

IRAS e-Tax Guide

**GST: Guide for Property Owners and Property
Holding Companies
(Second Edition)**



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1 Aim

- 1.1 This guide explains how GST affects you as a property owner or a property holding company. It guides you on the application of GST for property transactions¹ and helps you decide whether you need to register for GST if you are involved in property transactions.
- 1.2 This guide also clarifies the type of property that qualifies for GST exemption.
- 1.3 If you are a property developer, you should also refer to our e-Tax guide on "GST: Guide for Property Developer" for issues related to the nature of your business.

2 At a glance

- 2.1 The sale and lease of all properties in Singapore are subject to GST, except for the sale and lease of **residential** properties which are exempt from GST.
- 2.2 Where the sale and lease relates to a mixed-use property, GST is chargeable on the 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.
- 2.3 If the residential property is sold or leased with furniture and fittings (e.g. refrigerator, washing machine, dryer), only the sale or lease of the bare residential property is exempt from GST. GST is chargeable on the sale or lease of furniture and fittings in the residential property.
- 2.4 GST is claimable on the purchase and rental of non-residential property if the property is used or will be used to conduct business activities which will in turn, generate taxable supplies.

¹ This e-Tax guide replaces the IRAS' e-Tax guide on "GST: Property Owners and Property Holding Companies (Fifth Edition)" published on 18 Jun 2012.

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 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.

3.3 Input tax

Input tax is 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.

3.4 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.

3.5 Output tax

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

3.6 Open market value

The amount that would be taken as its value under section 17(2) of the GST Act if the supply were for such consideration in money as would be payable by a person who has no relationship with any person which would affect that consideration.

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 Section 33(4) agent

Where goods or services are supplied through an agent who acts in his own name, the Comptroller may, if he thinks fit, treat the supply as a supply to the agent and as a supply by the agent.

3.9 Sub-sale

For the purpose of this guide, sub-sale refers to the sale of a property before the title of the property is transferred to the seller.

3.10 Tax fraction

Fraction of prevailing GST rate / (100 + prevailing GST rate). For example, if the prevailing GST rate is 7%, the tax fraction is 7/107.

3.11 Tax invoice

Tax invoice means such an invoice as 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”

3.12 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.

3.13 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/or services made.

4 Do I have to charge and account for GST?

- 4.1 For GST purposes, the sale and lease of all properties other than residential properties are subject to GST. If you are registered for GST, you have to charge GST when you sell or let out a non-residential property. The GST chargeable on the sale and rental shall be accounted for as output tax in your GST returns.
- 4.2 The sale and lease of an unfurnished **residential** property are exempt from GST. You cannot charge GST on the sale or lease of such properties. If you are GST-registered, you have to report in your GST return the sale or rental as exempt supply.

5 What are residential properties?

- 5.1 **Residential properties** refer to **vacant** residential land, and residential building, flat, or tenement (referred to as 'building').
- 5.2 A piece of vacant land is considered as residential land if it is zoned "Residential" or "Rural Centre and Settlement" in the Master Plan.
- 5.3 A residential building refers to a building that is used or to be used principally for residential purposes.
- 5.4 To determine if a building is used **principally for residential purposes**, you will have to look at the latest approved use² of the building that is granted by the relevant authorities.
- 5.5 Buildings which are approved for "residential use" by URA qualify for GST exemption. Examples of buildings approved for "residential use" by URA are:
- (i) condominium flat,
 - (ii) detached house,
 - (iii) semi-detached house,
 - (iv) terrace house,
 - (v) townhouse,
 - (vi) cluster housing,
 - (vii) strata landed house, and
 - (viii) upper floors of a shophouse if the floors are approved for residential purposes only

² As shown in the "Written Permission", "Temporary Permission" or "Provisional Permission" issued by the Urban Redevelopment Authority (URA) or letters issued by the Housing & Development Board (HDB).

5.6 There are buildings which are not approved for “residential use” by URA such as Homes for the Aged, Workers’ Dormitories, Students’ Hostels and Serviced Apartments but are used principally for residential purposes. These buildings could still be considered as residential properties for GST purposes if the following two indicators are met:

- (i) the main purpose of the building (based on approved use) is for accommodation; and
- (ii) there is permanency (e.g. medium to long term which generally refers to a period of 6 months or more) to the use or the proposed use of the building for the purpose of accommodation by a person.

5.7 The table below illustrates how such buildings could be considered as residential buildings from the application of the two indicators.

Approved Use of Building	<u>Indicator 1</u> (Is the main purpose of the building for accommodation?)	<u>Indicator 2</u> (Is there permanency in using the building for accommodation purposes?)	Residential building that is exempt from GST?
Homes for the Aged	Yes	Yes	Yes
Workers’ Dormitories	Yes	Yes	Yes
Students’ Hostel	Yes	Yes	Yes
Serviced Apartments	Yes	Yes	Yes

5.8 In contrast to the above table, the table below illustrates how the two indicators point to the correct outcomes when applied to buildings for non-residential purpose.

Approved Use of Building	<u>Indicator 1</u> (Is the main purpose of the building for accommodation?)	<u>Indicator 2</u> (Is there permanency in using the building for accommodation purposes?)	Residential building that is exempt from GST?
Hospitals	No (main purpose is to provide medical services)	No	No
Nursing homes	No (main purpose is to provide nursing services)	Yes (some patients may stay in the nursing home for long term)	No

5.9 To provide certainty to businesses, the classification of common buildings is prescribed in the GST (Buildings, Flats and Tenements for Residential Purposes) Order³.

³ Gazetted with effect from 1 Jan 2011.

