

IRAS e-Tax Guide

**GST: Approved Contract Manufacturer and
Trader (ACMT) Scheme
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TABLE OF CONTENTS

1	Overview	1
2	Key Concepts of the ACMT Scheme.....	2
3	Benefits of the ACMT Scheme.....	4
4	Conditions of Eligibility for the ACMT Scheme	10
5	Application Procedure	15
6	Conditions of Approval.....	16
7	Requirements as an ACMT CM.....	17
8	Requirements as an ACMT LOG	23
9	Operational Procedures on Import GST Suspension.....	25
10	Validity Period of ACMT Scheme Status	25
11	Implications of Cessation of ACMT Scheme and De-Registration from GST.....	26
12	Consequences of Incorrectly Applying the ACMT Scheme.....	27
13	Contact Information	29
14	Updates and Amendments	29
	Appendix 1	30
	Appendix 2	33
	Appendix 3.....	40

Approved Contract Manufacturer and Trader (ACMT) Scheme

1 Overview

- 1.1 The Approved Contract Manufacturer and Trader (“ACMT”) scheme was introduced in 1999 to improve the international competitiveness of our local contract manufacturers (“CM”). Prior to 1999, CMs were required to account for GST on their supplies to overseas clients of value added activities performed on goods which the CMs process and subsequently delivered to another local CM for further processing.
- 1.2 The ACMT scheme essentially disregarded the supplies of such value added manufacturing or processing activities, and provided for what was then known as “customer accounting” of the delivery of these goods. Thus, entire supply chains that were identified were relieved of GST, in recognition of the fact that they involved the performance of value added activities on goods that would eventually be exported out of Singapore.
- 1.3 In 2009, IRAS made extensive changes to the ACMT scheme, including the change to an entity-based approach from the previous scenario-based approach. These changes have since been incorporated into the ACMT scheme.
- 1.4 In his 2011 Budget Statement, the Minister for Finance announced further enhancements to the ACMT scheme to further ease GST compliance for all industries approved under the ACMT scheme. At a glance, the enhancements are as follows:
 - (i) The supply of value-added services to overseas clients relating to failed or excess productions will be disregarded; and
 - (ii) Input tax will be claimable on goods locally purchased by overseas clients and delivered to an ACMT CM on which value-added services are performed.
- 1.5 From 1 Oct 2011 to 31 Dec 2011, the above changes were effected by way of Ministerial remission. To give legislative effect to the changes, amendments have been to Section 37A of the GST Act and Regulation 46 of the GST (General) Regulations with effect from 1 Jan 2012.
- 1.6 From 1 October 2011, the ACMT scheme has also been extended to certain business segments in the biomedical industry. This is in addition to the semi-conductor and printing industries, which are the current approved industries under the ACMT scheme.
- 1.7 This e-Tax guide explains how the ACMT scheme works, the qualifying conditions for the scheme and responsibilities of approved ACMT persons.

2 Key Concepts of the ACMT Scheme

2.1 The following paragraphs explain several key concepts in the ACMT scheme. Subsequent sections of this e-Tax guide also make reference to these concepts.

2.2 Entity-based approach

The ACMT scheme adopts an entity-based approach. Once ACMT status is granted to a GST-registered business, no subsequent approval from the Comptroller is needed for new business scenarios that the same approved ACMT person operates. The approved ACMT person merely has to self-assess that its subsequent delivery of the treated or processed goods meet the ACMT scheme's requirements in order to enjoy benefits of the scheme.

2.3 ACMT CM and ACMT LOG

Approved ACMT persons are categorized either as an "ACMT CM" or an "ACMT LOG". Each has to assume the conditions, requirements and control standards of an ACMT person. "ACMT persons" in this guide refers to both ACMT CM and ACMT LOG.

(i) *ACMT CM*

An ACMT CM is contracted to perform substantial value added activities for its overseas clients and may be required to receive and deliver treated or processed goods within Singapore or export the said goods, depending on its role in the contract manufacturing supply chain.

(ii) *ACMT LOG*

An ACMT LOG is a logistics company acting as a distribution agent of its overseas clients¹. It typically does not perform value added activities that involve treatment or processing but merely receives the treated or processed goods from a CM, and subsequently delivers the said goods locally or exports them out of Singapore upon instructions of its overseas clients. An ACMT LOG may deliver to another ACMT CM but not to another ACMT LOG.

2.4 Overseas client

An ACMT person can use its GST privileges under the scheme only for its arrangements with an overseas client who is not registered for GST in Singapore. The ACMT scheme privileges does not apply to arrangements with local clients (whether GST-registered or not) or GST-registered overseas clients.

¹ Not authorized declaring agents of the CMs

2.5 Recipient Accounting

Any ACMT person who receives treated or processed goods from another ACMT person needs to account for output GST on the goods received as if the former had itself supplied the goods in Singapore in the course or furtherance of its business. For this purpose, the ACMT person must account for the GST whenever such goods are received under the scheme. At the same time, the ACMT person can claim the tax charged as input tax credit.

For the purpose of recipient accounting, the Comptroller also accepts valuation of goods received under the ACMT scheme for which there is no actual market price or the price is not known to the recipient (e.g. under the consignment model), using the nominal value of S\$1 multiplied by the quantity of goods.

2.6 Acting as a distributing agent on behalf of an overseas client

ACMT persons may also act as distributing agents on behalf of their overseas clients and upon instructions of the overseas client, may either export the treated or processed goods or deliver them locally. In such instance, the ACMT person must charge and account GST accordingly on their overseas clients' local supplies of the goods in Singapore.

2.7 Published names of ACMT persons

Each ACMT person will need to know whether the person to whom it delivers or from whom it received treated or processed goods is also an approved ACMT person (i.e. ACMT CM or ACMT LOG), to enable each to fulfill their respective requirements of the scheme. Hence, the names of all ACMT persons will be published on the IRAS website, indicating their respective roles.

3 Benefits of the ACMT Scheme

3.1 As a contract manufacturer approved under the enhanced ACMT scheme, an ACMT CM will enjoy the following benefits.

(A) Supply of value added services relating to delivered goods disregarded

3.2 An ACMT CM may disregard the supply of value-added services to its overseas client, where it relates to treating or processing goods that are:

- exported, provided that the ACMT CM maintains the relevant documents set out in the e-Tax guide 'A GST Guide on Exports'; or
- delivered locally to its overseas client's final customer; or
- delivered locally to another ACMT CM or an ACMT LOG; or

Consequently, the fee charged by the ACMT CM to its overseas client for the value added services is not subject to GST;

3.3 Value added services under the ACMT scheme include processing, assembly, Quality Control (QC) and functional testing. This applies to consignment, modified turnkey and full turnkey arrangements.

3.4 For treated or processed goods delivered locally to its overseas client's final customer, the ACMT CM must charge and account GST for the goods based on the actual sales value of its overseas client's supply to its final customer.

(B) Import GST suspension on overseas goods

3.5 An ACMT CM will automatically enjoy import GST suspension of all goods imported under the following scenarios as long as it remains approved under the ACMT Scheme.

- (a) Importation of its own goods in the course or furtherance of business;
- (b) Importation of goods belonging to a non GST-registered overseas principal for supply (either in Singapore or for export) in the capacity of a section 33(2) agent²;
- (c) Importation of goods belonging to a non GST-registered overseas principal which will later be re-exported (e.g. back to the overseas principal), if the

² Prior to 1 Jan 2012, the same goods imported must be the same goods with no change in its form and nature upon their subsequent supply. With effect from 1 Jan 2012, you are allowed to act as a section 33(2) agent even where there is a change in nature and form of the goods. However, you must be able to track the goods and ensure that all goods imported in the capacity of a section 33(2) agent are supplied.

requirements for section 33A agent in the GST Guide on Imports are satisfied (the importer is hereafter referred to as the “section 33A agent”)³;

- (d) Importation of goods consigned to him by his overseas client on which value added activities are performed under the ACMT scheme. After the value added activities are performed, the goods must be exported, delivered to another approved person or delivered to a customer of the overseas person; and

With effect from 1 Jan 2015

- (e) Re-importation of goods which he previously sent abroad for value-added activities, belonging to his local customer or GST-registered overseas customer, under section 33B. Please refer to the e-Tax Guide “GST: Claiming of GST on re-import of value-added goods” for information on the eligibility conditions and requirements.

- 3.6 If an ACMT CM is currently under the Major Exporter Scheme (MES), its ACMT CM status will supersede its MES status as it can enjoy similar import GST suspension under the ACMT scheme.

From 1 October 2011

(C) Supply of value-added services relating to failed or excess productions disregarded

- 3.7 From 1 October 2011, an ACMT CM may also disregard the supply of value-added services to its overseas client relating to failed or excess productions. Consequently, the separate fee if any, charged by the ACMT CM to its overseas client for the value added services relating to failed or excess productions is not subject to GST. This is provided that the goods it treats or processes are subsequently:

- exported, provided that ACMT CM maintains the relevant documents set out in the e-Tax guide ‘A GST Guide on Exports’; or
- disposed or destroyed locally with no consideration. In such instance, the goods must be delivered directly to or through an ACMT LOG to, a waste management vendor for destruction or disposal and the ACMT CM must maintain the relevant documentary proof of the destruction/disposal.

The ACMT CM may also self-destroy or self-dispose the failed or excess productions. The Comptroller recognizes that in such instances, practices and supporting documents maintained may vary across businesses. Consequently the ACMT CM should seek the Comptroller’s prior confirmation that it can

³ Section 33A of the GST Act allows repayment of GST paid on importation to an overseas person through a claim of input tax by a local agent who imports the goods, subject to certain requirements. For an agent who is also an approved ACMT person, Regulation 46 of the GST (General) Regulations allows it to suspend the import GST if the same requirements are satisfied.

disregard its supply of value added services relating to these goods. The ACMT CM should provide details of the self-destruction or self-disposal process and supporting documentation it will maintain to prove that the goods were destroyed or disposed.

