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IRAS e-Tax Guide

Real Estate Agency Industry
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1 Aim

- 1.1 This guide explains the application of GST on taxable supplies made by GST-registered estate agents and salespersons.

2 At a glance

- 2.1 GST-registered estate agents are required to charge and account for GST on the commission received by them or by their salespersons on behalf of the estate agents. If the salesperson is GST-registered, he is also required to charge and account for GST on the commission received from his estate agent.
- 2.2 Other than the provision of services in relation to estate agency work, if GST-registered estate agents or salespersons also trade in properties or let out their properties for rental, they will have to charge and account for GST on the sale or rental of their non-residential properties.

3 Glossary

3.1 Estate agents

Estate agency businesses (sole proprietors, partnerships and companies) which are licensed in order to perform estate agency work under the Estate Agents Act.

3.2 Estate agency work

Any work done in the course of business or in expectation of any fee (whether or not in the course of business), for a client in relation to—

- (a) the introduction, or after the introduction to the client of a third person who wishes to buy, sell or lease a property, or
- (b) the negotiation for the purchase, sale or lease of a property by the client.

For more details, please refer to the Estate Agents Act.

3.3 International services

The supplies of services that fall within any of the descriptions under Section 21(3) to the Goods and Services Tax Act.

3.4 Input tax

The GST paid/payable on:-

- (i) supplies of goods or services; and
- (ii) importation of any goods into Singapore,

where the goods or services are used or to be used by a taxable person for the purpose of his business.

3.5 Residential property

- (a) a vacant land which is zoned “Residential” in the Master Plan under the Planning Act 1998 and the land is approved for residential or condominium development; or
- (b) a vacant land or land with existing building (which is required by the Government or such relevant public authority¹ to be demolished) which is supplied by the Government or such relevant public authority and approved exclusively for residential or condominium development; or

¹ Relevant authority refers to any public authority as approved by the Minister or such other person as the Minister may appoint.

GST Guide for Real Estate Agency Industry

(c) any land or part of any land with any building on the land or part, being a building which is used or to be used principally for residential purposes, but not if the land or part is one supplied by the Government or such relevant public authority and is not approved exclusively for residential or condominium development and the building on the land or part is required to be demolished.

For more information on residential property, please refer to our e-tax guide on “GST: Property Owners and Property Holding Companies”.

3.6 Salespersons

Individuals who perform estate agency work and are required to be registered with a licensed estate agent under the Estate Agents Act.

3.7 Tax Invoice

An invoice as is required under Section 41 of the Goods and Services Tax Act. For more information on tax invoice, please refer to our e-tax guide on “GST: General Guide for Businesses”.

3.8 Time of supply

Time of supply determines when a taxable person is required to charge and account for GST on the supply of goods and services made.

4 GST on commission

- 4.1 Estate agents and salespersons would generally receive commission for their services in performing estate agency work (i.e. buying, selling or leasing of properties) from their clients who can be the buyers, sellers, landlords or tenants. The provision of services in relation to estate agency work in Singapore by estate agents and salespersons is a taxable supply. This is regardless of whether the property is residential or non-residential.
- 4.2 GST-registered estate agents and salespersons have to charge GST on the commission that they receive if the service rendered is in relation to a property located in Singapore. If the service rendered is in relation to a property located outside Singapore, the supply can be zero-rated as this is regarded as international services.
- 4.3 If a property transaction is aborted and the GST registered estate agent or salesperson is still entitled to the agreed commission (in part or in full) for the services rendered, it/he will have to charge and account for GST on the value of the commission received. This is because the provision of service in estate agency work is treated as a separate taxable supply from the sale of the property.
- 4.4 GST-registered estate agents and salespersons may also receive commission from banks for introducing their clients to take up loans with the banks. They will have to charge and account for GST on the value of the commission received as the introduction service is a taxable supply.
- 4.5 If GST is not separately charged on the agreed commission, the commission will be treated as inclusive of GST. A GST registered estate agent or a salesperson has to account for the GST based on the tax fraction² of the commission.

