

# **GOODS AND SERVICES TAX**

## **PARTIAL EXEMPTION AND INPUT TAX RECOVERY**



INLAND REVENUE  
AUTHORITY  
OF SINGAPORE

## Partial Exemption And Input Tax Recovery

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This guide highlights the legislative changes concerning partial exemption rules in Regulations 28, 33, 34 and 35, which will be effective 1 Apr 2008. By providing early information on the implementation details, we hope to facilitate GST registered traders in preparing for the change.

The Inland Revenue Authority of Singapore is now inviting members of the public to seek clarifications and give their comments on the implementation details set out in this guide.

Electronic submission is encouraged. Please submit your written comments by 25 Jan 2008 to:

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Please note that all submissions received may be made public unless confidentiality is specifically requested for whole or part of the submission.

Published by  
Inland Revenue Authority of Singapore

1st Edition – 19 Dec 2007

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## Partial Exemption And Input Tax Recovery

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### 1 INTRODUCTION.

- 1.1 A GST registered trader is a partially exempt trader if he makes both taxable and exempt supplies. The general input tax recovery rule is that input tax claims can only be made if it is incurred for the making of taxable supplies. Hence, a partially exempt trader would not be able to claim all his input tax.
- 1.2 However, it is recognized that most traders carrying on a taxable business would inevitably make some exempt supplies in the ordinary course of its business. Their input tax for making such exempt supplies cannot be claimed. To address this, changes have been made to the following partial exemption rules to allow traders carrying on taxable businesses to claim more input tax incurred on exempt supplies:
- (a) The threshold in the De Minimis Rule has been increased to \$40,000;
  - (b) The list of input tax being attributed to taxable supplies in Regulation 33 has been expanded;
  - (c) The list of businesses in Regulation 34 which are precluded from applying Regulation 33 has been reduced i.e. more businesses can enjoy the benefits of Regulation 33; and
  - (d) The test for non-Regulation 33 exempt supplies in Regulation 35 has been simplified by removing the \$20,000 threshold.
- 1.3 This guide explains the partial exemption rules and input tax recovery rules and the changes to the partial exemption rules that are effective 1 Apr 2008.

### 2 BASIC CONCEPTS

- 2.1 Input tax is claimable if it is attributable to the making of taxable supplies. A partially exempt trader who makes both taxable and exempt supplies<sup>1</sup> would not be allowed to claim input tax attributable to the exempt supplies made.
- 2.2 The following are exceptions where a partially exempt trader is allowed to claim all his input tax including input tax attributable to the making of exempt supplies at the end of any prescribed accounting period:
- (a) the **DE MINIMIS RULE** in Regulation 28 is satisfied; or
  - (b) only **REGULATION 33 EXEMPT SUPPLIES** are made.
- 2.3 If the De Minimis Rule is not satisfied in a prescribed accounting period, the partially exempt trader may claim only the input tax incurred in the making of taxable supplies and not the input tax incurred in the making of exempt supplies. In cases where the input tax cannot be directly identified as incurred in the making of either taxable or exempt supplies, the input tax commonly called residual input tax has to be apportioned. This is known as **INPUT TAX APPORTIONMENT**.

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<sup>1</sup> Refers to supplies that fall within the description specified in the Fourth Schedule.

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- 2.4 As the input tax claims are only allowed provisionally at the end of each prescribed accounting period, the partially exempt trader is required to perform **LONGER PERIOD ADJUSTMENT** in respect of the input tax that he has claimed during the longer period.

### 3 DE MINIMIS RULE

- 3.1 If the De Minimis Rule is satisfied, the partially exempt trader may claim all the input tax incurred including input tax incurred in the making of his exempt supplies. However, input tax disallowed under Regulations 26 and 27 of the GST (General) Regulations<sup>2</sup> is still not claimable.
- 3.2 Under the current Regulation 28, the conditions of the De Minimis Rule are met when the total value of all exempt supplies made is less than or equals to: -
- (a) An average of \$20,000 a month; and
  - (b) 5% of total value of all taxable and exempt supplies made in that period.

#### Example 1

Prescribed accounting period 1 Jan 07 to 31 Mar 07 (i.e. period beginning *before* 1 Apr 2008)

Types of Supplies	Value of supplies
Standard rated supplies	\$1,100,000
Zero-rated supplies	\$ 100,000
Exempt supplies	<u>\$ 60,000</u>
Total supplies	<u>\$1,260,000</u>

Value of average exempt supplies per month:  $\$60,000/3 = \$20,000$  per month

Percentage of the exempt supplies over the total supplies:  $\$60,000/1,260,000 \times 100\% = 4.7\%$

As the value of exempt supplies does not exceed an average of \$20,000 per month and 5% of the total value of supplies, De Minimis Rule is satisfied and all input tax incurred for the making of exempt supplies are claimable.

- 3.3 To allow more businesses to claim input tax and avoid the complications of input tax apportionment, the **\$20,000 threshold has been increased to \$40,000** for prescribed accounting periods or longer periods beginning on or after 1 Apr 2008.

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<sup>2</sup> Please refer to our IRAS website for more information on the Disallowed Expenses.

