

# Goods and Services Tax (GST)

## GST updates

This alert provides a summary of the following GST updates:

- ▶ Updates on transitional rules and Frequently Asked Questions (FAQs) for the upcoming GST rate change with effect from 1 January 2024
- ▶ Extension of the one-time waiver of penalties for non-wilful GST errors voluntarily disclosed under the Assisted Compliance Assurance Programme (ACAP) Review
- ▶ Revised fixed recovery for prescribed funds (from 1 January 2024 to 31 December 2024)

### I. GST rate changes

Following the announcement in Budget 2022 by the Minister for Finance, the GST rate has been increased from 7% to 8% with effect from 1 January 2023 (first GST rate change) and will increase to 9% with effect from 1 January 2024 (second GST rate change).

To facilitate GST registered businesses in preparing for the second GST rate increase, the Inland Revenue Authority of Singapore (IRAS) has published an e-Tax Guide *2024 GST Rate Change: A Guide for GST-registered Businesses* and the FAQs, which supplements the e-Tax Guide on 19 May 2023. The second edition of the above was published on 12 July 2023.

Briefly, the e-Tax Guide explains:

- ▶ Transitional rules and the GST rate to apply, including those for continuous supplies, reverse charge supplies, imported services under the Overseas Vendor Registration regime and supplies straddling both first and second GST rate change.
- ▶ Appropriate methods to apportion the value of the goods delivered or services performed before and on or after 1 January 2024.
- ▶ Existing contracts or agreements straddling the rate change and the party to bear the additional GST.
- ▶ Adjustment to tax previously charged such as issuance or receipt of credit note, volume-related rebates, returned goods and goods exchange.

There are certain noteworthy changes that the IRAS has made to the updated e-Tax Guide and FAQs for the second GST rate change.

These changes include:

Guidelines	2023 GST rate change	2024 GST rate change
e-Tax Guide ► Issuing credit note and new tax invoice reflecting the new GST rate in respect of tax invoice (including simplified tax invoice) issued before the rate change	By 15 January 2023 (need to seek IRAS' approval if a longer timeframe is required)	By 31 March 2024 (need to seek IRAS' approval if a longer timeframe is required)
► Supplies straddling both first and second GST rate change	Transitional rules under both 2023 and 2024 GST rate changes will apply	
FAQs for 2024 GST rate change ► GST rate applicable for advance payment received prior to GST rate change	<p>The IRAS clarified that payment made by a customer will be regarded as consideration received for GST purpose only if it is made in respect of a specific supply and accepted or agreed as such by both the supplier and the customer.</p> <p>The above is usually established based on an invoice issued by the supplier or payment terms outlined in contractual agreements.</p>	

### III. Fixed recovery for prescribed funds from 1 January 2024 to 31 December 2024

GST remission has been granted until 31 December 2024 to allow funds that meet qualifying conditions to claim the GST on all expenses that are incurred for the purpose of the fund's qualifying investment activities at an annual fixed recovery rate, even though the funds are not registered for GST in Singapore. This is with the exception of disallowed expenses under regulations 26 and 27 of the GST (General) Regulations.

Currently, until 31 December 2023, the fixed recovery rate for prescribed funds is 91%. From 1 January 2024 to 31 December 2024, the fixed recovery rate will be 90%.

### II. Extension of the one-time waiver of penalties for non-wilful GST errors voluntarily disclosed under ACAP Review

The IRAS has updated the e-Tax Guide *GST: Assisted Compliance Assurance Programme (ACAP)* on 12 October 2023 to extend the one-time waiver of penalties for non-wilful GST errors voluntarily disclosed under ACAP review. This benefit was originally set to expire by 31 March 2024.

The extension is to recognise and support businesses that undertake ACAP and obtain an ACAP status granted by the IRAS subsequently. The benefit will be available to businesses until such time the IRAS removes the benefit.

The one-time waiver of penalties applies to non-wilful errors made in the past five years, as of the due date of the ACAP report or the date of submission of the ACAP report, whichever is earlier. Normally, GST-registered businesses must make a voluntary disclosure within a one-year grace period to qualify for the waiver of penalties under IRAS' Voluntary Disclosure Programme (VDP) for non-wilful errors made in any given prescribed accounting period.

## Contact us

If you would like to know more about the issues discussed and EY services, please contact any of the following personnel:

Yeo Kai Eng  
Partner, Indirect Tax Services  
Ernst & Young Solutions LLP  
kai.eng.yeo@sg.ey.com  
+65 6309 8208

Chew Boon Choo  
Partner, Indirect Tax Services  
Ernst & Young Solutions LLP  
boon-choo.chew@sg.ey.com  
+65 6309 8764

Danny Koh  
Partner, Indirect Tax Services  
Ernst & Young Solutions LLP  
Danny.Koh@sg.ey.com  
+65 6309 6101

Liza Drew  
Partner, Indirect Tax Services  
Ernst & Young Solutions LLP  
liza.drew@sg.ey.com  
+65 6340 2788

Monica Sum  
Partner, Indirect Tax Services  
EY Corporate Advisors Pte. Ltd.  
monica.sum@sg.ey.com  
+65 6309 8194

Goh Seng Geok  
Director, Indirect Tax Services  
EY Corporate Advisors Pte. Ltd.  
seng-geok.goh@sg.ey.com  
+65 6309 8644

Claren Lai  
Director, Indirect Tax Services  
EY Corporate Advisors Pte. Ltd.  
claren.lai@sg.ey.com  
+65 6309 8117

Fo Xiang Yi  
Director, Indirect Tax Services  
EY Corporate Advisors Pte. Ltd.  
xiang.yi.fo@sg.ey.com  
+65 6718 1285

### EY tax leaders in Singapore

#### Ernst & Young Solutions LLP

Head of Tax  
Soh Pui Ming  
Email: pui.ming.soh@sg.ey.com

#### Business Tax Services

*Private Client Services*  
Desmond Teo  
Email: desmond.teo@sg.ey.com

*Tax Policy and Controversy*  
Angela Tan  
Email: angela.tan@sg.ey.com

Global Compliance and Reporting  
Chai Wai Fook  
Email: wai-fook.chai@sg.ey.com

Financial Services Organisation  
Stephen Bruce  
Email: stephen.bruce@sg.ey.com

Indirect Tax Services  
Yeo Kai Eng  
Email: kai.eng.yeo@sg.ey.com

People Advisory Services  
Panneer Selvam  
Email: panneer.selvam@sg.ey.com

#### International Tax and Transaction Services

*International Corporate Tax Advisory*  
Chester Wee  
Email: chester.wee@sg.ey.com

*Transfer Pricing*  
Luis Coronado  
Email: luis.coronado@sg.ey.com

*Transaction Tax Advisory*  
Darryl Kinneally  
Email: darryl.kinneally@sg.ey.com

Legal Services  
(provided by Atlas Asia Law Corporation,  
an independent member firm of the global EY network)  
Kenneth Cheow  
Email: kenneth.cheow@atlasasialaw.com.sg

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