# GST INCREASE 2024: A GUIDE FOR SINGAPORE COMPANIES

The expected increase in the GST rate from 8% to 9% on 1 January 2024, is quickly approaching, so now is the time to make sure your company is prepared for the future and can handle these changes with ease. With this comprehensive guide, we aim to provide you with valuable insights and actionable tips to prepare for the upcoming GST rate change, stay compliant, and avoid unnecessary penalties!

## 3 COMMON MISTAKES TO AVOID FOR GST-REGISTERED COMPANIES

When it comes to managing the GST transition from 8% to 9% in 2024, GST-registered businesses need to be extra vigilant to avoid common pitfalls. Steering clear of these errors is crucial for maintaining financial accuracy and compliance. Here are three common mistakes to be mindful of:

### 1. Charging GST at 9% before 1 January 2024

One of the critical errors to avoid is charging the new GST rate of 9% prematurely. Businesses must adhere strictly to the effective date of 1 January 2024. Charging the increased GST rate ahead of schedule can lead to financial discrepancies, customer dissatisfaction, and potential regulatory repercussions. It is therefore essential for businesses to update their systems promptly to align with the official implementation date.

### 2. Charging or displaying GST at 8% on or after 1 January 2024

Conversely, businesses must ensure that, starting January 1, 2024, they promptly implement the revised GST rate of 9%. Charging or displaying the outdated rate of 8% post this date could result in underbilling, financial inaccuracies, and potential audit issues. Updating the point-of-sale systems, invoicing software, and price tags is paramount to preventing such discrepancies.

### 3. Incorrect GST rate on receipts or invoices

Incorrectly reflecting the GST rate on receipts and invoices can lead to confusion for both businesses and their clients. Even if the GST amount is calculated correctly, an error in the stated rate can create misunderstandings and potential disputes. Businesses should conduct thorough reviews of all financial documentation, ensuring that the GST rate is accurately represented, to maintain transparency and compliance.

## HOW DO BUSINESSES NAVIGATE TRANSACTIONS THAT SPAN THE GST RATE CHANGE?

Navigating transactions that span the GST rate change on 1 January 2024 requires a nuanced understanding of key events surrounding the transaction lifecycle. The determination of whether to charge 8% or 9% hinges on the timing of specific events, each playing a crucial role in establishing the applicable GST rate.

A transaction is deemed to span a GST rate change when one or more of the following events straddle the date of the rate change:

- The issuance of invoice
- The receipt of payment
- The delivery of goods or performance of services (also referred to as “Basic Tax Point” in this guide)

GST-registered businesses therefore need to know when their supplies are delivered or performed, in addition to the invoice date and payment date, to determine whether and how the transitional rules would apply to a supply spanning across the date of rate change. Here are a few common scenarios!

### Scenario 1: Full payment received before 1 January 2024 (GST rate change)

If the invoice is issued for your supply on/after 1 January 2024 but full payment is received in 2023, the supply is subject to GST at 8% regardless of when the delivery of goods or performance of services takes place.

Example 1: Full payment received before 1 January 2024 (GST rate change)

| **15 Dec 2023** | **1 Jan 2024** | **2 Jan 2024** | **5 Jan 2024** |
|---|---|---|---|
| Full payment made by a client | GST rate change | Invoice issued | Goods delivered or services performed |

According to the general rule:

- The time of supply for the transaction is triggered when full payment is received on 15 Dec 2023.
- You should charge 8% GST on the supply even though the invoice issuance and delivery of goods/performance of service are after 1 Jan 2024 (GST rate change).

### Scenario 2: Goods delivered or services performed before 1 January 2024 (GST rate change)

If the delivery of goods or performance of services takes place in 2023, you, as the GST-registered supplier, can elect to charge 8% on the value of the goods delivered or services performed in 2023. The remaining value of the supply will be subject to GST at 9%.

Example 2a: 100% goods delivered or services performed before 1 January 2024 (GST rate change)

| 15 Dec 2023 | 1 Jan 2024 | 2 Jan 2024 | 5 Jan 2024 |
|---|---|---|---|
| Goods delivered or services performed | GST rate change | Invoice issued | Full payment made by a client |

According to the general rule:

- The time of supply for the transaction is triggered when invoice is issued on 2 Jan 2024 which is after the rate change, and hence GST is chargeable at 9%.
- However, you can elect to charge GST at 8% on the entire value of the supply since the goods or services are fully delivered/performed in 2023.

Example 2b: Part of goods delivered or services performed before 1 January 2024 (GST rate change)

| 15 Dec 2023 | 1 Jan 2024 | 2 Jan 2024 | 5 Jan 2024 | 20 Jan 2024 |
|---|---|---|---|---|
| Part of goods delivered or services performed | GST rate change | Invoice issued | Full payment made by a client | Remaining goods delivered or services performed |
| $300 | | $1000 | $1000 | $700 |

According to the general rule:

- The time of supply for the transaction is triggered when invoice is issued on 2 Jan 2024 which is after the rate change, and hence GST is chargeable at 9%.
- However, you can elect to charge GST at 8% on the value of the parts of supply that are fully delivered/performed in 2023, which in this case is $300.
- The remaining value of goods delivered or services completed after 1 Jan 2024 (i.e., $700) will be subject to 9% GST.

### Scenario 3: Payment that straddles GST rate change

When you issue an invoice on or after 1 January 2024, and the payment for the supply spans the date of the rate change, the applicable GST rate is determined by the time of supply, unless you make a different choice under certain conditions. Here's a simple breakdown:

Issuing invoice on/after 1 January 2024:

- Charge 8% GST on the part payment received in 2023.
- Charge 9% GST on the part payment received on or after 1 January 2024.

