

Common GST mistakes made for sale of non-residential properties

The reason for the omission of GST on sales of non-residential properties was mainly due to the inadequate understanding of the GST rules on the following transactions:

1. **Sale of property owned by sole-proprietor / partnership**

Some GST-registered sole-proprietors and partnerships did not charge and account for GST on the sale of non-residential property owned by them as they did not regard the sale of property as part of their business.

A GST-registered sole-proprietor/partnership has to charge and account for GST on the sale of the non-residential property if the property has been used by the sole-proprietor/partnership for the purpose of its business. In such instances, the property is likely to be recognised as a business asset in the accounts of the sole-proprietor/partnership business. However, if the property is not recognised in the accounts of the sole-proprietor/partnership business but the sole-proprietor/partnership has claimed the input tax on the purchase of the non-residential property, it will still be required to charge and account for the GST on the sale since input tax is allowable only if it is incurred for the purpose of business. Hence, so long as the property has been used for the purpose of the business, GST will have to be charged on the sale.

Apart from the above, a GST-registered sole-proprietor/partnership has to charge and account for GST on the sale of the non-residential property if the property has been used to conduct a leasing business. For more information on leasing business, please refer to the e-Tax Guide on “GST: Guide for Property Owners and Property Holding Companies”.

2. **Transfer of property that did not involve any monetary consideration (e.g. in-specie distribution)**

Some GST-registered businesses did not account for GST on the transfer of property as they did not receive any consideration from the transfer of property.

A GST-registered business has to account for GST on the transfer of property even though he did not receive any consideration, if it had previously claimed input tax on the purchase of property.

3. **Sale of property in-satisfaction of debt by the liquidator/receiver**

Some liquidators and receivers did not collect and pay the GST to IRAS on the sale of non-residential property on behalf of the GST-registered owner.

When a property is sold in-satisfaction of debt, the liquidator/receiver has to collect and pay the GST to IRAS on the sale of non-residential property on behalf of the GST-registered owner.

Some other common mistakes made by these businesses are:

4. Late accounting of GST on the receipt of booking fee/option money

For sale of property, a GST-registered business would normally receive the booking fee/option money from the interested purchaser, followed by a deposit when the option is exercised by the purchaser. The balance payment would be received only upon the completion of the sale.

Some GST-registered businesses had accounted for GST on the booking fee and option fee only when the option is exercised or when the sale is completed.

Under the time of supply rule, the GST-registered business would need to account for GST at the earliest of the following events:

- (i) when payment is received;
- (ii) when an invoice is issued;
- (iii) when the title of the property is transferred upon legal completion; or
- (iv) when the property is made available to the buyer for occupation.

Based on the time of supply rule, the GST-registered business has to account for GST on the booking fee/option money when payment is received.

5. No tax invoice for the option money/deposit received

Some GST-registered businesses had only issued a tax invoice for the full selling price of the sale of property upon the completion of sale.

A GST-registered business has to issue a tax invoice within 30 days from the time of supply. Hence, for the option money/booking fee, the GST-registered business should issue a tax invoice within 30 days from the date of receipt of the option money/booking fee from the purchaser.

6. Over-claiming of input tax

Some GST-registered businesses had wrongly claimed input tax directly attributable to exempt supplies (i.e. sale and lease of residential properties) and common input tax in full.

As these GST-registered businesses were partially exempt businesses and had failed the De Minimis rule, they cannot claim the input tax incurred for the making of exempt supplies. They would also be required to apportion their common input tax and claim only the part of the common input tax that was attributable to the making of taxable supplies.