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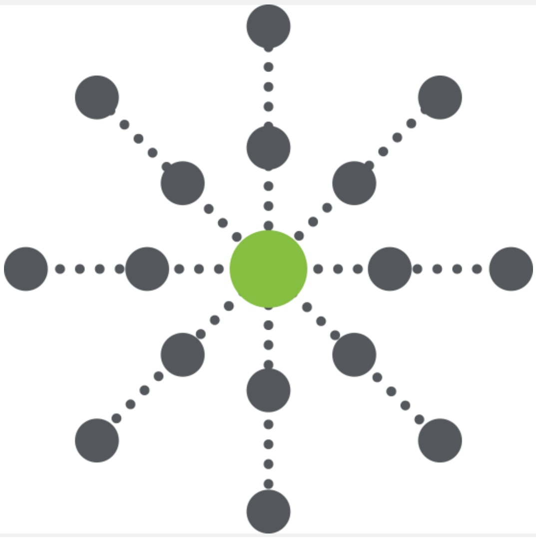

GST News
Perspective is everything

May 2017

Greetings from the Deloitte Singapore Indirect Tax team. We are pleased to share the latest GST News.

IRAS e-Tax Guide (draft)
GST: Customer Accounting for Prescribed Goods

The Inland Revenue Authority of Singapore (IRAS) has published a draft guide on customer accounting for purchases of prescribed goods, which is proposed to take effect from 1 January 2018. In this GST newsletter, we have summarised the key changes that the IRAS has proposed.

The IRAS has recognised the potential for non-compliance in respect of certain "prescribed goods" (outlined in detail below). Therefore, the IRAS has proposed that customers apply self-accounting; to shift the responsibility to account for output tax from the GST registered supplier to the GST registered customer, where the value of the local sale of these prescribed goods exceeds S$5,000 (exclusive of GST).

Type of Goods to be treated as the "prescribed goods" for the purpose of GST Customer Accounting

The prescribed goods are:

1. Mobile phones

   A device that has a function of transmitting and receiving spoken messages over a cellular network, whether or not it has any other function.

   Example: Smartphones

   Excludes: Tablet, mobile phones accessories, walkie-talkie, telephone connected to a landline

2. Memory Card

   An electronic flash memory data storage device used for storing digital information.

   Example: CompactFlash, SD cards, Memory sticks

   Excludes: Portable external hard disks, flash drives with integrated USB interface such as thumb drives and flash drives

3. Off-the-shelf Software

   An off-the shelf software is not customised and is distributed in the form of a compact disc or other similar storage medium.

   Example: Standard accounting software, standard anti-virus software

   Excludes: Customised software and software downloaded from the internet

How would this impact you as a supplier

As a GST registered supplier you will need to:

- Ascertain if your customer is registered for GST (via the IRAS website).

- Ensure that customer accounting is applied where the value of goods sold exceeds S$5,000 (exclusive of GST). Please note, to ascertain if the value of goods has exceeded S$5,000:

  - You should be using the discounted price, if you apply any discounts;
  - You should apply the pre-discounted GST-exclusive value, where the discount is contingent and therefore not known at the time of invoicing; and
  - You should only use the GST-exclusive value of prescribed goods sold where you are making a combined sale of prescribed and non-prescribed goods. That is, for non-prescribed goods, you should still be charging and accounting for the output tax due.

- Issue a valid tax invoice to your customer. The tax invoice should show all the normal requirements of a valid tax invoice and in addition the following should be shown:

  - Customer's GST registration number; and
  - A statement: "Sale made under customer accounting. Customer to account for GST of S$X", where S$X refers to the amount of output tax due on the supply to be made under customer accounting (i.e., customer will account output tax on your behalf).

- Collect only the GST exclusive price of the prescribed goods sold and therefore your tax invoice should not show a total price payable that includes GST for the supply made under customer accounting.

- Report the GST exclusive value of the prescribed goods sold in Box 1: Total value of standard-rated supplies of your GST return and there should be no corresponding GST to be reported under Box 6: Output tax of your GST return in respect of the supplies made under customer accounting.

How does this impact you as a customer

As a GST registered customer you will need to:

- Provide your GST registration number to the GST registered supplier when you purchase the prescribed goods exceeding S$5,000 (exclusive of GST) in the course of carrying on a business. That is, if you purchase the goods for a non-business purpose, you should inform your supplier as customer accounting would not be applicable.

- Report the GST exclusive value of the prescribed goods purchased in Box 1: Total value of standard-rated supplies of your GST return and the corresponding GST should be reported under Box 6: Output tax of your GST return in respect of the purchases made under customer accounting.

- As these are effectively your taxable purchases, you should also be reporting the value of prescribed goods purchased in

Box 5: Total value of taxable purchase of your GST return. Similarly, you will be entitled to the GST as your input tax in Box 7: Input tax and refunds claimed of your GST return, subject to satisfying the normal input tax claiming conditions.

Customer accounting would not apply where there is a supply of prescribed goods and:

- The value of prescribed goods sold does not exceed S$5,000;
- The customer is not GST registered;
- The customer has informed that the goods purchased are not for business purposes;
- no consideration has been received for the transferral or disposal of the prescribed goods; or
- It is made under the Gross Margin Scheme.

Sales made during the transitional period

The normal time of supply rule still applies when making a relevant supply of prescribed goods. That is, the supply is treated as taking place at the earlier of the date of tax invoice issue or receipt of consideration.

As such, where the time of supply has been triggered prior to 1 January 2018, customer accounting would not apply to the extent of the consideration shown on the tax invoice or the consideration received in respect of the relevant supply. This is notwithstanding that the prescribed goods could be delivered after 1 January 2018.

However, if goods are delivered before 1 January 2018 but tax invoice is issued and consideration is received on/after 1 January 2018, the entire supply of prescribed goods exceeding S$5,000 will be subject to customer accounting.

Things to consider:

This new rule will significantly impact you if you supply or purchase prescribed goods; hence, you should immediately commence reviewing how this will impact your operations to ensure accurate GST reporting from 1 January 2018. Specifically,

- You should review the accounting software/systems you are using to ensure that your accounting software/ system is able to adapt to these new requirements.

- Identify the goods that will be affected by this change and if there are “grey” areas you may wish to feedback to the IRAS any concerns/issues you may have by the submission due date of 2 June 2017.

- As a GST registered customer, you will be required to account for output tax and therefore to the extent that there are omissions, you will now be liable for penalties and hence you need to ensure that you are able to report such supplies/ purchases accurately.

Please note that IRAS is only prepared to waive penalties where mistakes do not result in a tax loss.

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