IRAS e-Tax Guide

GST Treatment of Vouchers

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1 Aim

1.1 This e-Tax Guide serves to explain the GST treatment of the supply and redemption of vouchers. The relevant provisions in the GST Act are section 35A of the GST Act and regulations 93A to 93F of the GST (General) Regulations[1].

1.2 This guide is applicable to you if you are:

(a) Issuing or selling vouchers which can be used to redeem goods and/or services to be supplied by you;

(b) Issuing or selling vouchers as an intermediary, that is, the vouchers can be used to redeem goods and/or services supplied by another party.

(c) Supplying goods and/or services in return for vouchers issued by another party.

2 At a glance

2.1 The GST treatment of a sale/issue and redemption of a voucher depends on whether it is a:

(a) Multi-Redemption Voucher ("MRV"); or

(b) Non-Multi-Redemption Voucher ("Non-MRV").

2.2 The following table shows the differences between a MRV and a non-MRV and the respective GST treatment.

	Multi-Redemption Voucher ("MRV")	**Non-Multi-Redemption Voucher ("Non-MRV")**
Sale of voucher	Must be **sold for a consideration**.	Need **not** be **sold for a consideration**.
Types of goods and/or services that can be redeemed	Can be used to redeem a **range of goods and/or services.** **No reference is made to any particular goods and/or services** to be	Can be used to redeem **only specific goods and/or services.** **Reference is made to** the **specific goods and/or services** to be redeemed.

[1] The revised legislations were introduced on 1 January 2010 to provide for the expanded definition of voucher and other refinements to the voucher rules. Please refer to Annex 1 for the GST treatment of vouchers prior to 1 January 2010. This e-Tax Guide replaces the IRAS's e-Tax Guide on "GST Treatment of Vouchers: Sale and Redemption (2nd Edition)" published on 15 Jan 2010.

	redeemed.	
GST Treatment	**Sale of voucher and redemption** of goods and/or services are treated as **2 separate supplies**. (a) When voucher is sold (i) at or below specified value, no GST needs to be accounted for. (ii) above specified value, GST has to be accounted for on the excess payment received. (b) When voucher is redeemed GST has to be accounted for on the value of the redeemed goods and/or services plus any additional payment received[2].	**Sale of voucher and redemption** of goods and/or services is treated as **a single supply**. (a) When voucher is sold GST is to be accounted for at the earlier of when the payment is received or when an invoice is issued. (b) When voucher is redeemed No further GST is accountable unless additional payment is received. If additional payment is received, GST is accountable on that payment amount.
Examples	$10 shopping vouchers, stored value cards, prepaid gaming and calling cards.	Free vouchers, discount vouchers, voucher for a spa treatment and parking coupons.

3 Glossary

Issuer

3.1 Issuer is the person who issued the voucher (whether in his own capacity or through an agent).

Multi-Redemption Voucher ("MRV")

3.2 With effect from 1 January 2010, vouchers that meet the following conditions will be referred to as MRVs for GST purposes:

(i) It must be sold for a consideration.

[2] No GST needs to be accounted on vouchers redeemed for zero-rated or exempt supplies of goods and/or services; however, redemption of such supplies should still be reported in the GST returns.

(ii) It confers a right to receive goods and/or services up to the value stated on or recorded in the voucher. This will henceforth be referred to as the specified value. For vouchers where the value is a non-monetary value (e.g. gaming credits, paid loyalty points), the specified value will be the equivalent monetary value assigned by the issuer of the voucher.

(iii) There must not be any reference to the value or description of any specific goods or services that may be redeemed with the voucher.

(iv) The voucher must be presented or utilised to exchange for the goods and/or services acquired.

