

GST ACAP Review Guidance

**Appendix 1 of e-Tax Guide “GST : Assisted
Compliance Assurance Programme”**



**INLAND REVENUE
AUTHORITY
OF SINGAPORE**

Published by
Inland Revenue Authority of Singapore

Published on 5 Apr 2011
Last updated on 29 Oct 2019

© Inland Revenue Authority of Singapore

All rights reserved. No part of this publication may be reproduced or transmitted in any form or by any means, including photocopying and recording without the written permission of the copyright holder, application for which should be addressed to the publisher. Such written permission must also be obtained before any part of this publication is stored in a retrieval system of any nature.

Table of Contents

An Overview	1
Section 1 : Getting Ready for ACAP Review.....	3
<i>Who should read this section: The ACAP Applicant.....</i>	<i>3</i>
Assessment of Readiness of GST Control Framework	4
Preparatory Work by ACAP Applicant Prior to Commencement of ACAP Review	7
Step 1. Complete “Self-Review of GST Controls” Checklists (“SRC”)	7
Step 2. Select ACAP Period and Perform GST Trend Analysis.....	9
Step 3. Select Representative Units.....	11
<i>ACAP Applicant is a single GST registrant or is under GST divisional registration.....</i>	<i>11</i>
<i>ACAP Applicant under GST Group registration</i>	<i>13</i>
<i>Considering Factors For the Purpose of Selection of Riskier Representative Units</i>	<i>14</i>
Step 4. Provide relevant information to the ACAP Reviewer	16
Section 2 : Commencement of ACAP Review by the ACAP Reviewer	18
<i>Who should read this section: ACAP Reviewer.....</i>	<i>18</i>
Section 3 : Risk Assessment	21
<i>Who should read this section: ACAP Reviewer.....</i>	<i>21</i>
Step 1. Confirm the existence of a GST Control Framework	22
Step 2. Assess the results of GST trend analysis performed by the ACAP Applicant	22
Step 3. Assess whether selected Representative Units fulfil IRAS’ criteria	22
Step 4. Select a representative period (“Test Period”) for each selected Representative Unit to conduct testing.....	23
Step 5. Obtain management accounts, trial balance and listing of GST transactions of all selected Representative Units	24
Step 6. Identify common control features of the selected Representative Units.....	24
Section 4 : Review of Entity Level Controls.....	25
<i>Who should read this section: ACAP Reviewer</i>	<i>25</i>
Preliminary Review	25
Final Review.....	26
Section 5 : Review of Transaction Level Controls	27
<i>Who should read this section: ACAP Reviewer.....</i>	<i>27</i>

Walk-through of GST process flows.....	27
Tests of controls	28
Substantive Tests	30
Sales Cycle Of Selected Representative Units	33
Step 1. Identify GST risks in the Sales Cycle.....	33
Step 2. Analytical Review of GST Supplies Listings	33
Step 3. Walk-through Tests	34
Step 4. Test of Controls	34
Step 5. Substantive testing.....	35
Purchases Cycle Of Selected Representative Units.....	38
Step 1. Understanding GST risks in the purchases cycle	38
Step 2. Analytical Review of GST listings.....	38
Step 3. Walk-through tests	39
Step 4. Test of controls.....	39
Step 5. Substantive Testing.....	40
Section 6 : Review of GST Reporting Level Controls	42
<i>Who should read this section: ACAP Reviewer</i>	<i>42</i>
Walk-through test and test of controls.....	42
Substantive testing	43
Section 7 : Report on Factual Findings.....	45
<i>Who should read this section: ACAP Reviewer</i>	<i>45</i>
Section 8 : Follow-Up on ACAP Review	47
<i>Who should read this section: The ACAP Applicant and ACAP Reviewer</i>	<i>47</i>
Follow-up on ACAP Reviewer’s findings	47
Extended ACAP Review Prior To The Submission of ACAP Report (Optional).....	49
Section 9 : ACAP Report and Deliverables	51
<i>Who should read this section: The ACAP Applicant.....</i>	<i>51</i>
Section 10 : GST risks at Entity, Transaction and GST Reporting levels.....	52
<i>Who should read this section: The ACAP Applicant and ACAP Reviewer</i>	<i>52</i>

Table of Figures

Figure 1: Overview of ACAP Review Process.....	2
Figure 2: GST Control Framework	3
Figure 3: Process of Preparatory Work	7
Figure 4. Overview of the ACAP Review procedures for ACAP Reviewer	20
Figure 5. Risk Assessment Steps	21
Figure 6. Overview of Transaction Level Control Review Procedures for Selected Representative Units.....	32
Figure 7. Flowchart on the Extended ACAP Review (Optional)	50

Table of Tables

Table 1 - Sample Size for Substantive Testing of Supplies Transactions	35
Table 2 - Sample Size for Substantive Testing of Purchases.....	40

This page is intentionally left blank.

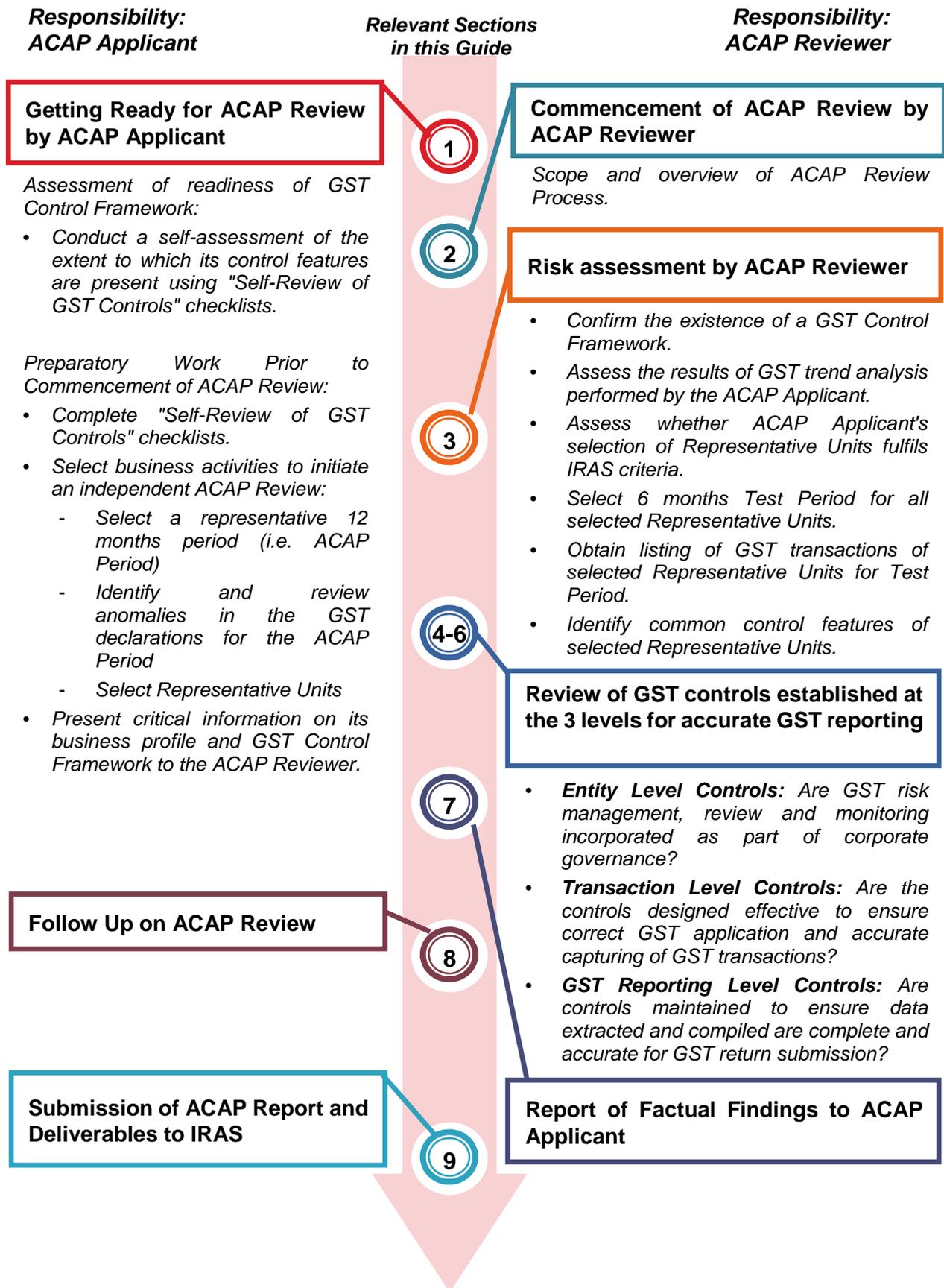
An Overview

This GST ACAP Review Guidance sets out the scope and methodology to review the internal control framework, with a primary aim to ensure accurate GST reporting. It provides examples and templates to assist the ACAP Applicant and ACAP Reviewer to prepare and gather evidence for the ACAP Review. It should be read together with the e-Tax Guide “GST: Assisted Compliance Assurance Programme (ACAP)”.

Figure 1 in the next page shows an overview of the ACAP Review Process.

The ACAP Review process is broadly categorised in Section 1 to 9 of this GST ACAP Review Guidance. The ensuing paragraphs give details of the objective and key requirements of each process.

Figure 1: Overview of ACAP Review Process



Section 1 : Getting Ready for ACAP Review

Who should read this section: The ACAP Applicant

- 1.1 A business¹ applying to participate in ACAP should be able to demonstrate to IRAS and the qualified ACAP Reviewer² that it establishes an effective and robust GST Control Framework to manage its GST risks and secure compliance.
- 1.2 A business is considered to have established an effective GST Control Framework to manage its GST risks if it has internal controls at all the following 3 levels:

Figure 2: GST Control Framework

Controls at	Objectives & Features of GST Controls
Entity Level	<p>The senior management³ incorporates GST risk management approach as part of the corporate governance framework and maintains an oversight over GST matters.</p> <p>Consequently, control features on GST are maintained in the following key areas:</p> <ul style="list-style-type: none">i. Control Environmentii. Control Activitiesiii. Change Managementiv. Information and Communicationv. System Controlsvi. Monitoring and Review
Transaction Level	<p>Controls established to ensure that GST data at source is properly tax classified and accurately captured.</p> <p>Essential preventive and detective controls are maintained at Sales and Purchases cycle to manage GST risks at data capturing. Two main GST risks are:</p>

¹ Please refer to paragraph 8 of the e-Tax Guide on ACAP for the eligibility conditions of an ACAP Applicant.

² Please refer to paragraph 9 of the e-Tax Guide on ACAP for the qualifying conditions of an ACAP Reviewer.

³ Senior management refers to persons charged with executive responsibilities for the conduct of the entity's operations such as Chief Executive Officer, Chief Financial Officer, Chief Compliance Officer.

	<ul style="list-style-type: none"> (i) <u>Compliance risks</u> Risks that a transaction may not be correctly tax classified and may not comply with GST documentary requirements. (ii) <u>Processing risks</u> Risks that the processes in capturing the transactions may not be effective in generating accurate GST data.
GST Reporting Level	Controls established to ensure data extracted and compiled are complete and accurate for reporting in GST returns.

Assessment of Readiness of GST Control Framework

- 1.3 To assist businesses to self-assess whether their GST Control Framework is ready for ACAP, IRAS sets out the expected key controls and supporting control features⁴ for Entity, Transaction and GST Reporting Levels in the “Self-Review of GST Controls” checklists (“SRC”) (Annex 1).
- 1.4 The SRC consists of three sections:
- (a) Section 1: Self-review of GST Controls at Entity Level
 - (b) Section 2: Self-review of GST Controls at Transaction Level
 - (i) 2A: Supplies
 - (ii) 2B: Purchases
 - (c) Section 3: Self-review of GST Controls at GST Reporting Level
- 1.5 An acceptable GST Control Framework must have all the key controls (listed in the SRC) for all the three levels – Entity, Transaction and GST Reporting implemented for a time-period of past 12 months as at the date of assessment.

