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IRAS e-Tax Guide

GST: Self-Accounting of GST by Listed REITs and
their SPVs for Property Purchases
(Third Edition)



Self-accounting of GST by listed REITs and their SPVs for Property Purchases

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1 Aim

- 1.1 This guide explains the application and operational details of self-accounting of GST on property purchases by public-listed Real Estate Investment Trusts (listed REITs) and their special purpose vehicles (SPVs).

2 At a glance

- 2.1 The sale of a non-residential property is a taxable supply subject to GST¹. Where the seller is a taxable person, he will have to charge and account for GST on the sale of the non-residential property made to the buyer. On the other hand, the buyer of the property can claim the GST incurred on the purchase if he is GST-registered, subject to the input tax claim conditions under sections 19 and 20 of the GST Act.
- 2.2 GST-registered listed REITs and their GST-registered SPVs are allowed to self-account for the GST payable on non-residential properties, including the movable assets (i.e. furniture, furnishings, fittings, appliances or effects²) therein, purchased from a taxable person. In other words, the responsibility to account for GST on the sale is transferred from the seller to the listed REITs or their SPVs. This treatment was put in place to ease the cash flow problems faced by listed REITs and their SPVs on their property purchases.

3 Current Tax Treatment

- 3.1 Since 1 July 2006, GST-registered listed REITs are able to self-account for the GST payable on the purchases of non-residential properties. This treatment was extended to GST-registered SPVs of such listed REITs from 1 January 2009. With effect from 1 Jan 2018, GST-registered listed REITs and SPVs will also be able to self-account for the GST payable on the movable assets bought by the REITs or its SPVs together with the non-residential properties.
- 3.2 Under section 38 of the GST Act, a buyer can account on behalf of the seller, the GST chargeable on a prescribed supply of goods or services. Regulation 104A of the GST (General) Regulations provides that a taxable supply of immovable property and movable assets therein (i.e. supplied together with the immovable property) made to:
- (i) a GST-registered listed REIT; or
 - (ii) a GST-registered SPV of a GST-registered listed REIT

is a prescribed supply for the purpose of section 38 of the GST Act.

¹ If the non-residential property is sold with existing tenancy agreements, the seller should first assess whether the conditions in the e-Tax guide "Transfer of Business as a Going Concern" are satisfied such that the sale may be regarded as a transfer of business and no GST is chargeable.

² Including equipment or machinery.

3.3 Consequently, sellers need not charge and account for GST on the sale of a non-residential property made to a GST-registered listed REIT or its GST-registered SPV. Instead, the listed REIT or its SPV will self-account for the GST chargeable.

4 Qualifying Conditions

For GST-registered REIT

4.1 A GST-registered REIT³ must be listed or will be listed on the Singapore Exchange within one month from the time of supply of the property.

For GST-registered SPV

4.2 A GST-registered SPV of a GST-registered listed REIT is either:

- (i) a company established by the REIT to hold its properties; or
- (ii) a trust established by the REIT for its trustee to hold properties of the REIT.

4.3 The trustee of the REIT must have veto rights over the key operational issues of the SPV. Key operational issues include:

- Amendment of the joint venture agreement, memorandum and articles of association, trust deed, or other constitutive document of the SPV;
- Cessation or change of the business of the SPV;
- Winding up or dissolution of the SPV;
- Changes to the equity capital structure of the SPV;
- Changes to the dividend distribution policy of the SPV;
- Issue of securities by the SPV;
- Borrowings by the SPV;
- Creation of security over the assets of the SPV;
- Transfer or disposal of the assets of the SPV;
- Approval of asset enhancement and capital expenditure plans for the assets of the SPV; and
- Entry into interested party transactions.

4.4 The veto rights should be provided for in the joint venture agreement, memorandum, articles of association, trust deed or other constitutive documents of the SPV.

5 GST Reporting and Invoicing

5.1 Where the sale of a non-residential property is treated as a prescribed supply (paragraph 3.2), it is the buyer's responsibility to account for output GST on that sale on behalf of the seller. While the seller is still considered

³ Refers to a trust that is constituted as a collective investment scheme authorized under section 286 of the Securities and Futures Act.

to be making a taxable supply of property (which may include the movable assets) to the buyer, the seller is not required to collect the GST amount from the buyer. The responsibilities of the buyer and seller are further explained below:

5.2 For the buyer:

- (a) The buyer needs to notify the seller in writing that he meets the qualifying conditions under paragraph 4 and that its purchase will qualify as a prescribed supply within Regulation 104A;
- (b) As the buyer will be accounting for output GST on behalf of the seller, he is required to include the output GST amount in his GST return for the prescribed accounting period in which the supply takes place. He should also include the sale price of the property including the value of the movable assets (if any), as part of the value of standard-rated supplies in the GST return for the same prescribed accounting period.
- (c) He will claim input tax on the purchase of the property in the same manner as any other taxable purchases, subject to the input tax claim conditions. The input tax claim and taxable purchase (i.e. purchase price of the property and the movable assets) will be included in his GST return for the prescribed accounting period in which the supply takes place.
- (d) However, if the buyer is a partially exempt business and needs to apportion his input tax, he should exclude the sale price of the property and the movable assets from the numerator and denominator of the apportionment formula. Including the sale price of the property and its movable assets as a standard-rated supply in the buyer's GST return is a mere administrative requirement which does not make it his supply⁴.

5.3 For the seller:

- (a) The seller only needs to collect the GST-exclusive price of the immovable non-residential property and its movable assets from the buyer;
- (b) He has to issue a tax invoice to the buyer for the taxable supply. It has to show all the information normally required to be shown on tax invoices;
- (c) The seller's tax invoice must include a clause to the effect that the output tax shown on the invoice is payable to the Comptroller of GST by the buyer of the property. The suggested wording is "The buyer will

⁴ Other than for the purpose of GST registration under the First Schedule

account for S\$XXX output tax on this supply of property (and the movable assets therein)⁵ to the Comptroller of GST".

(d) He is required to include the GST-exclusive price as part of the value of standard-rated supplies in his GST return for the prescribed accounting period in which he makes the supply.

5.4 The prescribed supply of a non-residential property and the movable assets therein is treated as taking place only when the property is made available to the buyer. This is usually the date of completion of the sale. For this prescribed supply, the issue of a tax invoice or receipt of payment by the seller will not trigger the time of supply. It should be noted that this is a deviation from the usual time of supply rules that apply to a supply of a non-residential property not treated as a prescribed supply.

5.5 If a property sold to the GST-registered listed REIT or its GST-registered SPV comprises both residential and non-residential portion, only the non-residential portion is treated as a prescribed supply and the requirements as explained in paragraphs 5.2 and 5.3 will apply.

6 Contact Information

6.1 For enquiries on this e-Tax Guide, please contact:

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⁵ The words in parenthesis can be removed if the supply of property does not include furniture, furnishings, fittings, appliances or effects that are supplied together with the property.

7 Updates and Amendments

Date of amendments	Amendments made
19 Dec 2014	Inserted Footnotes 1 and 3, renamed paragraph 5 and inserted paragraph 5.2(d).
1 Jan 2018	<ul style="list-style-type: none">• Amended para 3.1, 3.2 and deleted para 3.4 due to the extension of customer accounting for GST-registered REITs and their SPVs to movable assets bought together with a non-residential property from the same seller.• Editorial amendments made to para 2.2 and 5.