

IRAS e-Tax Guide

GST: Guide for Property Developer



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1 Aim

- 1.1 This guide¹ explains the GST treatment on the supplies made in relation to the sale of properties by you as a developer and the claiming of GST on the construction of properties.
- 1.2 For the GST treatment on the lease of properties, please refer to our e-Tax guide on "GST: Guide for Property Owners and Property Holding Companies".

2 At a glance

- 2.1 The sale of non-residential property is subject to GST while that of residential property is exempt from GST. If you are registered for GST, you have to charge GST on the sale of non-residential properties and account for the GST as output tax in your GST returns. Where the sale relates to a property approved for mixed-use (i.e. residential and non-residential use), GST is chargeable on that part of the property that is approved for non-residential use while the part of the property that is approved for residential use is exempt from GST.
- 2.2 You may claim the GST incurred on the construction of non-residential properties. Input tax incurred on the construction of residential properties is not claimable. Where input tax is incurred on the construction of a mixed development comprising both non-residential and residential properties, you can claim only the portion of input tax relating to the construction of the non-residential properties.

¹ This e-Tax Guide replaces the IRAS' e-Tax Guide on "GST: Guide for Property Developer" published on 11 Jan 2011.

3 Glossary

3.1 Completed properties

For the purpose of this guide, completed properties refer to properties that have obtained the Temporary Occupation Permit (“TOP”).

3.2 Developer

The developer refers to the person who owns the land on which the property is constructed.

3.3 GST

GST is a tax on the supply of goods and services made in Singapore by a taxable person in the course or furtherance of any business carried on by him and on the importation of goods into Singapore.

3.4 Input tax

Input tax refers to the GST paid/payable on:-

- (i) supplies of goods and/or services; and
- (ii) importation of any goods into Singapore

where the goods or services are used or to be used by a taxable person for the purpose of his business.

3.5 Invoice

Invoice includes any document that serves as a bill for payment for supplies made by a GST-registered supplier. An example would be a debit note.

3.6 Output tax

Output tax refers to the GST charged on taxable supplies of goods and/or services made in Singapore.

3.7 Properties under development

For the purpose of this guide, properties under development refer to properties that have not obtained the Temporary Occupation Permit (“TOP”).

3.8 Tax invoice

Tax invoice refers to an invoice that is required under section 41 of the GST Act. For more information on tax invoice, please refer to our e-Tax guide on “GST: General Guide for Businesses”.

3.9 Time of supply

Time of supply will determine when a taxable person is required to charge and account for GST on the supply of goods and services made.

3.10 Temporary Occupation Permit ("TOP")

When the building works are completed, the applicant and the Qualified Person shall apply to the Commissioner of Building Control for a Certificate of Statutory Completion ("CSC") or a Temporary Occupation Permit ("TOP"). The building can only be occupied when a CSC or TOP is granted.

4 Basic GST Concepts on property transactions

- 4.1 All transactions involving the sale and lease of non-residential properties are subject to GST. If you are registered for GST, you have to charge GST on the sale and lease of such properties and account for the GST as output tax in your GST returns.
- 4.2 For the sale of a completed non-residential property, you would normally receive an option fee, followed by a deposit when the option is exercised. You will have to account for GST on both the option fee and the deposit at the earlier of when payment is received or when a tax invoice/invoice is issued. When the property is transferred to the buyer, you have to account for GST on the remaining sum at the earliest of the following events:
- (i) when payment is received,
 - (ii) when a tax invoice/invoice is issued,
 - (iii) when the title of the property is transferred upon legal completion; or
 - (iv) when the property is made available to the buyer for occupation.
- 4.3 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.
- 4.4 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.
- 4.5 For more details, please refer to the e-Tax Guide on “GST: Time of Supply Rules”.
- 4.6 For the sale of a property under development, you would normally collect progressive payments from time to time according to the schedule of payments specified in the agreement. The property is usually made available to the buyer for occupation after the issuance of Temporary Occupation Permit (“TOP”). You have to account for GST on each progressive payment at the earlier of the following events:
- (i) when payment is received for each progressive payment; or
 - (ii) when a tax invoice/invoice is issued for each progressive payment.
- 4.7 Once the property is made available or transferred to the buyer, you have to account for GST on the remaining sale proceeds (regardless of whether the remaining sum for the property has been received in full) at the earliest of events (i) to (iv) in paragraph 4.2.