⁴ Please refer to the “Important Notes” of the SRC for explanation of key controls and control features.

- 1.6 We recognise that the degree in which the control features supporting the key controls may vary among businesses, depending on their GST risk management policy, complexity and design of their accounting system, and degree of automation of controls. Therefore, a key control is considered as implemented if at least 60% of the control features (listed in the SRC) or their equivalents⁵ are present.
- 1.7 If the business is a single GST registrant with several business units (“BUs”), it is only required to complete one set of SRC⁶.
- 1.8 For GST group registrant, each member in the GST group has to complete Section 2A and 2B of the SRC separately. The representative member can complete Section 1 and Section 3 on a consolidated basis. However, if the GST controls differ significantly among each member, Section 1 and Section 3 have to be completed separately by the respective member.
- 1.9 If you are under divisional GST registration, Section 1 can be completed on an entity basis. However, each division has to complete Section 2A, 2B and 3 of the SRC separately.
- 1.10 A business whose key controls meet the 60% control features requirement and wishes to further improve its GST Control Framework has an option to implement additional control features. The additional ones must be those listed in the SRC and are implemented for at least 3 months. The 3-month period (where additional control features are implemented) should be included as part of the 12-month period for the purpose of ACAP Review.
- 1.11 There may be a situation where one or more of the key controls are not supported by at least 60% of the control features. The business can apply for ACAP only if it meets both conditions:
- (a) The total control features or their equivalents present for that level (regardless of the key control) must be at least 60% out of the overall control features for that level; and
 - (b) For the key control with less than 60% of control features, additional control features to meet the key control criteria are implemented for at least 3 months. The 3-month period must be included as part of the 12-month period for the purpose of ACAP Review.

⁵ We accept other control feature equivalent to the specified one as an alternative.

⁶ The business is considered to have established the control features as long as one BU has established the key control. However, information should be provided in the “Remarks” of the SRCs to elaborate the uniqueness of the control features of each BU.

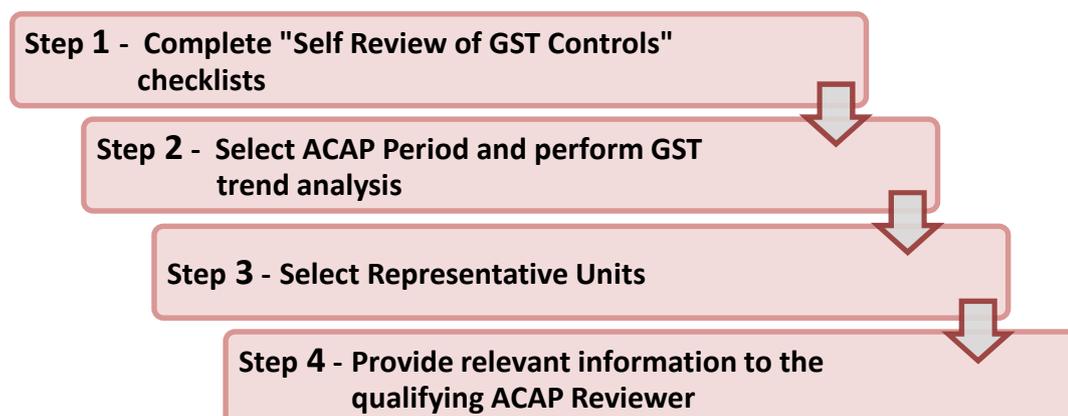
- 1.12 A business should notify IRAS of its intention to participate in ACAP by completing:
- (a) Form GST F23 “Participation in GST ACAP”; and
 - (b) “Summary of ACAP Score” of the SRC, based on its assessment that all key controls listed in the SRC are present. However, at the point of notification, it is not required to submit the SRC.
- 1.13 Businesses under GST group or divisional registration have to submit a copy of the “Summary of ACAP Score” for each member/division and “Summary of ACAP Score for GST Group or Divisional Registrant” of the SRC.

 You are required to complete the “Self-Review of GST Controls” checklists to assess if you have met the total minimum score of 60% for each level (i.e. Entity, Transaction and GST Reporting level). If you are under GST group or divisional registration, all the members in the GST group (which are separate entities) or the divisions have to complete the checklists. You are only required to submit the “Summary of ACAP Score” together with the form GST F23 “Participation in GST ACAP”. For GST group or divisional registrant, please submit a copy of the “Summary of ACAP Score” for each member/division and “Summary of ACAP Score for GST Group or Divisional Registrant” of the SRC.

Preparatory Work by ACAP Applicant Prior to Commencement of ACAP Review

- 1.14 Upon IRAS' acceptance of the business's notification, the ACAP Applicant should perform the following steps to commence the ACAP Review:

Figure 3: Process of Preparatory Work



Step 1 Complete "Self-Review of GST Controls" Checklists ("SRC")

- 1.15 The ACAP Applicant must complete the SRC (Annex 1) to provide information on the extent of presence of GST control features at the Entity, Transaction and GST Reporting levels. In addition, it should also include essential information relating to its GST controls such as:
- (a) other risk management strategies or other key controls established as part of good corporate governance;
 - (b) additional control features listed in the checklist that are implemented for at least 3 months as part of the ACAP Period (as in paragraphs 1.10 or 1.11);
 - (c) other control features at all three levels; and
 - (d) control features that would be implemented after the ACAP Period.

1.16 The above information is necessary as it could affect the ACAP Reviewer's verification of the working of controls or affect IRAS' evaluation of ACAP status.

Step 2

Select ACAP Period and Perform GST Trend Analysis

1.17 To initiate an ACAP Review, the ACAP Applicant has to select a representative 12-month period and perform trend analysis of the GST declarations.

(a) **Select representative period of 12 months (“ACAP Period”)**

The ACAP Applicant can select the ACAP Period using either of these two options:

- (i) the latest 12 months period of GST returns filed; or
- (ii) the 12 months period of GST returns filed for the past financial year⁷.

[The 12 months ACAP Period should include the 3-month period that additional control features are implemented.]

(b) **Identify and review any anomaly noted in the GST trend analysis**

To identify any outlying trends of GST declarations in the ACAP Period, the ACAP Applicant can perform the following analysis of GST data:

- (i) Comparison of the values reported in the GST returns of ACAP Period and the 12 months preceding the ACAP Period;
- (ii) Comparison of the values reported in the GST returns for each prescribed accounting period of the ACAP Period;
- (iii) Comparison of the supplies declared in GST returns for the ACAP Period to revenue and non-revenue items in management accounts;
- (iv) Agreeing the values of each item declared in the GST returns for the ACAP Period against the GST listings of transactions and adjustments applicable to all business units or all members under the GST group registration.

⁷ For example, an ACAP Applicant decided to embark ACAP in September 2011. It files quarterly GST returns and its financial year-end is 31 December. Its ACAP Period can be either: i) 1 July 2010 to 30 June 2011 covering the latest past 4 GST returns filed; or ii) 1 January 2010 to 31 December 2010 covering the GST returns filed in the latest past financial year.

The ACAP Applicant should review anomalies in the GST trend analysis for the ACAP Period such as:

- Unusual fluctuations in the values of GST supplies [Boxes 1 to 4], taxable purchases [Box 5], output tax [Box 6], input tax [Box 7], imported services [Box 14]⁸ and digital services [Box 15]⁸
- Substantial discrepancies between the turnover reported in financial accounts and taxable supplies reported in GST returns
- Unusual ratio of taxable purchases over total supplies

Any outlying trends or anomalies should be explained with valid reasons and highlighted in Section 4 of the “GST Profile of ACAP Applicant” (Annex 2).

⁸ With effect from 1 Jan 2020, there will be two new boxes inserted i.e. Box 14 and Box 15. Businesses who import services subject to GST under Reverse Charge will have to complete Box 1 and Box 14. Electronic marketplace operators who are required to charge and account for GST on digital services on behalf of overseas suppliers listed on the marketplace under Overseas Vendor Registration regime will have to complete Box 1 and Box 15. Please refer to our webpage: Completing GST Return for more information.

Step 3

Select Representative Units

- 1.18 Where the ACAP Applicant is a single GST registrant or GST divisional registrant, the Representative Units would be the business units⁹. Where the ACAP Applicant is a GST group registrant, the Representative Units would be the respective members of the GST group.
- 1.19 To ensure that the units selected for ACAP Review are appropriate and representative, IRAS has set guidelines for the selection basis.

ACAP Applicant is a single GST registrant or is under GST divisional registration

- 1.20 The ACAP Applicant ensures that the Representative Units selected for ACAP Review fulfil **all** the following criteria:



Criterion 1

The selected Representative Units collectively contribute at *least 50%* towards the ACAP Applicant's GST declarations in terms of the total supplies¹⁰ and total taxable purchases¹¹ for the ACAP Period.

Criterion 2

The selection of Representative Units includes units with unique or complex transactions (e.g. related party transactions, principal-agent transactions, joint ventures) assessed with higher GST risks of incorrect treatment.

⁹ Business unit includes economic unit, cash generating unit, operating segments under FRS 108, principal activities with independent GST extraction or cost centres that could exist on its own. If the entity has many such business units, those business units that have the same accounting and operating systems with common control features can be regarded as a single business unit for this purpose.

¹⁰ Standard-rated, zero-rated and exempt supplies.

¹¹ Standard-rated and zero-rated purchases.

Criterion 3

To ensure a broad coverage, the Representative Units identified under criteria 1 and 2 represent *at least 50%* of the total number of business units of the ACAP Applicant.

Illustration – Example 1

An ACAP Applicant has four business units, A to D, with the following contributions towards the overall supplies and purchases during the ACAP Period of 12 months.

(Amount in \$'000)	A	B	C	D	Total
Supplies value	120,000	20,000	44,000	36,000	220,000
%	55%	9%	20%	16%	100%
Purchases value	30,000	15,000	45,000	60,000	150,000
%	20%	10%	30%	40%	100%

Business unit A has contributed more than 50% of overall supplies and has to be included under criterion 1. Since there are four business units, at least two business units have to be selected under criterion 3.

Scenario 1 – where all business units pose equal GST risks

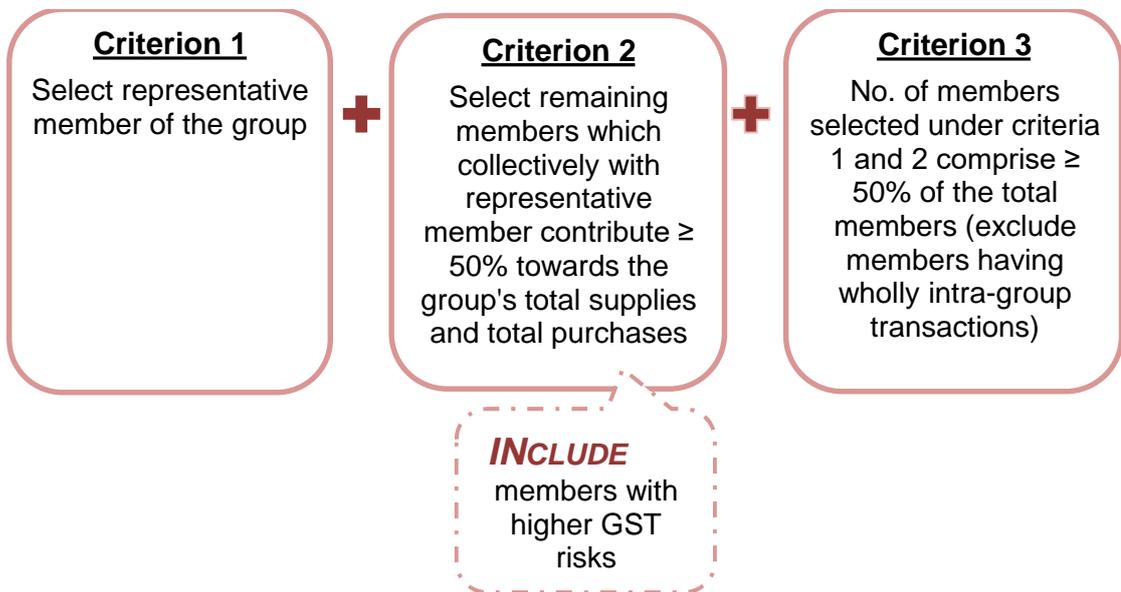
Accordingly, the Representative Units for ACAP Review can be A and C; or A and D, so that they collectively account for at least 50% of the overall supplies and purchases and at least 50% of the total number of business units.

