

GST Rate Change 2024 - Key highlights on the transitional rules

October 2023

In brief

The GST rate has increased from 7% to 8% on 1 January 2023 ("**first rate change**") and will further increase from 8% to 9% on 1 January 2024 ("**second rate change**").

The transitional rules for transactions spanning the first rate change and those spanning the second rate change are largely the same, where the latter is applied in the context of 2024. Essentially, the GST rate applicable to a transaction spanning a GST rate hike is determined based on payment date or services performed / goods delivered date rather than the invoice date (or posting date in the context of reverse charge).

In this edition of the Tax Bulletin, we will highlight the specific matters to the second rate change and key considerations for both GST-registered businesses and non-GST registered businesses when preparing for the second rate change.

In detail

Background

The Inland Revenue Authority of Singapore ["**IRAS**"] had previously issued an [e-Tax Guide on 18 February 2022 \(latest version being 10 January 2023\)](#) which explains the transitional rules applicable to transactions spanning the first rate change. On 19 May 2023, the IRAS issued another [e-Tax Guide \(latest version being 12 July 2023\)](#) to prepare GST-registered businesses for the second rate change on 1 January 2024.

The transitional rules for transactions spanning the first rate change and those spanning the second rate change are largely the same, where the latter is applied in the context of 2024. Essentially, the GST rate applicable to a transaction spanning a GST rate hike is determined based on payment date or services performed / goods delivered date rather than the invoice date (or posting date in the context of reverse charge). Please refer to Appendix A for an illustration of how the transitional rules apply to the transactions spanning only the second rate change.

We highlight below the specific matters to the second rate change (as compared with the first rate change) and key considerations for both GST-registered businesses and non-GST registered businesses when preparing for the second rate change.

Key changes for second rate change (as compared with first rate change)

The e-Tax Guide for the second rate change shares similar content (written in context of the second rate change) as the e-Tax Guide for the first rate change with the following key changes:

- Where an invoice is issued in 2023 but the supply is subject to GST at 9% under the transitional rules, the IRAS has granted a blanket extension of time till 31 March 2024 (as compared with 15 January 2023 under the first rate change) for businesses to issue credit notes and new tax invoices to make the adjustments.
- Added guidance on standard-rated supplies and imported services which straddle both the first and second rate changes. Briefly, if the payment is not received in full before 1 January 2024 and services are not fully performed / goods are not fully delivered before 1 January 2024, GST would be chargeable at 9% on the lower of the amount of payment received on or after 1 January 2024 or the value of services performed / goods delivered on or after 1 January 2024. The remaining amount before 1 January 2024 would be chargeable at 8% and/or 7% according to the transitional rules. Please refer to Appendix B for examples which illustrate these rules.
- Where supplies are made by merchants through a platform, a concession has been given to treat payment as received before 1 January 2024 if there are supporting documents to substantiate that the customer had made payment before 1 January 2024 notwithstanding that the remittance from the platform to the merchants is on or after 1 January 2024.

PwC's comments

As with the first rate change, businesses should start early to prepare for the changes and to ensure that there are adequate additional controls to manage the GST risks arising from the transitional rules.

Businesses which have not undergone the first rate change should consider the following steps in preparation for the GST rate change:

- Train your accounting, sale and procurement staff on the implications of a GST rate change
- Review and make adjustments to your point of sales, invoicing, procurement and accounting systems to incorporate the new GST rate and to take into account the transitional time of supply rules
- Communication with customers (e.g. request customers to pay by 31 December 2023) and vendors (e.g. request vendors to charge at lower GST rate if goods/services have been delivered/performed before the rate change)
- Update price displays (where applicable)
- Review contracts to determine the party responsible for bearing the GST increase.

Businesses which had undertaken the preparation works for the first GST rate change will only need to conduct a GST rate change refresher training and update the above steps.

If you are currently not GST-registered, you may still be impacted by the GST rate change as your costs will likely increase after the GST rate hike. You should evaluate the costs and benefits of applying for a voluntary GST registration. While a voluntary GST registration offers the benefits of allowing you to recover GST on your business expenses, you should take into consideration the compliance costs such as making changes to your systems and processes and filing of quarterly GST returns. It is equally important to consider the impact of a GST registration on the pricing of your products especially if your customers are not GST registered.

