

IRAS e-Tax Guide

**GST: Concession for REITS and Qualifying
Registered Business Trusts Listed in Singapore**
(2nd Edition)



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1 Introduction

- 1.1 Real Estate Investment Trusts listed on Singapore Exchange ('S-REITs') may claim tax remission for GST incurred on the setting up of their various tiers of Special Purpose Vehicles ('SPVs')¹ that hold overseas non-residential properties and GST incurred by their SPVs on the acquisition and holding of overseas non-residential properties.
- 1.2 The GST concession introduced in 2006 is intended to help promote Singapore as a preferred listing destination for Asian REITs. However, only GST-registered S-REITs could apply for the 2006 GST concession.
- 1.3 Some S-REITs are not eligible for GST registration as they hold assets through SPVs and derive only non-taxable dividends/distribution income. These S-REITs do not qualify under the 2006 GST concession.
- 1.4 To consolidate Singapore's status as a regional REITs hub and to promote growth in Singapore registered business trust market, with emphasis on certain business sectors, the Minister for Finance announced in Feb 2008 enhancements to the 2006 GST concession.
- 1.5 The 2008 enhanced concession is also extended to Singapore listed Registered Business Trusts ('S-RBTs') carrying on qualifying businesses, namely infrastructure business², aircraft leasing, and ship leasing (hereafter referred to as 'qualifying S-RBTs'). S-REITs and qualifying S-RBTs are able to claim GST incurred on business expenses, excluding disallowed expenses under Regulation 26 and 27 of the GST (General) Regulations, regardless of whether they are GST registrable or not.
- 1.6 The 2008 enhanced concession allows S-REITs and qualifying S-RBTs to look through the holding structure and treat all supplies made by the multi-tiered structure as if they are taxable or exempt supplies made by the parent S-REIT and qualifying S-RBT for the purpose of computing GST claims. This is regardless of whether the S-REITs and qualifying S-RBTs make taxable supplies.
- 1.7 The 2008 enhanced concession has the same qualifying period as the 2006 concession (i.e. 17 Feb 2006 to 17 Feb 2010). It is granted based on a new set of qualifying conditions.
- 1.8 This guide sets out the qualifying criteria under the 2008 enhanced concession. It supersedes the e-Tax Guide "GST Concession for REITs listed in Singapore" published on 29 February 2008. In Feb 2010, the Minister for Finance announced an extension of the qualifying period for the 2008 enhanced concession to **31 Mar 2015**. The qualifying conditions remain unchanged.

¹ Special purpose vehicles can be in the form of companies, trusts, etc.

² Refer to Appendix 1 for a list of business activities that fall within the meaning of infrastructure business for the purpose of the enhanced concession.

2 Qualifying conditions for 2008 enhanced concession

- (i) The S-REIT or qualifying S-RBT is listed or to be listed on the Singapore Exchange;
- (ii) The S-REIT or qualifying S-RBT has veto rights³ over key operational issues of its SPVs holding the underlying assets. Key operational issues include:
 - Amendment of the joint venture agreement, memorandum and articles of association, trust deed, or other constitutive document of the SPV;
 - Cessation or change of the business of the SPV;
 - Winding up or dissolution of the SPV;
 - Changes to the equity capital structure of the SPV;
 - Changes to the dividend distribution policy of the SPV;
 - Issue of securities by the SPV
 - Incurring of borrowings by the SPV;
 - Creation of security over the assets of the SPV;
 - Transfer or disposal of the assets of the SPVs;
 - Approval of asset enhancement and capital expenditure plans for the assets of the SPV; and
 - Entry into interested party transactions.
- (iii) The underlying assets of the S-REIT or qualifying S-RBT make taxable supplies or out-of-scope supplies which would have been taxable supplies if made in Singapore (hereafter referred to as ‘out-of-scope (taxable) supplies’).

3 Making GST Claims

3.1 Self assessment

3.1.1 The S-REIT or qualifying S-RBT should assess its eligibility for the enhanced concession based on the conditions stated in paragraph 2. There is no need to write in for the Comptroller’s approval.

