



INLAND REVENUE
AUTHORITY
OF SINGAPORE

IRAS e-Tax Guide

GST: Guide for Motor Vehicle Traders
(Sixth Edition)



Published by
Inland Revenue Authority of Singapore

Published on 1 Jan 2023

First edition on 1 Apr 2015
Second edition on 20 Nov 2015
Third edition on 13 Feb 2018
Fourth edition on 10 Feb 2021
Fifth edition on 1 Oct 2021

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1 Aim

- 1.1 This guide is for GST registered businesses selling new and/or second-hand motor vehicles. The purposes of this guide are:
- (a) To explain the GST treatment applicable to motor vehicle traders; and
 - (b) To illustrate the GST computations for sale of motor vehicles.

2 At a glance

- 2.1 The business activities of a motor vehicle trader include the importation of motor vehicles, sales of new and used vehicles, and sales of motor vehicle bodies of de-registered vehicles.
- 2.2 All motor vehicles in Singapore must be registered with LTA. To curb the growth of vehicle population in Singapore, LTA imposes regulatory charges on the sale of new vehicle. Regulatory charges do not attract GST as they do not relate to the provision of goods or services.
- 2.3 All other charges or payments received in relation to a supply of motor vehicles are subject to GST.
- 2.4 The GST treatment for the sale of a new motor vehicle differs from that of a second-hand motor vehicle. For the sale of a new vehicle, GST is chargeable on the selling price of the motor vehicle excluding regulatory charges such as COE. For the sale of a second-hand motor vehicle, the computation of the GST chargeable depends on whether the sale is made under the Gross Margin Scheme or the Discounted Sale Price Scheme.

3 Glossary

3.1 ARF

ARF denotes Additional Registration Fee

3.2 ATA Carnet or Carnet De Passage En Douane

An ATA Carnet is an international customs and temporary export-import document. It is used to clear customs without the need to pay duties and import taxes on merchandise that will be re-exported within certain period¹.

A Carnet De Passage En Douane is a type of ATA carnet covering the temporary import of a motor vehicle and containing relevant information such as the make, model, colour, engine capacity, seating capacity, registration number and the value of the motor vehicle.

3.3 AFC

AFC denotes Additional Flat Component

3.4 CIF

CIF denotes Cost, Insurance and Freight

3.5 COE

COE denotes Certificate of Entitlement

3.6 Discounted Sale Price Scheme

Discounted Sale Price Scheme is a scheme for the sale of a second-hand motor vehicle whereby GST is charged on 50% of the selling price of the vehicle.

3.7 Gross Margin Scheme

Gross Margin Scheme is a scheme for the sale of a second-hand motor vehicle whereby GST is charged on the difference between the selling price and the purchase price of the vehicle.

¹ Definition taken from <http://www.atacarnet.com>

3.8 LTA

LTA denotes Land Transport Authority

3.9 OPC schemes

OPC schemes denotes Off-Peak Car schemes

3.10 PARF

PARF denotes Preferential Additional Registration Fee

3.11 RF

RF denotes Registration Fee

3.12 Second-Hand Vehicle

A second-hand vehicle is a used motor vehicle which has been registered in Singapore. It excludes any used vehicle which was registered overseas.

3.13 TCOE

TCOE denotes Temporary Certificate of Entitlement

4 Imports

4.1 When you import motor vehicles from overseas, at the point of importation, GST is payable on the CIF value plus custom duties.

Example 1:

CIF	\$21,000
Custom Duty	\$ 4,200
GST payable	8% x (CIF + Custom Duty)
	= 8% x (\$21,000 + \$4,200)
	= \$2,016.00

4.2 If you import/re-import motor vehicles and spare parts under the following scenarios, import GST will not be imposed if you meet certain conditions:

Scenarios	Conditions
Motor vehicles temporarily exported for repair overseas and re-imported after repair ²	<ul style="list-style-type: none"> • The vehicles are re-imported within 3 months from date of export; • The vehicles must be registered by Customs officer at the time of export and re-import; • The vehicles are identified to the satisfaction of Customs officer; and • A certificate is produced from the repairer to the effect that new parts³ have or have not been added.
Motor vehicles temporarily imported for repair, modification or treatment and re-exported subsequently	<ul style="list-style-type: none"> • The vehicles are re-exported within 3 months from date of import; • The vehicles must be registered by Customs officer at the time of import and re-export; • The vehicles are identified to the satisfaction of Customs officer; and • Security is furnished to cover the GST on the vehicles imported.

² The relevant Customs' Permit must be taken up before sending the vehicles overseas for repairs

³ Where new parts have been added, the relief granted shall apply only to the original parts of the vehicles re-imported.

Scenarios	Conditions
Spare parts imported for repair, modify or treat motor vehicles temporarily imported for repair and the vehicles are re-exported subsequently	<ul style="list-style-type: none"> • The vehicles are re-exported within 3 months from date of import; • The vehicles must be registered by Customs officer at the time of import and re-export; • The vehicles are identified to the satisfaction of Customs officer; and • Security is furnished to cover the GST on the spare parts imported.
Motor vehicles imported for the purpose of demonstration, training or racing in Singapore	<ul style="list-style-type: none"> • The vehicles are not used on any public road in Singapore; and • The vehicles are not to be sold or transferred to any person or organisation in Singapore. • If the vehicles are subsequently sold in Singapore, GST is payable on the CIF value or selling price, whichever is the higher, plus custom duty.
Motor vehicles imported for display and use at exhibitions, fairs or other similar events	<ul style="list-style-type: none"> • An ATA Carnet or Carnet De Passage En Douane issued by an overseas organisation recognised by the Director-General of Singapore Customs is furnished. Alternatively, an inward permit in such form as directed by the Director-General of Singapore Customs is furnished; and • The vehicles must be re-exported within the validity period of the Carnet (where a Carnet is furnished) or within 3 months from date of import (where an inward permit is furnished). • If the vehicles are subsequently sold in Singapore, GST is payable on the CIF value or the selling price, whichever is the higher, plus customs duty.

5 Price Display

- 5.1 For sale of motor vehicles to the public, you must display, advertise, publish or quote GST-inclusive prices. For example, you may advertise the GST-inclusive price of a vehicle as \$92,630 (inclusive of ARF, COE and GST). This is so that the customer knows upfront the final price payable.

