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IRAS e-Tax Guide

GST: Guide for Charities and Non-profit
Organisations
(Sixth Edition)



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1 Aim

1.1 This e-Tax Guide explains:

- (a) The application of GST on the activities carried out by charities and non-profit organisations; and
- (b) The distinction between business and non-business activities, the types of transactions for which GST is chargeable and the rules for claiming GST incurred on business expenses.

2 At a Glance

2.1 As a charity or a non-profit organization (NPO), you will typically receive grants or donations to fund your operations so that you are able to charge subsidized fees for your provision of goods and services. You may also provide free services or engage in non-business activities for philanthropic, religious, political or patriotic purposes.

2.2 For GST purposes, you are regarded as carrying on both business and non-business activities. If you are GST-registered, you will need to know whether your activities are business in nature giving rise to taxable supplies or are non-business in nature because it will affect your accounting of output tax and claiming of input tax.

2.3 Output tax is the GST that you charge to your customers for goods and services that you sell. Generally, you will need to charge and account for output tax on fees charged for the provision of goods and services in Singapore (taxable supplies). Donations or grants received for which you do not provide any goods or services to the giver in return, do not attract GST.

2.4 Input tax is the GST that you incur on your business purchases. Input tax is claimable only if it is incurred for your business activity of making taxable supplies. If you carry on non-business activities (e.g. provide free or subsidised services), you will not be treated as wholly making taxable supplies. As such, you will not be able to claim your input tax in full where you carry on both business and non-business activities.

2.5 If you are not GST-registered, it is also important for you to know the distinction between business and non-business activities to determine whether you are required to register for GST.

3 GST registration

3.1 Your liability to register for GST may arise in two scenarios. The first is under 'normal GST registration rules' and the second is under 'GST registration arising from reverse charge rules'.

Normal GST registration rules

- 3.2 You are required to register for GST if the **value** of your taxable supplies arising from your business activities exceeds S\$1 million at the end of a calendar year (i.e. 31 December)¹. Alternatively, you will also be required to register for GST at any point in time if you expect the value of your taxable supplies in the next 12 months to exceed S\$1 million. This is even though you are involved substantially in non-business activities and the taxable activities may be incidental to your core objects.
- 3.3 If you carry out your activities under different arms within the same organisation, you should combine the taxable supplies from all these activities to arrive at the value of your taxable supplies. For example, you are registered as a religious organisation (say under the Societies Act) and hold religious classes for which attendees are charged a fee. At the same time, you operate a childcare facility and nursing home at different locations. You should take into account the value of all your taxable supplies, i.e. fees charged for the religious classes, the childcare facility, the nursing home services, etc to determine if you are required to register for GST.
- 3.4 To determine when you need to register for GST and how to apply for GST registration, please refer to our GST webpage 'Do I Need to Register for GST'.

GST registration arising from reverse charge rules

- 3.5 Following the implementation of reverse charge from 1 Jan 2020, you are required to register for GST by virtue of the reverse charge rules if:
- (a) You procure services from overseas suppliers ("imported services") within the scope of reverse charge and the total value of your imported services exceeds \$1 million or is expected to exceed S\$1 million in a 12-month period.

With effect from 1 Jan 2023, reverse charge will be extended to purchases of imported low-value goods ('LVG'), unless the LVG procured is directly attributable to taxable supplies. The requirement to perform reverse charge applies to all purchases of LVG (except those directly attributable to taxable supplies) and includes LVG purchased from local and overseas suppliers, electronic marketplaces or redeliverers, regardless of whether they are GST-registered or not.

Consequently, with effect from 1 Jan 2023, if you purchase imported services or imported low-value goods within the scope of reverse charge, you will need to register for GST if the total value of your

¹ Applies from 1 Jan 2019. Please refer to our GST webpage 'Do I need to register for GST' for the GST registration rules prior to 1 Jan 2019.

imported services and LVG exceeds or is expected to exceed \$1 million in a 12-month period; and

(b) You would not be entitled to full input tax credit if you were GST-registered.

3.6 Once you are GST-registered, besides accounting for GST on imported services and LVG, you will have to charge and account for GST on all standard-rated supplies made in the course or furtherance of your business.

3.7 For more details on imported services, LVG and the GST registration rules under reverse charge, please refer to e-Tax Guide 'GST: Reverse Charge'.

4 Types of supplies

4.1 As a GST-registered charity or non-profit organisation, you may also make exempt supplies, other than taxable supplies.

4.2 Generally, the sale of goods (including your fixed assets) and provision of services in return for a fee or payment are taxable supplies, which may be standard-rated supplies (i.e. subject to GST at 7%) or zero-rated supplies² (i.e. subject to GST at 0%).

4.3 The following are examples of payments received for the provision of taxable supplies:

- School fees, training/course fees;
- Programme fees (e.g. for counselling programme);
- Kidney dialysis fees;
- Day-care facility fees;
- Rental income from the letting of non-residential properties;
- Proceeds from the sale of donated goods;
- Proceeds from the sale of non-residential properties and fixed assets.

4.4 The following are examples of payments received for the provision of exempt supplies³ :

- Interest received from bank deposits;
- Proceeds from sales of shares, bonds and unit trusts;

² Taxable supplies can be zero-rated if they are sale of goods exported by you or provision of international services. Please refer to our website (www.iras.gov.sg) for more details.

