

Preparing for GST rate change on 1 Jan 2023

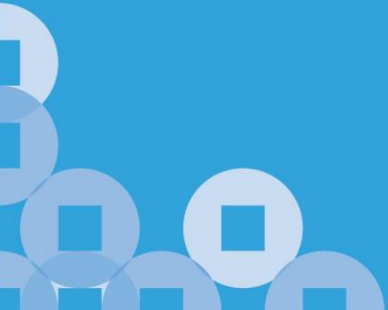


INLAND REVENUE
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Agenda

1. Introduction
2. Checklist
 - I) Accounting software and invoicing system
 - II) Price display
 - III) Existing contracts
 - IV) Transitional rules and GST rate to apply
3. Operational and compliance matters
 - Value of goods and services straddling rate change
 - Rebates
 - Returned goods
 - Goods put to private use without consideration
 - Sales past midnight on eve of rate change date
 - Simplified invoices

Introduction



GST rate increase

- In the 2022 Budget Statement, it was announced that the GST rate would be raised from 7% to 8% with effect from 1 Jan 2023 and 8% to 9% with effect from 1 Jan 2024.
- The revenue from the increase in GST will go towards supporting our healthcare expenditure, and to take care of our seniors.

Rate change resources

- e-Tax Guide : 2023 GST Rate Change: A Guide for GST-registered Businesses
- Webpage for businesses
- FAQs for businesses



e-Tax Guide

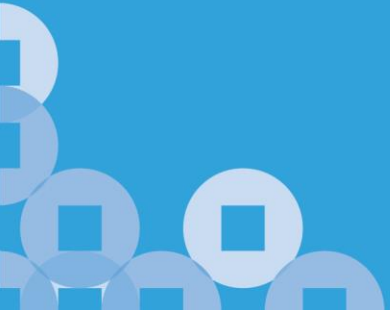


Webpage



FAQs

Checklist



Checklist

- I. Update accounting software and invoicing system (including cash register and Point-of-Sale system) to incorporate the new GST rate
- II. Update price displays to inform customers of the new GST rate with effect from 1 Jan 2023
- III. Review existing contracts
- IV. Understand the rate change transitional rules and apply the correct GST rate for sales transactions spanning rate change date

I. Accounting software and invoicing system

- Liaise with vendor to update accounting software and invoicing system (including cash registers and Point-of Sale system) to reflect the following GST rate:

Before 1 Jan 2023	On/after 1 Jan 2023
7%	8%

- Use approved accounting software listed in IRAS Accounting Software Register (“ASR”) to facilitate GST tax compliance. Check out your eligibility for the Productivity Solutions Grant (“PSG”).



IRAS ASR webpage



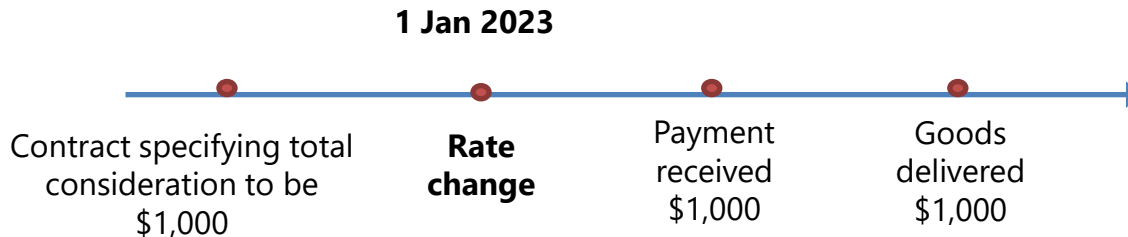
PSG webpage

II. Price display

- Before 1 Jan 2023: Prepare price displays (e.g. price tags, price lists, advertisements, publicity brochures, website) to show the new prices (inclusive of 8% GST)
- On 1 Jan 2023: Replace the old price displays with the new price displays.
If unable to change the price display overnight, display two prices:
 1. Prices inclusive of GST at 7%, applicable before 1 Jan 2023; and
 2. Prices inclusive of GST at 8%, applicable with effect from 1 Jan 2023.
- Hotels and food and beverage businesses (with service charge)
 - not required to display GST-inclusive prices for goods and services.
 - must display a prominent statement that prices are subject to service charge and state the correct GST rate.

III. Existing contracts

- Review contracts where goods or services are supplied on/after 1 Jan 2023 to determine if the contractual consideration can be increased to charge GST at 8%.
- If the contract does not permit an increase in the GST tax rate to be charged:
 - GST to be accounted using the tax fraction based on 8/108 multiplied by the total consideration



GST to be accounted = \$74.07 ($\$1,000 \times 8/108$)

IV. Transitional rules and GST rate to apply

- Time of supply rule
- What are transitional rules?
- How do you apply transitional rules?
- Invoice is issued on/after rate change
- Invoice is issued before rate change
- Payment received - concessions

Time of supply rule

General time of supply (“TOS”)