- 4.8 On the other hand, if you are selling or leasing **residential** properties, you cannot charge nor collect GST on the sale or lease because they are exempt from GST. If you are registered for GST, you have to report this supply as an exempt supply in your GST return.
- 4.9 For GST purposes, a **residential** property refers to:
- (a) a vacant land which is zoned “Residential” or “Rural Centre and Settlement” in the Master Plan; or
 - (b) a vacant land sold or leased by a public authority for residential or condominium housing development; or
 - (c) land with a building, flat or tenement which is used or to be used principally for residential use.
- 4.10 All other types of properties that do not fall within the definition of residential properties above are **non-residential properties**.
- 4.11 If your transaction involves land with a building or structure on it, whether this property is a residential or non-residential property depends on the usage of the building or structure. The zoning of land is disregarded in this instance. If the building or structure is not used or to be used principally for residential purposes, you should charge GST on the sale of this property.
- 4.12 More information on the types of residential and non-residential properties can be found in our e-Tax guide on "GST: Guide for Property Owners and Property Holding Companies".
- 4.13 If you are registered for GST, you can claim GST incurred on the purchase of land and development of non-residential properties as your input tax if the properties are:-
- (a) used for the conduct of your business,
 - (b) let out for the purpose of business, or
 - (c) developed into non-residential properties for the purpose of sale or lease.
- 4.14 Your business must be making wholly taxable supplies upon which you charge and account for GST. The input tax claimable includes the GST incurred on the purchase of property, conveyance expenses, construction and development costs, professional fees, etc.

5 Liability to register for GST

- 5.1 You have to be registered for GST if your taxable supplies exceed S\$1 million in the past four quarters ending March, June, September or December. If you are currently making taxable supplies and expect to make taxable supplies exceeding S\$1 million in the next 12 months, you are also required to register.

- 5.2 The sale of a residential property is an exempt supply. If you are not registered for GST and are selling a residential property, you do not need to register even if the price exceeds \$1 million.
- 5.3 The sale and lease of a **non-residential** property is a taxable supply. If you are not registered for GST and are involved in a non-residential development or a mixed (residential and non-residential) development for the sale or lease of non-residential properties, you will need to monitor your liability for registration.
- 5.4 Generally, when you enter into a contract to sell a non-residential property which is your business asset, you will expect to make taxable supply of the property within next 12 months. Hence, if the property selling price and the value of any other taxable supplies derived from other business activities that you will be conducting in the next 12-month period are expected to exceed \$1 million, you have to register for GST. You have to come forward to apply for registration within **30 days** from the date you confirm the supplies will be made. For sale and lease of properties, this date would be the date of contract.
- 5.5 The provision of estate management and maintenance services is a taxable supply regardless of whether the properties are residential. Therefore, if you are involved in managing the maintenance fund and in running of the completed development as required under the Building Maintenance and Strata Management Act before a management corporation is formed, you have to register for GST if the value of the maintenance or service charges and sinking funds you expect to collect exceed \$1 million per year. The maintenance fund account is not a legal entity and hence, it cannot be considered separately for GST registration purposes.

6 Supplies made in the course of property development

6.1 Do I have to charge GST on reimbursements of expenses?

- 6.1.1 Sometimes you may claim reimbursements from your main contractor for clerk-of-works' overtime, loan of workers, use of utilities on site, etc. As these are supplies made by you to your main contractor, you have to charge and account for GST on these reimbursements.

6.2 Do I have to charge GST on “counter-supplies”?

- 6.2.1 To enjoy the advantage of bulk purchase, you may buy some materials such as cement and steel and supply them to your main contractor for use on the project. The supply made by you to your main contractor is commonly referred to as “counter-supply”. For GST purpose, you cannot deduct the value of these materials from the amount of progressive payments due to your main contractor. These supplies are made by you to your contractor. They are separate from the construction work that your main contractor supplies to you

under the contract. Hence, you have to issue tax invoices on these supplies and charge your contractor GST on these supplies accordingly.

