

IRAS e-Tax Guide

GST: GST Guide for Motor Traders



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Table of Contents

1	Introduction	1
2	Imports	1
3	Price Display	3
4	Sale of New Vehicles	3
5	Sale of New Vehicles under Hire-Purchase	6
6	Sale of Second-Hand/Used Vehicles	7
7	Gross Margin Scheme for Sale of Second-Hand/Used Vehicles	7
8	Discounted Sale Price Scheme for Sale of Second-Hand/Used Vehicles	10
9	Sale of Vehicle Bodies	11
10	Sale of Vehicle Parts	13
11	Sale of TCOE	14
12	Deposits	14
13	Trade-In.....	14
14	Hire-Purchase Financing.....	15
15	Repossession of Vehicles Sold under Hire-Purchase.....	15
16	Insurance	16
17	Accessories and Spare Parts.....	17
18	Miscellaneous Fees/Charges.....	17
19	Free Gifts and Free Warranties.....	17
	Appendix 1 Record Keeping for Sale of Second-Hand/Used Vehicles	19
	Appendix 2 Sample Tax Invoice to Customer/Finance Company for Sale of New Vehicles under Hire-Purchase.....	21
	Appendix 3 Sample Sales Invoice to Customer for Sale of Second-Hand/Used Vehicles under Gross Margin Scheme	22
	Appendix 4 Sample Tax Invoice to a GST-Registered Customer for Sale of Second-Hand/Used Vehicles under Discounted Sale Price Scheme.....	23

Appendix 5 Sample Tax Invoice to Customer/Finance Company for Sale of Second-Hand/Used Vehicles under Discounted Sale Price Scheme.....	24
Appendix 6 GST Computation Templates for Sale of New Vehicles	25
Appendix 7 GST Computation Templates for Sale of Second-Hand/Used Vehicles	27
Appendix 8 GST Computation Templates for Sale of Vehicle Bodies	29

1 Introduction

1.1 This guide is for GST registered traders selling new and/or used motor vehicles. The purposes of this guide are:

- (a) To explain the GST treatments applicable to motor traders; and
- (b) To illustrate the GST computations for sale of motor vehicles.

2 Imports

2.1 How much GST do I have to pay to Singapore Customs when I import motor vehicles?

2.1.1 At the point of importation, GST is payable on the value of cost, insurance and freight (CIF) plus import duties.

2.1.2 For example:

CIF	\$12,000
Custom Duty	\$ 6,750
GST payable	7% x (CIF + Custom Duty)
	= 7% x (\$12,000 + \$6,750)
	= \$1,312.50

2.2 I have a repair workshop in Malaysia and very often, I will send motor vehicles needing repairs to this workshop. Must I pay GST to Singapore Customs when I subsequently re-import the vehicles?

2.2.1 For re-importation of motor vehicles temporarily exported for repairs and subsequently re-imported, no GST will be imposed at the point of re-importation, provided that the following conditions are met:

- (a) The vehicles are to be re-imported within 3 months from the date of exportation;
- (b) The exportation and re-importation of the vehicles be registered by the Customs officer at the time of exportation and importation;
- (c) The vehicles are identified to the satisfaction of the Customs officer; and
- (d) A certificate is produced from the repairer to the effect that new parts have or have not been added.

2.2.2 Where new parts have been added, the relief hereby granted shall be applicable only to the original parts of the vehicles re-imported.

2.2.3 You must take up the relevant Customs' Permit before sending the vehicles overseas for repairs.

2.3 Do I have to pay GST on the importation of motor vehicles which are for repairs, modification or treatment if the vehicles are to be re-exported subsequently?

2.3.1 No, provided that the following conditions are met:

- (a) The vehicles are re-exported within 3 months from the date of importation;
- (b) The importation and re-exportation of the vehicles be registered by the Customs officer at the time of import and re-export;
- (c) The vehicles are identified to the satisfaction of the Customs officer; and
- (d) Security is furnished to cover the tax on the vehicles imported.

2.4 Do I have to pay GST for spare parts which I import for use in motor vehicles to be repaired, modified or treated and the vehicles are subsequently to be re-exported?

2.4.1 No, provided that the following conditions are met:

- (a) The vehicles are re-exported within 3 months from the date of importation;
- (b) The importation and re-exportation of the vehicles be registered by the Customs officer at the time of import and re-export;
- (c) The vehicles are identified to the satisfaction of the Customs officer; and
- (d) Security is furnished to cover the tax on the goods imported.

2.5 Do I have to pay GST at the point of importation when I import motor vehicles for purposes of demonstration, training or racing in Singapore?

2.5.1 No, provided that the following conditions are met:

- (a) The vehicles are not used on any public road; and
- (b) The vehicles are not to be sold or transferred to a person or organisation in Singapore.

2.6 Do I have to pay GST when I import motor vehicles for display and use at exhibitions, fairs or other similar events?

2.6.1 No, if an ATA Carnet or Carnet De Passage En Douane issued by an overseas organisation recognised by the Director-General of Customs is produced. The vehicles must be exported within the validity period of the Carnet.

2.6.2 The Director-General may accept other permits in such form as directed and the vehicles must be exported within 3 months from the date of importation.

2.6.3 If the vehicles are subsequently sold in the local market, GST is payable on the CIF value or selling price, whichever is the higher, plus custom duty.

3 Price Display

3.1 Do I have to display GST-inclusive price to the public?

3.1.1 Yes, you must display, advertise, publish or quote GST-inclusive price to the public. For example, you may advertise the GST-inclusive price of a vehicle as \$78,000 (inclusive of ARF, COE and GST). This is so that the customer can know upfront the final price payable.

3.2 Can I display GST-exclusive price when I sell the vehicle to another motor trader?

3.2.1 Yes, you can display GST-exclusive price to other motor traders.

4 Sale of New Vehicles

4.1 How do I charge GST for sale of new vehicles?

4.1.1 For sale of new vehicles, GST is charged on the Selling Price less Additional Registration Fee (ARF), Certificate of Entitlement (COE), Registration Fee (RF) and Road Tax. ARF, COE, RF and Road Tax are charges imposed by Land Transport Authority (LTA) on vehicle buyers. These charges do not attract GST as they do not relate to the provision of goods and services.