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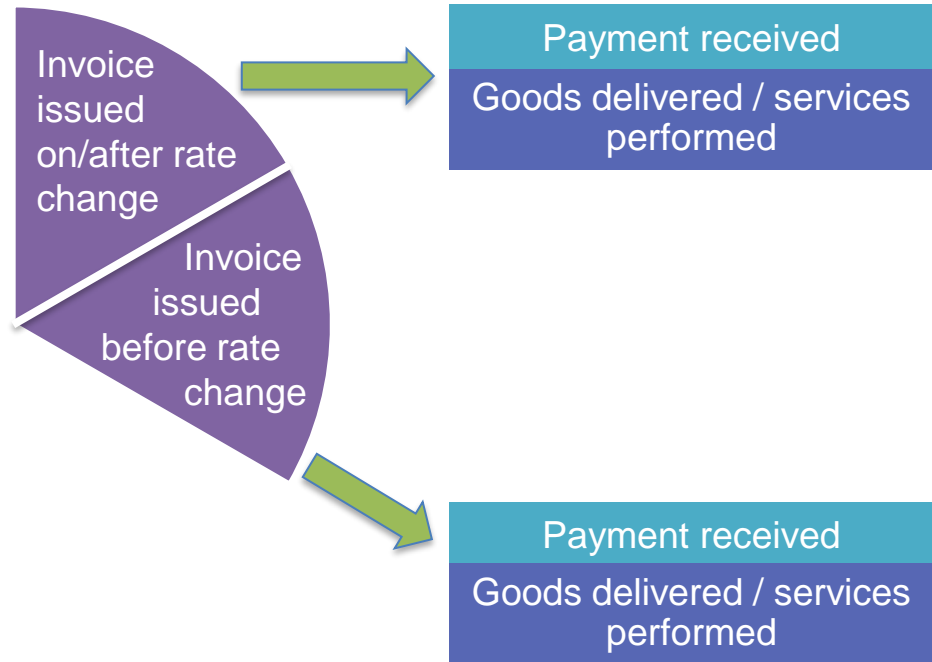
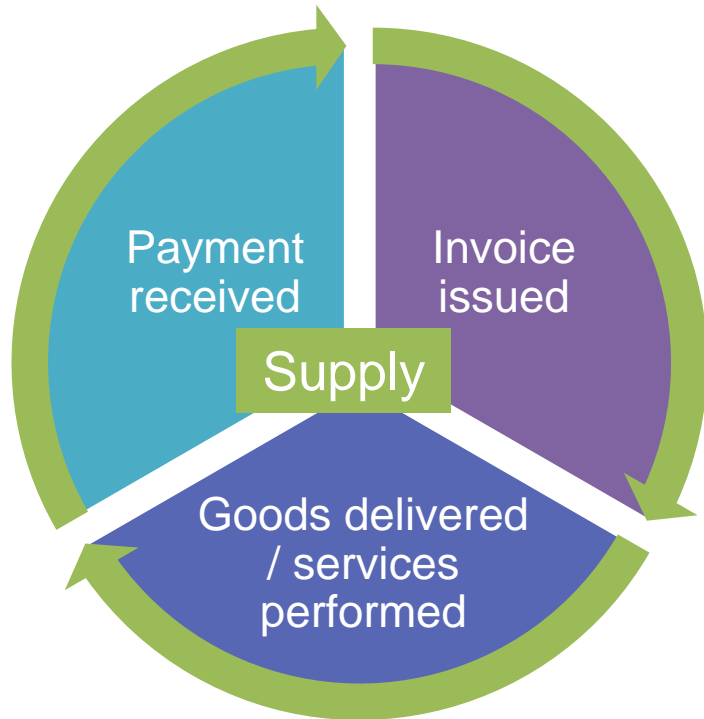
- a) When an invoice in respect of the supply is issued; or
- b) When a payment in respect of the supply is received

-
- For most transactions, GST should be charged at the prevailing rate based on the TOS rule.
 - If TOS is triggered before 1 Jan 2023, supplier should charge 7% GST
 - If TOS is triggered on / after 1 Jan 2023, supplier should charge 8% GST.

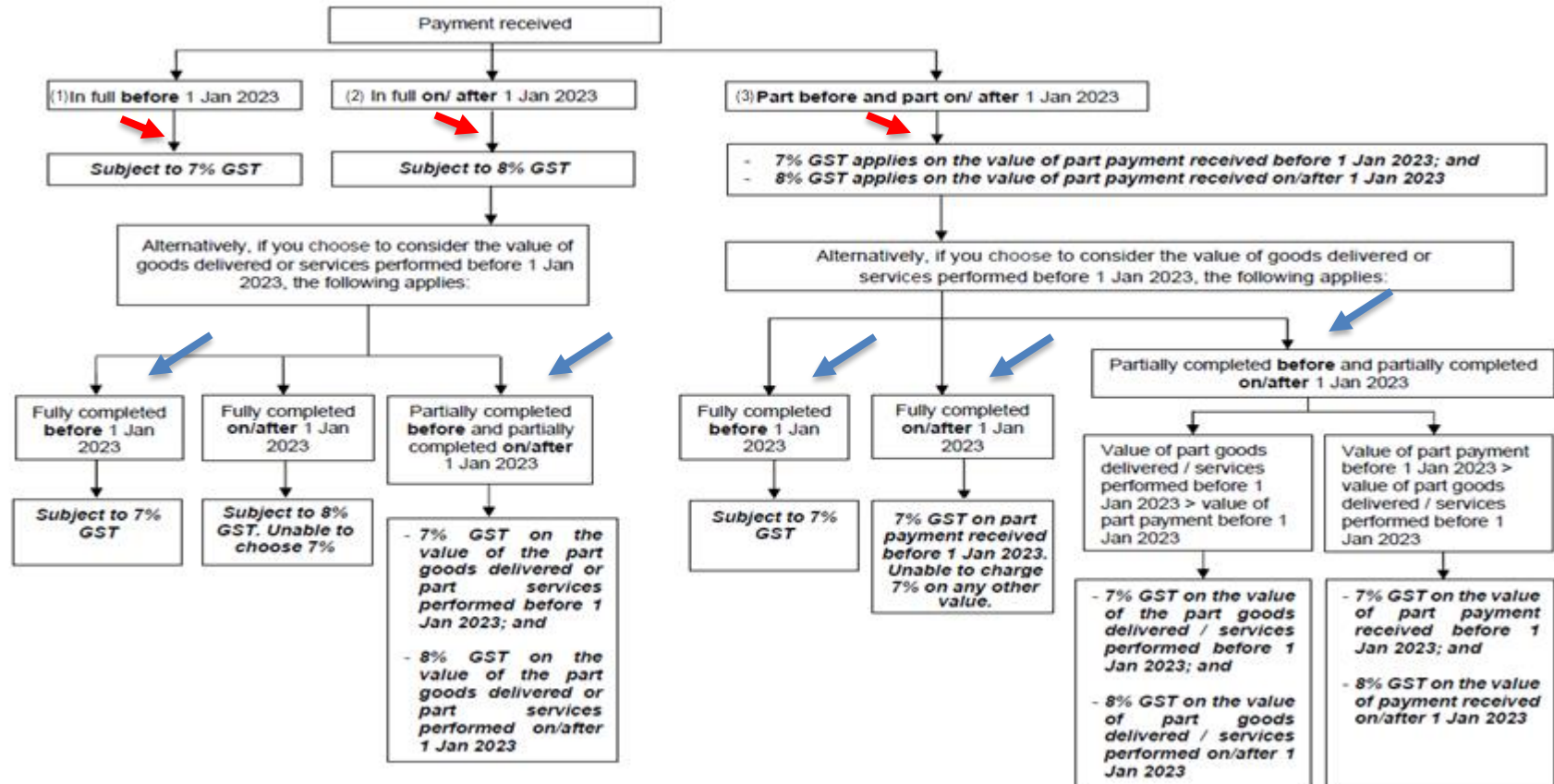
What are transitional rules?

