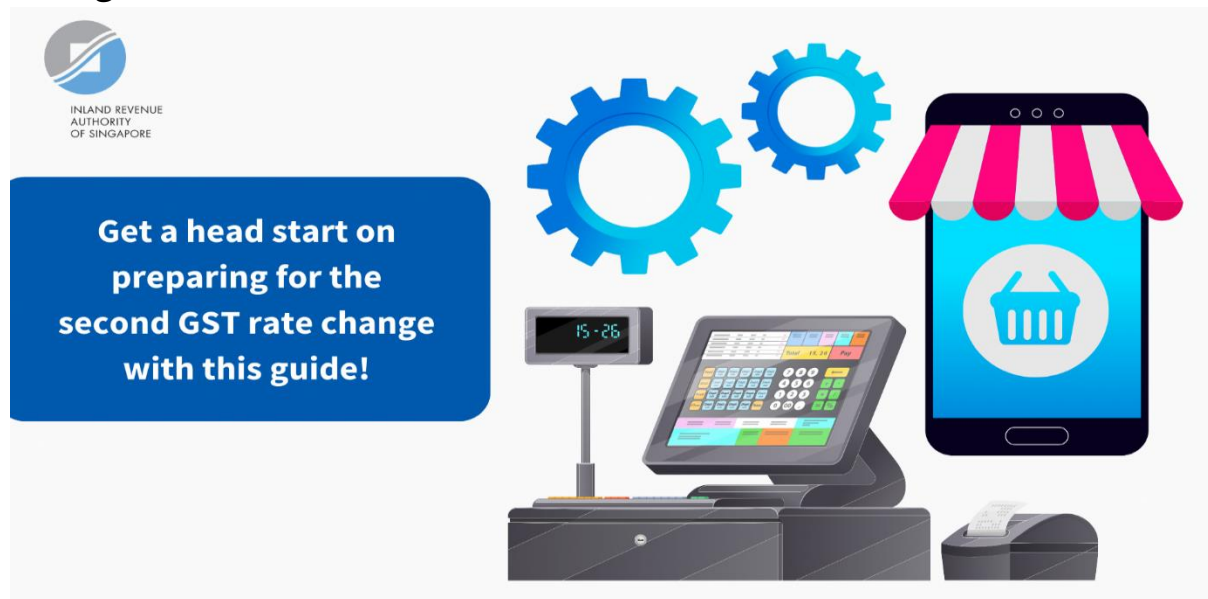


Here's What Businesses Must Know to Prepare for the Second GST Rate Change



Whether you are going through the GST rate change for the first time as a newly GST-registered business or are looking for a refresher to transit smoothly ahead of the second GST rate change, the Inland Revenue Authority of Singapore (IRAS) has put together a summary guide on how your business can get ready for the upcoming GST rate change.

Read on to learn about what you need to prepare, the common errors to avoid as well as digital solutions that you can tap on to ease your transition to the 2024 GST changes.

1. New GST Rate of 9% in 2024

Come 1 Jan 2024, the GST rate will be raised from 8% to 9%, as part of the two-step GST rate change announced by the Minister for Finance in Budget 2022. The first step from 7% to 8% had taken place earlier on 1 Jan 2023. The revenue collected from the increase in GST will go towards supporting our healthcare expenditure, and to take care of our seniors.

All GST-registered businesses should start their preparations early to ensure a smooth transition to the new 9% GST rate.

GST will be raised

From 1 Jan 2024



2. Three Key Things to Prepare

Use the [checklist](#) on the IRAS website to check if your business is ready for the GST rate change. Here are three key areas you need to prepare to transit smoothly to the new rate:

1 Update your systems to incorporate the new GST rate from 1 Jan 2024

Please check early with your in-house IT team or software vendors on how they can work with you to support a smooth transition. Examples of systems include accounting and invoicing systems, retail management systems, and cash register and receipting systems for point-of-sales (POS) billing.



2 Prepare your price displays to reflect the new GST rate from 1 Jan 2024

Price displays should be inclusive of GST at 9% with effect from 1 Jan 2024, 12 a.m. If you are unable to change your price displays overnight, you may display two prices:

- Prices inclusive of GST at 8% applicable before 1 Jan 2024.
- Prices inclusive of GST at 9% with effect from 1 Jan 2024.

Price displays include price tags, price lists, advertisements, publicity brochures and websites. Prices that are quoted, whether written or verbal, must be GST-inclusive as the public needs to know upfront the final price that they have to pay.

3

Understand the GST rate change transitional rules and apply the correct GST rate for sales transactions and reverse charge supplies spanning 1 Jan 2024.

If your supplies span the date of GST rate change, you will need to consider the transitional rules to determine whether to charge GST at 9% or 8%.