Prescribed List of Residential Buildings, Flats and Tenements

- 5.10 The GST (Buildings, Flats and Tenements for Residential Purposes) Order prescribes the following buildings as **residential properties**:
- (i) Home for the Aged
 - (ii) Serviced Apartments
 - (iii) Student's Hostels
 - (iv) Workers' Dormitories
 - (v) Welfare Home for the Destitute, or Families or Individuals in Crisis

Prescribed List of Non-Residential Buildings, Flats and Tenements

- 5.11 The buildings that are prescribed as non-residential properties in the GST (Buildings, Flats and Tenements for Residential Purposes) Order are:
- (i) Hotels, boarding houses or guest houses
 - (ii) Chalets
 - (iii) Convalescent homes, nursing homes or hospice
 - (iv) Hospitals
 - (v) Sports and recreational clubs with accommodation facilities
 - (vi) Welfare homes for purposes of rehabilitation
- 5.12 For the definition of the buildings in the prescribed list, please refer to Appendix 1.
- 5.13 The list of buildings provided under the GST (Buildings, Flats And Tenements For Residential Purposes) Order is not exhaustive. For buildings that are not mentioned in the GST (Buildings, Flats And Tenements For Residential Purposes) Order, please seek a Ruling from the Comptroller on the classification of the building. The Comptroller will rely on the two indicators in paragraph 5.6 to determine if the building falls within the scope of exemption.
- 5.14 For residential property which is used as home office (for example, Small Office Home Office⁴), the taxability of the property will depend on the approved use of the building granted by the relevant authorities. If the building is approved for "residential use", the sale and lease of the property will be exempt. However, if the building is approved for non-residential use such as "office use", the sale and lease of the property will be taxable.

⁴ A common marketing term used by the developers. It is not a planning term adopted by URA.

6 Do I have to register for GST?

- 6.1 You have to be registered for GST if your taxable supplies exceed S\$1 million for the past 12 months 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.
- 6.2 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.
- 6.3 The sale of a **non-residential** property is a taxable supply. If you are not registered for GST, you may have to register for GST as a result of the sale, if you are in the business of selling properties. The business need not be one that is registered with ACRA. Records of your past purchases and sales of properties (both residential and non-residential) can be used to determine whether you are involved in the business of selling properties. The following are some of the business tests that may be used to determine whether you are in the business of selling properties:
- (i) Whether the person is carrying on activities that amount to a 'serious undertaking earnestly pursued' or a 'serious occupation not necessarily confined to commercial or profit making undertakings'
 - (ii) Whether the activities are actively pursued with reasonable or recognisable continuity.
 - (iii) Whether the activities are conducted in a regular manner and measured by the value of supplies made periodically. This means that supplies should be made regularly and fairly frequently as part of a continuing business activity.
 - (iv) Whether the activities are conducted on sound and recognised business principles. The activities should have the characteristics of a commercial undertaking with business practices and record keeping.
 - (v) Whether the person is carrying on activities that are predominantly concerned with the making of taxable supplies to consumers for a consideration.
 - (vi) Whether the taxable supplies are of a kind that are commonly made by those who seek to profit by them. An activity is more likely to be regarded as a business activity if others are carrying on the same activity and doing it for a commercial reason.
- 6.4 The conclusion from these tests will hinge on the facts of each case and the extent to which these tests have been satisfied. If you are in doubt, please submit details of the property transaction (including information on the above factors) to seek a Ruling from the Comptroller of GST.

- 6.5 Generally, when you enter into a contract to sell a non-residential property which is your business asset, you will expect to make taxable supplies of the property within next 12 months. Hence, you have to include the selling price of the property in the computation of your taxable supplies. If the selling price and the value of any other taxable supplies derived from other business activities that you will be conducting in the 12-month period are expected to exceed \$1 million, you have to register for GST. You have to apply for registration within **30 days** from the date you confirm the supplies will be made. For sale and lease of properties, this date would be the date of contract.
- 6.6 You do not have to register for GST if you are disposing of a capital asset of your business. The value of the capital asset should not be taken into the computation of taxable supplies in determining your liability to register.
- 6.7 The GST treatment in the following paragraphs is applicable to a **GST-registered** property owner and property holding company.

7 GST on sale of property

How to account for GST?

- 7.1 You have to account for GST on the sale price of a non-residential property at the prevailing GST rate. However, if the sale is not conducted at arm's length, i.e. you sell it at a discounted price or nominal value under certain arrangement which benefits you or the other party, you have to account for GST based on the open market value of the property at the time of sale. The open market value of a property may be determined by an independent property valuer.
- 7.2 If you do not charge GST on the agreed sale price, the sale price shall be treated as inclusive of GST. You have to account for the GST based on the tax fraction of the sale price.

When to account for GST?

- 7.3 For the sale of a **completed 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 deposit at the earlier of when payment is received or when a tax invoice is issued (prior to 1 Jan 2011) / an invoice is issued (w.e.f. 1 Jan 2011). 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 is issued (prior to 1 Jan 2011) or when an invoice is issued (w.e.f. 1 Jan 2011),
 - (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.

- 7.4 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.
- 7.5 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.
- 7.6 For more details, please refer to the e-Tax Guide on “GST: Time of Supply Rules”.
- 7.7 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. (Refer to Appendix 2 for a standard payment schedule for the sale of a commercial property under development) The property is usually made available to the buyer for occupation after the issuance of Temporary Occupation Permit (TOP). GST has to be accounted for at the earlier of when payment is received or when tax invoice/invoice (whichever is applicable) is issued for each progressive payment until the property is made available or the title is transferred to the buyer upon legal completion (whichever is earlier). Once the property is made available or transferred to the buyer, you have to account for GST for 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) mentioned in paragraph 7.3.
- 7.8 A payment could be held by your solicitors as stakeholders' money. In applying paragraphs 7.3 to 7.7, you treat the payment as received only when the stakeholders' money is released to you.