However, if the delivery of goods or performance of services happens in 2023, you, as the GST-registered supplier, can choose to charge GST at 8% on the higher of:

- Payment received in 2023
- The value of goods delivered or services performed in 2023

The remaining value of the supply will be subject to GST at 9%.

Example 3: Payment and delivery of goods (or performance of services) straddle GST rate change

| **20 Dec 2023** | **29 Dec 2023** | **1 Jan 2024** | **2 Jan 2024** | **5 Jan 2024** | **20 Jan 2024** |
|---|---|---|---|---|---|
| Part payment made by a client | Part of goods delivered or services performed | GST rate change | Invoice issued | Remaining payment made by a client | Remaining goods delivered or services performed |
| $300 | $600 | | $1000 | $700 | $400 |

According to the general rule, GST is chargeable at:

- 8% on the $300 received before 1 Jan 2024; and
- 9% on the $700 received after 1 Jan 2024.

However, you can elect to charge 8% GST on the higher of:

- Payment received in 2023 - $300
- Part of goods delivered or services performed - $600

In this case, the higher value is $600 for the part of goods delivered or services performed in 2023. Therefore, you can charge 8% GST on $600 and 9% GST on $400 for the remaining value of the goods delivered or services performed.

## CHECKLIST FOR GST RATE CHANGE PREPARATION

If you are a GST-registered company, here's a handy checklist for you to prepare for the GST rate change:

1. **System update:** Ensure your accounting and invoicing systems are seamlessly integrated with the new GST rate.

2. **Point-of-sale update:** Update your cash register and receipting system to incorporate the new GST rate for accurate point-of-sale billing.
3. **Price display compliance:** Ensure that all price displays are inclusive of 9% GST from 1 January 2024 onwards.
4. **Customer notification:** Inform customers of the GST increase through advertisements, websites, and brochures.
5. **Staff training:** Educate your staff on transitional rules to apply the correct GST rate for transactions spanning the rate change date.
6. **Contract review:** Review all contracts or agreements to clarify the GST rate applicable to each party.
7. **Major Exporter Scheme:** If your business deals extensively with imports and exports, consider applying for the Major Exporter Scheme.

## 3 POSSIBLE STRATEGIES TO NAVIGATE THE GST HIKE

### 1. Voluntary GST registration: Recover GST on expenses

Voluntary GST registration empowers businesses to recover GST incurred on their expenses, acting as a proactive measure to offset potential cost increases resulting from the GST hike.

However, it's essential for businesses to conduct a thorough assessment of customer price sensitivity before voluntary registration, as you must remain GST-registered for at least 2 years. Understanding how price adjustments might impact consumer behaviour allows businesses to strike a balance between cost recovery and maintaining competitiveness in the market.

### 2. Automate tax processes: Utilise the Productivity Solutions Grant

Paying your GST on time is crucial. If you miss the one-month deadline, a 5% penalty is imposed and a demand note is issued. The longer it's overdue, the more the penalty increases, increasing by a maximum of 50%, totaling 55% for late payments.

Automating your tax processes is therefore a smart move to avoid these penalties. By using the Productivity Solutions Grant, you can adopt accounting software that simplifies your financial tasks with the following benefits:

- Minimise errors: Automation reduces the chances of mistakes in your financial transactions.
- Enhance efficiency: Tasks get done faster and more accurately, saving time and effort.
- Free up time: Employees can focus on important, high-value tasks instead of getting bogged down in manual processes.

In a nutshell, automating with the Productivity Solutions Grant not only helps you avoid late payment penalties but also makes your financial tasks smoother and more efficient. It's a win-win for keeping your finances in check and saving valuable time.

Tip: Learn more about how to apply for the Productivity Solutions Grant with our guide.

### 3. Explore GST Relief Schemes: Alleviate the impact

As businesses prepare for the upcoming GST hike, it's crucial to explore available GST relief schemes. This step is essential for lightening the financial burden that comes with the increased GST rate. Taking a proactive approach allows businesses to strategically handle their finances, potentially taking advantage of relief measures tailored to their industry and operational needs. Here are two schemes that you should consider:

- **Major Exporter Scheme (MES):** Managed by the Inland Revenue Authority of Singapore, this scheme benefits businesses engaged in significant import and export activities by deferring the payment of GST upfront on non-dutiable imported goods.
- **Zero-GST Warehouse Scheme (ZGS):** Approved companies can use this scheme to store imported non-dutiable goods in licenced premises designated by Singapore Customs for an indefinite period. While the goods are in storage, GST payments are put on hold. Businesses only need to pay the GST when the goods are taken out of the warehouse for local use or consumption. Importantly, they are exempt from paying if the goods are exported, among other conditions.

Understanding and utilising such relief schemes can go a long way in mitigating the impact of the GST hike on your business finances.

## EMBRACING CHANGE: NAVIGATING THE 2024 GST HIKE IN SINGAPORE

As we conclude our guide on the imminent GST increase in 2024 for Singaporean businesses, envision it as a friendly companion in your financial journey. From practical checklists to savvy strategies, we've explored the nuances, providing you with the tools to manoeuvre the GST hike.

Beyond number crunching, consider this an opportunity to tweak and automate processes or explore relief schemes to soften the impact of the GST hike. Embrace this chance for your business, not just to adapt but to thrive in the evolving financial landscape. As the GST rate takes a little leap, let’s leap with it, ready for new possibilities and growth!