3.3 Some common examples of MRVs are:

(a) Shopping or dining vouchers that allow for a choice of goods and/or services on redemption;

(b) Stored value cards which allow redemption for goods and/or services from the same or different suppliers;

(c) Prepaid gaming cards with monetary value or gaming dollars/credits;

(d) Prepaid calling cards including top-up value cards with monetary value or talk-time;

Non-Multi-Redemption Voucher ("Non-MRV")

3.4 Vouchers that do not qualify as MRVs will be treated as non-multi-redemption vouchers ("Non-MRVs"). These include vouchers given away free and those sold for a consideration but which specify the particular type of goods or services for which the vouchers can be redeemed. While some Non-MRVs may indicate a monetary face value (e.g. voucher for 3 facial sessions worth $200), the monetary value on these Non-MRVs is used merely to indicate the specific goods or services to be supplied.

3.5 Some common examples of Non-MRVs are:

(a) Vouchers which are given away free;

(b) Discount vouchers which entitle the holder to a discount on the purchases. They do not confer any right to receive goods and/or services.

(c) Product vouchers which are purchased for specific goods or services (e.g. voucher for a kettle worth $100, voucher for a walnut cake and voucher for a buffet meal at a restaurant);

(d) Parking coupons as they can only be redeemed for parking in specific parking lots for a specified time.

4 Background

4.1 Recent innovations have led to the issue of many kinds of vouchers in the market. In addition to the traditional forms of vouchers with monetary face values (e.g. $50 shopping voucher) and vouchers that can be used to redeem specific goods (e.g. voucher for a chocolate cake), vouchers that have no monetary face values stated but have encoded monetary equivalent values and/or are used to redeem a range of goods and/or services have also evolved. Examples include prepaid phone cards with talking time and game cards with gaming credits.

4.2 Loyalty rewards programmes that involve the participation of third party operators in addition to the issuer of the voucher and the supplier of the redeemed goods and/or services have also appeared in the market. These include rewards schemes operated by banks to reward credit card spending and schemes where loyalty points are awarded for the making of purchases at selected shops or outlets.

4.3 As such, with effect from 1 January 2010, the GST rules for vouchers were refined. This refinement provides for an expanded definition of vouchers and also ensures that a consistent GST treatment applies to different types of vouchers and loyalty rewards programmes that involve the sale and redemption of vouchers, as long as the economic substance of the supply remained the same.

5 GST treatment of Non-Multi-Redemption Vouchers ("Non-MRVs")

Sale and redemption of Non-MRVs

5.1 If the issuer of the voucher and the supplier of the redeemed goods and/or services is the same person[3], the supply and redemption of the voucher will be treated as a single supply of the redeemed goods and/or services.

5.2 The issuer cum supplier need not charge GST on vouchers given away free since no consideration is received. When the voucher is subsequently used to redeem goods, there is a deemed supply of goods if the goods redeemed cost more than $200 and input tax has been allowed previously on those goods. The supplier will then have to account for GST on the deemed supply of goods. If the voucher is used to redeem services free of charge, no deeming of the supply is required,

[3] For vouchers "issued" by a third party as an agent on behalf of the supplier of the goods and/or services; as the supplier is the principal in the transaction, the supplier is also treated as the issuer of the voucher. An example is a voucher issued by a deals website where the operator of the programme merely acts as an agent for the supplier for the online purchase of deals by the end-consumers.

that is, the supplier need not account for any output tax on such services[4].

5.3 For vouchers that will be sold for a consideration, GST has to be accounted for at the time when the consideration is received or when an invoice is issued, whichever is the earlier, as the consideration is treated as a prepayment for the goods and/or services to be supplied.

5.4 Regardless of whether consideration will initially be paid for the vouchers, GST has to be accounted for on any additional consideration received when the voucher is used to redeem goods and/or services.

5.5 For discount vouchers used to obtain a discount on the purchase of goods and/or services, GST is chargeable on the net value (i.e. gross value less discount) of the goods and/or services acquired.