- GST Rate Change transitional rules are rules to be applied when supplies span the rate change date. This may affect the GST rate chargeable.
- A supply spans a GST rate change date when one or two of the following events take place wholly or partially on or after 1 Jan 2023:
 - (i) the issuance of invoice;
 - (ii) the receipt of payment; and/or
 - (iii) delivery of goods/ performance of services
- Ascertain when the 3 events occur to determine the GST rate to apply
- The transitional rules apply in the same manner for the following supplies :
 - Local supplies of goods and services, including continuous supplies
 - Business-to-business imported services subject to reverse charge (wef 1 Jan 2020)
 - Business-to-consumer supplies of digital services under the Overseas Vendor Registration regime (wef 1 Jan 2020)

How do you apply the transitional rules?



Invoice issued on/after rate change date



Invoice issued on/after rate change date

(1) Payment received in full **before** rate change

Payment received	Goods delivered / services performed	Applicable GST rate	
		Based on general time of supply	Can I charge 7% GST on the supply?
In full <u>before</u> rate change	(1A) Before rate change	7%	Yes, as payment was received in full before rate change date
	(1B) On or after rate change		
	(1C) Part before and part on/after rate change		

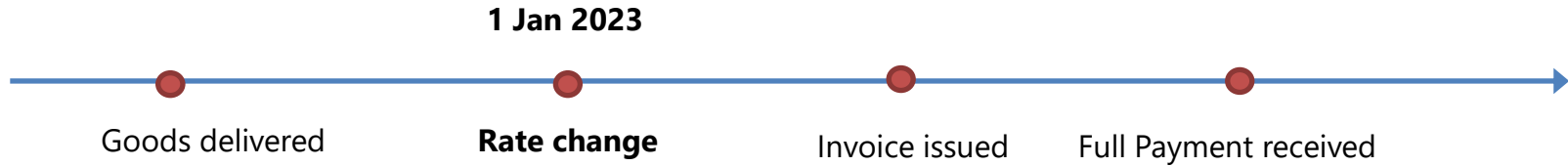
Invoice issued on/after rate change date

(2) Payment received in full on/after rate change

Payment received	Goods delivered / services performed	Applicable GST rate	
		Based on general time of supply	Can I charge 7% GST on the supply?
In full <u>on/after</u> rate change	(2A) Before rate change	8%	Yes, supplier can apply 7% GST on the supply.
	(2B) On or after rate change	8%	No, as the goods are delivered/ services are performed on/after the rate change.
	(2C) Part before and part on/after rate change	8%	Yes, supplier can apply 7% on the value of goods delivered / services performed before the rate change. The remaining value of the supply is subject to 8% GST.

Invoice issued on/after rate change date

Illustration of scenario (2A): Goods delivered before rate change and payment received after rate change



- Under the general time of supply, GST is chargeable at 8% on the supply at the point when invoice is issued.
- However, under the transitional rules, the supplier can choose to charge 7% GST on the full value of the supply as goods are fully delivered before the rate change.

Invoice issued on/after rate change date

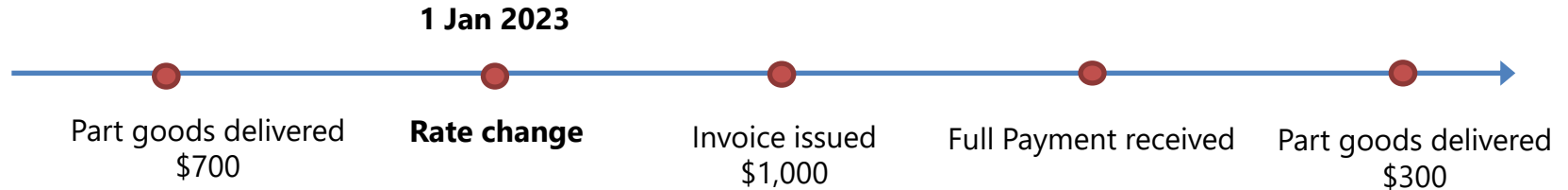
Illustration of scenario (2B): Goods delivered and payment received after rate change



- Under the general time of supply, GST is chargeable at 8% on the transaction at the point when invoice is issued.
- The supplier cannot choose to charge GST at 7% as the goods are delivered after the rate change.