³ Exempt supplies are the provision of financial services, the sale and lease of residential land/property, the supply of investment precious metals and the supply of digital payment tokens with effect from 1 Jan 2020. Please refer to our website for more details.

- Rental income from the letting of residential properties⁴;
- Proceeds from the sale of residential properties.

5 Grants, donations, sponsorships and fund raising events

5.1 You may receive funding in the form of grants, donations and sponsorships. You may also organise fund raising events to raise funds to support your operations. Generally, such monies received will attract GST only if you provide direct benefits, such as goods or services, including the granting of rights in return for the monies. If you are not providing any direct benefits to the giver, the monies received do not attract GST.

Grants

5.2 Grants given by government agencies or the business community (“grantor”), with no requirement for you to provide any direct benefits to the grantor do not attract GST. This is because you do not provide any goods or services to the grantor in return for the grant (i.e. no taxable supply). For example, operating grants received by a nursing home to support its day-to-day operations do not attract GST.

5.3 However, if a grant is given on the condition that you provide goods or services to the grantor, you are regarded as making a taxable supply to the grantor. For example, if you receive a “grant” to design a special wheelchair and allow the grantor to patent that design, the grant will attract GST. You are required to account for GST on the grant received, at the prevailing tax fraction (7/107 x grant received).

Donations

5.4 Cash donations or voluntary contributions of money from the public where the donor receives negligible or no tangible benefits (e.g. a flag or similar emblem) do not attract GST. Similarly, donations in-kind such as gift vouchers or gift of goods, received by you where you do not provide any direct benefits to the donor are outright donations that do not attract GST.

5.5 However, if the donors are entitled to some benefits, e.g. you sell tickets that entitle the donor to a chance to participate or win in a charity donation draw, the donor is regarded to have received a direct benefit from you in return for his “donation”. The “donation” is equivalent to purchasing lucky draw tickets as the “donor” receives a chance of winning in return for the money given. You will have to account for GST at the prevailing tax fraction (7/107) on the total gross receipts less cash payouts to winners.

⁴ The portion of income relating to rental of furniture is still taxable.

If the payouts are not in cash but in the form of goods and services, you should account for GST at 7/107 of the total gross receipts.

- 5.6 If you are a registered charity⁵ or an institution of a public character (IPC), a concessionary tax treatment is granted where no GST needs to be accounted on specified types of benefits given in return for donations. Please refer to our e-Tax Guides 'Tax Treatment On Donations With Benefits (Donations made before 19 March 2021)' and 'Tax Treatment On Donations With Benefits (Donations made on or after 19 March 2021)' for more details.

Sponsorships

- 5.7 You may also receive financial or other support in the form of goods and services (sponsorship) from sponsors for your charity events.
- 5.8 Such sponsorship will not attract GST if the sponsor:
- provides the support voluntarily; and
 - does not receive any direct benefits in return.
(A mere acknowledgement⁶ of the sponsor's contribution in the programme / booklet / banner or a small token of appreciation given out of goodwill is not considered as direct benefits).
- 5.9 However, if the sponsor's contribution is made on certain conditions, based on written or verbal agreements, and these conditions confer direct benefits on the sponsor, the sponsorship will attract GST.
- 5.10 The following are examples of when you would be regarded as providing direct benefits to the sponsor:
- naming of the event after the sponsor;
 - displaying the sponsor's name / logo on shirts worn by a team;
 - advertising the sponsor's products / services in the programme booklet or materials;
 - providing free use of event facilities to the sponsor.
- 5.11 In such cases, you have to account for output tax based on the market value of the benefits conferred at the prevailing tax rate (7%). If the GST-inclusive market value of the benefits is less than the total sum sponsored, the difference represents outright donations which do not attract GST.

⁵ A registered charity is an organisation that is registered with the Commissioner of Charities as a charity under the Charities Act.

⁶ The acknowledgement in the programme / booklet / banner must not amount to an advertisement of the sponsor's brand or products. For guidance on when IRAS would consider a sponsorship as a mere acknowledgement, please refer to paragraph 6.7 of the e-Tax Guide 'Tax Treatment on Donations with Benefits (Donations made on or after 19 March 2021).'

- 5.12 If you are unable to determine the market value of the benefits conferred, you have to account for output tax at the prevailing tax rate (7%) of total market value of goods and services sponsored, or tax fraction (7/107) of total cash sponsored.

Fund raising events

- 5.13 You have to account for GST on the proceeds received from fund raising events if you provide direct benefits or rewards in return for the monies received.
- 5.14 The GST treatment of common fund raising activities are as follows:

Charity TV shows for phone-in donations

- 5.15 When you organise a TV show to solicit donations from the public and the donors do not receive any direct benefits in return for their contributions⁷, the donations do not attract GST.

Charity dinners, charity concerts / shows, charity golf tournaments

- 5.16 When you organise charity dinners, charity concerts / shows or charity golf tournaments to solicit donations, the donor is regarded to have received direct benefits in the form of tickets to attend the event or a golf game, in return for his “donation”.
- 5.17 Such donations attract GST and you should account for GST on the value⁸ of charity dinners, concerts or golf tournaments if you are GST-registered. Any excess of the proceeds received (e.g. from ticket sales) over the value of the event will be treated as outright donations and is not subject to GST.
- 5.18 However, if you are a registered charity or an institution of a public character (IPC), a concession is given to treat direct benefits that fall within a specified list as having no commercial value. No GST needs to be accounted for on donations received that fall within the scope of the concession. Please refer to the IRAS e-Tax Guides ‘Tax Treatment On Donations With Benefits (Donations made before 19 March 2021)’ and ‘Tax Treatment On Donations With Benefits (Donations made on or after 19 March 2021)’ for more details.