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### Example 2

Prescribed accounting period 1 Apr 08 to 30 Jun 08 (i.e. period beginning *on or after* 1 Apr 2008)

Types of Supplies	Value of supplies
Standard rated supplies	\$2,080,000
Zero-rated supplies	\$ 300,000
Exempt supplies	\$ 120,000
Total supplies	\$2,500,000

Value of average exempt supplies per month:  $\$120,000/3 = \$40,000$  per month

Percentage of the exempt supplies over the total supplies:  $\$120,000/2,500,000 \times 100\% = 4.8\%$

As the value of exempt supplies does not exceed an average of \$40,000 per month and 5% of the total value of supplies, De Minimis Rule is satisfied and all input tax incurred for the making of exempt supplies are claimable.

3.4 The table below summarises the changes in the De Minimis Rule.

For prescribed accounting periods or longer periods beginning <b>before</b> 1 Apr 2008	For prescribed accounting periods or longer periods beginning <b>on or after</b> 1 Apr 2008
Value of exempt supplies is less than or equals to:- (a) average of \$20,000 per month; and (b) 5% of the total value of all taxable and exempt supplies made in that period.	Value of exempt supplies is less than or equals to:- (a) average of <b>\$40,000</b> per month; and (b) 5% of the total value of all taxable and exempt supplies made in that period.

3.5 If the De Minimis Rule is satisfied for a prescribed accounting period, the same test will have to be applied at the end of a longer period, to determine whether all the input tax incurred in the making of exempt supplies in the longer period can be claimed.

## 4 REGULATION 33 EXEMPT SUPPLIES

4.1 The exempt supplies in Regulation 33 are considered to be necessary and integral to the making of taxable supplies. Hence, the input tax incurred in the making of the following exempt supplies (henceforth referred to as "Regulation 33 exempt supplies") are treated as input tax attributable to the making of taxable supplies and therefore, claimable:

(a) The deposit of money:

### Example

- *interest income from current or fixed deposit accounts placed with a financial institution in Singapore.*

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- (b) The exchange of currency

Example

- *realized foreign exchange gains or losses*

- (c) The first issue of a debt security

Example

- *first issue of bonds*

- (d) The first issue of an equity security

Example

- *issue of shares through an Initial Public Offering*

- (e) The provision of any loan, advance or credit to an employee

Example

- *Interest received from car/housing/study loans provided to employees*

### 4.2 New Regulation 33 Exempt Supplies

It is recognised that traders are engaging in other financial activities that are necessary and integral to the making of taxable supplies. Therefore, changes were made to treat input tax incurred in the making of the following exempt supplies for the prescribed accounting periods or longer periods beginning **on or after 1 Apr 2008**, as input tax attributable to the making of taxable supplies:

#### **(f) The assignment of trade receivables**

Example

- *factoring receivables*

#### **(g) The issue of units under any unit trust**

Example

- *money received from unit holders for units sold*

#### **(h) Prescribed hedging activities**

- (i) The hedging of interest rate risk or currency risk arising from the supplies in Regulations 33 (a), (b), (c), (d), or (g).

Examples

- *entering into currency rate swap transactions to reduce currency risk arising from sales made in foreign currency on credit terms.*

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- *entering into interest rate swap transactions to mitigate impact of interest rate fluctuations arising from issue of bonds on floating rate to raise funds for the company*
- (ii) The hedging of interest rate risk or currency risk arising from loans obtained for the making of taxable supplies or supplies made outside Singapore that would have been taxable supplies if made in Singapore.

### Example

- *entering into interest rate swap transactions to reduce interest rate risk arising from the variable interest payable on loan obtained to buy a plant for manufacturing goods.*
- (iii) The hedging of commodity price risk on goods used in the making of taxable supplies or supplies made outside Singapore that would have been taxable supplies if made in Singapore.

### Examples

- *purchasing futures contracts to hedge against price fluctuations in oil which is a major business expense of a shipping company.*
- *purchasing futures contracts to hedge against price fluctuations of metals which are sold by the taxable person outside Singapore.*

### **(i) Purchase of bonds.**

#### Example

- *interest income received from bond during a prescribed accounting period or longer period beginning on or after 1 Apr 2008*

4.3 Since the input tax incurred in the making of Regulation 33 exempt supplies is treated as being incurred in the making of taxable supplies, a partially exempt trader who makes ONLY Regulation 33 exempt supplies will be allowed to claim all his input tax incurred in the making of exempt supplies. This is so even if he fails the De Minimis Rule.

4.4 However, a partially exempt trader will not be allowed to claim input tax incurred in the making of Regulation 33 exempt supplies if:

- (a) he carries on a business described in paragraph 5 (i.e. Regulation 34 businesses); or

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- (b) he makes non-Regulation 33 exempt supplies and the value of the non-Regulation 33 exempt supplies does not satisfy the Regulation 35 test in paragraph 6.

### 5 REGULATION 34 BUSINESSES

5.1 The provision allowing claiming of input tax incurred in the making of Regulation 33 exempt supplies is not applicable to partially exempt traders carrying on the business of, or any business similar to, any of the following shown in the table in paragraph 5.3 below (henceforth referred to as “Regulation 34 businesses”).

