

Goods and Services Tax
Bad Debt Relief: Checklist for Self-Review of Eligibility of Claim



INLAND REVENUE
 AUTHORITY
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Important Notes:

(1) This checklist may take 15 minutes to complete.

(2) This checklist serves as a guide for you to assess your eligibility for bad debt relief (BDR) under the GST (General) Regulations. It specifies the types of records and documents you must maintain to support your claim. These records and documents must be made available for verification should we carry out an audit on your claim.

(3) Before making a claim in your GST return, please ensure that you have:

- Read the explanatory notes attached to this checklist;
- Analysed your business records; and
- Satisfied all the conditions in the relevant sections below.

(4) **DO NOT** submit the completed checklist unless requested by IRAS.

SECTION 1: CLAIMANT'S PARTICULARS

Name		GST Registration Number	
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SECTION 2: CONDITIONS TO BE MET
(ALL conditions must be satisfied before you proceed to make the claim in your GST return)

	<u>Yes</u>
(a) I have supplied goods or services for a consideration in money and have accounted for and paid GST on the supply.	<input type="checkbox"/>
(b) I have written off the whole or any part of the consideration for the supply as a bad debt in my accounts.	<input type="checkbox"/>
(c) A period of twelve months beginning with the date of supply has elapsed or the debtor has become insolvent before the period of twelve months has elapsed (refer to paragraph 1 of the "Explanatory Notes").	<input type="checkbox"/>
(d) I have taken reasonable steps to recover the debt (refer to paragraph 2 of the "Explanatory Notes").	<input type="checkbox"/>
(e) I have satisfied <u>all</u> the following conditions:	<input type="checkbox"/>
- the value of the supply is equal to or less than its open market value;	
- where the supply involved goods, the ownership must have been transferred to your customer; and	
- the claim was made within 5 years from the date of supply	

SECTION 3: MAINTENANCE OF DOCUMENTS AND RECORDS –
You are required to keep documents and records for:

- 5 years from the prescribed accounting period of the date of supply or**
 - 3 years from the date of claim,**
- whichever later (refer to paragraph 4 of the "Explanatory Notes").**

	<u>Yes</u>
I have the following:	
(a) Tax invoice, records or other documents showing:	<input type="checkbox"/>
(i) the time, nature, purchaser and the consideration of the supply	
(ii) I have accounted for and paid the GST	
(iii) I have written off the consideration as a bad debt in my accounts	
(iv) I have made all reasonable efforts to recover the debt	
(b) "Refund for Bad Debts" account showing the following information for each claim made:	<input type="checkbox"/>
(i) Invoice/ receipt no. and date of invoice/ receipt	
(ii) Total amount of GST charged and prescribed accounting period in which output tax was accounted	
(iii) Total payment received till to-date	
(iv) Total amount (inclusive of GST) owed to me till to-date (refer to paragraph 5 of the "Explanatory Notes.")	
(v) GST amount claimed as bad debt and prescribed accounting period in which bad debt relief was claimed	

(c) Where bad debts are subsequently recovered, records or other documents showing:

(Refer to paragraph 6 of the "Explanatory Notes".):

(i) Total payment received

(ii) I have accounted the output tax on the supply on which bad debt relief was claimed

(iii) Bad debts recovered and GST amount in "Refund for Bad Debts" account

SECTION 4: PROCEDURE TO CLAIM

If your self-assessment showed that you have satisfied all the above conditions, you are eligible to claim bad debt relief. You may proceed to include the amount in Box 7 of your GST return. If you have made bad debt relief claims in Box 7, please indicate 'Yes' for Box 11 and the amount claimed. Your claim will be subject to our verification should we conduct an audit on your claim. Do not submit this checklist unless requested by us.