Scenario 2 – where business unit D is assessed as having higher exposure to GST risks

As he has to satisfy all the 3 criteria, the Representative Units selected would be A and D.

ACAP Applicant under GST Group registration

- 1.21 For a GST group registrant with two members, both the representative member and the other member must be selected as Representative Units, unless the member is inactive or makes wholly intra-group supplies.
- 1.22 For a group with more than two members, the ACAP group applicant has to ensure that the Representative Units selected (i.e. members of the GST group) fulfil all the following criteria:



Criterion 1

Select the representative member (that is, the entity responsible for submission of the group's GST return).

Criterion 2

Select the remaining members of the group, which, collectively with representative member, contribute at *least 50%* towards the GST group's GST declarations in terms of the total supplies¹² and total taxable purchases¹³ for the ACAP Period. Members with transactions of higher GST risks should be included.

Criterion 3

The members selected under criteria 1 and 2 represent *at least 50%* of the total members (excluding inactive members and members with wholly intra-group transactions) in the GST group.

¹² Standard-rated, zero-rated and exempt supplies.

¹³ Standard-rated and zero-rated purchases.

Illustration – Example 2

An ACAP Applicant has five members in the GST Group, A to E, with the following contributions towards the overall supplies and purchases during the ACAP Period of 12 months.

Group member	A ®	B	C	D	E	Total
Supplies to external (\$'000)	250,000	25,000	150,000	50,000	25,000	500,000
%	50%	5%	30%	10%	5%	100%
Taxable Purchases from external (\$'000)	175,000	70,000	70,000	28,000	7,000	350,000
%	50%	20%	20%	8%	2%	100%

® Representative member of the GST Group

The Representative Units selected for ACAP Review would be:

- 1) Representative member A (Criteria 1);
- 2) To satisfy Criteria 2 and 3, the ACAP Applicant has to select any two of the non-representative members if all of them pose equal GST risks.

Considering Factors For the Purpose of Selection of Riskier Representative Units

- 1.23 Other than the selection guidelines set by IRAS, the ACAP Applicant should consider at least the following indicators and select the relevant business units for ACAP Review:
- (a) Business units that have complex business activities and operations such as outsourced functions, new business models, use of new IT systems, business activities conducted through Special Purpose Vehicles or conducted with related parties, etc.
 - (b) Business units with unique or complex GST features such as partial exempt rules on recovery of input tax, prescribed goods subject to Customer Accounting (CA), imported services subject to GST under Reverse Charge (RC), digital services supplied on behalf of underlying suppliers¹⁴ by electronic marketplace operators subject to GST under Overseas Vendor Registration (OVR) regime, GST schemes, GST agent for overseas principals, etc.

¹⁴ Underlying suppliers refer to both local and overseas suppliers if the ACAP Applicant has elected to account for GST on all digital services.

- (c) Business units with high turnover of senior management and/or staff in its finance or other departments performing functions which would impact the GST reporting.

Step 4

Provide relevant information to the ACAP Reviewer

1.24 The ACAP Applicant has to provide the following information to the ACAP Reviewer for it to initiate the ACAP Review process:

- (a) “Self-Review of GST Controls” at Entity, Transaction and GST Reporting levels (Annex 1) (“SRC”). The ACAP Reviewer should not complete the SRC, if it is the ACAP Applicant’s Internal Audit Team;
- (b) “GST Profile of ACAP Applicant” (Annex 2), including the basis of selecting the ACAP Period and Representative Units;
- (c) Organisation chart of the ACAP Applicant¹⁵ by:
 - (i) Shareholding
 - (ii) Functions & business activities of the selected units
 - (iii) GST structure including responsibilities assigned to each selected Representative Unit

[An example of the above is provided in Annex 3]

- (d) Documentation on GST Processes of the selected Representative Units, which would cover the following:
 - (i) Accounting and operational process flows for different categories of supplies and purchases transactions¹⁶;

¹⁵ ACAP Applicant under GST group registration has to submit the organisation chart for each of the members in the group.

¹⁶ The supplies category of transactions may be further differentiated into supply of goods and supply of services.

Supplies category	Purchases category
Standard-rated supplies (including supply of prescribed goods made and/or received under CA, imported services subject to GST under RC and / or digital services supplied on behalf of underlying suppliers by electronic marketplace operators subject to GST under OVR regime)	Standard-rated purchases (excluding imports and GST schemes but including supply of prescribed goods received under CA and imported services subject to GST under RC)
Zero-rated supplies	Zero-rated purchases (excl. imports and GST schemes)
Exempt supplies	Imports with GST paid and with GST suspended
Out-of-scope supplies	Purchases under GST scheme(s)
Supplies under GST scheme(s)	

- (ii) The control features to prevent and detect compliance and processing risks identified at Transaction and GST Reporting levels if they are not included in (d)(i); and
- (iii) Decision Tree to determine the tax treatment for different categories of transactions (e.g. GST logic in-built in the accounting system).

[An example of the above is provided in Annex 4]

- (e) GST Process Flow for Preparing GST Return and an illustration of how the ACAP Applicant ensures that the consolidated data are correctly extracted and reported in the GST return.

 The ACAP Applicant has to:

- i) conduct an overall assessment of its GST controls in managing GST risks and GST reporting;
- ii) decide on the ACAP Period and perform analytical review of GST declarations; and
- iii) select Representative Units for ACAP Review.

The ACAP Applicant has to furnish information highlighted in paragraph 1.24 for the ACAP Reviewer to commence the ACAP Review.

Section 2 : Commencement of ACAP Review by the ACAP Reviewer

Who should read this section: ACAP Reviewer

- 2.1 It is the responsibility of the Public Accounting Entity (“PAE”) or its tax affiliate and Internal Audit (IA) team to ensure that it fulfils all the eligibility conditions highlighted in paragraph 9 of the e-Tax Guide “GST: Assisted Compliance Assurance Programme (ACAP)” before accepting the appointment.
- 2.2 If the appointed PAE or its tax affiliate is engaged in other GST specific engagements listed below, it should put in place additional safeguards as stated in paragraph 9.2(d) of the e-Tax Guide as reiterated below:

GST Specific Engagement	Additional Safeguards in the conduct of ACAP Review
PAE or its tax affiliate prepares or reviews GST return for the ACAP Applicant prior to e-filing of the return.	The 12-month ACAP period ¹⁷ should not coincide with the same period for which the GST return was prepared or reviewed. If the periods coincide, the PAE should assign an entirely different team ¹⁸ to undertake the ACAP review.
PAE or its tax affiliate designs and / or documents the GST process flows of the ACAP client.	The staff involved in the design and documentation of the GST process flows must not be a member of the ACAP Review team.

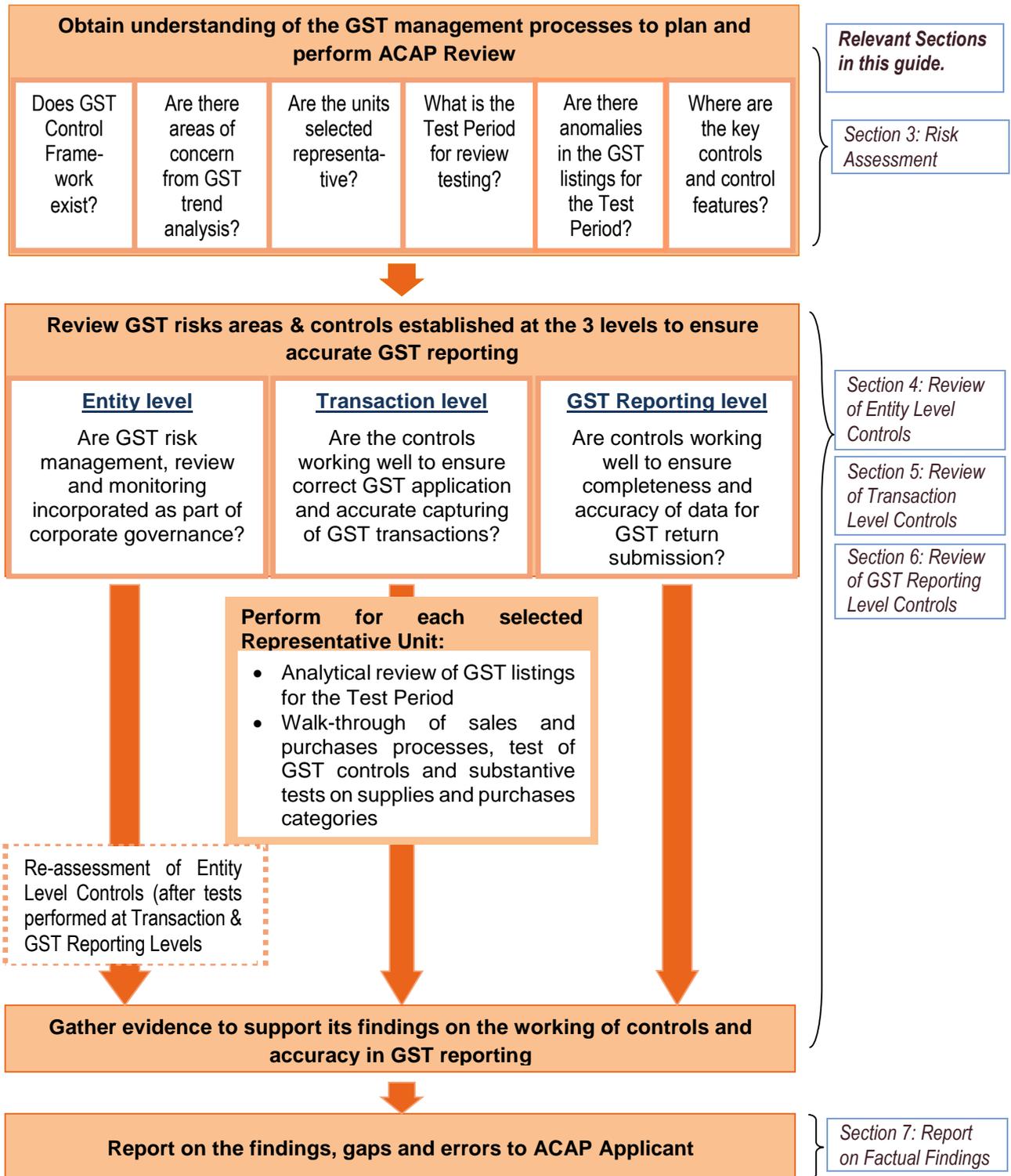
¹⁷ ACAP Period is a 12-month period of either:

- (i) the latest 12-month period of GST returns filed; or
- (ii) the 12-month period of GST returns filed for the past financial year.

¹⁸ The team from the staff to the audit partner/tax partner/tax director who is accountable for the ACAP Review must not be involved in the engagement to prepare or review GST return for the ACAP Applicant.