3.2 Statement of claims

3.2.1 The S-REIT or qualifying S-RBT has to file a statement of claims⁴ (see Appendix 2). It should attach with its first GST claims an organisation structure showing the shareholdings or unit holdings in its SPVs and its effective ownership of the underlying assets. Subsequent changes to its shareholdings/unit holdings or effective ownership should be updated together with subsequent claims.

³ The S-REIT or qualifying S-RBT can provide for veto rights over its SPVs in the joint venture agreement, memorandum, articles of association, trust deed or other constitutive document of the SPV. In the absence of any documentation or where veto rights are not clearly provided for, the veto rights condition will be satisfied only if the S-REIT or qualifying S-RBT holds more than 50% of the unit-holdings or shareholdings in the SPVs.

⁴ The S-REIT or qualifying S-RBT should adopt an accounting quarter that coincides with its financial year-end. Each statement of claim is due one month after the end of the accounting quarter. For example, if the financial year-end is 31 December, the statement of claims should be submitted for the period ending Mar, Jun, Sep and Dec by Apr, Jul, Oct and Jan respectively.

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3.3 For GST-registered S-REIT or qualifying S-RBT

3.3.1 GST-registered S-REIT or qualifying S-RBT that satisfies the qualifying conditions for the enhanced concession is also eligible to claim GST incurred for its SPVs' supplies. It should include its GST claims made under the GST enhanced concession in its own GST returns, together with its own input tax claims. The statement of claims is also required.

3.3.2 Claimants should maintain records of claims differentiating input tax claimable under the normal rules and GST claims made under the enhanced concession.

3.4 GST incurred by S-REIT or qualifying S-RBT or its SPVs prior to listing in Singapore

3.4.1 The S-REIT or qualifying S-RBT should only file its GST claims after it has been listed on Singapore Exchange. However, it may make retrospective claims of GST on expenses incurred from 17 Feb 2006 in its first claim.

3.4.2 For example, if the S-REIT or qualifying S-RBT is listed on 1 Apr 2008 but had incurred expenses from 1 Mar 2006, the S-REIT or qualifying S-RBT can make its claims after 1 Apr 2008. If its financial year-end is 31 Dec, the S-REIT / qualifying S-RBT should make its first GST claim in a statement of claims covering the period from 1 Apr 2008 to 30 Jun 2008 and include the GST on expenses incurred during the period 1 Mar 2006 to 30 Jun 2008 in its first claim.

3.5 Apportionment of GST claims

3.5.1 If the S-REIT or qualifying S-RBT and its SPVs generate exempt supplies, it should apply the partial exemption rules⁵ i.e. Regulations 28, 33⁶ and 35⁷ like any other partially exempt business.

3.5.2 If the S-REIT or qualifying S-RBT and its SPVs makes exempt supplies that fall outside the scope of Regulation 33, it is required to apportion its claims and claim only the portion of GST that is attributable to the making of taxable supplies and out-of-scope (taxable) supplies made within the multi-tiered structure. This means that the S-REIT or qualifying S-RBT should take into account all the supplies made by the multi-tiered structure, including supplies made by itself, supplies made between its SPVs, and supplies made by its SPVs in the apportionment formula for residual expenses. Refer to Appendix 3 for more details.

⁵ Refer to e-tax guide on "Partial Exemption and Input Tax Recovery" for details on partial exemption rules.

⁶ For the purpose of this concession, the issue of unit is treated as if it is a Regulation 33 exempt supply for period prior to 1 Apr 08. With effect from 1 Apr 08, the issue of unit is a Regulation 33 exempt supply

⁷ Refer to Appendix 3 on details of how to apply the Regulations 28, 35 and apportionment formula for the multi-tiered structure.

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3.6 Longer period adjustments

3.6.1 Like any other partially exempt business, the GST allowable to the S-REIT or qualifying S-RBT in a quarter is allowed provisionally subject to adjustments over the longer period⁸.