3.8 Such failed or excess productions must arise out of the ACMT CM's overall supply of value added services to its overseas client and are inherent in the process, despite the fact that they may be separately priced. This means that the ACMT CM is providing value added services to its overseas client, following which the treated or processed goods are found to be:

- Failed productions of an unsatisfactory standard or quality; or
- Excess productions in excess of the amount of treated or processed goods required by the overseas client.

3.9 Where the failed or excess productions are instead sold or disposed locally with consideration, the ACMT CM needs to account for GST on the consideration received on behalf of the overseas client.

3.10 Although the supplies of value added activities to its overseas clients are treated as outside the scope of GST under the ACMT Scheme, an ACMT CM is still entitled to claim input tax credit attributable to making such supplies to the overseas clients subject to the normal input tax claiming conditions⁴.

(D) Input tax entitlement on local purchases of goods by overseas clients

3.11 From 1 October 2011, an ACMT CM will also be able to claim GST incurred on goods locally purchased by its overseas client from GST-registered suppliers and delivered to it on which value added services are performed under the ACMT scheme. These locally-purchased goods such as raw materials and wafers should become inputs to the goods treated or processed by the ACMT CM. The claim shall be made on behalf of its overseas client as if it is the own input tax of the ACMT CM.

3.12 The ACMT CM can claim the input tax on local purchases only if the treated or processed goods are subsequently –

- exported; or
- delivered to another ACMT person or to a customer of the overseas person

3.13 The ACMT CM may make the input tax claim based on the tax invoice issued by the supplier to the overseas client⁵. The ACMT CM should maintain a copy of this tax invoice as well as the delivery order that it had endorsed on receipt of the goods.

3.14 The input tax claim is to be made in the accounting period corresponding to the date of the tax invoice issued by the supplier. Alternatively, the ACMT CM may

⁴ Sections 19 and 20 of the GST Act

⁵ The supplier should not issue a tax invoice to the ACMT CM as the supply is contractually made to the overseas client

also make the input tax claim based on the date the supplier's tax invoice is posted into its GST records (which must be **later** than the date of the tax invoice), subject to the following conditions:

- In claiming input tax on goods locally purchased by its overseas client, the ACMT CM consistently makes the claims based on the date the suppliers' tax invoices are posted into its GST records, in all its GST returns;
- The ACMT CM has a copy of the original tax invoices issued by the supplier to the overseas client; and
- There are internal controls in place to ensure that there is no double claiming of input tax.

3.15 The above input tax claim is allowed on the condition that the ACMT CM bears the GST amount on the local purchases. This must be established by:

- (a) the ACMT CM paying the tax to the supplier on the goods without seeking payment from the overseas client. In this case, the ACMT CM must maintain evidence of its payment; or
- (b) if the overseas client has paid the tax to the supplier, the ACMT CM refunding the tax to the overseas client, either through an outright payment or offset from the ACMT CM's service fee to the overseas client. In this case, the ACMT CM must maintain evidence of its refund of the tax to the overseas client or offset from its service fees.

Example 1

An ACMT CM A manufactures Active Pharmaceutical Ingredients (APIs) for its overseas client, B. For use in the manufacturing, B purchases raw materials in Singapore from a local GST-registered supplier and instructs the supplier to deliver them to A. The supplier invoiced B for the purchases but A paid for the GST charged.

In this case, A can claim the GST incurred on the raw materials as input tax on behalf of B, if all other conditions under the ACMT scheme are met.

Example 2

An ACMT CM C supplies assembly and testing services for semi-conductor wafers to an overseas client, D. D purchases the wafers from its local GST-registered supplier and instructs the supplier to deliver them to C for the services. The supplier invoiced D and D paid for the GST charged.

In this case, C can claim the GST incurred on the wafers purchased as input tax on behalf of D, if it had refunded the GST to D and all other conditions under the ACMT scheme are met.

(E) Input tax entitlement on any separate supply of goods made by ACMT CM

- 3.16 Although an ACMT CM must continue to issue a tax invoice and charge GST on any local supply of goods (including raw materials) it makes to its overseas client, it can also claim the GST charged on the supply as input tax on behalf of the overseas client, in the same manner as that explained in paragraph 3.11 from 1 October 2011.
- 3.17 This means that for such situations, the ACMT CM has a dual role as a supplier of goods to its overseas client, and also as an “agent” of client in claiming input tax. First as a GST-registered supplier, it must account for output tax on the supply of the goods (based on time of supply rules) to its overseas client. Subsequently as the recipient of the goods for use in performing the value-added services, the ACMT CM can claim the input tax in the accounting period corresponding to the date of its tax invoice to the overseas client.
- 3.18 The following Figures 1 and 2 illustrate the GST benefits under the ACMT scheme from 1 October 2011.
- 3.19 Although the ACMT scheme is granted to GST-registered businesses on an entity level, in the case where the ACMT CM is under divisional GST registration, only the division of the entity qualifying for the ACMT scheme will enjoy the full set of benefits under the ACMT scheme as set out above. The other divisions of the entity which do not qualify for the ACMT scheme may only benefit from the import GST suspension privileges of the ACMT status. The import GST privileges are however limited to scenarios (a) to (c) as explained under paragraph 3.5 above.

GST benefits (A) to (D) for ACMT CM under enhanced ACMT scheme w.e.f 1 October 2011

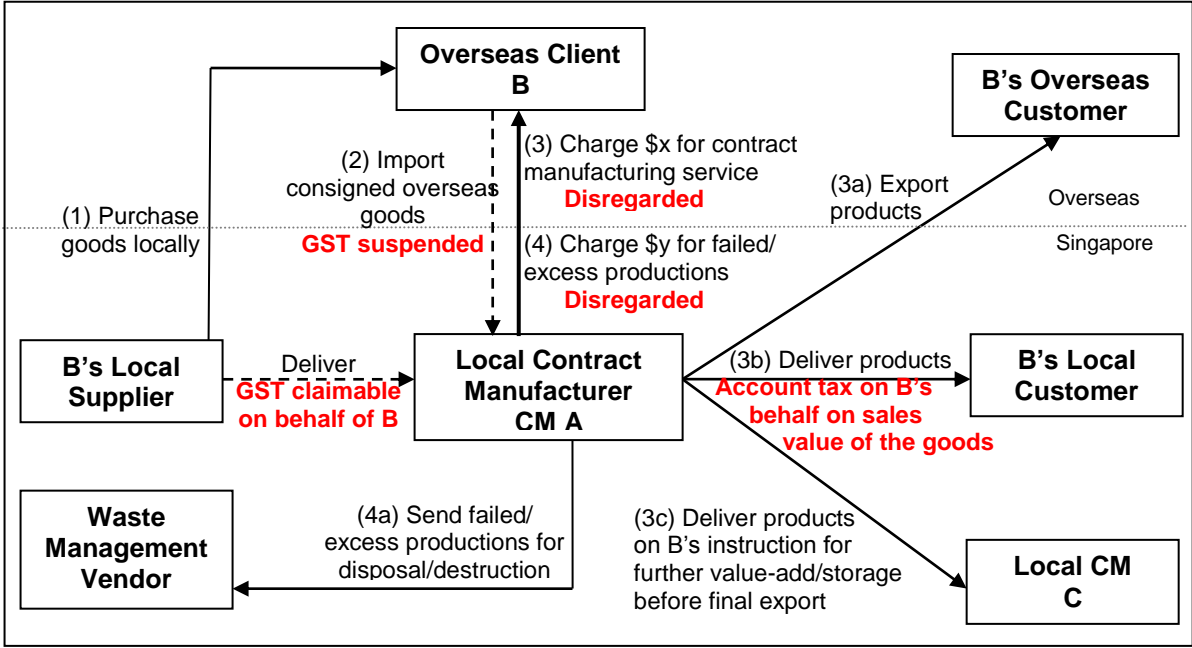


Fig. 1 GST benefits under enhanced ACMT scheme w.e.f. 1 Oct 2011

GST benefit (E) for ACMT CM w.e.f. 1 October 2011- Input tax entitlement on separate supply of goods made by ACMT CM

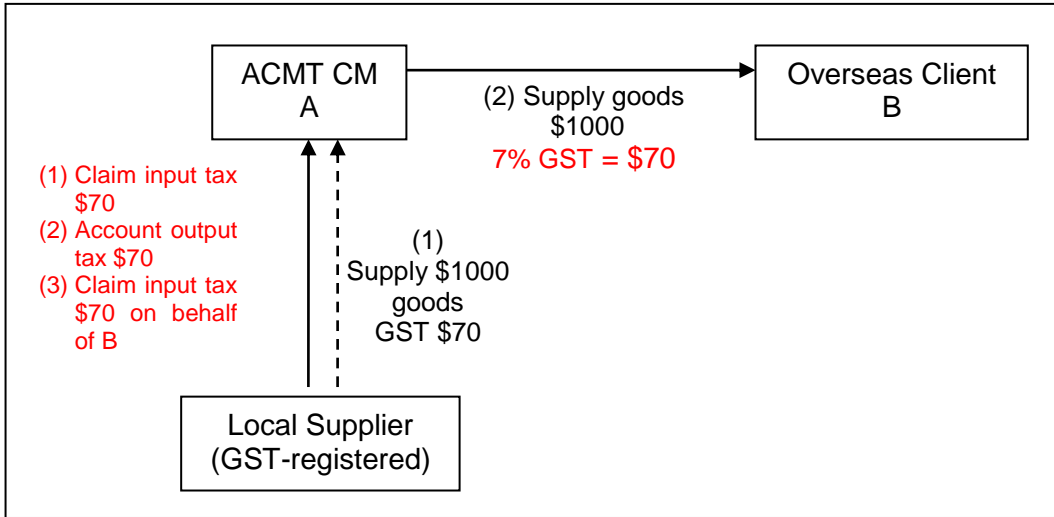


Fig 2. Input tax entitlement on separate supply of goods w.e.f. 1 Oct 2011

4 Conditions of Eligibility for the ACMT Scheme

To be eligible for this scheme, the applicant must satisfy the following conditions:

4.1 Applicant must be a GST-registered business

The applicant must be registered with the Comptroller of GST as a GST-registered person. Please refer to the e-Tax Guide on “Do I Need to Register?” for information on registration.

