

Summary of Responses – Public Consultation on Draft e-Tax Guide on Customer Accounting for Prescribed Goods

IRAS conducted a public consultation exercise between 24 Apr to 2 Jun 2017 to seek feedback on the draft e-Tax Guide “GST: Customer Accounting for Prescribed Goods”.

IRAS received comments from 27 respondents on the draft e-Tax Guide during the consultation period. IRAS wishes to thank all respondents for their comments.

IRAS has considered carefully all the comments received. Based on these comments, IRAS has made changes to the customer accounting legislation and fine-tuned the administrative details. The first edition of the finalised e-Tax Guide is published on 15 Sep 2017.

A number of the comments received relate to the definition of prescribed goods, the issue of credit notes and GST treatment for mixed/bundled sales. A summary of the key suggestions received and our responses are as follows:

A. Implementation date

Comment: Propose to delay the implementation date to allow businesses more time to familiarise themselves with customer accounting requirements and to make the necessary system changes.

IRAS' response: The proposal has been accepted and the implementation date will be postponed from 1 Jan 2018 to 1 Jan 2019 to provide businesses with sufficient time to adjust to customer accounting.

B. De Minimis threshold

Comment: Propose to increase the De Minimis threshold to reduce the number of GST-registered businesses that are required to change their processes and or systems to adopt customer accounting.

IRAS' response: The proposal has been accepted and the De Minimis threshold will be increased from \$5,000 to \$10,000 to ease business compliance.

C. Alternatives to customer accounting

Comment: Several suggestions were received on alternative ways to implement customer accounting, for example, to exempt certain businesses from customer accounting, or implement full customer accounting between GST-registered businesses for all their business-to-business transactions.

IRAS' response: Some of the suggestions have been accepted with modifications. Exempting specific businesses will result in increased complexity and may entail changes in fraud patterns to those that revolve around the exempted businesses, which is not desirable. However, to help ease business compliance, we will allow businesses to apply customer accounting to all their prescribed supplies made to regular customers subject to certain conditions.

D. Definition of prescribed goods

Comment: More details should be provided on the definitions of prescribed goods to ease compliance of customer accounting.

IRAS' response: To provide more clarity, IRAS has included more detailed explanations and examples of the prescribed goods in the e-Tax Guide. For example, the definition of mobile phone has been refined to include a threshold for the screen size of the mobile phone. This is to clarify that tablets (with screen size exceeding the threshold) will be excluded. The proposal to exclude mobile phone sold together with a mobile subscription plan from customer accounting has been accepted to ease business compliance.

E. Purchase of prescribed goods for non-business use

Comment: Under the proposed rule, customer accounting does not apply if the purchase of prescribed goods by the GST-registered customer is for non-business use. It is not clear who will be held liable when customer accounting is wrongly applied due to the customer's failure to inform the supplier that it is for non-business use.

IRAS' response: The onus is on the customer to inform the supplier if his purchase of prescribed goods is for non-business use. IRAS has clarified in the e-Tax Guide that it is the customer (instead of the supplier) who is liable to account for the output GST to the Comptroller if customer accounting is wrongly applied due to his failure to inform the supplier of his non-business use.

F. Issuance of separate tax invoice for prescribed goods

Comment: Propose to make it mandatory for the supplier to issue separate tax invoices for the prescribed goods (subject to customer accounting) and for the non-prescribed goods that are sold together, to facilitate the customer in his GST reporting.

IRAS' response: While IRAS recommends that the supplier issues a separate tax invoice for the prescribed goods so that it is clearer who has to account for the output tax, we will not make this mandatory as some suppliers may face system constraints in issuing separate invoices for prescribed goods and non-prescribed goods sold together to the same customer at the same point in time.

G. Mixed supplies of prescribed goods and non-prescribed goods

Comment: IRAS received several suggestions on application of customer accounting to mixed supplies of prescribed goods and non-prescribed goods:

1. To allow the same GST treatment, i.e. to standard-rate or apply customer accounting, when both prescribed goods and non-prescribed goods are sold at a single bundled price;
2. To provide guidance on applying customer accounting to mixed supplies of prescribed goods and non-prescribed goods sold at a single bundled price;

3. To provide guidance on applying customer accounting for mixed supplies that include free gifts of goods.

IRAS' response: The policy intent is to only prescribe certain goods for customer accounting purposes. Hence customer accounting should not apply to a supply of non-prescribed goods and standard-rating should also not apply to a relevant supply of prescribed goods that is subject to customer accounting. No exception will be made in the case of mixed/bundled sales involving both prescribed and non-prescribed goods.

To provide more clarity to ease business compliance relating to mixed/bundled sales, we have included in the e-Tax Guide the acceptable methods to attribute the single price to various supplies in a mixed sale (including for the free gifts).

H. Suggestions to ease business' compliance

Comment: IRAS received several suggestions to ease businesses' compliance costs:

1. To allow a supplier the option to apply customer accounting to all his supplies of prescribed goods (i.e. regardless of the value of supply) made to his GST-registered customer.
2. To allow a supplier not to make any GST adjustment for the credit note issued when he gives a credit to his GST-registered customer in respect of an earlier relevant supply of prescribed goods made.
3. To allow a GST-registered customer to delay the accounting for output tax on a relevant supply of prescribed goods received if there is a delay in receiving the customer accounting tax invoice from the supplier.

IRAS' response: IRAS has accepted the suggestions subject to certain conditions. We have provided the corresponding guidance and eligibility conditions (where applicable) in the e-Tax Guide.

I. Waiver of penalties

Comment: Propose to waive the penalty for omission of tax during the first year of implementation even if they give rise to a tax loss as long as the businesses make good the tax loss.

IRAS' response: IRAS has accepted the suggestion to not impose penalty on businesses during the first year of implementation if the omission of tax arises from genuine mistakes and is not deliberate. The businesses are required to make good any tax under-accounted for. We have updated this in the e-Tax Guide.