

## Illustration of transitional rules – 2023 GST rate change from 7% to 8%

The transitional rules for GST rate change apply in the same way to the 2023 GST rate increase from 7% to 8% and the 2024 GST rate increase from 8% to 9%.

This document provides numerical examples to illustrate how the rules apply to the 2023 GST rate change for a:

- (i) Local supplier or an overseas supplier registered under the Overseas Vendor Registration (OVR) regime for B2C supplies of digital services; and
- (ii) Reverse Charge (RC) business

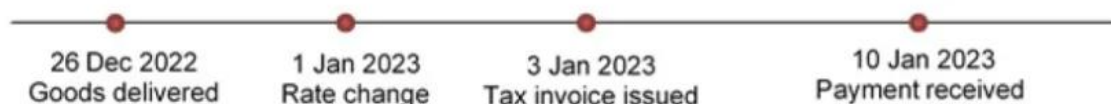
For more information, please refer to the e-Tax Guide: [2023 GST Rate Change: A Guide for GST registered businesses](#).

You may refer to the e-Tax Guide: [2024 GST Rate Change: A Guide for GST registered businesses](#) for details on the transitional rules relating to 2024 GST rate increase from 8% to 9%.the

### Local supplier or an overseas supplier registered under the Overseas Vendor Registration (OVR) regime for B2C supplies of digital services

#### **Example 1: Supply involving invoice issued after 1 Jan 2023**

You deliver goods to your customer on 26 Dec 2022 when the GST rate is 7%. You issue a tax invoice dated 3 Jan 2023 for the sales of goods and you receive full payment from your customer on 10 Jan 2023.



Under the general time of supply rule, 8% GST is chargeable on the supply as the tax invoice is issued and full payment received after the rate change. However, you can elect to charge 7% GST on the entire value of the supply as the goods are fully delivered before 1 Jan 2023.

If you have already issued a tax invoice with 8% GST charged to your customer before you make the election, you will need to provide your customer with a credit note by 15 Jan 2023 for the amount of GST overcharged\*.

You do not need to seek prior approval from IRAS when you make an election for your supply. However, you should maintain the documentary evidence to show that the goods are delivered before the rate change.

\*Note: Alternatively, you may also issue a credit note to cancel the original tax invoice issued on 3 Jan 2023. At the same time, you must reissue a new tax invoice to charge GST at 7%.

Furthermore, in scenarios where you have made an election to charge GST at 7% on the supply or part of the value of supply but is unable to issue the credit note/new tax invoice by 15 Jan 2023, the Comptroller will allow you up to 90 days after the date of issue of your original tax invoice to issue credit notes/new tax invoices for ease of compliance.

For more information, please refer to the e-Tax Guide: [2023 GST Rate Change: A Guide for GST-registered businesses.](#)

### **Invoice issued before 1 Jan 2023 – Adjustment of Transaction**

You have issued an invoice showing 7% GST before 1 Jan 2023 but you receive payment and deliver the goods / perform the services on or after 1 Jan 2023:

1. If the original invoice issued by you is a tax invoice, you should adjust the GST amount charged on the original tax invoice by issuing a credit note and a new tax invoice (showing 8% GST) to your customer by 15 Jan 2023.
2. If the original invoice issued by you is a non-tax invoice (e.g. receipt issued to your non-GST registered customer), you can adjust for the transaction based on your normal business practices.

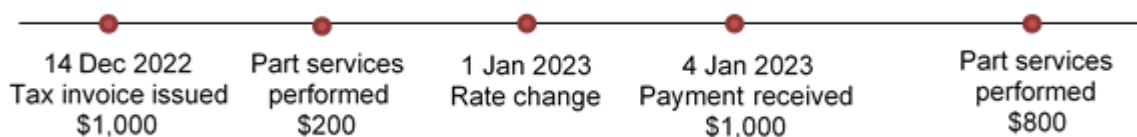
### **When to account for the additional output tax**

You should account for the additional output tax on the part of supply that is subject to 8% GST at the earliest of the following events:

1. When the new invoice for the part of supply is issued;
2. When the payment for the part of supply is received; or
3. 15 Jan 2023.

### **Example 2: Supply involving invoice issued before 1 Jan 2023 – full payment received after 1 Jan 2023**

On 14 Dec 2022, you issue a tax invoice for your supply of services (value of \$1,000) and you receive the full payment on 4 Jan 2023. You perform part of the services (value of \$200) before 1 Jan 2023 and the remaining part of the services (value of \$800) after 1 Jan 2023.



Under the transitional rules, you are required to charge 8% GST on \$800 of the supply (being the lower of the value of the payment received (\$1,000) or services performed (\$800) on or after the rate change date).

You should\* issue the following to your customer by 15 Jan 2023:

- a credit note for \$856 (\$800 plus 7% GST of \$56); and
- a new tax invoice for \$864 (\$800 plus 8% GST of \$64).