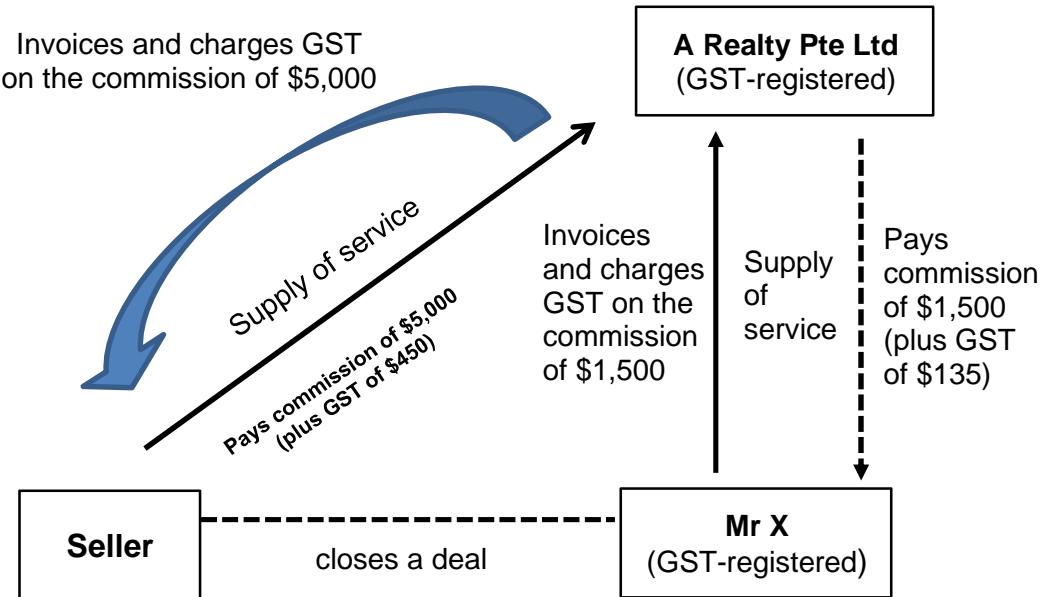
GST on the commission paid to the estate agent and the salesperson

- 4.6 The estate agent is the one who enters into a contract with the client to perform estate agency work. The estate agent will be represented by its salesperson and may pay commission to the salesperson for the estate agency work done by him.
- 4.7 A GST-registered estate agent will have to charge and account for GST on the full commission that it receives from its client while the GST-registered salesperson will have to charge and account for GST on the commission that he receives from the estate agent. In the event that the commission is received by the salesperson directly from the client, the GST-registered estate agent is still required to charge and account for GST on the full payment received by its salesperson as the payment is for services rendered by the real estate agent.

² Tax fraction is the fraction of prevailing GST rate / (100 + prevailing GST rate). For example, if the prevailing GST rate is 9%, the tax fraction is 9/109.

Example 1

A GST-registered individual salesperson, Mr X works for a GST-registered estate agent, A Realty Pte Ltd. A Realty Pte Ltd enters into a contract with a seller to sell his property and A Realty Pte Ltd is represented by Mr X. As the contract is entered into between A Realty Pte Ltd and the seller, the seller pays A Realty Pte Ltd a commission of \$5,000. A Realty Pte Ltd then shares the commission with Mr X in the ratio of 70:30.



GST on the commission received by the estate agent

Based on the above arrangement, A Realty Pte Ltd is providing a supply of service to the seller. The full commission of \$5,000 that A Realty Pte Ltd charges to the seller is the consideration for its taxable supplies and is subject to GST.

GST on the commission received by the salesperson

Though the salesperson, Mr X deals directly with the seller and is responsible for closing the deal, he is actually providing a taxable supply of service to A Realty Pte Ltd. Therefore, the commission of \$1,500 that Mr X receives from A Realty Pte Ltd is the consideration for his service. As Mr X is registered for GST, he will have to charge GST of \$135 (9% x \$1,500) on the 30% commission of \$1,500 that he receives from A Realty Pte Ltd.

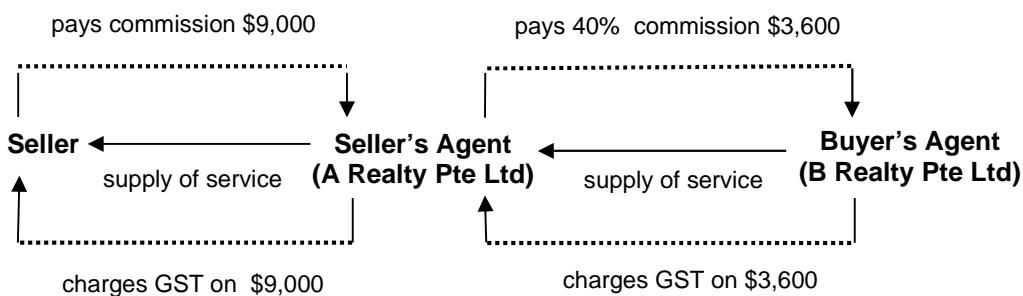
5 Charging GST in a co-brokering arrangement

5.1 Sometimes, the estate agent (e.g. Co A) may enter into a co-brokering arrangement with another estate agent (e.g. Co B) on the sale of property. If both the estate agents are GST-registered, they will have to charge and account for GST on the commission received.