4.1.2 Example 1: Sale of new vehicle to another motor trader

Vehicle Price	\$50,000 (inclusive of ARF, COE, RF, Road Tax & excluding GST)
ARF	\$14,000
COE	\$13,000
RF	\$ 140
Road Tax	\$ 500
GST	$7\% \times (\text{Vehicle Price} - \text{ARF} - \text{COE} - \text{RF} - \text{Road Tax})$ $= 7\% \times (\$50,000 - \$14,000 - \$13,000 - \$140 - \$500)$ $= 7\% \times \$22,360$ $= \$1,565.20$

For GST reporting purposes

Value of standard-rated supply	\$22,360
Output tax	\$1,565.20

4.1.3 Example 2: Sale of new vehicle to the public

Vehicle Price	\$51,565 (inclusive of ARF, COE, RF, Road Tax & GST)
ARF	\$14,000
COE	\$13,000
RF	\$ 140
Road Tax	\$ 500

$$\begin{aligned} \text{GST} &= 7/107 \times (\text{Vehicle Price} - \text{ARF} - \text{COE} - \text{RF} - \text{Road Tax}) \\ &= 7/107 \times \$23,925 \\ &= \$1,565.19 \end{aligned}$$

For GST reporting purposes

Value of standard-rated supply	\$22,359.81 (i.e. \$23,925 - \$1,565.19)
Output tax	\$1,565.19

4.2 Can I deduct radio licence fee, vehicle plate number retention fee and transfer fee from the selling price of a new vehicle when computing the value on which GST is to be charged?

4.2.1 The GST treatment of radio licence fee and vehicle plate number retention fee follows that of ARF, COE, RF and Road Tax. Therefore, you can deduct radio licence fee and vehicle plate number retention fee. However, you cannot deduct transfer fee as it is part of your business cost and not a regulatory fee imposed on vehicle buyers.

4.3 When I sell an Off-Peak Car (OPC), can I deduct the full value of ARF and COE from the selling price of the car when computing the value on which GST is to be charged?

4.3.1 No, you should deduct only the net ARF/COE paid to LTA (i.e. the value of ARF and COE net of OPC rebate) from the selling price of the car.

4.3.2 For example:

Car Price	\$35,115 (inclusive of ARF, COE, RF, Road Tax & GST)
ARF	\$14,000
COE	<u>\$13,000</u>
	\$27,000
<u>Less OPC rebate</u>	<u>\$17,000</u>
Net ARF/COE paid to LTA	<u>\$10,000</u>
RF	\$ 140
Road Tax	\$ 50

$$\begin{aligned} \text{GST} &= 7/107 \times (\text{Car Price} - \text{Net ARF/COE paid to LTA} - \text{RF} - \text{Road Tax}) \\ &= 7/107 \times (\$35,115 - \mathbf{\$10,000} - \$140 - \$50) \\ &= 7/107 \times \$24,925 \\ &= \$1,630.61 \end{aligned}$$

4.4 When I sell a vehicle which is granted green rebate by LTA, can I deduct the full value of ARF from the selling price of the vehicle when computing the value on which GST is to be charged?

4.4.1 No, you should deduct only the net ARF paid to LTA (i.e. the value of ARF net of green rebate) from the selling price of the vehicle.

4.4.2 For example:

Vehicle Price	\$50,000 (inclusive of ARF, COE, RF, Road Tax & GST)
ARF	\$14,000
<u>Less green rebate</u>	<u>\$ 1,700</u>
Net ARF paid to LTA	<u>\$12,300</u>
COE	\$13,000
RF	\$ 140
Road Tax	\$ 500
GST	$7/107 \times (\text{Vehicle Price} - \text{Net ARF paid to LTA} - \text{COE} - \text{RF} - \text{Road Tax})$ $= 7/107 \times (\$50,000 - \mathbf{\$12,300} - \$13,000 - \$140 - \$500)$ $= 7/107 \times \$24,060$ $= \$1,574.02$

4.5 I often offer discounts on COE to my customers. When I compute the value on which GST is to be charged, should I use the COE quota premium or the discounted price of COE?

4.5.1 You should use the COE quota premium to arrive at the value on which GST is to be charged. This is because LTA collects according to the quota premium.

4.5.2 For example:

Vehicle Price	\$73,829 (inclusive of ARF, COE, RF, Road Tax & GST)
COE Quota Premium	\$24,000
Actual COE purchase price	\$26,000 (say, from another motor trader)
COE charges as reflected in the tax invoice	\$15,000
ARF	\$23,477
RF	\$ 140
Road Tax	\$ 600
GST	$7/107 \times (\text{Vehicle Price} - \text{COE} - \text{ARF} - \text{RF} - \text{Road Tax})$ $= 7/107 \times (\$73,829 - \mathbf{\$24,000} - \$23,477 - \$140 - \$600)$ $= 7/107 \times \$25,612$ $= \$1,675.55$

4.6 Upon scrapping a vehicle that is less than 10 years old, my customer gets a PARF/COE rebate which can be used to offset the ARF, COE Quota Premium and RF of a new car. When I compute the GST chargeable on the new car, is it based on the full value of ARF, COE Quota Premium and RF or the net value that takes into consideration the PARF/COE rebate?

4.6.1 It depends. For example:

Car Price	\$50,000 (inclusive of ARF, COE, RF, Road Tax & GST)
ARF	\$14,000
COE Quota Premium	\$13,000
RF	\$ 140
Road Tax	\$ 500

Customer has a PARF/COE rebate of \$18,000 that can be used to offset the ARF, COE Quota Premium and RF of the new car. Therefore, he only pays \$32,000 (i.e. \$50,000 - \$18,000) to you.