3.6.2 As such, the S-REIT or qualifying S-RBT is required to make a second determination on the GST claims at the end of the longer period, to determine the GST allowable. If the amount of GST allowable at the end of the longer period differs from that of the amount claimed over the previous 4 quarters, the S-REIT or qualifying S-RBT is required to make longer period adjustments in the statement of claim following the end of the longer period.

3.6.3 The first longer period of the S-REIT or qualifying S-RBT starts on the day the S-REIT or qualifying S-RBT first incurred GST on its business expenses⁹ and ends on the last day of the first tax year. Therefore, the first longer period may cover more than 4 quarters as the S-REIT or qualifying S-RBT is entitled to make retrospective claims from 17 Feb 2006 under the 2008 enhanced concession.

3.6.4 Example

A S-REIT or qualifying S-RBT, listed on the Singapore Exchange on 1 Jul 2008, incurred GST on business expenses from 17 Feb 2006. If its financial year-end is 31 Dec, its first longer period covers the period 17 Feb 2006 to 31 Mar 2009. It should make its first longer period adjustment in the statement of claim for the period covering 1 Apr 2009 to 30 Jun 2009.

4 Contact Information

4.1 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

⁸ Refer to paragraph 8 of the e-Tax Guide "Partial Exemption and Input Tax Recovery" for details of how to determine longer period.

⁹ Expenses must be incurred within the qualifying period of 17 Feb 2006 to 31 Mar 2015.

Appendix 1 Definition of Infrastructure business

A business trust is treated as being in the infrastructure business if its business activities fall within any one of the following categories:

- electricity generation, distribution, transmission and/or alternative energy generation;
- gas distribution, transmission and/or generation;
- waste management including waste treatment and incineration plants;
- roads and rail infrastructure;
- ports (sea and air) and/or terminals;
- broadcasting and/or communication facilities and/or networks;
- telecom facilities and/or networks;
- water treatment (including desalination) and/or distribution;
- hospitals and/or clinics; and
- schools including tertiary institutions

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Appendix 2 – 2008 Enhanced Concession - Statement Of Claims For GST Refund On Purchases Made For The Period _____

Name of S-REIT / S-RBT*:	
GST registration number: <i>(if applicable)</i>	
Business activities <i>(S-RBTs only)</i>	

1 Qualifying conditions:

Listed on Singapore Exchange	Date Listed:
Veto rights condition met	Yes / No*
Underlying assets of SPVs generate taxable supplies or out-of-scope (taxable) supplies	Yes / No* State nature of taxable supplies or out-of-scope (taxable) supplies:

2 GST claims¹⁰ (If you are GST-registered, you should exclude from the following table input tax that you are entitled to claim under the normal input tax claiming conditions)

Date of tax invoice	Tax invoice number	Supplier's GST registration number	Name of supplier	Description of Expense	Name of Entity that incurred the expense	GST amount	Total amount inclusive of GST	Indicate the type of supplies the expenses relate to ¹¹
Subtotal								

2.1 Are you required to apportion your GST claims? Yes No
(If yes, complete sections 3 & 4)

2.2 Total amount of GST claimable (including allowable residual GST)¹²: _____
(If you are required to apportion your GST claims, please compute the total amount of allowable residual GST in section 4).

* Delete accordingly.

¹⁰ If there is insufficient space, please submit a separate sheet.

¹¹ State whether the expenses directly relate to a particular type of supply or whether it is residual in nature.

¹² Please include this amount in your GST return if you are registered for GST.

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3 Supplies made by S-REIT / qualifying S-RBT and its SPVs¹³

Supplies made in and outside Singapore by S-REIT / qualifying S-RBT		Amount S\$
Value of taxable supplies	A	
Value of exempt supplies		
- Regulation 33 exempt supplies	B	
- Exempt supplies that fall outside Regulation 33	C	
Value of out-of-scope supplies		
- Out-of-scope (taxable) supplies	D	
- Out-of-scope (exempt) supplies	E	
Value of total supplies (including out-of-scope supplies)	F=A+B+C+D+E	
Supplies made in and outside Singapore by SPVs		Amount S\$
Value of taxable supplies	G	
Value of exempt supplies		
- Regulation 33 exempt supplies	H	
- Exempt supplies that fall outside Regulation 33	J	
Value of out-of-scope supplies		
- Out-of-scope (taxable) supplies	K	
- Out-of-scope (exempt) supplies	L	
Value of total supplies (including out-of-scope supplies)	M=G+H+J+K+L	
Total supplies made by the entire holding structure	P=F+M	