Invoice issued on/after rate change date

Illustration of scenario (2C): Delivery of goods straddles rate change and payment received after rate change



- Under the general time of supply, GST is chargeable at 8% on the transaction (\$1,000) at the point when the invoice is issued.
- However, under the transitional rules, the supplier can choose to charge 7% GST on the value of part goods (\$700) delivered before the rate change. The remaining value of the supply (\$300) is subject to 8% GST.

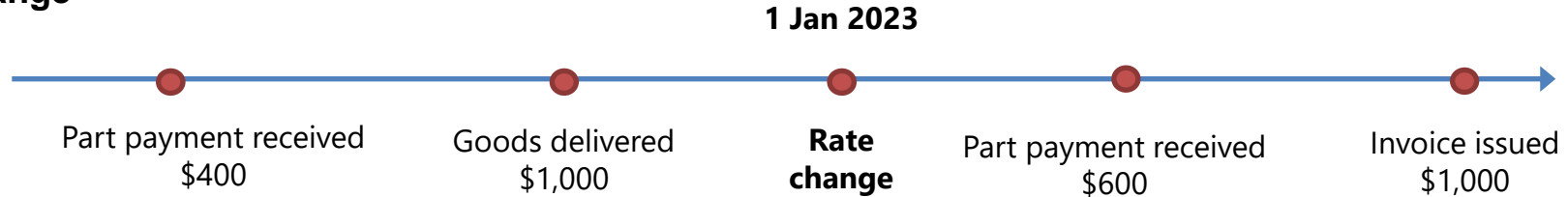
Invoice issued on/after rate change date

(3) Payment received in part before and on/after rate change

Payment received	Goods delivered / services performed	Applicable GST rate	
		Based on general time of supply	Can I charge 7% GST on the supply?
<u>Part before</u> and <u>part on/after</u> the rate change	(3A) Before rate change		Yes, supplier can apply 7% GST on the supply.
	(3B) On or after rate change	<ul style="list-style-type: none"> 7% GST on part payment received before rate change 	No, as the goods are delivered/ services are performed on/after the rate change.
	(3C) Part before and part on/after rate change	<ul style="list-style-type: none"> 8% GST on part payment received on/after rate change 	<p>Yes, supplier can apply 7% on the higher of:</p> <p>(i) Payment received before rate change; or</p> <p>(ii) value of goods delivered/ services performed before rate change</p> <p>The remaining value of the supply is subject to 8% GST.</p>

Invoice issued on/after rate change date

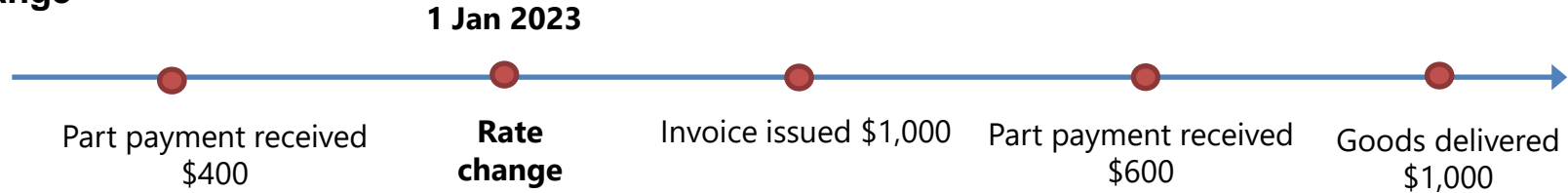
Illustration of scenario (3A): Goods delivered before rate change and payment straddles rate change



- Under the general time of supply:
 - 7% GST is chargeable on part payment (\$400) received before the rate change; and
 - 8% GST is chargeable on part payment (\$600) received after the rate change.
- However, under the transitional rules, the supplier can choose to charge 7% GST on the full value of the supply (\$1,000) as goods are fully delivered before the rate change.

Invoice issued on/after rate change date

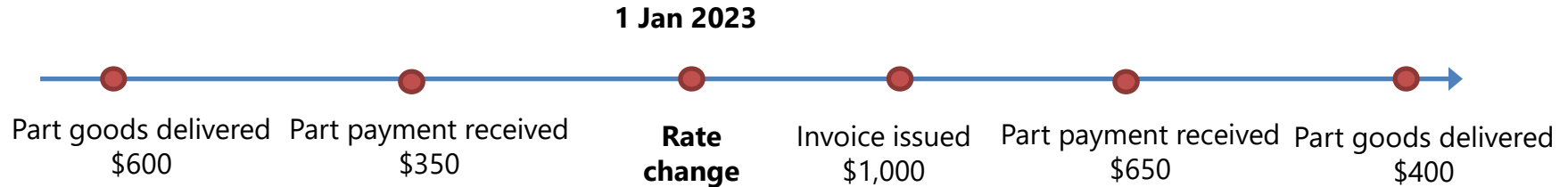
Illustration of scenario (3B): Payment straddles rate change and goods delivered after rate change



- Under the general time of supply:
 - 7% GST is chargeable on part payment (\$400) received before the rate change; and
 - 8% GST is chargeable on part payment (\$600) received after the rate change.
- The supplier cannot choose to charge GST at 7% on the remaining value of \$600.