Lastly, we would also like to highlight that the cost of non-compliance with the GST rules will only increase with the rate hike and this needs to be carefully managed. A GST health check review can help to identify recurring errors (before they get larger) and opportunities for GST savings.

Appendix A – Examples of transactions spanning only the second rate change

We provide below an illustration on how the transitional rules apply to some of the common scenarios based on the billing arrangements.

Scenario 1: Billing in arrear (i.e. invoice is issued after full/partial performance of services or full/partial delivery of goods)

a) Completion of services / full delivery of goods in 2023

- (i) Completion of performance of services / full delivery of goods in 2023;
- (ii) Invoice issued on or after 1 January 2024; and
- (iii) Full payment received on or after 1 January 2024.

Businesses could either:

- issue tax invoice at 9% GST rate; or
- elect to issue tax invoice at 8% GST rate on the value of services performed or goods delivered in 2023¹.

In electing to charge GST at the lower rate, businesses should consider the impact on its invoicing processes and the ability of the customer to recover the full amount of GST charged. If a business has issued a tax invoice at 9% GST rate and subsequently decides to elect to charge GST at 8% GST rate on the value of services performed or goods delivered in 2023, it should issue a credit note (with 9% GST rate) and a revised tax invoice (with 8% GST rate) within 90 days from the date of the original tax invoice.

b) Partial completion of services / partial delivery of goods in 2023

- (i) 60% of services performed / goods delivered in 2023 and the remaining amount in 2024;
- (ii) Invoice issued on or after 1 January 2024; and
- (iii) Full payment received on or after 1 January 2024.

The transitional rules are similar to scenario 1(a) except that business has an option to charge GST at 8% on 60% of the services performed / goods delivered in 2023¹.

Scenario 2: Billing in advance (i.e. invoice is issued before performance of services or delivery of goods)

a) Full payment received in 2023

- (i) Invoice with 8% GST issued in 2023;
- (ii) Full payment received in 2023; and
- (iii) Services performed / goods delivered on or after 1 January 2024.

No adjustment to the 8% GST rate as full payment is received in 2023.

b) Full payment received on or after 1 January 2024

- (i) Invoice with 8% GST issued in 2023;
- (ii) Full payment received on or after 1 January 2024; and
- (iii) Services partly performed / goods partly delivered in 2023 and the remaining amount in 2024.

8% GST should apply to the value of the services performed / goods delivered in 2023 and 9% GST should apply to the value of the services performed / goods delivered on or after 1 January 2024.

To achieve this outcome, business should do the following by 31 March 2024²:

¹ However, this election is not permitted for any business assets sold in satisfaction of a debt.

² Alternatively, business may issue a credit note to cancel the original tax invoice and concurrently issue new tax invoice(s) for the respective parts of supply subject to GST at 7%, 8% and 9% as applicable.

- issue a credit note on the value of the services performed / goods delivered on or after 1 January 2024 (which is lower than the amount of payment received on or after 1 January 2024); and
- issue a new tax invoice to reflect the 9% GST rate chargeable on the services performed / goods delivered on or after 1 January 2024.

c) Part payment received in 2023

- (i) Invoice with 8% GST issued in 2023;
- (ii) 60% payment received in 2023 and the remaining 40% payment received in 2024; and
- (iii) 80% of services performed / goods delivered in 2023 and the remaining 20% of the services performed / goods delivered in 2024.

9% GST rate should apply to the lower of the 20% of the services performed / goods delivered in 2024 or 40% of the payment received in 2024. To achieve this outcome, business should do the following by 31 March 2024²:

- issue a credit note for the remaining 20% of services performed / goods delivered on or after 1 January 2024; and
- issue a new tax invoice to reflect the 9% GST rate chargeable on the remaining 20% of services performed / goods delivered on or after 1 January 2024.

For scenarios 2(b) and 2(c) where the invoice has been issued in 2023 with 8% GST, to avoid the hassle of having to issue a credit note and a new invoice by 31 March 2024, businesses should consider working with their customers to either complete the services or fully deliver the goods in 2023, or to ensure payment is fully received in 2023.