<u>Goods redeemed under a rewards points system by a single retailer</u>

5.6 It is common for retailers to issue reward points to their customers for purchases made. These reward points can subsequently be used to redeem goods and/or services free of charge from the retailers. For such a rewards system operated by a single retailer with no participation from other third party service providers, the redemption of goods will be treated as a deemed supply[4]. Similarly, GST has to be accounted for on any additional consideration received upon redemption.

5.7 For rewards programmes that involve third party operators, the GST treatment depends on the supply flows between all the participants in the rewards scheme. An example is the credit card rewards schemes offered by the banks to reward customers with free gifts from other merchants for attaining a certain amount of spending. The e-Tax Guide - GST: Guide For The Banking Industry provides some of the common credit card rewards programmes that are operated by the banks.

[4] Prior to 1 October 2012, no GST needs to be accounted for if the value of the goods is not more than $200. This is because the consideration could be viewed as already paid up front together with the original supply of the goods when the points were awarded. From 1 October 2012, no GST needs to be accounted if the value of the goods is not more than $200 or no credit for input tax on the goods has been allowed. A free supply of services will not be treated as a deemed supply.

6 GST treatment of Multi-Redemption Vouchers ("MRVs")

6.1 To ensure that GST is not imposed twice on the sale and redemption of MRVs, the principles for the charging of GST for MRVs are as follows.

<u>Sale of MRVs</u>

6.2 GST is not chargeable on the sale of MRVs if the MRVs are sold at or below their specified value.

6.3 For MRVs sold above their specified value, GST will only be accounted for on the excess over the specified value.

<u>Redemption of MRVs</u>[5]

6.4 When a MRV is used to redeem goods and/or services[6], GST has to be accounted for based on the specified value of the MRV plus any additional consideration received at the point of redemption.

6.5 Where the MRV was previously sold below the specified value (i.e. at a discount), at the point of redemption, the supplier can choose to account for GST based on the lower consideration received from the MRV sale. However, this basis for GST accounting is only applicable if the supplier is able to determine that a lower consideration was previously received in respect of the sale of the MRV. The supplier must still account for GST on any additional consideration received at the point of redemption.

<u>Expiry of unredeemed MRVs</u>

6.6 For any expired MRV that has not been redeemed, the MRV sale that was previously disregarded should be brought back to the charge of GST when the MRV expires and the consideration received from the MRV sale recognised as income in the supplier's accounts (e.g. Income Statement). This is because the sale of MRV is a separate supply of service and should be brought to tax and the charge of GST when the MRV is not redeemed.

6.7 However, this is only required for MRVs that are to be used to redeem standard-rated supplies of goods and/or services. No GST needs to be accounted for on the unredeemed amounts if the MRVs can only be used to redeem for zero-rated, exempt or out-of-scope supplies. GST also need not be accounted for if the issuer cum supplier had already accounted for GST on the consideration received at the point of the MRV sale.

[5] This excludes an MRV redeemed for another MRV where a tax point will not be triggered. A supply only takes place when the subsequent MRV is redeemed for goods and/or services.

[6] This refers to supplies of goods and/or services which are standard-rated. That is, MRVs used to redeem exempt, out-of-scope or zero-rated supplies will not attract GST upon redemption.

Bringing forward of tax point to the point of sale of MRV

6.8 If an **issuer who is also the supplier of the goods and/or services to be redeemed and he has been accounting for GST at the point of sale of the MRV prior to 1 January 2010**, the issuer cum supplier has the option to continue with the practice of accounting for GST at the point of sale of the MRV.

6.9 For an **issuer who is also the supplier of the goods and/or services to be redeemed and who is unable to track the redemption of the MRVs**, the issuer cum supplier will have to account for GST at the point of sale of the MRV[7].

6.10 GST has to be accounted for on the full consideration received at the point the MRV is sold, even if the MRV is sold at or below the specified value. The issuer cum supplier should not issue another tax invoice reflecting GST at the point of redemption of the goods and/or services and the expiry of the MRVs also will not attract GST as GST has already been accounted for upfront at the point the MRV was sold.