Here are some examples on how the transitional rules will apply to situations of supplies spanning 1 Jan 2024:



Supply Spanning GST Rate Change	Application of Transitional Rules
<ul style="list-style-type: none">• Invoice issued <u>before 1 Jan 2024</u> at GST rate of 8% for a supply of goods or services.• For a supply of goods, full payment is received and goods are delivered <u>after 1 Jan 2024</u> (when the GST rate is 9%).• For a supply of services, full payment is received and services are performed <u>after 1 Jan 2024</u> (when the GST rate is 9%).	As full payment is received and goods are delivered/ services performed after the rate change, GST must be accounted at the new rate of 9%. This is even though the invoice is issued to the customer before the implementation of the new GST rate.
<ul style="list-style-type: none">• Invoice issued and full payment received <u>after 1 Jan 2024</u> for a supply of goods or services.• For a supply of goods, goods are fully delivered in <u>2023</u>.• For a supply of services, services are fully performed in <u>2023</u>.	Businesses can elect to charge and account for GST at 8% since the services are fully performed/goods are fully delivered before the rate change.

For a comprehensive understanding and application of the transitional rules, refer to our **e-Tax Guide “2024 GST Rate Change: A Guide for GST-registered Businesses”**.

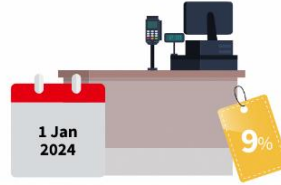
3. Three Common Rate Change Errors to Avoid

During the first step of the GST rate change, some common rate change errors were observed to be made by a small minority of businesses. Check out the common errors below to avoid committing them as you prepare your business for the second step of the rate change:

Error #1: Charging GST at 9% before 1 Jan 2024



Your payments received **before 1 Jan 2024** should be subject to the current rate of **8%**. This is so even if the goods and/or services are to be delivered on or after 1 Jan 2024.



Check that **your systems** (e.g. accounting and invoicing systems, retail management systems, cash register and receipting systems for point-of-sales (POS) billing) are **configured for the 9% GST rate** to take effect **from 1 Jan 2024** and not earlier.

Error #2: Charging or displaying GST at 8% from 1 Jan 2024

You may have **multiple sales channels** (e.g. mobile apps, self-ordering kiosks, physical outlets and online websites) where you display prices and make sales of goods and services.



Review and ensure that the **receipts/invoices issued for all sales channels are updated** to charge **9% GST** from **1 Jan 2024**. Your **price displays for all sales channels** should also be **updated to 9% GST** from **1 Jan 2024**.



Even if you intend to absorb the additional 1% GST, check that the **receipts/invoices issued and price displays** that mention the GST rate are updated to **9% GST** from **1 Jan 2024**.

Error #3: GST amount is computed correctly but wrong GST rate is reflected on receipts/invoices issued

Check that the **correct GST rate** is reflected when you issue receipts/invoices.

Such checks should be performed when testing systems and processes **before and after** the implementation of 9% GST.

Invoice #XXX

1 Jan 2024

Amount before GST = \$100

GST at 8% = \$9

Total amount payable = \$109

GST amount is computed correctly at 9% but the **wrong GST rate is reflected** on the invoice



4. Ease of GST Rate Change Implementation with Digital Solutions

As you prepare to transit your business to the new GST rate, consider taking this opportunity to explore digital solutions for your business' accounting and retail management needs. Adopting these digital solutions will also help your business to simplify record-keeping and comply with tax obligations more easily in the long run.

For the list of accounting software that meet IRAS' technical requirements, please refer to the [IRAS Accounting Software Register Plus](#). Some of the software may also qualify for funding support under the Productivity Solutions Grant. More information on the eligibility criteria and application process for the grant can be found on the [GoBusiness website](#).

5. Communicating Reasons for Price/Fee Increase to Consumers



In the first step of the GST rate change, some businesses made the decision to increase prices or services fees to account for the 1% point GST rate increase and higher raw material and overhead costs. However, some had attributed the increase primarily or solely to the increase in GST.

As we approach the second step of the GST rate change, the Government would like to remind all businesses to communicate reasons for any price increases transparently with consumers. If your business is planning to implement price increases, be sure to provide clear explanations for the reasons behind them. Avoid misleading consumers to think that the price hikes are primarily or solely due to the increase in GST.

The Committee Against Profiteering takes a serious view of any unjustified price increases using the GST increase as an excuse and will investigate all feedback on such cases.

6. Key Considerations Before Voluntarily Registering for GST

If your business is not registered for GST yet, please note that you will be required to register when your business' taxable turnover exceeds S\$1 million at the end of the calendar year or if at any point of time you can reasonably expect your business' turnover to exceed S\$1 million in the next 12 months.

If your business is currently non-GST registered but you wish to register for GST voluntarily to claim the GST incurred on your purchases, you are advised to evaluate your business scenarios and your business costs (including the costs of complying with GST obligations) before making the decision.

Watch this [video](#) for further elaboration on the factors you should consider before registering for GST.

7. Useful Resources on GST Rate Change

To ensure your business can enjoy a smooth transition to the new GST rate, tap on the following self-help resources prepared by IRAS:

- [2024 GST Rate Change e-Tax Guide](#)
- [Frequently asked questions](#) on the correct GST rate to charge under common business scenarios for supplies spanning the rate change date as well as other rate change related questions.
- [YouTube Video](#) on preparing for GST Rate Change.

Read through our resources for GST Rate Change and still have questions? You may sign up for the live webinar sessions conducted by IRAS [here](#).

For more information on the GST rate change, visit www.go.gov.sg/irasgst-rc-businesses.