

FinancialQuotient

What is GST?

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WHAT DOES IT MEAN?

“GST” is the acronym for goods and services tax. Introduced in Singa-

pore on April 1, 1994, GST is charged on the supply of goods and services as well as the importation of goods into the country.

In other countries, GST is also known as value-added tax or VAT. This is because it is a multi-stage transaction tax on consumption that seeks to tax the value added at each level in a chain of transactions.

Before a charge to tax arises on any transaction, four elements must be present.

First, there must be a taxable supply of goods and services in Singapore. While most supplies are considered taxable, some supplies are exempt from GST. They include sale and lease of residential proper-

ties, certain financial services and the importation and local supply of investment precious metals.

Second, the supply must be made in Singapore. For example, if the supply relates to goods which were outside Singapore at the time of supply, then the supply is not made in Singapore and will be considered out-of-scope and not subject to GST.

Third, the taxable supply must be made by a taxable person. A taxable person is a business that is registered or liable to be registered for GST.

Finally, the taxable supply must be made in the course or furtherance of any business carried on by

the taxable person making the supply. For example, the disposal of personal assets not connected in any way to the business of a taxable person is not considered as made in the furtherance of his business.

WHY IS IT IMPORTANT?

It is important for a consumer to know when he has an obligation to pay GST and when such a liability does not arise.

A consumer does not need to pay GST when he buys from a supplier who is not registered or liable to be registered for GST, when he buys non-taxable supplies such as a condominium unit, or when the supply is made outside Singapore.

On the other hand, anyone who imports goods into Singapore will have to pay GST, unless it is within the exemption threshold limits. The reason is that if the tax is charged on local supplies only, consumers may seek to avoid the tax charged on those supplies by importing the goods instead.

Any person who carries on a business in whatever form will also need to establish whether he is liable to be registered for GST. If so, he has an obligation to collect GST on all the taxable supplies.

Under the law, such a legal liability to register exists when he has made or intends to make an annual taxable turnover of more than \$1

million. Once registered for GST, the business has other obligations besides collecting GST. This includes filing quarterly GST returns and issuing valid tax invoices to its customers.

IF YOU WANT TO USE THE TERM, JUST SAY:

A Singaporean who returns from an overnight overseas trip has to pay GST on any imports into Singapore unless the value of the goods is less than \$100.

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