⁷ This will also mean that there are no prizes, rewards or a chance to win in a lucky draw offered in return for their contribution.

⁸ You may use the costs you incurred (payable to third parties like hotels, country clubs) to hold the event as the value of event to account for GST.

Charity auction sale of goods or artefacts

- 5.19 When you hold a charity auction sale of goods or artefacts, the final auctioned price is usually above the market price of the auctioned item. You may account for GST at the prevailing tax fraction (7/107) on the GST-inclusive market price of the auctioned item. Any excess of the gross auction proceeds over and above the GST-inclusive market price represents outright donations not subject to GST.
- 5.20 If you are unable to determine the market price of the auctioned item, you will have to account for GST at 7/107 of the final auctioned price.

How should you determine the market price of the auctioned item?

- 5.21 You should use the following methods to determine the market value/price of the auctioned item, in the following order of priority:
- a. Retail price of the auctioned item
 - b. Retail price of a comparable/similar item
 - c. Opinion of expert e.g. via a valuation report
 - d. Cost to you for providing the item, e.g. if the item is a gift of goods handmade by volunteers, these goods can be valued based on the cost incurred in the course of production.
- 5.22 For example, if you received the goods free of charge from third parties, you should obtain the retail/selling price of the item to determine the market price of the auctioned item to account for GST.
- 5.23 If you purchased the goods from third parties for the auction, you can use the purchase price as the market price of auctioned item, unless the purchase price is not reflective of the market price of the auctioned item. For example, you purchased an item from a seller at a price much lower than market price [e.g. you bought an item worth \$100 (GST inclusive price) at \$40] because the seller is aware that it is meant for fund raising purposes. If you auctioned the item at \$250, you should account for GST at 7/107 on the GST inclusive market price of \$100 (not \$40). The amount to be treated as an outright donation not subject to GST is \$150.

Charity Carnivals or Fun Fair

- 5.24 Charity carnival or fun fair coupons entitle the buyers to redeem for goods and services on the day of the charity event. As the coupons provide the buyers with the rights to receive goods and services at the event, you have to account for GST at the prevailing tax fraction (7/107) on the gross sales of the coupons. This is regardless of whether the buyers ultimately redeem the coupons.

6 Input Tax Claims

- 6.1 You can claim GST incurred on your business purchases (including imports) as your input tax provided that the GST is incurred for the purpose of making taxable supplies in the course or furtherance of your business. All input tax claims must be supported with relevant tax invoices addressed to you / simplified tax invoices or GST payment permits showing you as the importer. In addition, you should claim input tax based on the actual GST amount shown on the suppliers' tax invoices or the GST payment permits for imports.
- 6.2 The following are the basic rules in claiming input tax⁹:
- (a) Input tax incurred for carrying out wholly taxable activities is claimable in full (e.g. fund raising event where your charges for goods and services are at market prices and not at subsidised rates);
 - (b) Input tax incurred for carrying out wholly non-business activities is not claimable (e.g. provision of free services);
 - (c) Input tax incurred for carrying out subsidised activities (partly business and partly non-business) is to be apportioned such that only the portion relating to the business of making taxable supplies is claimable. Subsidised activities are where you charge a fee to your customers at below the market rates because these activities are supported by grants, outright donations or sponsorships.
 - (d) Input tax incurred for exempt supplies is not claimable, unless certain conditions are satisfied.

Input tax to make exempt supplies

- 6.3 Generally, input tax incurred on exempt supplies¹⁰ cannot be claimed. However, there are exceptions where exempt input tax is claimable if either one of the following conditions are met:
- (a) You satisfy the De Minimis rule¹¹ such that the total value of your exempt supplies in any accounting period of the return does not exceed:

⁹ This excludes GST incurred on expenses that are specifically disallowed under Regulations 26 and 27 of the GST (General) Regulations, such as club subscription fees, medical expenses and medical insurance premiums, family benefits, motorcar-related expenses, etc. Please refer to our GST webpage 'Conditions for Claiming Input Tax'.

¹⁰ Examples of exempt input tax include those incurred on purchase or sale of shares, purchase or sale or lease of residential properties.

¹¹ The De Minimis Rule is specified in Regulation 28 of the GST (General) Regulations.

- \$40,000 per month on average, and
- 5% of the value of total supplies (i.e. standard-rated, zero-rated and exempt supplies)

(b) You make only exempt supplies listed under Regulation 33¹² of the GST (General) Regulations. An example of a common Regulation 33 exempt supply is interest income from bank deposit.

6.4 If you make other exempt supplies e.g. from investments such as sale of shares or bonds on your own or through a fund manager, and do not satisfy paragraph 6.3(a) above, you will not be able to claim GST incurred to make such exempt supplies (e.g. brokerage fee, fund manager fee).