GST	$7/107 \times (\$50,000 - \$14,000 - \$13,000 - \$140 - \$500)$ $= 7/107 \times \$22,360$ $= \$1,462.80$
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4.6.2 However, if you quote the customer a lower price, taking into consideration the PARF/COE rebate. For example:

Net Car Price	\$32,000 (GST-inclusive net price payable by customer)
ARF	\$14,000
COE Quota Premium	\$13,000
RF	<u>\$ 140</u>
	\$27,140
<u>Less PARF/COE rebate</u>	<u>\$18,000</u>
Net amount paid to LTA	<u>\$ 9,140</u>

Road Tax	\$ 500
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GST	$7/107 \times (\$32,000 - \$9,140 - \$500)$ $= 7/107 \times \$22,360$ $= \$1,462.80$
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5 Sale of New Vehicles under Hire-Purchase

5.1 **If I sell a new vehicle under a hire-purchase agreement, how do I account for GST?**

5.1.1 For GST purposes, the sale of vehicle under a hire-purchase agreement¹ results in two separate supplies. That is, you are supplying the vehicle to the finance company who in turn supplies the vehicle to the customer (i.e. hirer) at the same price. Therefore, GST has to be accounted for on the selling price of the vehicle (excluding ARF, COE, RF and Road Tax) as reflected on your tax invoice to the finance company.

¹ For goods sold under a hire-purchase arrangement, the supplier transfers the ownership of the goods to the financier who lets the hirer use the goods during the period of hire. The ownership of the goods is passed to the hirer upon full payment of all the hire instalments. The transfer of possession of goods under agreement for future ownership of the goods constitutes a supply of good at the point of possession under paragraph 1(2)(b) of the Second Schedule of the GST Act.

5.2 If I offer trade discount to the customer but my tax invoice to the finance company reflects the gross selling price of the vehicle before the trade discount, can I account for GST on the net selling price of the vehicle after the trade discount (excluding ARF, COE, RF and Road Tax)?

5.2.1 No, if your tax invoice to the finance company reflects the gross selling price, GST has to be accounted for on the gross selling price (excluding ARF, COE, RF and Road Tax).

5.3 If my tax invoice to the finance company reflects the gross selling price of the vehicle before the trade discount but I issue a credit note to the customer for the trade discount given, can I account for GST on the net selling price of the vehicle after the trade discount (excluding ARF, COE, RF and Road Tax)?

5.3.1 No. In a hire-purchase agreement, you are supplying the vehicle to the finance company who in turn supplies the vehicle to the customer. Therefore, if the credit note is issued to the customer and not to the finance company, such a credit note is invalid for GST purposes. You have to account for GST on the gross selling price before the trade discount (excluding ARF, COE, RF and Road Tax) and not the net selling price of the vehicle. You cannot reduce the output tax by the GST shown on the credit note when reporting in your GST return.

6 Sale of Second-Hand/Used Vehicles

6.1 What is the definition of 'second-hand vehicle'?

6.1.1 For GST purposes, a second-hand vehicle is a used motor vehicle which has been registered in Singapore. This definition excludes any used vehicle which was foreign registered. This is because when a used vehicle is imported into Singapore, it is required to be registered and the owner will have to pay COE, ARF and other fees as if it is new.

6.1.2 In addition, delivery mileage or the registration for road use does not turn a new vehicle into a used/second-hand vehicle. A vehicle is 'unused' until either:

- (a) It has been driven on the road following a retail sale; or
- (b) It has been appropriated by the dealer for his business.

6.2 How do I charge GST for sale of second-hand vehicles?

6.2.1 You have the option of two schemes – Gross Margin Scheme and Discounted Sale Price Scheme – for calculating GST on your sale of second-hand vehicles.

7 Gross Margin Scheme for Sale of Second-Hand/Used Vehicles

7.1 What is the Gross Margin Scheme?

7.1.1 Under the Gross Margin Scheme, you have to account for GST on the margin between the selling price of the vehicle (which is treated as inclusive of GST) and purchase price of the vehicle.

7.1.2 For example:

Selling Price	\$25,000 (inclusive of GST)
Purchase Price	\$20,000

Gross Margin	\$25,000 - \$20,000 = \$5,000
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GST	$7/107 \times \$5,000$ = \$327.10
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For GST reporting purposes

Value of standard-rated supply	\$24,672.90 (i.e. \$25,000 - \$327.10)
Output tax	\$327.10

7.2 When can I use the Gross Margin Scheme?

7.2.1 You can only use the Gross Margin Scheme for sale of second-hand vehicle if either one of the following conditions is satisfied:

- (a) No GST was previously incurred on the purchase of the vehicle (i.e. the vehicle was bought from an individual or a non-GST registered trader); or
- (b) The vehicle was previously bought from another GST registered motor trader who used the Gross Margin Scheme (i.e. you did not receive a tax invoice and no input tax was claimed by you).

7.2.2 If you wish to use the Gross Margin Scheme, please review your eligibility using the form 'Self-Review of Eligibility and Declaration on Use of Gross Margin Scheme (GMS)' which can be downloaded from our website at www.iras.gov.sg.

7.3 If I use the Gross Margin Scheme, can I issue a tax invoice to the customer?

7.3.1 No, you cannot issue a tax invoice under the Gross Margin Scheme. You can only issue a normal invoice which must have the details described at **paragraphs 3(a) and 3(c) of Appendix 1**. It is important to note that the GST chargeable is not to be shown on the invoice.

7.4 If I sell the vehicle at a loss, do I have to account for GST on the transaction?

7.4.1 No, if the second-hand vehicle is sold at a loss, no GST is to be accounted for. However, you have to declare the selling price of the vehicle in Box 1 (Total Value of Standard-rated Supplies) of your GST returns.

7.4.2 For example:

Selling Price	\$ 8,000
Purchase Price	\$10,000

For GST reporting purposes

Value of standard-rated supply	\$8,000
Output tax	nil

7.5 Can I use the loss from one sales transaction to offset the gross margin on another sales transaction for the purpose of determining the total GST to be accounted for?

7.5.1 No. When the sale is at a loss (meaning selling price is lower than purchase price), no GST has to be accounted for. However, you cannot offset the loss against the gross margin on another sales transaction for the purpose of determining the total GST to be accounted for.

