

# IRAS e-Tax Guide

## GST: Real Estate Agencies (Third Edition)



INLAND REVENUE  
AUTHORITY  
OF SINGAPORE

Published by  
Inland Revenue Authority of Singapore

Published on 30 August 2005  
First revision on 1 Jul 2007 (editorial revisions due to change in GST rate)  
Second revision on 11 Dec 2008 (Paragraphs 3.9 and 5.3 inserted)  
Third revision on 11 January 2011 (revisions made to paragraphs 3.1, 3.3, 3.4 and 3.6 to reflect the changes to the time of supply rules)

© Inland Revenue Authority of Singapore

All rights reserved. No part of this publication may be reproduced or transmitted in any form or by any means, including photocopying and recording without the written permission of the copyright holder, application for which should be addressed to the publisher. Such written permission must also be obtained before any part of this publication is stored in a retrieval system of any nature.

**TABLE OF CONTENTS**

<b>1</b>	<b>Overview .....</b>	<b>4</b>
<b>2</b>	<b>Do I have to charge and account for GST? .....</b>	<b>4</b>
<b>3</b>	<b>When to account for GST? .....</b>	<b>4</b>
<b>4</b>	<b>Do I have to register for GST? .....</b>	<b>6</b>
<b>5</b>	<b>Special Issues.....</b>	<b>7</b>
	<b>5.1 How do I charge GST in a co-brokering situation? .....</b>	<b>7</b>
	<b>5.2 How do I charge GST when I split commission with the agent? .....</b>	<b>8</b>
	<b>5.3 Do I need to account GST on my brokering commission/charges even if the property sale was aborted? .....</b>	<b>8</b>
<b>6</b>	<b>Can I claim input tax? .....</b>	<b>9</b>
<b>7</b>	<b>Contact Information .....</b>	<b>9</b>

### 1 Overview

- 1.1 This guide explains the application of GST for a real estate agency. A real estate agency provides services including advice to potential buyers and sellers of real properties.
- 1.2 As real estate services involve facilitating the sale and lease of properties, it would be useful to also refer to the e-Tax guide on "GST Guide to Property Owner and Property Holding Company" so that real estate agencies can better assist clients in GST matters relating to the sale and lease of properties.
- 1.3 In this third edition, paragraphs 3.9 and 5.3 have been added. Paragraph 3.9 essentially makes reference to the e-Tax guide referred to in paragraph 1.2. Paragraph 5.3 explains the GST treatment of brokering commissions in the event of an abortive sale.

### 2 Do I have to charge and account for GST?

- 2.1 As a real estate agency, you are making a supply of brokering services to the seller or buyer. Generally, you do not own the properties you deal with. Hence, the sales of the properties are not your supplies. Your supply of brokering services is a taxable supply regardless of whether the property is residential or non-residential. If you are registered for GST, you are required to charge and account for GST on the commissions or fees that you received.
- 2.2 If you are not registered for GST, you cannot charge GST on any transaction and services that you make.
- 2.3 If you are GST-registered but you did not charge GST on the agreed commission, the commission shall be treated as inclusive of GST. You have to account for the GST based on the tax fraction<sup>1</sup> of the commission.

### 3 When to account for GST?

- 3.1 Prior to 1 Jan 2011, when you provide brokering services, you have to account for GST on the commission at the earliest of the following events:
- (a) the date you receive the commission;
  - (b) the date you issue a tax invoice; or
  - (c) the date you performed your service.

---

<sup>1</sup> Tax fraction is the fraction of prevailing GST rate / (100 + prevailing GST rate). For example, if the prevailing GST rate is 7%, the tax fraction is 7/107.

- 3.2 Generally, in the case of a sale of property, your brokering service is considered performed when the sale is completed. In the case of property leasing, your brokering service is considered performed when the tenancy contract is entered into.
- 3.3 With effect from 1 Jan 2011, you have to account for GST on the commission at the earlier of the following events:
- (a) the date you receive the commission; or
  - (b) the date you issue an invoice.

Prior to 1 Jan 2011, the issuance of a tax invoice – and not any other type of invoice – is an event that will trigger the time of supply. With effect from 1 Jan 2011, the issuance of any type of invoice will be an event that triggers the time of supply. This includes a tax invoice as well as any document that serves as a bill for payment for supplies made by a GST-registered supplier. An example of such document would be a debit note.

In general, documents such as sales order, pro-forma invoice, statement of accounts and letter/statement of claims are not considered as invoices for GST time of supply purposes. This is because these documents are often not billing for payments and would therefore not be treated as invoices based on normal commercial practices.