Administrative concession

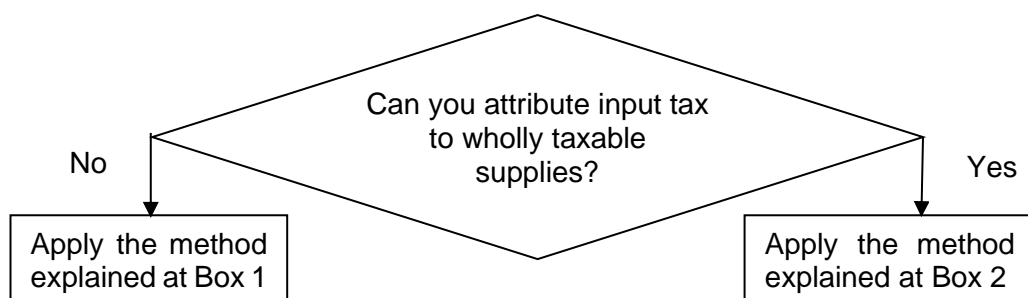
6.5 To comply with the input tax rules, you have to identify and attribute the GST incurred to these categories of activities:

- Wholly taxable activities (e.g. fund raising activities yielding benefits to the giver and other business activities that generate taxable supplies that are charged at market rates and not subsidized by non-business receipts);
- Wholly non-business activities (e.g. provision of free services);
- Exempt activities; and
- Subsidised activities that are partly for the making of taxable supplies and partly for non-business purposes.

6.6 If you face difficulty in attributing your GST incurred to the respective activities based on the method in paragraph 6.5 a simpler method of apportionment is allowed, as an administrative concession.

6.7 Please refer to the flow chart at Figure 1 for the methods of apportionment.

Figure 1 – Input tax Apportionment



¹² Regulation 33 exempt supplies are considered to be necessary and integral to the making of taxable supplies, examples include interest from bank deposits, foreign exchange gain/loss, issue of new shares or bonds etc. Please refer to the e-Tax Guide 'GST: Partial Exemption and Input Tax Recovery'.

The formula in Boxes 1 and 2 are applicable if you make only Regulation 33 exempt supplies (e.g. interest from bank deposits).

Box 1¹³

1. Apportion all the input tax claims (excluding disallowed input tax under Regulations 26 & 27) using the apportionment formula¹⁴:

$A \times (B + C) / (B + D + E)$ where

A	Total input tax (exclude disallowed Reg 26 & 27 input tax)
B	Taxable Supplies (exclude imported services and LVG on which reverse charge is applicable)
C	Regulation 33 Exempt supplies (e.g. interest from bank deposits)
D	Non-business receipts (e.g. grants, donations, sponsorships) that finance the operating activities. You can exclude the funding for major capital projects (e.g. capital grants and donations reflected in balance sheet).
E	All exempt supplies
Note : The figures above are those applicable for each accounting period of the GST return.	

2. If you are unable to determine the non-business receipts for **each accounting period**, you are allowed to claim the input tax using a **provisional rate**. This rate refers to the actual yearly input tax recovery rate for the **preceding financial year**. The rate is computed as follows:

$(B^y + C^y) / (B^y + D^y + E^y)$ where

B ^y	Yearly Taxable Supplies (excluding imported services and LVG on which reverse charge is applicable)
C ^y	Yearly Regulation 33 Exempt supplies (e.g. interest from bank deposits)
D ^y	Yearly Non-business receipts to finance operating activities (extracted from financial statement). [You should include operating grants, donations and other non-business receipts reflected in your profit and loss account. You can exclude capital grants amortised, capital grants and donations (reflected in balance sheet) used for funding capital project.]
E ^y	Yearly Exempt supplies

At the end of each financial year, you will need to compute the actual input tax recovery rate for that year using actual figures. You will then compare the actual amount of input tax claimable with the input tax provisionally claimed for that financial year. The difference in input tax over-claimed or under-claimed must be adjusted in the next GST F5 return of the new financial year, following the finalisation of the financial statements. Please refer to Annex 2 for an illustration of computing the allowable input tax claim.

¹³ The formula in Box 1 is applicable when you do not conduct any investment activities on your own or through fund manager. If you do, please refer to paragraph 6.8.

¹⁴ The input tax recovery rate has to be rounded off to the nearest 2 decimal places (e.g. 72.564% will be rounded off to 72.56%).

Box 2¹⁵

1. Claim your input tax attributable to wholly¹⁶ taxable activities in full.
2. Apportion your remaining input tax for subsidised and free activities (excluding disallowed input tax under Regulations 26 & 27) using the apportionment formula¹⁷:

$A1 \times (B1 + C1) / (B1 + D1 + E1)$ where

A1	Remaining total input tax for subsidised and free activities (exclude disallowed Reg 26 & 27 input tax)
B1	Taxable Supplies (exclude imported services and LVG on which reverse charge is applicable)
C1	Regulation 33 Exempt supplies (e.g. interest from bank deposits)
D1	Non-business receipts (e.g. grants, donations, sponsorships) that finance the operating activities. You can exclude the funding for major capital projects (e.g. capital grants or donations reflected in balance sheet).
E1	All Exempt supplies
Note : The figures above are those applicable for each accounting period of the GST return.	