4 Apportionment of Residual GST

If Reg 35 is satisfied		
Total claimable residual GST =	Total residual GST	X $\frac{\text{(Total taxable supplies \& out-of-scope (taxable) supplies \& Reg 33 exempt supplies made by S-REIT or qualifying S-RBT and its SPVs)}}{\text{Total supplies made by entire holding structure}}$
=	Total residual GST	X $\frac{A+D+G+K+B+H}{P}$
=		
If Reg 35 is not satisfied, to exclude Reg 33 exempt supplies from the numerator, i.e. exclude "B" and "H"		

5 Organisation Structure

- 5.1 If this is your first claim, please submit an organisation chart with this statement.
- 5.2 If you had submitted an organisation chart previously and there are changes to the chart, please submit an updated organisational chart with this statement.

6 Declaration

I declare that the information given on this form is true and complete.

Name of authorised signatory:

Signature:

Designation:

Date:

¹³ Please state 'N.A.' if no such supplies made.

Appendix 3 – Partial Exemption Rules

Applying The Regulation 28 And Regulation 35 Test

- (i) If a supply is made by an overseas SPV to another overseas SPV, we treat the supply as made by the parent REIT or BT through the overseas establishment (i.e. the overseas SPV). The supply is treated as out-of-scope for GST purposes and should be excluded from the Regulation 28 and 35 tests.
- (ii) The S-REIT or qualifying S-RBT is however required to take into account all out-of-scope (taxable or exempt) supplies in the apportionment formula for GST on residual expenses as provided below:

Apportionment formula for residual expenses

- (i) GST incurred on residual expenses is to be apportioned by this formula provided the Regulation 35 test is satisfied:

$$\frac{(A + B)}{(C)}$$

Where: A is the total taxable supplies and out-of-scope (taxable supplies) made by the parent S-REIT or qualifying S-RBT and all its SPVs
B is the Regulation 33 exempt supplies and issue of units made by the parent S-REIT or qualifying S-RBT and its SPVs (if any)
C is the total supplies made by parent S-REIT or qualifying S-RBT and all its SPVs, including all out-of-scope (whether taxable or exempt) supplies within the structure.

- (ii) GST incurred on residual expenses is to be apportioned by this formula if the Regulation 35 test is not satisfied:

$$\frac{(A)}{(C)}$$

Where: A is the total taxable supplies and out-of-scope (taxable supplies) made by the parent S-REIT or qualifying S-RBT and all its SPVs
C is the total supplies made by parent S-REIT or qualifying S-RBT and all its SPVs, including all out-of-scope (whether taxable or exempt) supplies within the structure.

- (iii) For the purposes of applying Regulation 28, 35 and the apportionment of residual input tax, supplies made during the period corresponding to the period in which the expenses are incurred should be taken into account. For example, if the S-REIT/ qualifying S-RBT makes its first GST claim for expenses incurred from 1 Mar 2006 to 30 Jun 2008, the S-REIT/ qualifying S-RBT is required to take into account the value of supplies made from 1 Mar 2006 to 30 Jun 2008 to determine the GST allowable.

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Appendix 4 - Examples

The following examples illustrate how the GST claims should be computed.

(a) Case 1 – Assume ABC-REIT satisfies all qualifying conditions under enhanced concession.

