Appendix 2

Information Leaflet on Post ACAP Review (PAR)

1 Competent team to conduct the PAR

1.1 Businesses accorded with ACAP status may choose to use their in-house team or engage an external consultant (e.g. Public Accounting Entity, GST advisory firm) to conduct the review of their past GST declarations. The senior management should ensure that the team is sufficiently resourced and competent in conducting the review. The results of the review are to be highlighted to the Audit Committee/Board of Directors.

<u>In-house team</u>

1.2 The team leader must have in-depth GST knowledge of GST rules for both general and industry issues and is preferably an Accredited Tax Practitioner (GST) [hereafter termed as ATP (GST)] or Accredited Tax Advisor (GST) [hereafter termed as ATA (GST)] of Singapore Institute of Accredited Tax Professionals ("SIATP"). He/she should have good overall knowledge of the financial and accounting system and processes as well as GST tax classification and control processes. The tax team/internal audit team (whichever is applicable) should be involved in the review.

1.3 The team should report to the key person tasked with overall responsibility for GST compliance (such as CFO, CEO, Finance Director and Head of Finance).

<u>External Consultant</u>

1.4 The team leader must be an ATA (GST) or ATP (GST) of SIATP. The firm should have prior experience in conducting GST compliance reviews for businesses of similar size and in the same industry.

2 Scope of review

2.1 The following aspects should be covered in the PAR:

(i) Review anomalies in the past one year's GST return declarations and compare against the financial statements or management accounts to detect errors.

(ii) Select a 3-month period of GST declarations, assessed to pose higher risks of errors (e.g. period where there is a change of key finance staff, major change of business processes and accounting systems and other events that impact GST reporting) or have higher values of transactions.

(iii) Review the GST listings of transactions for the selected period to identify potential errors. Some examples of potential errors include:

   (i) Recurrence of errors or control gaps surfaced during the conduct of ACAP

   (ii) Omitted sales (e.g. missing sales invoices) and not adhering to time of supply rules

   (iii) Wrong interpretation of disbursement and reimbursement

   (iv) Omission to deem output tax on gifts of goods

   (v) Duplicate input tax claims

   (vi) Claiming of disallowed input tax

   (vii) Failure to repay input tax on purchases that remain unpaid after 12 months from the payment due date

   (viii) Data extraction error

   (ix) Other GST risks as highlighted in Section 10 of the ‘GST ACAP Review Guidance’ at Appendix 1 of IRAS e-Tax Guide “GST: Assisted Compliance Assurance Programme (ACAP)”

(iv) Perform substantive review of transactions for the selected period. The samples selected *(see paragraph 4 on the sample size)* should cover major income and expenditure streams and exceptional transactions to check for value accuracy, correct GST treatment and whether the transaction is supported with required documentary evidence.

2.2 Businesses with no prior experience in performing in-house tax reviews or require further guidance on the review scope can adopt the review methodology covered in the step-by-step guidance in the e-Tax Guide “GST: Assisted Self-Help Kit (ASK) Annual Review Guide”.

<u>Business updates and assessment of the impact on GST controls</u>

2.3 The team should review the correspondence or corporate management files (if applicable) to identify events or business activities that could pose a risk to the business’ GST compliance.

2.4 The team should seek feedback from the various heads of functional units on any updates of business models/contracts or processes that could affect the effectiveness of the GST controls.

2.5 Such updates would enable the team to assess whether the GST process flows need to be updated, including the database containing important information of business' stance towards proactive GST risk management.

2.6 For new risk areas, the business may reassess the need to re-complete the "Self-Review of GST Controls" checklists and seek a ruling from IRAS for contentious tax issues to secure tax certainty.

Review of new processes

2.7 This procedure is required if there are new or major changes to business model and GST control process[1] since the last ACAP review or PAR submitted to IRAS.

2.8 The team should assess the adequacy and effectiveness of the controls established based on the GST Control Practices complied in the checklists of 'Self-Review of GST Controls' as part of the 'GST ACAP Review Guidance' (Annex 1 of Appendix 1). Alternatively, if the team has identified additional controls that enable it to better manage its GST risks, it may evaluate if they are working effectively.

2.9 The review of controls on the new processes should include if staff has applied correct tax treatment at source.

3 Review period for PAR

3.1 The business has to determine a 12-month review period and select a 3-month period of GST declarations to conduct the PAR. The 12-month review period for each PAR and the respective submission due dates are as follows:

PAR	12-month review period	Due date to submit PAR via GST F28 "PAR Declaration"
First PAR	Latest 12 months of GST returns filed as at the end of the 1st year of the ACAP status validity period	18 months from the date of accord of ACAP status

[1] Including new processes relating to supply of prescribed goods under Customer Accounting (CA), imported services subject to GST under Reverse Charge (RC) and/or digital services supplied on behalf of underlying suppliers by electronic marketplace operators subject to GST under Overseas Vendor Registration (OVR) regime. Underlying suppliers refer to both local and overseas suppliers if the business has elected to account for GST on all digital services.