3. If you are unable to determine the non-business receipts for **each accounting period**, you are allowed to claim the input tax for subsidised and free activities using a **provisional rate**. This rate refers to the actual yearly input tax recovery rate for the **preceding financial year**. The rate is computed as follows:

$(B1^y + C1^y) / (B1^y + D1^y + E1^y)$ where

B1 ^y	Yearly Taxable Supplies (excluding imported services and LVG on which reverse charge is applicable)
C1 ^y	Yearly Regulation 33 Exempt supplies (e.g. interest from bank deposits)
D1 ^y	Yearly Non-business receipts (extracted from financial statement) [You should include operating grants, donations and other non-business receipts reflected in your profit and loss account. You can exclude capital grants amortised, capital grants and donations (reflected in balance sheet) used for funding capital project.]
E1 ^y	Yearly Exempt supplies

At the end of each financial year, you will need to compute the actual input tax recovery rate for that year using actual figures. You will then compare the actual amount of input tax claimable with the input tax provisionally claimed for that financial year. The difference in input tax over-claimed or under-claimed must be adjusted in the next GST F5 return of the new financial year, following the finalisation of the financial statements. Please refer to Annex 2 for an illustration of computing the allowable input tax claim.

¹⁵ The formula in Box 2 is applicable when you do not conduct any investment activities on your own or through fund manager. If you do, please refer to paragraph 6.8.

¹⁶ For example, you hold a charity carnival where the visitors are entitled to redeem their carnival coupons for goods and services. You can claim the input tax incurred for the carnival in full as you will be accounting for output tax on the gross value of carnival coupons sold.

¹⁷ The input tax recovery rate should be rounded off to the nearest 2 decimal places (e.g. 72.564% will be rounded off to 72.56%).

Input tax apportionment where other exempt supplies are made

6.8 If you engage in activities that give rise to non-Regulation 33 exempt supplies such as sales or lease of residential properties or sales of shares or bonds from investment activities, and you do not satisfy the conditions in paragraph 6.3(a) above, you will have to modify the formula in Box 1 or Box 2 of paragraph 6.7 by performing the following:

- a. Exclude all direct input tax incurred to make the exempt supplies (e.g. brokerage fees, fund manager fees, commission, etc) from apportionment (i.e. exclude from A or A1). Such input tax is not claimable in full.
- b. Include the value of supplies arising from these activities in the apportionment formula in Box 1 and 2.
 - Include exempt supplies (e.g., sale / lease of residential property, shares sold to local persons from your own investment activities etc) in the denominator of your apportionment formula (i.e. E, E1, E^y or E1^y).
 - Include zero-rated supplies (e.g. shares sold to overseas persons) as part of taxable supplies in the numerator of your apportionment formula (i.e. B, B1, B^y or B1^y).

[Exception: If your investment activities are performed by your fund manager, exclude the exempt and zero-rated supplies arising from such activities from your apportionment formula (i.e. exclude from B, B^y, B1 or B1^y and E, E^y, E1 or E1^y).]

- c. Perform regulation 35 test. The Regulation 35 test¹⁸ is satisfied if the value of non-regulation 33 exempt supplies made by you (excluding those from fund manager activities) does not exceed 5% of the total value of all your taxable and exempt supplies (including both regulation 33 and non-33 exempt supplies)¹⁹;
- d. Include regulation 33 exempt supplies in the numerator (i.e. C , Cy, C1 or C1^y) of the formula in Box 1 or 2 only if you pass the regulation 35 test.
- e. Exclude regulation 33 exempt supplies in the numerator (i.e. C , Cy, C1 or C1^y) of the formula in Box 1 or 2 if you do not pass the regulation 35 test.

¹⁸ Regulation 35 is satisfied when, $\frac{\text{Non-Regulation 33 Exempt Supplies}}{\text{Taxable Supplies} + \text{Exempt Supplies}} < 5\%$

¹⁹ You have to exclude the Reverse charge supplies (i.e. value of imported services and LVG subject to reverse charge) from the taxable supplies value when performing the De Minimis test and the Regulation 35 test.

Annual Fixed Rate method only for Charities²⁰

- 6.9 If you are a charity, you can choose to use an “annual fixed rate” to compute the claimable input tax for all your GST returns that fall in a financial year. This “annual fixed rate” is the actual yearly input tax recovery rate of the preceding financial year.
- 6.10 To ease your compliance, at the end of the current financial year, you do not need to make any adjustment to the total input tax claimed in the year. In the next financial year, you will compute the actual rate of the current year as the “annual fixed rate” to be used in all the GST returns that fall in the next financial year.
- 6.11 Once you choose to apply the “annual fixed rate” method, you are not allowed to opt out of this method.

[Note: If you are a charity which has been granted a special input tax apportionment formula that is not listed in this guide, this fixed rate method is not applicable to you.]

Input tax incurred on big major projects

- 6.12 If you incur input tax on major capital projects (e.g. constructing a new building) that will be used for both business and non-business activities, you need to determine the proportion of the capital project that will be used for the making of taxable activities. You can use a direct method for determination (for example by the actual floor area to be used for taxable activities following construction, activity base costing, time utilisation, subsidy rate, etc.) or a reasonable proxy. You can only claim the portion of input tax applicable to taxable activities for business purpose.

Example 1

- 6.13 You are constructing a new building. 40% of the building will be rented out commercially while 60% of the building will be used for carrying out subsidised tuition. You can claim 40% of the input tax incurred on construction cost in full as it is for the making of wholly taxable supplies. As the remaining 60% of input tax on construction cost will only be partly for the making of taxable supplies (i.e. the portion of the tuition fees charged to students), only a portion of this input tax can be claimed.