5.2 The list has been amended for prescribed accounting periods or longer periods beginning on or after 1 Apr 2008 to reflect the intention that only businesses making predominantly exempt supplies are disallowed from claiming input tax attributable to Regulation 33 exempt supplies.

5.3 The table summarises the changes in the list of Regulation 34 businesses.

	For prescribed accounting periods or longer periods beginning <b>before</b> 1 Apr 2008, the following businesses are not allowed to apply Regulation 33:	For prescribed accounting periods or longer periods beginning <b>on or after</b> 1 Apr 2008, the following businesses are not allowed to apply Regulation 33:
(a)	A full bank, wholesale bank or offshore bank required to be licensed under the Banking Act	Same
(b)	A merchant bank required to be approved as a financial institution under section 28 under the Monetary Authority of Singapore Act	Same
(c)	An insurance company or reinsurance company required to be registered under the Insurance Act or an insurance agent.	<ul style="list-style-type: none"> <li>• A life insurance company required to be registered under the Insurance Act;</li> <li>• A general or life reinsurance company required to be registered under the Insurance Act; or</li> <li>• A reinsurance broker</li> </ul>
(d)	A dealer, dealer’s representative, investment adviser or investment representative required to be licensed under the Securities Industry Act	<i>Removed</i>
(e)	A commodity futures broker, commodity futures trading adviser, commodity futures broker’s representative, commodity futures trading adviser’s representative, commodity futures pool operator or commodity futures pool operator’s representative required to	<i>Removed</i>

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	be licensed under the Commodity Futures Act	
(f)	A futures broker, futures trading adviser, futures broker's representative, futures trading adviser's representative, futures pool operator or futures pool operator's representative, required to be licensed under the Futures Trading Act	<i>Removed</i>
(g)	A finance company required to be licensed under the Finance Companies Act	Same
(h)	A moneylender required to be licensed under the Moneylenders Act; A money-changer or remitter required to be licensed under the Money-changing and Remittance Business Act; or A money broker or currency trader.	Removal of "money broker". The other businesses remain.
(i)	A pawnbroker required to be licensed under the Pawnbrokers Act	Same
(j)	A debt factor	Same
(k)	A credit card, charge card or other payment card company	Same
(l)	An investment trust or unit trust	A unit trust <u>excluding</u> any Real Estate Investment Trust (REIT) or business trust that makes predominantly taxable supplies. A REIT or business trust is treated as predominantly making taxable supplies if the proportion of taxable supplies to total supplies made by him is at least 51% in that prescribed accounting period or longer period.

## 6 REGULATION 35 TEST

- 6.1 If a partially exempt trader makes non-Regulation 33 exempt supplies, input tax incurred in the making of Regulation 33 exempt supplies will only be claimable if the test in Regulation 35 of the GST (General) Regulations (henceforth referred to as "Regulation 35 test") is satisfied.
- 6.2 The Regulation 35 test is satisfied if the value of the non-Regulation 33 exempt supplies made by the partially exempt trader is less than or equals to:
- (a) an average of \$20,000 per month; and
  - (b) 5% of the total value of all taxable and exempt supplies made in that period.

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6.3 To simplify the rules and also to allow more traders to enjoy the benefits of claiming Regulation 33 exempt supplies, **the threshold of \$20,000 per month was removed** for prescribed accounting periods or longer periods beginning on or after 1 Apr 2008.

6.4 The table below summarises the changes in the Regulation 35 test.

For prescribed accounting periods or longer periods beginning <b>before</b> 1 Apr 2008	For prescribed accounting periods or longer periods beginning <b>on or after</b> 1 Apr 2008
Value of non-Regulation 33 exempt supplies is less than or equals to:-  (a) average of \$20,000 per month; and (b) 5% of the total value of all taxable and exempt supplies made in that period.	Value of non-Regulation 33 exempt supplies is less than or equals to:-  (a) 5% of the total value of all taxable and exempt supplies made in that period.

6.5 If the Regulation 35 test is satisfied for a prescribed accounting period, the same test will have to be applied at the end of a longer period, to determine whether input tax incurred in the making of Regulation 33 exempt supplies can be claimed in the longer period.

## 7 INPUT TAX APPORTIONMENT

7.1 Where a partially exempt trader does not satisfy the De Minimis Rule, he will have to claim his input tax as follows ([Appendix 1](#) provides a diagrammatic flowchart explaining the treatment for input tax apportionment):

- (i) input tax directly attributable to the making of taxable supplies will be claimable;
- (ii) input tax directly attributable to the making of Regulation 33 exempt supplies will be claimable if he is not carrying on a Regulation 34 business and the Regulation 35 test is satisfied. Otherwise, input tax attributable to such exempt supplies is not claimable;
- (iii) input tax directly attributable to the making of non-Regulation 33 exempt supplies is not claimable;
- (iv) residual input tax, i.e. input tax that is not directly attributable to the making of taxable or exempt supplies, shall be apportioned in the following manner:-

- (a) if the trader is not carrying on a Regulation 34 business and the Regulation 35 test is satisfied –

$$\text{Recoverable residual input tax} = \text{Total residual input tax} \times \frac{\text{Value of taxable supplies} + \text{Value of Regulation 33 exempt supplies}}{\text{Value of total supplies}}$$

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$$(b) \text{ otherwise –} \\ \frac{\text{Recoverable residual input tax}}{\text{Total residual input tax}} = \frac{\text{Value of taxable supplies}}{\text{Value of total supplies}} \times$$

[Note: Any GST incurred on expenses specifically disallowed under Regulations 26 and 27 of the GST (General) Regulations, or for non-business purpose, is not claimable at all.]