- 2.3 The role of the ACAP Reviewer is to review the effectiveness of the GST Control Framework established by the ACAP Applicant for the ACAP Period. The review should cover the three levels of controls, at Entity, Transaction and GST Reporting, which the ACAP Applicant has established at Section 1, paragraph 1.2.
- 2.4 The ACAP Reviewer ensures that the methodology applied in its conduct of ACAP Review includes the ACAP Review Process detailed in the ensuing paragraphs.
- 2.5 An overview of the ACAP Review Process performed by the ACAP Reviewer is shown in Figure 4 of the next page.
- 2.6 The objective and key requirements of each process involved are explained in Section 3 to Section 7.

Figure 4. Overview of the ACAP Review procedures for ACAP Reviewer

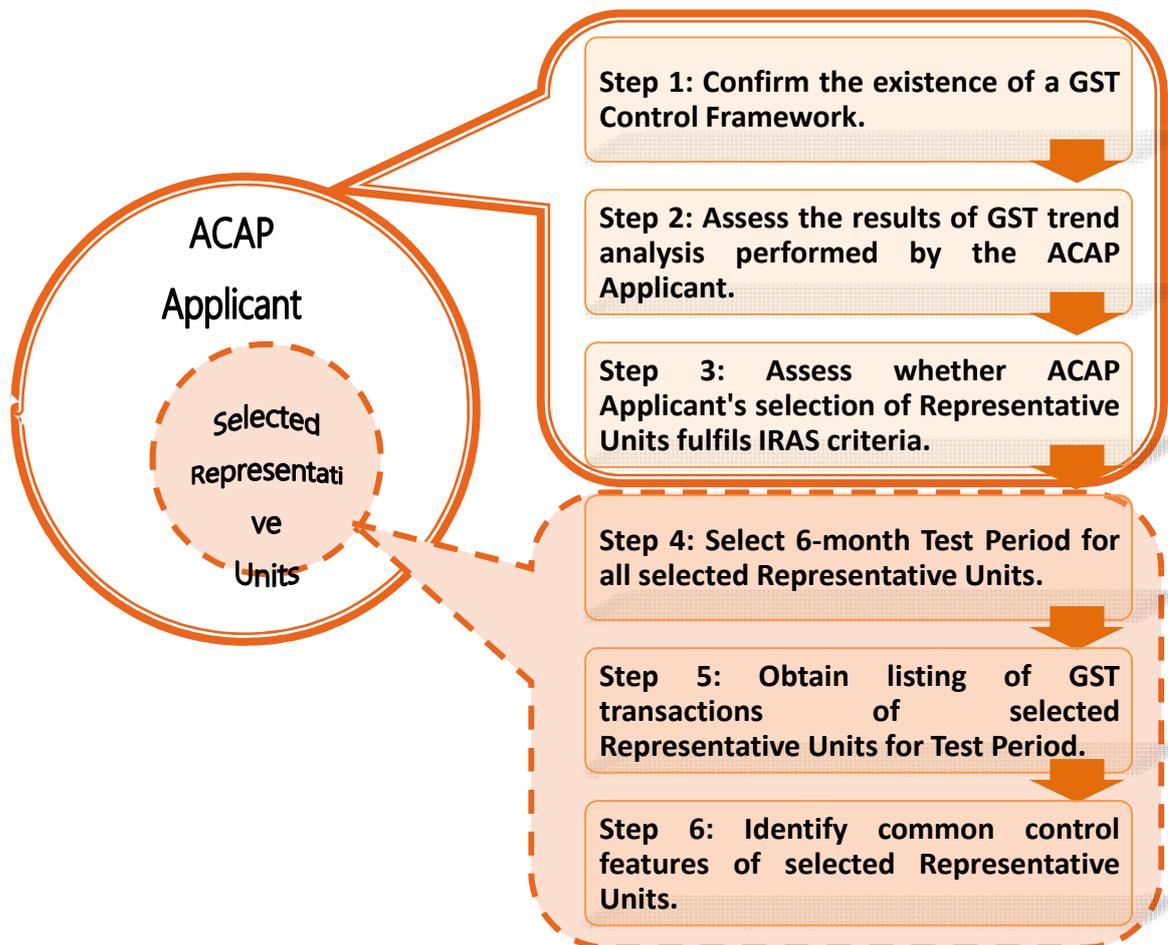


Section 3 : Risk Assessment

Who should read this section: ACAP Reviewer

- 3.1 From the information provided by the ACAP Applicant (in paragraph 1.24), the ACAP Reviewer obtains an understanding of the business activities and GST risk management and control process. This will enable it to plan and execute the ACAP Review process set out in this GST ACAP Review Guidance.
- 3.2 At this risk assessment stage, the ACAP Reviewer performs the following steps.

Figure 5. Risk Assessment Steps



Step 1

Confirm the existence of a GST Control Framework

- 3.3 The ACAP Reviewer reviews the “Self-Review of GST Controls” checklists (“SRC”) completed by the ACAP Applicant. It considers the key controls and supporting control features established at all three levels. It also assesses whether any critical impairing effects arise from control features highlighted as implemented but may be missing or not working well.
- 3.4 This review step serves two purposes. Firstly, it enables the ACAP Reviewer to ascertain the existence of a GST Control Framework maintained by the ACAP Applicant. Secondly, it allows the Reviewer to determine any particular areas that it would like to seek clarification from the ACAP Applicant and sight evidence or include them as part of the ACAP Review tests.

Step 2

Assess the results of GST trend analysis performed by the ACAP Applicant

- 3.5 The ACAP Reviewer considers any GST risks arising from the GST trend analysis performed by the ACAP Applicant. From the outlying GST trend observed, it can ascertain how such trend would affect its identification of the categories of transactions to conduct testing on the selected Representative Units.
- 3.6 For example, if the ACAP Applicant highlighted that outlying trend in zero-rated supplies is due to a new business model encountered, the ACAP Reviewer may want to review that the tax logic documented by the process owner is in accordance with the GST rules and is correctly applied by the end user.

Step 3

Assess whether selected Representative Units fulfil IRAS’ criteria

- 3.7 The ACAP Reviewer considers whether the Representative Units selected by the ACAP Applicant are appropriate and fulfil IRAS’ selection criteria¹⁹.

¹⁹ Please refer to paragraphs 1.20 to 1.23 for the criteria on the selection of Representative Units.

Step 4

Select a representative period (“Test Period”) for each selected Representative Unit to conduct testing

- 3.8 For each selected Representative Unit, the ACAP Reviewer has to select a 6-month Test Period from the ACAP Period to conduct testing. The 6-month Test Period need not be consecutive prescribed accounting periods nor be the same for all selected Representative Units.
- 3.9 The Test Period of the Representative Unit should cover:
- (a) additional control features implemented for at least 3 months of the ACAP Period;
 - (b) major income and expenditure streams; and
 - (c) transactions identified with higher GST risks.
- 3.10 In selecting the appropriate Test Period, the ACAP Reviewer should review the list of account codes, tax codes, financial and management accounts of the ACAP Period and “GST Profile of ACAP Applicant” to identify:
- (a) the major sales and purchase transactions of the selected Representative Units;
 - (b) categories of transactions that pose higher risks of incorrect GST application²⁰; and
 - (c) GST transactions that are not processed through the financial accounting systems and are separately managed by designated persons.
- 3.11 If there is an exceptional significant category of transactions that falls outside the Test Period but within the ACAP Period, the ACAP Reviewer has to devise procedures to confirm the correct GST treatment applied on the transactions. The alternative procedures may be in the form of interviewing the designated process owners or conduct documentary review for that particular category. Otherwise, it would have to re-select the Test Period.

²⁰ Include transactions with different treatment prescribed in Accounting Framework and GST rules (e.g. different revenue recognition, CA for prescribed goods, imported services subject to GST under RC and/or digital services supplied on behalf of underlying suppliers by electronic marketplace operators subject to GST under OVR regime, complex business models with different GST treatments and implications).

Step 5 Obtain management accounts, trial balance and listing of GST transactions of all the selected Representative Units

3.12 The ACAP Reviewer would then:

- (a) Peruse through the management accounts and trial balance to identify:
 - (i) Potential accounts that may have transactions that are subject to GST but may be tax coded incorrectly;
 - (ii) Transactions that may be subject to GST due to specific GST provisions; and
 - (iii) Transactions having higher risk of incorrect GST treatment that fall outside the Test Period but within the ACAP Period. For example, recoveries, disallowed expenses, loans and related parties' transactions.
- (b) Review the detailed list of GST transactions for supplies and purchases for the Test Period for all the selected Representative Units and note down any anomaly that could affect its selection of transactions or process flows for testing.

Step 6 Identify common control features of the selected Representative Units

3.13 The ACAP Reviewer reviews the ACAP Applicant's control process flows of the selected Representative Units to identify whether there are any common control features detected in the various control process flows provided by the ACAP Applicant. This would enable it to determine the number of control process flows and types of controls (manual or system controls, preventive or detective controls) that it would be testing.

3.14 With the above risk assessment, the ACAP Reviewer can then proceed with its testing of the effectiveness of the controls established at the Entity, Transaction and GST Reporting levels.

Section 4 : Review of Entity Level Controls

Who should read this section: ACAP Reviewer

- 4.1 The objective of reviewing the controls maintained at Entity level is to establish whether management of the ACAP Applicant has incorporated GST risk management, review and monitoring as part of the GST Control Framework. This assures IRAS that the senior management recognises the importance of GST compliance and maintains oversight over GST matters.
- 4.2 The review of the working of Entity Level controls comprises a two-tier review, i.e. preliminary review and final review.

Preliminary Review

- 4.3 Preliminary review allows the ACAP Reviewer, at the onset of the ACAP Review, to determine the following:
- (a) extent of evidence needed to confirm the presence of the Entity Level controls;
 - (b) degree of testing on specific GST controls at subsequent stages of the ACAP Review at Transaction and GST Reporting Levels.
- 4.4 The ACAP Reviewer examines the ACAP Applicant's SRC at Entity Level to obtain a holistic assessment. The Reviewer considers the following in its review:
- (a) The effects of those controls listed in the SRC which it had highlighted as having critical impact on the effectiveness of the GST Controls during its preliminary risk assessment (see paragraph 3.3) in the following control segments:
 - (i) Control Environment
 - (ii) Control Activities
 - (iii) System Control
 - (iv) Change Management
 - (v) Information and Communication
 - (vi) Monitoring and Review

(b) Consider any particular GST risks listed in Section 10 (Entity Level) and determine the type of audit evidence and extent of review procedures required to substantiate the presence of Entity Level controls or the linkage between Transaction and GST Reporting controls.

4.5 If there are control gaps noted at Entity Level, the ACAP Reviewer may supplement its testing at the Transaction and GST Reporting levels. This will enable the Reviewer to gather sufficient audit evidence to ascertain that the existing Entity Level controls are still adequate in fulfilling the ACAP Applicant's GST obligations.

Final Review

4.6 A final review of the ACAP Applicant's Entity Level controls will be performed after the completion of the review of the workings of the Transaction and GST Reporting Levels in Section 5 and Section 6 below.

4.7 The re-assessment allows the ACAP Reviewer to consider the findings and the evidence gathered during the review of Transaction and GST Reporting Levels that could influence or modify its preliminary assessment of Entity Level controls.

4.8 For example, ACAP Reviewer may be satisfied of the existence of the controls at each control segment of the SRC through interview with the management and sighting of risk management policies. However, its interim findings may need to be adjusted, if it found that the process owners were ignorant of changes in business models or of the existence of checklist of GST errors to avoid, during the testing of controls at the Transaction and GST Reporting Level. In such situation, it should update its observation of the gap against the appropriate controls.

 The ACAP Reviewer performs the Entity Level review through interviews with appropriate personnel and sighting of documentary evidence such as GST risk management policies. After completing its review on Transaction and GST Reporting Level, it concludes its final review of the Entity Level controls. Any gaps should be included in "Consolidated Statement of GST Gaps and Errors" (Annex 5A)".