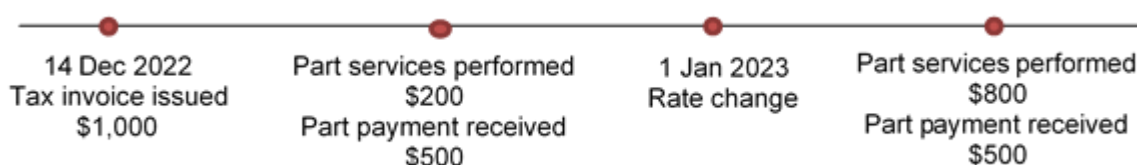
You should declare the credit note and new tax invoice in the GST accounting period in which they are issued as follows:

Credit note adjustment	Issuance of new tax invoice	Net adjustment
Reduce your value of standard-rated supplies by \$800	Increase your value of standard-rate supplies by \$800	-
Reduce your output tax by \$56	Increase your output tax by \$64	Increase your output tax by \$8

\*Note: Alternatively, you may also issue a credit note to cancel the original tax invoice issued on 14 Dec 2022 charging GST at 7% and at the same time, issue new tax invoice(s) for the parts of the value of supply which are subject to GST at 7% and 8% respectively. For more information, please refer to the e-Tax Guide: [2023 GST Rate Change: A Guide for GST-registered businesses.](#)

### **Example 3: Supply involving invoice issued before 1 Jan 2023 – payments straddle 1 Jan 2023**

On 14 Dec 2022, you issue a tax invoice for your supply of services (value of \$1,000). Before 1 Jan 2023, you receive payment of \$500 and perform part of the services (value of \$200). After 1 Jan 2023, you receive the remaining payment of \$500 and perform part of the services (value of \$800).



Under the transitional rules, you are required to charge 8% GST on \$500 of the supply (being the lower of the value of the payment received (\$500) or services performed (\$800) on or after the rate change date).

You should issue the following to your customer by 15 Jan 2023:

- a credit note for \$535 (\$500 plus 7% GST of \$35); and
- a new tax invoice for \$540 (\$500 plus 8% GST of \$40).

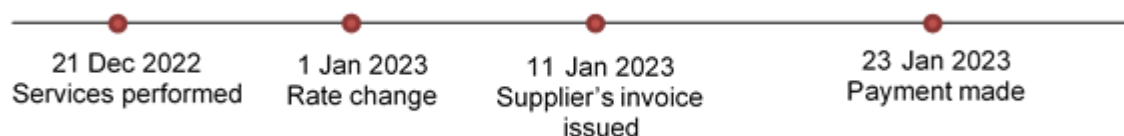
You should declare the credit note and new tax invoice in the GST accounting period in which they are issued as follows:

Credit note adjustment	Issuance of new tax invoice	Net adjustment
Reduce your value of standard-rated supplies by \$500	Increase your value of standard-rate supplies by \$500	-
Reduce your output tax by \$35	Increase your output tax by \$40	Increase your output tax by \$5

## If you are a Reverse Charge (RC) business

### Example 4: RC transaction involving invoice issued after 1 Jan 2023

You procure imported services from your overseas supplier who performs the services on 21 Dec 2022 when the GST rate is 7%. The supplier's invoice is issued on 11 Jan 2023 and you make the full payment on 23 Jan 2023.



Under the general time of supply rule, the supply of imported services is subject to reverse charge at 8% GST as the invoice is issued and full payment is made after the rate change.

However, you can elect to account for GST at 7% on the entire value of the supply as the services are fully performed before 1 Jan 2023.

You do not need to seek prior approval from IRAS when you make an election for your reverse charge supply. Nevertheless, you should maintain the necessary documentary evidence and records to show that you have made the election and the services are performed before the rate change.

### Invoice issued before 1 Jan 2023: When to account for the additional output tax for RC transactions

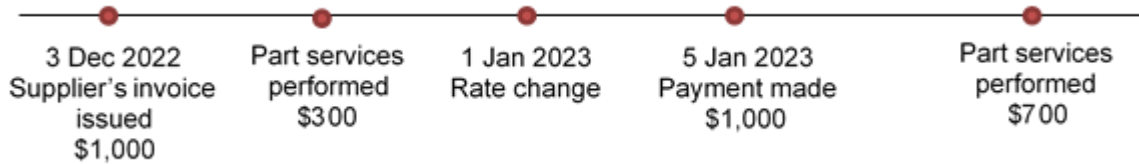
You should account for the additional output tax on the part of supply that is subject to reverse charge at 8% GST at the earlier of:

1. When the payment for the part of supply is made; or
2. 15 Jan 2023.

If you have elected to apply reverse charge at the end of the longer period, the time to account for output tax depends on when the longer period takes place. Please refer to the [e-Tax Guide 2023 GST Rate Change: A Guide for GST-registered Businesses for more information](#).

**Example 5: RC transaction involving invoice issued before 1 Jan 2023**

You procure imported services (value of \$1,000) from your overseas supplier who issues the invoice on 3 Dec 2022 and performs part of the services (value of \$300) on 15 Dec 2022. You make full payment for the supply on 5 Jan 2023.



Under the general time of supply rule for RC transactions, you should account for GST at 7% on \$1,000 in the GST accounting period in which 3 Dec 2022 falls, i.e., the date when the supplier's invoice is issued.

Under the transitional rules, you are required to account for GST at 8% on \$700 of the supply (being the lower of the value of the payment made (\$1,000) or services performed (\$700) on or after the rate change date). You should account for the additional GST of \$7 (\$700 x 1%) in the GST accounting period in which 5 Jan 2023 falls.