7.6 If I incur LTA charges upfront before any sale is transacted, can I include them as part of the cost of the vehicle for the purpose of computing the gross margin?

7.6.1 Yes, LTA charges such as road tax, prevailing quota premium and transfer fee paid on the vehicle can be added into your purchase price. However, other expenses such as repair, re-spray, administrative charges, commission, etc cannot be added onto the purchase price of the vehicle when computing the gross margin. If you have incurred GST on these other expenses, you can claim the GST incurred as input tax.

7.6.2 For example:

Selling price	\$40,500	
Purchase price	\$10,900	} \$37,530
Prevailing quota premium	\$26,000	
Road tax	\$ 600	
Transfer fee	\$ 30	
Repair	\$ 800	
Commission	\$ 500	
Gross margin	\$40,500 - \$37,530	
	= \$2,970	
GST	7/107 x \$2,970	
	= \$194.30	

7.7 If the LTA charges are separately recovered from the customer and not embodied in the selling price of the vehicle, can I include them as part of the cost of the vehicle for the purpose of computing the gross margin?

7.7.1 No, if you are recovering the LTA charges from the customer separately, you cannot include them as part of the cost of the vehicle for the purposes of computing the gross margin.

7.7.2 For example:

Selling price	\$40,500	
Road tax (bill separately)	\$ 600	
Transfer fee (bill separately)	\$ 30	
Total Consideration paid by customer	\$41,130	
Purchase price	\$10,900	} \$36,900
Prevailing quota premium	\$26,000	
Road tax	\$ 600	
Transfer fee	\$ 30	
Repair	\$ 800	
Commission	\$ 500	
Gross margin	\$40,500 - \$36,900	
	= \$3,600	
GST	7/107 x \$3,600	
	= \$235.51	

7.8 What records do I have to keep?

7.8.1 You are required to keep the following records:

- (a) The purchase and sales invoices; and
- (b) A stock book or similar records.

7.8.2 For more details, please refer to **Appendix 1**.

8 Discounted Sale Price Scheme for Sale of Second-Hand/Used Vehicles

8.1 What is the Discounted Sale Price Scheme?

8.1.1 Under the Discounted Sale Price Scheme, GST is charged on 50% of the selling price of the vehicle. This is regardless of whether the vehicle is sold at a profit or loss.

8.1.2 Example 1: Sale of used vehicle to another motor trader

Selling price	\$25,000 (excluding GST)
Purchase price	\$20,000
GST	7% x 50% x \$25,000 = \$875

For GST reporting purposes

Value of standard-rated supply	\$25,000
Output tax	\$875.00

8.1.3 Example 2: Sale of used vehicle to the public

Selling price	\$25,875 (inclusive of GST)
Purchase price	\$20,000

GST	$7/207 \times \$25,875$ = \$875
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For GST reporting purposes

Value of standard-rated supply	\$25,000 (i.e. \$25,875 - \$875)
Output tax	\$875.00

8.2 When do I use the Discounted Sale Price Scheme?

8.2.1 You should use the Discounted Sale Price Scheme when:

- (a) You have previously claimed GST on the purchase of the vehicle (therefore you cannot use the Gross Margin Scheme); or
- (b) The customer is registered for GST (as using the Discounted Sale Price Scheme will enable the customer to claim input tax if it is a commercial vehicle).

8.2.2 If you are not a motor trader, you should use the Discounted Sale Price Scheme when you occasionally sell a vehicle that you use in your business.

8.3 If I use the Discounted Sale Price Scheme, must I issue a tax invoice to the customer?

8.3.1 Yes, you must issue a tax invoice if the customer is GST-registered to enable him to claim input tax credit on commercial vehicle. However, the tax invoice must have the details described at **paragraphs 3(b) and 3(c) of Appendix 1**.

8.4 What records do I have to keep?

8.4.1 You are required to keep the following records:

- (a) The purchase and sales/tax invoices; and
- (b) A stock book or similar records.

8.4.2 For more details, please refer to **Appendix 1**.

9 Sale of Vehicle Bodies

9.1 I buy a second-hand vehicle, de-register the vehicle and sell the vehicle body to another motor trader. Can I apply the Gross Margin Scheme to the sale of the vehicle body?

9.1.1 Yes, you can apply the Gross Margin Scheme to the sale of the vehicle body if:

- (a) No GST was previously incurred on the purchase of the vehicle (i.e. the vehicle was bought from an individual or non-GST registered trader); or

- (b) The vehicle was previously bought from another GST-registered motor trader who used the Gross Margin Scheme.

9.2 How do I compute GST for the sale of a vehicle body under the Gross Margin Scheme?

9.2.1 Under the Gross Margin Scheme, you have to account for GST on the margin between the selling price of the vehicle body (which is treated as inclusive of GST) and the cost of the vehicle body (which is the purchase price of the vehicle less the face value of the PARF/COE rebate as at date of de-registration of the vehicle).

9.2.2 For example:

Purchase price of vehicle	\$85,000
Face value of PARF/COE rebate as at date of de-registration of vehicle	\$66,000
Selling price of vehicle body	\$20,000 (inclusive of GST)
Cost of vehicle body	= Purchase price of vehicle - Face value of PARF/COE rebate as at date of de-registration of vehicle = \$85,000 - \$66,000 = \$19,000
Gross Margin	= Selling price of vehicle body - Cost of vehicle body = \$20,000 - \$19,000 = \$1,000
GST	$7/107 \times \$1,000$ = \$65.42
<u>For GST reporting purposes</u>	
Value of standard-rated supply	\$19,934.58 (i.e. \$20,000 - \$65.42)
Output tax	\$65.42

9.3 If the face value of the PARF/COE rebate as at date of de-registration of the vehicle is greater than or equal to the purchase price of the second-hand vehicle, what is the cost of the vehicle body for purposes of computing GST under the Gross Margin Scheme?

9.3.1 If the face value of the PARF/COE rebate as at date of de-registration of the vehicle is greater than or equal to the purchase price of the vehicle, the cost of the vehicle body is treated as zero.