6 Sale of New Vehicles

- 6.1 When your customer buys a new vehicle, it comes with charges and fees which include ARF, COE, RF and Road Tax (which may include AFC⁴). These are charges imposed by LTA on vehicle buyers and do not attract GST as they do not relate to the provision of goods or services.

If you include the ARF, COE, RF and Road Tax in your selling price of the new vehicle, GST is to be charged on the Selling Price less ARF, COE, RF and Road Tax paid to LTA.

Example 2: Sale of new vehicle to another motor vehicle trader

Selling Price	\$91,000 (inclusive of ARF, COE, RF, Road Tax & excluding GST)
ARF	\$20,000
COE	\$50,000
RF	\$ 220
Road Tax	\$ 400
GST	= 8% x (Selling Price - ARF - COE - RF - Road Tax) = 8% x (\$91,000 - \$20,000 - \$50,000 - \$220 - \$400) = 8% x \$20,380 = \$1,630.40
- <u>For GST reporting purposes</u>	
Value of standard-rated supply	\$20,380
Output tax	\$1,630.40

Example 3: Sale of new vehicle to the public

Selling Price	\$92,630 (inclusive of ARF, COE, RF, Road Tax & including GST)
ARF	\$20,000
COE	\$50,000
RF	\$ 220

⁴ The AFC is a component of road tax that is payable annually for electric cars.

Road Tax	\$ 400
GST	= 8/108 x (Selling Price - ARF - COE - RF – Road Tax)
	= 8/108 x \$22,010
	= \$1,630.37

- <u>For GST reporting purposes</u>	
Value of standard-rated supply	\$20,379.63 (i.e. \$22,010 - \$1,630.37)
Output tax	\$1,630.37

6.2 Similarly, if other regulatory fees, incentives, vehicular scheme surcharges or rebates have been factored into your selling price of the new vehicle, you should deduct the net amount of regulatory charges payable from the selling price before computing GST.

Examples of other regulatory fees, incentives, surcharges and rebates:

- Vehicle plate number retention fee
- Enhanced Vehicular Emissions Scheme (VES) rebate
- VES surcharge
- Electric Vehicle Early Adoption Incentive

However, you cannot deduct the transfer fee as it is part of your business cost and not a regulatory fee imposed on vehicle buyers.

6.3 When you sell a car registered under an OPC scheme, you should not deduct the full value of ARF and COE from the selling price of the car when computing the value on which GST is to be charged. You should deduct only the net amount of ARF and COE paid to LTA (i.e. ARF and COE less OPC scheme rebate).

Example 4:

Selling Price	\$78,215 (inclusive of ARF, COE, RF, Road Tax & GST)
ARF	\$20,000
COE	<u>\$50,000</u>
	\$70,000
<u>Less OPC rebate</u>	<u>\$17,000</u>
Net ARF/COE paid to LTA	<u>\$53,000</u>
RF	\$ 220
Road Tax	\$ 70

GST	= 8/108 x (Selling Price - Net ARF and COE - RF - Road Tax)
	= 8/108 x (\$78,215 - \$53,000 - \$220 - \$70)
	= 8/108 x \$24,925
	= \$1,846.30

- 6.4 If you offer discounts on COE to your customers, the COE to be deducted from the selling price of the vehicle for the purpose of computing the GST chargeable is the COE quota premium and not the discounted price of COE. This is because the amount collected by LTA is the COE quota premium.

Example 5:

Selling Price	\$92,630 (inclusive of ARF, COE, RF, Road Tax & GST)
COE Quota Premium	\$50,000
Actual purchase price of COE	\$52,000 (say, from another motor vehicle trader)

COE charges as reflected

in the tax invoice \$41,000 (discounted price of COE)

ARF	\$20,000
RF	\$ 220
Road Tax	\$ 400

$$\begin{aligned}
 \text{GST} &= 8/108 \times (\text{Selling Price} - \text{COE} - \text{ARF} - \text{RF} - \text{Road Tax}) \\
 &= 8/108 \times (\$92,630 - \mathbf{\$50,000} - \$20,000 - \$220 - \$400) \\
 &= 8/108 \times \$22,010 \\
 &= \$1,630.37
 \end{aligned}$$

- 6.5 Upon scrapping a car that is less than 10 years old, your customer may get a PARF/COE rebate. PARF/COE rebates can be used to offset various taxes and fees (e.g. RF, ARF, COE Quota Premium) for a new vehicle. Whether the selling price that you quote to your customer for the new vehicle is before or after deducting the PARF/COE rebate, the amount of GST chargeable is the same.

Example 6: Price quoted **before** deducting PARF/COE rebate

Selling Price	\$91,000 (inclusive of ARF, COE, RF, Road Tax & GST)
ARF	\$20,000
COE Quota Premium	\$50,000
RF	\$ 220
Road Tax	\$ 400

As customer has a PARF/COE rebate of \$18,000 he only pays \$73,000 (i.e. \$91,000 - \$18,000) to you.

$$\begin{aligned}
 \text{GST} &= 8/108 \times (\$91,000 - \$20,000 - \$50,000 - \$220 - \$400) \\
 &= 8/108 \times \$20,380 \\
 &= \$1,509.63
 \end{aligned}$$

Example 7: Price quoted **after** deducting PARF/COE rebate

Net Car Price	\$73,000 (GST-inclusive net price payable by customer)
ARF	\$20,000
COE Quota Premium	\$50,000
RF	\$ 220
	<u>\$70,220</u>
<u>Less PARF/COE rebate</u>	<u>\$18,000</u>
Net amount paid to LTA	<u>\$52,220</u>
Road Tax	\$ 400
GST	= 8/108 x (\$73,000 - \$52,220 - \$400)
	= 8/108 x \$20,380
	= \$1,509.63

- 6.6 If you sell a new vehicle as a replacement vehicle under the Early Turnover Scheme (ETS), the COE value of the new replacement vehicle is the sum of the discounted Prevailing Quota Premium (PQP) payable and the COE rebate (if any) of the existing vehicle.

