



GST News Perspective \Rightarrow everything

Greetings from your Indirect Tax team at Deloitte Singapore. We are pleased to update you on the following Singapore GST developments:

[Updated e-Tax guide on Partial Exemption and Input Tax Recovery \(Second edition\)](#)

IRAS has recently updated its e-Tax guide on Partial Exemption and Input Tax Recovery (Second edition), and in particular, provided new guidance on incidental exempt supplies.

Incidental exempt supply

Previously, taxpayers who wish to treat certain exempt supplies as incidental exempt supplies (i.e., to be able to treat these supplies as minor and so still taxable) under regulation 29(3) of

the GST (General) Regulations, would need to write in to IRAS to request prior approval from the Comptroller.

With the assistance of new examples and conditions set out in the guide, IRAS has taken the position that taxpayers now do not need to seek approval from the Comptroller to treat an exempt supply, meeting the conditions and examples set out, as incidental. Exempt supplies that are similar to the examples provided by IRAS will automatically be treated as incidental. Taxpayers can self-assess the conditions to determine whether their exempt supplies can be treated as incidental exempt supplies.

Specifically, IRAS has taken the position that taxpayers can treat their exempt supply as an incidental exempt supply if the following conditions are satisfied:

- a) Your supplies are predominantly taxable supplies. This condition is satisfied if the total value of your non-regulation 33 exempt supplies (i.e., exempt supplies other than deposit of money, exchange of currency, provision of loans to employees, etc.) does not exceed five percent of your total supplies over a longer period (i.e., a tax year).

However, if the value of your non-regulation 33 exempt supplies exceeds the five percent threshold, you will still be able to treat the following exempt supplies examples as incidental, provided that your business is actively making taxable supplies:

- Sale of shares due to corporate restructuring or divestment strategy
- Sale of shares due to error trades made by securities and brokerage firms on behalf of their clients
- Sale of REIT units by REIT managers who received the units as part of their remuneration
- Regulation 34 businesses i.e., certain financial businesses regulated by the Monetary Authority of Singapore that make predominantly taxable supplies e.g., zero-rated supplies of insurance services

- b) The making of the exempt supply does not amount to a separate business and must satisfy the following conditions:

- The exempt supply occurs infrequently (not more than four occurrences over a longer period) or ceases when the main taxable activities of your business cease.
- Minimal resources are incurred to make the exempt supply. This means that either few staff are assigned to or minimal manhours are incurred to make the supply; **or** if the supply occurs passively with no oversight required. IRAS will generally treat a headcount or manhours not more than one percent of the total number of staff or manhours as minimal.

The following are examples of other exempt supplies provided by IRAS that will be considered as incidental if taxpayers are in the business of making predominantly taxable supplies:

- Interest income from automated cash pooling activities
- Interest income from infrequent provision of inter-company loans where there is no dedicated staff to provide the loans
- One-off disposal of shares where there is minimal resources incurred in the disposal

Please note that taxpayers will only need to write to the Comptroller for approval to treat an exempt supply as incidental if their scenarios do not satisfy the specified conditions or are different from the examples provided by IRAS.

For more information, please refer to the hyperlink [“Partial Exemption and Input Tax Recovery \(Second edition\)”](#)

How Deloitte can help

The additional guidance for determining recoverability for incidental exempt supplies is a welcome addition to the list of e-Tax guides and should help many businesses to better judge the recoverability of their input tax. If your business makes or potentially makes such supplies, contact us and we can advise further on the impact of the new guidance on your input tax claims.

However, partial exemption remains a complex area. Deloitte can help to review your businesses activities to confirm that the rules in respect of partial exemption have been applied correctly and to assist with rectification if needed.

Contacts

For more information on the above or if you need assistance on other GST matters, please contact the below or your usual GST contact in Deloitte Singapore.

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