

With effect from 1 October 2021, certain medical expenses have been excluded from the definition of disallowed medical expenses in the GST legislation.

# Goods and Services Tax (GST)

## Definition of disallowed medical expenses amended

On 30 September 2021, the Goods and Services Tax (General) (Amendment No. 3) Regulations 2021 were published in the Government Gazette by the Ministry of Finance.

The Goods and Services Tax (General) (Amendment No. 3) Regulations 2021 (Amendment Regulations 2021) mainly exclude certain medical expenses from the definition of disallowed medical expenses in the GST legislation.

This alert summarises the changes in the Amendment Regulations 2021.

I. Exclusion of expenses from the definition of disallowed medical expenses

Prior to the Amendment Regulations 2021, only medical expenses that were incurred under the Work Injury Compensation Act (WICA) or any collective agreement within the meaning of the Industrial Relations Act were excluded from the definition of disallowed medical expenses. In other words, such expenses were the only medical expenses allowed for input tax claims.

In the wake of the COVID-19 pandemic and the regulatory requirements of various public authorities, the following changes were introduced under the Amendment Regulations 2021. Consequently, the following expenses would be claimable if incurred on or after 1 October 2021:

Expenses	Claimable if	
	Relating to COVID-19 <sup>2</sup>	Not relating to COVID-19 <sup>3</sup>
Medical treatment <sup>1</sup>	<ul style="list-style-type: none"> <li>▶ The employee is advised under any written advisory (including any industry circular) issued by the Government or a public authority to receive that treatment.</li> <li>▶ Provided on account of the nature of the employee's work or work environment.</li> </ul>	<ul style="list-style-type: none"> <li>▶ The employee is required under any written law to receive the medical treatment or the provision of the medical facility or medical practitioner is required under any written law.</li> <li>▶ Provided in connection with any health risk or requirement arising on account of the nature of the employee's work or work environment.</li> </ul>

II. Other matters - GST incurred on the purchase of work injury compensation insurance premiums

On a related matter, it is worth noting that the Inland Revenue Authority of Singapore (IRAS) has made the following clarification in mid-2020 pertaining to GST incurred on insurance premium where the insurance or payment of compensation is obligatory under the WICA:

- ▶ GST incurred on the purchase of work injury compensation insurance is only claimable to the extent of the employer's obligation to provide compensation under the WICA.
- ▶ In the event where the purchase of work injury insurance is by choice and not obligatory under the WICA, the GST incurred on the insurance premium would not be claimable.
- ▶ For example, if the employer is obliged under the WICA to pay for the medical expenses for work-related injuries of the employee up to a cap of \$45,000 but opts to cover the employee up to \$100,000 for an additional premium of \$300, the GST incurred on the \$300 will not be claimable.

<sup>1</sup> Medical treatment includes all forms of treatment for, and procedures for diagnosing or preventing, any physical or mental ailment, infirmity or defect.

<sup>2</sup> Examples of COVID-19 related medical treatment incurred on or after 1 October 2021 for which input tax is claimable include outbound travellers who are advised to get pre-departure COVID-19 swab tests (if travel is for business purposes) and COVID-19 swab tests for specific high-risk groups (i.e., workers at hawker centres and markets, and food delivery personnel) where workers are strongly advised to get tested.

<sup>3</sup> Examples of employee medical expenses incurred on or after 1 October 2021 for which input tax is claimable include mandatory medical examinations for employees under the Workplace Safety and Health (Medical Examinations) Regulations and the costs of providing a clinic and qualified medical practitioner on board certain ships under the Merchant Shipping (Training, Certification and Manning) Regulations.

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