Example 8: Replacement vehicle under ETS

Selling Price \$101,080 (inclusive of ARF, COE, RF, Road Tax & GST)

ARF	\$20,000
RF	\$220
Road Tax	\$170

Discounted PQP paid for replacement vehicle at registration	\$40,000
---	----------

COE rebate granted to existing vehicle at deregistration	\$6,000
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$$\begin{aligned}
 \text{GST} &= 8/108 \times (\text{Selling Price} - \text{ARF} - \text{Discounted PQP} - \text{COE Rebate} - \text{RF} - \text{Road Tax}) \\
 &= 8/108 \times (\$101,080 - \$20,000 - \mathbf{\$40,000} - \mathbf{\$6,000} - \$220 - \$170) \\
 &= 8/108 \times \$34,690 \\
 &= \$2,569.63
 \end{aligned}$$

Note: The sale of vehicle body upon deregistration of the existing vehicle follows the treatment under paragraph 11.

7 Sale of New Vehicles under Hire-Purchase

7.1 For GST purposes, the sale of a motor vehicle under a hire-purchase agreement⁵ results in two separate supplies. That is, you are supplying the vehicle to the finance company who in turn supplies the vehicle to the customer (i.e. hirer) at the same price. Therefore, you have to account for GST on the selling price of the vehicle (excluding ARF, COE, RF and Road Tax) as reflected on your tax invoice to the finance company.

7.2 If you offer a trade discount to the customer, your tax invoice to the finance company should reflect the net selling price of the vehicle (i.e. the selling price after deducting the trade discount). The GST accountable by you will be based on the net selling price (excluding ARF, COE, RF and Road Tax) shown on the tax invoice.

If you were to show the gross selling price (i.e. price before the trade discount) of the vehicle on your tax invoice to the finance company, you must account for GST on the gross selling price (but excluding ARF, COE, RF and Road Tax).

7.3 If you issue a credit note to the customer for the trade discount given, you cannot show any GST on the credit note and you will have to account for GST on the gross selling price (excluding ARF, COE, RF and Road Tax). In other words, you cannot reduce the output tax chargeable on your sale of the vehicle by issuing a credit note to the customer.

⁵ For goods sold under a hire-purchase arrangement, the supplier transfers the ownership of the goods to the financier who lets the hirer use the goods during the period of hire. The ownership of the goods is passed to the hirer upon full payment of all the hire instalments. The transfer of possession of goods under agreement for future ownership of the goods constitutes a supply of good at the point of possession under paragraph 1(2)(b) of the Second Schedule to the GST Act.

8 Sale of Second-Hand Vehicles

- 8.1 For GST purposes, a second-hand vehicle excludes any used vehicle which was previously registered overseas. This is because when a used vehicle from overseas is imported into Singapore, it is required to be registered and the owner will have to pay COE, ARF and other fees as if it is new.

In addition, delivery mileage or the registration for road use does not turn a new vehicle into a second-hand vehicle. A vehicle is 'unused' until either:

- a) It has been driven on the road following a retail sale; or
 - b) It has been appropriated by the dealer for his business.
- 8.2 You have the option of two schemes for the calculation of GST on your sale of second-hand vehicles – the Gross Margin Scheme and the Discounted Sale Price Scheme.

9 Gross Margin Scheme for Sale of Second-Hand Vehicles

- 9.1 If you wish to use the Gross Margin Scheme, please review your eligibility using the form, 'Self-Review of Eligibility and Declaration on Use of Gross Margin Scheme Form', from IRAS' website⁶ and submit the form after completion. You can only begin to apply the Gross Margin Scheme on your sales transactions from the date of submission of the form, based on your declaration that all the conditions of the scheme have been satisfied.
- 9.2 If you are in the business of selling second-hand vehicles, you can only use the Gross Margin Scheme for the sale of a second-hand vehicle if either one of the following conditions is satisfied:
- a) The vehicle was bought from a non-GST registered supplier (e.g. an individual)⁷; or
 - b) The vehicle was bought from a GST-registered supplier who used the Gross Margin Scheme on the sale of the second-hand vehicle to you. You must obtain a sales invoice (not a tax invoice) from the supplier to support your purchase made under the Gross Margin Scheme. The invoice should contain the details listed at **paragraphs 3(a) and 3(c) of Appendix 1** and should not show the GST chargeable on the sale.
- 9.3 If any of the conditions in paragraph 9.2 is not satisfied, you must charge GST based on the Discounted Sale Price Scheme and issue a tax invoice to your customer. The Discounted Sale Price Scheme and the invoicing requirements are explained in paragraph 10.

⁶ www.iras.gov.sg > Taxes > GST > General GST Schemes > Gross Margin Scheme

⁷ You can check the GST registration status of your suppliers from IRAS' website (www.iras.gov.sg > Taxes > GST > Consumers > Checking if a Business is GST registered)

- 9.4 If you had bought the second-hand vehicle from a GST-registered supplier who did not use the Gross Margin Scheme on the sale, the supplier would have charged GST on the sale of the second-hand vehicle based on the Discounted Sale Price Scheme. You should obtain a tax invoice from your supplier. You may claim the GST incurred as your input tax based on the tax invoice received if you meet all the conditions for claiming input tax. Please note that even if you choose to forgo the claim of input tax, you cannot use the Gross Margin Scheme for your onward sale of the second-hand vehicle.
- 9.5 You cannot claim input tax on vehicles purchased under the Gross Margin Scheme. Similarly, when you make a sale under the Gross Margin Scheme, your customer is not allowed to claim input tax on the vehicle. You cannot issue a tax invoice to your customer. You can only issue a normal sales invoice containing the details described at **paragraphs 3(a) and 3(c) of Appendix 1**. It is important to note that the GST chargeable is not to be shown on the invoice.
- 9.6 Under the Gross Margin Scheme, you have to account for GST on the difference between the selling price (which is treated as inclusive of GST) and the purchase price of the motor vehicle.

Example 9:

Selling Price	\$25,000 (inclusive of GST)
Purchase Price	\$20,000

Selling Price	\$25,000
Purchase Price	<u>(\$20,000)</u>
Gross margin	<u>\$ 5,000</u>

GST	= 8/108 x \$5,000
	= \$370.37

- For GST reporting purposes

Value of standard-rated supply	\$24,629.63 (i.e. \$25,000 - \$370.37)
Output tax	\$370.37

- 9.7 If you sell a second-hand vehicle at a loss, no GST is to be accounted for. However, you have to declare the selling price of the vehicle in Box 1 (Total Value of Standard-rated Supplies) of your GST returns.