4.2 Applicant must be a qualifying contract manufacturer or logistics company.

Contract Manufacturer [ACMT CM]

A qualifying contract manufacturer is one with an annual turnover of at least S\$10 million, in an approved industry sector. The approved industry sectors are:

- (a) semi-conductor industry;
- (b) printing industry; and
- (c) manufacturers of Active Pharmaceutical Ingredients (APIs) in the biomedical industry, from 1 October 2011.

For (c), the Comptroller is also prepared to consider contract manufacturers in other business segments in the biomedical industry on a case-by-case basis, if their business model fits into the ACMT scheme and they are able to satisfy all other eligibility conditions. In such a case, the applicant needs to submit the application form together with full details of its business arrangement with its overseas client(s) and the relevant contractual agreements for the Comptroller’s consideration.

In addition, if the contract manufacturer is not in an approved industry sector and wishes to be considered for inclusion in the ACMT Scheme, it can write in Comptroller of GST at 55 Newton Road, Singapore 307987 with detailed justifications on why its industry sector should similarly be approved. In this case, there is no need to submit the application form for the scheme until we convey that we can include its industry.

Logistics Company [ACMT LOG]

If the applicant is a logistics company, it must be receiving treated or processed goods from an ACMT CM for subsequent distribution as an agent of its overseas client.

4.3 Applicant must provide value added activities in the course of its business for non-related overseas clients who are not registered for GST.

Contract Manufacturer [ACMT CM]

If the applicant is a contract manufacturer applying for the ACMT scheme, only the supply of value added activities on goods for its non-related overseas client may qualify to be disregarded for GST purposes, but not other activities. Value

added activities include processing, assembly, QC and functional testing.

An ACMT CM must not be related to the overseas client(s) to whom it is providing the value added activities under the ACMT scheme. For this purpose, the percentage of shareholdings that the ACMT CM or its overseas client may have in each other shall not exceed 50%, unless the Comptroller has specifically approved an exception based on the merits of the case.

Its overseas client(s) must also not be registered for GST in Singapore in order for the scheme to apply.

Logistics Company [ACMT LOG]

If the applicant is a logistics company applying for the ACMT scheme, it may not provide value added activities, but it must be engaged as a local agent of an overseas client for the subsequent distribution of such treated or processed goods on the instructions of the overseas client. Its overseas client must not be registered for GST and must not be related to the ACMT LOG i.e. not more than 50% in terms of shareholdings in each other, unless the Comptroller has specifically approved an exception based on the merits of the case.

GST registration liability of overseas person

From 1 January 2012, supplies of processed goods under the ACMT scheme will be disregarded in determining an overseas person's liability for GST registration. This means that an overseas person is not required to register for GST if its total taxable supplies, **excluding** its taxable supplies of processed goods under the ACMT scheme, do not exceed \$1 million annually. This is provided that the ACMT person it contracts with accounts for GST on the overseas person's behalf on those taxable supplies of processed goods.

Consequently, such arrangements between an ACMT person and its overseas client can qualify under the ACMT scheme.

Example

	Scenario 1	Scenario 2	Scenario 3
Local supply of processed goods under ACMT scheme	\$400,000	\$400,000	\$100,000
Exported supply of processed goods under ACMT scheme	\$700,000	\$700,000	\$300,000
Other taxable supplies	\$200,000	\$1.5 million	\$100,000
Before 1 Jan 2012			
Total taxable supplies for determining the overseas person's GST registration liability	\$1.3 million	\$2.6 million	\$500,000
Overseas person liable to register for GST?	Yes	Yes	No
From 1 Jan 2012			
Total taxable supplies for determining the overseas person's GST registration liability	\$200,000	\$1.5 million	\$100,000

Overseas person liable to register for GST?	No	Yes	No
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- 4.4 Applicant must have contract(s) or business transactions with non-related overseas clients involving value added activities which constitute a large percentage of its turnover or are of a substantial amount.

Contract Manufacturer [ACMT_CM]

This refers to the total value of its contract(s) or business transaction(s) with its overseas client in respect of value added activities. The total value of the contract(s) or business transaction(s) with non-related overseas clients (who are not GST-registered) must involve value added activities that constitute a large percentage of its turnover i.e. 51% or more⁶. The Comptroller will also consider applications involving value added activities that are of substantial value in absolute dollar terms i.e. S\$1 million or more, even if they do not meet the 51% of turnover criterion.

If the applicant does not have an existing contract at the time of application for the scheme but there are clear indications well supported with documentary evidence that it will secure one soon, it may apply for the ACMT Scheme based on a 12-month projection starting from the date of application of the scheme.

Logistics Company [ACMT_LOG]

This Condition does not apply to applicants that are logistics companies.

- 4.5 The treated or processed goods (from the consigned components, if applicable) must be substantially exported.

Contract Manufacturer [ACMT_CM]

At least 85% of all treated or processed goods (from the consigned components) on which the applicant has provided value added activities for its overseas non-related clients, must eventually be exported out of Singapore.

Logistics Company [ACMT_LOG]

If the applicant is a logistics company, at least 85% of all the treated or processed goods belonging to the overseas client must eventually be exported.

- 4.6 The applicant must maintain good inventory controls and accounting records

The applicant must maintain good inventory systems and controls to track the movement of the treated or processed goods belonging to its overseas client(s). It must, at all times, be able to accurately account for the quantity of the consigned goods received, the quantities delivered locally or exported, the quantities in Work-In-Progress, the spoilage within the tolerance levels agreed with its overseas client and the balance in its warehouse.

⁶ This would be calculated using the total value of your value added activities performed for non-related overseas clients divided by your total turnover based on (i) past records or (ii) a 12-month projection starting from the date of application into the scheme.

The records kept on the movement of the treated or processed goods together with the necessary export documents (if applicable) must be up-to-date. The applicant must be able to make such records and documentation readily available upon request.

(a) For applicants in the semi-conductor or printing industry,

The relevant inventory control standards are set out in Appendix 2. As part of its application, the applicant also needs to complete the ACMT pre-application checklist in Appendix 1 of the respective application forms, to self-assess whether its current inventory controls meet the standards adequately.

We will also request for a visit of the applicant's business premises to assess its inventory controls.

(b) For applicants in the biomedical industry,

The Comptroller will accept that the applicant meets this condition if it has obtained the Good Manufacturing Practice (GMP) certification in accordance with PIC/S standard or other equivalent standards. Such a certification would have incorporated similar inventory control standards. In this case, the applicant should attach as part of its application, a copy of the valid GMP certificate issued and/or Health Sciences Authority (HSA)'s notification letter for auto-renewal of its manufacturer's licence.

For more information on GMP certification, please visit HSA's website at www.hsa.gov.sg.

In the event that the applicant has not obtained the above GMP certification, the applicant needs to apply the control standards set out in Appendix 2 where applicable and complete the pre-application checklist. Similarly, we will require a visit to the applicant's business premises to assess its inventory controls.

4.7 Applicant must have good compliance record for GST.

The applicant must have a good history of payment of GST, submission and completion of GST returns, in the last 3 years.

4.8 Applicant must have good compliance record on Income Tax, Property Tax and with the Singapore Customs.

Similarly, the applicant must have a good history of payment of income tax, property tax, customs duties, submission of income tax returns and filing correct income tax returns, in the last 3 years.

4.9 Applicant must complete a self-review under Assisted Self-Help Kit (ASK)) or commit to participate in Assisted Compliance Assurance Programme (ACAP)

ASK and ACAP are GST initiatives designed to help ACMT CM self-manage its GST compliance. \

ASK is a comprehensive self-assessment compliance package designed to help businesses review correctness of GST submission and discover past GST errors early to qualify for IRAS' Voluntary Disclosure Programme. ASK is available to all GST-registered businesses.

ACAP is available to businesses who adopt a robust GST Control Framework to self-manage GST risks. These businesses can avail themselves of ACAP to validate their GST compliance capabilities and obtain ACAP status with a suite of benefits and incentives.

If the applicant is registered under divisional GST registration, it still needs to complete the ASK self-review or commit to participate in ACAP, as an entity.

More information can be obtained from www.iras.gov.sg > GST > For GST-registered businesses > [GST initiatives to facilitate voluntary compliance](#).

4.10 Applicant must be able to comply with other conditions as the Comptroller of GST may impose.

The Comptroller may impose additional conditions or requirements (such as furnishing a banker's guarantee) for the purpose of safeguarding tax revenue.

5 Application Procedure

5.1 A GST-registered person that satisfies the above Conditions of Eligibility can apply for the ACMT scheme either as an ACMT CM or an ACMT LOG, according to the role it performs in the contract manufacturing supply chain.

