

Impact on SMEs: GST Amendment Act 2020

FAQ

Question: Is there any GST impact for a trading company if its purchases and sales are done out of Singapore?

Answer: Purchase and sale of goods which are not imported into Singapore are classified as out-of-scope. The goods may come into Singapore's Free Trade Zone or a Bonded warehouse, and subsequently exported. There is no GST payable to Singapore Customs as these are out-of-scope transactions. In other words, there is no GST impact on you.

Question: What are the necessary documents a business must maintain in order to file GST?

Answer: This is a very broad question. Once you file a GST Return, you must comply with Section 46 of the GST Act which specifies the documents that a GST registered trader must maintain for at least 5 years. This includes all the normal commercial documents, and these are specified in the e-Tax Guide on "Record keeping Guide for GST-Registered Businesses". However, when you are audited, the auditor may request for additional documents, e.g., photographs of goods that you exported. Hence, we recommend you do a review of how the documents you maintain to support the GST Returns that you file and if required do consult a GST Specialist to assist you in this review.

Question: Does a sponsorship amount received for an event attract GST?

Answer: There are 2 categories of sponsorship. Firstly, the sponsorship is normally given in cash/cheque without any conditions. This would not attract GST. However, if the sponsorship is given with conditions attached, e.g., the recipient is required to display the sponsors details in a banner, then the sponsorship is subject to GST.

Question: An employee had incurred some expenses on behalf of a company and the tax invoice was addressed to the employee's name. Can the company then claim the GST input after it reimburses the employee?

Answer: If the expense is less than \$1,000, a receipt is sufficient to make the input tax claim. Do make a photocopy of the receipt as they normally fade in a short period of time. If the expense is \$1,000 or more, then you must maintain a tax invoice addressed to the company. Failing which, the input tax is not claimable.

Question: A vendor issues their invoices with the amounts in US Dollars (USD) and not in Singapore Dollars (SGD). What should the business receiving the invoices do?

Answer: The GST Act requires a vendor who issues a tax invoice in USD to indicate the Singapore dollar equivalent and the exchange rate. You must request the vendor to indicate the Singapore dollar equivalent on the tax invoice, otherwise we suggest you do not make the payment. If you make the payment and you are audited by IRAS, then you will be penalized if you make a claim using an exchange rate not corresponding with the vendor's rate. Do exercise your right to request for a tax invoice with the Sing dollar exchange rate.