If you are unable to attribute this input tax between your business and non-business activities, you can use the same proportion applicable to your operating activities (based on the apportionment methods stated under paragraph 6.7 (Box 1 or Box 2) to determine the amount claimable out of the remaining 60% of the construction cost.

²⁰ This annual fixed rate method is available to charities registered with the Commissioner of Charities and Exempt Charities under the Charities Act.

Example 2

To expand your provision of free and subsidised activities, you construct a new building. Based on the apportionment formula for your operating activities (determined under paragraph 6.7 (Box 1 or Box 2) you can claim, say 48% of the input tax for your operating activities. If you are unable to directly attribute the proportion of capital project that is used for making taxable supplies, you can use the same rate of 48% to claim the input tax for the construction cost.

7 Reverse Charge

- 7.1 With effect from 1 Jan 2020, GST-registered persons have to apply reverse charge (RC) on services procured from overseas suppliers (“imported services”) if they are not entitled to full input tax recovery.
- 7.2 From 1 Jan 2023, reverse charge will also apply to the purchase of imported low-value goods (‘LVG’). The requirement to perform reverse charge applies to all purchases of LVG (except those directly attributable to taxable supplies) and includes LVG purchased from local and overseas suppliers, electronic marketplaces or redeliverers, regardless of whether they are GST-registered or not.
- 7.3 If you are a charity or VWO subject to input tax apportionment, reverse charge will apply to you if you procure imported services and/or LVG.
- 7.4 Under the RC rules, you have to account for GST on imported services and LVG (other than those specifically excluded from the scope of RC) as if you were the supplier. You may claim the GST on such imported services and LVG subject to your usual input tax apportionment formula.
- 7.5 You need to take note of the following when you complete your GST return.

From 1 Jan 2020 to 31 Dec 2022

Boxes in GST return	What to report
Box 1: Total Standard-rated supplies	The value of imported services subject to RC and your taxable supplies of goods and services
Box 6: Output tax due	Value of output tax to be accounted on the value of imported services and other taxable supplies
Box 7: Input Tax and refunds claimed	Value of input tax claimable on the value of imported services and local purchases
Box 14: Value of imported services subject to GST under reverse charge	Value of imported services subject to RC

On and after 1 Jan 2023

Boxes in GST return	What to report
Box 1: Total Standard-rated supplies	The value of imported services and LVG subject to RC and your taxable supplies of goods and services
Box 6: Output tax due	Value of output tax to be accounted on the value of imported services, LVG and other taxable supplies
Box 7: Input Tax and refunds claimed	Value of input tax claimable on the value of imported services, LVG and local purchases
Box 14: Value of imported services and low-value goods subject to GST under reverse charge	Value of imported services and LVG subject to RC

- 7.6 To compute the amount of input tax claimable using the apportionment formula in Boxes 1 and 2 of paragraph 6.7, you have to exclude the value of imported services and LVG (RC supplies) by deducting the value in Box 14 from Box 1 to arrive at the value of taxable supplies in the numerator and the denominator of the apportionment formula.
- 7.7 If you make exempt supplies, you also have to exclude the RC supplies from total supplies values when performing the De Minimis test and the Regulation 35 test²¹.
- 7.8 For more details on reverse charge, please refer to the e-Tax Guide 'GST: Reverse Charge'.

Note: Reverse charge will not apply to you if you do not procure services from overseas suppliers or LVG.

8 Property held by trustee

- 8.1 Unincorporated bodies (e.g. society) are generally unable to hold properties in their own name due to the lack of legal capacity.
- 8.2 If you are an unincorporated body, any property that you acquire will generally be held by a legal entity that acts as a bare trustee. Such a bare trustee can be an individual or a company appointed or set up solely for the purpose of holding the property on your behalf²² with no interest in it.

²¹ Regulation 35 is satisfied when, $\frac{\text{Non-Regulation 33 Exempt Supplies}}{\text{Taxable Supplies} + \text{Exempt Supplies}} < 5\%$

²² The bare trustee has no duties to perform on the property other than to act on your instructions.

Input tax

- 8.3 You can claim input tax for the GST incurred on the property acquired through your bare trustee, subject to the qualifying conditions. The amount of input tax that is claimable depends on the use of the property. If the property is fully used for the making of taxable supplies (e.g. charging rental income at commercial rates), input tax incurred on the purchase of the property can be claimed in full. If the property is used as your premises where you have both business and non-business activities, you have to apply the input tax apportionment rule to determine the amount of input tax claimable²³.
- 8.4 To support your input tax claim, you have to maintain the following:
- Tax invoice addressed to the bare trustee; and
 - Documents (e.g. trust deed) or records showing that the purchase is made by the bare trustee on your behalf.

Output tax

- 8.5 You have to account for output tax on supplies of properties (sale or rental) made on your behalf by the bare trustee. If input tax on the property acquired has been allowed to you previously, you will have to account for deemed output tax when such properties are:
- given away for free;
 - put to personal or non-business use; or
 - held as at the last day of GST registration.

9 Frequently Asked Questions

Output tax

- 9.1 **I provide subsidised services to the needy. Do I have to account for GST on the subsidised fees that I charge?**

Ans: Yes, you are required to account for GST on the subsidised fees charged to your customers.