5.2 To apply for the ACMT Scheme, the applicant needs to complete and submit the following documents:

- (a) relevant ACMT Scheme application form i.e. GST F14A applicable to a CM, together with Appendix 1: "ACMT CM Pre-Application Checklist", or GST F14B for a logistics company. The forms can be downloaded from IRAS' website;
- (b) its latest annual audited financial statements;
- (c) external auditor's opinion of the above mentioned financial statements, which must be unqualified;
- (d) for each type of existing business arrangement it has with its overseas client(s), a brief description, illustration of the supply chain and proportion of goods exported. The applicant can refer to the sample in Appendix 3.

The applicant only needs to provide the above mentioned illustration once if it has a similar supply chain with its various overseas client(s). Only in the case where its supply chains with different clients differ significantly, the applicant needs to provide the respective illustrations for each arrangement.

The above mentioned illustrations are merely for the Comptroller's reference in understanding the applicant's business arrangements. They are not intended for the Comptroller to grant specific scenario-based approval, as the ACMT scheme now adopts a self-assessment entity-based approach.

- (e) For applicants in the biomedical industry, a copy of valid GMP certificate and/or HSA's notification letter for auto-renewal of manufacturer's licence, if any;
- (f) A duly completed "ASK: Declaration Form on Completing Annual Review & Voluntary Disclosure of Errors" (i.e. Section 3 of ASK)

The "ASK: Declaration Form on Completing Annual Review & Voluntary Disclosure of Errors" has to be certified by either the applicant's own in-house or an external tax professional who is accredited as an Accredited Tax Practitioner (GST) or Accredited Tax Advisor (GST) with the Singapore Institute of Accredited Tax Professionals ("SIATP"). For more information on accreditation, please visit www.siatp.org.sg.

The applicant is to maintain the working templates in Section 3 of the ASK to support that the "ASK: Declaration Form on Completing Annual Review &

Voluntary Disclosure of Errors” is accurately completed. The Comptroller may request for the working templates when reviewing the application.

- (g) Instead of the ASK Declaration Form, the applicant may also apply for the scheme if it has committed to participate in the Assisted Compliance Assurance Programme (ACAP).

In the event that the ACMT CM decide to withdraw from participating in ACAP, it must immediately undertake to perform ASK and submit a duly completed "ASK: Declaration Form on Completing Annual Review & Voluntary Disclosure of Errors" within 6 months from the date ACMT CM withdraw its ACAP participation; and

- (h) any other required document as stipulated in the application form.

- 5.3 We will inform the applicant of the outcome of its complete application within one month of our site visit to the applicant’s premises (where applicable). The applicant may also be required to furnish a banker’s guarantee upon the direction of the Comptroller.

6 Conditions of Approval

- 6.1 In general, the Conditions of Eligibility are also Conditions of Approval (COA). Any additional COA beyond those published in Paragraph 4 of this e-Tax guide will be spelled out in the individual approval letters.

7 Requirements as an ACMT CM

- 7.1 Once approved under the ACMT Scheme, the ACMT CM must agree to comply (in addition to the COA) with the respective status requirements as set out below.
- 7.2 For every business arrangement it enters into, the ACMT CM needs to self-assess that its supply of value added activities to its overseas client and subsequent delivery of the treated or processed goods, satisfy the conditions and requirements of the ACMT scheme in order to enjoy the scheme's benefits. The ACMT CM does not need to seek prior approval from the Comptroller for new business arrangements it enters into.
- 7.3 The ACMT CM may disregard the supply of value added activities to its overseas client and deliver goods free of GST to another approved ACMT person upon instructions of the overseas client. However, it must ensure that the recipient is another approved ACMT person by checking against the list of such persons published on the IRAS website. It should inform such a recipient that the goods are delivered under the ACMT scheme.
- 7.4 If the ACMT CM delivers the goods to a person not approved under the ACMT scheme, it cannot disregard the supply of value added activities to its overseas client. Consequently, the normal GST treatment applies.
- 7.5 Upon receipt of goods from another ACMT person, the ACMT CM is required to perform "recipient accounting".
- 7.6 The ACMT CM may also disregard the supply of value added activities to its overseas client if it thereafter also acts as a distributing agent on behalf of its overseas client.
- 7.7 As distributing agent, the ACMT CM must charge and account GST on the local delivery of the treated or processed goods, based on the actual sales value of its overseas client. The ACMT CM has to report the standard-rated supplies and corresponding output tax in its GST returns. When the ACMT CM exports the treated or processed goods on behalf of its overseas client, it must keep proper export documents and report the value of such exports as its zero-rated supplies in its GST returns, provided the export qualifies for zero-rating relief.
- 7.8 However, any logistics services that the ACMT CM may provide to its overseas client cannot be disregarded under the ACMT scheme. The normal GST rules apply to such logistics services.
- 7.9 For the purposes of acting as a distributing agent on behalf of the overseas client, the ACMT CM must account for GST on goods delivered locally under the Scheme, based on the time of supply rule at the earliest of the following:
- whenever the goods are delivered to the customer of the overseas person; or
 - whenever an invoice⁷ relating to the supply is issued; or
 - whenever payment in respect of the supply is received.

⁷ Please refer to the e-Tax Guide "GST: Time of Supply Rules" for details on what constitutes an 'invoice'.

7.10 Every time the ACMT CM enters into (or renews) a contract with an overseas client, the onus is on the ACMT CM to ensure that the overseas client is not a GST-registered person. If it is, the ACMT CM should not use the ACMT Scheme for such transactions.

7.11 In respect of the goods on which value added activities have been performed for its overseas clients, the ACMT CM has to ensure that:

- i. at least 85% of such treated or processed goods is consistently exported out of Singapore; and/or
- ii. 100% of such treated or processed goods are delivered to another ACMT person,

unless they are failed or excess productions, which are instead destroyed or disposed.

The ACMT CM needs to conduct an annual self-review to ascertain that the above percentage requirement remains satisfied.

7.12 In making input tax claims on behalf of its overseas clients for locally purchased goods, the ACMT CM must ensure that the goods are for use in its contract manufacturing process for the overseas clients on which value added services are performed on the goods. The input tax claims must **not** be used as an avenue for the overseas clients to recover GST on goods purchased for any other purpose. In this respect, the Comptroller will rely on the ACMT CM's process flow to ascertain that the goods purchased go into the contract manufacturing process as inputs into the treated or processed goods.

7.13 The ACMT CM is required to inform the Comptroller of any discrepancy found in the stock of the consigned components and treated or processed goods (if applicable) beyond the tolerance levels agreed on with its overseas clients, as and when the discrepancy is discovered (e.g. through annual stock take or through audit).

7.14 The following table describes the GST reporting requirements of an ACMT CM for each qualifying activity under the ACMT scheme:-

Activities done by ACMT CM	Subsequent movement of goods after value added activities	GST Reporting
Import consigned goods from overseas clients for value added activities	NA	<p>Import GST on the consigned goods is suspended under the import suspension scheme for ACMT CM.</p> <p>The ACMT CM is required to report the value of the imported consigned goods as its:-</p> <ul style="list-style-type: none"> • taxable purchases (i.e. Box 5 of the GST return); and • value of goods imported under GST schemes (i.e. Box 9 of the GST return)
Receive consigned goods locally purchased by overseas clients for value added activities	NA	<p>The ACMT CM may claim input tax on the goods locally purchased by its overseas clients from GST-registered suppliers and delivered to it on which the value added activities are performed, on behalf of the overseas client as if it is the ACMT CM's own input tax. This is on the condition that the ACMT CM had either paid for the GST or if the overseas client paid the GST, refunded/reimbursed the GST to the client.</p> <p>The ACMT CM is required to report:</p> <ul style="list-style-type: none"> • the value of locally purchased goods as its taxable purchases (i.e. Box 5 of the GST return); and • the GST on the locally purchased goods as its input tax and refund claimed (i.e. Box 7 of the GST return)
Receive treated or processed goods <u>from another ACMT person</u> for value added activities	NA	<p>As the recipient of the treated or processed goods, the ACMT CM is required to perform recipient accounting when it receives these goods from another ACMT person.</p> <p>The ACMT CM is required to report the value of these goods⁸ received as its:-</p> <ul style="list-style-type: none"> • standard-rated supplies (i.e. Box 1 of the GST return); and • taxable purchases (i.e. Box 5 of the GST return) <p>In addition, the ACMT CM needs to report 7% on the value the goods received as its:-</p> <ul style="list-style-type: none"> • Output tax due (i.e. Box 6 of the GST return) • Input tax and refund claimed (i.e. Box 7 of the GST return)

⁸ Recipient accounting can be performed based on nominal value of S\$1 multiply by the quantity of goods received.

