

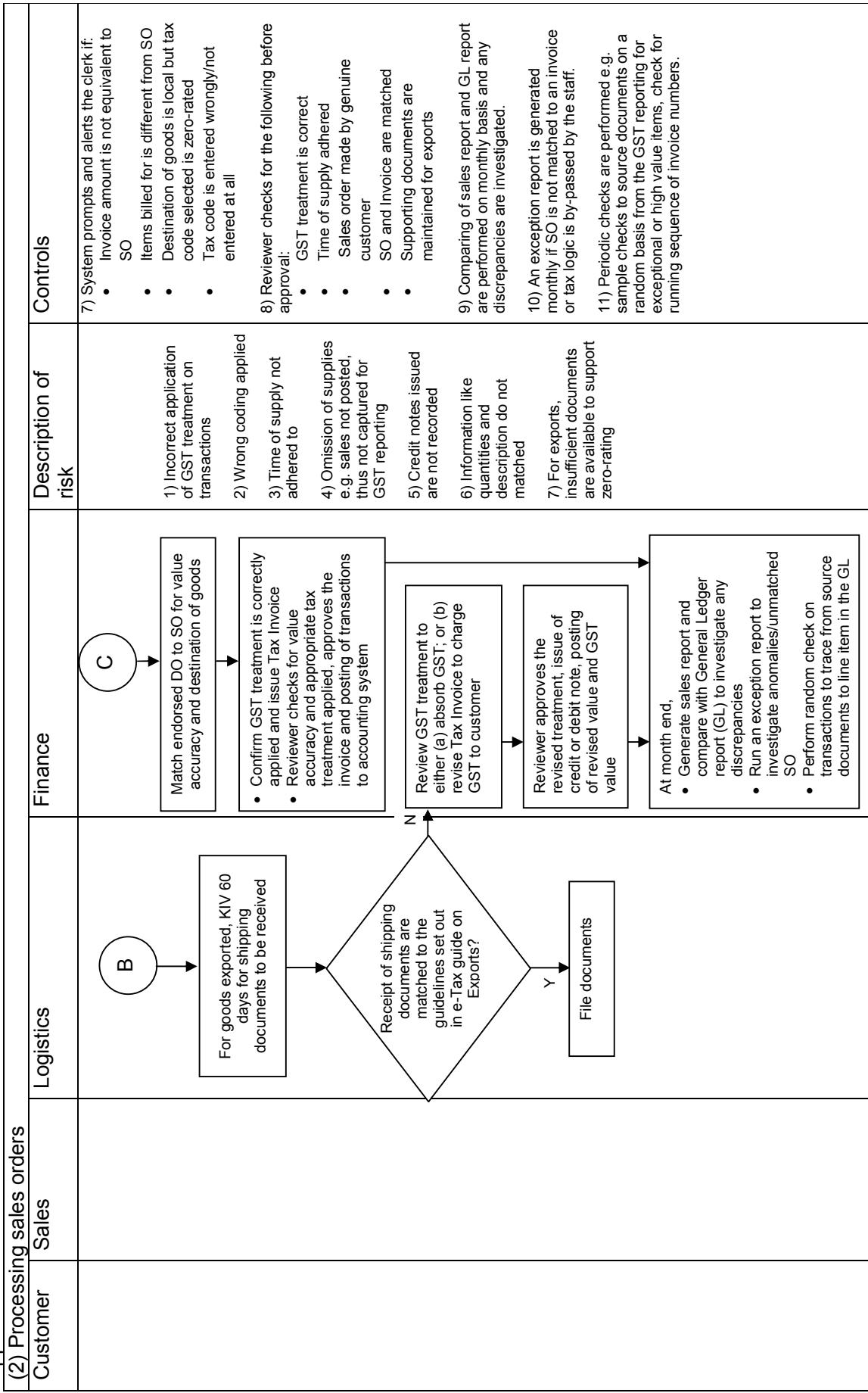
GST: Assisted Compliance Assurance Programme (ACAP)
 Appendix 1- Annex 4
Sample Control Process Flow for Sales (on supply of goods)

| Customer | | Sample of flow on decision making for identification/ review of new business model) | | Description of risk | Controls |
|----------|-------------|---|---|---|--|
| Sales | Finance/Tax | Places order via email, fax, phone call etc | Does it fall within existing business model with the tax code pre-defined by a designated tax person? | 1) Applying incorrect GST treatment to new business model 2) System does not cater to changes in tax code requirement due to certain constraints E.g. the change may require major revamp of the system 3) Staff may override the tax code and update the changes/new transactions | 1) Finance and Sales Manager meet and discuss on tax treatment implication. They seek consultation from IRAS or tax expert if unsure of the tax treatment. 2) If GST system logic in-built does not cater for the new scenario and it affects voluminous transactions, management should explore the change of system requirement with IT. The process owner submits a request for system change to IT by next available system upgrade. Meanwhile, Finance and Sales team insert new work control procedures to secure correct tax treatment and data capture. |
| | | | | <pre> graph TD Start[Places order via email, fax, phone call etc] --> Decision{Does it fall within existing business model with the tax code pre-defined by a designated tax person?} Decision -- N --> A((A)) Decision -- Y --> Logic{System logic/ control procedure updating required?