PAR	12-month review period	Due date to submit PAR via GST F28 "PAR Declaration"
Second PAR*	Latest 12 months of GST returns filed as at the end of the 4th year (for 'ACAP Premium' status) or 2nd year (for 'ACAP Merit' status) of the ACAP status validity period	6 months before the expiry of the ACAP status

* Note: A business that continues to renew its ACAP status will be exempted from the second PAR

Illustration:

The business is accorded with ACAP "Premium" status from 1 Feb 2015 to 31 Jan 2020. At the end of the 1st year of its ACAP status validity period (i.e. 31 Jan 2016), the business should commence its first PAR and submit the GST F28 latest by 1 Aug 2016. It should select the latest 12 months of GST returns filed (i.e. 1 Jan 2015 to 31 Dec 2015) for review.

At the end of the 4th year of its ACAP status validity period (i.e. 31 Jan 2019), the business should commence its second PAR if it decides not to apply for renewal of ACAP. Likewise, it should select the latest 12 months of GST returns filed (i.e. 1 Jan 2018 to 31 Dec 2018). The business is required to submit the GST F28 latest by 1 Aug 2019 (i.e. 6 months before the expiry of ACAP status).

3.2 The business can choose to submit the form GST F28 "Post Assisted Compliance Assurance Programme (ACAP) Review Declaration" earlier than the stipulated due dates (see table in paragraph 3.1 above) to enjoy the waiver of penalties under IRAS' Voluntary Disclosure Programme (VDP) for errors that occurred within the 12-month review period.

4 Sample size for substantive review

4.1 As ACAP businesses have put in place a sustainable GST Control Framework to ensure continual GST compliance, they can apply a lower sample size from that of ASK Annual Review[2] as shown in the table below:

Single GST Registrant

Categories	**Businesses making substantially taxable supplies**	**Regulation 34 businesses and developers with sale or lease of residential properties**
Standard-rated supplies & Output tax	20[(a)] - 25	20[(a)] - 25
Zero-rated supplies	30[(a)] – 45	20[(a)] – 30
Exempt supplies	1 *(if making only reg 33 exempt supplies)* 5 to 10[(c)] *(if making both reg 33 & non-reg 33 exempt supplies)*	30[(a)] – 45
Out-of-scope supplies	5	
Input tax claims[(d)] (*GST on local purchases, GST paid on imports, bad debt relief claims, repayment of input tax on unpaid purchases, etc.)*	30[(a)] – 45	
GST schemes on imports *(e.g. MES, IGDS, AISS)*	20 – 30[(b)]	
Other GST schemes *(e.g. AMFT, ACMT)*	10	
Prescribed goods subject to Customer Accounting (CA): (i) Making the relevant supply (ii) Receiving the relevant supply	(i) 2 (ii) 2[(e)]	

[2] For ASK Annual Review, the sample size for each box of GST return figures is as follows:
- All transactions if total number of transaction is 30 or less.
- At least 30 samples covering 30% of the values or up to a maximum of 60 samples except for standard-rated supplies.
- For standard-rated supplies, select any 10 more samples to make up the maximum of 40 samples.

Categories	**Businesses making substantially taxable supplies**	**Regulation 34 businesses and developers with sale or lease of residential properties**
Imported services subject to GST under Reverse Charge (RC)	5[e]	
Digital services supplied on behalf of overseas suppliers by electronic marketplace operators subject to GST under Overseas Vendor Registration (OVR) regime	2	

GST Group Registrant/ Divisional Registrant[3]

Categories	**Businesses making substantially taxable supplies**	**Regulation 34 businesses and developers with sale or lease of residential properties**
Standard-rated supplies & Output tax	20[a] – 30	20[a] – 30
Zero-rated supplies	30[a] – 60	20[a] – 45
Exempt supplies	1 *(if making only reg 33 exempt supplies)* 5 to 10[c] *(if making both reg 33 & non-reg 33 exempt supplies)*	30[a] – 60
Out-of-scope supplies	5	
Input tax claims[d] (*GST on local purchases, GST paid on imports, bad debt relief claims, repayment of input tax on unpaid purchases, etc.)*	30[a] – 60	

[3] For GST group registrant, the sample size indicated in the table is for the entire GST group and not per member. For example, for a 2-member GST group, the minimum sample size for standard-rated supplies is 20 instead of 40 (2 members * 20).

For divisional registrant, the sample size indicated in the table is for the entity and not per division. For example, for an entity with 3 divisions, the minimum sample size for input tax claims is 30 instead of 90 (3 divisions * 30).