6.3 Do I have to charge GST on rectification of defects?

6.3.1 When the purchasers take possession of the properties after the issuance of TOP, there may be defects in the new units that need rectification. Under the contract, the main contractor is required to carry out such rectification works during the defect liability period. However, if the main contractor does not perform the rectification works, you may engage another contractor to do the job and subsequently deduct such costs from any payment due to the main contractor. At times, the purchaser may engage his own contractor to do the rectification and claim compensation for the costs or deduct the amount from any payment due to you. You in turn deduct such amount from any payment due to the main contractor. In either situation, you are making a supply of rectification works to the main contractor. You have to charge and account for GST on the amount you have claimed or deducted from the main contractor.

Example 1

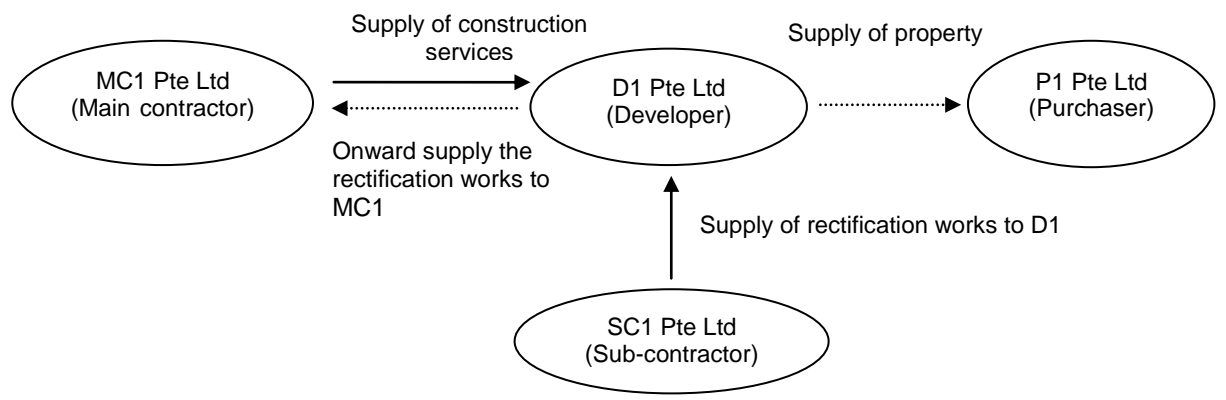
A main-contractor, MC1 Pte Ltd, was engaged by a GST-registered developer, D1 Pte Ltd, to construct a two storey residential property at Hillview. Under the agreement, MC1 Pte Ltd was required to rectify any defect in the property during the defect liability period.

D1 Pte Ltd subsequently sold the property to a purchaser, P1 Pte Ltd.

Upon issuance of TOP, P1 Pte Ltd took over the possession of the property and notified D1 Pte Ltd of the defective works in the property within one week from the date of TOP.

Scenario (a)

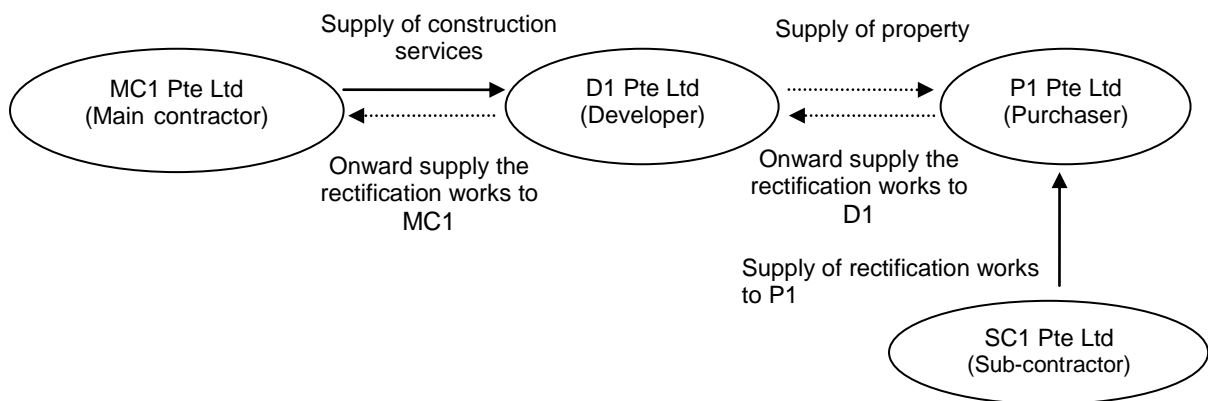
D1 Pte Ltd hired a GST-registered sub-contractor, SC1 Pte Ltd, to rectify the defects in the property and deducted the amount charged by SC1 Pte Ltd from the payment due to MC1 Pte Ltd.