Example 2

An estate agent, A Realty Pte Ltd is contracted by a seller to help him sell the property. Another estate agent, B Realty Pte Ltd helps A Realty Pte Ltd to find a buyer. A Realty Pte Ltd and B Realty Pte Ltd have agreed to share the commission of \$9,000 payable by the seller in the ratio of 60:40.

Assuming that A Realty Pte Ltd and B Realty Pte Ltd are both GST-registered, GST is chargeable in the following manner:



In this co-brokering arrangement, B Realty Pte Ltd is making a supply of service to A Realty Pte Ltd when B Realty Pte Ltd helps A Realty Pte Ltd find a buyer. The consideration for its supply of service to A Realty Pte Ltd is the 40% commission of \$3,600 that it receives from A Realty Pte Ltd. B Realty Pte Ltd is required to charge GST of \$324 (9% x \$3,600) to A Realty Pte Ltd.

On the other hand, as A Realty Pte Ltd is engaged by the seller to sell the property, A Realty Pte Ltd is making a supply of service to the seller. The full commission of \$9,000 that the seller pays to A Realty Pte Ltd is the consideration for its supply. A Realty Pte Ltd is required to charge GST of \$810 (9% x \$9,000) to the seller.

Time of supply for estate agency work

- 5.2 GST registered estate agents and salespersons are required to charge GST on commission received and GST has to be accounted for at the earlier of the following events:
 - (a) when commission is received; or
 - (b) when invoice is issued.
- 5.3 The issuance of any type of invoice will be an event that triggers the time of supply. This includes a tax invoice as well as any document that serves as a bill for payment for supplies made by a GST-registered supplier. An example of such document would be a debit note.
- 5.4 In general, documents such as sales order, pro-forma invoice, statement of accounts and letter/statement of claims are not considered as invoices for GST time of supply purposes. This is because these documents are often not bill for payments and would therefore not be treated as invoices based on normal commercial practice.
- 5.5 For more details, please refer to the e-Tax Guide on GST: Time of Supply Rules.

6 GST on sale and lease of property

- 6.1 Besides the provision of services in relation to estate agency work, if GST-registered estate agents or salespersons also sell their own properties or let out their own properties for rental such that they are regarded as carrying on a business of property trading or leasing, they will have to account for GST on the following:
 - (a) the sale price of non-residential properties sold; and
 - (b) the rental collected from the lease of non-residential properties.
- 6.2 Upon deregistration from GST, if the estate agents or salespersons have been allowed to claim input tax on the GST incurred on the purchase of non-residential properties, they have to deem a supply on these properties still owned by them. In other words, they have to account for GST at the prevailing GST rate on the open market value of properties still held by them. This must be accounted in their Final GST Return (F8).
- 6.3 More information on the GST treatment for the sale and lease of properties can be found in our e-Tax guide “GST: Guide for Property Owner and Property Holding Company”.

7 Claiming of input tax

- 7.1 GST-registered estate agents and salespersons can claim GST incurred in relation to their real estate agency work. The input tax claimable includes the GST incurred on advertisements, rental of premises, office stationeries and equipment. They are not allowed to claim input tax incurred on the purchase and running expenses (such as petrol, parking, repair and maintenance) of motorcars.
- 7.2 If they are also involved in the business of selling and/or letting of non-residential properties owned by them, they can claim GST incurred in relation to the purchase of non-residential properties as their input tax, as long as the properties are acquired for the purposes of letting or sale. The input tax claimable includes the GST incurred on the purchase price, maintenance or service charges, purchase of furniture and fittings, renovation and repairs, conveyance fees etc.

8 Contact information

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

9 Updates and amendments

	Date of amendment	Amendments made
1	1 Jan 2018	<ul style="list-style-type: none">• Amended paragraph 3.5 on definition of residential properties.• New paragraph 4.7 to clarify on GST treatment for payment of commission received by salesperson directly from client.
2	1 Jan 2023	<ul style="list-style-type: none">• Editorial amendments to paragraphs 2 to 6.• Revised footnote to paragraph 4.5, example 1 and 2 to update GST rate.• Revised paragraph 8 on contact information.
3	1 Jan 2024	<ul style="list-style-type: none">• Revised footnote to paragraph 4.5, example 1 and 2 to update GST rate.