Facts: ABC-REIT holds a portfolio of overseas commercial and residential properties through a wholly owned SPV₁ in Japan and is not GST-registered. The types and value of supplies made and GST incurred for the period 1 Apr 2008 to 30 Jun 2008 is as follows:

	Value of supplies (S\$)	Remarks
Income made by ABC - REIT		
Dividends from SPV ₁	Not applicable	Dividend is not a supply for GST purposes
Exempt supplies		
Interest income from deposit of money (A)	200,000	Regulation 33 exempt supplies
Interest income from loans to local related companies (B)	8,000	Non-Regulation 33 ¹⁴ exempt supplies
Total supplies made by ABC-REIT (C) = (A) + (B)	208,000	
Income made by SPV₁		
Out-of-scope supplies		
Rental income from overseas residential properties (D)	1,550,000	Out-of-scope (exempt) supplies
Rental income from overseas commercial properties (E)	2,000,000	Out-of-scope (taxable) supplies
Total supplies made by SPV₁ (F) = (D) + (E)	3,550,000	
Total non-Regulation 33 exempt supplies / (total supplies) (B) / (C)	4%	Satisfy less than 5% condition in Regulation 35.
Total supplies within the holding structure (G) = (C) + (F)	3,758,000	
GST incurred (excluding any disallowed GST)		Claimable?
Total GST incurred on residual expenses (trustee fees, other overheads) (H)	50,000	Subject to apportionment
Total GST directly attributable to the making of Regulation 33 exempt supplies (J)	5,000	Yes, Regulation 35 (with effect from 1 Apr 08) is satisfied
Total GST directly attributable to the making of non-Regulation 33 exempt supplies (K)	1,000	No

¹⁴ Refers to exempt supplies that fall outside the scope of Regulation 33.

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Since ABC-REIT makes non-Regulation 33 exempt supplies, it is required to apportion its residual GST incurred. To arrive at the claimable residual GST, ABC-REIT should apply the apportionment formula below, taking into account all supplies made by the entire REIT structure.

Total claimable residual GST =	Total residual GST	X	$\frac{\text{(Total taxable supplies and out of scope (taxable) supplies) + (Value of Regulation 33 exempt supplies)}}{\text{Total supplies made by entire REIT structure}}$
=	(H)	X	$\frac{(E) + (A)}{(G)}$
=	50,000	X	$\frac{(2,000,000+200,000)}{(3,758,000)}$
=	29,500		

In the above example, the total GST claimable by ABC-REIT and its SPV for the period Apr 08 to Jun 08 = \$29,500 + \$5,000 (J)
= **\$34,500**

ABC-REIT should make a second determination at the end of the longer period to determine if any longer period adjustment is required. If yes, the adjustment should be made in the statement of claim after the end of the longer period.

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(b) Case 2 – Assume ABC business trust ('ABC-BT') can satisfy all qualifying conditions under the enhanced concession

Facts: ABC-BT holds infrastructure assets through 2 local sub trusts and is not GST-registered. Its sub trusts SPV₁ and SPV₂ make taxable supplies and are separately registered for GST.

ABC-BT should exclude from its GST claims made under the enhanced concession all the input tax of SPV₁ and SPV₂ to avoid double claiming. However, ABC-BT is still required to take into account the supplies made by the GST-registered SPVs in the apportionment formula for the purpose of computing residual GST claimable. The value of supplies made for the period 1 Apr 08 to 30 Jun 08 and GST incurred by ABC-BT is as follows:

	Value of supplies (S\$)	Remarks
Income derived by ABC-BT		
- Distribution income from SPV ₁ and SPV ₂	Not applicable	Distribution income is not a supply for GST purposes
Exempt supplies		
- Interest income from loans (A)	1,000,000	Non-Regulation 33 exempt supplies
- Interest income from deposit of money (B)	50,000	Regulation 33 exempt supplies
Income derived by SPV₁		
Standard rated supplies		
- Provision of gas in Singapore (C)	2,000,000	
Exempt supplies		
- Issue of units to investors (D)	1,500,000	Regulation 33 exempt supplies (with effect from 1 Apr 2008)
- Issue of bonds (E)	1,500,000	Regulation 33 exempt supplies
-Interest income from deposits (F)	50,000	Regulation 33 exempt supplies
Income derived by SPV₂		
Standard rated supplies		
- Provision of water in Singapore (G)	4,000,000	
Exempt supplies		
- Issue of units to investors (H)	2,500,000	Regulation 33 exempt supplies (with effect from 1 Apr 2008)
- Issue of bonds (J)	2,500,000	Regulation 33 exempt supplies
-Interest income from deposits (K)	50,000	Regulation 33 exempt supplies
Total supplies within the structure (L) = (A)+(B)+(C)+(D)+(E)+(F)+(G)+(H)+(J)+(K)	15,150,000	
% of non-Regulation 33 exempt supplies / total supplies (M) = (A) / (L)	1,000,000 / 15,150,000 = 6.6%	> 5%, Regulation 35 is not satisfied
GST incurred by ABC-BT (excluding disallowed GST)		Claimable?
Total GST directly attributable to Regulation 33 exempt supplies made by ABC-BT	400,000	No, Regulation 35 is not satisfied
Total GST directly attributable to non-Regulation 33 exempt supplies made by ABC-BT	100,000	No
Total GST incurred on residual expenses of ABC-BT only (N)	500,000	Subject to apportionment