9.3.2 For example:

Purchase price of vehicle	\$65,000
Face value of PARF/COE rebate as at date of de-registration of vehicle	\$66,000
Selling price of vehicle body	\$20,000 (inclusive of GST)

Cost of vehicle body = Purchase price of vehicle - Face value of PARF/COE rebate as at date of de-registration of vehicle
 = \$65,000 - \$66,000
 = -\$1,000

Gross Margin = Selling price of vehicle body - Cost of vehicle body
 = \$20,000 - \$0
 = \$20,000

GST $7/107 \times \$20,000$
 = \$1,308.41

For GST reporting purposes

Value of standard-rated supply \$18,691.59 (i.e. \$20,000 - \$1,308.41)
 Output tax \$1,308.41

9.4 How do I compute GST when I sell the vehicle body if I have incurred GST on the purchase of the vehicle?

9.4.1 If you have incurred GST on the initial purchase, you must charge and account for GST on the full selling price of the vehicle body. The GST incurred on the initial purchase can be claimed as input tax.

9.4.2 For example:

Purchase price of vehicle	\$85,000
Face value of PARF/COE rebate as at date of de-registration of vehicle	\$66,000
Selling price of vehicle body	\$20,000 (excluding GST)
GST	7% x \$20,000 = \$1,400

9.5 If the car body is exported overseas, can I zero-rate the sale?

9.5.1 Yes, you can zero-rate the sale provided you are the one who export the vehicle body and you maintain export documents such as bill of lading and cargo clearance permit showing you as the exporter.

10 Sale of Vehicle Parts

10.1 How do I charge and account for GST when I sell/scrap dismantled vehicle parts?

10.1.1 When you dismantle a vehicle into various parts and sell/scrap the dismantled vehicle parts, you must charge and account for GST on the full selling price of the vehicle parts.

10.2 Can I apply the Gross Margin Scheme to the sale of vehicle parts?

10.2.1 No, the Gross Margin Scheme cannot be applied to the sale of vehicle parts. You must charge and account for GST on the full selling price of the vehicle parts.

11 Sale of TCOE

11.1 If I sell a Temporary Certificate of Entitlement (TCOE) to another motor trader, do I have to account for GST?

11.1.1 Yes, you have to account for GST on the profit or value-added element.

11.1.2 For example:

Quota Premium for the month is \$24,000.

You sell TCOE to another motor trader at the price of \$24,500.

You have to account for GST at 7/107 on the profit margin of \$500.

12 Deposits

12.1 When I collect a deposit that forms part payment of the price of the vehicle, do I have to account for GST?

12.1.1 Yes, you have to account for GST on the deposit collected.

12.2 If the deposit collected is to be paid over to LTA for the bidding of COE, do I have to account for GST?

12.2.1 No, GST is not payable if the deposit is to be paid over to LTA for the bidding of COE. However, you must keep evidence of proof that the deposit is fully paid to LTA. This would include the COE application form or the receipt issued by the automated teller machine.

13 Trade-In

13.1 If a customer trades in an old vehicle for a new vehicle, how should I account for GST on the sale of the new vehicle?

13.1.1 In a trade-in situation, there are two separate supplies made:

- (a) Your sale of new vehicle to the customer; and
- (b) Your customer's sale of old vehicle to you.

13.1.2 For (a), you should account for GST on the actual GST-inclusive selling price of the new vehicle, excluding ARF, COE, RF and Road Tax. In computing the GST for the new vehicle, you cannot net-off the trade-in value of old vehicle against the selling price of the new vehicle.

13.1.3 For example:

Selling price of new vehicle	\$70,000 (inclusive of ARF, COE, RF, Road Tax & GST)	
ARF	\$23,000	} \$47,740
COE	\$24,000	
RF	\$ 140	
Road Tax	\$ 600	
Trade-in value of old vehicle	\$20,000	
Payment received from customer	\$50,000	
GST	7/107 x (\$70,000 – \$47,740) = 7/107 x \$22,260 = \$1,456.26	

14 Hire-Purchase Financing

14.1 The finance companies pay me a commission when I introduce customers who require hire-purchase financing to them. Do I have to account for GST on the commission earned?

14.1.1 Yes, as you are providing a service to the finance companies, you have to account for GST on the commission earned.

14.2 I provide hire-purchase financing to my customers. Is the hire-purchase interest subject to GST?

14.2.1 No, GST is not chargeable on hire-purchase interest if it is separately disclosed to the hirer. However, the amount will have to be declared in Box 3 (Total Value of Exempt Supplies) of the GST returns.

15 Repossession of Vehicles Sold under Hire-Purchase

15.1 If I repossess a vehicle that has been sold under a hire-purchase agreement, how should I account for GST?

15.1.1 When you repossess a vehicle under a hire-purchase agreement, there is no supply for GST purposes. Therefore, no GST is to be charged.

15.1.2 When you subsequently sell the repossessed vehicle, the sale is treated as being made by the hirer. Therefore, if the hirer is a GST registered person, you have to charge and account for GST on the sale on behalf of the hirer². If the hirer is not a GST registered person, you need not charge GST on the sale of the repossessed vehicle.

² Under regulation 58 of the GST (General) Regulations, when an asset owned by a GST registered person is sold in satisfaction of debt, the person selling the asset is required to collect GST on the selling price and pay the tax directly to IRAS.

15.2 If I incur repossession related expenses such as search fee, towing fee and storage fee and subsequently recover the expenses from the hirer, do I have to charge and account for GST?

15.2.1 No. The recovery of repossession related expenses is treated as compensation arising from default in payment by the hirer and therefore not a supply for GST purposes. Consequently, you cannot claim the GST (if any) incurred on the repossession related expenses.

16 Insurance

16.1 I am acting as an agent for general insurance companies. Upon selling a vehicle, I will introduce my customer to the insurance companies for insurance coverage. Do I have to charge GST on the insurance premiums paid by my customer?

16.1.1 No, you do not have to charge GST on the insurance premiums because you are only acting on behalf of the insurance companies.

16.1.2 If the insurance companies are registered for GST, they will impose 7% on the insurance premiums. You do not need to charge another 7% on the premiums collected on behalf of the insurance companies.

