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AMENDMENT TO PARAGRAPH 8 OF THE 3RD SCHEDULE TO THE GOODS AND SERVICES TAX ACT WITH RESPECT TO VALUE OF SUPPLY OF BUSINESS ASSETS:-

A) TRANSFERRED OR DISPOSED OF AT NO CONSIDERATION;

B) AT THE TIME A PERSON CEASES TO BE A TAXABLE PERSON



**INLAND REVENUE
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Introduction

1 When a person who is required to be registered under the Goods & Services Tax Act (“taxable person”) transfers goods¹ or disposes of goods that form part of his business assets (whether or not with consideration), the transfer or disposal is deemed to be a supply by him under paragraph 5(1) of the 2nd Schedule to the Goods and Services Tax Act (“GST Act”). Similarly, when a person ceases to be a taxable person at the time of de-registration from GST, paragraph 7(1) of the 2nd Schedule to the GST Act provides that the goods forming part of his business assets shall be deemed to be a supply by him immediately before he ceases to be a taxable person. For goods deemed supplied under paragraphs 5(1) (without consideration) and 7(1) of the 2nd Schedule to the GST Act, paragraph 8 of the 3rd Schedule to the GST Act provided that the value of such goods shall be the cost² of the goods to the person making the supply. This was the rule before the amendment to the GST Act on 23 December 2002.

2 The effect of this rule was to effectively disallow, in the case of goods which had been used in a taxable person’s business, the input tax credit previously claimed on such goods when they were put to use in his business. However, this rule stipulating the value of goods deemed supplied to be the original cost was not consistent with section 17(3) of the GST Act, which provides that if a supply is not for a consideration or for a consideration not consisting or not wholly consisting of money, the value of supply shall be taken to be its open market value.

3 In order to address the above anomaly, an administrative practice note was issued in 1994 (Compass Vol. 2 No. 3, 15 Apr 1994 or e- tax guide 1994/GST/3) to treat the value of used goods transferred or disposed of at no consideration by a taxable person to be the price of the goods which the taxable person would have to pay if he were to purchase them at the time of the transfer or disposal, taking into account their age and condition.

Clarification on the Amendment to Paragraph 8 of the 3rd Schedule

4 On 23 Dec 2002, paragraph 8 of the 3rd Schedule to the GST Act was amended to enact into law what was allowed under the said administrative practice referred to above. A new sub-paragraph was added into paragraph 8 of the 3rd Schedule to the GST Act to provide that the value of deemed supply

¹ Goods are not confined to trading stocks but also include other business assets such as non-residential properties and fixed assets used for business purposes.

² This was usually taken to mean the original cost.

of used goods shall be the price of the goods the taxable person has to pay if he were to purchase them (identical in every aspect) at the time of the transfer, disposal or de-registration, taking into account their age and condition, i.e. open market value.³ The taxable person concerned has to account for output tax based on this value.

5 In the event that the open market value of the goods is not readily available, the value of the deemed supply shall be the price payable if the taxable person were to purchase goods similar to, and of the same age and condition, as the goods concerned, at the time of transfer, disposal or de-registration⁴. If this value is also not available, the cost of producing the goods if they were produced at the time of transfer, disposal, or de-registration shall be taken to be the value of the goods concerned⁵.

6 For the purposes of paragraphs 4 to 6, the price payable by any person if he were to purchase any goods shall be the purchase price of the goods exclusive of GST.⁶

7 For any enquiries, please contact our Taxpayer Services Helpline at 1800-3568633.

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³ This is provided under paragraph 8(2)(a) of the 3rd Schedule to the GST Act.

⁴ This is provided under paragraph 8(2)(b) of the 3rd Schedule to the GST Act.

⁵ This is provided under paragraph 8(2)(c) of the 3rd Schedule to the GST Act.

⁶ This is provided under paragraph 8(3) of the 3rd Schedule to the GST Act.