6.11 All other issuers and suppliers of MRVs not falling within the two groups mentioned in paragraphs 6.8 and 6.9 will follow the general rules for the sale and redemption of MRVs from paragraphs 6.2 to 6.7.

Elaboration on the GST treatment of MRVs

6.12 The subsequent paragraphs provide further elaboration on the specific GST treatment to adopt, the party responsible for the accounting of GST on the sale and redemption of MRVs and the GST concessions available for the following:

(a) where the issuer of the MRV is also the supplier of the redeemed goods and/or services; and

(b) where the issuer of the MRV and the supplier of the redeemed goods and/services are separate persons.

6.13 More examples of the various business models for the sale and redemption of MRVs are provided in Annexes 2 to 6.

[7] This is because the issuer cum supplier is not be able to track the redemption and expiry of the MRVs and hence account GST on the expired MRVs. Therefore, GST has to be accounted for upfront at the point of sale of the MRV.

7 GST treatment of MRVs where issuer and supplier is the same person

7.1 The table below summarises the GST treatment to adopt when the issuer and supplier is the same person. Please refer to Annex 2 for a numerical illustration of the GST treatment.

Event	GST treatment	
	Redemption can be tracked	**Redemption cannot be tracked; or Issuer is accounting for GST at the point of MRV sale prior to 1 January 2010**
On sale of MRV	No GST needs to be accounted for if the MRV is sold at or below specified value. Issuer cum supplier has to account for GST on the amount above the specified value for MRVs sold above the specified value.	Issuer cum supplier has to account for GST on the actual consideration received from the MRV sale.
On redemption for goods and/or services	Issuer cum supplier has to account for GST on the value of the redeemed goods and/or services equal to the specified value of the MRV <u>plus</u> any additional payment received from the customer[8]. If the issuer cum supplier is able to determine that the MRV was sold at a consideration lower than the specified value, GST can be accounted for on the actual (lower) consideration received from the MRV sale.	Issuer cum supplier has to account for GST only on any additional payment received from the customer.
Expired or unredeemed MRVs	Issuer cum supplier has to account for GST at 7/107 of the unredeemed amount of MRVs recognised as income in the accounts. No GST needs to be accounted for if the MRVs can only be used to redeem for zero-rated, exempt or out-of-scope supplies.	Since GST has already been accounted for when the MRV was sold, the expired unredeemed MRV will not attract GST again.

[8] This also includes situations where the value of the goods and/or services redeemed is less than the specified value on the MRV (and no refund was given for the difference).

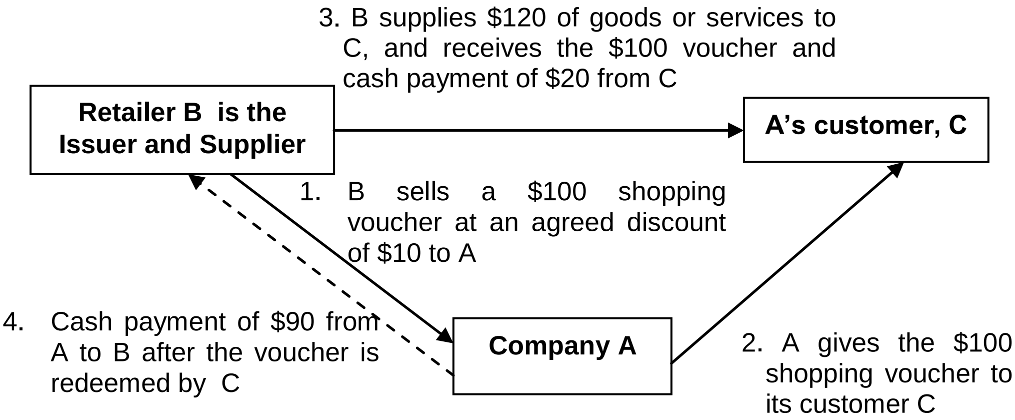
<u>GST concession in invoicing when issuer accounts for GST based on actual consideration received from sale of MRV</u>