Example 10:

Selling Price	\$ 8,000
Purchase Price	\$10,000

- For GST reporting purposes

Value of standard-rated supply	\$8,000
Output tax	nil

- 9.8 You cannot offset the loss of one sales transaction against the gross margin on another sales transaction for the purpose of determining the total GST to be accounted for.
- 9.9 If you incur regulatory charges such as road tax, prevailing quota premium and transfer fee upfront before any sale is transacted, you can include them as part of the cost of the vehicle. However, other business expenses such as repair, re-spray, administrative charges and commission cannot be included. If you have incurred GST on these other expenses, you can claim the GST incurred as input tax⁸.

Example 11:

Selling price	\$40,500	
Purchase price	\$10,900	} \$37,530
Prevailing quota premium	\$26,000	
Road tax	\$ 600	
Transfer fee	\$ 30	
Repair	\$ 800	
Commission	\$ 500	
Gross margin	\$40,500 - \$37,530	
	= \$2,970	
GST	= 8/108 x \$2,970	
	= \$220.00	

- 9.10 If you are recovering the regulatory charges from the customer separately, you cannot include them as part of the cost of the vehicle for the purposes of computing the gross margin.

Example 12:

Selling price	\$40,500	
Road tax (billed separately)	\$ 600	
Transfer fee (billed separately)	\$ 30	
Total Consideration paid by customer	\$41,130	
Purchase price	\$10,900	} \$36,900
Prevailing quota premium	\$26,000	
Road tax	\$ 600	
Transfer fee	\$ 30	
Repair	\$ 800	
Commission	\$ 500	

⁸ Please refer to paragraph 22 of this guide on the claiming of input tax.

Gross margin	$\$40,500 - \$36,900$ $= \$3,600$
GST	$= 8/108 \times \$3,600$ $= \$266.67$

10 Discounted Sale Price Scheme for Sale of Second-Hand Vehicles

- 10.1 Under the Discounted Sale Price Scheme, GST is charged on 50% of the selling price of the vehicle. This is regardless of whether the vehicle is sold at a profit or loss.

Example 13: Sale of a second-hand vehicle to another motor vehicle trader

Selling price	\$25,000 (excluding GST)
Purchase price	\$20,000

GST = 8% x 50% x \$25,000
= \$1,000

- For GST reporting purposes

Value of standard-rated supply	\$25,000
Output tax	\$1,000

Example 14: Sale of a second-hand vehicle to the public

Selling price	\$25,000 (including GST)
Purchase price	\$20,000

GST = $\frac{8}{208} \times \$25,000$
= \$961.54

- For GST reporting purposes

Value of standard-rated supply	\$24,038.46 (i.e. \$25,000 - \$961.54)
Output tax	\$961.54

- 10.2 If you are a motor trader, you should use the Discounted Sale Price Scheme when:
- You do not satisfy the requirements for the use of the Gross Margin Scheme on the sale of your second-hand vehicle⁹; or
 - The customer is registered for GST (the customer may be able to claim the GST charged if the input tax claiming conditions are satisfied. The conditions are explained in paragraph 22).
- 10.3 If you are not a motor vehicle trader, you should use the Discounted Sale Price Scheme when you occasionally sell a vehicle that you have used in your business.
- 10.4 You must issue a tax invoice if the customer is GST-registered to enable him to

⁹ Refer to paragraph 9 for when the Gross Margin Scheme is not allowed to be used.

claim input tax credit for a commercial vehicle if he meets the conditions for claiming input tax. The tax invoice must have the details described at **paragraphs 3(b) and 3(c) of Appendix 1**.

11 Sale of Vehicle Bodies

- 11.1 You can apply the Gross Margin Scheme¹⁰ to the sale of a vehicle body to another motor vehicle trader if you satisfy either one of the following conditions:
- a) The vehicle was bought from a non-GST registered supplier (e.g. an individual)¹¹; or
 - b) The vehicle was bought from a GST-registered supplier who had used the Gross Margin Scheme on the sale made to you. You must obtain a sales invoice (not a tax invoice) from the supplier to support your purchase made under the Gross Margin Scheme. The invoice should contain the details listed at **paragraphs 3(a) and 3(c) of Appendix 1** and should not show the GST chargeable on the sale.
- 11.2 Under the Gross Margin Scheme, you have to account for GST on the margin between the selling price of the vehicle body (which is treated as inclusive of GST) and the cost of the vehicle body (which is the purchase price of the vehicle less the face value of the PARF/COE rebate as at date of de-registration of the vehicle).

Example 15:

Purchase price of vehicle	\$85,000
Face value of PARF/COE rebate as at date of de-registration of vehicle	\$66,000
Selling price of vehicle body	\$20,000 (inclusive of GST)
Cost of vehicle body = Purchase price of vehicle - Face value of PARF/COE rebate as at date of de-registration of vehicle	
	= \$85,000 - \$66,000
	= \$19,000
Gross Margin = Selling price of vehicle body - Cost of vehicle body	
	= \$20,000 - \$19,000
	= \$1,000
GST = $8/108 \times \$1,000$	
	= \$74.07
- <u>For GST reporting purposes</u>	
Value of standard-rated supply	\$19,925.93 (i.e. \$20,000 - \$74.07)
Output tax	\$74.07

¹⁰ Before you begin to apply Gross Margin Scheme on your sales transactions, you have to first submit the form 'Self-Review of Eligibility and Declaration on Use of Gross Margin Scheme Form' (refer to paragraph 9.1).

¹¹ You can check the GST registration status of your suppliers from IRAS' website (www.iras.gov.sg > Taxes > GST > Consumers > Checking if a Business is GST registered)

- 11.3 Under the Gross Margin Scheme, if the face value of the PARF/COE rebate as at the date of de-registration of the vehicle is greater than or equal to the purchase price of the second-hand vehicle, the cost of the vehicle body is treated as zero.