Section 5 : Review of Transaction Level Controls

Who should read this section: ACAP Reviewer

- 5.1 The objective of reviewing the controls maintained at Transaction Level is to establish whether the controls are working effectively to ensure correct GST application and accurate capturing of GST transactions during the ACAP Period.
- 5.2 For the selected Representative Units, ACAP Reviewer seeks to understand the flow of GST risk management process and flow of GST transactions from data initiation, tax classification to data capturing; and mapping to the financial and operating systems. The Reviewer identifies the GST risks of the sales and purchase cycles. It performs an analytical review of the Representative Units' GST listings for the Test Period to identify anomalies and include them in its ACAP Review tests.

Walk-through of GST process flows

- 5.3 The ACAP Reviewer performs a walk-through²¹ with the relevant personnel of the ACAP Applicant to confirm its understanding of the design of GST controls within the sales and purchases processes of the selected Representative Units; and assess whether the controls documented in the GST process flows are working as represented.
- 5.4 The walk-through tests need to be performed on the major GST control processes of all selected Representative Units.
- 5.5 For selected Representative Units that operate on the same financial and accounting systems and have similar GST process flows, the ACAP Reviewer may consolidate all the GST process flows for the purpose of the walk-through.

²¹ During a walk-through process, the ACAP Applicant demonstrates to the ACAP Reviewer how the sales and purchase transactions are initiated, tax classified and captured in the financial system, including the GST listings.

Tests of controls

- 5.6 The ACAP Reviewer, in its professional judgement, determines the number of transactions to conduct tests of GST controls for the selected Representative Units.
- 5.7 It identifies the various essential GST controls to conduct tests of controls for the following categories of supplies and taxable purchases of the selected Representative Units.

Categories of transactions of the selected Representative Units

Supplies

- Standard-rated supplies
- Zero-rated supplies
- Exempt supplies
- Out-of-scope supplies
- Transactions under GST scheme(s)
- Supply of prescribed goods made or received under CA
- Supply of imported services subject to GST under RC
- Supply of digital services on behalf of underlying suppliers by electronic marketplace operators subject to GST under OVR regime

Taxable Purchases

- Standard-rated Purchases (excluding imports and transactions under GST schemes)
- Zero-rated Purchases (excluding imports and transactions under GST schemes)
- Imports - with GST paid and with GST suspended
- Transactions under GST scheme(s)
- Purchase of prescribed goods subject to CA
- Purchase of imported services subject to GST under RC

- 5.8 The above two categories of transactions are subsequently referred to as 'Supplies Categories' and 'Purchases Categories'.
- 5.9 If the ACAP Reviewer is unable to perform tests on certain control feature for transactions that occurred during the ACAP Period (e.g. test environment is no longer available), it may exercise its professional judgement to perform such tests on similar transactions that occur during the period of testing.
- 5.10 In its scope of tests of controls, the ACAP Reviewer should also consider the effects of those controls listed in the SRC which it highlighted as having critical impact on the effectiveness of the GST controls during its preliminary risk assessment (see paragraph 3.3).
- 5.11 Tests of controls at the Transaction Level for ACAP review should include the following tests:
- (a) Test of GST knowledge of key personnel involved in tax classification of transactions for the business;
 - (b) Test of GST logic in-built in the accounting system if majority of ACAP Applicant's controls are controlled by pre-set system controls; and
 - (c) Test of preventive and detective controls that ensure accuracy of tax classification, value and compliance with the GST documentary requirement.
- 5.12 Other than the above, the tests of controls should be performed in accordance with audit methodology based on generally accepted auditing standards²².
- 5.13 There could be instances where the ACAP Reviewer, based on its professional judgement, wishes to reduce its scope of tests of controls by relying on similar work performed on tests of controls. IRAS accepts this only if the similar work on tests of controls was performed in respect of the period which coincides with the ACAP Period.
- 5.14 In addition, the ACAP Reviewer should take into account of the following:
- (a) whether the work performed by other professionals or in its previous engagement is aligned with the objective of the ACAP tests, which include tests specified in paragraph 5.11; and
 - (b) whether the period in which tests were performed would still be relevant and applicable to the Representative Units.

²² For example, the audit methodology relating to tests of controls as prescribed in the Singapore Standards of Auditing SSA 330.

- 5.15 If the answer to either paragraph 5.14(a) or (b) is No, it should include tests on GST specific controls in its ACAP review.
- 5.16 If the ACAP Reviewer has reduced its scope of the test of controls, it needs to document its reasons and state its basis in Annex 5B “Notes to Report on Factual Findings”.
- 5.17 Testing of controls is part of the ACAP evidence gathering process. If the results show that controls tested at the Transaction Level of the Representative Units are working, the Reviewer can apply the minimum sample size required for substantive review set by IRAS in Table 1 (page 35) and Table 2 (page 40).

Substantive Tests

- 5.18 The purpose of this procedure is to obtain sufficient evidence that the supplies and purchases transactions are correctly reported in the GST listings for the Test Period for all selected Representative Units.
- 5.19 The ACAP Reviewer conducts substantive tests on Material Transactions for applicable ‘Supplies Categories’ and ‘Purchases Categories’ of each selected Representative Unit.
- 5.20 As a guide, Material Transactions for ‘Supplies Categories’ and ‘Purchases Categories’ would include:

- (a) Usual supplies and purchases transactions, which are high in value;
- (b) Transactions with higher risks of GST mis-application such as:

Supplies categories	Purchases categories
☞ Exceptional or outlier high value transactions (e.g. sale of properties, sale of business assets)	☞ Exceptional or outlier high value transactions (e.g. purchase of residential properties)
☞ New business models	☞ Purchases under self-billing arrangement
☞ Complex business arrangement	☞ Purchases of prescribed goods subject to CA
☞ Special Purpose Vehicles transactions	☞ Related party transactions
☞ Disbursements and reimbursements	☞ Expenses relating to sale of shares and investments
☞ Financial Leases	☞ Common expenses for the purpose of apportionment of input tax (applicable if the ACAP Applicant is a partial exempt trader)
☞ Related party transactions	
☞ Joint venture, merger or acquisition related transactions	
☞ Exempt supplies that do not fall within Regulation 33 (interest from inter-company loans, sale of securities or loan stock)	
☞ Management services	

- ☞ Sales under self-billing arrangement by the customer
- ☞ Disallowed business expenses (e.g. medical, motor vehicles)
- ☞ Supplies deemed to have taken place (e.g. business assets taken for private use, gifts)
- ☞ Transactions with no consideration or paid by way of net-off
- ☞ Prescribed goods made or received subject to CA
- ☞ Imported services (including intra-GST group and inter-branch transactions) subject to GST under RC
- ☞ Digital services supplied on behalf of underlying suppliers by electronic marketplace operators subject to GST under OVR regime

5.21 The substantive review should include verification of values, adherence to proper cut-off, correct tax classification²³ and application, legislative compliance on specific schemes and documentary requirements.

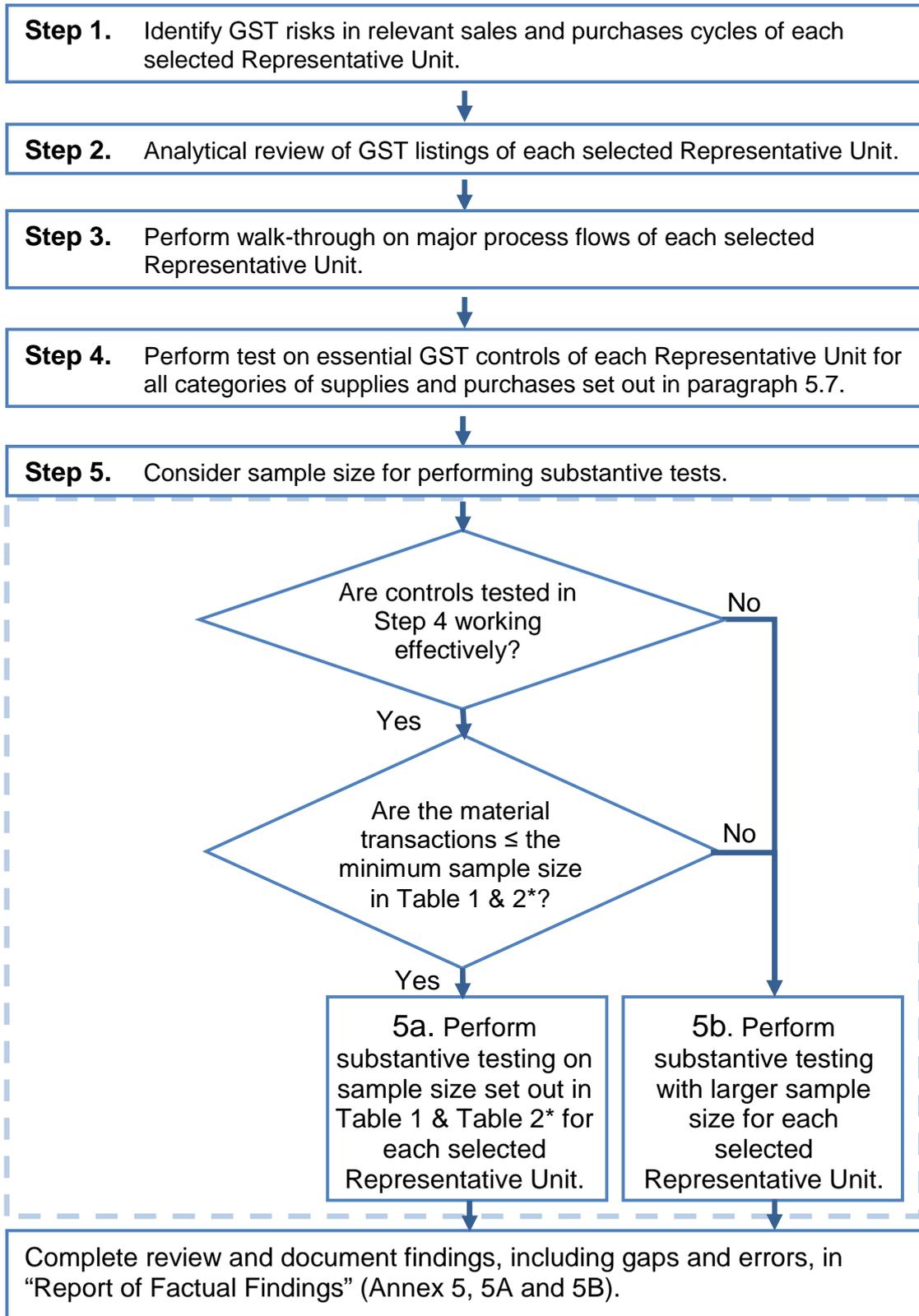
5.22 IRAS sets a minimum sample size to perform substantive reviews for 'Supplies Categories' (Table 1 in page 35) and 'Purchases Categories' Table 2 in page 40) for each selected Representative Unit. The minimum sample size number would not be applicable in the following circumstances:

- (a) Results from test of controls conducted suggest a high possibility of GST errors due to gaps in GST controls. Hence, the ACAP Reviewer should increase the sample size for substantive testing to a level that it is comfortable to make a factual finding.
- (b) The number of material transactions identified exceeded the minimum sample size. Accordingly, a larger sample size is required to cover the material transactions.

5.23 Figure 6 shows an overview of the procedures that the ACAP Reviewer needs to perform in its review of the working of controls for both sales and purchases cycle of the selected Representative Units. More details are provided in the ensuing paragraphs.

²³ For a start, the ACAP Reviewer should read the e-Tax Guide of the relevant industries published in IRAS website to familiarise itself with any unique or prescribed GST rules.

Figure 6. Overview of Transaction Level Control Review Procedures for Selected Representative Units



* Please refer to page 35 and 40 respectively

Sales Cycle Of Selected Representative Units

- 5.24 The ACAP Reviewer performs the following steps during its review of the sales cycle of the selected Representative Units.