Do I have to account for GST on aborted sale?

- 7.9 If your sale of a non-residential property is aborted after the option has been granted to the buyer, you are required to charge and account for GST on the value of option/booking fee retained because it is the payment for your supply of goods in granting the buyer an equitable interest in the non-residential property. However, you do not have to charge and account for GST on the amount retained in excess of the option/booking fee if it is provided for in the agreement as it is compensatory in nature.

Do I have to account for GST on Assignment of Option?

- 7.10 You are given an option to purchase a non-residential property, but decided not to exercise the option. If you assign the benefit of the option to purchase to another party and allow the other party to exercise the option, you are making a separate supply of goods in respect of an assignment of the right over the non-residential property. You have to charge and account for GST on the sum of money you collect from the other party. This sum includes the option money you have paid to the vendor as well as any profit you make on such assignment.
- 7.11 However, if the option to purchase is granted to you and your nominee, and you allow your nominee to exercise the option (with no separate contract entered into between you and your nominee for the assignment of right and there is no mark-up charged to your nominee), there is no supply made by you to your nominee.

How to account for GST on sub-sale of a property?

For completed properties

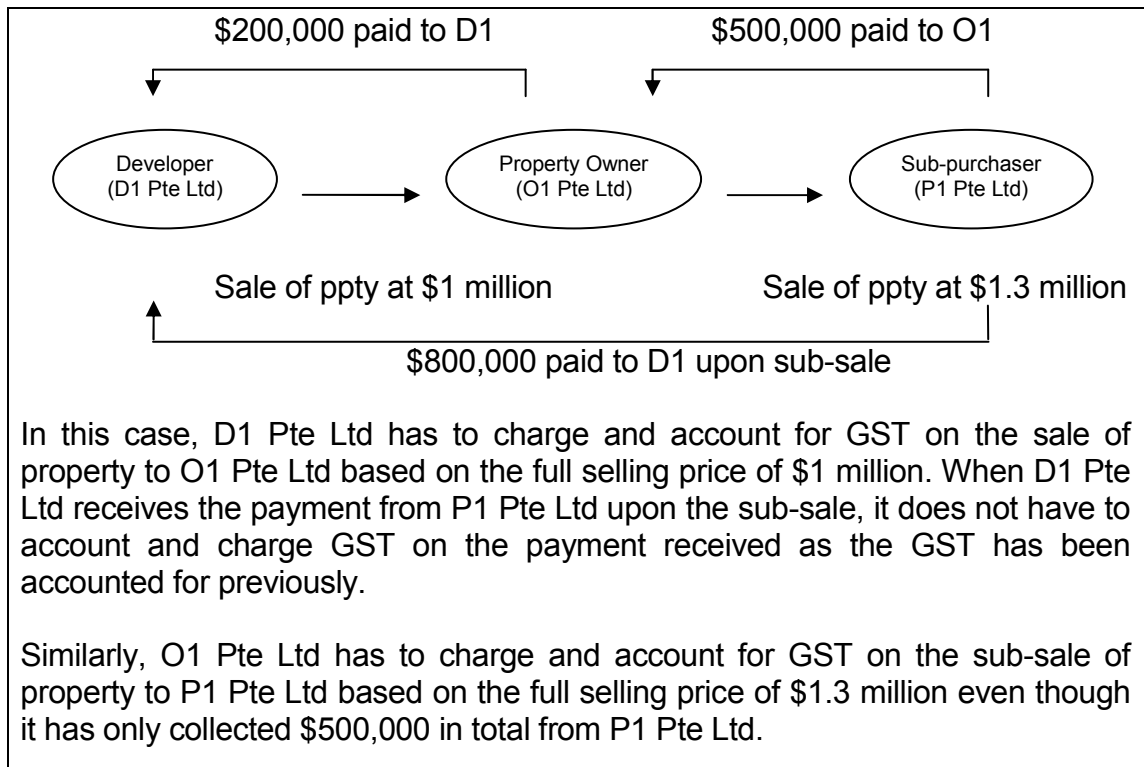
- 7.12 You have signed an agreement (either a Sale & Purchase Agreement or an Option to Purchase) to buy a non-residential property but decided to sell it to another party before the legal completion of the property i.e. before the property was transferred to your name. The sale of property by you to the other party is referred to as a “sub-sale” of property. You have to charge and account for GST on the sub-sale of the non-residential property to the sub-purchaser based on the full selling price agreed.

Example 1

Property owner, O1 Pte Ltd entered into a Sale & Purchase Agreement with Developer, D1 Pte Ltd to purchase a non-residential property that has obtained the Temporary Occupation Permit for \$1million. Before the legal completion of the sale of the property, O1 Pte Ltd sold the property to a sub-purchaser, P1 Pte Ltd for \$1.3 million.

Up to the date of the sub-sale, O1 Pte Ltd had only paid a 20% deposit of \$200,000 to D1 Pte Ltd. The remaining amount of \$800,000 (including the final 10% payable upon the completion of the S&P) is still due to the developer.

Hence, P1 Pte Ltd only has to pay the amount of \$500,000 (i.e. \$1.3 million - \$800,000) to O1 Pte Ltd and the remaining amount of \$800,000 is to be paid to D1 Pte Ltd.



