweller may hand-carry the gold bars or scrap gold out of Singapore.
- 3.2.2 For GST reporting purposes, the gold jeweller has to report the value of the gold hand-carried out of Singapore as zero-rated supplies in Box 2 “Total Value of Zero-rated Supplies” of the GST return and maintain the export documents highlighted in paragraph 3.1.1 or 3.1.2 above.
- 3.2.3 The trade-in concession in paragraph 2.6 does not apply to exports of gold.

⁴ The form “Declaration of Carrier for Goods Hand-carried out of Singapore” can be found in the e-Tax Guide “A Guide on Exports”.

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4 Refining of Gold

4.1 Background

4.1.1 Some jewellers may send scrap gold to overseas refinery and in return they are paid the value of the refined gold. This is usually done through an intermediary in Singapore (e.g. a bank, gold bullion broker or gold bullion dealer).

4.1.2 The sequence of events are as follows:

- 1) Gold jeweller delivers scrap gold to a local intermediary;
- 2) The local intermediary exports scrap gold to an overseas refinery;
- 3) The overseas refinery refines the scrap gold to ascertain the weight and fineness of the gold;
- 4) After the refining process, the overseas refinery will send a report (i.e. assay result) to the local intermediary detailing the weight and fineness of the gold; and
- 5) Based on the report, the intermediary will pay the gold jeweller in cash or in paper gold (e.g. Loco London gold) via the jeweller's gold account maintained with a bullion company.

4.2 GST Treatment

4.2.1 Whether the gold jeweller should charge GST on the delivery of the gold to the intermediary in Singapore will depend on when the ownership of the gold is transferred. The parties privy to the contractual arrangement will be in the best position to determine the question of when the ownership of gold passes and apply the correct GST treatment accordingly.

4.2.2 If the ownership of the physical gold is transferred to the intermediary in Singapore, the gold jeweller should treat the local delivery as a standard-rated supply and charge GST accordingly.

Example 11

The ownership of physical gold is transferred to Local Intermediary when the gold is located in Singapore. Hence, the Gold Jeweller should treat the local delivery of gold to the Local Intermediary as a standard-rated supply and issue a tax invoice with GST charged accordingly.



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- 4.2.3 If the ownership of the physical gold is not transferred to the intermediary in Singapore before it is exported and the intermediary in Singapore is merely exporting the gold on the gold jeweller's behalf, the gold jeweller is treated as the exporter of the gold and should declare the value of gold exported as zero-rated supplies in Box 2 "Total Value of Zero-rated Supplies" of his GST return.
- 4.2.4 Due to the high value of the gold being exported, it is common for the local intermediary to engage the service of a security transport company to transport the gold. The gold jeweller is required to maintain the following documents to support the export of the gold:
- (a) trust receipt issued by the security transport company with the following details:
 - (i) name and signature of the gold jeweller's employee who handed over the gold to the security transport company;
 - (ii) name and signature of the security transport company's employee who received the gold;
 - (iii) serial number of seal tag used to seal bag containing the gold;
 - (b) written instructions from the local intermediary to the freight forwarder to collect the gold (with description and weight of gold) from the security transport company and deliver to the overseas refinery; and
 - (c) air waybill reflecting the serial number of seal tag used to seal the gold, weight and description of the gold.

In the event that the local intermediary consolidates shipment of gold from various customers, zero-rating can be based on the subsidiary export certificate issued by the freight forwarder instead. The local intermediary is allowed to endorse the name and address of the exporter (i.e. local customer) on the subsidiary certificate. The details to be contained in the subsidiary export certificate issued by the freight forwarder are as follows:

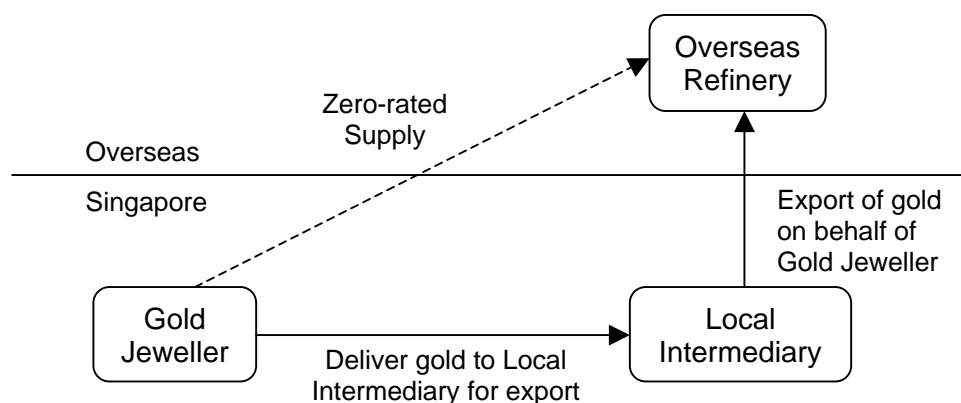
- (i) the freight forwarder's name, address and GST registration number, with the signature and designation of the person who issues it;
- (ii) the details of the goods received from the security transport company's officer such as the seal number, description and weight of gold etc;
- (iii) the words "FOR EXPORT ONLY";
- (iv) details of flight such as flight number, date of departure and the master air waybill number.

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Example 12

The ownership of physical gold is not transferred to the Local Intermediary when the gold is located in Singapore. The ownership of the gold is only transferred after the gold has been refined outside Singapore.

The Local Intermediary is acting as an agent to export the physical gold on behalf of the Gold Jeweller. The Gold Jeweller is treated as the exporter of the gold and should declare the value of gold exported as his zero-rated supply.



- 4.2.5 As mentioned earlier, after the refining process, the Singapore intermediary may pay the gold jeweller in paper gold (e.g. Loco London gold) via the jeweller's gold account maintained with a bullion company. In some cases, the gold jeweller is allowed to withdraw physical gold bars from the gold account. In this case, there is a separate supply of gold made by the bullion company to the gold jeweller, which is subject to GST if the gold is delivered locally.

5 Frequently Asked Questions

- Q1 Must I charge GST on sale of gold to a tourist?
- A1 Yes. You must treat the sale of gold to a tourist as a local supply and charge GST at the prevailing GST rate. This is notwithstanding that the gold may subsequently be hand-carried out of Singapore by the tourist. You must report the value of sale in Box 1 "Total Value of Standard-rated Supplies" and the corresponding GST in Box 6 "Output Tax Due".
- Q2 In what instance can the tourist obtain a refund on the GST paid on the gold?
- A2 If you operate the Tourist Refund Scheme, the tourist may obtain a refund on the GST paid on the gold purchased from you. For more details on how to operate the Scheme and make a refund to the tourist, please download the e-Tax Guide "Guide to Retailers Operating Tourist Refund Scheme" from www.iras.gov.sg > Quick Links > e-Tax Guides > GST.

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- Q3 Must I charge GST on sale of gold to a local customer who subsequently exported the gold to his overseas customer?
- A3 You must standard-rate the supply as you have sold and delivered the gold to a local customer in Singapore. You are only allowed to zero-rate your supply if you (not your local customer) exported the gold and the necessary documents as per the e-Tax Guide “A Guide on Exports” are maintained.