

7th IMF-Japan High-Level Tax Conference

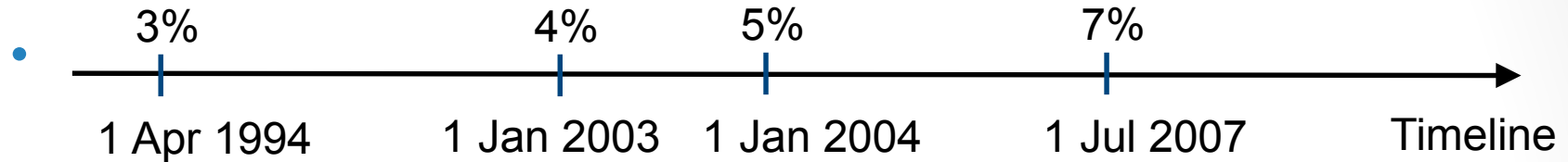
Singapore Goods and Services Tax:

Designing, Implementing and Managing the impact of GST



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GST in Singapore: An Overview



- Broad-based, single-rate system with few exemptions:
 - **Standard-rated:** Import of goods and nearly all supplies of goods and services
 - **Zero-rated:** Export of goods and international services
 - **Exempted:** Sales and leases of residential properties, importation and local supply of investment precious metals and most financial services
- High registration threshold for businesses: > S\$1 million turnover

GST in Singapore: A Tax Reform

- GST was introduced as part of a tax reform exercise to broaden Singapore's tax base for long-term growth, rather than for raising revenue
- Designed to be revenue negative upon implementation:
 - FY94/95: \$1.5b collection against \$1.7b offsets
 - FY95/96: \$1.6b collection against \$1.8b offsets

GST in Singapore: A Tax Reform

- Each GST rate increase is accompanied by reduction in Income Tax Rates

Wef	GST rate	Corporate tax rate	Personal Income	
			Tax rates	Exemption Threshold
1 Apr 1994	3%	From 30% to 27%	From 3.5% to 33% to 2.5% to 30%	\$0
1 Jan 2003	4%	From 24.5% to 22%	From 0% to 26% to 0% to 22%	From \$7,500 to \$20,000
1 Jan 2004	5%			
1 Jul 2007	7%	From 20% to 18%	-	-
Pre- vailing rate	7%	17%	0% to 20%	\$20,000

Managing Impact: Tax Regressivity

- Offsets were implemented to alleviate the “regressive” effects of GST on lower-income groups
- Redistribution achieved via various means:
 - **State Education:** Increased subsidies to offset the GST payable
 - **Health Services:** Absorbed GST for subsidised patients in public hospitals and polyclinics
 - **Rebates:** On utilities, public housing service and conservancy charges
 - **Workfare:** “Automatic Employment Benefits” – topping up of wages of older, lower-income workers
 - **Targeted Help Measures:** GST Credits (2007 to 2010) and GST Vouchers (wef 2012) to relieve tax burden on lower-income groups

Managing Impact: Tax Regressivity

- The top 40% households contribute 71% of all taxes (income & property taxes, GST and other indirect taxes)

Household Income Percentile	Tax Contribution
0% - 20%	7%
21% - 40%	9%
41% - 60%	13%
61% to 80%	19%
81% to 100%	52%

Source: MOF Budget 2013 Debate Round-up Speech

- Overall, Singapore's fiscal system is progressive

Managing Impact: Price Profiteering

- Concerns that prices tend to increase with the introduction of GST or a GST hike
- The Committee Against Profiteering (CAP) was established in 1994 to look into complaints and feedback on undue price increases
 - Advise suppliers that price increases related to the GST should be no more than the GST increase itself
 - Set up channels for complaints of unreasonable price increase
 - Vested power to investigate complaints on profiteering
 - Work with existing consumer organizations to promote good business practices

Managing Impact: Price Profiteering

- Local consumer associations assist in gathering reports of profiteering or unfair trading practices

The Consumers Association of Singapore (CASE)

- Carry out price surveys
- Watch all price increases closely and encourage price transparency
- Educate consumers on errant businesses / profiteers
- Promote an environment of fair and ethical practices, and investigates unscrupulous businesses and practices

The Retail Price Watch Group (RPWG)

- Keep a watch out for excessive price increases of daily essential goods
- Refer anti-competitive behaviour / practices to the Competition Commission of Singapore (CCS) for investigation

Managing Impact: Price Profiteering

- Important for the public to know upfront the final price they have to pay to minimize profiteering / deceptive price comparisons
- Price Display rules for transparency
 - GST-inclusive prices on all price displays, quoted prices (verbal or written)
 - GST-inclusive price must be prominently displayed. If both GST-inclusive and exclusive prices are displayed, inclusive price must be at least as prominent as the exclusive price

Price Display Format	Acceptable?
\$107	Yes
\$107 (inclusive of GST)	Yes
\$107 w/GST (\$100)	Yes
\$100 + 7% GST	No
\$107 w/GST (\$100)	No

Managing Impact: Cost of Living

- Generous package of offsets accompanied GST introduction/increase to help the lower-income households adjust
 - Personal income tax reductions or rebates
 - Additional subsidies across a range of services (e.g. education, health)
 - GST credits and GST vouchers
 - Rebates on utilities, public housing conservancy charges and rental
- Benefits and transfers system ensures that most households are no worse off during the transition period

Managing Impact: Trade Competitiveness

- Singapore's economy: Export oriented, significant manufacturing and wholesale trading sectors
- Several schemes were put in place to minimise or alleviate any adverse effect the tax might have on the export sectors:
 - **Major Exporter Scheme**
 - Waiver of import GST for major exporters
 - **Zero GST Warehouse Scheme**
 - Suspension of GST upfront on imported non-dutiable goods stored in Zero GST warehouse
 - **Approved Third Party Logistics Company Scheme**
 - Suspension of import GST under certain scenarios

Managing Impact: Business Environment

- High registration threshold:
 - Ensures that only large businesses with better accounting systems are required to register for GST
 - Relieves administrative costs and compliance requirements on small traders
- Businesses with turnover of < \$1 million include small retailers, neighbourhood shops and hawkers
 - Helps mitigate impact of GST on lower-income groups

Managing Impact: Business Environment

- Single-rate GST eases administration and compliance costs for businesses
- Extensive consultation/feedback sessions with businesses and trade associations to address and resolve GST issues for businesses
- Outreach programmes to help businesses understand and comply with registration and accounting for GST:
 - Seminars, classes, field visits
 - Dissemination of GST guides on general compliance and for specialised industries
 - Direct mailers to all potential registrants
 - Outbound calls to selected businesses
 - Toll-free helpline, walk-in centre for advice at IRAS office

GST in Singapore: Summary

- GST system designed for simplicity, effectiveness and efficiency in compliance and administration
 - With wide coverage, the same amount of revenue to be collected may be achieved by a lower tax rate
 - High registration threshold and single rate facilitates business compliance and enables better efficiency in tax administration
- Targeted help and redistribution measures alleviate negative impact on lower-income groups
- Consumer associations working together to deter GST-related profiteering

Thank you