} Logic -- Y --> Update[Update system logic/process flow] Update --> Run[Run system test and sample checks] Run --> Satisfied{Satisfied with the results?} Satisfied -- N --> Training[Conduct training to relevant personnel in sales and finance] Satisfied -- Y --> Training </pre> | <p>1) Finance and Sales Manager meet and discuss on tax treatment implication. They seek consultation from IRAS or tax expert if unsure of the tax treatment. 2) If GST system logic in-built does not cater for the new scenario and it affects voluminous transactions, management should explore the change of system requirement with IT. The process owner submits a request for system change to IT by next available system upgrade. Meanwhile, Finance and Sales team insert new work control procedures to secure correct tax treatment and data capture.</p> <p>3) Once the procedures are finalized, the trainer ensures all the affected personnel are present during the training session. The training material is made available in a central file for easy access.</p> <p>The reviewer conducts sample check on new transactions once every month for a period of 3 months.</p> <p>If there are no errors noted, then he/she may stop the checks.</p> |

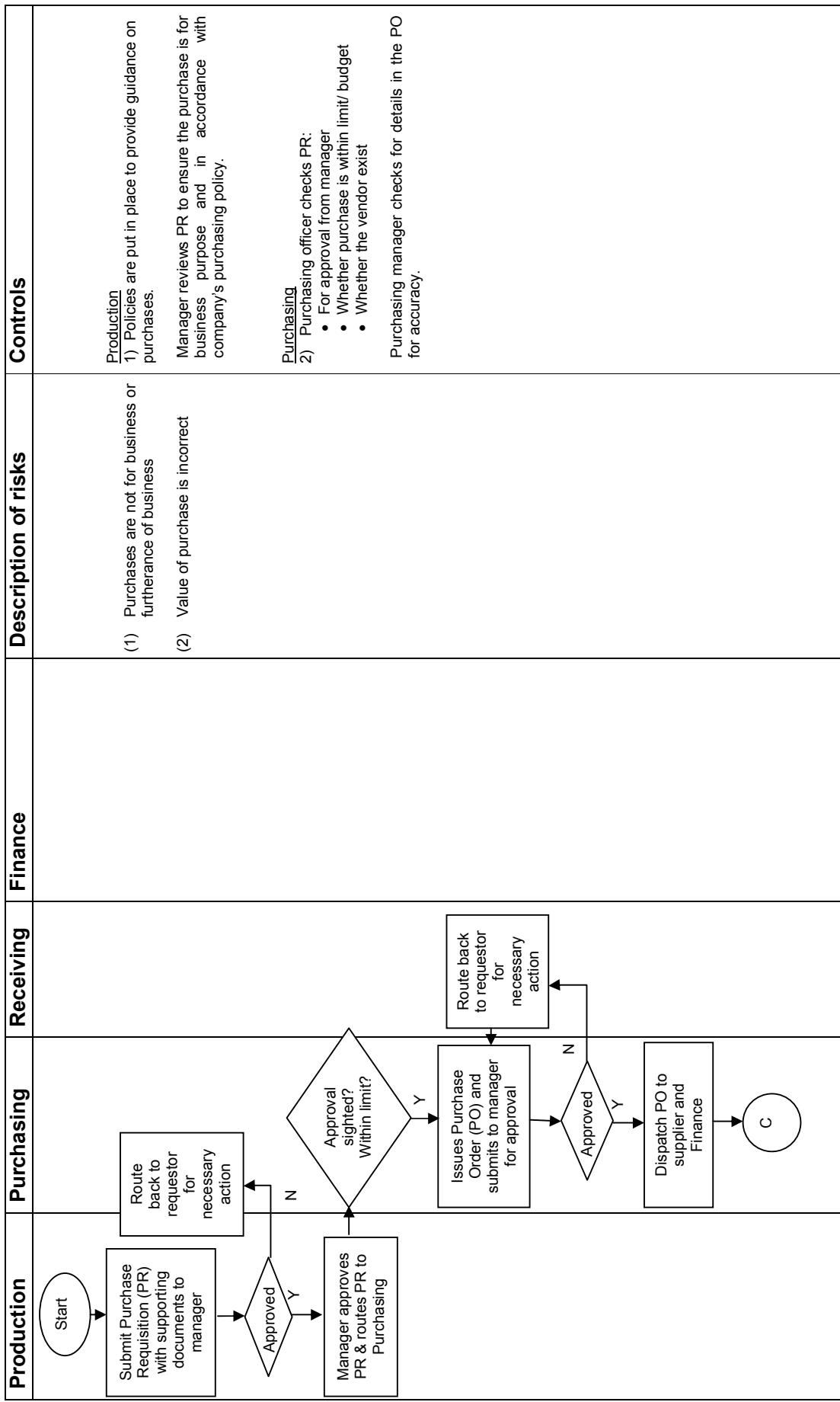
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| (2) Processing sales orders | | Customer | | Finance | | Description of risk | Controls |
|-----------------------------|---|----------|-----------|-----------|---------|---|----------|
| Customer | Sales | Sales | Logistics | Logistics | Finance | | |