In this case, D1 Pte Ltd is making good the defects that should have been done by MC1 Pte Ltd. Therefore, D1 Pte Ltd has to charge GST on the payment deducted from MC1 Pte Ltd, which is the consideration for the supply of rectification works.

Scenario (b)

P1 Pte Ltd hired a GST-registered sub-contractor, SC1 Pte Ltd to rectify the defects in the property and deducted the amount charged by SC1 Pte Ltd from the balance payment due to D1 Pte Ltd. D1 Pte Ltd in turn deducted the amount from the balance payment due to MC1 Pte Ltd.

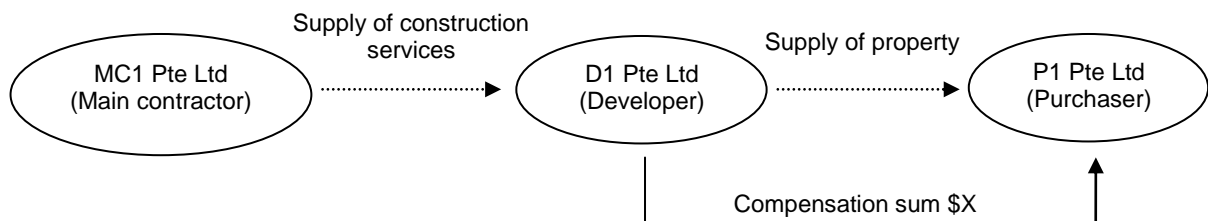


In this case, P1 Pte Ltd is making good the defects that should have been done by D1 Pte Ltd. Therefore, P1 Pte Ltd has to charge GST on the amount deducted from the payment due to D1 Pte Ltd, which is the consideration for the supply of rectification works.

Similarly, D1 Pte Ltd is making good the defects that should have been done by MC1 Pte Ltd. Therefore, D1 Pte Ltd will have to charge GST on the amount deducted from the payment due to MC1 Pte Ltd which is the consideration for the supply of rectification works.

Scenario (c)

P1 Pte Ltd claimed compensation from D1 Pte Ltd for the defective works in the property.



As there is no actual work done by P1 Pte Ltd to receive the compensation, P1 Pte Ltd does not have to charge GST on the compensation received from D1 Pte Ltd.

6.4 Do I have to charge GST on maintenance funds?

6.4.1 Before the formation of the management corporation ("MC"), you may collect maintenance charges from the purchasers of the units that have been sold ("sold units") and put them into the maintenance funds. The maintenance charges in respect of the units that have not been sold ("unsold units") will be borne by you as a developer. As a GST-registered developer, you have to charge and account for GST on the maintenance charges payable by the purchasers of the sold units as well as that payable by yourself in respect of the unsold units.

6.4.2 After the formation of the MC, you will transfer the balance money in the maintenance funds to the MC. This transfer of balance money in the maintenance funds to the MC will not attract GST since GST has been accounted for by you.

7 Input tax claims relating to property development

7.1 Can I claim input tax on the purchase of land?

7.1.1 Where the land is purchased for non-residential development, you are allowed to claim the GST incurred on the purchase of land.

7.1.2 If the land is purchased for residential development, you are not allowed to claim the GST as it is incurred for the making of exempt supplies. However, an exceptional relief is granted for you to claim the GST incurred on land purchased for residential development under regulation 41(1) of the GST (General) Regulations.