Categories	**Businesses making substantially taxable supplies**	**Regulation 34 businesses and developers with sale or lease of residential properties**
GST schemes on imports *(e.g. MES, IGDS, AISS)*	20 – 45[b]	
Other GST schemes *(e.g. AMFT, ACMT)*	10	
Prescribed goods subject to CA: (i) Making the relevant supply (ii) Receiving the relevant supply	(i) 2 (ii) 2[e]	
Imported services subject to GST under RC	5[e]	
Digital services supplied on behalf of overseas suppliers by electronic marketplace operators subject to GST under OVR regime	2	

Notes to Table:

(a) If the total number of transactions is less than the minimum sample size shown in the table, all transactions are to be covered. If the minimum sample size does not cover at least 30% of the total value declared, the sample size is to be extended to the maximum number. However, if the GST team has conducted a second level of check on all transactions or has referred to the ‘‘ASK” pre-filing checklists before filing the returns, the business is not bound by the 30% value rule and can apply the minimum sample size on the selection of transactions.

(b) The minimum sample size is 20 for a business that is not acting as section 33(2) and 33(A) agent for overseas principals. If the business imports goods as agent on behalf of its overseas principals, the sample size is to be extended to 30 (for single GST registrant) and 45 (for GST group registrant/ divisional registrant). A reconciliation should be performed from its internal list of “ME” permits to the list of ME permits taken up with the Singapore Customs if it is not done as part of its control process.

(c) If the business made non-regulation 33 exempt supplies and the value of non-regulation 33 exempt supplies constitute 10% or more of total supplies (i.e. box 4 of the GST return), the higher sample size of 10 for non-regulation 33 exempt supplies will apply. Otherwise, the sample size for non-regulation 33 exempt supplies will be 5.

(d) The review should include determining whether residual input tax is correctly identified and correctness in the apportionment of input tax if the value of exempt supplies made exceeds De-Minimis limit. If you are applying the standard input tax recovery formula, the value of relevant supplies received from suppliers that are subject to CA, imported services subject to RC and supplies of digital services made on behalf of underlying suppliers through electronic marketplace under the OVR regime should be excluded from both the numerator and denominator of the input tax recovery formula.

(e) The review should include determining the correctness of input tax claimed and whether output tax has been accounted for.

4.2 IRAS may on a case-by-case basis grant approval for reduction in sample size if the business has used analytical tools to perform data analysis of its GST listings such that major streams of income and transactions with higher risk of incorrect tax treatment are identified for substantive review.

4.3 Business should record all its results in the working templates of the form GST F28.

4.4 IRAS reserves the right to verify and extend the scope of audit checks beyond the samples selected by businesses which have performed the checks according to the e-Tax Guide "GST: ASK Annual Review Guide". **If additional errors are detected during the course of IRAS' audit, they would not qualify for waiver or reduced penalty under IRAS' Voluntary Disclosure Programme (VDP).**

5 Submission of first and second PAR

5.1 The business is required to submit the form GST F28 and the following documents:

PAR	Documents to be submitted together with the GST F28
First PAR via GST F28 "PAR Declaration"	• Appendix 1 - Trend Analysis • Appendix 2 - Disclosure of Errors in GST Returns and Follow-Up Actions (if applicable)

PAR	Documents to be submitted together with the GST F28
Second PAR via GST F28 "PAR Declaration"*	• Appendix 1 - Trend Analysis • Appendix 2 - Disclosure of Errors in GST Returns and Follow-Up Actions (if applicable) • Appendix 3 - Working Template for Standard-Rated Supplies and Output Tax • Appendix 4 - Working Template for Zero-Rated Supplies • Appendix 5.1 - Working Template for Exempt Supplies (if the business is actively making exempt supplies[4]) or Appendix A5.2 - Working Template for Exempt Supplies (for other business) • Appendix 6 - Working Template for Input Tax and Refund Claimed (on Local Purchases, Imports with GST Paid, Tourist Refund Scheme and Bad Debt Relief) • Appendix 7.1 - Working Template for Imports with GST Suspended (e.g. under MES) or with GST Deferred (under IGDS) (for own imports) • Appendix 7.2 - Working Template for Imports with GST Suspended (e.g. under MES) or with GST Deferred (under IGDS) (for goods imported on behalf of overseas principals)

6 Regular review of the GST returns

6.1 Although the PAR is not required to be performed annually, we strongly encourage ACAP businesses to perform regular reviews of their GST declarations to qualify for waiver of penalties for errors disclosed within the 1-year grace period under VDP. Any delay in disclosing or rectifying the errors would result in late payment penalties being imposed if the errors are disclosed or the GST F7 is filed beyond the 1-year grace period.

[4] A business is regarded as ACTIVELY making exempt supplies if its core business relates to:
(i) Developing or investing in residential properties (i.e. sale and/or lease of residential properties);
(ii) Providing financial services (e.g. as a financial institution); or
(iii) Importing and supplying investment precious metals (IPM) locally with effect from 1 Oct 2012.