

SUMMARY OF ISSUES TO CONSIDER AND PREPARE FOR GST RATE CHANGE WITH EFFECT FROM JANUARY 1, 2024

A GST-registered business (“the Company”) will need to account for GST at the new rate of 9% on its standard-rated supplies of goods and services made on and after January 1, 2024.

Under normal circumstances, we would refer to the time of supply rules to determine when its supply is treated as taking place for GST purposes and therefore when to account for GST on the supply. However, for the supplies straddling the change of GST rate, we will also need to consider the transitional rules to determine whether to charge GST at 9% or 8%.

1) Normal Time of Supply Rules

- For GST reporting purposes, Time of Supply Rules stipulates that a supply is considered as having taken place at the earlier of when:
 - i) The invoice is issued; or
 - ii) Payment has been received.

2) Transitional rules for rate change

- A transaction spans a GST rate change when one or more of the following events straddles the date of the rate change:
 - i) The issuance of invoice (e.g. date of tax invoice);
 - ii) The receipt of payment (e.g. date of receipt of payment from the customer);
and
 - iii) The delivery of goods or performance of services (also referred to as “Basic Tax Point”).

A. Application of transitional rules

- 1) The Company need to know when the supplies are delivered or performed, in addition to the invoice date and payment date, to determine whether and how the transitional rules would apply to a supply spanning across the date of rate change.

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2) Checklist for charging GST on transactions straddling January 1, 2024

1. Invoice issued in 2023

Payment Received	Goods delivered / services performed	GST rate to apply	Remarks
In 2023	In 2023	8%	The supply is subject to <u>8% GST</u> when: a) Full payment is received <u>in 2023</u> ; or b) Goods are fully delivered, or services are fully performed <u>in 2023</u> .
	<u>On/after</u> January 1, 2024		
	<u>Part in 2023 and part on/after</u> January 1, 2024		
<u>On/after</u> January 1, 2024	In 2023	8%	The supply is subject to <u>9% GST</u> when <u>full payment is received</u> , and the goods are <u>fully delivered</u> , or services are <u>fully performed on/after January 1, 2024</u> . a) The value of <u>part goods delivered</u> , or <u>part services performed in 2023</u> is subject to <u>8% GST</u> ; and b) The value of <u>part goods delivered</u> , or <u>part services performed on/after January 1, 2024</u> is subject to <u>9% GST</u> .
	<u>On/after</u> January 1, 2024	9%	
	<u>Part in 2023 and part on/after</u> January 1, 2024	8% and 9%	

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2) Checklist for charging GST on transactions straddling January 1, 2024 (continued)

a) Invoice issued in 2023 (continued)

Payment Received	Goods delivered / services performed	GST rate to apply	Remarks
<u>Part in 2023 and part on/after January 1, 2024</u>	In 2023	8%	The supply is subject to <u>8% GST</u> when goods are <u>fully delivered</u> , or services are <u>fully performed in 2023</u> .
	<u>On/after January 1, 2024</u>	8% and 9%	a) The value of <u>part payment</u> received <u>in 2023</u> is subject to <u>8% GST</u> ; and b) The value of <u>part payment</u> received <u>on/after January 1, 2024</u> is subject to <u>9% GST</u> .
	<u>Part in 2023 and part on/after January 1, 2024</u>		a) The <u>lower</u> of the value of the following is subject to <u>9% GST</u> : i. part payment received on/after January 1, 2024; <u>or</u> ii. part goods delivered or part services performed on/after January 1, 2024; and b) The <u>remaining value</u> of the supply is subject to <u>8% GST</u> .

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2) Checklist for charging GST on transactions straddling January 1, 2024 (continued)

2. Invoice issued *on/after* January 1, 2024

Payment Received	Goods delivered / services performed	GST rate chargeable based on the <u>general time of supply</u>	Can the Companies elect to apply 8% GST?	Remarks
In 2023	In 2023	8%	Not relevant	The supply is subject to <u>8% GST</u> as <u>full payment is received in 2023</u> .
	<u>On/after</u> January 1, 2024			
	<u>Part in 2023 and part on/after</u> January 1, 2024			
<u>On/after</u> January 1, 2024	In 2023	9%	Yes	The Company can elect to apply <u>8% GST</u> on the full value of supply as <u>goods are fully delivered</u> or <u>services are fully performed in 2023</u> .
	<u>On/after</u> January 1, 2024		No	The Company <u>cannot</u> elect to apply 8% GST as the goods are delivered or services are performed on/after January 1, 2024.