For properties under development

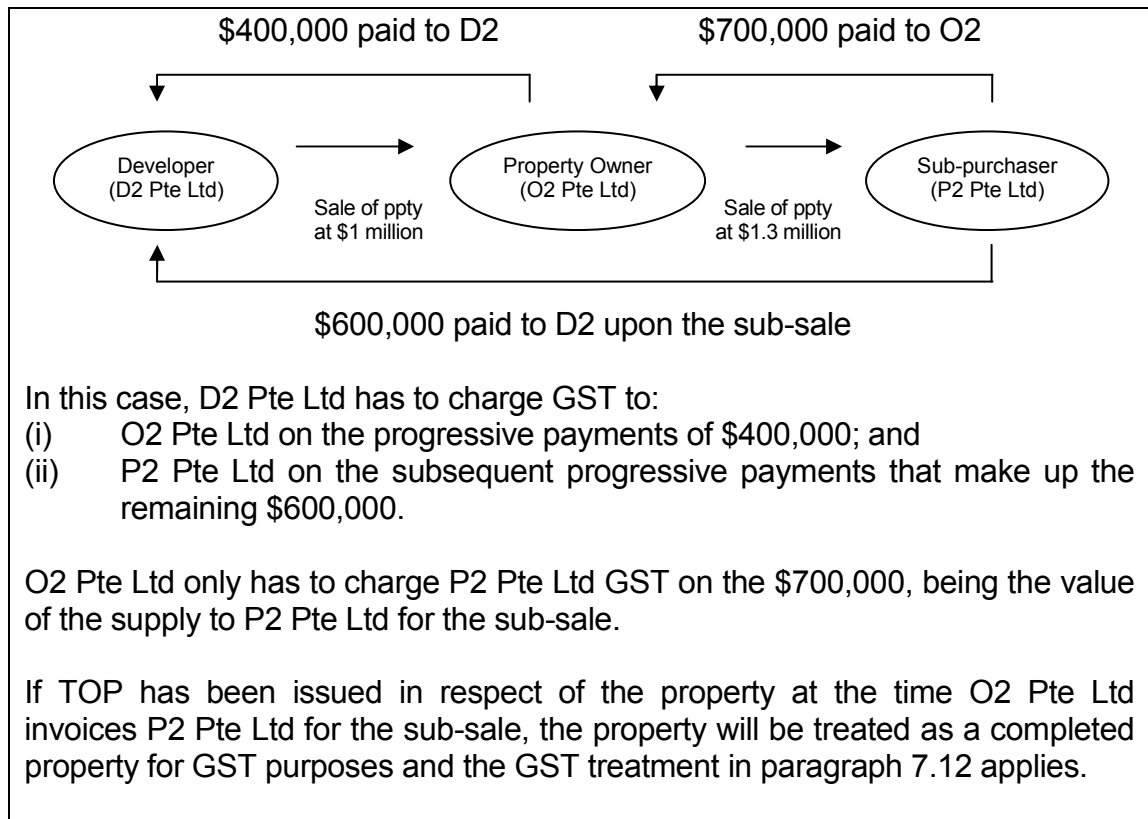
- 7.13 If you sell a non-residential property which is still under development (i.e. the property has not obtained TOP) to another party, you only have to charge and account for GST on the excess of the sub-sale price over any progressive payments (remaining uncalled) due to the developer after the sub-sale.

Example 2

Property owner, O2 Pte Ltd entered into a Sale & Purchase Agreement to buy a non-residential property under development from a developer, D2 Pte Ltd for \$1million. Before the issuance of TOP of the property, O2 Pte Ltd sold the property to a sub-purchaser P2 Pte Ltd for \$1.3 million.

Up to the date of the sub-sale, O2 Pte Ltd only paid progressive payments up to \$400,000 to the developer. There is an outstanding payment of \$600,000 due to the developer.

Hence, P2 Pte Ltd only has to pay the amount of \$700,000 (i.e. \$1.3 million - \$600,000) to O2 Pte Ltd and the remaining amount of \$600,000 is to be paid to D2 Pte Ltd.



How to account for GST on the sale of a mixed-use property?

- 7.14 If you are selling a building that is approved for mixed use i.e. part of the building is approved for residential use and the other part for non-residential use (e.g. a 2-storey shophouse where the first storey is approved for non-residential use and the 2nd storey is approved for residential use), you have to charge and account for GST on the part of the selling price that is attributable to the value of the non-residential portion of the building. The proportion of the selling price attributable to the non-residential component and residential component of the building must be supported by an independent valuation given by a professional valuer.
- 7.15 If you wish to adopt the independent valuation provided by the buyer, you may do so as long as both parties mutually agree. Otherwise, you should rely on your valuation to charge GST. In either case, you should ensure that a valuation report is maintained to support the proportion of the residential and non-residential portions of the building respectively.
- 7.16 There may be instances where the final selling price of the building differs from your initial valuation. If so, you should charge GST based on the following method:

$$\begin{aligned}
 \text{Final selling price} &= \$X \\
 \text{Valuation of the non-residential component} &= \$Y \\
 \text{Valuation of both the residential and non-residential components} &= \$Z \\
 \text{GST chargeable} &= \frac{\$Y}{\$Z} \times \$X \times \text{Applicable GST Rate}
 \end{aligned}$$

Do I have to charge GST on the sale of vacant land?

- 7.17 If you are selling vacant land that is not zoned exclusively for residential use (e.g. vacant land zoned “Local Shopping” or “Residential and Commercial”), you have to charge GST on the full selling price. If the buyer is GST registered and wish to claim the GST paid on the purchase of the land, he would need to satisfy the normal input tax claim conditions.

Do I have to charge GST on the sale of a furnished residential property?

- 7.18 The sale of an unfurnished residential property is not subject to GST. Fixtures such as built-in cabinets and wardrobes, kitchen and sanitary wares, wall-mounted air-conditioners that are attached permanently to the property can be exempt from GST together with the residential unit. Any furniture, furnishing, fittings, appliances and effects that are sold together with the residential unit are subject to GST. You are required to charge GST on the furniture, furnishing, fittings, appliances and effects based on their open market value or costs.

