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Indirect Tax Alert

Goods and Services Tax (GST)

GST updates

This alert provides a summary of the following GST updates:

- ▶ Updates on the administrative threshold for the filing of GST amended return (GST F7) with effect from 1 January 2024.
- ▶ Updates on Voluntary Disclosure Programme (VDP) for disclosure of GST errors.

I. Updates on the administrative threshold for the filing of GST F7

Prior to 1 January 2024, businesses may choose to adjust for the errors in the next GST F5 if they meet both the following criteria:

- ▶ The net GST amount in error (i.e., output tax error – input tax error) for all the affected prescribed accounting periods is not more than \$1,500.
- ▶ The total non-GST amounts in error for (each of) the affected accounting period(s) is not more than 5% of the total value of supplies declared in the submitted GST return (i.e., Box 4). In the case where no supply was made in the affected accounting period, the 5% rule applies to the total value of taxable purchases (i.e., Box 5).

With effect from 1 January 2024, the threshold for criterion (a) of the administrative concession has been updated to allow businesses to adjust the errors made in the past GST returns in the next GST F5 if the net GST amount in error for all the affected prescribed accounting period is not more than \$3,000. There is no change to criterion (b) of the administrative concession.

This administrative concession is only applicable for errors made in boxes 1 to 7 of the past GST returns. GST F7 will be required for the rectification of errors affecting the other boxes, except for box 13 (Revenue), of the GST returns. GST F7 is not required if the error is made only in box 13 (Revenue) of the GST return. Businesses should ensure that the correct revenue value is reported in the subsequent GST returns.

II. Updates on VDP for disclosure of GST errors

To encourage voluntary disclosures of errors by taxpayers, the Inland Revenue Authority of Singapore (IRAS) has imposed reduced penalties or waived penalties if the taxpayers meet all the qualifying conditions under the VDP. Specifically, under the VDP, penalties will not be imposed for errors that are disclosed within the one-year grace period, which is one year from the statutory filing deadline of the GST return. For errors disclosed after the one-year grace period, a reduced penalty of flat 5% will be imposed on the tax undercharged.

Companies approved under the Tax Governance Framework (TGF) that voluntarily disclose their GST errors within two years from the date of approval of the TGF application from the IRAS will enjoy an extended grace period for the waiver of penalties as follows:

- ▶ GST-registered company accorded with the Assisted Compliance Assurance Programme (ACAP) status will enjoy a one-time extended grace period of three years for voluntary disclosure of GST errors.
- ▶ GST registered company without ACAP status will enjoy a one-time extended grace period of two years for voluntary disclosure of GST errors.

To enjoy the extended grace period, the disclosure of errors must meet all the qualifying conditions for reduced penalties as prescribed by the IRAS.

Examples of grace period for voluntary disclosure of errors under the TGF:

Extended two-year grace period (for TGF companies not under ACAP)

Example ¹ for voluntary disclosure of errors by TGF company not under ACAP		
Errors made in prescribed accounting period(s)	End date of extended two-year grace period	Qualify for waiver of penalties
31 Mar 2020	30 Apr 2022	No. 5% penalty imposed (the errors were disclosed after the extended 2-year grace period)
30 Jun 2020	31 Jul 2022	
30 Sep 2020	31 Oct 2022	
31 Dec 2020	31 Jan 2023	Yes. 5% penalty waived under the extended 2-year grace period
31 Mar 2021	30 Apr 2023	
30 Jun 2021	31 Jul 2023	
30 Sep 2021	31 Oct 2023	

Extended three-year grace period (for TGF companies under ACAP)

The extended grace period is applicable to voluntary disclosure made under ACAP Renewal review, Post-ACAP Review (PAR) or other GST reviews performed. This benefit can only be utilised one-time for one of the reviews.

Example ¹ for voluntary disclosure of errors by TGF company during its ACAP Renewal		
Errors made in prescribed accounting period(s)	End date of extended three-year grace period	Qualify for waiver of penalties
31 Mar 2021	30 Apr 2024	Yes. 5% penalty waived under the extended three-year grace period.
30 Jun 2021	31 Jul 2024	
30 Sep 2021	31 Oct 2024	
31 Dec 2021	31 Jan 2025	
1 Jan 2022 to 31 Dec 2022 (ACAP Renewal review year ²)	31 Jan 2026	
31 Mar 2023	30 Apr 2026	

Example¹ for voluntary disclosure of errors by TGF company during its PAR

1. The company is accorded ACAP Premium status on 1 July 2022. The first PAR³ is due by 31 December 2023 (i.e., 18 months from the date of accord of ACAP status) and the company submits the PAR report on 31 December 2023.
2. The company's TGF application is approved on 1 September 2023 (i.e., before the PAR submission due date).

Errors made in prescribed accounting period(s)	End date of extended three-year grace period	Qualify for waiver of penalties
31 Mar 2021	30 Apr 2024	Yes. 5% penalty waived under the extended three-year grace period
30 Jun 2021	31 Jul 2024	
30 Sep 2021	31 Oct 2024	
31 Dec 2021	31 Jan 2025	
31 Mar 2022	30 Apr 2025	
30 Jun 2022	31 Jul 2025	
30 Sep 2022	31 Oct 2025	
31 Dec 2022	31 Jan 2026	
31 Mar 2023	30 Apr 2026	

To utilise the benefits under the TGF for voluntary disclosure of errors, the company is required to complete the "Form to utilise benefits granted under TGF" and submit it together with the voluntary disclosure to the IRAS.

¹ Examples from Annex F of the IRAS' e-Tax Guide, *Voluntary Disclosure Programme (Eleventh Edition)*, published on 5 January 2024. Assume that the GST returns are filed on a quarterly basis (Mar, Jun, Sep and Dec)

² Under ACAP Renewal, the grace period is determined based on the statutory filing date of the last return of the review year (i.e., the 12-month period of GST returns).

³ All errors disclosed in the PAR will be subject to the grace period of one year from the statutory filing deadline of the respective GST returns.

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