7.1.3 For more details, please refer to our e-Tax guide on "GST Incurred on Purchase of Land for Residential Development".

7.2 Can I claim input tax if a non-residential building is converted to residential use?

7.2.1 You may buy a non-residential building and decide to convert it to residential use. If the building is not demolished, you can claim the GST incurred on only the land cost. This relief is provided under regulation 41(2) of the GST (General) Regulations.

7.3 Do I have to return the input tax previously allowed to me?

7.3.1 You have previously been allowed input tax on the purchase of a non-residential building. If you plan to demolish the building for a residential development because the land has been rezoned as "Residential" or "Rural Centre and Settlement", you do not have to repay to the Comptroller the input tax allowed to you previously.

7.3.2 However, if you plan to only convert the existing building to residential use, you are required to repay to the Comptroller the input tax in respect of the building cost.

8 Input tax claims relating to construction of mixed development

8.1 How do I claim input tax on purchases incurred in a mixed development?

8.1.1 If you are constructing a mixed development of residential and non-residential properties, you can only claim the GST incurred attributable to the non-residential part of the building. You have to segregate your purchases into the following :-

- (a) those directly for the construction of non-residential part of the development;
- (b) those directly for the construction of residential part of the development;
- (c) those for both residential and non-residential part of the development. Such costs are termed as common costs.

The GST incurred in category (a) is claimable in full. The GST incurred in category (b) cannot be claimed at all. The GST incurred in category (c) is termed as residual input tax. You can claim only a portion of it based on the apportionment formulae as shown in paragraph 8.3 below.

8.2 What are the common costs incurred for residential and non-residential part of the development?

8.2.1 Examples of common development cost items are site clearance, temporary site offices, driveway and piling for a mixed-use building, as well as professional fees payable to the architect and quantity surveyor. Common overheads for the mixed development include the site office running costs, costs of show units and marketing costs.

8.3 How to apportion residual input tax?

8.3.1 During the **development stage**, all residual input tax shall be apportioned by the development charge (DC) formula as shown below:

$$\frac{\text{GFA}^2 (\text{Non-residential}^3) \times \text{DC Rate}^4 (\text{Non-residential})}{[\text{GFA} (\text{Non-residential}) \times \text{DC Rate} (\text{non-residential})] + [\text{GFA} (\text{Residential}) \times \text{DC Rate} (\text{Residential})]} \times \text{Residual Input Tax}$$

8.3.2 Please refer to the working example of input tax apportionment in Appendix 1.

² GFA – the current Gross Floor Area approved by the URA.

³ For common areas, apportionment has to be done to allocate these common areas into non-residential and residential portions.

⁴ DC Rate – the rate for the time being specified in Part II of the First Schedule to the Planning (Development Charges) Rules corresponding to the appropriate geographical sector of the building and the use group as specified in Part I of the First Schedule to the Planning (Development Charges) Rules within which such purpose falls.

- 8.3.3 However, if your quantity surveyor is able to identify every cost item in the development and allocate each item to the ultimate supply (i.e. either residential or non-residential), there will be no common cost. Hence, you will not have to apply the apportionment method for residual input tax.
- 8.3.4 After Temporary Occupation Permit (TOP) has been issued, if you have any remaining progressive billings from the main contractor and professionals, you will continue to use the DC formula to apportion the residual input tax for construction costs.
- 8.3.5 If you undertake a mixed development jointly with other developers, you may also apply the DC formula (based on the GFA for the entire development) to apportion the residual input tax to determine the recoverable residual input tax.
- 8.3.6 As for administrative overheads and marketing costs incurred after TOP, the residual input tax shall be apportioned based on the ratio of taxable supplies over total supplies (referred to as the "ratio formula") as shown below. You have to apply the ratio formula from the accounting period in which TOP is obtained.

$$\frac{\text{Value of taxable supplies}^5}{\text{Value of total supplies}^6} \quad \times \quad \text{Residual input tax}$$

- 8.3.7 The residual input tax recovery rate computed using either the DC formula or ratio formula must be rounded off to the nearest whole number.
- 8.3.8 In situations where there will be more than one TOP issued for the development, you can apply the ratio formula to apportion the residual input tax after you have obtained all the TOPs for the development.