Example 16:

Purchase price of vehicle	\$65,000
Face value of PARF/COE rebate as at date of de-registration of vehicle	\$66,000

Selling price of vehicle body \$20,000 (inclusive of GST)

Cost of vehicle body = Purchase price of vehicle - Face value of PARF/COE rebate as at date of de-registration of vehicle
 = \$65,000 - \$66,000
 = -\$1,000

Gross Margin = Selling price of vehicle body - Cost of vehicle body
 = \$20,000 - \$0
 = \$20,000

GST = 8/108 x \$20,000
 = \$1,481.48

- For GST reporting purposes

Value of standard-rated supply	\$18,518.52 (i.e. \$20,000 - \$1,481.48)
Output tax	\$1,481.48

- 11.4 If any of the conditions in paragraph 11.1 is not satisfied, you must charge and account for GST on the full selling price of the vehicle body and issue a tax invoice to your customer.

Example 17:

Purchase price of vehicle	\$85,000
Face value of PARF/COE rebate as at date of de-registration of vehicle	\$66,000

Selling price of vehicle body \$20,000 (excluding GST)

GST = 8% x \$20,000
 = \$1,600

- 11.5 If you had bought the vehicle from a GST-registered supplier who did not use the Gross Margin Scheme on the sale, the supplier has to charge GST to you¹². You should obtain a tax invoice from your supplier. You may claim the GST incurred

¹² For sale of vehicle body to you, the supplier has to charge GST on the full selling price. For sale of a second-hand vehicle, the supplier has to charge GST based on the Discounted Sale Price Scheme.

as your input tax based on the tax invoice received if you meet all the conditions for claiming input tax. The input tax claiming conditions are explained in paragraph 22. Please note that even if you choose to forgo the claim of input tax, you cannot use the Gross Margin Scheme for your sale of the vehicle body.

- 11.6 If the vehicle body is exported overseas, you can zero-rate the sale provided you are the one who export the vehicle body and you maintain export documents such as bill of lading and cargo clearance permit showing you as the exporter. For the export documents required to be maintained, please refer to our e-Tax Guide “GST: Guide on Exports” available on IRAS’ website¹³.

¹³ www.iras.gov.sg > Quick links > e-Tax Guides > search for the Guide “GST: Guide on Exports”.

12 Sale of Vehicle Parts

- 12.1 When you dismantle a vehicle into various parts and sell/scrap the dismantled vehicle parts, you must charge and account for GST on the full selling price of the vehicle parts.
- 12.2 The Gross Margin Scheme cannot be applied to the sale of vehicle parts. You must charge and account for GST on the full selling price of the vehicle parts.

13 Sale of Temporary COE (TCOE)

- 13.1 If you sell a TCOE to another motor vehicle trader, you have to account for GST on the profit or value-added element.

Example 18:

Quota Premium for the month is \$24,000

You sell TCOE to another motor vehicle trader at \$24,500

You have to account for GST of \$37.04 (i.e. 8/108 on the profit margin of \$500)

14 Deposits

- 14.1 When you collect a deposit that forms part payment of the price of the vehicle, you have to account for GST on the deposit collected.
- 14.2 If the deposit collected is to be paid to LTA for the bidding of COE, GST is not payable. However, you must keep evidence of proof that the deposit is fully paid to LTA as COE bid deposit. This would include the evidence of submission of the COE bid and deduction of bid deposit from your corporate bank account via internet banking.

15 Trade-In

- 15.1 It is a common practice for a customer to trade in an old vehicle for a new vehicle. In a trade-in situation, there are two separate supplies made:
- a) Your sale of the new vehicle to the customer; and
 - b) Your customer's sale of the old vehicle to you.

For (a), you should account for GST on the actual GST-inclusive selling price of the new vehicle, excluding ARF, COE, RF and Road Tax. In computing the GST for the new vehicle, you cannot net-off the trade-in value of old vehicle against the selling price of the new vehicle.

repossession related expenses is treated as compensation arising from default in payment by the hirer and therefore not a supply for GST purposes. You may claim the GST incurred on the repossession related expenses as your residual input tax¹⁵.

18 Insurance

- 18.1 You act as an agent for general insurance companies. Upon selling a vehicle, you introduce your customer to the insurance companies for insurance coverage. For the insurance premium paid by your customer, you do not have to charge GST as you are only acting on behalf of the insurance companies.

If the insurance companies are registered for GST, they will impose 8% on the insurance premiums. You do not need to charge another 8% on the premiums collected on behalf of the insurance companies.

Example 20:

Selling Price	\$92,605 (inclusive of ARF, COE, RF, Road Tax, insurance & GST)
ARF	\$20,000
COE Quota Premium	\$50,000
RF	\$ 220
Road Tax	\$ 400
Insurance	\$ 1,605
Payment received from customer	\$92,605
GST	= 8/108 x (\$92,605 - \$20,000 - \$50,000 - \$220 - \$400 - \$1,605) = 8/108 x \$20,380 = \$1,509.63

- 18.2 You cannot claim GST on the insurance premiums incurred by vehicle buyers, as the supply of insurance is not contractually made to you but to the vehicle buyers.
- 18.3 You are required to account for GST on the commission that you receive from the insurance companies for introducing your customers to them as you are providing a service to the insurance companies.

19 Accessories and Spare Parts

- 19.1 When a customer buys a new car and requests for accessories, e.g. spoilers or sports rims to be installed, you must charge and account for GST when you

¹⁵ Residual input tax refers to GST incurred on purchases/expenses that cannot be directly attributable to either taxable or exempt supplies (e.g. overheads). Such input tax needs to be apportioned if you do not satisfy the De Minimis Rule. For more information, please refer to our webpage (www.iras.gov.sg > Taxes > GST > Claiming GST (Input Tax) > Claiming Input Tax Incurred to Make Exempt Supplies)

recover the cost of the accessories from the customer. If you have incurred GST on the purchase of the accessories, you can claim the GST incurred as input tax.

- 19.2 If you sell In-Vehicle Units (IUs) and number plates, you must charge and account for GST on the sale of IUs and number plates regardless of whether you are selling the IUs and number plates only or with new vehicles. If you have incurred GST on the purchase of the IUs and number plates, you can claim the GST incurred as input tax.