²³ If the input tax claim on the property results in a GST refund, the refund will be made to you (i.e. to the bank account indicated by you or by cheque).

9.2 I recover from my employees a portion of the fees incurred for organising staff welfare activities. Do I have to account for output tax on the fees that I receive from my employees?

Ans : Yes, GST is to be accounted for all supplies made in the course or furtherance of your business including any recoveries received from your employees.

9.3 I charge rental to third parties who wish to use the facilities / space at my business premises. Do I need to charge GST?

Ans: Yes, you should charge GST on rental for the use of your business premises.

9.4 How do I treat sales of charity coupons that can be redeemed for goods and services at a charity event?

Ans: Sales of charity coupons that entitle the buyers to redeem goods and services on the day of the charity event attract GST. As the coupons provide the buyers with the rights to receive goods and services at the event, you have to account for GST at the prevailing tax fraction (7/107) on the gross sales of the coupons regardless of whether the buyers ultimately redeem the coupons.

9.5 Do I have to account for output tax on gifts given away free to employees during a lucky draw at an annual dinner and dance function of the company?

Ans: If the value of the gift costs \$200 or more, you have to account for deemed output tax on the gift if you have claimed the GST incurred on the purchase of the gift.

For example, if you give away a television that cost \$600 as part of the lucky draw prize, you need to account for output tax of \$42 (i.e. 7% x 600) if you have claimed GST incurred on the purchase of the television. If you did not claim any input tax on the purchase, you need not account for output tax.

Input tax

9.6 Can I claim the input tax by applying the GST rate (7%) on all my purchases?

Ans: No, this is not allowed as you have to ensure the following:

- The input tax is supported by relevant tax invoices addressed to you / simplified tax invoices or GST payment permits showing you as the importer;

- The input tax is based on the actual GST amount shown on the suppliers' tax invoices / simplified tax invoices or the GST payment permits for imports; and
- The input tax does not include expenses that are disallowed under regulation 26 and 27 of the GST General Regulations.

9.7 I receive grant from government agency to subsidise the costs of my operations. Can I claim input tax in full on my operating expenses?

Ans: You have to apportion the input tax incurred by you using the input tax apportionment formula stated in this e-Tax Guide. The grant forms part of your non-business receipts to be included in the denominator of your apportionment formula.

9.8 I receive non-monetary sponsorships (i.e. in the form of goods and services) where I do not provide any benefits in return. Do I have to treat such sponsorships as non-business receipts to be included in the input tax apportionment formula?

Ans: Such non-monetary sponsorships need not be treated as non-business receipts and you can exclude them from the input tax apportionment formula.

9.9 I am a charity and received capital grant inclusive of GST from the government for the construction of building / purchase of assets. Can I claim the input tax incurred on the construction / purchase?

Ans: Grants are usually disbursed by the government excluding GST. However, in view that charities are required to apportion their input tax and would incur significant irrecoverable input tax from such capital expenditure, the government provides GST inclusive capital grant. Given that the GST is already provided in the grant, you should not claim the GST incurred on the construction as your input tax.

9.10 Do I have to include all non-business receipts including those received in advance when performing the input tax apportionment?

Ans : For non-business receipts such as grants and donations that are received in advance (i.e. recorded in your balance sheet), you are to include the amount utilised for the period as the non-business receipts in the denominator of your input tax apportionment formula. This is to avoid distorting your input tax recovery rate with the large amount of grants / donations received in advance.

10 Contact Information

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

11 Updates and amendments

	Date of amendment	Amendments made
1	1 Oct 2019	<ul style="list-style-type: none"> • Revised paragraph 6.7 • Inserted paragraph 3.5, 3.6, 5.24, 6.4, 6.8, 7 and 9
2	2 Mar 2020	<ul style="list-style-type: none"> • Amendments to footnote 6 to include supply of cryptocurrency within the list of exempt supplies
3	30 Sep 2022	<ul style="list-style-type: none"> • Updated paragraphs 3.5 and 7 to include applying reverse charge to import of low-value goods (LVG) with effect from 1 Jan 2023 • Added new paragraph 5.6 on concessionary tax treatment for IPCs and registered charities • Added new paragraph 5.21 on valuation methods to determine market price of auctioned item • Editorial changes

12 Annex 1

Table on classification of supply for various income/receipts

INCOME / RECEIPTS	CLASSIFICATION OF SUPPLY
Charity donation drives with charity dinners, charity concerts/shows, charity golf tournaments	Out-of-scope [where the concessionary tax treatment for registered charities and IPCs applies. Refer to the e-Tax Guides 'Tax Treatment On Donations With Benefits (Donations made before 19 March 2021)' and 'Tax Treatment On Donations With Benefits (Donations made on or after 19 March 2021)' for more details], otherwise, standard-rated supply.
Proceeds from charity auction of goods	Standard-rated supply on the market value of the auctioned goods
Subscription fees	Standard-rated supply
Course fees, school fees, programme fees	Standard-rated supply
Day care fees	Standard-rated supply
Advertising fees in brochures, programmes, magazines	Standard-rated supply
Sale/ lease of non-residential properties	Standard-rated supply
Sale/ lease of residential properties	Exempt supply
Interest income	Exempt supply
Sale of lottery, big sweep, lucky draw tickets – Donor wins a chance	Standard-rated supply Output tax accounted at 7/107 on the gross takings less cash payouts to winners.
Cash Sponsorship (given on condition to confer benefits) <ul style="list-style-type: none"> • Can determine the market value of the benefits <p>-----</p> <ul style="list-style-type: none"> • Cannot determine market value of the benefits 	Standard-rated supply <ul style="list-style-type: none"> • Account output tax at 7/107 on GST-inclusive market value of the benefits • Amount of cash sponsored is greater than GST-inclusive market value of the benefits, difference = pure donations with no GST <p>-----</p> <ul style="list-style-type: none"> • Account output tax at 7/107 of the total sum of cash sponsored
Cash donations (with no tangible benefits to donor)	Out-of-scope
Dividend income	Out-of-scope
Grants (with no benefits to grantor)	Out-of-scope
Grants (with benefits to grantor)	Standard-rated supply