Step 1

Identify GST risks in the Sales Cycle

- 5.25 The ACAP Reviewer considers any particular GST risks that could be unique to the ACAP Applicant's business and include them in its review tests. The Reviewer's test procedures include the review of the presence of the controls designed to manage these GST risks areas. Refer to Section 10 for the list of GST risks areas at Sales Transaction Level.

Step 2

Analytical Review of GST Supplies Listings

- 5.26 Bearing the identified risk areas in mind, the ACAP Reviewer peruses the GST supplies listings of the Test Period to identify indicators of gaps in the internal control or potential GST errors. Examples of such indicators include:
- (a) Invoices not in running sequences
 - (b) Unexplained missing transactions
 - (c) Transactions with GST amount different from the GST amount computed based on the supplies value
 - (d) Transactions that are tax coded as zero-rated, exempt or out-of-scope but reflect GST amount
 - (e) Transactions relating to supply of prescribed goods received under CA with no GST accounted for on the supply
 - (f) Transactions relating to supply of imported services with no GST accounted for on the supply
 - (g) Transactions relating to supply of digital services supplied to non-GST registered customers by electronic marketplace operators on behalf of underlying suppliers that are subject to GST under OVR regime but tax coded as out-of-scope

Step 3

Walk-through Tests

5.27 The ACAP Reviewer exercises its professional judgement to determine the number of transactions for walk-through. It ensures that there is a proportionate selection of standard-rated, zero-rated, exempt and out-of-scope supplies to conduct the walk-through.

Step 4

Test of Controls

5.28 Tests of controls are conducted on all applicable 'Supplies Categories²⁴' to ensure that the essential controls are operating well.

5.29 The following are some examples of transactions to select for controls review:

- (a) Different category of international services
- (b) Different scenarios for exports of goods (i.e. direct and indirect exports), involving different documentary requirements
- (c) Specific transactions having an impact on time of supply rule e.g. receipt of advance payments/deposits, buyer created invoices, goods sold under consignment terms/ vendor managed inventory system
- (d) Transactions with specified GST treatment (e.g. business assets put to non-business/private use and sharing of premise with no rental charged)
- (e) Transactions that require accounting of output tax on behalf of the suppliers arising from specific provision of the GST Act (e.g. local sale of prescribed goods received subject to CA, imported services subject to GST under RC, digital services supplied to non-GST registered customers by electronic marketplace operators on behalf of underlying suppliers)
- (f) Transactions that may not be recognised as revenue item in financial statements but formed a GST reporting item in the GST return (e.g. sale of assets, equities and debt, supply of goods in the capacity of an agent to an overseas principal)
- (g) Anomalies noted from GST listings review
- (h) Bank/ cash receipts not recorded as supplies

²⁴ Standard-rated Supplies (including supply of prescribed goods under CA, imported services subject to GST under RC, digital services supplied on behalf of underlying suppliers by electronic marketplace operators subject to GST under OVR regime), Zero-rated Supplies, Exempt Supplies, Out-of-scope Supplies and Supplies under GST schemes.

Step 5 Substantive testing

- 5.30 For each selected Representative Unit, the ACAP Reviewer performs substantive testing of material transactions²⁵ for all applicable 'Supplies Categories'²⁴.
- 5.31 If the results of the walk-through and tests of controls show that the controls tested are working well; and the material transactions identified do not exceed the threshold of the sample size set, the ACAP Reviewer can follow the table below to determine the sample size for substantive testing.

Table 1 - Sample Size for Substantive Testing of Supplies Transactions

Minimum sample size for each category of supplies for each selected Representative Unit	Where the ACAP Applicant is NOT carrying on the business of, or any business similar to that of a regulation 34 business, makes:		Where the ACAP Applicant is carrying on the business of, or any business similar to that of a regulation 34 business
	Only regulation 33 exempt supplies	Both regulation 33 and other exempt supplies	
(i) Standard-rated supplies	10 @	10 @	10
(ii) Zero-rated supplies	20 @	20 @	20
(iii) Exempt supplies (non-regulation 33)	Not Applicable	5	20
(iv) Out-of-scope supplies	5	5	5
(v) GST Schemes	10	10	10
(vi) Prescribed goods subject to CA:			
(a) Making the relevant supply	2	2	2
(b) Receiving the relevant supply	2 #	2 #	2 #
(vii) Imported services subject to GST under RC:			
(a) No intra-GST group and/or inter-branch transactions	2 #	2 #	2 #

²⁵ Refer to paragraph 5.20 for guidelines on Material Transactions.

Minimum sample size for each category of supplies for each selected Representative Unit	Where the ACAP Applicant is NOT carrying on the business of, or any business similar to that of a regulation 34 business, makes:		Where the ACAP Applicant is carrying on the business of, or any business similar to that of a regulation 34 business
	Only regulation 33 exempt supplies	Both regulation 33 and other exempt supplies	
(b) Include intra-GST group and/or inter-branch transactions ²⁶	5 #	5 #	5 #
(viii) Digital services supplied on behalf of overseas suppliers by electronic marketplace operators subject to GST under OVR regime ²⁷	2	2	2

@ If the ACAP Applicant is making mostly standard-rated supplies (i.e. more than 90% of total supplies), the sample size for the standard-rated supplies and zero-rated supplies should be 20 and 10 respectively.

The samples selected for review should cover substantive testing for correctness of input tax claimed and whether output tax has been accounted for.

5.32 In the case of supplies, the following review should be included as part of the substantive review:

- (a) Transaction in source document agreed to GST listing and accounting system;
- (b) GST treatment is applied correctly;
- (c) Value of supply and GST are computed correctly (i.e. apply correct tax rate on the correct supply value);
- (d) Time of supply is adhered to;

²⁶ If the ACAP Applicant is a local branch or head office procuring services from its overseas branch or head office, or a local member of a GST group procuring services from an overseas member within the same GST group.

²⁷ Refer to IRAS e-Tax Guide "GST: Taxing imported services by way of an overseas vendor registration regime" to determine whether the ACAP Applicant is required to charge and account for GST on the digital services.

- (e) Format of tax invoice (including CA invoice and/or RC invoice) complied with GST legislation;
- (f) For exports of goods and/or third country sales, transactions are substantiated with export evidences in accordance with IRAS' e-Tax Guides, such as "A Guide on Exports", "GST: Guide on Hand-Carried Exports Scheme". For third country sales, the Reviewer has to ascertain that they were not located in Singapore at the time of supply;
- (g) For local sale of prescribed goods, the Reviewer has to ascertain that CA was not applied on such supplies to non-GST registered customers;
- (h) For imported services subject to GST under RC, the Reviewer has to ascertain the following:
 - (i) The value of imported services is open market value if procured from a connected person²⁸ (including an overseas member within the same GST group or an overseas branch / head office)
 - (ii) Include intra-GST group or inter-branch transactions
 - (iii) Whether transactions are substantiated with the relevant documentary evidence and record keeping requirements²⁸
- (i) For supply of digital services, the Reviewer has to ascertain whether GST is accounted for on the supply of digital services made by underlying supplier(s) through ACAP Applicant's electronic marketplace.

5.33 If the ACAP Reviewer discovers any gaps and incorrect GST treatment, it has to document its findings.

 The ACAP Reviewer performs the review on Sales cycle based on the guidance above. It documents its findings with evidence gathered in working papers (an example of the working paper template is provided in Annex 6). Any gaps and errors noted are to be included in "Consolidated Statement of GST Gaps and Errors" (Annex 5A).

²⁸ Refer to IRAS e-Tax Guide "GST: Taxing imported services by way of reverse charge".

Purchases Cycle Of Selected Representative Units

- 5.34 The ACAP Reviewer performs the following steps during its review of purchases cycle of the selected Representative Units.

Step 1 Understanding GST risks in the purchases cycle

- 5.35 The ACAP Reviewer considers any particular GST risks that could be unique to the ACAP Applicant's business and includes them in its review tests. The Reviewer's test procedures include the review of presence of controls designed to manage the GST risks areas. Refer to Section 10 for the list of GST risks areas at Purchases Transaction Level.

Step 2 Analytical Review of GST listings

- 5.36 Bearing the identified risk areas in mind, the ACAP Reviewer proceeds to conduct an analytical review of the GST purchases listings for the Test Period to identify indicators of gaps in the internal control or potential GST errors. Examples of such indicators include:
- (a) Processing the same invoice more than once
 - (b) Claiming input tax specifically disallowed under the GST Act or not incurred for business purposes
 - (c) Transactions with GST amount different from computed GST amount based on purchases value²⁹
 - (d) Transactions that are tax coded as zero-rated but reflects GST amount
 - (e) Claiming input tax on local purchases of prescribed goods subject to CA with no corresponding output tax accounted
 - (f) Claiming input tax on imported services subject to GST under RC with no corresponding output tax accounted
 - (g) Claiming input tax on digital services procured from overseas vendor under the OVR regime

²⁹ Input tax claimed is not reflective of the corresponding value of the purchase captured e.g. not equivalent to the value of purchase charged at the prevailing rate, other than rounding differences.

Step 3

Walk-through tests

- 5.37 The ACAP Reviewer uses its professional judgement to determine the number of transactions for walk-through. It ensures that there is a proportionate selection of taxable purchases (including expenses) and imports to conduct the walk-through.

Step 4

Test of controls

- 5.38 Tests of controls are conducted on all applicable 'Purchases Categories'³⁰ to ensure that the essential controls are working well.
- 5.39 The following are some examples of transactions selected for tests of control:
- (a) Purchases with purchase order (selection spanning across each category such as Cost Of Goods Sold (COGS), distributing, administrative expenses depending on the material level)
 - (b) Purchases without purchase order (selection spanning across each category such as COGS, distribution, administrative expenses depending on the material level)
 - (c) Expenses including reimbursement to staff
 - (d) Purchases without GST (e.g. from non-GST registered suppliers, GST-registered overseas vendor under OVR regime)
 - (e) Zero-rated purchases
 - (f) Self-created (Buyer generated) tax invoices endorsed by suppliers
 - (g) Imports:
 - (i) With GST paid to Singapore Customs (IG, DP permits)
 - (ii) With GST suspended at the point of importation under GST schemes (ME, MC permits)
 - (iii) On behalf of overseas principals in the capacity of agent under section 33(2) and section 33A of the GST Act
 - (h) Input tax relating to exempt supplies

³⁰Standard-rated Purchases, Zero-rated Purchases, Imports (with GST paid and with GST suspended) and transactions under GST scheme(s).

- (i) Input tax specifically disallowed under regulation 26 and 27 of the GST General Regulations³¹
- (j) Local purchase of prescribed goods subject to CA
- (k) Input tax relating to imported services subject to GST under RC

Step 5

Substantive Testing

5.40 If the results of the walk-through and tests of controls show that the controls tested are working well; and the material transactions identified do not exceed the threshold of the sample size set, the ACAP Reviewer can follow the table below to determine the sample size for substantive testing.

Table 2 - Sample Size for Substantive Testing of Purchases

Minimum sample size for each category of transactions for each selected Representative Unit	
(i) Standard-rated purchases	20
(ii) Zero-rated purchases	5
(iii) Imports with GST suspended (under Import Suspension schemes)	10
(iv) Imports with GST paid	10
(v) GST Schemes	10
(vi) Prescribed goods received subject to CA	2 #
(vii) Imported services subject to GST under RC	
(a) No intra-GST group and/or inter-branch transactions	(a) 2 #
(b) Include intra-GST group and/or inter-branch transactions	(b) 5 #

The samples selected for review should cover substantive testing for correctness of input tax claimed and whether output tax has been accounted for.

³¹ For example, club subscription fee, medical expenses and medical & accident insurance premium not covered under Workmen Compensation Act of Industrial Relations Act, costs and running costs of motor cars, family benefits and transactions involving betting, sweepstakes.