Do I have to account for GST on the transfer of non-residential property by way of in specie distribution?

- 7.19 If you have transferred a non-residential property by way of distribution in specie, you are deemed to be making a supply of goods even if you did not receive consideration for the supply. You will be required to account for output tax based on the open market value of the property transferred if you have previously claimed input tax on the property.

Do I have to charge GST if I recover the property tax from the buyer?

- 7.20 You may have already paid the property tax for the whole year. When you sell the property during the year, you may recover from the buyer a pro-rated portion of the property tax. This amount recovered is in addition to the sale price of the property. You do not have to charge GST on the portion of property tax recovered from the buyer as it is a disbursement.

8 GST on letting of property

Do I have to account for GST?

- 8.1 If you let out a non-residential property, you have to charge and account for GST on the rental collected if the property held is a business asset or you are conducting a leasing business.
- 8.2 You are conducting a leasing business if you satisfy the business tests in paragraph 6.3 above and retain a degree of control and management in relation to the letting of the property.

- 8.3 Apart from the business tests, sole-proprietors and partnerships are treated as conducting a leasing business if you create three or more leases from the properties owned by you. For example, if you let out:
- (i) three or more properties;
 - (ii) one property which is partitioned to create three or more leases; or
 - (iii) two properties, where one of them is partitioned to create two or more leases.

How to account for GST?

- 8.4 If you let out a non-residential property, you have to charge and account for GST on the rental at the prevailing GST rate. If the lease is **not** transacted at arm's length, GST shall be based on its open market value.
- 8.5 If you allow another person to occupy and use your property or part of it **free of charge**, you are deemed to make a supply of service to that person. Therefore, you are required to account for output tax on that deemed supply of service. GST shall be accounted for based on the portion of the rental you paid (if you rent the property from a property owner) or 1/12 the annual value of the property (if you are the property owner) in proportion to the Gross Floor Area occupied by that person.

When to account for GST?

- 8.6 When you let out a property, you have to account for GST on the rental at the **earlier** of the following:
- (i) the date you receive the rental payment; or
 - (ii) the date you issue a tax invoice (prior to 1 Jan 2011) or an invoice (w.e.f. 1 Jan 2011).
- 8.7 This rule applies regardless of whether you are collecting rental on monthly, bi-monthly, quarterly or half-yearly basis.
- 8.8 If you issue one tax invoice for monthly rentals covering a number of months in advance for a period not exceeding 3 years, you must state the due date for each rental and the corresponding GST chargeable in the tax invoice. Accordingly, you will account for GST on **each rental** at the **earlier** of the following:
- (i) the **due date** of each rental payment; or
 - (ii) the date you received the rental payment.

Do I have to account for GST on the granting of rent-free period?

- 8.9 If you grant your tenant a rent-free period with nothing received by you in return (e.g. the rent-free period is offered in order for the tenant to fit out the premises to its specifications) and it is provided as part of the terms of your

tenancy or lease agreement, you do not have to deem a supply on that rent-free period and account for GST.

- 8.10 On the other hand, if you grant the rent-free period in return for a benefit to you (e.g. the tenant carries out repair works on the property for your benefit in return for the rent-free period), there are 2 separate supplies for GST purposes. Although there is no separate payment made for the repair works or the lease of property during the rent-free period, your tenant is making a supply of repair works to you, while you are making a supply in the lease of the property to your tenant. You have to charge your tenant GST and account for output tax on the equivalent rental for this period, and your tenant (if he is also GST-registered) has to charge you GST and account for output tax on the value of repair works.

Do I have to account for GST on the letting of common areas?

- 8.11 Sometimes, you may let out the common areas outside your shop premises or in the shopping atrium for use by your tenants for sales promotion activities. You may have charged your tenant only a nominal sum of say \$1. You can account for the GST based on the nominal rent, if: -

- (i) the tenant is not related to you;
- (ii) the common areas are not normally let out at a commercial rate; and
- (iii) you do not receive any benefits from the tenant.

- 8.12 If all the 3 conditions cannot be satisfied, you would have to account for GST based on the open market rental of the common area.

Do I have to account for GST on early termination of lease?

- 8.13 If you claim compensation from your tenant according to the terms provided in the lease contract for early termination of lease, you do not have to charge and account for GST on the compensation received. The compensation represents liquidated damages for the breach of contract and is not subject to GST.

- 8.14 Where the lease contract does not include any provision for an early termination, the sum of money paid by your tenant for the lease agreement to be terminated early is a taxable supply. The payment is regarded as the consideration for your surrendering of rights to continue the tenancy with the tenant. Accordingly, you have to charge GST on the payment received.

- 8.15 Similarly, where the lease contract does not include any provision for an early termination and you wish to terminate a lease and pay your tenant a sum of money for him to “**surrender**” the lease and move out, the tenant is regarded as making a supply to you. If your tenant is registered for GST, he will have to charge GST on the payment you make to him.

Do I have to account for GST on rental deposit?

- 8.16 When you enter into a lease agreement, you may collect rental deposit from your tenant as a form of security. You do not have to charge and account for GST on the rental deposit if it is refundable upon completion of the lease term.
- 8.17 However, if you subsequently use the whole or part of the deposit to offset any rent payable, this amount is subject to GST. You have to account for the GST at the time you utilize the amount to offset the rental.
- 8.18 If you retain the deposit according to the provisions of the lease agreement when there is an early termination of lease, you do not have to account for GST if it is compensatory in nature. If the deposit retained becomes part of the settlement for your surrender of right to continue the tenancy with the tenant, you have to account for the GST.