- 7.2 When computing the recoverable residual input tax in paragraph 7.1 (iv) above, the ratio of value of taxable supplies (and Regulation 33 exempt supplies, if applicable) over the value of total supplies should be rounded off to the nearest 1 percent.

## 8 LONGER PERIOD ADJUSTMENT

### 8.1 The Rationale for Longer Period Adjustment

8.1.1 The average monthly value of exemption supplies and proportions of taxable and exempt supplies are used in the determining whether the De Minimis Rule is satisfied in each prescribed accounting period. The proportion of taxable and exempt supplies is also used in apportionment of input tax claims in each prescribed accounting period. In reality, these value of exempt supplies or proportions of taxable and exempt supplies vary from one prescribed accounting period to another.

8.1.2 To ensure fair and reasonable apportionment of input tax, these periodic variations are taken into consideration over a longer period. Therefore, any input tax claimed in each prescribed accounting period is only provisionally allowed and an adjustment is required to be made to the input tax claimed over a longer period. This is known as the longer period adjustment.

### 8.2 Determining Longer Period<sup>3</sup>

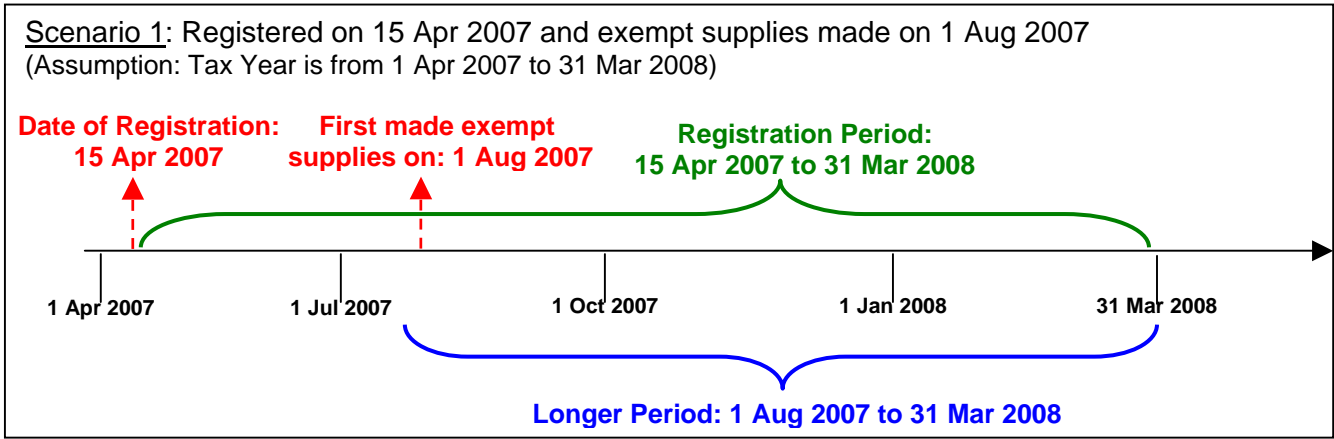
8.2.1 There are different rules for determining the longer period for the registration period and for the tax year. The registration period refers to the period commencing the date of registration and ending on the day before the first tax year begins.

8.2.2 If a partially exempt trader makes exempt supplies during the registration period, the longer period begins on the first day the exempt supplies are made and ends on the last day of the registration period.

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<sup>3</sup> The definition of longer period and tax year is found in Regulation 25 of the GST(General) Regulations

## Partial Exemption And Input Tax Recovery

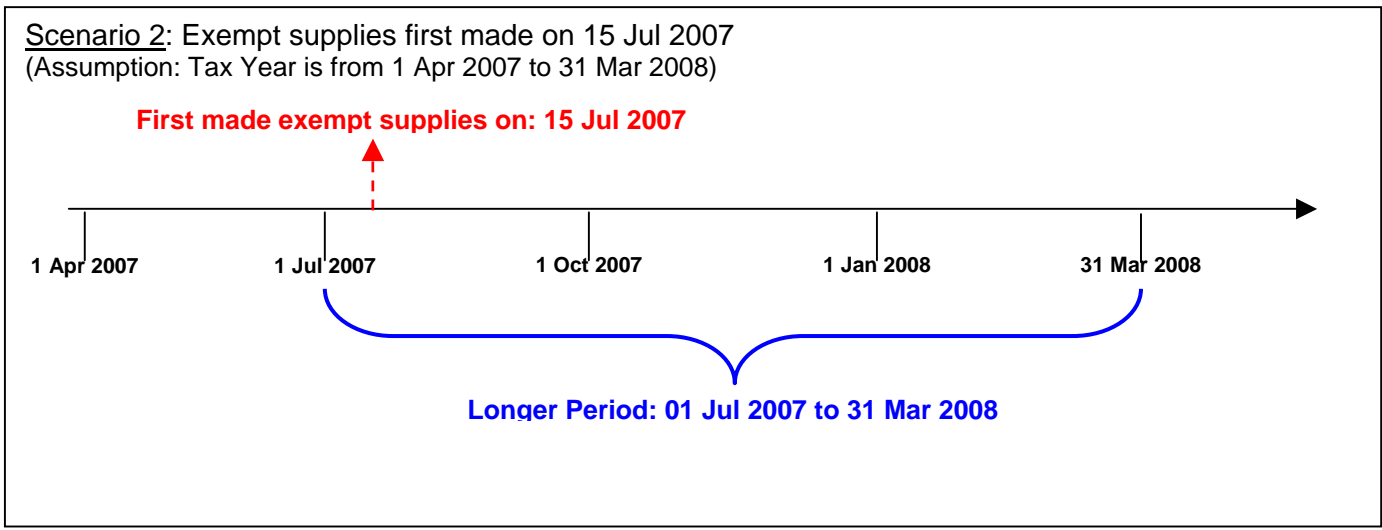


8.2.3 The tax year refers to a 12-month period commencing on 1st Apr, 1st May or 1st June, depending on the prescribed accounting periods allocated to the partially exempt trader. The tax years can be:

Prescribed Accounting Periods	Tax Year
Jan-Mar, Apr-Jun, Jul-Sep, Oct-Dec	1 Apr to 31 Mar of the next year
Feb-Apr, May-Jul, Aug-Oct, Nov-Jan	1 May to 30 Apr of the next year
Mar-May, Jun-Aug, Sep-Nov, Dec-Feb	1 Jun to 31 May of the next year

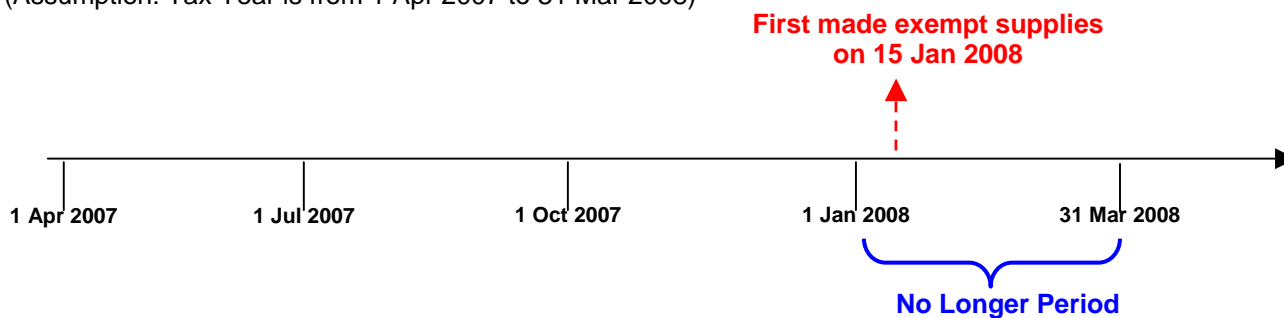
8.2.4 If a partially exempt trader makes exempt supplies during the tax year, the longer period will coincide with the tax year, except in the circumstances described below.

- (a) If no exempt supplies were made during the immediately preceding tax year or registration period, the longer period will begin on the 1st day of the 1st prescribed accounting period in which exempt supplies are made and end on the last day of that tax year. However, if exempt supplies are only made in the last accounting period of that tax year, no longer period is applicable.



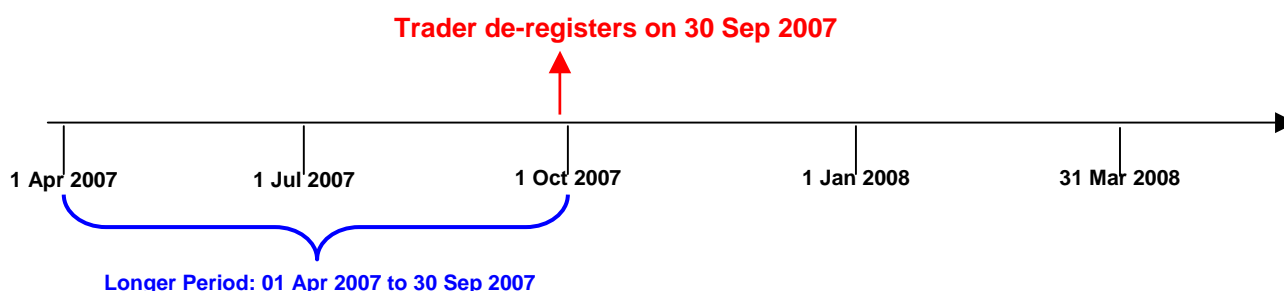
## Partial Exemption And Input Tax Recovery

**Scenario 3:** Exempt supplies first made on 15 Jan 2008  
 (Assumption: Tax Year is from 1 Apr 2007 to 31 Mar 2008)



- (b) If the partially exempt trader ceases to be a taxable person during a longer period, the longer period shall end on the day he ceased to be taxable.

**Scenario 4:** Trader de-registers from GST on 30 Sep 2007  
 (Assumption: Tax Year is from 1 Apr 2007 to 31 Mar 2008)



### 8.3 Performing Longer Period Adjustment

- 8.3.1 If the partially exempt trader fails the De Minimis rule in any accounting period, he can make a second determination at the end of the longer period. If he satisfies the De Minimis rule at the end of the longer period, he will be allowed to claim back the exempt input tax not claimed previously.
- 8.3.2 Similarly, if the partially exempt trader passes the De Minimis rule in any accounting period, he will have to make a second determination at the end of the longer period. If he does not satisfy the De Minimis rule at the end of the longer period, he will have to adjust for the input tax he already claimed. However, if he still satisfies the De Minimis rule at the end of the longer period, no adjustment is required.

De Minimis rule		Longer Period Adjustment Required?
Prescribed Accounting Period	Longer Period	
Satisfied	Satisfied	No
Satisfied	Not Satisfied	Yes
Not Satisfied	Satisfied	Yes
Not Satisfied	Not Satisfied	Yes

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- 8.3.3 The longer period adjustment requires the partially exempt trader to determine how much input tax is claimable in the longer period by using the same input tax apportionment method as explained in paragraph 7 above.
- 8.3.4 The difference in the amount computed for the longer period and the amount already claimed in each prescribed accounting period in that longer period (whether an over-claim or under-claim) should be adjusted for accordingly in the input tax claims (i.e. Box 7) of the first GST F5 return after the longer period. (Refer to [Appendix 2](#) for an illustration of a longer period adjustment).

## 9 EFFECTIVE DATE OF LEGISLATIVE AMENDMENTS

- 9.1 As the legislative amendments explained in paragraphs 3 to 6 apply to prescribed accounting periods or longer periods beginning on or after 1 Apr 2008, this paragraph explains how to determine which prescribed accounting periods or longer periods are subject to the new legislation.
- 9.2 A period covered by the GST F5 is called the prescribed accounting period. The standard prescribed accounting period is three months. However, traders may also obtain the Comptroller's approval for monthly, half-yearly or special accounting periods that are not based on calendar months.
- 9.3 Where a prescribed accounting period commences on any date on or after 1 Apr 2008, the new legislation will apply. Conversely, where a prescribed accounting period commences on any date before 1 Apr 2008, the new legislation will not apply. Strictly speaking, this is so even if the end date of the prescribed accounting period is on or after 1 Apr 2008.

Prescribed accounting periods where the new legislation is <b>NOT applicable</b>	Prescribed accounting periods where the new legislation is <b>applicable</b>
1 Jan 2008 to 31 Mar 2008	1 Apr 2008 to 30 Jun 2008
1 Feb 2008 to 30 Apr 2008	1 May 2008 to 31 Jul 2008
1 Mar 2008 to 31 May 2008	1 Jun 2008 to 31 Aug 2008
1 Mar 2008 to 31 Mar 2008	1 Apr 2008 to 30 Apr 2008
21 Mar 2008 to 20 Jun 2008	21 Jun 2008 to 20 Sep 2008

- 9.4 Where a longer period commences on any date on or after 1 Apr 2008, the new legislation will apply. However, where a longer period commences on any date before 1 Apr 2008, the new legislation will not apply.

Longer periods where the new legislation is <b>NOT applicable</b>	Longer periods where the new legislation is <b>applicable</b>
1 Apr 2007 to 31 Mar 2008	1 Apr 2008 to 31 Mar 2009
1 May 2007 to 30 Apr 2008	1 May 2008 to 30 Apr 2009
1 Jun 2007 to 31 May 2008	1 Jun 2008 to 31 May 2009
21 Mar 2007 to 20 Mar 2008	21 Mar 2008 to 20 Mar 2009

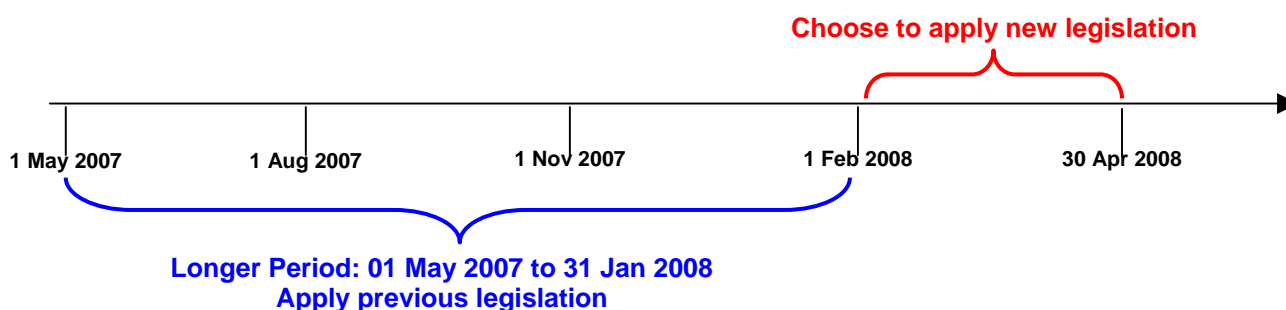
## Partial Exemption And Input Tax Recovery

### Administrative concession for early application of new legislation

- 9.5 We are prepared to allow traders to apply the new legislation for the prescribed accounting period that **straddles 1 Apr 2008**. If they choose to do so, they will have to conduct a longer period adjustment on a shortened longer period, which excludes the prescribed accounting period that straddles 1 Apr 2008. Any adjustment should be made in the prescribed accounting period that straddles 1 Apr 2008.

#### Example A - Tax year 1 May 2007 to 30 Apr 2008

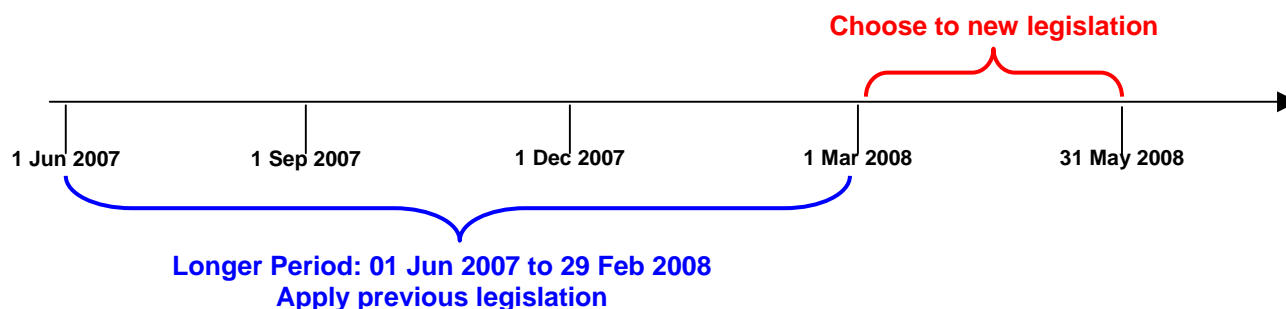
If trader wishes to apply the new legislation to prescribed accounting period 1 Feb 2008 to 30 Apr 2008, longer period adjustment will have to be made for the longer period 1 May 2007 to 31 Jan 2008 based on the previous legislation. Any longer period adjustment should be included in the prescribed accounting period 1 Feb 2008 to 30 Apr 2008. The next longer period will be from 1 May 2008 to 30 Apr 2009.



If trader does not wish to apply the new legislation to the prescribed accounting period 1 Feb 2008 to 30 Apr 2008, the longer period 1 May 2007 to 30 Apr 2008 will be subject to the previous legislation. Any longer period adjustment should be included in the prescribed accounting period 1 May 2008 to 31 Jul 2008.

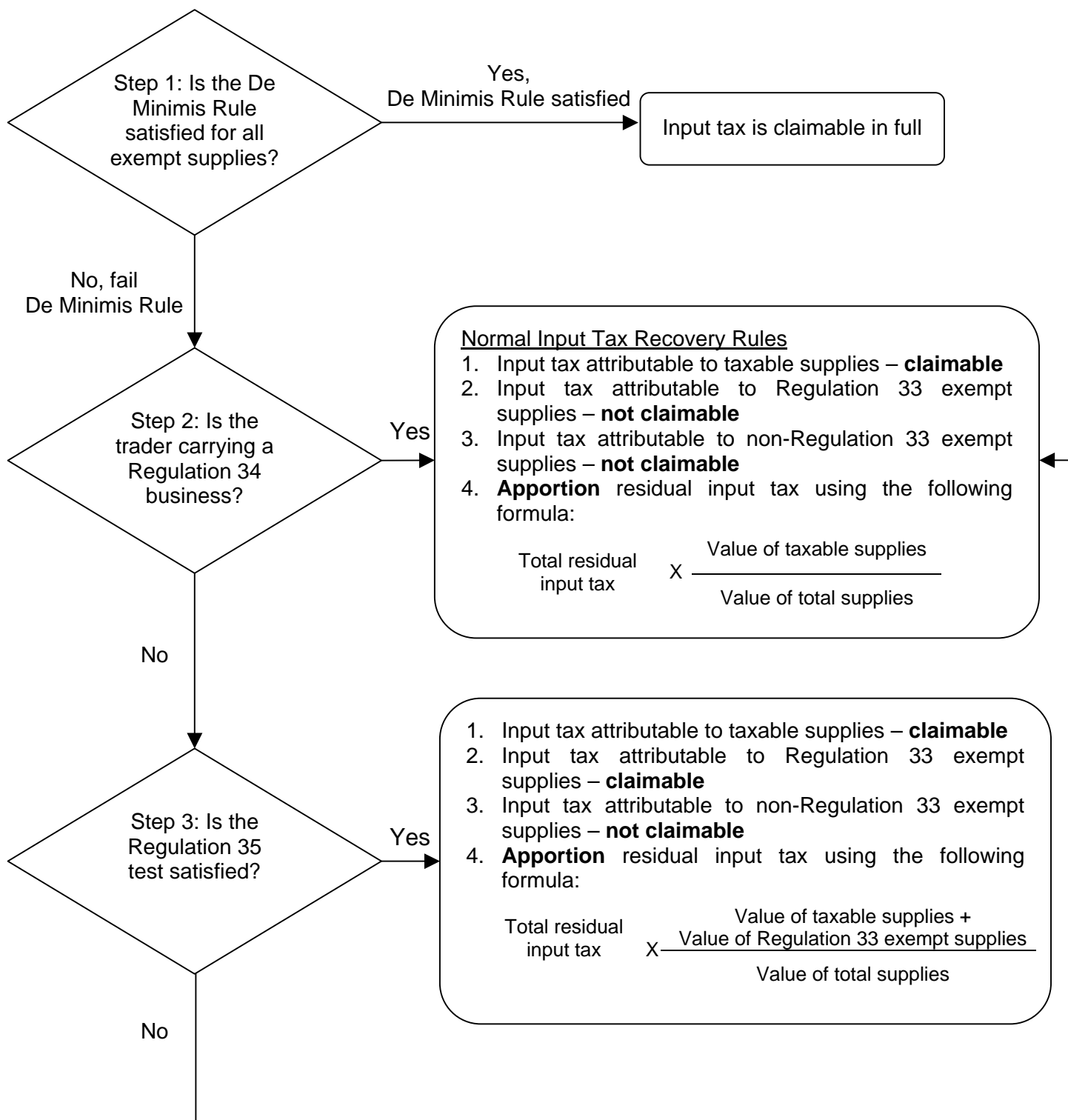
#### Example B - Tax year 1 Jun 2007 to 31 May 2008