5.41 In the case of purchases, the following review should be included as part of the substantive review:

- (a) Input tax claimed on purchase from GST-registered supplier is supported by valid tax invoice³² addressed to the ACAP Applicant;
- (b) Input tax claimed on purchase of prescribed goods from GST-registered supplier is supported by valid CA invoice;
- (c) Input tax claimed on imported services subject to GST under RC is supported by valid RC invoice;
- (d) Input tax claimed on imports is supported by payment permits or subsidiary import certificate addressed to the ACAP Applicant. The shipping documents reflect ACAP Applicant as the consignee;
- (e) Corresponding output tax is accounted for on the purchase of prescribed goods and imported services where input tax was claimed;
- (f) Input tax is not claimed on digital services procured from overseas vendor under the OVR regime;
- (g) Input tax claim is for business purposes and attributable to the making of taxable supplies;
- (h) The GST amount (in Singapore dollars) shown in the tax invoice/ payment permit agreed to GST listing and accounts; and
- (i) Taxable purchases/imports and input tax, where applicable, are captured in the correct accounting period.

5.42 If the ACAP Reviewer discovers any gaps and incorrect GST treatment, it has to document such findings.

 The ACAP Reviewer is required to perform the review on Purchases cycle based on the guidance above. It should document its findings in working papers (an example of the working paper template is provided in Annex 6) and substantiate its findings with evidence gathered. Any gaps and errors noted should be included in “Consolidated Statement of GST Gaps and Errors” (Annex 5A).

³² The tax invoice complied with tax invoice requirements under regulation 11.

Section 6 : Review of GST Reporting Level Controls

Who should read this section: ACAP Reviewer

6.1 The objective of reviewing the controls maintained at GST Reporting Level is to ensure that the data extracted and compiled are complete and accurate for GST returns submission.

6.2 The GST controls at GST Reporting Level can be grouped as follows:



6.3 The ACAP Reviewer has to apply the checks and verification as guided in paragraph 6.4, depending on whether the ACAP Applicant's GST reporting is:

- Centrally managed by a GST Return Preparer (Centralised GST Reporting) - checks on a consolidated level would suffice; or
- Delegated to individual GST Return Preparer of each Representative unit (Decentralised GST Reporting) - checks have to be applied on each Representative unit.

6.4 Accordingly, the ACAP Reviewer performs the following review procedures:

Walk-through test and test of controls

- (a) Peruse through the SRC at GST Reporting Level and GST Process Flow for Preparing GST Return to confirm the existence of the controls as represented by the ACAP Applicant and identify any GST control gaps.
- (b) Select one GST return period from the Test Period to perform the following:

Centralised GST Reporting

- (i) Request the GST Return Preparer to demonstrate how GST data are extracted from the financial accounting module up to the point of submission of GST return.

- (ii) Request the GST Return Preparer to demonstrate the workings of automated checks built into the financial accounting system to generate accurate GST data for analysis and GST reporting.
- (iii) Interview the GST Return Preparer and Approver on the types of checks performed to ensure that the GST data extracted are complete and reported accurately in the GST return.
- (iv) Sight evidence of checks/ reviews performed by the GST Return Preparer and Approver such as working schedule showing how manual adjustments are arrived at, reconciliation performed on turnover and total supplies; and checks performed by the Approver in accepting the value casted by the Preparer.
- (v) Review whether the controls established to manage GST risks of submitting incorrect returns are working effectively. Refer to Section 10 for the list of GST risks areas at GST Reporting Level.

Decentralised GST Reporting³³

- (vi) Perform steps in paragraph 6.4 (b) (i) to (v) with individual GST Return Preparer of each selected Representative Unit and the Consolidated GST Return Preparer and Approver.

Substantive testing

- (c) Agree ALL the values reported in the selected GST return to the GST listings and working schedules /consolidation schedules prepared by the ACAP Applicant, including Representative Units not selected for ACAP Review. The ACAP Reviewer also re-computes the values in the listings/schedules, where applicable, to detect incorrect computation of the values in the GST returns. If the GST return figures do not tally with listings/schedules, it seeks clarification with the ACAP Applicant and highlights its observation.
- (d) Review the accuracy of the GST return submitted by checking whether the ACAP Applicant had correctly made specific GST adjustments (e.g. adjustment on residual input tax apportionment for both taxable and exempt supplies, accounting GST on deemed supplies, adjustment for unpaid reverse charge invoices)

³³ Under Decentralised GST Reporting, the GST data is extracted, checked and reviewed by individual GST Return Preparer of each Representative Unit before submission to the Consolidated GST Return Preparer.

 The ACAP Reviewer performs the review on GST Reporting Level controls based on the guidance above. It documents its findings with evidence in its working papers. Any gaps and errors noted are to be included in the “Consolidated Statement of GST Gaps and Errors” (Annex 5A).

Section 7 : Report on Factual Findings

Who should read this section: ACAP Reviewer

- 7.1 During the ACAP Review process, the ACAP Reviewer documents its findings, including all GST control gaps and errors noted and supports them with audit evidence. The following information is presented to the ACAP Applicant for review and follow-up on the gaps and errors noted:
- (a) “Report on Factual Findings” (Annex 5)
 - (b) “Consolidated Statement of GST Gaps and Errors” (Annex 5A)
 - (c) “Notes to Report on Factual Findings” (Annex 5B)
- 7.2 The Report on Factual Findings summarises the ACAP Reviewer’s findings based on the scope of review detailed in this ACAP Guidance.
- 7.3 The “Consolidated Statement of GST Gaps and Errors” is for the ACAP Reviewer to highlight controls that are missing (i.e. they were represented in the checklists but not present during the tests) or are not working as designed³⁴.
- 7.4 The “Notes to Report on Factual Findings” is for the ACAP Reviewer to highlight to IRAS the following:
- (a) Brief description of the scope of tests of controls performed for Transaction Level where professional judgement is exercised; and
 - (b) Highlight any deviations from the scope of review or specific circumstances as specified in paragraphs 5.13 and 5.22.

³⁴ A control feature that is not working well is considered to be material based on the ACAP Reviewer’s professional judgment if it observed repeated errors occurred during its tests of controls or substantive review.

7.5 The Report of Factual Findings is to be signed by the authorised person as shown below:

Choice of ACAP Arrangement	Authorised Person
Arrangement 1	
Public Accounting Entity (“PAE”) or its tax affiliate	<ul style="list-style-type: none"> • Audit Partner; or • Tax Partner or Tax Director
Arrangement 2	
Independent in-house Internal Audit (IA) team	<ul style="list-style-type: none"> • Head of IA team; or • Senior IA Personnel authorised by senior management to oversee the ACAP Review
Arrangement 3	
Jointly by in-house IA team and a PAE or its tax affiliate	<u>If IA is the team lead</u> <ul style="list-style-type: none"> • Head of IA team; or • Senior IA Personnel authorised by senior management to oversee the ACAP Review
	<u>If PAE or its tax affiliate is the team lead</u> <ul style="list-style-type: none"> • Audit Partner of PAE; or • Tax Partner or Tax Director

7.6 If the ACAP Reviewer discovers technical issues where the GST application is unclear, it documents in its report and suggests to the ACAP Applicant to seek Ruling separately from IRAS.

 The ACAP Reviewer has to furnish its findings in the “Report on Factual Findings” (Annex 5) with the “Consolidated Statement of GST Gaps and Errors” (Annex 5A) and “Notes to Report on Factual Findings” (Annex 5B) to the ACAP Applicant for follow-up.

Section 8 : Follow-Up on ACAP Review

Who should read this section: The ACAP Applicant and ACAP Reviewer

Follow-up on ACAP Reviewer's findings

- 8.1 Based on the ACAP Reviewer's findings, the ACAP Applicant evaluates the impact of the GST gaps and errors made, if any, in its past and current GST returns.
- 8.2 For the GST control gaps noted, the ACAP Applicant considers the following:
 - (a) Whether the control gaps have a ripple effect on all GST transactions or are contained within certain category of transactions or within the Representative Units;
 - (b) Whether the control gaps can be mitigated by other controls observed at the Transaction or GST Reporting level; and
 - (c) Whether the control gaps can be managed with minor tweaking to the existing control activities that prevent and detect errors or require a substantial change to the operating and accounting systems.
- 8.3 Following the above consideration, the ACAP Applicant then takes active steps to improve the existing control activities.
- 8.4 For the errors noted by the ACAP Reviewer, the ACAP Applicant reviews the extent of the errors made (include Representative Units not selected for ACAP Review) during the ACAP Period. The ACAP Applicant determines the error amount (those with tax impact and those without tax impact) for the different categories of errors made during the ACAP Period. If ACAP Applicant has difficulty in quantifying the actual error amount for the whole ACAP Period, it has to review its records for at least 6 months of the ACAP Period to determine the error amount and propose to IRAS a reasonable basis of extrapolating the errors for the other periods of the ACAP Period.
- 8.5 If the GST errors occur beyond the ACAP Period, the ACAP Applicant also has to quantify the errors made for past affected years, using actual amounts or estimated amounts based on extrapolation.

- 8.6 For GST errors estimated, the ACAP Applicant has to disclose to IRAS the basis of extrapolation with reasons supporting the appropriateness of the basis used. IRAS will review the reasonableness of the proposed extrapolation method and error amount.
- 8.7 On GST issues that require more certainty from IRAS on the treatment, the ACAP Applicant should write to IRAS for a Ruling. The request should contain the facts of the issue, treatment applied and the basis of the application and interpretation.

 The ACAP Applicant reviews the “Report on Factual Findings” and “Consolidated Statement of GST Gaps and Errors” obtained from the ACAP Reviewer and indicates its follow up action and quantification of errors, if any, in “Follow-Up Action on Gaps and Errors” (Annex 7).

Extended ACAP Review Prior To The Submission of ACAP Report (Optional)

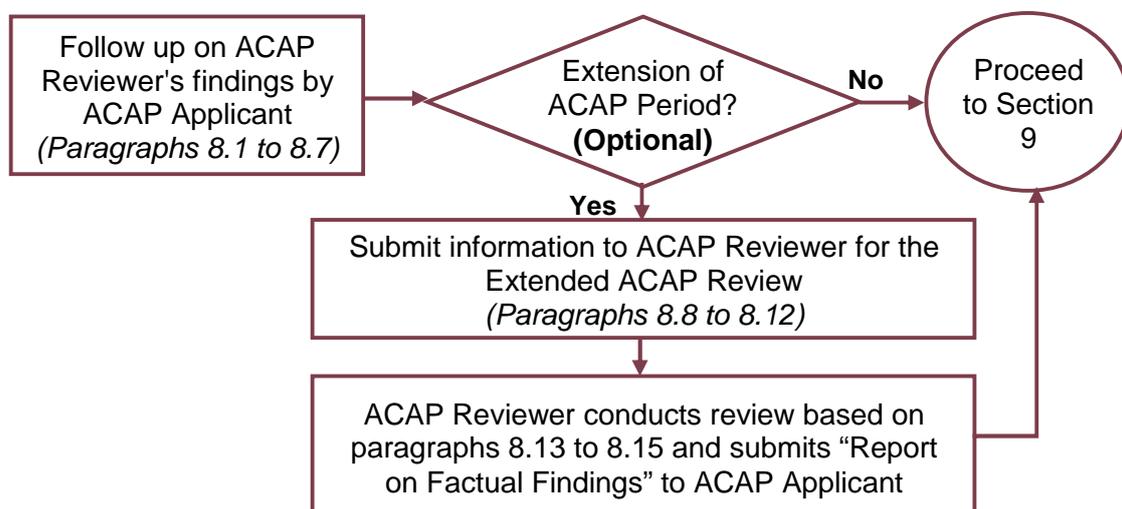
The ACAP Applicant

- 8.8 The ACAP Applicant may opt to extend the ACAP Period beyond the 12- month ACAP Period to prove to IRAS its effort in improving the highlighted control gaps. This extended ACAP Review process will provide additional evidence for IRAS to accord the relevant ACAP status based on the improved GST controls.
- 8.9 Arising from the findings made by the ACAP Reviewer in its “Consolidated Statement of GST Gaps and Errors” (Annex 5A), the ACAP Applicant has assessed the overall effect on the effectiveness of its GST Control Framework by reflecting its follow-up actions in “Follow-Up Action on Gaps and Errors” (Annex 7).
- 8.10 To qualify for this optional ACAP Review process, the ACAP Applicant must implement the additional or improved the GST controls for a period of at least 3 months before the ACAP Reviewer can commence its review.
- 8.11 For this purpose, the ACAP Applicant needs to furnish relevant information and audit evidence to the ACAP Reviewer such as:
- (a) Revised GST Process Flows for Transaction and GST reporting (if applicable); and
 - (b) Other documentary evidence as proof of implementation of the additional or improved GST controls.
- 8.12 If the date of the submission of ACAP Report to IRAS is due (i.e. 15 months from the date of IRAS’ acceptance of notification of ACAP participation), the ACAP Applicant should obtain IRAS’ prior agreement to extend the submission of the ACAP Report, at least one month before the due date.