7.2 It is a common business practice for the issuer to sell MRVs to corporate customers at a value lower than the specified value of the MRVs and receive payment for the sale only after the MRVs are redeemed. These MRVs may in turn be given free to end-consumers. When such an issuer chooses to account for GST based on the actual consideration received from the sale of a MRV (e.g. $90 received instead of the MRV specified value at $100), he may be unable to show the GST on the actual consideration received, on the tax invoice or simplified tax invoice or receipt issued.

7.3 As a concession, the Comptroller will allow the issuer to show on the tax invoice or simplified tax invoice or receipt, the amount of GST based on the amount by which the value of goods and/or services redeemed exceeds the specified value of MRV at the time of redemption. However, the issuer will still have to account for GST on the MRV sale value and any additional consideration received in the same accounting period as the redemption. See the following illustration.

<u>Illustration - Concession on invoicing based on actual consideration received</u>

Retailer B enters into an arrangement with Company A to sell $100 shopping vouchers at $90 and the payment for the shopping voucher will be received after redemption. Company A gives these vouchers free to its customers under its loyalty rewards programme. Customer C uses a $100 voucher to redeem $120 worth of goods from Retailer B.



Event	Description of Event	GST Treatment
1	**Sale of voucher**	No GST to be accounted for by Retailer B on the sale of MRV.
2	**Provision of free voucher**	Company A does not need to account for deemed output tax on the provision of free shopping voucher to C. This is because the gift of the voucher is considered a supply of a right and therefore a supply of services and there is no deemed supply for the provision of free services.

3	**Redemption of voucher**	Retailer B has to account for GST at 7/107 of \$120 based the specified value of voucher (\$100) plus the additional consideration (\$20) received. However, if Retailer B is able to determine an actual lower consideration of \$90 was received from sale of MRV to Company A, Retailer B can account for GST based on the actual consideration received (i.e. \$110 = \$90 + \$20). The amount of GST shown on the tax invoice or simplified tax invoice or receipt must be based on \$110. *If Retailer B is unable to do so, a concession is given to the retailer to show GST at 7/107 x \$20 on the tax invoice issued to Customer C. However, the retailer will still have to account for GST at 7/107 x \$110 in the same accounting period as the redemption.*
4	**Payment to Supplier for the value of goods or services redeemed**	Company A is merely paying Retailer B for the shopping vouchers he had agreed to purchase. Retailer B should not issue a tax invoice charging GST when seeking payment from Company A as there is no GST chargeable on the sale of MRV. Company A cannot claim any input tax claim on the payment made to Retailer B for the goods redeemed because the redeemed goods or services are supplied to Customer C and not Company A.

<u>Progressive redemption of MRVs</u>

7.4 An issuer can also account for GST progressively based on the value of supplies redeemed (e.g. prepaid calling cards). The total GST accounted for upon full redemption will be up to the specified value of the MRV. However, if the MRV is sold below the specified value and the issuer can determine the actual consideration received from the MRV sale, he can account for GST up to the actual consideration received. Please refer to Annex 3 for a numerical illustration of the GST treatment for the scenario of a progressive redemption of MRV.

<u>Transition in tax point (from redemption to point of sale)</u>

7.5 If an issuer who has been accounting for GST upon the redemption of the MRV now wishes to change the GST accounting to the time the MRV is sold, he has to write in to the Comptroller for approval. Approval will only be granted if there are valid grounds and the issuer can comply with the conditions imposed by the Comptroller.