Do I have to account for GST on recovery of property tax?

- 8.19 As an owner of the property, you are obligated to pay the property tax. Therefore, if you let out a non-residential property and recover the property tax from the tenant according to the terms provided in the lease contract, the recovery of property tax is considered as a reimbursement.
- 8.20 As the property tax recovered forms part and parcel of the rental consideration, you have to charge and account for GST on the recovery of property tax in relation to the lease of a non-residential property. Conversely, if you are recovering property tax in relation to the lease of a residential property, you do not have to charge and account for GST as the rental is exempt from GST.

How to account for GST on the letting of a mixed-use property?

- 8.21 If you are letting a property which is approved for mixed use (part of the building approved for residential use, and the other part for non-residential use, as in the case of a shophouse), you have to charge and account for GST on the part of the rental relating to the non-residential portion of the building. If your rental is not split into the residential and non-residential portions, you may determine the rental value of the commercial portion based on open market value.

Do I have to account for GST on the letting of a furnished residential property?

- 8.22 If you let out a residential property on an unfurnished basis, the entire rental is exempt from GST. However, if you let out a residential property with furniture and fittings, the rental of the bare unit is exempt but the rental of the furniture and fittings is taxable.

- 8.23 The monthly rental value of the bare residential unit shall be taken to be 1/12 of the annual value of the property (as shown in the Valuation List and Valuation Notice). The monthly rental value of furniture and fittings will be the difference between the monthly gross rent (total rental) of the furnished property and 1/12 of the annual value of the property. If the actual gross rental is lower than 1/12 of the annual value of the property, you do not need to charge GST on the furniture rental.
- 8.24 If the furnished residential unit is let out for half a month, the above method of computation shall still apply to the rental charged for the half-month.

Example 3

Property owner, O4 Pte Ltd has entered into a lease agreement with tenant, T4 Pte Ltd to lease a furnished residential apartment unit for half a month. The rental is negotiated at \$4,500 per month and the breakdown of the rental of \$4,500 is as follows:-

Rental of a flat	= \$2,500 per month
Rental of the furniture and fittings	= \$2,000 per month
Total rental of the furnished flat	= \$4,500 per month or \$2,250 for half month

O4 Pte Ltd has to determine the value of supply of the bare rental and the value of supply of the furniture of fittings as follows:

Annual Value in the Valuation List	= \$36,000
Value of exempt supply (per month)	= 1/12 x \$36,000 = \$3,000 per month or \$1,500 for half month
Value of supply of furniture and fittings (per month)	= \$2,250 - \$1,500 = \$750 for half month

O4 Pte Ltd has to charge and account for GST on \$750, being the rental value of furniture and fittings. If the rental of \$2,250 is inclusive of GST, O4 Pte Ltd can charge and account for GST based on the tax fraction of 7/107 on \$750.

- 8.25 You may let out a new property and the annual value is not available at the time the property is let out. In the interim, you may take the actual rental of the furniture and fittings specified in the contract as the value of taxable supply to account for GST.
- 8.26 When there is a revision to annual values, and if the valuation notice takes effect from an earlier date, you do not need to make retrospective adjustments to the value of exempt supplies. You also do not need to make adjustments if you have already issued a tax invoice to your tenant.

- 8.27 If you have not issued a tax invoice to your tenant and you will be issuing one:
- (i) within 14 days from the date of valuation notice, you do not have to apply the revised annual value in the tax invoice (you will need to adopt it from the next tax billing); or
 - (ii) after 14 days from the date of valuation notice, you will have to adopt the revised annual value in the tax invoice.

Do I have to account for GST on the letting of a serviced apartment?

- 8.28 If you let out a furnished serviced apartment, only the rental of the bare unit is exempt. The rental of the furniture and fittings, provision of utilities as well as the provision of services such as house-keeping, security and maintenance of common facilities are taxable.
- 8.29 Similar to the letting of a furnished residential property, the monthly rental value of the bare residential unit shall be taken to be 1/12 of the Annual Value of the residential property (as shown in the Valuation List and Valuation Notice). The balance of the rental will be taxable.

Example 4

Property owner, O3 Pte Ltd has entered into a lease agreement with tenant, T3 Pte Ltd to lease a furnished serviced apartment unit for \$5,000 per month. The breakdown of the rental of \$5,000 shown in the lease agreement is as follows:-

Service charge	= \$500 per month
Rental of a flat	= \$2,500 per month
Rental of the furniture and fittings	= \$2,000 per month
Total rental of the furnished flat	= \$5,000 per month

O3 Pte Ltd has to determine the value of supply of the bare rental and the value of supply of the furniture of fittings as follows:

Annual Value in the Valuation List	= \$36,000
Value of exempt supply (per month)	= 1/12 x \$36,000 = \$3,000 per month
Value of supply of furniture and fittings (per month)	= \$4,500 - \$3,000 = \$1,500 per month

O3 Pte Ltd has to charge and account for GST on \$2,000, being the rental value of furniture and fittings and value of service charge per month. If the rental of \$5,000 is inclusive of GST, O3 Pte Ltd can charge and account for GST based on the tax fraction of 7/107 on \$2,000.

- 8.30 If you own a block of serviced apartments and there is only one annual value for the entire property, you may apportion 1/12 of the annual value according to the net lettable floor area (floor area of the apartments excluding common areas such as corridors and lobbies) to arrive at the exempt value for each apartment unit.

Do I have to account for GST on property used by employee?

