KPMG

Tax Alert

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In this issue, we discuss the new GST e-Tax Guide "Customer Accounting for Prescribed Goods" issued by the Inland Revenue Authority of Singapore (IRAS) and changes to the Goods and Services Tax (Amendment) Act 2017

Overview of Customer Accounting

The supply of most goods and services in Singapore is a taxable supply subject to GST. The supplier will charge and account for GST on local sales and can claim GST incurred on purchases, when input tax claim conditions are satisfied.

Customer accounting for certain prescribed goods will take effect from 1 January 2019 to deter fraud schemes where the seller absconds with the GST collected, but businesses down the supply chain continue to claim the input tax.

Under customer accounting, the responsibility to account for output tax on the supply shifts from the supplier to the customer.

How it works

- Supplier sells prescribed goods exceeding S$10,000 (excluding GST) and does not charge GST to GST-registered customer
- Customer will account for the output tax as though he is the seller
- If the purchase is incurred for taxable activities, GST is fully claimable by customer.
- Effect: There is no money flow of GST from the customer to supplier.

Definition	Summary of Guidance
a) Prescribed goods	**The three prescribed goods are:** • **Mobile phones** ○ Smartphone and Blackberry ○ Exclusion applies – e.g. mobile phone purchased together with a mobile subscription and call services plan • **Memory cards** ○ Electronic flash memory data storage device used for storing digital information ○ Exclusion applies - thumb drive and external hard disk • **Off-the-shelf software** ○ Stored in a compact disc or similar storage medium, or accessed by the use of a product key or license key that is provided in a physical package ○ Exclusion applies – e.g. software downloadable from the Internet and accessed by a product key or license key not supplied to the customer in a boxed package
b) Relevant supply	A relevant supply means a local taxable supply of prescribed goods and the GST-exclusive value exceeds S$10,000 and is not an excepted supply
c) Excepted supply	An excepted supply is a supply of prescribed goods that is specifically excluded from customer accounting: a) A supply of goods made under the GST Gross Margin Scheme b) A supply of goods made under the Approved Third Party Logistics Company Scheme or Approved Refiner and Consolidator Scheme to an approved/specified person, and c) A deemed taxable supply of goods arising from the transfer or disposal of goods for no consideration

GST reporting under Customer Accounting

Example: A GST-registered supplier sells mobile phones and memory cards for S$12,000 (excluding GST) to a GST-registered customer on 10 January 2019. As this is a relevant supply, supplier will not charge GST of S$840 (7%X12,000) to the customer. Instead, the customer will account for output tax on behalf of the supplier.

Supplier's GST return		Customer's GST return	
Standard-rated supplies Output tax	$12,000 $0	Standard-rated supplies: Output tax: Taxable Purchases: Input tax:	$12,000 $840 $12,000 $840

**Assuming customer is a fully taxable person*

To be exempted from the requirement to apply customer accounting

For GST-registered businesses making occasional purchases of prescribed goods exceeding S$10,000 (GST-exclusive), it may seek prior approval from IRAS to be exempted from the requirement to apply customer accounting, subject to conditions such as the purchaser is a fully taxable person and has good tax compliance records.

Amendments to the GST Act

Issue	Existing	Amendment and rationale for change
Sale of non-residential property to GST-registered Real Estate Investment Trusts (REITs) and their Special Purpose Vehicles (SPVs)	Apply customer accounting to ease cash flow for non-residential property (excludes movable assets)	Extend customer accounting to movable assets **Ease business compliance** (Effective 1 January 2018)
Sale of Government land with existing building to be demolished	- Whether sale is taxable or exempt depends on approved use of the building - Hence, sale is taxable if building is approved for non-residential use but land is approved for residential development	GST treatment depends on the approved use of land **Align the policy intent of not taxing land for residential purposes** (Effective 1 January 2018)
Requirement for electronic record keeping	Businesses can keep physical or electronic records of transactions	Require selected businesses identified on a risk assessment basis to maintain an electronic inventory system with details of sales and purchases **Assist the IRAS in audits or investigation of businesses** (Effective 1 January 2018)
Monthly penalty of $200 for late submission of GST returns	A penalty of $200 is imposed for each completed month that the return remains outstanding	$200 penalty imposed immediately after the GST filing due date **Deter late filing** (Effective 1 April 2018)
Digital tax notices	Business to provide specific consent before the IRAS can issue them with digital tax notices	Businesses will receive digital notices only but can "opt-out" and continue to receive hardcopies **Digital notices provide greater convenience for businesses** (Effective 1 January 2018)

Our comments

The IRAS has now prescribed the type and value of goods that is subject to customer accounting and delay the implementation to 1 January 2019. GST-registered businesses who sell and purchase such prescribed goods should examine whether their accounting system would be able to support the new rules for GST reporting.

Although the policy intent of customer accounting is to deter fraud schemes, genuine suppliers would be affected by the change. Businesses who make occasional purchases of prescribed goods may wish to consider writing to the IRAS to seek approval to be exempted from the requirement to apply customer accounting if certain conditions are met.

With the imposition of late submission penalty to commence immediately after the GST filing due date, businesses have to be more alert of their GST compliance obligations as the submission of GST returns is 4 times in a year.

With our data analytics tool, businesses would be able to focus on risk areas and channel their time and resources into these areas. We would be pleased to discuss how we can offer such a tool and assist with your GST compliance.

About Tax Alert

KPMG's Tax Alerts highlight the latest tax developments, impending change to laws or regulations, current practices and potential problem areas that may impact your company. As certain issues discussed herein are time sensitive it is advisable to make plans accordingly.

"Tax Alert" is issued exclusively for the information of clients and staff of KPMG Services Pte. Ltd. and should not be used or relied upon as a substitute for detailed advice or a basis for formulating business decisions.

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