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ABC-BT is required to apportion GST incurred on residual expenses with the following apportionment formula as follows:

Total claimable residual GST =	Total residual GST	X	(Total taxable supplies made by ABC-BT and its SPVs)
			Total supplies made by entire holding structure
=	(N)	X	$\frac{(C) + (G)}{(L)}$
=	500,000	X	$\frac{2,000,000 + 4,000,000}{15,150,000}$
=	\$200,000		

In this example, the total GST claimable for ABC-BT for Apr 08 to Jun 08
= **S\$200,000**

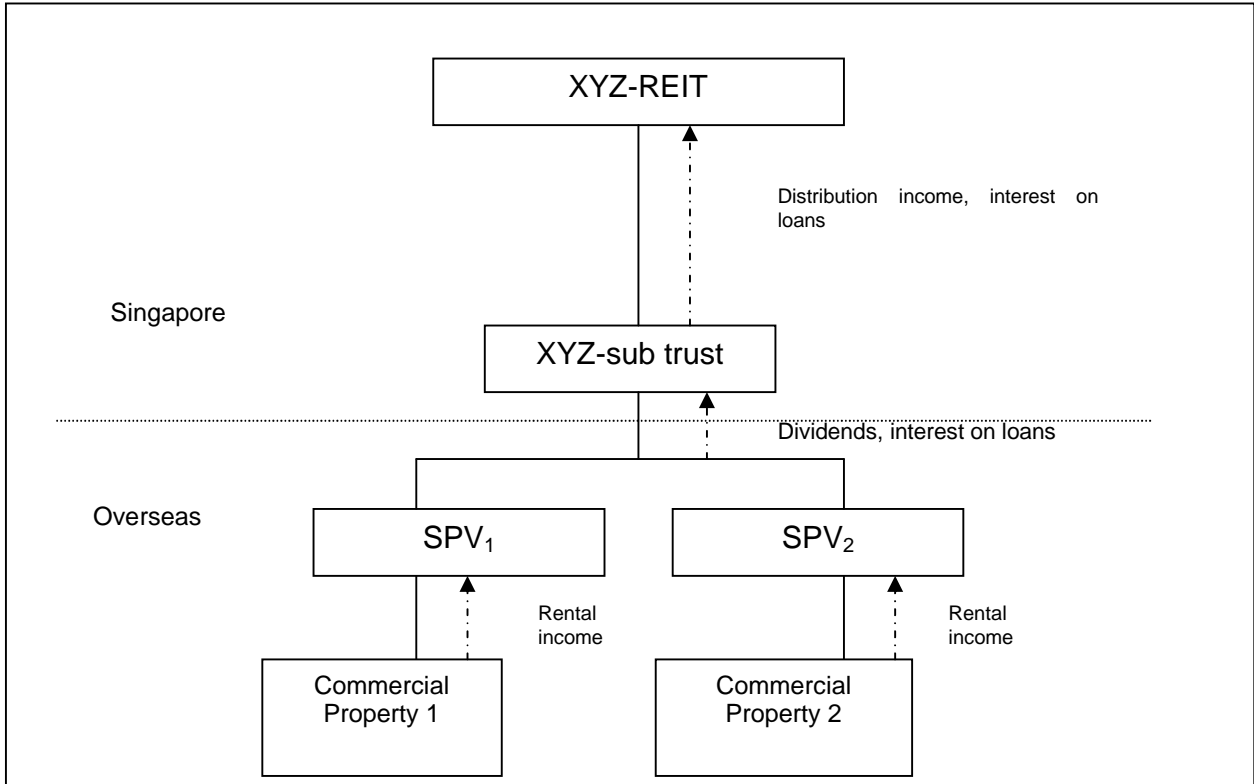
ABC-BT should claim the amount of \$200,000 by submitting a statement of claim for the period from 1 Apr 2008 to Jun 2008.