8 GST treatment of MRVs where issuer and supplier are different persons

8.1 Generally, under this scenario, the issuer will sell MRVs to the customers and enter into contractual agreements with participating suppliers at the same time to accept the MRVs for redemption of goods and/or services by the customers. The suppliers will then seek reimbursement from the issuer and the reimbursement will be based on the MRVs accepted as payment for the redeemed goods and/or services. The issuer will usually track the redemption of the vouchers.

8.2 The table below summarises the GST treatment where the issuer and supplier are different persons. Please refer to Annexes 4 to 6 for numerical illustrations of the GST treatment for the supply of a stored value card and the supply made under a loyalty point programme where the issuer and supplier are different persons.

Event	GST Treatment
On sale of MRV	No GST needs to be accounted for if the MRV is sold at or below the specified value. Issuer has to account for GST on the amount above the specified value for MRVs sold above the specified value.
On redemption for goods and/or services	Supplier has to account for GST on the value of the redeemed goods and/or services equal to the specified value of the MRV plus any additional payment received from the customer[9]. If the supplier is able to determine that the MRV was sold at a consideration lower than the specified value, GST can be accounted for on the actual (lower) consideration received from the MRV sale.
Expired or unredeemed MRVs	Issuer has to account for GST at 7/107 of the unredeemed amount of MRVs recognised as income in the accounts. GST need not be accounted for if the MRVs can only be used to redeem for zero-rated, exempt or out-of-scope supplies.

At the point of payment by the issuer to the supplier

8.3 The supplier does not have to account for GST on the payment received from the issuer as GST would have been accounted for when the goods and/or services were supplied. The supplier should receive an amount not less than the consideration for which the MRV was sold by the issuer. If the supplier receives an amount lower than that for which the MRV was sold, the difference would form the consideration for a separate supply of service made by the issuer to the supplier. The issuer would then have to account for GST on the supply of service.

[9] This also includes situations where the value of the goods and/or services redeemed is less than the specified value on the MRV (and no refund was given for the difference).

9 MRVs sold through intermediaries

9.1 The issuer of vouchers may sell vouchers to intermediaries (e.g. authorised distributors, dealers or retailers) who buy and sell the vouchers as a principal or as an agent. The intermediaries either earn a mark-up from the sale of vouchers to the customers or a separate distribution fee from the issuer.

<u>Where intermediary sells the vouchers as agent on behalf of issuer and earns a fee from the voucher sales</u>

9.2 As an agent for the issuer of vouchers, the intermediary buys the voucher from the issuer and sells the voucher to the end-consumer at the same price. The agent in turn earns a fee (i.e. commission) from the issuer. GST has to be accounted for by the intermediary on the fee, being a separate supply of service by the intermediary to the issuer.

<u>Where intermediary buys and sells vouchers as a principal and earns a mark-up</u>

9.3 An intermediary who buys and sells vouchers in his own capacity is a principal. A mark-up (i.e. margin) is earned from the sale of the voucher at a price higher than the purchase price of the voucher[10]. This margin earned by a GST registered intermediary principal from the sale of MRVs is a taxable supply subject to GST[11].

9.4 The intermediary's margin from the MRV sale is separate from the supply of the goods and/or services upon the redemption of MRV. The margin earned is thus a standard-rated supply, notwithstanding that the MRVs can be redeemed for supplies of goods and/or services which qualify for zero-rating (e.g. sale of phone cards solely for the making of international calls) or exemption or outside the scope of GST. The intermediary has to account for GST (at the tax fraction of 7/107) on the margin earned in each accounting period when the MRVs are sold[12].

<u>Registration liability of intermediary</u>

9.5 The value of supply of the intermediary's service is the margin earned as principal or the commission earned as agent and not the sales value of the MRVs. Therefore, only the margin or commission earned by the intermediary (and not the total voucher sales) is to be taken into account when determining the $1 million threshold for GST registration purposes by the intermediary.

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[10] The intermediary principal can sell the voucher at, below or above face value.