Invoice issued on/after rate change date

Illustration of scenario (3C): Delivery of goods and payment straddles rate change



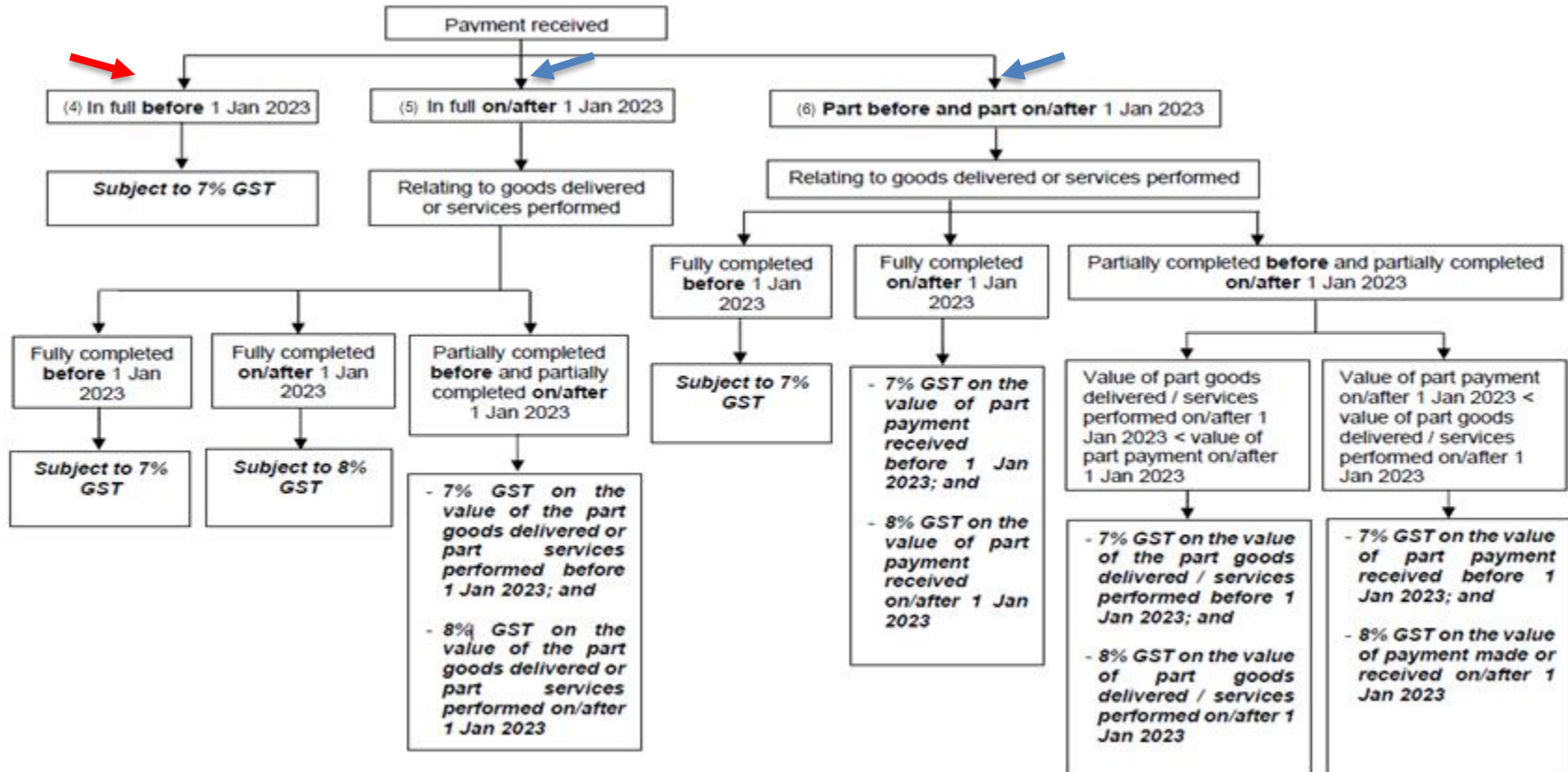
- Under the general time of supply:
 - 7% GST is chargeable on part payment (\$350) received before the rate change; and
 - 8% GST is chargeable on part payment (\$650) received after the rate change.
- However, under the transitional rules, the supplier can choose to charge 7% GST on the value of part of the goods (\$600) delivered before the rate change. The value of part of the goods (\$400) delivered after the rate change is subject to 8% GST.

Invoice issued on/after rate change date

Choosing to apply 7% GST rate under transitional rules

- Need to issue credit note for GST overcharged by 15 Jan 2023 if previously issued a tax invoice to charge at 8% GST
- No need to complete any form or seek prior approval from IRAS.
 - Need to maintain documentary evidence (e.g. delivery order, certification of work done, customer's acknowledgement and payment evidence) to justify charging 7% GST
- Only supplier can choose to charge 7% GST under the transitional rules. For self-billed invoices, supplier's consent must be sought in writing by the customer

Invoice issued before rate change date



Invoice issued before rate change date

(4) Payment received in full **before** rate change

Payment received	Goods delivered / services performed	Applicable GST rate	
		Based on general time of supply	Adjustment of GST rate required?
In full <u>before</u> rate change	(4A) Before rate change	7%	No
	(4B) On or after rate change		
	(4C) Part before and part on/after rate change		

Invoice issued before rate change date

(5) Payment received in full **on/after** rate change

Payment received	Goods delivered / services performed	Applicable GST rate	
		Based on general time of supply	Adjustment of GST rate required?
In full on/after rate change	(5A) Before rate change	7%	No
	(5B) On or after rate change		Yes. Full value of supply is subject to 8% GST.
	(5C) Part before and part on/after rate change		Yes. The value of part goods delivered / services performed on/after rate change is subject to 8% GST.

Invoice issued before rate change date

Illustration of scenario (5A): Goods delivered before rate change and payment received after rate change



- Supplier must charge 7% GST when the invoice is issued before rate change. As the goods are fully delivered before rate change, no adjustment of tax rate is required.