At the end of the longer period, ABC-BT is required to determine if any longer period adjustment is required. If yes, the adjustment should be made in the statement of claim following the end of the longer period.

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(c) Case 3:

XYZ-REIT holds overseas commercial properties via 2 overseas SPVs. The holding structure is as follows:



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XYZ-REIT and its SPVs makes the following supplies for the period 1 Apr 08 to 30 Jun 08:

	Value of supplies (S\$)	Remarks
Income derived by XYZ-REIT		
- Distribution income from XYZ sub trust	Not applicable.	Distribution income is not a supply for GST purposes
Exempt supplies		
- Interest income from loans to XYZ sub trust (A)	50,000	Non-Regulation 33 exempt supply
- Issue of units to investors (B)	2,000,000	Regulation 33 exempt supply with effect from 1 Apr 2008
Income derived by XYZ subtrust		
- Dividends from SPV ₁ and SPV ₂	Not applicable	Dividend is not a supply for GST purposes
Exempt supplies		
- Issue of units to investors (C)	1,000,000	Regulation 33 exempt supply with effect from 1 Apr 2008
Zero-rated supplies		
- Interest income on loans to overseas SPVs (D)	600,000	
Income derived by SPV₁		
Out-of-scope supplies		
Rental income from overseas commercial properties (E)	4,000,000	Out-of-scope (taxable) supplies
Income derived by SPV₂		
Out-of-scope supplies		
Rental income from overseas commercial properties (F)	2,500,000	Out-of-scope (taxable) supplies
Total supplies within the structure excluding out-of-scope supplies (G) = (A)+(B)+(C)+(D)	3,650,000	
Total supplies within the structure including out-of-scope supplies (H) = (G) + (E)+(F)	10,150,000	
% of non-Regulation 33 exempt supplies / total supplies = (A)/(G)	50,000/ 3,650,000 = 1.4%	< 5%, Regulation 35 is satisfied
GST incurred (excluding disallowed GST)		
Total GST directly attributable to Regulation 33 exempt supplies (J)	500,000	Yes, Regulation 35 satisfied
Total GST directly attributable to non-Regulation 33 exempt supplies	8,000	No
GST on residual expenses (K)	1,000,000	Subject to apportionment

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For the purposes of apportioning GST on residual expenses, the apportionment formula to be used is:

Total claimable residual GST =	Total residual GST	X	[Total taxable supplies and out-of-scope (taxable) supplies made by XYZ-REIT and XYZ subtrust and SPV ₁ and SPV ₂] + [Value of Regulation 33 exempt supplies]
			Total supplies made by entire holding structure
=	(K)	X	$\frac{[(D) + (E) + (F)] + [(B) + (C)]}{(H)}$
=		X	$\frac{10,100,000}{10,150,000}$
=	1,000,000		

In this example, total GST claimable for the period 1 Apr 08 to 30 Jun 08
 = \$1,000,000 + \$500,000 (K)
 = **\$1,500,000**

XYZ-REIT should make a second determination at the end of the longer period to determine if any longer period adjustment is required. If yes, the adjustment should be made in the statement of claim after the end of the longer period.

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- (d) Case 4: Assume that veto rights condition is satisfied for SPVs A, B and C but not satisfied for SPVs D & E.

XYZ-BT has 5 SPVs, A, B, C, D and E holding overseas assets directly or indirectly. The holding structure is as follows:

