

# **GOODS AND SERVICES TAX**

GOODS AND SERVICES TAX TREATMENT OF  
TRANSFER FOR A CONSIDERATION OF  
“QUALIFYING DEDUCTIONS” ALLOWED  
UNDER THE  
INCOME TAX GROUP RELIEF SYSTEM



INLAND REVENUE  
AUTHORITY  
OF SINGAPORE

**GOODS AND SERVICES TAX TREATMENT OF TRANSFER FOR A CONSIDERATION OF  
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**Introduction**

- 1 For income tax purposes, with effect from the year of assessment (“YA”) 2003, a company (“transferor company”) belonging to a group may transfer any “qualifying deductions” to another company (“claimant company”) of the same group. “Qualifying deductions” under section 37C(14) of the Income Tax Act (“ITA”) refers to the current year unabsorbed capital allowances, current year unabsorbed trade losses and current year unabsorbed donations that may be transferred to be deducted against the assessable income of the claimant company under the income tax group relief system (“group relief system”)<sup>1</sup>.
- 2 This circular seeks to clarify the Goods and Services Tax (“GST”) treatment of the transfer for a consideration of “qualifying deductions” allowed under the group relief system.

**Taxable Supply in the Course or Furtherance of Business**

- 3 Section 8(1) of the Goods and Services Tax Act (“GST Act”) provides that GST shall be charged on any supply of goods or services made in Singapore where it is a taxable supply made by a taxable person in the course or furtherance of any business carried on by him.
- 4 Although the transfer of “qualifying deductions” is not a supply of goods, the transfer for consideration is a taxable supply of services under section 10(2)(b) of the GST Act. Section 10(2)(b) of the GST Act provides that anything which is not a supply of goods but is done for a consideration (including, if so done, the granting, assignment or surrender of any right) is a supply of services.
- 5 Furthermore, the transfer of “qualifying deductions” for consideration constitutes a supply in the furtherance of business under section 10(2)(b) of the GST Act. The “qualifying deductions” are assets of the transferor company and have a value as the “qualifying deductions” may be carried forward and used to be deducted against future profits of the company for income tax purposes. With the implementation of the group relief system, the “qualifying deductions” would still be of value when they are transferred out to another company in the same group for a consideration, to be used by the claimant company as a deduction against its own taxable profits. Thus, the transfer of “qualifying deductions” is no different from the transfer of any other business asset for a consideration. However, if the “qualifying deductions” are transferred without consideration, there will not be any supply for GST

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<sup>1</sup> Please refer to the IRAS’ Circular on “Loss Transfer System of Group Relief” issued on 23 Oct 2002 for more details of this system.

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purposes because such transfers are not deemed to be a taxable supply under section 10(2)(b) of the GST Act.

- 6 In a situation where a company supplies services to another company and the latter transfers its “qualifying deductions” to the former in return for the services supplied, the amount of “qualifying deductions” transferred would be treated, for GST purposes, as non-monetary consideration for the services supplied and this non-monetary consideration would have to be valued for GST to be imposed on the consideration.

**Deeming the Transfer of “Qualifying Deductions” to be neither a Supply of Goods nor a Supply of Services**

- 7 Notwithstanding paragraphs 3 to 5 above and in order not to negate the original intended benefits of the group relief system, which is to encourage risk taking and enterprise, the Government has approved the deeming of the transfer of “qualifying deductions” under the group relief system to be neither a supply of goods nor a supply of services by way of ministerial order pursuant to section 10(3)(c) of the GST Act. The GST (Excluded Transactions) (Amendment) Order 2003 to provide for the above has been gazetted on 29 May 2003 and will apply on transfers of “qualifying deductions” made from the effective date of the group relief system. However, the deeming of the transfer of “qualifying deductions” to be neither a supply of goods nor a supply of services will not apply to situations mentioned in paragraph 6.

**Input Tax Claim in respect of Transfer of “Qualifying Deductions”**

- 8 Where the claimant company is a registered trader and incurs input tax for the purposes of acquiring the “qualifying deductions”<sup>2</sup>, it will not be able to claim the input tax incurred against GST payable because the “qualifying deductions” are not used to make taxable supplies subsequently.

**Enquiries**

- 9 For any clarification on this Circular, please call our Taxpayer Services Helpline at 1800-3568633.

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<sup>2</sup> For example, input tax incurred in respect of consultancy or accounting services for the purposes of acquiring the “qualifying deductions”.