For more details, please refer to the e-Tax Guide on GST: Time of Supply Rules

- 3.4 If you own a non-residential property and let it out, you have to account for GST on the rental at the earlier of the following dates:
- (a) the date you receive the rental payment; or
  - (b) the date you issue a tax invoice (prior to 1 Jan 2011) or invoice (wef 1 Jan 2011).
- 3.5 This rule applies regardless of whether you are collecting rental on monthly, bi-monthly, quarterly or half-yearly basis.
- 3.6 If you own a non-residential property which has been issued with a title, when you sell the property, you have to account for GST at the earliest date of the following events:
- (i) the date you receive payment or part payment;
  - (ii) the date you issue a tax invoice (prior to 1 Jan 2011) or an invoice (wef 1 Jan 2011) for the payment;
  - (iii) the date the property is made available to the buyer for occupancy; or
  - (iv) the date when the title of the property is transferred to the buyer upon legal completion.

- 3.7 Hence, when you receive booking fee, option money and deposit before the completion of the sale, you have to account for the GST on these payments at the earlier of payment received date or tax invoice date.
- 3.8 Upon completion of the sale, the property will be transferred to the buyer. You will have to account for the remaining sale proceeds (regardless of whether you receive the full remaining sum) at the earliest of events (i) to (iv) above.
- 3.9 A payment could be held by your solicitors as stakeholders' money. In applying paragraph 3.6, you treat that payment as received only when the stakeholders' money is released to you.
- 3.10 More information on the GST treatment for the sale and lease of properties can be found in our e-Tax guide "GST Guide to Property Owner and Property Holding Company".

### **4 Do I have to register for GST?**

- 4.1 The GST law requires you to be registered for GST if your taxable supplies exceeded S\$1 million in the past 12 months. If you are currently making taxable supplies and expect to make taxable supplies exceeding S\$1 million in the next 12 months, you are required to be registered.
- 4.2 If you are not trading in property nor letting out your own property for rental, the commissions you receive for brokering services constitutes the value of your taxable supplies. Paragraph 5 explains how the value of supplies under a co-brokerage situation is determined.
- 4.3 Besides providing brokering services, if you occasionally trade in properties or let out your property for rental, then your value of taxable supplies includes:
- (a) the commissions received;
  - (b) the sale price of non-residential properties sold in your own name; and
  - (c) the rental collected from the lease of your non-residential properties.
- 4.4 You are considered to be in the business of trading in properties if you are actively involved in the buying and selling of properties. Records of your past involvement in purchases and sales of properties (both residential and non-residential) are factors to be considered in determining whether you are involved in the business of trading in properties. Holding period for properties acquired, purpose of acquisition and disposal, profit motive, number and frequency of sales, financial capabilities and financing method, nature of your business, your experience and expertise in property related fields, etc, though not mutually exclusive, are some indicators to determine whether you are carrying on a business of trading in properties. The business need not

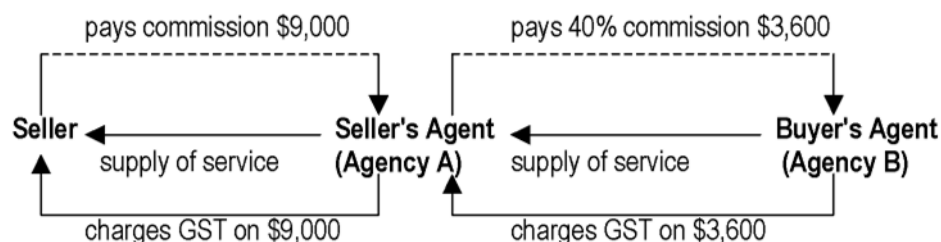
necessarily be one that is registered with the Accounting and Corporate Regulatory Authority (ACRA).

- 4.5 If your past annual taxable supplies do not exceed \$1 million, you have to perform a prospective test on your expected taxable supplies in the next 12 months. This is to determine if you have to register for GST. If you are trading in property and expect to sell your non-residential property, you have to include the expected sale price of the property into the computation of your expected taxable supplies. The date when you enter into a contract to sell a non-residential property is a firm indicator of an expected taxable supply.
- 4.6 Hence, if the total taxable supplies (commissions, rental and sale) that you will be making in the 12-month period are expected to exceed \$1 million, you have to register for GST. You have to apply for registration within 30 days from the beginning of the 12-month period.
- 4.7 However, if you are merely disposing of a capital asset of your business, and you are not involved in property trading, you do not have to include the value of the capital asset into the computation of taxable supplies in determining your liability to register. A property that is used for conducting your business or held in the name or recorded in the book of your business for rental purposes is a capital asset of your business unless this property is acquired for the purpose of trading in property (see paragraph 4.4 above).