Invoice issued before rate change date

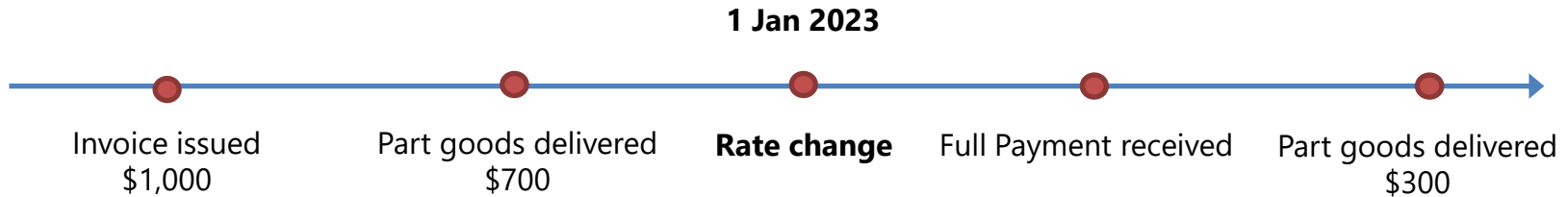
Illustration of scenario (5B): Services performed and payment received after rate change



- Supplier must charge 7% GST when the invoice is issued before rate change.
- Under the transitional rules, 8% GST is chargeable on the full supply as payment is received and services are performed after the rate change. The supplier is required to issue a credit note to cancel the original tax invoice and issue a new tax invoice to charge GST at 8% on the supply latest by 15 Jan 2023.

Invoice issued before rate change date

Illustration of scenario (5C): Delivery of goods straddles rate change and payment received after rate change



- Supplier must charge 7% GST (i.e. \$70) when the invoice is issued before rate change.
- Under the transitional rules, 8% GST is chargeable on \$300 of the part of the goods delivered after the rate change. The supplier is required to issue a credit note for \$321 (\$300 plus 7% GST of \$21) and issue a new tax invoice for \$324 (\$300 plus 8% GST of \$24) latest by 15 Jan 2023.

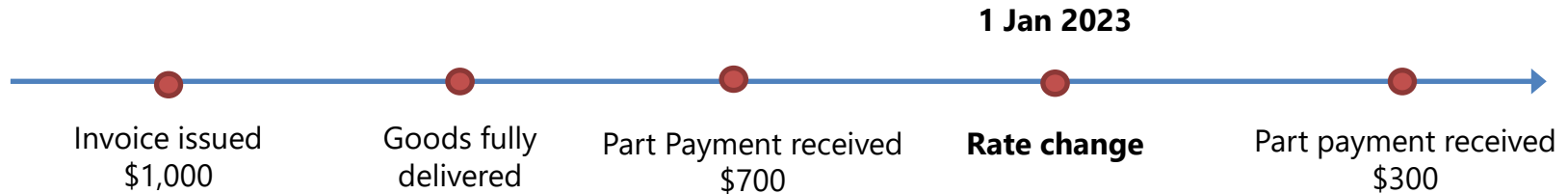
Invoice issued before rate change date

(6) Payment received in part **before and on/after** rate change

Payment received	Goods delivered / services performed (i.e. BTP)	Applicable GST rate	
		Based on general time of supply	Adjustment of GST rate required?
<u>Part before</u> and <u>part on/after</u> the rate change	(6A) Before rate change	7%	No
	(6B) On or after rate change		Yes. Value of part payment received on/after rate change is subject to 8% GST.
	(6C) Part before and part on/after rate change		Yes. The lower value of part payment received or part goods delivered / services performed on/after the rate change is subject to 8% GST.

Invoice issued before rate change date

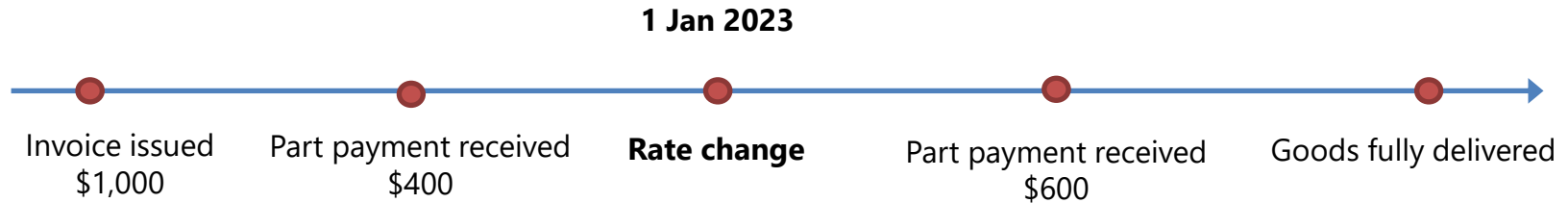
Illustration of scenario (6A): Goods delivered before rate change and payment straddles rate change



- Supplier must charge 7% GST when the invoice is issued before rate change. As the goods are fully delivered before rate change, no adjustment is required.