8.4 Which GFA shall I use?

- 8.4.1 You should adopt the latest gross floor area ("GFA") approved by Urban Redevelopment Authority to compute the portion of input tax claimable. However, as a concession, if there are subsequent changes in GFA, you do not have to do retrospective adjustment for claims already made.
- 8.4.2 If you receive a new written permission ("WP") during your prescribed accounting period, the GFA to be used for that period will be based on the approved GFA in the new WP.

⁵ You may add Regulation 33 exempt supplies to the numerator if you are not a Regulation 34 trader and satisfy Regulation 35 of the GST regulations. Please refer to our e-tax guide on "Partially exempt traders & input tax recovery", for more information on Regulations 33, 34 & 35. For a mixed property developer, the value of your exempt supplies from the sale/lease of the residential units in each accounting period would most likely exceed the limit under Regulation 35. If so, you cannot claim input tax incurred on your Regulation 33 supplies (if any) and you cannot add your Regulation 33 exempt supplies (if any) to the numerator of the ratio formula.

⁶ Total supplies = Standard-rated supplies + Zero-rated supplies + Exempt supplies. You may deduct from the denominator the value of exempt supplies approved by the Comptroller as incidental exempt supplies.

- 8.4.3 If there is more than one building in a development, you can aggregate the GFA of all the buildings to compute the portion of residual input tax claimable.
- 8.4.4 If you undertake more than one development at the same time, you will have to attribute the residual input tax incurred. If the residual input tax can be attributed to a single development, you will have to apply the GFA of that development to compute the portion of recoverable residual input tax. If the residual input tax cannot be attributed to a specific development and is incurred for the purpose of the business, you can aggregate the GFA of all your developments to compute the recoverable residual input tax.
- 8.5 How do I claim the input tax on construction costs relating to the carparks?
- 8.5.1 If the GFA submitted to URA does not include the carpark areas, you can apportion the construction costs of carparks by the number of carpark lots.
- 8.5.2 You can claim the portion of input tax incurred on the number of carpark lots reserved for the office and shop tenants, but not those specifically reserved for residents.
- 8.5.3 As for the unreserved carpark lots, you should treat the cost as common and claim a portion of the cost based on the DC formula.

8.5.4 The below example illustrates how you can claim input tax relating to the construction of basement carpark.

Example 2

A GST-registered developer, D2 Pte Ltd has incurred GST on the construction of carparks in respect of a mixed development comprising office, retail outlets and residences.

Based on the development plan, 40 lots are reserved for the office tenants and remaining 60 lots to be used by shoppers, office/retail tenants, residents and visitors of the residents in respect of basement 1.

The carpark lots on basement 2 are reserved for the residents. When determining the amount of input tax to be claimed in respect of the non-residential development, he should apportion using the number of carpark lots. As the 60 lots are unreserved carpark lots, D2 Pte Ltd should treat the costs as common and claim a portion of the cost based on the DC formula.

Basement 1 40 lots reserved for office tenants
 60 lots for shoppers / office & retail tenants / residents / visitors to residents
 Total 100 lots

Basement 2 100 lots reserved for residents

Construction costs relating to the 2 basement carparks (e.g. excavation, concrete work, waterproofing, sawn formwork)	\$1.6 million
Total number of carpark lots on basements 1 and 2	200

Input Tax directly attributable to the making of taxable supplies (Office tenants) = \$1.6 million X $\frac{40}{200}$ X 7% GST
 = \$22,400

Residual Input Tax = \$1.6 million X $\frac{60}{200}$ X 7% GST
 = \$33,600 (to be apportioned using DC formula)

8.6 Can I defer residual input tax claims until when I make taxable supplies?

8.6.1 If you do not make any taxable supply in any prescribed accounting period after TOP has been granted, you can claim input tax incurred in relation to the non-residential properties only. You cannot claim any portion of residual input tax incurred on common administrative overheads and marketing costs because there is no taxable supply made and the recovery rate derived from

the ratio formula is zero. You cannot defer the claims to the next accounting period.