[11] This is applicable to all MRVs sold from 1 January 2010. Prior to that, the intermediary principal only needs to account for GST when vouchers were sold above the face value (on the amount exceeding face value). No GST would have been accounted for on any difference between the selling price of the voucher up to the face value and the original purchase price of the voucher. As this margin represents the value-add of the supply made by the intermediary, this amount should be taxed.

[12] No tax invoice should be issued for the accounting of GST on the margin earned.

10 Margin accounting for MRVs sold by an intermediary as principal

Calculation of margin

10.1 The margin is calculated based on the total sales[13] of MRVs minus total purchase costs of MRVs sold in each accounting period. GST (i.e. output tax) is accountable for by the GST registered intermediary on the gross margin based on the tax fraction i.e. Margin earned x 7/107. The following are examples of how the margin is calculated.

Example 1:
Where the total sales value of the MRVs is greater than the total purchase costs of the MRVs.

Total sales of 1,000 pieces of MRV A at $10 each	$10,000
Less: Total purchases of 1,000 pieces of MRV A at $8 each	$8,000
Margin earned by intermediary	$2,000
GST to be accounted for (i.e. 7/107 x $2,000)	$130.84

Example 2:
Where the total sales value of the MRVs is lower than or equal to the total purchase costs of the MRVs; the margin is treated as nil and no GST needs be accounted for.

Total sales proceeds of 1,000 pieces of MRV B at $9 each	$9,000
Less: Total purchase of 1,000 pieces of MRV B at $9.50 each	$9,500
Margin earned by intermediary	-$500
GST to be accounted for	$0

Example 3:
Issuer C of MRV C allows his customers to redeem MRV C in exchange for MRV D (issued by Issuer D); Issuer C is treated as buying and selling MRV D as an intermediary.

Total sales value of 900 pieces of MRV D (equivalent to 1,000 pieces of MRV C with a specified value of $10 each)	$10,000
Less: Consideration paid for purchase of 900 MRV D at $9 each	$8,100
Margin earned by intermediary	$1,900
GST to be accounted for (i.e. 7/107 x $1,900)	$124.30

[13] Sale proceeds of MRVs comprise MRVs sold at specified value, those sold below specified value and those sold above specified value.

Determination of purchase price of MRVs

10.2 In the event that the MRVs are purchased at different prices, the intermediary can use the same inventory valuation method (e.g. First In First Out, Weighted Average method etc) as the one used for its year-end financial accounting, to determine the cost of the MRVs sold in each accounting period.

10.3 If the intermediary has difficulty in determining the costs of the sold MRVs on a quarterly basis, as an administrative concession, the intermediary is allowed to use an estimate of the unit cost of MRVs (e.g. weighted average of the total purchase costs in each period) multiplied by the number of MRVs sold. The costing method used by the intermediary has to be consistently applied in the calculation of margins for all accounting periods.

Illustration of the calculation of the purchase cost

An intermediary had the following vouchers remaining in his inventory during an accounting period and sold 1,000 vouchers at $12 each in the period ending 30/09/2013.

Date purchased	Cost	Number of vouchers
01/06/2013	$10	500
01/08/2013	$10.20	500
01/09/2013	$10.50	1,000

a) First In First Out Method

The margin would be 500 x ($12 - $10) + 500 x ($12- $10.20) =$1,900

b) Weighted Average Method

The weighted average purchase cost of a voucher = ($10 x 500 + $10.20 x 500 + $10.50 x 1,000) / 2,000= $10.30 per voucher.

The margin would be 1,000 x ($12 - $10.30) = $1,700

c) Weighted Average Purchase Costs Method

The weighted average purchase cost of a voucher = ($10.20 x 500 +$10.50 x 1,000) / 1,500 = $10.40 per voucher. Only vouchers purchased within the prescribed accounting period are considered.

The margin would be 1,000 x ($12 – $10.40) = $1,600

Input tax claims

10.4 As output tax is chargeable only on the margin earned, the intermediary cannot claim GST incurred (if any) on the purchase of the MRVs.