16.1.3 For example:

Vehicle Price	\$53,710 (inclusive of ARF, COE, RF, Road Tax, insurance & GST)
ARF	\$14,000
COE Quota Premium	\$13,000
RF	\$ 140
Road Tax	\$ 500
Insurance	\$ 1,070
Payment received from customer	\$53,710
GST	$7/107 \times (\$53,710 - \$14,000 - \$13,000 - \$140 - \$500 - \$1,070)$ $= 7/107 \times \$25,000$ $= \$1,635.51$

16.2 Can I claim GST on the insurance premiums incurred by my customers as input tax?

16.2.1 No, you cannot claim GST on the insurance premiums incurred by vehicle buyers, as the supply of insurance is not contractually made to you but to the vehicle buyers.

16.3 I act as an agent for the general insurance companies by introducing my customers to the insurance companies for insurance coverage. In return, I receive a commission from the insurance companies. Do I have to account for GST on the commission received?

16.3.1 Yes, as you are providing a service to the insurance companies, you have to account for GST on the commission received.

17 Accessories and Spare Parts

17.1 A customer buys a new car and requests for accessories, e.g. spoilers or sports rims to be installed. Do I have to bill with GST when I recover the cost of the accessories from the customer?

17.1.1 Yes, you must charge and account for GST when you recover the cost of the accessories from the customer. If you have incurred GST on the purchase of the accessories, you can claim the GST incurred as input tax.

17.2 Do I have to charge and account for GST on the sale of IU units and number plates?

17.2.1 Yes, you must charge and account for GST on the sale of IU units and number plates, regardless of whether you are selling the IU units and number plates only or with new vehicles. If you have incurred GST on the purchase of the IU units and number plates, you can claim the GST incurred as input tax.

18 Miscellaneous Fees/Charges

18.1 Do I have to charge my customers GST on handling charges, collection fees, administrative fees, agreement fees and commission?

18.1.1 Yes, you have to charge GST on all your supplies of services in the course of your business.

18.2 Do I have to charge GST on interest collected from late payment?

18.2.1 No. Interest earned is an exempt supply and not subject to GST. However, you have to declare the amount in Box 3 (Total Value of Exempt Supplies) of your GST returns.

19 Free Gifts and Free Warranties

19.1 As part of my sales promotion, I offer free accessories, e.g. tyres or seat covers to my customers. Do I have to account for GST on these free gifts?

19.1.1 No. As the cost of the 'free gifts' would have already been included in the selling price of the vehicle sold, you need not account for GST again on the free gifts.

19.2 Do I have to account for GST on the free warranties that I offer to my customers?

19.2.1 No, you need not account for GST on goods and services provided free of charge during the warranty period. This is because the free warranties are already included in the sale price of the vehicle, for which GST has been accounted for.

19.3 The overseas principal who provides the warranty will in turn reimburse me for the repair works done in Singapore. Do I then have to charge any GST for the services rendered to my principal?

- 19.3.1 It depends. If the overseas principal has sold the vehicle with warranty service to you who then on-sell it to the customer, you do not have to charge GST on the recovery of repair costs from the overseas principal.
- 19.3.2 However, if the customer has not bought the vehicle from you but you have been appointed by the overseas principal to perform any warranty service for the customer, you have to charge GST on the supply of repair services to the overseas principal. This is because the repair works directly relate to vehicles located in Singapore.

Record Keeping for Sale of Second-Hand/Used Vehicles

1. For sale of second-hand/used vehicles, you are required to keep the following records:

- (a) The purchase and sales/tax invoices described at paragraphs 2 and 3 below; and
- (b) A stock book or similar records with separate headings for each of the following:

Purchase details

- stock book number
- date of purchase
- purchase invoice number
- name of seller
- vehicle registration, engine and chassis numbers
- make and model

Sales details

- date of sale
- sales invoice number
- name of purchaser

Accounting details

- purchase price and GST incurred (if applicable)
- selling price and GST charged (if applicable)
- method of disposal (Gross Margin or Discounted Sale Price Scheme)
- margin on sale (if applicable)
- GST rate on date of sale
- GST amount accounted as output tax

You can include any other items in your stock book for your own accounting purposes, but the details listed above must always be shown and your stock book must be kept **up-to-date**.

2. When you buy a vehicle from an individual

- (a) You must make out a **purchase invoice** showing:
 - seller's name and address
 - your name and address
 - invoice number
 - date of transaction
 - stock book number
 - particulars of vehicle (registration, engine and chassis numbers, make and model)
 - total price
- (b) The seller must sign and date the invoice, certifying that he is the seller of the vehicle at the stated price.
- (c) You are to record the purchase details of the vehicle in your stock book or similar record under the headings shown, including the purchase price. The purchase price is

the price on the invoice which has been agreed between you and the seller. It is not to be altered.

3. When you sell a vehicle

(a) Under the **Gross Margin Scheme**, you must issue a **sales invoice** showing:

- your name, address and GST registration number
- buyer's name and address
- invoice number
- invoice date
- stock book number
- particulars of vehicle (registration, engine and chassis numbers, make and model)
- total price
- your signature
- the statement 'This vehicle is sold under GST Gross Margin Scheme. Both the seller and buyer cannot claim any input tax on the vehicle.'

(b) Under the **Discounted Sale Price Scheme**, you must issue a **tax invoice** showing:

- the words 'tax invoice' in a prominent place
- invoice number
- invoice date
- your name, address and GST registration number
- buyer's name and address
- stock book number
- particulars of vehicle (registration, engine and chassis numbers, make and model)
- type of supply (e.g. hire purchase)
- cash discount offered, if any
- amount payable, excluding GST
- GST rate and GST amount
- total amount payable, including GST

(c) The customer must sign and date the invoice, stating that he is the buyer of the vehicle at the price shown.

(d) The sales details and selling price of the vehicle must be entered into the stock book or similar record under the appropriate headings.

(e) A copy of the sales/tax invoice is to be maintained.