Activities done by ACMT CM	Subsequent movement of goods after value added activities	GST Reporting
Perform value added activities for overseas client	Export the goods out of Singapore, either back to the overseas client, an overseas CM or customer of the overseas client	<p><u>For the supply of value added activities</u> The supply of value added activities may be disregarded under the ACMT scheme, if the treated or processed goods are exported out of Singapore. There is no need for the ACMT CM to report the supply of value added activities provided to its overseas client in its GST return. This is provided that the ACMT CM maintains relevant export documents to support the movement of goods out of Singapore. Please refer to our e-Tax guide on “A Guide on Exports” for more information on the documentary requirements.</p> <p><u>For delivery of the treated or processed goods</u> The ACMT CM is required to report the value of the treated or processed goods exported as its zero-rated supplies (i.e. Box 2 of GST return). This is provided it maintains relevant export documents to support the movement of goods out of Singapore. Please refer to our e-Tax guide on “A Guide on Exports” for more information on the documentary requirements.</p>
Perform value added activities for overseas client	Deliver to an ACMT CM or ACMT LOG upon instruction from the overseas client or for distribution to its customer.	<p><u>For the supply of value added activities</u> The supply of value added activities may be disregarded under the ACMT scheme, if the treated or processed goods are delivered to another ACMT person. There is no need for ACMT CM to report the supply of value added activities provided to its overseas client in its GST return.</p> <p><u>For delivery of the treated or processed goods</u> There is no reporting requirement when the ACMT CM delivers treated or processed goods to another ACMT person under the ACMT Scheme. However, it is the ACMT recipient who has to perform recipient accounting on receipt of the goods.</p>

Activities done by ACMT CM	Subsequent movement of goods after value added activities	GST Reporting
Perform value added activities for overseas client	Deliver treated or processed goods on the instruction of its overseas client to its <u>customers</u>	<p><u>For the supply of value added activities</u> The supply of value added activities may be disregarded under the ACMT scheme, if the treated or processed goods are delivered to the final customers of the overseas client. There is no need for ACMT CM to report the supply of value added activities provided to its overseas client in its GST return.</p> <p><u>For delivery of the treated or processed goods</u> As a distributing agent of its overseas client, the ACMT CM has to charge and account GST on the local delivery of the goods based on the overseas client's sales value to the customer.</p> <p>The ACMT CM is required to report:-</p> <ul style="list-style-type: none"> • the sales value of the goods delivered as its standard-rated supplies (i.e. Box 1 of the GST return); and • the GST on the sales value of the goods as output tax in Box 6 of the GST return.

Activities done by ACMT CM	Subsequent movement of goods after value added activities	GST Reporting
Perform value added activities for overseas client	Deliver to a <u>non-ACMT person</u> upon instruction from the overseas client	<p><u>For the supply of value added activities</u> The supply of value added activities <u>cannot be disregarded</u> under the ACMT scheme. The ACMT CM must charge GST on the value added activities provided to the overseas client as the treated or processed goods are delivered locally to a non-ACMT person.</p> <p>The ACMT CM is required to report:-</p> <ul style="list-style-type: none"> • the value of value added activities performed as its standard-rated supplies (i.e. Box 1 of the GST return); and • the GST on the value of the value added activities as output tax (i.e. Box 6 of the GST return) <p><u>For delivery of the treated/processed goods</u> In addition, where the ACMT CM had received the treated or processed goods from another ACMT CM but in this case delivers them, after its value added activities, to a non-ACMT person, the ACMT CM will be treated as having supplied those goods. The ACMT CM is required to report an output tax (in Box 6 of its GST return) equal to the GST computed on the market value of those goods. Please refer to paragraph 12.6.</p>
Perform value added activities for overseas client but resulted in failed or excess productions	Deliver to waste management vendor directly or through an ACMT LOG for destruction or disposal	<p><u>For the supply of value added activities</u> The supply of value added activities will be disregarded under the ACMT scheme, if the failed/excess productions are delivered to a waste management vendor for destruction or disposal. There is no need for the ACMT CM to report the supply of value added activities provided to its overseas client in its GST return.</p> <p><u>For the delivery of the treated or processed goods</u> However if consideration is received on the destruction or disposal of the failed/excess productions, the ACMT CM is required to report:</p> <ul style="list-style-type: none"> • the value of consideration received as its standard rated supplies (i.e. Box 1 of the GST return) • the GST on the consideration as output tax (i.e. Box 6 of the GST return)

8 Requirements as an ACMT LOG

- 8.1 Once approved under the ACMT Scheme, the ACMT LOG must agree to comply (in addition to the COA) with the following requirements:
- 8.2 In order to enjoy the benefits of the ACMT scheme, an ACMT LOG may only receive or deliver treated or processed goods from or to an ACMT CM, but not from and to another ACMT LOG. Upon receipt of treated or processed goods from an ACMT CM, the ACMT LOG is required to perform 'recipient accounting'.
- 8.3 As a distributing agent for its overseas client, the ACMT LOG may either export the treated or processed goods out or deliver them locally upon instructions of its overseas client. The ACMT LOG is required to account for the GST for such supplies only if it has received the treated or processed goods from an ACMT CM. If its overseas client has sold the goods to a local customer, and the ACMT LOG delivers the goods to the local customer upon its overseas client's instruction, the ACMT LOG must charge and account GST on the sale to the local customer. The ACMT LOG has to report the standard-rated supplies and corresponding output tax in its GST returns. When the ACMT LOG exports the treated or processed goods on behalf of the overseas client, it must keep proper export documents and report the value of goods exported as its zero-rated supplies in the GST returns, provided the export qualifies for zero-rating relief.
- 8.4 For the purposes of acting as a distributing agent on behalf of the overseas client, the ACMT LOG must account for GST on goods delivered locally under the Scheme at the earliest of the following events:
- whenever the goods are delivered to the customer of the overseas person; or
 - whenever an invoice⁹ relating to the supply is issued; or
 - whenever payment in respect of the supply is received.
- 8.5 The ACMT LOG, as a distributing agent for its overseas clients, will be required to conduct an annual self-review to ascertain that at least 85% of all the treated or processed goods received from ACMT CMs are exported out of Singapore.
- 8.6 The ACMT LOG is required to inform the Comptroller of any discrepancy found in the stock of its overseas clients as and when the discrepancy is discovered (e.g. through annual stock take or through audit).
- 8.7 The following table describes the GST reporting requirements of an ACMT LOG for each qualifying activity under the ACMT scheme:-

⁹ Please refer to the e-Tax Guide "GST: Time of Supply Rules" for details on what constitutes an 'invoice'.

Activities done by ACMT Log	GST Reporting
Receive treated or processed goods <u>from an ACMT CM</u>	<p>As the recipient of the treated or processed goods, the ACMT LOG is required to perform recipient accounting when it receives these goods from an ACMT CM.</p> <p>The ACMT LOG is required to report the value of these goods received as its:-</p> <ul style="list-style-type: none"> • Standard-rated supplies (i.e. Box 1 of the GST return) • Taxable purchases (i.e. Box 5 of the GST return) <p>In addition, the ACMT LOG is required to report 7% on the value the goods received as its:-</p> <ul style="list-style-type: none"> • Output tax due (i.e. Box 6 of the GST return); and • Input tax and refund claimed (i.e. Box 7 of the GST return)
Deliver such treated or processed goods (i.e. received from ACMT CM) upon the instruction of its overseas client to <u>its customers</u>	<p>As a distributing agent of its overseas client, the ACMT LOG is required to charge and account for GST on the local delivery of goods, based on the overseas client's sales value to the customer.</p> <p>The ACMT LOG is required to report:-</p> <ul style="list-style-type: none"> • the sales value of the goods delivered as its standard-rated supplies (i.e. Box 1 of the GST return); and • the GST on the sales value of the goods as output tax (i.e. Box 6 of the GST return) <p>If the goods are exported and the ACMT LOG maintains relevant export documents to support the zero-rating of the goods, it can zero-rate the delivery of the goods to the customer of its overseas client.</p> <p>The ACMT LOG is required to report the sales value of the goods exported as its zero-rated supplies (i.e. Box 2 of the GST return)</p>
Delivers such treated or processed goods (i.e. received from ACMT CM) <u>to a non-ACMT person</u> upon instruction from the overseas client	<p>Where the ACMT LOG had received the treated or processed goods from an ACMT CM but in this case subsequently delivers them, to a non-ACMT person, the ACMT LOG will be treated as having supplied those goods.</p> <p>The ACMT LOG is required to report an output tax (in Box 6 of its GST return) equal to the GST computed on the market value of those goods. Please refer to paragraph 12.6.</p>

8.8 Please refer to Appendix 1 for diagrammatic illustration of the GST treatment under the ACMT scheme for various scenarios involving ACMT persons in the supply chain.

9 Operational Procedures on Import GST Suspension

9.1 As an approved applicant of the scheme, an ACMT CM can clear goods upon importation using the permit type “ME/MC” under TradeNet. The TradeNet import declaration procedures for the importer registered with the ACMT scheme are as follows:

(a) Registered ACMT CMs should authorise their TradeNet declaring agent through the online e-Service “Apply for Declaring Agents” at mytax.iras.gov.sg¹⁰.

(b) An IN-Non-Payment with Declaration Type = “APS – Approved Premise/ Scheme” permit should be declared for each direct import into Singapore:

- The **Place of Receipt** code should be declared as “**ME**”.

For more details on the registration of a Unique Entity number and/or TradeNet user, please refer to SC website at www.customs.gov.sg.

9.2 However, if an ACMT CM is not a TradeNet user and/or if it chooses to engage freight forwarding companies to assist it, the ACMT CM is required to appoint the relevant authorised declaring agent (e.g. freight forwarder) to clear the goods from SC on its behalf. The ACMT CM can appoint the declaring agent and make subsequent changes through the online e-Service “Apply for Declaring Agents” at mytax.iras.gov.sg.

9.3 At any time, an ACMT CM can have a maximum of 20 authorised declaring agents. As an ACMT CM is accountable for all permits declared by its authorised declaring agents, ACMT CMs are advised to exercise due care and impose relevant controls in appointing the declaring agents for this purpose.

10 Validity Period of ACMT Scheme Status

10.1 Once its application is approved, the approved ACMT person will be granted the ACMT status either as an ACMT CM or ACMT LOG. Its status will remain valid for 3 years, as long as it continues to satisfy the conditions of eligibility for the ACMT scheme.

10.2 For ACMT persons who are granted ACAP status, their ACMT status will remain valid through the tenure of their respective ACAP status. For example if an ACMT CM is granted a 5-year ACAP status, its ACMT status will remain valid for 5 years.

