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Indirect Tax Alert

Building a better working world

Goods and Services Tax (GST)

GST rate change

This alert provides an overview of the new IRAS e-Tax Guide on the GST rate increase on 1 January 2023 and discusses the considerations for businesses in preparation for the impending increase.

In Budget 2022, the Minister for Finance announced that the GST rate will be increased from 7% to 8% with effect from 1 January 2023 and from 8% to 9% with effect from 1 January 2024.

The raise in GST rate is a necessary and strategic decision to fund Singapore's revenue needs. Even at 9%, the GST rate remains lower than the average of around 12% in Asia.

While the staggered rate change allows businesses and Singaporeans more time to adjust, it also means additional cost for businesses to prepare for the rate change twice. This includes modifying point-of-sale, invoicing, accounting and other systems, and amending price displays. Businesses only have around nine months to prepare for the first GST rate increase on 1 January 2023.

To prepare GST-registered businesses for the first GST rate increase, the Inland Revenue Authority of Singapore (IRAS) has published an e-Tax Guide *2023 GST Rate Change: A Guide for GST-registered Businesses* on 18 February 2022 and a list of frequently asked questions that supplements the e-Tax Guide.

2023 GST rate change

The new e-Tax Guide aims to prepare GST-registered businesses for the first rate change when the GST rate is increased from 7% to 8% with effect from 1 January 2023. The e-Tax Guide covers:

- Transitional rules and the GST rate to apply, including those for continuous supplies, reverse charge supplies and imported services under the Overseas Vendor Registration regime.
- Appropriate methods to apportion the value of the goods delivered or services performed before and on or after 1 January 2023.
- Implications for existing contracts or agreements straddling the rate change and the party to bear the additional GST.
- Adjustments to tax previously charged in situations such as the issuance or receipt of credit notes, volume-related rebates and returned goods.

For the second rate change on 1 January 2024, the IRAS will publish a separate e-Tax Guide by April 2023 to prepare businesses.

Next steps

GST-registered businesses should plan early and ensure that they are ready to comply with the new rules by 1 January 2023.

Areas to consider include:

- Engaging your information technology (IT) team or an external vendor early to devise an implementation plan and roadmap to update the point-of-sale, invoicing, accounting and other systems, including price displays.
- Training the relevant staff on the transitional rules to ensure that the correct GST rate will be applied.
- Determining if apportionments are required for supplies straddling the rate change and initiating early conversations with your tax advisors or the IRAS if there are difficulties in determining an appropriate method of apportionment.
- Reviewing existing contracts spanning the rate change to determine who should bear the additional GST and consulting lawyers if required.
- Assessing if the business should apply for the Major Exporter Scheme (whereby import GST is suspended upon importation of non-dutiable goods into Singapore), if it deals mainly with imports and exports.
- Informing customers of the potential GST adjustment under the rate change transitional rules to avoid disputes on the GST rate and GST amount payable on the supply.

Having a higher GST rate will mean higher penalties for non-compliance as penalties are generally imposed on the value of the tax under-paid or over-claimed. GST-registered business should implement robust and effective GST controls to manage their GST risks as GST errors will become even more costly after the GST rate increase.

For non-GST registered businesses, they should assess if it is beneficial to opt for voluntary GST registration to recover the GST incurred on their business expenses, and whether the expected amount of GST recoverable outweighs the GST compliance costs.

Contact us

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