Sample Tax Invoice to Customer/Finance Company for Sale of New Vehicles under Hire-Purchase (using example at paragraph 4.1.3)

ABC Automobile Pte Ltd
 No. 1 Ubi Ave 2 Singapore 123456
 GST Reg No: M2-0123456-7

Tax Invoice

Finance Co:
 XYZ Finance Pte Ltd
 2 Shenton Way
 Singapore 666666

Invoice No : 0901
 Date : 1/7/2007
 Stock Book No : 0121

Customer:
 ABC Trading
 88 Thomson Road
 Singapore 888888

No.	Description	Amount												
1	Registration No: XXXXXX Make: XXXXXX Model: XXXXXX Engine No: XXXXXX Chassis No: XXXXXX Vehicle price (incl. ARF, COE, RF, Road Tax & GST) Less: Deposit paid Hire purchase amount due	 \$51,565.00 <u>\$ 5,565.00</u> <u>\$46,000.00</u>												
	GST details:													
	<table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 60%;"></th> <th style="text-align: right;"><u>Taxable supplies</u></th> <th style="text-align: right;"><u>GST (7%)</u></th> </tr> </thead> <tbody> <tr> <td>Customer</td> <td style="text-align: right;">\$ 5,200.93</td> <td style="text-align: right;">\$ 364.07</td> </tr> <tr> <td>Finance co.</td> <td style="text-align: right;"><u>\$17,158.88</u></td> <td style="text-align: right;"><u>\$1,201.12</u></td> </tr> <tr> <td>Total</td> <td style="text-align: right;"><u>\$22,359.81</u></td> <td style="text-align: right;"><u>\$1,565.19</u></td> </tr> </tbody> </table>		<u>Taxable supplies</u>	<u>GST (7%)</u>	Customer	\$ 5,200.93	\$ 364.07	Finance co.	<u>\$17,158.88</u>	<u>\$1,201.12</u>	Total	<u>\$22,359.81</u>	<u>\$1,565.19</u>	
	<u>Taxable supplies</u>	<u>GST (7%)</u>												
Customer	\$ 5,200.93	\$ 364.07												
Finance co.	<u>\$17,158.88</u>	<u>\$1,201.12</u>												
Total	<u>\$22,359.81</u>	<u>\$1,565.19</u>												

(authorised signatory)

 ABC Automobile Pte Ltd

Sample Sales Invoice to Customer for Sale of Second-Hand/Used Vehicles under Gross Margin Scheme (using example at paragraph 7.1.2)

ABC Automobile Pte Ltd
 No. 1 Ubi Ave 2 Singapore 123456
 GST Reg No: M2-0123456-7

Sales Invoice

Mr Marcus Tan
 123 Newton Road
 Singapore 999999

Invoice No : 0902
 Date : 1/7/2007
 Stock Book No : 0122

No.	Description	Amount
1	Registration No: XXXXXX Make: XXXXXX Model: XXXXXX Engine No: XXXXXX Chassis No: XXXXXX	
	Selling price of vehicle	\$25,000.00
	Less: Deposit paid	<u>\$ 2,000.00</u>
	Balance amount due	<u>\$23,000.00</u>

This vehicle is sold under GST Gross Margin Scheme. Both the seller and buyer cannot claim any input tax on the vehicle.

(authorised signatory)

 ABC Automobile Pte Ltd

 Buyer's Signature & Date

Sample Tax Invoice to a GST-Registered Customer for Sale of Second-Hand/Used Vehicles under Discounted Sale Price Scheme (using example at paragraph 8.1.2)

ABC Automobile Pte Ltd
 No. 1 Ubi Ave 2 Singapore 123456
 GST Reg No: M2-0123456-7

Tax Invoice

XYZ Motor Co
 2 Wheelock Ave
 Singapore 555555

Invoice No : 0903
 Date : 1/7/2007
 Stock Book No : 0123

Type of Supply: Cash Term

No.	Description	Amount
1	Registration No: XXXXXX Make: XXXXXX Model: XXXXXX Engine No: XXXXXX Chassis No: XXXXXX Selling price of vehicle Add: GST @ 7% x 50% x \$25,000 Total amount due Less: Deposit paid Balance amount due	 \$25,000.00 <u>\$ 875.00</u> \$25,875.00 <u>\$ 5,000.00</u> <u>\$20,875.00</u>

(authorised signatory)

 ABC Automobile Pte Ltd

 Buyer's Signature & Date

Sample Tax Invoice to Customer/Finance Company for Sale of Second-Hand/Used Vehicles under Discounted Sale Price Scheme (using example at paragraph 8.1.3)

ABC Automobile Pte Ltd
 No. 1 Ubi Ave 2 Singapore 123456
 GST Reg No: M2-0123456-7

Tax Invoice

Finance Co:
 XYZ Finance Pte Ltd
 2 Shenton Way
 Singapore 666666

Invoice No : 0904
 Date : 1/7/2007
 Stock Book No : 0124

Customer:
 ABC Trading
 88 Thomson Road
 Singapore 888888

Type of Supply: Hire Purchase

No.	Description	Amount
1	Registration No: XXXXXX Make: XXXXXX Model: XXXXXX Engine No: XXXXXX Chassis No: XXXXXX	
	Selling price of vehicle (incl. GST)	\$25,875.00
	Less: Deposit paid	<u>\$ 5,875.00</u>
	Hire purchase amount due	<u>\$20,000.00</u>
GST details:		
	<u>Taxable supplies</u>	<u>GST (7%)</u>
	Customer \$ 5,676.33	\$198.67
	Finance co. <u>\$19,323.67</u>	<u>\$676.33</u>
	Total <u>\$25,000.00</u>	<u>\$875.00</u>

(authorised signatory)