8.7 Do I need to make a longer period adjustment?

8.7.1 Before TOP is granted, you will apply the DC formula to apportion all residual input tax. If the DC rate or GFA changes, as a concession, you do not have to perform longer period adjustment to re-compute the input tax claimable.

8.7.2 However, after TOP has been granted, you will apply the ratio formula to apportion residual input tax on common administrative overheads and marketing costs. As your supplies fluctuate from quarter to quarter, the recovery rate varies. Hence, you are required to make a longer period adjustment on the residual input tax after the end of every longer period (please refer to paragraph 8.8 for the definition of longer period).

8.7.3 You will use the ratio formula to re-compute the input tax claimable for each longer period. The difference in the amount claimable for the longer period and the amount already claimed during the longer period (whether an over-claim or under-claim) should be adjusted in the return immediately **after** the longer period.

8.7.4 Please refer to Appendix 2 for the illustration of longer period adjustment.

8.8 How to determine longer period?

8.8.1 For the purpose of adjusting residual input tax relating to a mixed development, the first longer period shall be taken to commence from the accounting period in which TOP falls within to the end of your tax year. All subsequent longer periods shall correspond to your tax years. Your tax year commences from 1st April, 1st May or 1st June, depending on the prescribed accounting period allocated to the company.

For example:

Your Prescribed Accounting Periods begin on:	Your Tax Year covers:
1 Jan, 1 Apr, 1 Jul & 1 Oct	1 Apr to 31 Mar
1 Feb, 1 May, 1 Aug & 1 Nov	1 May to 30 Apr
1 Mar, 1 Jun, 1 Sep & 1 Dec	1 Jun to 31 May

9 **De-registration for GST**

9.1 If you have a non-residential property on which input tax has been allowed and claimed on its purchase, you have to deem a supply on this property when you de-register. You have to account for output tax at the prevailing GST rate based on the open market value of the property. The deemed supply must be accounted in your final GST return, GST F8.

10 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

Appendix 1: Illustration of the application of DC formula

Company ABC⁷ is developing a mixed-use building consisting of both residential and commercial units. The details of the development are as follows:

- (a) Proposed Development: Erection of a 3-storey building comprising shops, offices and residential units
- (b) Master Plan: Land Zoning - Commercial and Residential
DC Sector - 16
- (c) Applicable DC Rates⁸:

Period (w.e.f.)	Non-residential DC	Residential DC ⁹
01/03/2012	5250	5600
01/09/2012	5600	5600

- (d) Approved Gross Floor Area: Non-residential = 5500m²
Residential = 8500m²
Total = 14000m²

- (e) Input Tax Incurred on Construction Costs:

Quarter ended	Input Tax Attributable to		Residual Input Tax (\$)
	Taxable Supply (\$)	Exempt Supply (\$)	
31/03/2012	600,000	400,000	50,000
30/09/2012	800,000	500,000	60,000

Calculation of the Recovery Rate¹⁰ for Residual Input Tax

- (i) For prescribed accounting periods from 01/01/2012 to 30/06/2012

$$\frac{(5500 \times 5250)}{(5500 \times 5250) + (8500 \times 5600)} = 38\% \quad (\text{rounded off to nearest whole number})$$

- (ii) For prescribed accounting periods from 01/07/2012 to 31/12/2012

$$\frac{(5500 \times 5600)}{(5500 \times 5600) + (8500 \times 5600)} = 39\% \quad (\text{rounded off to nearest whole number})$$

Based on the above, Company ABC is allowed to claim 38% of the residual input tax incurred in the periods from 01/01/2012 to 30/06/2012 and 39% of the residual input tax incurred in the periods from 01/07/2012 to 31/12/2012.

⁷ Assume that Company ABC's GST filing cycle begins on 1 Jan, 1 Apr, 1 Jul and 1 Oct.

⁸ DC rates are updated every 1 March and 1 September of the year. The DC table that is operative at the end of each prescribed accounting period must be used.

⁹ Assume it is non-landed residential building. Thus, the DC rate for use group B2 is used.

¹⁰ The computed residual input tax recovery rate must be rounded off to the nearest whole number as provided under regulation 29(4) of the GST (General) Regulations.