Free accommodation

- 8.31 If you provide a furnished apartment to your employee for non-business purpose without charging any rent, you are not entitled to claim input tax on the furniture and fittings. Accordingly, you do not have to deem a supply on the value of furniture and fittings.
- 8.32 In contrast to paragraph 8.30, if you have claimed input tax on the purchase of furnished apartment originally intended for business use and subsequently let your employee use the furnished apartment for free, you are required to account for output tax on the deemed supply of furniture and fittings.

Subsidised accommodation

- 8.33 You have entered into a contract with the landlord directly as a principal for the rental of furnished residential apartment and in turn, grant your employees the right to use the apartment. You subsidised the rental which comprises both the rental of furniture and fittings and the apartment. When you recover the subsidised rental from your employee, you have to charge GST on the subsidised rental based on the following method:

Open Market Rental (i.e. total rental incurred) = \$A
 Value of exempt supply = 1/12 of AV
 Value of taxable supply of furniture & fittings = \$A - 1/12 of AV = \$B

GST chargeable on subsidized rental
 = $\frac{\$B}{\$A} \times \text{Subsidized Rental} \times \text{Applicable GST Rate}$

Example 5

Company, C5 Pte Ltd entered into lease agreement with the property owner, O5 Pte Ltd to lease a furnished residential apartment unit for \$6,000 per month. The breakdown of the rental of \$6,000 is as follows:-

Rental of a flat	= \$3,000 per month
Rental of the furniture and fittings	= \$3,000 per month
Total rental of the furnished flat	= \$6,000 per month (A)

C5 Pte Ltd only subsidises its employee's rental up to a cap of \$5,000. Hence, C5 Pte Ltd recovers the balance amount of \$1,000 from its employee every month.

C5 Pte Ltd has to determine the value of supply of the bare rental and the value of supply of the furniture of fittings as follows:

Annual Value in the Valuation List	= \$24,000
Value of exempt supply (per month)	= $1/12 \times \$24,000$ = \$2,000 per month
Value of supply of furniture and fittings (per month)	= \$6,000 - \$2,000 = \$4,000 per month (B)
GST chargeable on subsidized rental	= $\$4,000/\$6,000 \times \$1,000 \times 7\%$ = $2/3 \times \$1,000 \times 7\%$ = \$666.67 x 7% = \$46.67

C5 Pte Ltd has to charge and account for GST on \$666.67, being the rental value of furniture and fittings. If the rental of \$1,000 is inclusive of GST, C5 Pte Ltd can charge and account for GST based on the tax fraction of 7/107 on \$666.67.

Do I have to account for GST on the service charges?

- 8.34 In the letting of your property, if you recover the monthly maintenance or service charges (which you pay to the developer or Management Corporation) from your tenant, you have to charge and account for GST on the maintenance or service charges regardless of whether your property is residential or non-residential.

9 Can I claim input tax?

- 9.1 If you are registered for GST, you can claim GST incurred in relation to the purchase and rental of a non-residential property as your input tax, so long as the property is used to conduct your business or let out for the purpose of business. The business must involve the making of taxable supplies from which you collect GST and account for output tax. The input tax claimable includes the GST incurred on the purchase price, rental, maintenance or service charges, purchase of furniture and fittings, renovation and repairs, conveyance fees, etc.
- 9.2 If you operate a serviced apartment or any mixed development comprising both residential and non-residential components, you have to segregate your purchases into the following categories:
- Those directly for the making of taxable supplies (e.g. purchase of non-residential part of the development which will be rented out separately for a fee with GST such as business center, meeting room, or multi-purpose

function room, purchase of furniture and fittings, utilities, cleaning services, security services, maintenance of the facilities and common areas);

- (ii) Those directly for the making of exempt supplies (e.g. purchase of the residential part of the development, purchase of fixtures such as built-in cabinets and wardrobes, kitchen and sanitary wares, wall-mounted air conditioners that are attached permanently to the residential property); and
- (iii) Those for the making of both taxable and exempt supplies (e.g. advertising, fire insurance that covers both the bare apartment and the contents within). Such costs are termed as common costs.

The GST incurred in category (i) is claimable in full.

The GST incurred in category (ii) cannot be claimed at all.

The GST incurred in category (iii) is termed residual input tax which is subject to apportionment.

- 9.3 You will have to apportion the residual input tax and claim only the portion attributable to taxable supplies using the ratio formula as shown below:

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

- 9.4 The residual input tax recovery rate computed must be rounded off to the nearest whole number.
- 9.5 If the property is acquired jointly with other persons who are not involved in your business as business partners (as in the case of a partnership), you may claim only a part of the GST incurred as input tax in proportion to your share of ownership on the property. Accordingly, when you sell the property, you have to charge and account for output tax on the sale based on your share of ownership.
- 9.6 If you acquire a non-residential property from a non GST-registered person via a sub-sale, he cannot charge GST on his sale to you. If he recovers from you the GST that he paid to the vendor, you cannot claim the GST as your input tax as this is not a tax charged to you by the GST registered vendor.
- 9.7 If you have claimed and been allowed the GST incurred on the purchase of a non-residential property as input tax, and continue to own the property at the time you de-register from GST, you have to deem a supply on this property. You have to account for the output tax on the deemed supply based on the

⁵ You may add Regulation 33 exempt supplies to the numerator if you are not a Regulation 34 trader and you 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 and 35.

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.

open market value of the property at the prevailing GST rate. The deemed supply must be accounted for in your GST F8 “Final Return”.

10 Transitional issues arising from the sale of property with existing tenancy

Rental billed in advance

- 10.1 You have sold a non-residential property with existing tenancies and assigned all the existing agreements to the property buyer. If you have issued tax invoices in respect of rental that are billed in advance for the period on/after/straddling the date of sale (‘affected period’) to the tenants, you are required to issue credit notes to the tenants to reverse the rental charged for the period after the sale. The property buyer will have to issue invoices to the tenants for the same period.
- 10.2 As an administrative concession, if the property buyer is also registered for GST, you do not have to issue credit notes to the tenants for the affected period. However, the property buyer will have to issue a tax invoice to you to recover the amount of rental billed in advance for the affected period and charge GST on the recovery of rental from you.

