

Private Education Institutions (PEIs)

Between Apr 2010 and Dec 2013, IRAS conducted audits on 20 Private Educational Institutions (PEIs) that conduct courses for local and foreign students. From the audits, the following errors and mistakes were noted:

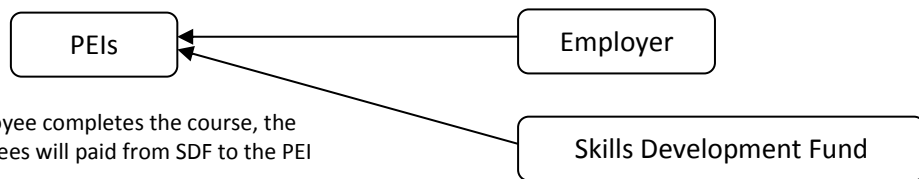
a. Under-accounting of GST on course fees net of commission paid to foreign agents

PEIs may engage foreign agents to assist in foreign students' admission into the school and pay a commission to these foreign agents for their services. PEIs should account for GST on the full course fee instead of accounting for GST after netting off the commission.

b. Under-accounting of GST on course fees net of funding from SDF

PEIs may conduct training courses that qualify for government assistance e.g. under the Skills Development Fund (SDF). This assistance is given to employers to encourage them to send their employees for training to upgrade their skills or expertise. Under this scenario, the PEI should charge and account for GST on the full course fees even though part of the payment is later received from SDF.

- (1) Employer sends employee for training that qualifies for SDF funding
- (2) PEI bills employer on the full course fees inclusive of GST = $\$(X+Y)$
- (3) Employer makes part payment to PEI e.g. $\$X$



- (4) After the employee completes the course, the remaining course fees will be paid from SDF to the PEI e.g. $\$Y$

c. Other common mistakes:

- Claiming input tax on disallowed expenses
- Claiming input tax without valid tax invoice/import permits issued in the businesses' name
- Duplicated input tax claims
- Failure to deem output tax on provision of gifts
- Failure to charge and account for output tax on management fees billed to subsidiaries

For case studies involving the Private Education Institutions, please refer to [Annex A](#).

Case Story 1

Company A is a private school providing language courses to local and foreign students.

During audit, IRAS found that Company A had paid commission and issued credit notes to foreign intermediaries who assist foreign students in admission to the courses. Company A had treated the commission paid to foreign intermediaries as a discount on its student's course fee and reduced the GST to be accounted on the course fee after taking in the credit notes issued.

The commission paid is for a separate service provided by the foreign intermediaries to Company A and it should not be regarded as discount of course fee to the students. As GST should have been accounted on the full course fee, IRAS recovered the GST under accounted by Company A.

Case Story 2

Company B is a holding company of a few subsidiaries offering post graduate diploma courses. It provided office space, advertisement for the courses and other administration services to its subsidiaries.

IRAS discovered in its audit that Company B had omitted to account for GST on the management fees charged to its subsidiaries. The charging of management fees is to cover the advertisement cost, rental and other administration expenses incurred.

Although the underlying intention is to recover the cost incurred, the management fee is for the management service provided by Company B to its subsidiaries. GST is therefore chargeable on the management fees. Consequently, IRAS recovered the GST under accounted by Company B.