20 Miscellaneous Fees/Charges

- 20.1 You have to charge GST on all your supplies of services made in the course of your business. These include handling charges, collection fees, administration fees, agreement fees and commission.
- 20.2 Interest collected from late payment is not subject to GST as it is an exempt supply. However, you have to declare the amount in Box 3 (Total Value of Exempt Supplies) of your GST returns.

21 Free Gifts and Free Warranties

- 21.1 As part of your sales promotion, you offer free accessories, e.g. tyres or seat covers to your customers. You need not account for GST on the free gifts as the cost of the 'free gifts' would have already been included in the selling price of the vehicle sold.
- 21.2 If you offer free warranties to your customers, you need not account for GST on goods and services provided free of charge during the warranty period. This is because the free warranties are already included in the selling price of the vehicle, for which GST has been accounted for.
- 21.3 If you bought a vehicle with warranty from an overseas dealer and you in turn sold the vehicle with the warranty to a customer, you do not have to charge GST when you seek reimbursement from the overseas dealer for the cost of repairs incurred during the warranty period although the repair works may be performed in Singapore. This is because your selling price of the vehicle, for which GST has been accounted for, would have taken into consideration the cost of repairs covered by the warranty.

However, if the customer has not bought the vehicle from you but you have been appointed by the overseas dealer to perform repair services for the customer, you have to charge GST at 8% when you bill the overseas dealer for the repair services performed on vehicles located in Singapore.

22 Claiming Input Tax

- 22.1 If you have paid GST for your business purchases, including imports, you are entitled to claim the input tax incurred if you meet all the conditions for claiming input tax. Please refer to our website¹⁶ for the list of input tax claiming conditions,

¹⁶ www.iras.gov.sg > Taxes > GST > Claiming GST (Input Tax)

including the input tax disallowed under Regulations 26 and 27 of the GST (General) Regulations.

- 22.2 Pre-registration GST is the GST that businesses incur on supplies of goods or services made to them before they are registered for GST.

Pre-registration GST is allowable only to the extent that the goods or services acquired are used or will be used for taxable supplies made after GST registration. Hence, if before your GST registration the goods have already been consumed or supplied, or services have been used to make supplies before registration, the pre-registration GST incurred is not allowable.

If the services or goods acquired by you are used to make supplies that straddle your GST registration (i.e. supplies are made both before and after GST registration) or the goods are partially consumed before your GST registration, you need to apportion the GST incurred. Only the portion of GST that is attributable to the supplies made after registration is claimable. You should refer to the e-tax guide on “GST: Pre-Registration Claims on Goods and Services” to determine how apportionment may be done.

23 De-Registration

- 23.1 Once you are de-registered from GST registration, a final GST return (GST F8) will be issued to you to file and account for GST up till the last day of the GST registration, one day before your effective date of cancellation of your GST registration. In your GST F8, you only need to account for output tax based on 50% of the Open Market Value for used vehicles.

For more information on de-registration from GST registration please refer to our e-Tax guide “GST: General Guide for Businesses”.

24 Record Keeping

- 24.1 It is the responsibility of business owners and company directors to ensure that proper records are kept. You are expected to put in place a record keeping system to ensure that your GST declarations are duly supported with the required documents.

The types of records you need to keep include:

- (a) Source documents that substantiate all transactions in your business - e.g. receipts, invoices, vouchers, and other relevant documents issued or received from customers/suppliers;
- (b) Records of the steps taken to ascertain whether the supply made to you or by you was a part of a Missing Trader Fraud arrangement – e.g. the risks assessed, the due diligence checks performed and the actions taken in response to the results from the checks;
- (c) Accounting records and schedules - manual or electronic records of assets and liabilities, revenue and expenses, gains (profit) and losses;
- (d) Bank statements; and
- (e) Any other records of transactions connected with your business.

You may refer to the e-Tax Guide “Record Keeping for GST registered Businesses” for more information.

For more details on the records to be maintained for the sale of second-hand vehicles, please refer to Appendix 1.

- 24.2 Under the Income Tax Act and the GST Act, you are required to keep business records for a period of at least five years.
- 24.3 Under the Income Tax Act and GST Act, failure to maintain sufficient records is an offence and may result in expenses claimed being disallowed or/and penalties being imposed.

25 Contact Information

- 25.1 For enquiries on this e-Tax Guide, please contact the Goods and Services Tax Division at www.iras.gov.sg (select “Contact Us”).

26 Updates and Amendments

	Date of amendment	Amendments made
1	20 Nov 2015	Inserted paragraph 7.7
2	13 Feb 2018	Removed paragraph 4 of second edition on GST registration and renumbered the ensuing paragraphs. Amended paragraph 26 of second edition (renumbered as paragraph 25 in third edition) on contact information.
3	10 Feb 2021	Revised paragraph 22.1 on input tax claiming conditions. Inserted paragraph 24.1(b) on record keeping requirements to ascertain whether the supply was part of a Missing Trader Fraud arrangement. Editorial changes.
4	1 Oct 2021	Revised paragraph 22.1 on input tax claiming conditions to make references to the relevant IRAS webpages. Deleted previous Appendix 2 on Regulations 26 and 27 of the GST (General) Regulations.
5	1 Jan 2023	Removed paragraph 6.4 of fifth edition on GVR and CEVS rebate. Paragraph 6.2 provides the GST computation method when the selling price includes regulatory charges, incentives, vehicular schemes surcharges or rebates. Revised section 9 on Gross Margin Scheme and section 11 on Sale of Vehicle Bodies to provide better clarity on the conditions to be met before the Gross Margin Scheme can be applied on sales transactions. Revised paragraph 10.2 on Discounted Sale Price Scheme to provide better clarity on when the scheme is to be applied. Revised paragraph 11.5 on export to reference to the e-Tax Guide “GST: Guide on Exports” for the export documents required to be maintained.