**Goods and Services Tax – Explanatory Notes on
Bad Debt Relief: Checklist for Self-Review of Eligibility of Claim**

1. CIRCUMSTANCES UNDER WHICH A DEBTOR IS TREATED AS INSOLVENT

1.1 Where debtor is an individual:

- the debtor is an adjudged bankrupt; or
- a deed of arrangement is made for the benefit of his creditors or a composition or scheme of arrangement proposed by him is approved under section 95 of the Bankruptcy Act (Cap. 20).

1.2 Where debtor is a company:

- it is ordered by the court:
 - (i) to be wound up because it is unable to pay its debts within the meaning of the Companies Act; or
 - (ii) to be placed under the judicial management of a judicial manager; or
- a receiver is appointed and the statement of affairs lodged with the Registrar of Companies shows that its assets would be insufficient to cover the payment of any dividend in respect of the debts which are neither secured nor preferential.

2. REASONABLE STEPS/EFFORTS TAKEN TO RECOVER THE DEBTS

To establish that there is little or no likelihood of recovering the debt, you are required to take appropriate steps to recover the debt instead of simply writing it off as bad. The appropriate steps undertaken will vary according to the size of the debt and the resources available for you to pursue the debt.

Examples of debt-recovery actions include:

- issuing reminder notices and attempting telephone/mail or e-mail contact; or
- issuing a formal demand notice and/or a summons, etc.

3. ENTITLEMENT TO A REFUND FOR BAD DEBT

You are entitled to claim for bad debt relief if the following conditions are satisfied:

- the value of the supply is equal to or less than its open market value;
- where the supply involved goods, the ownership must have been transferred to your customer; and
- the claim was made within 5 years for supplies made on/after to 01 Jan 2007.

4. MAINTENANCE OF DOCUMENTS AND RECORDS

You are required to preserve the documents, invoices and records for any bad debt relief claim as follows:

- Date of claim is more than 3 years to the final day of the relevant period

E.g.	Date of supply	Prescribed accounting period ending on	Final day of relevant period (A)	Date of claim (B)	(A) – (B)	To preserve documents until
1	31 May 2020	30 Jun 2020	30 May 2025 (5 yrs)	31 Dec 2021	> 3 years	30 Jun 2025

- Date of claim is less than 3 years to the final day of the relevant period

E.g.	Date of supply	Prescribed accounting period ending on	Final day of relevant period (A)	Date of claim (B)	(A) – (B)	To preserve documents until
2	31 Jul 2021	30 Sep 2021	30 Jul 2026 (5 yrs)	30 Jun 2025	< 3 years	30 Jun 2028

5. HOW TO COMPUTE BAD DEBT RELIEF

The computation for bad debt relief depends on whether one supply or multiple supplies were made to the debtor. **The tax rate to use for computing the Bad Debt Relief is the rate prevailing at the time of supply. (In the following examples, the prevailing GST rate is 7%.)**

5.1 WHEN ONLY A SINGLE SUPPLY IS MADE TO THE DEBTOR

Example

Value of supply including GST = \$10,700
 GST charged at 7% = \$700
 Payment received = \$9,630
 Total outstanding consideration (including GST) = \$1,070 (Workings: \$10,700 - \$9,630)
 Bad debt relief claimable = \$70 (Workings: \$1,070 X 7/107)

5.2 WHEN MULTIPLE SUPPLIES ARE MADE TO THE DEBTOR

In the event that multiple supplies were made to the debtor and part payment for these supplies was received, the part payment is to be attributed to the supplies made. The attribution method to use will be based on the following:

5.2.1 WHEN DEBTOR SPECIFIED WHICH SUPPLY THE PART PAYMENT IS MADE FOR

Example: There are 3 supplies made to the same debtor where payment is outstanding. Subsequently, the debtor specifies and pays \$8,560, \$1,070 and \$4,280 for supplies 1, 2 and 3 respectively.