13 Annex 2

Illustration of the simplified approach in claiming provisional input tax and making adjustments after the financial year end

If your organisation is carrying out business and non-business activities, this appendix illustrates the simplified approach to claim input tax provisionally, and how to adjust the provisional input tax claims after the end of the financial year.

In this illustration, your financial year-end is 31 Mar. You wish to claim input tax in your quarterly GST returns for the financial year ended 31 Mar 2022 (i.e. 1 Apr 2021 – 31 Mar 2022). You can do so provisionally by using the preceding year's input tax recovery rate for the full financial year, i.e. financial year ended 31 Mar 2021.

Step 1:

You need to calculate the actual input tax recovery rate for the preceding financial year ended 31 Mar 2021.

Based on the annual financial statements for year ended 31 Mar 2021 and the GST returns declared for periods covering 1 Apr 2020 - 31 Mar 2021, the following actual figures were recorded (assume you adopt the formula under Box 1 of paragraph 6.7).

Year 1/4/2020 – 31/3/2021

Total Taxable Supplies = \$4,000,000

Total Non-Business Receipts (per profit & loss statement)

- Grants (gross amount) = \$4,000,000

- Donations (gross amount) = \$1,200,000

\$5,200,000

- Regulation 33 Exempt supplies = \$100,000

Calculate input tax recovery rate for the financial year ended 31 Mar 2021.

$$\begin{aligned}
 \text{Actual yearly input tax recovery rate} &= \frac{\text{Yearly taxable supplies} + \text{Regulation 33 exempt supplies}}{\text{Yearly taxable supplies} + \text{Yearly non-business receipts} + \text{Total Exempt supplies}} \\
 &= \frac{4,000,000 + 100,000}{4,000,000 + 5,200,000 + 100,000} \\
 &= 44.09\%
 \end{aligned}$$

If you have adopted the method under Box 2 of paragraph 6.7 you should apply the formula under Box 2 accordingly.

Step 2:

In your GST returns covering the period 1 Apr 2021 – 31 Mar 2022 you can provisionally claim input tax (excluding disallowed input tax under Regulations 26 & 27) based on 44.09%.

Quarterly Filing of GST Return	Actual input tax incurred (\$)	Provisional input tax recovery rate (%)	Provisional claim of input tax (\$)
1/04/2021 – 30/06/2021	75,000	44.09	33,067.50
1/07/2021 – 30/09/2021	125,000	44.09	55,112.50
1/10/2021 – 31/12/2021	85,000	44.09	37,476.50
1/01/2022 – 31/03/2022	100,000	44.09	44,090.00
Total:	385,000		169,746.50

Total input tax provisionally claimed in financial year ended 31 Mar 2022 is \$169,746.50.

Step 3:

After the end of the financial year ended 31 Mar 2022, once you have finalised your financial statements for year ended 31 Mar 2022, you need to calculate the actual input tax recovery rate for financial year ended 31 Mar 2022 using the apportionment formula.

You will compare the actual amount of input tax claimable with the input tax provisionally claimed in your GST returns for the financial year ended 31 Mar 2022 to determine the amount of input tax over-claimed or under-claimed. The amount of input tax over-claimed or under-claimed needs to be adjusted in the next GST F5 return (for the accounting period ended 30 Jun 2022). If you have already submitted the said F5 return, you are required to file the GST F7 form for the period ended 30 Jun 2022 to make the adjustment.

Year 1/4/2021 – 31/03/2022

Applying the apportionment formula (in step 1) using actual non-business receipts (per profit & loss in the financial statements) and total taxable and exempt supplies for the year, the actual input tax recovery rate for financial year ended 31 Mar 2022 for example is 38.50%.

Amount of input tax claimable for the financial year ended 31 Mar 2022:

$$\begin{aligned}
 &= \text{Actual input tax incurred} \times \text{Actual input tax recovery rate} \\
 &= \$ 385,000 \text{ (per step 2)} \times 38.50\% \\
 &= \$ 148,225
 \end{aligned}$$

Compare actual input tax claimable with input tax provisionally claimed

If actual input tax claimable < input tax provisionally claimed → over-claim of input tax
 If actual input tax claimable > input tax provisionally claimed → under-claim of input tax

Input tax provisionally claimed (per step 2) – Actual input tax claimable

$$\begin{aligned}
 &= \$ 169,746.50 - \$148,225 \\
 &= \$ 21,521.50
 \end{aligned}$$

Thus, there is an over-claim of input tax of \$21,521.50 for financial year ended 31 Mar 2022.