If trader wishes to apply the new legislation to prescribed accounting period 1 Mar 2008 to 31 May 2008, longer period adjustment will have to be made for the longer period 1 Jun 2007 to 29 Feb 2008 based on the previous legislation. Any adjustment should be included in the prescribed accounting period 1 Mar 2008 to 31 May 2008. The next longer period will be from 1 Jun 2008 to 31 May 2009.



If trader does not wish to apply the new legislation to the prescribed accounting period 1 Mar 2008 to 31 May 2008, the longer period 1 Jun 2007 to 31 May 2008 will be subject to the previous legislation. Any longer period adjustment should be included in the prescribed accounting period 1 Jun 2008 to 31 Aug 2008.

10 APPENDIX 1 – INPUT TAX APPORTIONMENT FLOWCHART



## Partial Exemption And Input Tax Recovery

### 11 APPENDIX 2 – ILLUSTRATION OF LONGER PERIOD ADJUSTMENT

The following is an illustration of the longer period adjustment for prescribed accounting periods and longer periods beginning before 1 Apr 2008:-

	GST accounting periods				Total
	1 Apr to 30 Jun 07	1 Jul to 30 Sep 07	1 Oct to 31 Dec 07	1 Jan to 31 Mar 08	
Value of Taxable Supplies (A)	\$1,000,000	\$1,500,000	\$900,000	\$1,200,000	\$4,600,000
Value of Exempt supplies <sup>4</sup> (B)	\$100,000	\$59,000	\$40,000	\$520,000	\$719,000
Total supplies (C) = (A) + (B)	\$1,100,000	\$1,559,000	\$940,000	\$1,720,000	\$5,319,000
Average Monthly Exempt supplies (B) ÷ 3	\$33,333	\$19,667	\$13,333	\$173,333	\$59,917
% of exempt supplies over total supplies (B) ÷ (C)	9.1%	3.8%	4.3%	30.2%	13.5%
Deminimis rule satisfied?	No	Yes	Yes	No	No
Residual input tax incurred (before apportionment)	\$12,374.05	\$10,112.76	\$7,894.31	\$14,355.62	\$44,736.74
Residual input tax provisionally allowed (after apportionment)	\$11,260.39	\$10,112.76	\$7,894.31	\$10,048.93	<b>\$39,316.39</b>
Recoverable residual input tax for the tax year	$\$44,736.74 \times (\$4,600,000/\$5,319,000)^5$ <b>= \$38,473.60</b>				
Input tax over/(under) claimed	$\$39,316.39 - \$38,473.60$ <b>= \$842.79</b>				

In the above example, the re-computed recoverable input tax for the tax year from 1 Apr 2007 to 31 Mar 2008 is \$38,473.60, which is less than the total amount of \$39,316.39 already claimed in the four accounting periods. Therefore, there is an over-claim of input tax of \$842.79 over the tax year. The input tax over-claimed is to be adjusted in Box 7 ("Input tax and refunds claimed" box) of the GST F5 return for the next prescribed accounting period ended 30 Jun 2008, by deducting the amount of \$842.79 from the recoverable input tax of that period.

<sup>4</sup> It is assumed that the exempt supplies herein consist of both Regulation 33 and non-Regulation 33 exempt supplies and apportionment is required for all these exempt supplies.

<sup>5</sup> The ratio of (\$4,600,000/\$5,319,000) should be rounded off to the nearest whole number, i.e. 86%.