		<p>Edited paragraph 14.2 on the evidence to be maintained for deposits collected for the bidding of COE.</p> <p>Computational examples updated to new GST rate</p> <p>Editorial changes.</p>
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Appendix 1 - Record Keeping for Sale of Second-Hand Vehicles

1. For sale of second-hand vehicles, you are required to keep the following records:

- (a) The purchase and sales invoice / tax invoice described at paragraphs 2 and 3 below; and
- (b) A stock book or similar records with separate headings for each of the following:

Purchase details

- stock book number
- date of purchase
- purchase invoice number
- name of seller
- vehicle registration, engine and chassis numbers
- make and model

Sales details

- date of sale
- sales invoice number
- name of purchaser

Accounting details

- purchase price and GST incurred (if applicable)
- selling price and GST charged (if applicable)
- method of disposal (Gross Margin or Discounted Sale Price Scheme)
- margin on sale (if applicable)
- GST rate on date of sale
- GST amount accounted as output tax

You can include any other items in your stock book for your own accounting purposes, but the details listed above must always be shown and your stock book must be kept **up-to-date**.

2. When you buy a vehicle from an individual

(a) You must prepare a **purchase invoice** showing:

- seller's name and address
- your name and address
- invoice number
- date of transaction
- stock book number
- particulars of vehicle (registration, engine and chassis numbers, make and model)
- total purchase price

(b) The seller must sign and date the invoice, certifying that he is the seller of the

vehicle at the stated price.

- (c) You have to record the purchase details of the vehicle in your stock book or similar record under the headings shown, including the purchase price. The purchase price is the price on the invoice which has been agreed between you and the seller. This price should not be altered.

3. When you sell a vehicle

- (a) Under the **Gross Margin Scheme**, you must issue a **sales invoice** showing:

- your name, address and GST registration number
- buyer's name and address
- invoice number
- invoice date
- stock book number
- particulars of vehicle (registration, engine and chassis numbers, make and model)
- total price
- signature of issuer
- the statement 'This vehicle is sold under GST Gross Margin Scheme. Both the seller and buyer cannot claim any input tax on the vehicle.'

- (b) Under the **Discounted Sale Price Scheme**, you must issue a **tax invoice** showing:

- the words 'tax invoice' in a prominent place
- invoice number
- invoice date
- your name, address and GST registration number
- buyer's name and address
- stock book number
- particulars of vehicle (registration, engine and chassis numbers, make and model)
- type of supply (e.g. outright sale or hire purchase)
- cash discount offered, if any
- amount payable, excluding GST
- GST rate and GST amount
- total amount payable, including GST

- (c) The customer must sign and date the invoice, stating that he is the buyer of the vehicle at the price shown.

- (d) The sales details and selling price of the vehicle must be entered into the stock book or similar record under the appropriate headings.

- (e) A copy of the sales/tax invoice has to be kept and maintained.

Appendix 3 - Sample Sales Invoice to Customer for Sale of Second-Hand Vehicles under Gross Margin Scheme

Using details in example 9 of paragraph 9.6

ABC Automobile Pte Ltd No. 1 Ubi Ave 2 Singapore 123456 GST Reg No: M2-0123456-7 <u>Sales Invoice</u>							
Mr Marcus Tan 123 Newton Road Singapore 999999	Invoice No 0902 Date : 1/1/2023 Stock Book No : 0122						
<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 5%; padding: 5px;">No.</th> <th style="width: 70%; padding: 5px;">Description</th> <th style="width: 25%; padding: 5px;">Amount</th> </tr> </thead> <tbody> <tr> <td style="text-align: center; vertical-align: top; padding: 5px;">1</td> <td style="padding: 5px;"> Registration No: XXXXXX Make: XXXXXX Model: XXXXXX Engine No: XXXXXX Chassis No: XXXXXX Selling price of vehicle Less: Deposit paid Balance amount due </td> <td style="text-align: right; vertical-align: bottom; padding: 5px;"> \$25,000.00 <u>\$ 2,000.00</u> <u>\$23,000.00</u> </td> </tr> </tbody> </table>	No.	Description	Amount	1	Registration No: XXXXXX Make: XXXXXX Model: XXXXXX Engine No: XXXXXX Chassis No: XXXXXX Selling price of vehicle Less: Deposit paid Balance amount due	\$25,000.00 <u>\$ 2,000.00</u> <u>\$23,000.00</u>	
No.	Description	Amount					
1	Registration No: XXXXXX Make: XXXXXX Model: XXXXXX Engine No: XXXXXX Chassis No: XXXXXX Selling price of vehicle Less: Deposit paid Balance amount due	\$25,000.00 <u>\$ 2,000.00</u> <u>\$23,000.00</u>					
This vehicle is sold under GST Gross Margin Scheme. Both the seller and buyer cannot claim any input tax on this vehicle.							
_____ (authorised signatory) ABC Automobile Pte Ltd	_____ Buyer's Signature & Date						

Appendix 4 - Sample Tax Invoice to a GST-Registered Customer for Sale of Second-Hand Vehicles under Discounted Sale Price Scheme

Using details in example 13 of paragraph 10.1

ABC Automobile Pte Ltd No. 1 Ubi Ave 2 Singapore 123456 GST Reg No: M2-0123456-7		
<u>Tax Invoice</u>		
XYZ Motor Co 2 Wheelock Ave Singapore 555555	Invoice No 0903 Date : 1/1/2023 Stock Book No : 0123	
Type of Supply: Cash Term		
No.	Description	Amount
1	Registration No: XXXXXX Make: XXXXXX Model: XXXXXX Engine No: XXXXXX Chassis No: XXXXXX Selling price of vehicle Add: GST @ 8% x 50% x \$25,000	\$25,000.00 <u>\$ 1,000.00</u>
	Total amount due	\$26,000.00
	Less: Deposit paid	<u>\$ 5,000.00</u>
	Balance amount due	<u>\$21,000.00</u>
<hr style="width: 30%; margin-left: auto; margin-right: auto;"/>		
(authorised signatory)		
ABC Automobile Pte Ltd		Buyer's Signature & Date

Appendix 6 - GST Computation Templates for Sale of New Vehicles

New Vehicles

Using details in example 3 of paragraph 6.1

				[A]	[B]	[C]	[D]	[E]	[F]=[A]-[B]-[C]-[D]-[E]	[G]=[F] x 8/108	[H]=[F]-[G]
S/n	Invoice date	Invoice no.	Vehicle no.	Selling price	ARF	COE	Regn fee	Road tax	Taxable supply (including GST)	GST output tax	Standard-rated supply
1	DDMMYY	XXXXX	XXXXX	\$92,630	\$20,000.00	\$50,000.00	\$220.00	\$400.00	\$22,010.00	\$1,630.37	\$20,379.63
2											
3											
Total										\$1,630.37	\$20,379.63¹
										Box 6	Box 1