Appendix B – Examples of transactions spanning both first and second rate changes

Scenario 3: Billing in arrear (i.e. invoice is issued after full/partial performance of services or full/partial delivery of goods)

a) Completion of services / full delivery of goods before 1 January 2024

- (i) 40% and 60% of services performed / goods delivered in 2022 and in 2023 respectively;
- (ii) Invoice issued on or after 1 January 2024; and
- (iii) Full payment received on or after 1 January 2024.

Businesses could either:

- issue tax invoice at 9% GST rate on the full invoice amount; or
- elect to issue tax invoice at 7% on 40% of services performed / goods delivered in 2022 and 8% on the remaining 60% of services performed / goods delivered in 2023¹.

b) Partial completion of services / partial delivery of goods before 1 January 2024

- (i) Services partly performed / goods partly delivered in 2022 and the remaining on or after 1 January 2024;
- (ii) Invoice issued in 2023; and
- (iii) Full payment received on or after 1 January 2024.

As the tax invoice is issued in 2023, the prevailing GST rate of 8% is applicable (and 9% GST rate should not be reflected). Hence, businesses should account for output tax at 8% GST rate. However, business will have an option to charge GST at 7% on the value of services performed / goods delivered in 2022¹.

Subsequently in 2024, businesses should make the adjustments to apply GST at 9% on the remaining value of services performed / goods delivered on or after 1 January 2024. To achieve this outcome, business should do the following by 31 March 2024²:

- issue a credit note for the remaining value of services performed / goods delivered on or after 1 January 2024 (which is lower than the amount of payment received on/after 1 January 2024); and
- issue a new tax invoice to reflect the 9% GST rate chargeable on the remaining value of services performed / goods delivered on or after 1 January 2024.

Scenario 4: Billing in advance (i.e. invoice is issued before performance of services or delivery of goods)

a) Full payment received before 1 January 2024

- (i) Invoice with 7% GST issued in 2022;
- (ii) Full payment received in 2023; and
- (iii) Services partly performed / goods partly delivered in 2022 and the remaining on or after 1 January 2024.

7% GST may apply to the value of services performed / goods delivered in 2022 and 8% GST should apply on the remaining value of services performed / goods delivered on or after 1 January 2024 as full payment has been received in 2023. To achieve this outcome, businesses should do the following:

First rate change

By 15 January 2023, business should:

- issue a credit note on the value of services performed / goods delivered on or after 1 January 2023; and
- issue a new tax invoice to reflect the 8% GST rate chargeable on the value of services performed / goods delivered on or after 1 January 2023.

Second rate change

In 2024, there is no further adjustment required to the 8% GST rate applied as full payment has been received in 2023.

b) Full payment received on or after 1 January 2024

- (i) Invoice with 7% GST issued in 2022;
- (ii) Full payment received on or after 1 January 2024; and
- (iii) 20% of services performed / goods delivered in 2022, 40% of services performed / goods delivered in 2023 and 40% of services performed / goods delivered on or after 1 January 2024.

7% GST may apply to the 20% of services performed / goods delivered in 2022, 8% GST may apply to the 40% of services performed / goods delivered in 2023 and 9% GST on the remaining 40% of services performed / goods delivered on or after 1 January 2024. To achieve this outcome, businesses should do the following:

First rate change

By 15 January 2023, business should:

- issue a credit note on the value of services performed / goods delivered on or after 1 January 2023 (i.e. 80%); and
- issued a new tax invoice to reflect the 8% GST rate chargeable on the value of services performed / goods delivered on or after 1 January 2023 (i.e. 80%).

Second rate change

As full payment has not been received before second rate change on 1 January 2024 and part of the services are performed / goods are delivered on or after 1 January 2024, by 31 March 2024, business should make a second adjustment²:

- issue a credit note for the remaining 40% of services performed / goods delivered on or after 1 January 2024 (which is the lower of the value of services performed / goods delivered on or after 1 January 2024 or the amount of payment received on or after 1 January 2024); and
- issue a new tax invoice to reflect the 9% GST rate chargeable on the remaining 40% of services performed / goods delivered on or after 1 January 2024.



Contact us

If you would like to discuss any of the issues raised, please get in touch with your usual PwC contact or any of the individuals listed below.



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