Invoice issued before rate change date

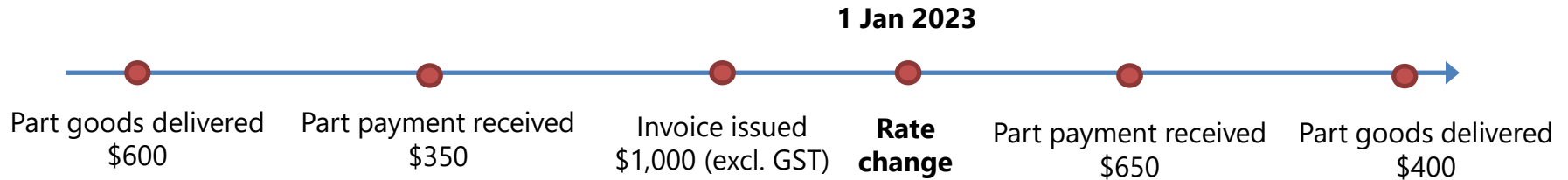
Illustration of scenario (6B): Payment straddles rate change and goods delivered after rate change



- Supplier must charge 7% GST when the invoice is issued before rate change.
- Under the transitional rules, 8% GST is chargeable on \$600 of the payment received after rate change. The supplier is required to issue a credit note for \$642 (\$600 plus 7% GST of \$42) and issue a new tax invoice for \$648 (\$600 plus 8% GST of \$48) latest by 15 Jan 2023.

Invoice issued before rate change date

Illustration of scenario (6C): Delivery of goods and payment straddle rate change

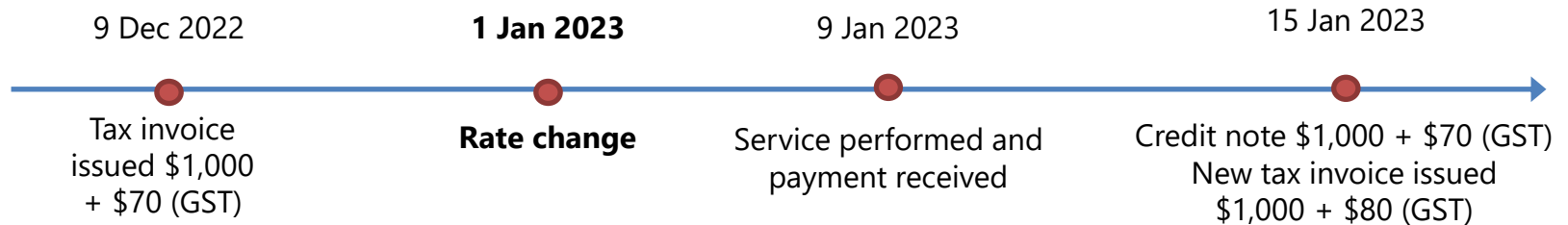


- Supplier must charge 7% GST when the invoice is issued before rate change.
- Under the transitional rules, 8% GST is chargeable on \$400 of the part of goods delivered after rate change (i.e. the lower value of payment received (\$650) or goods delivered (\$400) on/after the rate change). The supplier is required to issue a credit note for \$428 (\$400 plus 7% GST of \$28) and issue a new tax invoice for \$432 (\$400 plus 8% GST of \$32) latest by 15 Jan 2023.

Invoice issued before rate change

When to report GST output tax adjustment

- Supplier should report the output tax in the GST return for period when the adjustment is made.



Supplier's prescribed accounting periods are Jan-Mar, Apr-Jun, Jul-Sep, and Oct-Dec.

Invoice issued before rate change

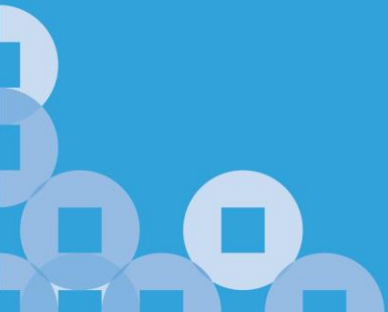
When to report GST output tax adjustment

GST return for period ended	GST reporting
31 Dec 2022	<u>Issuance of original tax invoice</u> Standard-rate supplies +\$1,000 Output tax +\$70
31 Mar 2023	<u>Issuance of credit note</u> Standard-rated supplies -\$1,000 Output tax -\$70 <u>Issuance of new tax invoice</u> Standard-rate supplies +\$1,000 Output tax +\$80 Net adjustment is output tax +\$10

Payment received

Payment mode	Payment can be treated as received before 1 Jan 2023 if:
Recurring payments made via GIRO deductions and credit card	Payment received within the month of Jan 2023 and satisfy the following conditions: <ol style="list-style-type: none">Payment is successfully effected by the end of Jan 2023;Payment relates to bill or invoice issued before 1 Jan 2023; andThe bill or invoice is issued in accordance with the normal billing cycle of the business.
Non-recurring payment charged to credit card	Payment is charged to the credit card by 31 Dec 2022
Telegraphic transfer (TT)	TT instruction is received by the recipient bank by 31 Dec 2022
AXS, SAM or NETS payments	Payment transaction takes place by 31 Dec 2022
Other electronic fund transfers where funds are transferred instantly such as FAST and PayNow	Funds are received by 31 Dec 2022
Cheque payment	Cheque is issued to supplier before 1 Jan 2023 (e.g. cheque dated before 1 Jan 2023), and presented to the bank by 4 Jan 2023 and cleared successfully

Other operational and compliance matters



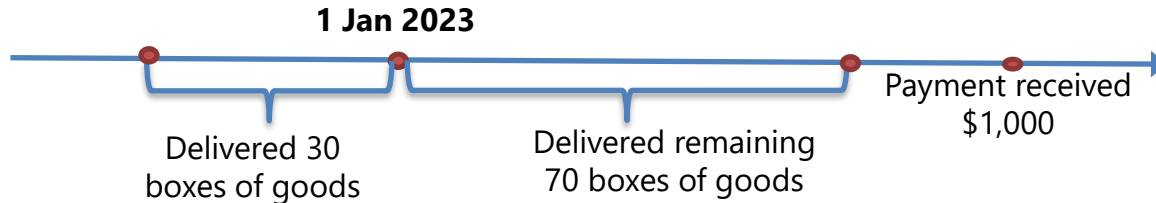
Other operational and compliance matters

