



IRAS Mailer - PREPARING FOR GST RATE CHANGE

23 February 2022

Dear Members,

In Budget 2022, the Minister for Finance announced that the GST rate will be increased in 2-steps from 7% to 8% on 1 Jan 2023 and from 8% to 9% on 1 Jan 2024.

Please refer to the attached mailer from IRAS on what businesses need to know and do to prepare for the first GST rate change on 1 Jan 2023.

IRAS will provide more details and updates to help businesses prepare for the second GST rate change by April 2023.

For more information, please refer to the e-Tax Guide “2023 GST Rate Change: [A Guide for GST-registered Businesses](#)” or webpage “[GST Rate Change for Businesses](#)” (including the '[Frequently Asked Questions for Businesses – GST rate change 2023](#)').

If you have any issues/questions which are not addressed in the IRAS e-Tax Guide 2023, please forward them to geoklee@redas.com on or before 25 March 2022. REDAS will work with IRAS to address and respond to your queries.

Thank you.

With best regards
Chua Geok Lee

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Date: 22 Feb 2022



Dear Sir/ Madam

GOODS AND SERVICES TAX (GST) GET STARTED ON YOUR GST RATE CHANGE PREPARATIONS

In Budget 2022, the Minister for Finance announced that the GST rate will be increased in 2-steps from 7% to 8% on 1 Jan 2023 and from 8% to 9% on 1 Jan 2024.

This mailer explains what you need to know and do to prepare for the first rate change on 1 Jan 2023. We encourage you to start your preparations early for a smooth transition to the new rate.

We will provide more details and updates to help businesses prepare for the second rate change by April 2023.

WHAT DO YOU NEED TO KNOW?

Generally, you will need to account for GST at the new rate of 8% on your standard-rated supplies of goods and services (including reverse charge supplies) made on and after 1 Jan 2023.

Under normal circumstances, you would refer to the time of supply rules to determine when your supply is treated as taking place for GST purposes and therefore when to account for GST on the supply. However, for your supplies straddling the change of GST rate, you will also need to consider the transitional rules to determine whether to charge GST at 8% or 7%. Some examples are as follows:



Example of supply straddling the rate change	Application of transitional rules
<ul style="list-style-type: none">• Invoice issued for a supply of goods before 1 Jan 2023 (when the GST rate is 7%)• Full payment received and goods delivered after 1 Jan 2023 (when the GST rate is 8%)	<p>As full payment is received and goods are delivered after the rate change, GST must be accounted at the new rate of 8%. This is even though the invoice is issued to your customer before the rate change.</p>
<ul style="list-style-type: none">• Invoice issued for services and full payment is received after 1 Jan 2023 (when the GST rate is 8%)• Services are fully performed before 1 Jan 2023 (when the GST rate is 7%)	<p>You can elect to charge and account for GST at 7% since the services are fully performed before the rate change. This is even though the invoice is issued and payment is received after the rate change.</p>

If you are a business subject to reverse charge and have procured services from an overseas supplier where:



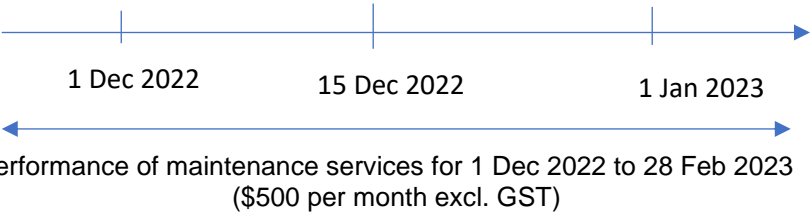
- Invoice is issued before 1 Jan 2023 (when the GST rate is 7%)
- Services are fully performed and full payment made after 1 Jan 2023 (when the GST rate is 8%)

As the services are fully performed and full payment made after the rate change, you will need to account for GST at 8 % on the entire value of the supply. This is even though the invoice is issued before the rate change.

Please refer to our e-Tax Guide '[2023 GST Rate Change: A Guide for GST-registered Businesses](#)' and webpage '[GST Rate Change for Businesses](#)'¹ for:

- more information on the transitional rules.
- other important requirements.

To help kickstart your preparations, we have highlighted some of the requirements that would most affect you.

 <p>GST rate applicable</p>	<p>If you issue an invoice before the rate change date, you should charge GST at the prevailing GST rate. You are not allowed to charge or reflect GST at 8% on invoices that are issued before the rate increase date.</p> <p>Where you have issued a tax invoice to charge GST at 7% but the transitional rules require to you charge and account GST at 8% on the supply (because you receive payment and provide the goods or services to your customer after [the rate change date]), you should make adjustments for the transaction by issuing a credit note and a new tax invoice to your customer to reflect the new GST rate and GST chargeable. This is explained in paragraphs 4.2.1 and 4.2.2 of the e-Tax Guide.</p>
 <p>Continuous services</p>	<p>If you provide maintenance services straddling 1 Jan 2023 where the tax invoice is issued before 1 Jan 2023, you must charge and account for GST at 7% on the tax invoice issued before 1 Jan 2023.</p> <div style="text-align: center;"> <p>Tax invoice issued \$1,500 Part payment \$800 Rate change</p>  </div> <p><u>You did not receive full payment before 1 Jan 2023</u> If part of the payment is received on or after 1 Jan 2023 and part of the maintenance services is performed after 1 Jan 2023, GST will be chargeable on the supply as follows:</p> <ol style="list-style-type: none"> (a) At 7% on the higher of: <ol style="list-style-type: none"> i. Payment received before 1 Jan 2023; or ii. Value of the maintenance services performed before 1 Jan 2023; and (b) At 8% on the remaining value of the supply.

¹ [IRAS | Overview of GST Rate Change](#)

	<p>As you received part payment and perform part of the maintenance services before 1 Jan 2023, under the transitional rules, you are required to charge GST at 8% on the balance payment of \$700 not yet received or on the value of the maintenance services not yet performed, whichever is lower. If the balance payment of \$700 as shown above is of a lower value than the value of the maintenance services not yet performed by 1 Jan 2023, you will need to issue to your customer by 15 Jan 2023:</p> <ul style="list-style-type: none">• A credit note for \$749 (\$700 plus 7% GST of \$49); and• A new tax invoice of \$756 (\$700 plus 8% GST of \$56). <p>For more information, please refer to paragraph 5.1.2 of the e-Tax Guide.</p>
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It is important that you adhere to these rules and requirements to account for GST correctly in your GST returns and avoid penalties.

To assess your readiness for rate change, please use the checklist provided in the e-Tax Guide. You will also find answers to common rate change questions on the "[Frequently Asked Questions for Businesses – GST rate change 2023](#)" document available on our webpage.



Enquiries

Write to your association by **25 Mar 2022** if you need any clarification or anticipate issues that are not addressed in our e-Tax Guide or webpage. We will work with your association to address and respond to your queries.

What else do you need to do?

To cater for the transitional rules and the new GST rate, you may need to modify your point of sales, accounting, invoicing and other systems. For assistance on your point-of-sale and accounting systems, please contact your vendors early.

Not using an accounting software?

Accounting software can help you to comply with record-keeping and other tax obligations.

You may refer to the IRAS Accounting Software Register for a list of accounting software that meets IRAS' technical requirements and find out if you are eligible for funding support under the Productivity Solutions Grant (PSG).

Yours faithfully

LYU CHOON YAN (MS)
MANAGER
GOODS AND SERVICES TAX DIVISION
for COMPTROLLER OF GOODS AND SERVICES TAX