Supply	Date	Total outstanding consideration (including GST)	Specified payments	Total outstanding consideration (including GST) after attribution of payment	Bad debt relief claimable
1	01 Apr 2021	\$10,700	\$8,560	\$2,140	\$2,140 x 7/107 = \$140
2	02 Apr 2021	\$1,070	\$1,070	\$0	\$0
3	03 Apr 2021	\$5,350	\$4,280	\$1,070	\$1,070x 7/107 = \$70
Total bad debt relief claimable					\$210

5.2.2 WHEN DEBTOR DID NOT SPECIFY WHICH SUPPLY THE PART PAYMENT IS MADE FOR

A) Supplies made on different days

Example: There are 3 supplies made to the same debtor where payment is outstanding. Subsequently, debtor pays \$14,980 without specifying which supplies the payment was made for. Payment shall be attributed to the supplies in chronological orders as follows:

Supply	Date	Total outstanding consideration (including GST)	Attributed payments	Total outstanding consideration (including GST) after attribution of payment	Bad debt relief claimable
1	01 Apr 2021	\$10,700	\$10,700	\$0	\$0
2	02 Apr 2021	\$1,070	\$1,070	\$0	\$0
3	03 Apr 2021	\$5,350	\$3,210	\$2,140	\$2140 x 7/107 = \$140
Total bad debt relief claimable					\$140

B) Supplies made on the same day

Example: There are 3 supplies made to the same debtor on the same day. The debtor then pays \$8,820 without specifying which supplies the payment was made for. Payment shall be attributed to the supplies according to the following formula:-

$$A \times \frac{B}{C} \quad \text{where} \quad \begin{array}{l} A \text{ is the payment received;} \\ B \text{ is the outstanding consideration for that supply; and} \\ C \text{ is the total outstanding consideration for those supplies.} \end{array}$$

Supply	Date	Total outstanding consideration (including GST)	Attributed payments	Total outstanding consideration (including GST) after attribution of payment	Bad debt relief claimable
1	01 Apr 2021	\$7,700	\$2,520 ^a	\$5,180	\$5,180 x 7/107 = \$339
2	01 Apr 2021	\$11,550	\$3,780 ^b	\$7,770	\$7,770 x 7/107 = \$508
3	01 Apr 2021	\$7,700	\$2,520 ^c	\$5,180	\$5,180 x 7/107 = \$339
Total		\$26,950		Total bad debt relief claimable	\$1,186

$$^a \$8,820 \times \frac{\$7,700}{\$26,950} = \$2,520 \quad \quad ^b \$8,820 \times \frac{\$11,550}{\$26,950} = \$3,780 \quad \quad ^c \$8,820 \times \frac{\$7,700}{\$26,950} = \$2,520$$

6. REPAYMENT OF REFUND FOR BAD DEBT RELIEF UNDER REGULATION 89

If you received a payment from your customer after you have received a refund from the Comptroller of GST for the bad debt relief, you should repay to the Comptroller the amount calculated in accordance with the following formula:

$$A \times \frac{B}{C} \quad \text{where} \quad \begin{array}{l} A \text{ is the amount of refund or the balance thereof;} \\ B \text{ is the amount of payment received or attributed; and} \\ C \text{ is the amount of the outstanding consideration.} \end{array}$$

You have to include the amount repayable to the Comptroller of GST in Box 6 of your GST return for the prescribed accounting period in which the payment is received.

EXAMPLE:

Supplier A makes \$10,000 worth of supplies to Customer B and accounts for the output tax of \$700 to IRAS. Subsequently, Customer B defaults the payment and Supplier A claims back the \$700 output tax from IRAS as Bad Debt Relief. (Assuming all the conditions of claiming Bad Debt Relief are fulfilled)

After a few months, Customer B decided to repay \$8,000. Due to this, Supplier A has to repay to IRAS part of the Bad Debt Relief claimed earlier.

Using the above formula:

$$\begin{aligned} \text{Amount to be repaid to IRAS} &= \$700 \times \$8,000 / \$10,700 \\ &= \$523.36 \end{aligned}$$

Supplier A has to include the amount repayable (\$523.36) to the Comptroller of GST in Box 6 of the GST return for the prescribed accounting period in which the payment is received.