

Date: 24 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 rates.

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 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 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 received after 1 Jan 2023 (when the GST rate is 8%)• Services 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 received after the rate change.</p>
<ul style="list-style-type: none">• Invoice issued and full payment received for a supply of goods before 1 Jan 2023 (when the GST rate is 7%)• Goods fully delivered after 1 Jan 2023 (when the GST rate is 8%)	<p>Applying the general time of supply rules, you will account for GST at 7% on the supply. Since full payment is received before the rate change, no adjustment to the GST amount to be accounted is required.</p>

Please refer to our e-Tax Guide '[2023 GST Rate Change: A Guide for GST-registered Businesses](#)' and webpage '[GST Rate Change for Business](#)'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>Price display</p>	<p>As a GST-registered retailer, you are required to show GST inclusive prices on all your price displays.</p> <p>You will need to update your price displays to be inclusive of GST at 8% from the date the rate increase comes into effect. If you decide not to increase your prices, you must still account for GST at 8% on supplies made on and after the rate increase.</p> <p>You should refer to our webpage 'Displaying and Quoting prices' for the price display requirements and paragraphs 2.4 and 2.5 of the e-Tax Guide.</p>
	<p>If you operate your business past midnight on 31 Dec 2022, you are allowed to charge GST at 7% on your sales made up to 7 a.m. of 1 Jan 2023, provided that it is your normal accounting practice to treat the sales made after midnight as sales of the preceding day and your cash register and accounting system are programmed in this way. This information is provided in paragraph 12.13 of the e-Tax Guide.</p> <p>If your cash register and accounting system's programmed cut-over time is between midnight and 7am, you are required to start charging GST at 8% on your sales on 1 Jan 2023 from the cut-over time.</p>
 <p>Goods returned</p>	<p>If you have supplied goods to your customer before 1 Jan 2023 with GST charged at 7% and some of the goods are defective and subsequently returned to you after 1 Jan 2023, you should adjust the GST at 7% on the goods returned as this is the rate which you have originally charged on the supply. You should maintain the documentary evidence to show whether the returned goods are supplied before or on/after 1 Jan 2023.</p> <p>For more information, please refer to paragraphs 11.10 to 11.12 of the e-Tax Guide.</p>

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 Annex C of 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.

¹ Refer to www.iras.gov.sg > e-Tax Guides and www.iras.gov.sg > Taxes > Goods and Services Tax (GST) > GST Rate Change > GST Rate Change for Businesses



Enquiries

Write to your association by 25/03/2022 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 new GST rate and the transitional rules, you may also 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

CHAN HUI JUAN
MANAGER
GOODS AND SERVICES TAX DIVISION
for COMPTROLLER OF GOODS AND SERVICES TAX