Calculation of Total Input Tax Recoverable

(i) For prescribed accounting period from 01/01/2012 to 31/03/2012

$$\begin{aligned} \text{Residual Input Tax Recoverable} &= 38\% \times \$50,000 \\ &= \$19,000 \end{aligned}$$

$$\begin{aligned} \text{Total Input Tax Recoverable} &= \$600,000 + \$19,000 \\ &= \underline{\underline{\$619,000}} \end{aligned}$$

(ii) For prescribed accounting period from 01/07/2012 to 30/09/2012

$$\begin{aligned} \text{Residual Input Tax Recoverable} &= 39\% \times \$60,000 \\ &= \$23,400 \end{aligned}$$

$$\begin{aligned} \text{Total Input Tax Recoverable} &= \$800,000 + \$23,400 \\ &= \underline{\underline{\$823,400}} \end{aligned}$$

Appendix 2: Illustration of the application of Longer Period Adjustment

ABC Development Pte Ltd¹¹ has developed a mixed-use building consisting of both residential and commercial units and obtained TOP for the building on 15/08/2012. The company only makes taxable supplies from the sales of the commercial units and its exempt supplies relate only to the sales of the residential units. The tax year of ABC Development Pte Ltd is 01/04/2012 to 31/03/2013.

First longer period after TOP

Supplies made in the Tax Year

Period ended	30 Jun 12	30 Sep 12	31 Dec 12	31 Mar 13	Total
Standard-rated	\$250,000	-	\$400,000	\$550,000	\$1,200,000
Zero-rated	-	-	-	-	-
Exempt	-	\$650,000	\$800,000	\$750,000	\$2,200,000
Total	\$250,000	\$650,000	\$1,200,000	\$1,300,000	3,400,000

TOP 15/8/2012

Purchases made in the Tax Year

Period ended	30 Jun 12	30 Sep 12	31 Dec 12	31 Mar 13	Total
Input tax directly attributable to the making of taxable supplies	\$500,000	\$850,000	-	-	\$1,350,000
Input tax directly attributable to the making of exempt supplies	\$750,000	\$900,000	\$1,300,000	\$800,000	\$3,750,000

RIT on construction costs	\$20,000	\$15,000	-	\$25,000	\$60,000
Allowable RIT ratio based on computed DC formula under regulation 29(2)(d)(ii)	45%	45%	50%	50%	
RIT claimable (A)	\$9,000	\$6,750 ¹²	-	\$12,500	\$28,250

RIT on non-construction costs	\$5,000	\$3,500	\$7,000	\$4,500	\$20,000
Allowable RIT based on ratio formula under regulation 29(2)(d)(i) ¹³	N.A. *	0%	33%	42%	
RIT claimable (B)	\$2,250 *	0 ¹⁴	\$2,310	\$1,890	\$6,450

Total RIT claimed in F5 (A) + (B)	\$11,250	\$6,750	\$2,310	\$14,390	\$34,700
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* Before obtaining TOP, all residual input tax (including those incurred on general overheads) must be apportioned using the DC formula, provided that there are no other types of supplies in addition to the construction of the mixed development. Hence, the RIT claimable in the period ending 30/06/2012 is \$2,250 (being \$5,000 X 45%).

¹¹ Assume that ABC Development Pte Ltd's GST filing cycle begins on 1 Jan, 1 Apr, 1 Jul and 1 Oct

¹² Allowable RIT on construction costs after TOP continues to be apportioned using the DC formula

¹³ The ratio is calculated using: (standard-rated supplies + zero-rated supplies) / total supplies.

¹⁴ Allowable RIT on non-construction costs have to be apportioned using the ratio formula

Application of Longer Period Adjustment

(1) $\frac{\text{Taxable Supplies}}{\text{Total Supplies}} = \frac{\$950,000}{\$3,150,000} = 30\%^{15}$

(2) Allowable RIT on non construction costs = $30\% \times (\$3,500 + \$7,000 + \$4,500) = \$4,500$

(3) Additional input tax to be claimed in the GST return immediately following the end of the longer period = $\$4,500 - (\$2,310 + \$1,890) = \300 (Under-claimed)

¹⁵ The ratio is rounded off to the nearest whole number.