| | <pre> graph TD A((A)) --> B[Create sales order • (SO) in system with GST code • Alert Finance] B --> C[Generate Delivery order (DO)] C --> D{Delivery to local address?} D -- Y --> E[Prepare shipping documents] D -- N --> F[Investigate and follow-up with customer/relevant personnel] F --> G{SO approved?} G -- Y --> H[Ensure quantities and descriptions on SO matched to DO and physical goods] G -- N --> I[Goods delivered, send endorsed DO to Finance] H --> I I --> C((C)) </pre> | | | | | <ul style="list-style-type: none"> 1) Incorrect application of GST treatment on transactions 2) Wrong coding applied 3) Time of supply not adhered to 4) Omission of supplies e.g. sales not posted, thus not captured for GST reporting 5) Credit notes issued are not recorded 6) Information like quantities and description do not matched 7) For exports, insufficient documents are available to support zero-rating | |

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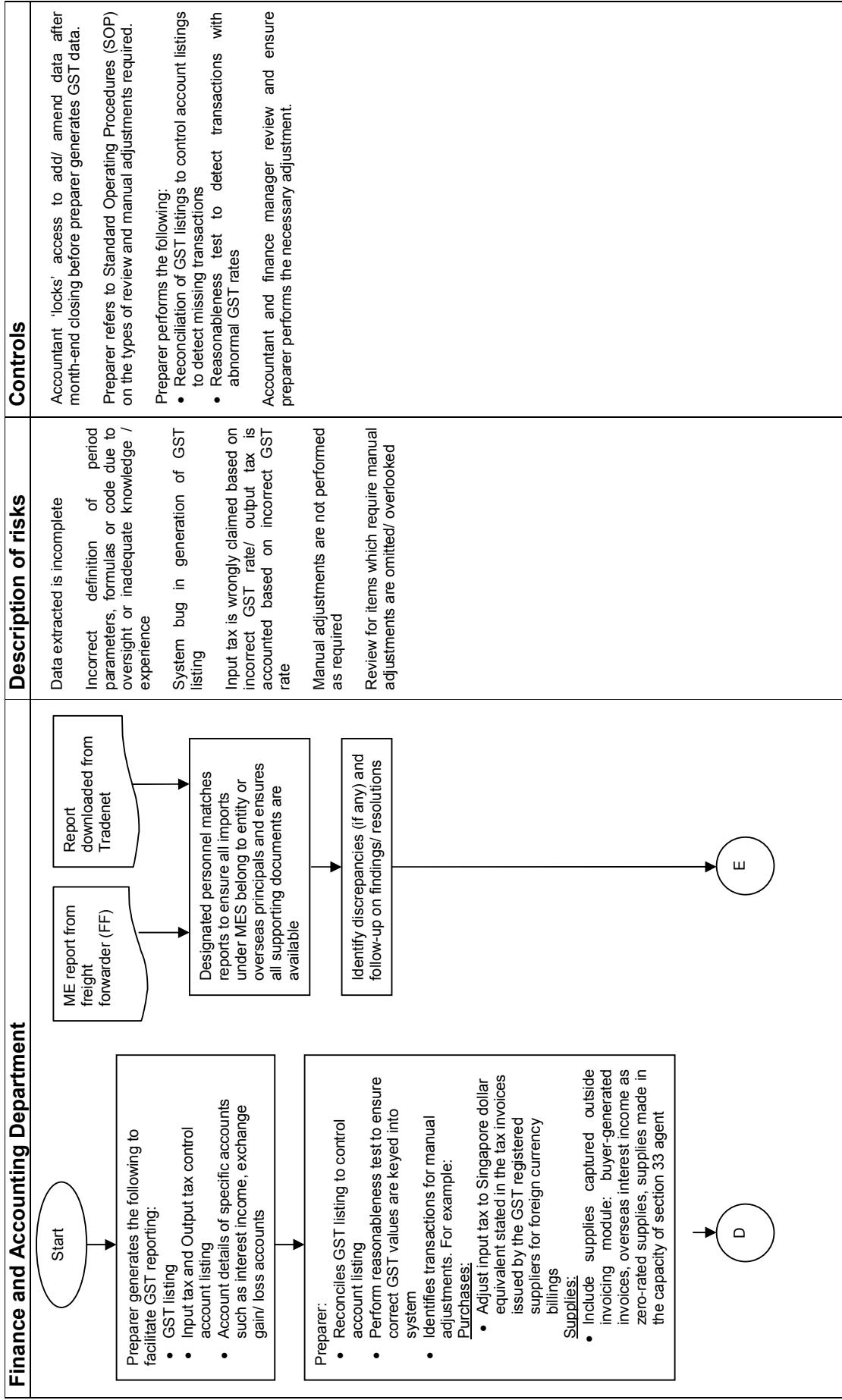
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Sample Control process flow for purchases (purchases process with no pre-determination of GST tax coding in the system)



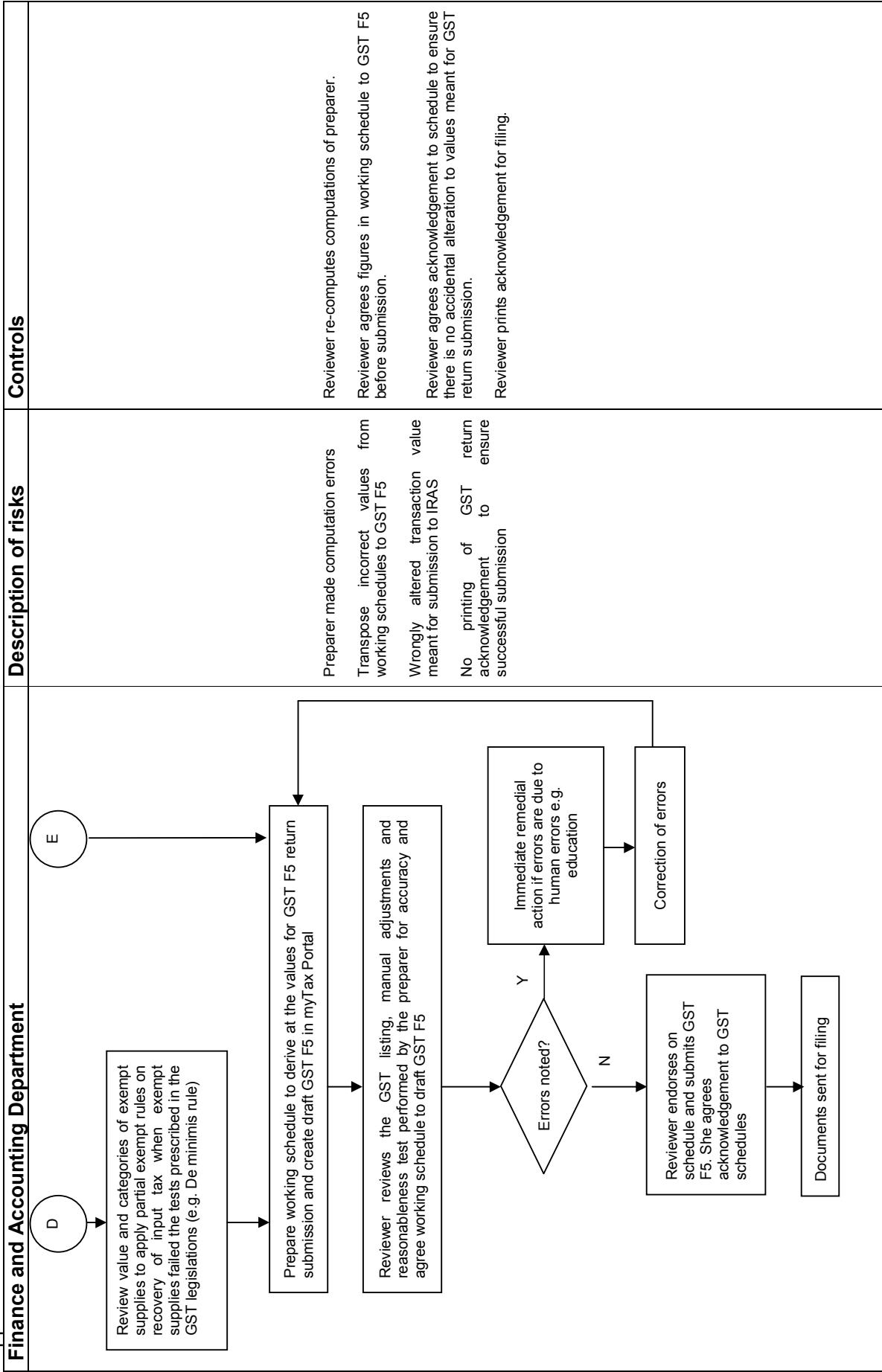
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| Production | Purchasing | Receiving | Finance | Description of risks | Controls |
|------------|------------|-----------|---------|--|--|
| | | | | <p>(3) Applying incorrect treatment resulting in incorrect classification of purchases for GST reporting as well as incorrect input tax claims</p> <p>(4) Claiming input tax using in-house exchange on tax invoices denominated in foreign currency instead of S\$ equivalent stated on tax invoices</p> <p>(5) Claiming input tax on purchases without valid tax invoices</p> <p>(6) Duplicate claims</p> <p>(7) Failure to adjust purchases and input tax on