10.3 For ACMT persons who are not under ACAP, they need to perform a self-review under ASK prior to the ACMT renewal and submit a duly completed "ASK: Declaration Form on Completing Annual Review & Voluntary Disclosure of

¹⁰ Please ensure that you have been authorised by your organisation as the preparer or the approver under **GST Tax Matters**. If not, you will need to get your EASY administrator to log in to e-Services Authorisation System (EASY) to authorise you. For more information on how this can be done, please refer to mytax.iras.gov.sg/easy.

Errors" certified by either your own in-house or an external tax professional who is accredited as an Accredited Tax Practitioner (GST) or Accredited Tax Advisor (GST) with the Singapore Institute of Accredited Tax Professionals ("SIATP").

- 10.4 ACMT persons may also be subject to periodic audits by the Comptroller. This is unless they have also been accorded the ACAP status, in which the Comptroller will then step-down on GST compliance activities during the tenure of their ACAP status unless significant anomalies are noted in their GST declarations.
- 10.5 Whenever an ACMT CM or ACMT LOG ceases to qualify for the ACMT scheme, it will have to inform the Comptroller to revoke its ACMT status.

11 Implications of Cessation of ACMT Scheme and De-Registration from GST

Cessation of ACMT scheme

- 11.1 If an ACMT person wishes to cease to be under the scheme, it will have to ensure that it has fulfilled all its contractual obligations to its overseas clients (including delivery of the treated or processed goods). It should not have any goods under the ACMT scheme on hand, in order for the Comptroller to consider its application to cease being under the scheme.

De-registration from GST

- 11.2 Before an ACMT person de-registers from GST and thus automatically ceases to be under the scheme, it will have to ensure the following pertaining to the goods it has on hand:

Type of goods	Requirements of ACMT person
(a) Own goods imported with GST suspended	Fulfill all the requirements pertaining to de-registration like all other GST-registered businesses and account for deemed output tax in your Final GST Return on these imported goods that form part of your assets and stocks if the value of taxable assets and stocks on hand as at the effective date of de-registration is more than S\$10,000.
(b) Goods belonging to its overseas principal imported in the capacity of a section 33(2) agent with GST suspended	Refer to e-Tax Guide: GST Guide on Imports on the de-registration requirements of a section 33(2) agent.
(c) Goods belonging to its overseas principal imported in the capacity of a section 33A agent	Refer to e-Tax Guide: GST Guide on Imports on the de-registration implications of a section 33A GST agent.
(d) Value-added goods	Refer to the e-Tax Guide: "GST: Claiming of GST"

Type of goods	Requirements of ACMT person
belonging to its local customer or GST-registered overseas customer, which were re-imported under section 33B with GST suspended	on re-import of value-added goods” on the de-registration implications under section 33B.
(e) ACMT goods including: (i) Goods consigned or locally delivered to the ACMT person for use in the value-added services supplied to overseas clients; and (ii) Goods processed for overseas clients	Fulfill all its contractual obligations to its overseas clients and does not have any ACMT goods on hand, before the Comptroller will consider its application to de-register. This means that the ACMT person must have: (i) utilized the goods consigned or locally delivered to it for the value added services supplied to the overseas client; and (ii) exported/delivered the processed goods and account for GST accordingly where applicable.

12 Consequences of Incorrectly Applying the ACMT Scheme

- 12.1 If an ACMT person breaches any condition or requirement of the scheme, its ACMT status may be revoked. Depending on the condition(s) breached, the ACMT person may also be required to account for GST previously suspended on the importation of goods, input tax previously claimed on goods locally purchased by its overseas clients and GST otherwise payable on any supply of value added activities previously disregarded.
- 12.2 Specifically, the ACMT person is required to repay to the Comptroller without demand the GST chargeable in each of the following instances:-
- (a) An ACMT CM incorrectly disregards its supply of value added activities (based on the fees charged) to its overseas client, where it:
 - (i) Delivers the treated or processed goods locally to a non-ACMT person;
 - (ii) Contracts with an overseas person who is a GST-registered person or the overseas person subsequently becomes GST-registered; or
 - (iii) Contracts with an overseas person who is a related company, (unless where the Comptroller has specifically given a prior approval for an exception based on the merit of the case).
 - (b) An ACMT CM or ACMT LOG fails to charge and account for GST on the local delivery of treated or processed goods to the final customer on behalf of its overseas client as a distributing agent.

- (c) If an ACMT CM had imported goods which do not fall under the allowable scenarios in paragraph 3.5, it must repay the GST previously suspended on the imported goods.
- 12.3 In addition to repaying the tax that has been under-accounted, the ACMT person may also be fined, depending on the circumstances in which the conditions are breached.
- 12.4 Where an ACMT CM had claimed input tax on goods locally purchased by its overseas client even though it did not pay for the GST or refund the GST to the overseas client, it must repay to the Comptroller of GST the input tax previously claimed. In addition, the ACMT CM may also be penalized for the offence of filing incorrect returns by overstating its input tax claims in such situations.

From 1 January 2011

- 12.5 An ACMT CM or ACMT LOG who –
- receives treated or processed goods from another approved ACMT person;
 - but does not deliver the goods to another approved ACMT person or a customer of the overseas person
- will also be treated as having itself made a supply of the goods in the course or furtherance of its business.
- 12.6 Accordingly, the ACMT CM or ACMT LOG is required to pay to the Comptroller an amount equal to the GST on the market value of the goods as output tax in Box 6 of its GST return. This is in addition to any GST which the ACMT CM or ACMT LOG is required to pay under paragraph 12.2.
- 12.7 In the event that the market value of the goods is not known, the ACMT CM or ACMT LOG should seek direction from the Comptroller on the value to be used.

13 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

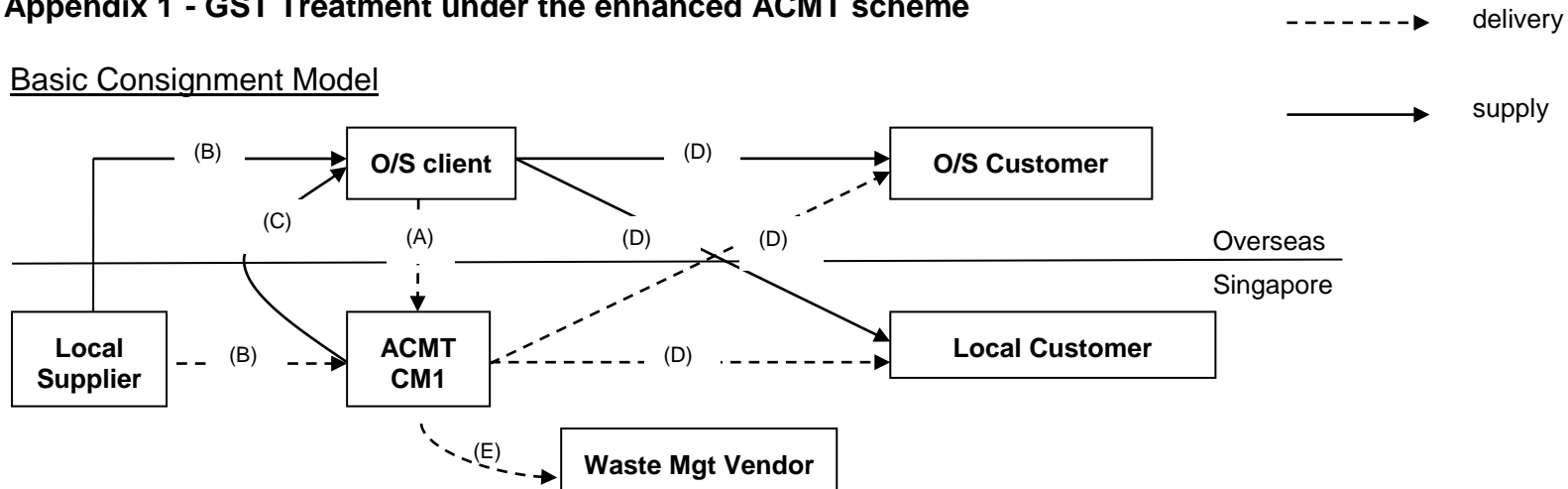
Tel: 1800 356 8633
Fax: (+65) 6351 3553
Email: gst@iras.gov.sg

14 Updates and Amendments

	Date of amendment	Amendments made
1	1 Jul 2007	
2	4 Sep 2008	
3	15 Apr 2009	Revisions made to entire guide
4	11 Jan 2011	Revisions made to paragraphs 4.3, 8, 9 and 12
5	1 Sep 2011	Revisions made to incorporate Budget 2011 changes
6	25 Nov 2011	Revisions made to paragraph 3
7	10 Jan 2012	(i) Revised paragraph 3.5 and 4.3 (ii) Inserted paragraph 11
8	1 Mar 2012	(i) Revisions made to paragraph 3.11 for clarification (ii) Revisions made to paragraphs 5.2(f) and 10.3
9	10 Dec 2014	(i) Inserted paragraph 2.4 for clarification (ii) Inserted paragraph 3.5(e) in line with legislative change on 1 Jan 2015 (iii) Inserted paragraph 3.12 for clarification
10	23 Jun 2015	Revisions made to paragraph 9.1 and 9.2
11	11 Aug 2017	Revision made to paragraph 9.2