 ABC Automobile Pte Ltd

 Buyer's Signature & Date

GST Computation Templates for Sale of New Vehicles

New Vehicles

Using example at paragraph 4.1.3

				[A]	[B]	[C]	[D]	[E]	[F]	[G]=[A]-[B]-[C]-[D]-[E]-[F]	[H]=[G] x 7/107	[I]=[G]-[H]
S/n	Invoice date	Invoice no.	Vehicle no.	Selling price	ARF	COE	Regn fee	Road tax	Radio licence fee	Taxable supply (including GST)	GST output tax	Standard-rated supply
1	DDMMYY	XXXXX	XXXXX	\$51,565.00	\$14,000.00	\$13,000.00	\$140.00	\$500.00	\$0.00	\$23,925.00	\$1,565.19	\$22,359.81
2												
3												
Total											\$1,565.19	\$22,359.81
											Box 6	Box 1

Off-Peak Cars

Using example at paragraph 4.3.2

				[A]	[B]	[C]	[D]	[E]=[B]+[C]-[D]	[F]	[G]	[H]	[I]=[A]-[E]-[F]-[G]-[H]	[J]=[I] x 7/107	[K]=[I]-[J]
S/n	Invoice date	Invoice no.	Vehicle no.	Selling price	ARF	COE	OPC rebate	Net ARF/COE paid to LTA	Regn fee	Road tax	Radio licence fee	Taxable supply (including GST)	GST output tax	Standard-rated supply
1	DDMMYY	XXXXX	XXXXX	\$35,115.00	\$14,000.00	\$13,000.00	\$17,000.00	\$10,000.00	\$140.00	\$50.00	\$0.00	\$24,925.00	\$1,630.61	\$23,294.39
2														
3														
Total													\$1,630.61	\$23,294.39
													Box 6	Box 1

GST Guide for Motor Traders

Vehicles Granted Green Rebate

Using example at paragraph 4.4.2

				[A]	[B]	[C]	[D]=[B]-[C]	[E]	[F]	[G]	[H]	[I]=[A]-[D]-[E]-[F]-[G]-[H]	[J]=[I] x 7/107	[K]=[I]-[J]
S/n	Invoice date	Invoice no.	Vehicle no.	Selling price	ARF	Green rebate	Net ARF paid to LTA	COE	Regn fee	Road tax	Radio licence fee	Taxable supply (including GST)	GST output tax	Standard-rated supply
1	DDMMYY	XXXXX	XXXXX	\$50,000.00	\$14,000.00	\$1,700.00	\$12,300.00	\$13,000.00	\$140.00	\$500.00	\$0.00	\$24,060.00	\$1,574.02	\$22,485.98
2														
3														
Total													\$1,574.02	\$22,485.98

Box 6

Box 1

Note:

ARF, COE, registration fee, road tax, radio licence fee, OPC rebate and green rebate are to be extracted from LTA documents.

GST Computation Templates for Sale of Second-Hand/Used Vehicles

Gross Margin Scheme¹

Using example at paragraph 7.6.2

				[A]	[B]	[C]	[D]	[E]	[F]=[A]-[B]-[C]-[D]-[E]	[G]=[F] x 7/107	[H]=[A]-[G]
S/n	Invoice date	Invoice no.	Vehicle no.	Selling price	Purchase price	COE renewal ²	Road tax renewal ²	Transfer fee ²	Gross margin ³	GST output tax	Standard-rated supply
1	DDMMYY	XXXXX	XXXXX	\$40,500.00	\$10,900.00	\$26,000.00	\$600.00	\$30.00	\$2,970.00	\$194.30	\$40,305.70
2											
3											
Total										\$194.30	\$40,305.70
										Box 6	Box 1

Discounted Sale Price Scheme⁴

Using example at paragraph 8.1.3

				[A]	[B]	[C]=[A] x 7/207	[D]=[A]-[C]
S/n	Invoice date	Invoice no.	Vehicle no.	Selling price	Purchase price	GST output tax	Standard-rated supply
1	DDMMYY	XXXXX	XXXXX	\$25,875.00	\$20,000.00	\$875.00	\$25,000.00
2							
3							
Total						\$875.00	\$25,000.00
						Box 6	Box 1

Note:

¹The used vehicle must be purchased free of GST (e.g. purchased from non-GST registered person or GST-registered supplier who had used the Gross Margin Scheme).

²If the LTA charges were separately recovered from the customers, you cannot deduct the LTA charges from the selling price of the used vehicle to arrive at the gross margin.

³If the gross margin is \leq \$0, the GST output tax [G] is \$0 and the standard-rated supply [H] is the selling price of the used vehicle [A].

⁴You have previously claimed GST on the purchase of the used vehicle (therefore you cannot use the Gross Margin Scheme) or the customer is registered for GST.

GST Computation Templates for Sale of Vehicle Bodies

Scenario: You purchase a used vehicle, deregister it and sell the vehicle body locally.

Using examples at paragraphs 9.2.2 and 9.3.2

S/n	Invoice date	Invoice no.	Vehicle no.	[A] Selling price of vehicle body	[B] Purchase price of used vehicle ¹	[C] Face value of PARF/COE rebate at date of de-registration of vehicle ²	[D]=[B]-[C] Cost of vehicle body ³	[E]=[A]-[D] Gross margin ⁴	[F]=[E] x 7/107 GST output tax	[G]=[A]-[F] Standard-rated supply
1	DDMMYY	XXXXX	XXXXX	\$20,000.00	\$85,000.00	\$66,000.00	\$19,000.00	\$1,000.00	\$65.42	\$19,934.58
2	DDMMYY	XXXXX	XXXXX	\$20,000.00	\$65,000.00	\$66,000.00	\$0.00	\$20,000.00	\$1,308.41	\$18,691.59
3										
4										
5										
Total									\$1,373.83	\$38,626.17
									Box 6	Box 1

Note:

¹The used vehicle must be purchased free of GST (e.g. purchased from non-GST registered person or GST-registered supplier who had used the Gross Margin Scheme). Otherwise, you must charge and account for GST on the full selling price of the vehicle body.

²This figure is to be extracted from LTA documents.

³The cost of vehicle body is \$0 when the face value of PARF/COE rebate at date of de-registration of the vehicle [C] is ≥ the purchase price of the used vehicle [B].

⁴If the gross margin is ≤ \$0, the GST output tax [F] is \$0 and the standard-rated supply [G] is the selling price of the vehicle body [A].