credit notes received</p> <p>(8) Data entry errors arising from manual capturing of data</p> <p>(9) Misuse of MES status to import goods that do not belong to trader or overseas principals</p> <p>(10) Lack of documentary evidence to support ownership of goods imported under MES</p> <p>(11) Failure to adjust for unpaid input tax</p> <pre> graph TD PO[Match PO, DO and invoice and capture transaction in the system Documents are submitted to supervisor for approval of transaction and payment] --> Check[Check goods and endorse on DO and send DO to Finance] Check --> Receiving((C)) Receiving --> Finance[Supervisor reviews the accuracy and correctness of input tax claim] Finance --> Decision{Transaction in order?} Decision -- N --> Receiving Decision -- Y --> Approval[Supervisor approves transaction for payment and data capturing in the GL] Approval --> MonthEnd[At month end, • Generate purchase report and compare with GL to investigate any discrepancies • Run an exception report to investigate anomalies in purchases and GST treatment • Perform random check on transactions to trace from line item in the GL to source documents. • Review aging for adjustment of unpaid input tax] </pre> | <p>Receiving</p> <ul style="list-style-type: none"> 3) Receiving officer: <ul style="list-style-type: none"> Confirms the goods received are purchased by the company Agrees quantity of physical goods to delivery order <p>Finance</p> <ul style="list-style-type: none"> 4) Accounting officer performs the following procedures: <ul style="list-style-type: none"> Agrees invoice to PO and DO to ensure invoice is for company's purchase Stamps or marks invoices as "captured" or equivalent after capturing