15 Appendix 1 - GST Treatment under the enhanced ACMT scheme

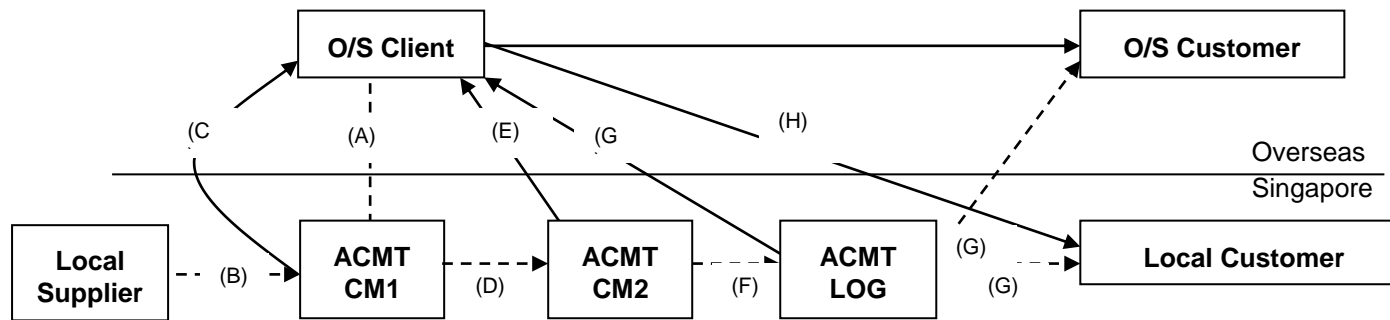
a. Basic Consignment Model



<u>Transaction</u>	<u>Corresponding GST Treatment</u>
(A) Import of consigned goods belonging to overseas (o/s) client into Singapore	(A) Import GST suspension under new ACMT scheme
(B) Delivery of goods locally purchased by overseas (o/s) client from GST-registered suppliers and consigned to ACMT CM1	(B) ACMT CM1 can claim input tax on the goods locally purchased by o/s client, if it pays for the GST amount or if o/s client pays, it refunds the GST to o/s client.
(C) Supply of value added activities on consigned goods from ACMT CM1 to o/s client	(C) Supply of value added activities disregarded if treated/processed goods are exported, delivered locally to another approved ACMT person or final customer of o/s client, or delivered for destruction/disposal for failed or excess productions
(D) Sale of processed goods by o/s client. ACMT CM1 delivers the processed goods to local and overseas (exports) customers on behalf of o/s client	(D) ACMT CM1 to account & charge GST on the value of sale between o/s client and the local customer. ACMT CM1 to report exported goods to overseas customer of o/s client as its value of zero-rated supplies if it qualifies for zero-rating relief.
(E) Delivery of failed/excess productions for destruction or disposal	(E) No implication if no consideration is received. If consideration is received for the local disposal/destruction, ACMT CM1 to account for GST on the consideration.

15.2 Extended Consignment Model I

(H)

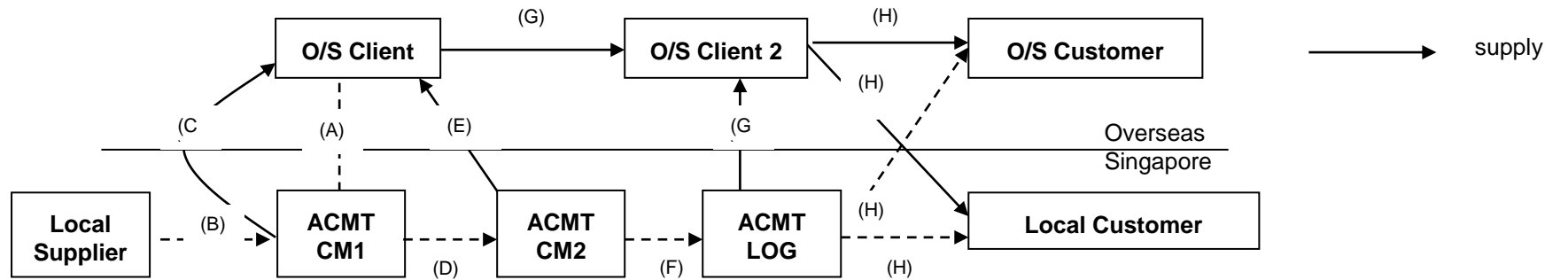


Transaction

Corresponding GST Treatment

- | | | |
|---|---|--|
| (A) Import of consigned goods belonging to overseas (o/s) client into Singapore | → | (A) Import GST suspension under ACMT scheme |
| (B) Delivery of goods locally purchased by overseas (o/s) client from GST-registered suppliers and consigned to ACMT CM1 | → | (B) ACMT CM1 can claim input tax on the goods locally purchased by o/s client, if it pays for the GST amount or if o/s client pays, it refunds the GST to o/s client. |
| (C) Supply of value added activities on consigned goods from ACMT CM1 to o/s client | → | (C) Supply of value added activities disregarded since delivered to another approved ACMT person |
| (D) Local delivery of processed goods to ACMT CM2 on behalf of o/s client | → | (D) ACMT CM2 to perform Recipient Accounting on receipt of goods |
| (E) Supply of value added activities on consigned goods from ACMT CM2 to o/s client | → | (E) Supply of value added activities disregarded since delivered to another ACMT person |
| (F) Local delivery of processed goods to ACMT LOG on behalf of o/s client | → | (F) ACMT LOG to perform Recipient Accounting on receipt of goods |
| (G) Supply of logistics services on processed goods from ACMT LOG to o/s client | → | (G) Normal GST treatment applies to supply of logistics services |
| (H) Sale of processed goods by overseas client. ACMT Log delivers the processed goods to local and overseas (exports) customers on behalf of o/s client | → | (H) ACMT Log to account & charge GST on the value of sale between o/s client and the local customer. ACMT Log to report exported goods to overseas customer of o/s client as zero-rated supplies if it qualifies for zero-rating relief. |

b. Extended Consignment Model II



Transaction

- (A) Import of consigned goods belonging to overseas (o/s) client into Singapore
- (B) Delivery of goods locally purchased by overseas (o/s) client from GST-registered suppliers and consigned to ACMT CM1
- (C) Supply of value added activities on consigned goods from ACMT CM1 to o/s client
- (D) Local delivery of processed goods to ACMT CM2 on behalf of o/s client
- (E) Supply of value added activities on consigned goods from ACMT CM2 to o/s client
- (F) Local delivery of processed goods to ACMT LOG on behalf of o/s client
- (G) Supply of logistics services on processed goods from ACMT LOG to o/s client
- (H) Sale of processed goods by o/s client to local and overseas (export) customers. ACMT LOG delivers the processed goods to local and overseas (exports) customers on behalf of o/s client

Corresponding GST Treatment

- (A) Import GST suspension under ACMT scheme
- (B) ACMT CM1 can claim input tax on the goods locally purchased by o/s client, if it pays for the GST amount or if o/s client pays, it refunds the GST to o/s client
- (C) Supply of value added activities disregarded since delivered to another ACMT person
- (D) ACMT CM2 to perform Recipient Accounting on receipt of goods
- (E) Supply of value added activities disregarded since delivered to another ACMT person
- (F) ACMT LOG to perform Recipient Accounting on receipt of goods
- (G) Normal GST treatment applies to supply of logistics services
- (H) ACMT LOG to account & charge GST on the value of sale between overseas client and the local customer. ACMT LOG to report exported goods as its value of zero-rated supplies if it qualifies for zero-rating relief

CONTROL STANDARDS FOR CM APPROVED UNDER THE ACMT SCHEME
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The ACMT CM must maintain **good inventory systems and controls** to track the movement of the goods of its overseas clients. This includes the following:

1. The ACMT CM must maintain an inventory system to track the movement of the raw materials consigned from the overseas client and/or other ACMT persons.

1.1. The ACMT CM must at all times, be able to account accurately for:

- the quantity of the raw materials received;
- the quantity in Work-In-Progress;
- the spoilage and the balance in its material warehouse;
- the quantity exported to the overseas client, if applicable;
- the quantity delivered to other ACMT persons as per the instruction of the overseas client, segregated between ACMT recipients and non-ACMT recipients
- the quantity of failed or excess productions delivered for destruction or disposal.

1.2. The ACMT CM must perform a complete internal stock-take/inventory audit at least once a year.

1.3 The ACMT CM must inform IRAS and explain for any discrepancy in the stock of the consigned raw materials beyond the tolerance level agreed on with its overseas clients (when any discrepancy is discovered). The ACMT CM is required to account for GST on any such discrepancy.

1.4 The GST payable in the above situation will be based on the GST suspended on the importation of the consigned raw materials and input tax previously claimed on locally-purchased raw materials or the value of the treated or processed goods, whichever is applicable and accounted for in the accounting period in which the discrepancy is found (e.g. through stock-take or audit).