The ACAP Reviewer

- 8.13 The ACAP Reviewer reviews the information to determine the scope of review for the 3-month period for which the ACAP Applicant has implemented the additional or improved GST controls.
- 8.14 The scope of extended ACAP Review covers the new or improved GST controls highlighted by the ACAP Applicant in its “Follow-Up Action on Gaps and Errors” (Annex 7). The review procedures should include tests of controls and substantive review to obtain the necessary evidence that the additional or improved GST controls implemented are working effectively.
- 8.15 The ACAP Reviewer should document its additional findings and submit the following to the ACAP Applicant:
- “Addendum: Report to Factual Findings” (Annex 5) for the extended ACAP Period.
 - “Consolidated Statement of GST Gaps and Errors (For Extended ACAP Review)” (Annex 5A).
 - “Notes to Report on Factual Findings (For Extended ACAP Review)” (Annex 5C) to include scope of test of controls and samples selected for substantive review for additional or improved GST controls implemented.
- 8.16 This figure summarises the above.

Figure 7. Flowchart on the Extended ACAP Review (Optional)



Section 9 : ACAP Report and Deliverables

Who should read this section: The ACAP Applicant

- 9.1 At the end of the ACAP Review, the ACAP Applicant is required to submit the ACAP Report to IRAS.
- 9.2 The following documents must be submitted together with the ACAP Report (Annex 8), **within 15 months** from IRAS' acceptance of the ACAP Applicant's participation.
- (a) Self-Review of GST Controls (Annex 1)
 - (b) GST Profile on ACAP Applicant (Annex 2)
 - (c) Organisation chart of the ACAP Applicant (An example is in Annex 3)
 - (d) Documentation on GST Processes of the selected Representative Units (An example is in Annex 4)
 - (e) GST Process Flow for Preparing GST Return
 - (f) Report on Factual Findings and Addendum: Report on Factual Findings³⁵, if applicable (Annex 5)
 - (g) Consolidated Statement of GST Gaps and Errors and Consolidated Statement of GST Gaps and Errors (For Extended ACAP Review)³⁵, if applicable (Annex 5A)
 - (h) Notes to Report on Factual Findings (Annex 5B and 5C³⁵)
 - (i) Follow-Up Action on Gaps and Errors (Annex 7)

³⁵ This applies to ACAP Applicant that opted for the Extended ACAP Review Process.

Section 10 : GST risks at Entity, Transaction and GST Reporting levels

Who should read this section: The ACAP Applicant and ACAP Reviewer

- 10.1 The ACAP Applicant and ACAP Reviewer should consider any particular GST risks including those listed below that could be applicable to the ACAP Applicant's business and include them in its review tests. The Reviewer's test procedures should include the review of the existence of the controls designed to manage these GST risks areas. The list below is not exhaustive.

GST risks at Entity Level	
1.	Risk of inadequate emphasis on importance of tax compliance across the organisation
2.	Risk of important GST matters not escalated to senior management
3.	<u>Outsourced accounting/ tax/ logistics functions</u> Risk of higher exposure to non-compliance and lack of oversight on tax aspects when critical functions and processes impacting GST (e.g. data capturing of transactions) are outsourced to third party providers
4.	Risk of failure to consider GST aspects for major events e.g.: <ul style="list-style-type: none"> a. system overhaul or enhancements b. new processes c. new business models d. fundamental changes to business activities and processes
5.	Risk of failure to change the processes to cater to changes in GST law and practice
6.	Risks associated with new GST law and changes to GST practice
7.	Risk of inadequate attention to transactional and GST reporting risks
8.	Risk of knowledge gap for staff whose work involves some aspects of GST
9.	Risk of incorrect tax coding of transactions by system and manual selection
10.	Risk of system producing inaccurate data for GST reporting
11.	Risk of repeated errors made in subsequent GST returns
12.	Risk of inadequate monitoring and review of GST processes from capturing of source data to filing of GST returns

GST Risks at Sales Transaction Level	
1.	Risk of wrong tax classification applied on the transaction e.g. standard-rated supplies wrongly classified as zero-rated supplies, out-of-scope supplies wrongly classified as zero-rated supplies
2.	Risk of incorrect GST logic in-built in the system
3.	<p>Risk of omission of supplies, which could arise from:</p> <ul style="list-style-type: none"> a. Incorrect cut-off date of month-end closing b. Invoices generated but not captured in the financial system for non-trade supplies (e.g. sales of scrap metals/fixed assets) c. Not capturing supply to related parties/companies d. Not recognising management fees income e. Not capturing buyer-generated invoices f. Not capturing goods sold under consignment terms g. Not capturing goods sold under vendor-managed inventory system h. Not capturing supply of goods in the capacity of an agent to the overseas principal i. Not capturing advance payment received j. Not capturing supply of imported services subject to GST under Reverse Charge k. Not capturing local purchase of prescribed goods e.g. mobile phones, memory cards and off-the-shelf software that are subject to Customer Accounting l. Not capturing supply of digital services made on behalf of the underlying suppliers through the company's electronic marketplace under the Overseas Vendor Registration regime m. Not recognising business assets put to non-business/private use e.g. sharing of premise with no rental charged n. Not deeming output tax for gifts more than \$200 where GST was claimed on gifts o. Not charging output tax on the recovery of expenses that do not qualify as disbursements
4.	Risk of data entry errors arising from manual capturing of data
5.	Risk of incorrect adjustment made to the value of supplies and output tax due to the credit note(s) issued
6.	Risk of accounting for output tax on the net instead of gross value in the situation where the value of supply is offset against counter supply by the customer or related company

GST Risks at Sales Transaction Level	
7.	Risk of not accounting for output tax based on the time of supply rule i.e. the earlier of receipt of payment or invoice date
8.	Risk of issuing tax invoices that do not reflect all the particulars required under the GST Act
9.	Risk of issuing credit notes that do not reflect all the particulars required under the GST Act
10.	Risk of not capturing the Singapore dollars equivalent for invoices denoted in foreign currency
11.	Risk of insufficient documentary evidence maintained for direct and indirect export arrangements to support zero-rating of exports of goods
12.	Risk of zero-rating the supply of goods that are not covered under the e-Tax Guide “GST: Guide on Exports” and no prior approval has been obtained from IRAS
13.	Risk of zero-rating the supply of services that do not qualify as international services under section 21(3) of the GST Act
14.	Risk of omission of exempt supplies in the GST returns and/or not identifying exempt supplies into regulation and non-regulation 33 categories for the apportionment of input tax
15.	Risk of not adhering to the conditions of the GST schemes e.g. Approved Contract Manufacturer And Trader (ACMT) Scheme and Approved Marine Fuel Trader (MFT) Scheme

GST Risks at Purchases Transaction Level	
1.	Risk of wrong tax classification applied on the transaction e.g. incorrectly classified zero-rated purchases as standard-rated purchases
2.	Risk of claiming input tax on purchases from GST-registered suppliers without valid tax invoices e.g. tax invoice not addressed to the business, tax invoice does not contain all the required particulars
3.	Risk of claiming input tax on imports without supporting payment permits or with payment permits not showing the business as the importer
4.	Risk of claiming input tax based on payments without supporting tax invoices/payment permits
5.	Risk of claiming input tax on purchases not incurred in the course or furtherance of business
6.	Risk of claiming input tax on local purchases incurred by the overseas principal
7.	Risk of claiming input tax on digital services procured from overseas vendors under the Overseas Vendor Registration regime
8.	Risk of not claiming input tax based on the Singapore dollars equivalent stated on the tax invoices denominated in foreign currency
9.	Risk of claiming input tax more than once on the same transaction
10.	Risk of making early claims where the date of tax invoice or import permit fall within a later accounting period
11.	Risk of not adjusting the value of purchases and input tax on credit notes received
12.	Risk of data entry errors arising from manual capturing of data
13.	Risk of claiming GST on purchases from non-GST registered suppliers
14.	Risk of claiming GST on zero-rated purchases from GST registered suppliers, especially where the tax invoice contains both standard-rated and zero-rated purchases
15.	Risk of claiming input tax on disallowed expenses under regulations 26 and 27 of the GST (General) Regulations
16.	Risk of claiming input tax directly attributable to exempt supplies (e.g. GST on brokerage fees for purchase and sale of shares, GST on property agent services for sale of residential property)

GST Risks at Purchases Transaction Level

17. Risk of applying the incorrect input tax apportionment formula

18. Risk of not reviewing captured transactions for exceptions, for example:

- a. Purchases and corresponding input tax that remain unpaid after 12 months
- b. GST is not equivalent to prevailing GST rate of the value of purchases
- c. Input tax not claimable
- d. Lack of documentary evidence to support claims on bad debt relief and/or tourist refund claims

19. Risks relating to Major Exporter Scheme (MES) status accorded:

- a. Risk of misuse of MES status to import goods that do not belong to the business or its overseas principals e.g. transferred business, other businesses with similar names
- b. Risk of not maintaining sufficient documentary evidence to support ownership of goods imported under MES
- c. Risk of misuse of MES status by the business' declaring agents

20. Risk of not adhering to the conditions of the GST schemes e.g. Approved Contract Manufacturer And Trader (ACMT) Scheme and Approved Marine Fuel Trader (MFT) Scheme

GST Risks at GST Reporting Level

1. Risk of incorrect extraction of data due to:
 - a. Incorrect definition of period, parameters, formulae or code due to oversight, incorrect assumptions or inadequate knowledge
 - b. System limitation to extract data for GST reporting e.g. system constraint resulting in omission of certain data
 - c. Extraction of incomplete data e.g. data extraction before posting of entries
2. Risk of intended/unintended overwriting of extracted data e.g. incorrect adjustments, formula errors
3. Risk of failure to perform reviews and make manual adjustments that are necessary to ensure correct GST reporting such as:
 - a. Identifying and apportionment of residual input tax (e.g. For Reverse Charge businesses, to exclude value of imported services in both the numerator and denominator of the standard input tax recovery formula)
 - b. Performing longer period adjustment in respect of the input tax claimed for the tax year
 - c. Repayment of tax for purchases that remain unpaid after 12 months where input tax was claimed
 - d. Deeming of output tax on supplies of goods given free
 - e. Disallowed input tax if it was not excluded at Transaction (Purchases) level
4. Risk of not identifying all data to be extracted for GST reporting, for example:
 - a. Fringe benefits that require deeming of output tax
 - b. Transactions made in the capacity of a section 33(2) and 33A agent for overseas principal
 - c. Supplies made under self-billing arrangement
 - d. Credit notes
 - e. Sale of assets
 - f. Exempt supplies