## 5 Special Issues

### 5.1 How do I charge GST in a co-brokering situation?

- 5.1.1 Sometimes, you may enter into a co-brokering arrangement with another agency on a sale of property. For example, you (Agency A) are contracted by a seller to help him sell the property. Another agency (Agency B) helps you find a buyer. You and Agency B have agreed to share the commission payable by the seller (say \$9,000) in the ratio of say, 60:40. Assuming that you and Agency B are both GST-registered, GST is chargeable in the following manner:

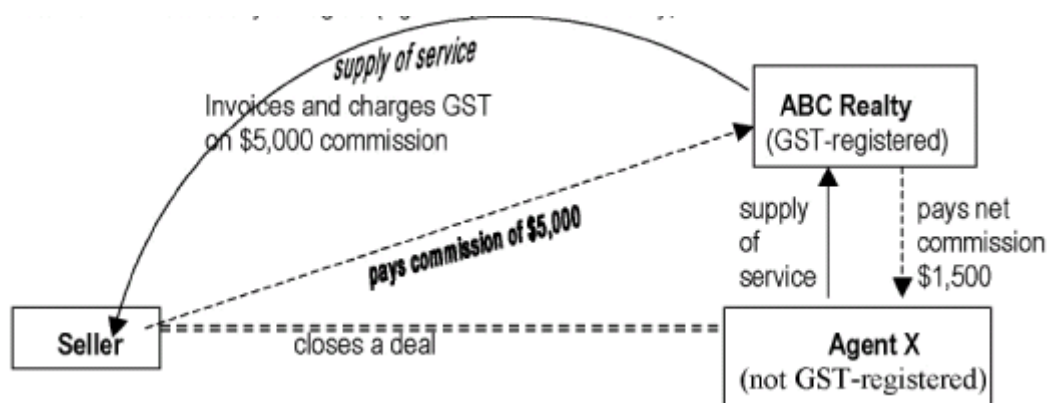


- 5.1.2 In this co-brokering arrangement, the buyer's agent (Agency B) is making a supply of service to you when he finds the buyer for you. The consideration for his supply of service to you is the 40% commission (i.e. \$3,600) he

receives from you. On the other hand, as you are engaged by the seller to sell the property, you are making a supply of service (including the other agency's supply as a package) to the seller. The full commission (i.e. \$9,000) that the seller pays you is the consideration for your supply. You are required to charge GST on this sum.

### 5.2 How do I charge GST when I split commission with the agent?

5.2.1 If you operate a real estate agency business (e.g. ABC Realty), you may have an individual agent (Agent X) who works for you. The individual agent (Agent X) will undertake the brokering job in the name of your agency. As the contract is entered into between your agency and the buyer or seller, the buyer or seller will pay you the commission (say \$5,000). You will then split the commission with your agent (Agent X) in the ratio of say, 70:30.



5.2.2 Based on this arrangement, you are making a supply of service to the buyer or seller. The full commission of \$5,000 that you charge the seller or buyer is the consideration for your taxable supplies and is subject to GST. Even though the agent (Agent X) deals directly with the seller or buyer and is responsible to close the deal, he is actually making a taxable supply of service to you. Therefore, 30% of the commission (i.e. \$1,500) that the agent (Agent X) receives from you is the consideration for his service. If the agent (Agent X) is registered for GST, he will have to charge you GST on the 30% commission he receives from you.

### 5.3 Do I need to account GST on my brokering commission/charges even if the property sale was aborted?

5.3.1 If you are still entitled to the agreed brokering commission/charges (in part or in full) for the sale you have brokered, you have to charge and account GST on the value of your commission/charges received even though the sale was aborted. This is so because the brokering service is a separate taxable supply from the sale of the property (be it a residential or non-residential property).

### **6 Can I claim input tax?**

- 6.1 If you are registered for GST, you can claim GST incurred in relation to your real estate agency business. The input tax claimable includes the GST incurred on the advertisement, rental of premises, office stationeries and equipments. You are not allowed to claim input tax incurred on the purchase and running expenses (such as petrol, parking, repair and maintenance) of a motorcar, except for Q-plated cars with COE issued before 1 April 1998.
- 6.2 If you are also involved in the business of selling or letting non-residential properties, you can claim GST incurred in relation to the purchase of non-residential properties as your input tax, so long as the properties are acquired for the purpose of letting or sale. The input tax claimable includes the GST incurred on the purchase price, maintenance or service charges, purchase of furniture and fittings, renovation and repairs, conveyance fees etc.
- 6.3 If you have claimed and been allowed the GST incurred on the purchase of a non-residential property as input tax, and continues to own the property at the time you de-register from GST, you have to deem a supply on this property. In other words, you have to account for output tax on the property based on the open market value of the property at the prevailing GST rate. This must be accounted in your Final GST Return (F8).

### **7 Contact Information**

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)