Off-Peak Cars²

Using details in example 4 of paragraph 6.3

				[A]	[B]	[C]	[D]	[E]=[B]+[C]-[D]	[F]	[G]	[H]=[A]-[E]-[F]-[G]	[I]=[H] x 8/108	[J]=[H]-[I]
S/n	Invoice date	Invoice no.	Vehicle no.	Selling price	ARF	COE	OPC scheme rebate	Net ARF and COE paid to LTA	Regn fee	Road tax	Taxable supply (including GST)	GST output tax	Standard-rated supply
1	DDMMYY	XXXXX	XXXXX	\$78,215.00	\$20,000.00	\$50,000.00	\$17,000.00	\$53,000.00	\$220.00	\$70.00	\$24,925.00	\$1,846.30	\$23,078.70
2													
3													
Total												\$1,846.30	\$23,078.70¹
												Box 6	Box 1

Note:

¹Cents to be dropped for Box 1 reporting purposes. Based on the examples in Appendix 6, the combined value to be reported in Box 1 will be \$43,458.

²For other rebate/surcharge vehicular schemes, please refer to paragraph 6.2 of this guide

Appendix 7 - GST Computation Templates for Sale of Second-Hand Vehicles

Gross Margin Scheme¹

Using details in example 11 of paragraph 9.9

				[A]	[B]	[C]	[D]	[E]	[F]=[A]-[B]-[C]-[D]-[E]	[G]=[F] x 8/108	[H]=[A]-[G]
S/n	Invoice date	Invoice no.	Vehicle no.	Selling price	Purchase price	COE renewal ²	Road tax renewal ²	Transfer fee ²	Gross margin ³	GST output tax	Standard-rated supply
1	DDMMYY	XXXXX	XXXXX	\$40,500.00	\$10,900.00	\$26,000.00	\$600.00	\$30.00	\$2,970.00	\$220.000	\$40,280.00
2											
3											
Total										\$220.00	\$40,280.00⁵
										Box 6	Box 1

Discounted Sale Price Scheme⁴

Using details of example 14 of paragraph 10.1

				[A]	[B]	[C]=[A] x 8/208	[D]=[A]-[C]
S/n	Invoice date	Invoice no.	Vehicle no.	Selling price	Purchase price	GST output tax	Standard-rated supply
1	DDMMYY	XXXXX	XXXXX	\$25,000.00	\$20,000.00	\$961.54	\$24,038.46
2							
3							
Total						\$961.54	\$24,038.46⁵
						Box 6	Box 1

Note:

¹The second-hand vehicle must be purchased from a non-GST registered supplier or a GST-registered supplier who had used the Gross Margin Scheme on the sale of the second-hand vehicle to you and where you have a sales invoice (not tax invoice) from the supplier to support your purchase made under the Gross Margin Scheme. You can only begin to apply the Gross Margin Scheme on your sales from the date of submission of the form 'Self-Review of Eligibility and Declaration on Use of Gross Margin Scheme Form' to IRAS, based on your declaration that all the conditions of the scheme have been satisfied.

²If the LTA charges were separately recovered from the customers, you cannot deduct the LTA charges from the selling price of the used vehicle to arrive at the gross margin.

³If the gross margin is \leq \$0, the GST output tax [G] is \$0 and the standard-rated supply [H] is the selling price of the used vehicle [A].

⁴You do not satisfy the requirements for the use of the Gross Margin Scheme on the sale of your second-hand vehicle or the customer is registered for GST.

⁵Cents to be dropped for Box 1 reporting purposes. Based on the examples in Appendix 7, the combined value to be reported in Box 1 will be \$64,318.

Appendix 8 - GST Computation Templates for Sale of Vehicle Bodies

Scenario: You purchase a second-hand vehicle, deregister it and sell the vehicle body locally.

Using details in examples 15 and 16 of paragraphs 11.2 and 11.3

S/n	Invoice date	Invoice no.	Vehicle no.	[A] Selling price of vehicle body	[B] Purchase price of used vehicle ¹	[C] Face value of PARF/COE rebate as at date of de-registration of vehicle ²	[D]=[B]-[C] Cost of vehicle body ³	[E]=[A]-[D] Gross margin ⁴	[F]=[E] x 8/108 GST output tax	[G]=[A]-[F] Standard-rated supply
1	DDMMYY	XXXXX	XXXXX	\$20,000.00	\$85,000.00	\$66,000.00	\$19,000.00	\$1,000.00	\$74.07	\$19,925.93
2	DDMMYY	XXXXX	XXXXX	\$20,000.00	\$65,000.00	\$66,000.00	\$0.00	\$20,000.00	\$1,481.48	\$18,518.52
3										
4										
5										
Total									\$1,555.55	\$38,444.45⁵

Box 6

Box 1

Note:

¹The used vehicle must be purchased from a non-GST registered supplier or a GST-registered supplier who had used the Gross Margin Scheme on the sale of the used vehicle to you and where you have a sales invoice (not tax invoice) from the supplier to support your purchase made under the Gross Margin Scheme. Otherwise, you must charge and account for GST on the full selling price of the vehicle body. You can only begin to apply the Gross Margin Scheme on your sales from the date of submission of the form 'Self-Review of Eligibility and Declaration on Use of Gross Margin Scheme Form' to IRAS, based on your declaration that all the conditions of the scheme have been satisfied.

²This figure is to be extracted from LTA documents.

³The cost of vehicle body is \$0 when the face value of PARF/COE rebate at date of de-registration of the vehicle [C] is \geq the purchase price of the second-hand vehicle [B].

⁴If the gross margin is \leq \$0, the GST output tax [F] is \$0 and the standard-rated supply [G] is the selling price of the vehicle body [A].

⁵Cents to be dropped for Box 1 reporting purposes. Based on the example in Appendix 8, the value to be reported in Box 1 will be \$38,444.