the invoice in the system to prevent double capturing Checks whether supplier is GST registered by searching in IRAS website Checks and ensures the invoice from GST registered supplier qualifies as a valid tax invoice Determines whether the input tax is disallowed under regulation 26 and 27 or is attributable to the making of exempt supplies Checks and ensures the GST amount is correctly charged by the supplier <p>5) System prompts and rejects transaction if: <ul style="list-style-type: none"> The purchase amount is more than PO The GST does not agree with the GST code Computed amount does not agree with keyed amount No GST code is entered Duplicate invoice number is detected </p> <p>6) For imports, accounting officer checks and ensures the goods are correctly imported under its MES status and substantiated with import permit, invoice and shipping documents.</p> <p>7) Supervisor agrees invoice to transaction listing for accuracy in data capturing and classification. In addition, she reviews and confirms that the data is correctly captured in the system.</p> <p>8) On a monthly basis, accounting officer <ul style="list-style-type: none"> Compare purchase report and GL report and investigate discrepancy noted Reviews exception reports generated for e.g. duplicate transactions and invest anomalies noted Performs random checks e.g. vouching sample purchase transactions in GL to source documents Reviews aging for adjustment of unpaid input tax </p> |

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Sample GST process flow on GST reporting



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Sample Decision tree on GST logic in-built in the accounting system