- Value of goods delivered/ performance of services straddling rate change
- Rebates
- Returned goods
- Goods put to private use without consideration
- Sales past midnight on eve of rate change date
- Simplified invoices

Value of goods and services straddling rate change

- For supply of goods and services straddling rate change, supplier may apportion the value based on appropriate methods:
 - Valuation of measurable work (e.g. open market value); or
 - Normal costing or pricing system

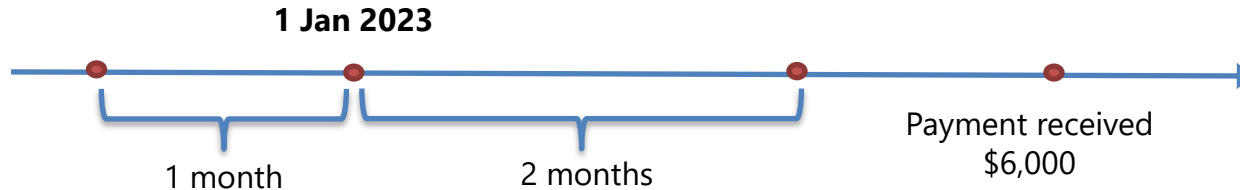
Illustration: Valuation of goods delivered straddling rate change date



- Contract to supply 100 boxes of homogenous goods to customer at \$1,000. Delivered 30 boxes before 1 Jan 2023 and 70 boxes after 1 Jan 2023.
 - To charge 7% GST on \$300 (30/100 boxes x \$1,000)
 - To charge 8% GST on \$700 (70/100 boxes x \$1,000)

Value of goods and services straddling rate change

Illustration: Valuation of services performed straddling rate change date



- Contract to provide 3 months cleaning services for \$6,000 and performance of services is spread out evenly during the period. Use months as proxy to apportion value of services:
 - To charge 7% GST on \$2,000 ($1/3 \times \$6,000$)
 - To charge 8% GST on \$4,000 ($2/3 \times \$6,000$)

Rebates

- Cash rebates for reaching a minimum purchase amount is equivalent to a discount given for past purchases
- Issue a credit note to the customer to reduce selling price and GST amount depending on when the goods are supplied:

When are the goods supplied?	GST on rebates should be calculated at:
Goods supplied before 1 Jan 2023	7% or 7/107*
Goods supplied on/after 1 Jan 2023	8% or 8/108*
Goods supplied straddling 1 Jan 2023	Apportion using a reasonable proxy: <ul style="list-style-type: none">- 7% or 7/107* for goods supplied before rate change date- 8% or 8/108* or goods supplied on/after rate change date

*if rebates offered are GST-inclusive, GST should be calculated using the tax fraction.

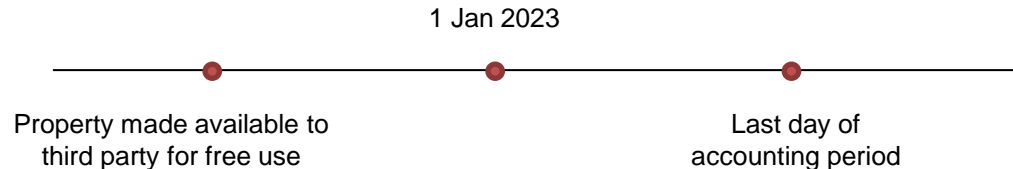
- If rebates are given to offset future sales which takes place after the rate change, to charge and account for GST at 8% on net value of the next sale (after deducting the rebate)

Returned goods

- For goods supplied before 1 Jan 2023 and returned on/after 1 Jan 2023, GST to be adjusted on the returned goods based on the rate that is originally charged on the supply.
- Need to maintain documentary evidence to show whether returned goods are supplied before or on/after 1 Jan 2023.

Goods put to private use without consideration

- Business assets/ goods put to private use (e.g. private use of business computers for family use or commercial property made available to others for free use) are deemed as a supply of services if input tax has been allowed.
- Output tax to be accounted on the last day of prescribed accounting period in which the goods are used or made available for use.
- If goods are used before 1 Jan 2023 but the last day of the prescribed accounting period falls on/after 1 Jan 2023, supplier can choose to account for GST at 7% provided documentary evidence on period of use is maintained.



- Assume supplier is under prescribed accounting period covering 1 Nov 2022 – 31 Jan 2023 or 1 Dec 2022 – 28 Feb 2023.

- As the goods are put to private use before 1 Jan 2023, GST can be accounted at 7% under transitional rules provided documentary evidence on period of use before 1 Jan 2023 is maintained.

Sales past midnight on eve of rate change date

- For sales made between 12 am and 7am on 1 Jan 2023, GST can be charged at 7% if the following conditions are met:
 - a) Normal accounting practice of the business is to treat the sales after midnight as sales of the preceding day; and
 - b) The cash registers and accounting systems are already programmed in this way

Simplified invoices

- Issuing a simplified invoice (for GST-registered suppliers)
 - General rule: Optional to show GST amount if total amount (inclusive of 8% GST) does not exceed \$1,000
 - Exceptions due to transitional rules:
 - If choose to charge 7% GST on full value, must show GST amount based on 7% GST on simplified invoice
 - If choose to charge 7% GST on partial value, must issue a tax invoice reflecting the different GST rates and corresponding GST amounts
- Receiving a simplified invoice (for GST-registered customers)
 - Simplified invoice does not show the GST amount
 - Based on the date of invoice, use the tax fraction of the prevailing GST rate to compute the GST amount claimable

Rate change resources

- e-Tax Guide : 2023 GST Rate Change: A Guide for GST-registered Businesses
- Webpage for businesses
- FAQs for businesses



e-Tax Guide



Webpage



FAQs

Thank You