2. The ACMT CM must maintain proper documentation of all received raw materials

2.1. All receipts/replacements and returns of the raw materials from and to the overseas client and/or other ACMT persons must be properly documented. The ACMT CM should maintain such documents as:

- **Goods Received Notes (GRN)** – to document the quantity / description received;

- **Acknowledged Delivery Orders** – to support the GRN;
 - **Material Quality Rejects (MQR)** – to document the quantity of raw materials received that has failed QC and will be returned
 - their equivalent to document the movement /quantity transfer of the materials into the material warehouse.
- 2.2. The ACMT CM must produce all such records upon request from IRAS.
3. **For the purpose of making input tax claims on behalf of its overseas clients for locally-purchased raw materials, the ACMT CM must also maintain the following documentation:**
- A copy of the invoice issued by the GST-registered supplier to the overseas client for the goods purchased, clearly showing the GST charged
 - Delivery Order (DO) endorsed by the ACMT CM for the goods delivered by the supplier to the CM on instructions of the overseas client
 - Evidence of the ACMT CM's payment for the GST amount charged by the supplier, such as copy of cheque issued and bank statement; or
- If the GST is directly paid to the supplier by the overseas client, evidence of the ACMT CM's refund/reimbursement of the GST to the overseas client such as copy of cheque issued, bank statement etc. If the GST amount is instead offset from the service fees charged by the ACMT CM to the overseas client, this must clearly be reflected in the ACMT CM's invoice or statement of account to the overseas client.
4. **The ACMT CM must maintain proper documentation of the consigned raw materials from material warehouse to factory, where applicable**
- 4.1. All drawings of the consigned raw materials for assembly / manufacturing must be properly documented and controlled. All drawings should only be allowed with:
- authorised **Material Requisition Form (MRF)** - a request, based on Manufacturing Order (MO) from the production line, for the necessary raw materials needed; or
 - its equivalent such that proper documentation and control can be effected.
5. **The ACMT CM must track consigned raw materials in Work-In-Progress (WIP) and spoilage, where applicable**
- 5.1. The ACMT CM must track the quantity of the consigned raw materials in WIP through Manufacturing Orders (MO). The MO is basically a work order that initiates a production/assembly and should contain the following details:

- description and quantity of the consigned raw materials used; and
 - the stages of completion and the raw materials being used and to be used.
6. **The ACMT CM must track treated or processed goods (which subsumes the consigned raw materials, if applicable) delivered according to instructions of the overseas client, where applicable**
- 6.1. Export of the treated or processed goods
- The ACMT CM's *invoices, export documents, packing list (P/L), and delivery orders (DO)* should be traceable to the *Purchase Orders (PO)* from overseas client and duly supported by *Bill of Materials (BOM)*. The BOM refers to the blue print of a treated or processed good, indicating the types of raw materials and their corresponding quantity that are used in its making.
 - This should clearly indicate the quantity of the treated or processed goods exported and billed. Likewise, it should also show the quantity of the consigned raw materials exported to the overseas client, if applicable.
- 6.2. Local delivery of the treated or processed goods as a distributing agent on behalf of the overseas client
- The ACMT CM must ensure that the delivery is duly supported with documentary proof, like acknowledged Delivery Order; and
 - The ACMT CM must be able to accurately identify each local recipient and the quantities delivered to them supported by documentary proof.
 - The ACMT CM must charge and account GST on the sale value to the local customer.
7. **The ACMT CM must track failed or excess productions (which subsumes the consigned raw materials, if applicable) delivered for destruction or disposal according to instructions of the overseas client, where applicable**
- Certificate of the destruction or disposal issued by the waste management vendor
 - Invoice issued by the waste management vendor to the overseas client or ACMT CM for the disposal/destruction services supplied
8. **The ACMT CM must maintain reconciliation reports of the consigned raw materials**
- 8.1 The ACMT CM will have to periodically report/account to overseas client on the status of the consigned raw materials as to:

- the quantity delivered as per the instruction of the overseas client (i.e. the portion exported and delivered locally, where applicable);
 - the quantity remaining in its custody (i.e. the good and spoilt portion); and
 - the parties to whom the goods are delivered to and the corresponding quantities etc.
- 8.2 The overseas client's audit team through physical verification of the consigned raw materials should endorse these reports.
- 8.3 The ACMT CM must produce such reports upon request from IRAS.
- 8.4 The ACMT CM may be required to request his external auditors to examine the inventory system and controls of the consigned raw materials and express an opinion on its system and controls. The ACMT CM must inform IRAS within one month, if the auditor's opinion of any such audits is qualified.

CONTROL STANDARDS FOR LOGISTICS COMPANY APPROVED UNDER THE ACMT SCHEME

ACMT LOG, likewise, must maintain **good inventory systems and controls** to track the movement of the treated or processed goods received from the ACMT CM upon instructions of the overseas client who engaged the approved logistics company. This includes:

1. The ACMT LOG must maintain an inventory system to track the movement of the goods received from the ACMT CM.

1.1. The ACMT LOG must at all times, be able to accurately account for:

- the quantity of the goods received;
- the quantity exported to the overseas client;
- the quantity delivered locally to customers of overseas client; and
- the quantity in Work-In-Progress (if there is additional processing work to be performed by the ACMT CM in the case of returns), and the balance in its warehouse.

1.2. The ACMT LOG must perform a full and comprehensive internal stock-take/inventory audit at least once a year.

1.3. The ACMT LOG must inform IRAS and explain for any discrepancy in the stock of the consigned raw materials beyond the tolerance level agreed on with its overseas clients (when any discrepancy is discovered). The ACMT LOG is required to account for GST on any such discrepancy.

1.4. The GST payable will be based on the GST paid or suspended on the importation of the consigned goods or the value of the treated or processed goods whichever is applicable and accounted for in the accounting period in which the discrepancy is found (e.g. through stock-take or audit).

2. The ACMT LOG must maintain proper documentation of all goods received from the ACMT CM

2.1. All receipts of goods from the ACMT CM must be properly documented. The logistics company can maintain such documents like:

- **Goods Received Notes (GRN)** – to document the quantity / description of goods received;
- **Acknowledged Delivery Orders** – to support the GRN; or
- their equivalent to document the movement /quantity of the goods transferred into their warehouse.

2.2. The ACMT LOG must produce all such records upon request from IRAS.

3. The ACMT LOG must maintain proper documentation of both the exportation and local delivery of goods previously received from the ACMT CM

3.1. Accounting for goods previously received from the ACMT CM

- goods received and taken out of the warehouse for delivery must be properly documented and controlled by authorised internal shipping/delivery documents;
- export documents (please refer to 'Guide on Exports' for information on the export documents to be maintained) and acknowledged delivery orders to support the delivery of the goods both overseas and locally must be adequately maintained ; and
- the goods received from ACMT CM, the balance stored in the warehouse, and those exported and delivered locally must at all times be accurately accounted for and reconciled in terms of the quantity.

3.2. Identifying the local customers in which the goods are delivered

- the ACMT LOG should be able to identify, from its accounting system, the local customers and the corresponding quantity of goods;
- these information, pertaining to the local customer of the overseas client, should be easily extracted and consolidated upon request from IRAS; and
- The ACMT LOG must charge and account GST on the sale value to the local customer.

4. The ACMT LOG must maintain reconciliation reports

4.1. As the goods belong to overseas client, though received from the ACMT CM, the logistics company will have to periodically report/account to overseas client on the status of the goods as to:

- the quantity delivered per the instructions of the overseas client – the portion exported and delivered locally;
- the quantity remaining in its custody – the good and spoilt portion; and
- the parties to whom the goods are delivered and the corresponding quantities etc.

4.2. Overseas client's audit team through physical verification of the goods should endorse these reports.

4.3 The ACMT LOG must produce such reports upon request from IRAS.

4.4 The ACMT LOG may be required to request his external auditors to examine the inventory system and controls of the consigned raw materials and express an

opinion on its system and controls. The ACMT CM must inform IRAS within one month, if the auditor's opinion of any such audits is qualified.

• **Appendix 3**

Sample representation of business arrangement to provide to IRAS for ACMT application

(please vary accordingly – you only need to provide one set if the supply chain for different clients is similar)

Scenario 1

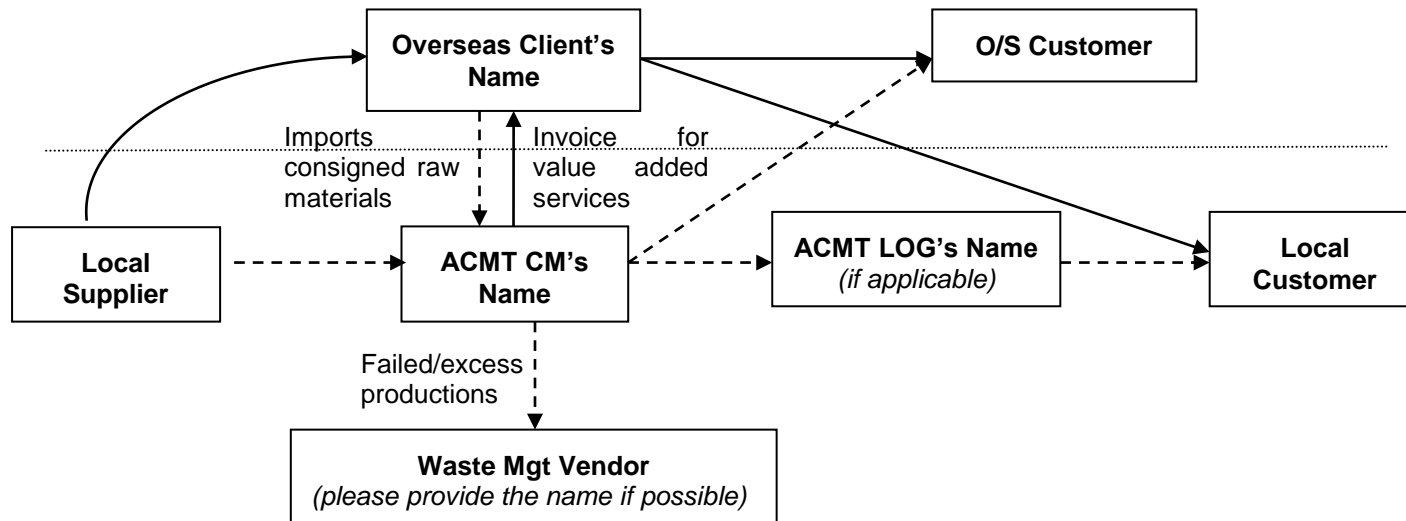
Name of Overseas Client(s): _____

Type of Goods: _____

% of Goods Exported: _____

-----▶ delivery

————▶ Supply/invoice



Process Flow

1. ACMT CM imports consigned raw materials
2. ACMT CM receives delivery of locally purchased raw materials
3. ACMT CM performs value added services (please specify nature of service) and invoice overseas client
4. When the value added services are completed, ACMT CM delivers the goods to ACMT LOG/local customer of overseas client or export the goods to overseas customer of overseas client/back to overseas client (please specify accordingly).