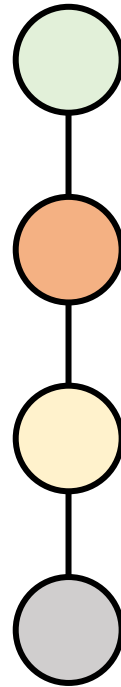




**SINGAPORE KNOWLEDGE SERIES #22 – INPUT TAX CREDIT (BASICS)**

# Input Tax

Input tax is the GST that businesses incur **on their purchases** from GST-registered suppliers or when they import goods / services (where RCM applies) into Singapore. GST-registered businesses can claim the input tax if they **are able to satisfy the input tax claiming conditions** ([refer slide #3](#)). This credit mechanism ensures that only the value-added amount is taxed at each stage of a supply chain.



The GST incurred can be claimed by the taxpayer **at the time of GST return submission** to the Comptroller of GST by deducting the total input tax paid on the business purchases from the total output tax collected from the customers.

The difference, called the **net GST payable or net GST refundable**, is what will either be paid to or be refunded by the Comptroller of GST.

Input tax should be claimed **in the accounting period corresponding to the date shown** in the tax invoice, customer accounting tax invoice, simplified tax invoice or import permit.

ITC can be claimed for purchases **before an actual sales or supply of such goods or services is made**. In other words, it is not necessary to match the input tax claim (for purchases) with output tax charged (for the sale or supply) in the same prescribed accounting period.

*Input tax incurred in the making of exempt supplies is not claimable **unless the De Minimis Rule is satisfied**. For input tax that cannot be identified as directly attributable to either taxable / exempt supplies, the amount that can be claimed **on a proportionate basis**.*



# Conditions for Claiming of ITC (1/2)

Before making an input tax claim, a taxpayer has to ensure that all the following conditions for the claiming of input tax are satisfied:



- Taxpayer is GST-registered.
- The goods / services must have been supplied to the taxpayer or the goods have been imported by the taxpayer.
- For local purchases: The input tax claims must be supported by tax invoices/customer accounting tax invoices addressed to the taxpayer or simplified tax invoices
- For imports: The input tax claims must be supported by import permits that present the taxpayer as the importer of the goods.
- The goods or services are used or will be used for the purpose of the business.
- The input tax is directly attributable to the making of taxable supplies (i.e., standard-rated supplies and zero-rated supplies), or out-of-scope supplies which would be taxable supplies if made in Singapore;
- The input tax claims are not disallowed under Regulations 26 and 27 of the GST (General) Regulations ([refer to slide #5](#)); and
- The taxpayer must have taken reasonable steps to ascertain and concluded that the goods or services were not part of a Missing Trader Fraud arrangement, and the conclusion is one that a reasonable person would have made.

# Conditions for Claiming of ITC (2/2)



To be eligible to claim input tax, the taxpayer must maintain

- a) a **tax invoice**/customer accounting tax invoice addressed to the taxpayer; or
- b) a **simplified tax invoice for:**
  - (i) any purchase of value (including GST) of **\$1000 or below**; and
  - (ii) entertainment expenses incurred on food and drinks, regardless of the purchase value. Taxpayer must also keep alternative evidence of payment and information on the entertainment details (such as name of person entertained, purpose of entertainment, person incurring the expenses).

This concession applies **from 1 Feb 2014 and only on entertainment expenses on food and drinks**. If the expenses comprise items other than food and drinks (e.g., rental of yacht), a full tax invoice is still required to support your input tax claim.

# Disallowed ITC

The following are disallowed as input tax claims under Regulations 26 and 27 of the GST (General) Regulations:

S No	Disallowed Claims
1	Benefits provided to the family members or relatives of your staff;
2	Costs and running expenses incurred on motor cars that are either: registered under the business' or individual's name or hired for business or private use.
3	Club subscription fees (including transfer fees) charged by sports and recreation clubs;
4	Any transaction involving betting, sweepstakes, lotteries, fruit machines or games of chance.
5	Medical and accident insurance premiums incurred for your staff unless the insurance or payment of compensation is mandatory under the Work Injury Compensation Act or under any collective agreement within the meaning of the Industrial Relations Act;
6	Medical expenses incurred by your staff unless – <ul style="list-style-type: none"><li>a) They are mandatory under the Work Injury Compensation Act or under any collective agreement within the meaning of the Industrial Relations Act.</li><li>b) The medical treatment in respect of expenses incurred on or after 1 Oct 2021 is provided in connection with any health risk or requirement arising on account of the nature of the work required of your staff or his work environment;</li></ul>

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