Input tax claims

- 10.3 Similarly, the suppliers may have issued tax invoices to you prior to the sale of the property in respect of supplies that are billed in advance for the period on/after/straddling the date of sale (‘affected period’). In such situations, the suppliers should issue credit notes to you and re-issue the invoices to the property buyer for supplies covering the affected period.
- 10.4 As an administrative concession, the suppliers do not have to issue credit notes to you and you are allowed to claim the entire GST on the tax invoices. However, you will have to issue a tax invoice to the property buyer to recover the proportionate share of the expenses which should be borne by the property buyer from the date of the sale. GST should be charged accordingly on the recovery of expenses.

11 Contact information

- 11.1 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

12 Updates and amendments

	Date of amendment	Amendments made
1	29 Oct 2015	<ul style="list-style-type: none">• Amended paragraph 8.3 on leasing business• Amended paragraphs 8.9 and 8.10 on rent-free periods

Appendix 1: Definition of buildings covered under the GST (Buildings, Flats and Tenements for Residential Purposes) Order

Type	Definition
Homes for the Aged	<p>Premises that are:</p> <ul style="list-style-type: none"> • licensed by Ministry of Social and Family Development (“MSF”) under the “Homes For The Aged Act”; and • providing personal care (e.g assistance with washing, eating) to residents of old age. <p>Homes that provide treatment or nursing beyond personal care may fall within the exclusion for convalescent homes, nursing homes and hospitals.</p>
Serviced apartments	<p>Premises comprising furnished, self-contained apartments with provided daily amenities rented out for lodging purpose for a minimum stay of 7 days.</p> <p>It excludes hotels, boarding houses, guest houses, chalets and sports and recreational clubs with accommodation facilities.</p>
Students’ hostels	Premises provided board and lodging to students.
Workers’ dormitories	Premises used for lodging workers’ with approval obtained from the relevant agencies such as URA and Housing Development Board (“HDB”).
Homes for the destitute	Premises established under the “Destitute Persons Act”.
Home for the families or individuals in crisis	<p>Premises that are:</p> <ul style="list-style-type: none"> • regulated by MSF; • operated by MSF or Voluntary Welfare Organisations (VWO); and • providing accommodation to facilities or individuals in crisis (e.g. victims of family violence, families who are unable to secure immediate accommodation).

Type	Definition
Hotels, boarding houses or guest houses ⁷	<p>Premises that are:</p> <ul style="list-style-type: none"> • licensed by Hotel Licensing Board under the “Hotel Act”; and • run as a business undertaking for the purpose of gain or profit. <p>The rooms in these premises are typically let or sub-let for hire for periods of less than one week⁸.</p>
Hospitals, convalescent homes, nursing homes or hospice	<p>Premises that are licenses by MOH under the “Private Hospitals and Medical Clinic Act”. The predominant purpose of such premises is to provide nursing or medical care. This is distinguished from homes for the aged (see definition above) which primarily provide accommodation as alternatives to dwelling houses.</p>
Chalets, sports and recreational clubs with accommodation facilities	<p>Such premises include:</p> <ul style="list-style-type: none"> • a building used as a sports club, sports complex, recreation club, clubhouse, fitness centre or gymnasium. • sites for holiday chalets, bungalow or resort; and • any accommodation in a building, hut, caravan, houseboat or other structure held out suitable for recreational or leisure use. <p>Accommodation on such premises is typically for short-termed stay.</p>
Homes or other institutions providing rehabilitation services	<p>Premises operated by a body or organization which has a certain overarching authority over the residents on how the establishment should be used.</p> <p>The residents of such homes require care and rehabilitation and include the following:-</p> <ul style="list-style-type: none"> • past or present dependence on alcohol or drugs; • ex-offenders who have completed their sentences from prison; and • children and young persons aged between seven and 16 years who have committed offences or who are beyond parental control.

⁷ Section 2 to the Hotel Act defines “Hotel” as follows:- Hotel includes a boarding house, lodging-house, guest-house and any building or premises not being a public institution and containing not less than 4 rooms or cubicles in which persons are harboured or lodged for hire or reward of any kind and where any domestic service is provided by the owner, lessee, tenant, occupier or manager for the person so harboured or lodged.

⁸ Section 14(a) to the Hotel Act provides that any premises in which rooms or parts of rooms are let or sub-let for hire for periods of less than one week constitute a hotel.

Appendix 2: Payment schedule for commercial property under development

Stage		Payment
(i)	Grant of Option to Purchase (valid for 3 weeks)	5% booking fee
(ii)	Upon signing of Sale & Purchase Agreement	20% less 5% booking fee
(iii)	Completion of foundation work of unit	10%
(iv)	Completion of reinforced concrete framework of unit	10%
(v)	Completion of brick walls of unit	5%
(vi)	Completion of ceiling of unit	5%
(vii)	Completion of electrical wiring, internal plastering, plumbing and installation of door and window frames of unit	5%
(viii)	Completed installation of electrical plant, sanitary equipment and air-conditioning plant (if any) of unit	5%
(ix)	Completion of car park, roads and drains serving the building	5%
(x)	Within 14 days after the Purchaser receives the Temporary Occupation Permit or Certificate of Statutory Completion in respect of the unit	25%
(xi)	On completion date	10% - 2% of the Selling Price to the developer; and - 8% of the Selling Price to the Singapore Academy of Law as stakeholder