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2) Checklist for charging GST on transactions straddling January 1, 2024 (continued)

b) Invoice issued *on/after* January 1, 2024 (continued)

Payment Received	Goods delivered / services performed	GST rate chargeable based on the <u>general time of supply</u>	Can the Companies elect to apply 8% GST?	Remarks
	<u>Part in 2023 and part on/after</u> January 1, 2024		Yes, on part of the supply	The Company can elect to apply <u>8% GST</u> on the <u>value of part goods delivered</u> or <u>part services performed in 2023</u> . The <u>remaining value of the supply</u> (i.e., part goods delivered, or part services performed <u>on/after January 1, 2024</u>) is subject to <u>9% GST</u> .
<u>Part in 2023 and part on/after</u> January 1, 2024	In 2023	Part payment in 2023 – <u>8% GST</u> . Part payment <u>on/after</u> January 1, 2024 – <u>9% GST</u>	Yes	The Company can elect to apply <u>8% GST</u> on the full value of the supply as <u>goods are fully delivered</u> or <u>services are fully performed before</u> January 1, 2024.
	<u>On/after</u> January 1, 2024		No.	The Company <u>cannot</u> elect to apply 8% GST as the goods are delivered or services are performed <u>on/after</u> January 1, 2024.

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2) Checklist for charging GST on transactions straddling January 1, 2024 (continued)

b) Invoice issued *on/after* January 1, 2024 (continued)

Payment Received	Goods delivered / services performed	GST rate chargeable based on the <u>general time of supply</u>	Can the Companies elect to apply 8% GST?	Remarks
	<u>Part in 2023 and part on / after January 1, 2024</u>		Yes, on part of supply.	The Company can elect to apply <u>8% GST</u> on the <u>higher</u> of the value of: <ul style="list-style-type: none"> i. part payment received in 2023; or ii. part goods delivered or part services performed in 2023. The remaining value of the supply is subject to 9% GST.

3. The Company does not need to complete any form or seek prior approval from the Comptroller of GST for making the election. However, the Company must maintain documentary evidence (e.g., certification of work done, customer’s acknowledgement or other commercial documents used in the Company’s business) to show that the services have been performed before January 1, 2024.
4. For invoices issued before January 1, 2024, the Company should charge GST at 8%. The Company is not allowed to charge or reflect GST at 9% on invoices that are issued before the rate increase date.
5. Advance billings should not be issued if payments are not likely to be received before year end and services not expected to be performed before January 1, 2024. Otherwise, the Company will need to issue credit notes to the clients.

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B. Issuing or receiving credit note due to rate change

1. Requirements to issue credit note for election of GST rate

- If the Company has issued a tax invoice to customer on/after January 1, 2024 with GST charged at 9%, and the Company subsequently elect to charge GST at 8% on the value of goods delivered or services performed in 2023, the Company must issue the credit note to the customer by January 15, 2024.
- However, to ease compliance, the Comptroller will allow the Company up to 90 days after the date of issue of the original tax invoice to issue credit notes/new tax invoices. This only applies to scenarios where the Company is unable to make the above adjustments by January 15, 2024, such as where the customer requests at a later date that the Company elect to charge GST at 8% for the goods/services delivered in 2023.
- The credit note must contain the following information:
 - a) Properly headed as “Credit Note”;
 - b) An identifying number;
 - c) Date of issue;
 - d) The Company’s name, address and GST registration number;
 - e) Customer’s name and address;
 - f) The identifying number and date of issue of the original tax invoice;
 - g) A description which identifies the goods and services to which the credit relates;
 - h) Reason for the credit;
 - i) The quantity and value of goods or services to which the credit relates; and
 - j) The rate and amount of GST being credited.
- The Company’s accounts or supporting documents must clearly state the nature of the adjustments and the reason for the adjustments.
- Credit note adjustments should generally be declared in the GST return in the prescribed accounting period when the credit note is issued.

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C. Checklist for GST rate change

<p>Price display</p>	<p>With effect from January 1, 2024, price display must be inclusive of GST at <u>9%</u>.</p> <p>The Company may display two prices:</p> <p>a) One applicable <u>before January 1, 2024</u> showing prices inclusive of GST at <u>8%</u>; and</p> <p>b) One applicable <u>from January 1, 2024</u> showing prices inclusive of GST at <u>9%</u>.</p>
<p>Review existing contracts</p>	<p>Review the contracts/agreements for the GST rate to be charged or borne by each party (including both the contracts with customer and supplier).</p> <p>If the Company has existing contracts to supply services on/after January 1, 2024, the Company can increase the contractual consideration to charge GST at <u>9%</u> unless the contract has explicitly specified that any tax change is excluded or has already been considered.</p> <p>If the contract contains such express provision, the Company will be bound by the contractual terms and will not be able to revise the consideration. In such instance, the Company should account for GST using the tax fraction 9/109 multiplied by the total consideration.</p> <p><i>[Example: The contract has excluded the Company from increasing the contractual consideration due to a tax change. Hence, if the consideration for the supply is \$10,800 (\$10,000 plus 8% GST of \$800), the Company should account for GST at \$891.74 (\$10,800 x 9/109) to the IRAS and not S\$800. The additional <u>\$91.74</u> will be borne by the Company.]</i></p>
<p>Informed the customers of the GST rate increase</p>	<p>To state in its quotations that GST would be charged at the rate prevailing at the time of supply.</p>