11 Frequently asked questions

<u>Postage stamps</u>

11.1 **Question 1**: Does the definition of MRVs include postage stamps?

Answer 1: The definition of MRVs does not extend to postage stamps within the meaning of the Postal Services Act (Cap. 237A). The sale of postage stamps is treated as a single supply of postal services for GST purposes. The sale of postage stamps with a value of less than 35 cents is standard-rated whereas the sale of postage stamps with a value of 35 cents and above is zero-rated. An intermediary who sells postage stamps as a principal has to account for GST on the sale of postage stamps with a value of less than 35 cents.

<u>Input tax claims by a purchaser as part of a rewards programme where the issuer account for GST upfront at the point of sale of the voucher</u>

11.2 **Question 2**: There are instances where a person (e.g. a bank) purchases MRVs to supply to customers (e.g. credit card holder) as part of a rewards programme. As the issuer who is also the supplier of the goods and/or services to be redeemed cannot track the redemption of the voucher, he issues a tax invoice to the purchaser of the MRVs, to account for GST upfront at the point of sale of the voucher. Can the purchaser claim the GST on the tax invoice issued to him?

Answer 2: No. As the purchaser of the MRVs is not the recipient of the redeemed goods and/or services, the purchaser should not claim input tax credit for the tax invoice issued to the purchaser for the purchase of the MRVs.

12 Contact information

12.1 For enquiries on this e-Tax Guide, please contact:

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55 Newton Road
Singapore 307987

Tel: 1800 356 8633
Fax: (+65) 6351 3553
Email: gst@iras.gov.sg

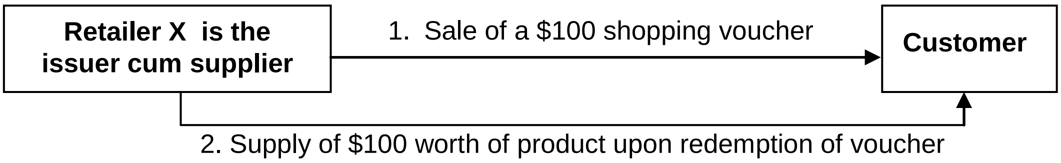
Annex 1 – GST treatment of vouchers prior to 1 January 2010

The sale and redemption of vouchers with monetary face values are treated as two separate supplies for GST purposes. The first supply is the grant of a right for the subsequent redemption of goods and/or services. This grant of a right is a supply of service under section 10(2) (b) of the GST Act. The second supply is the sale of the redeemed goods and/or services which is subject to 7% GST, unless the supply qualifies for zero-rating as exports of goods or international services or exemption.

To avoid double taxation on the sale and redemption of vouchers, the supply of the voucher is disregarded up to the face value of the voucher by invoking paragraph 7 of Third Schedule (repealed after 1 January 2010). If the voucher is sold above face value, GST has to be accounted for on the difference above the face value.

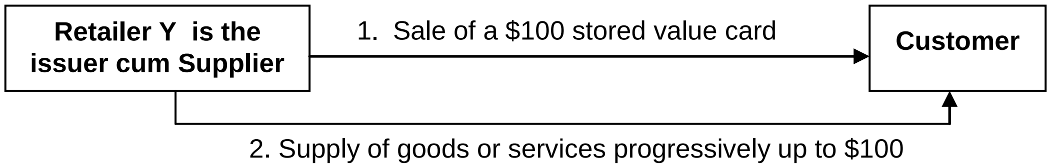
When the voucher is redeemed for standard-rated supplies of goods and/or services, the supplier of the goods and/or services needs to account for GST on the value of goods and/or services redeemed up to the face value of the voucher. In this way, only the supply of underlying goods or services is subject to GST.

Annex 2 – Full redemption of a shopping voucher where issuer is also the supplier



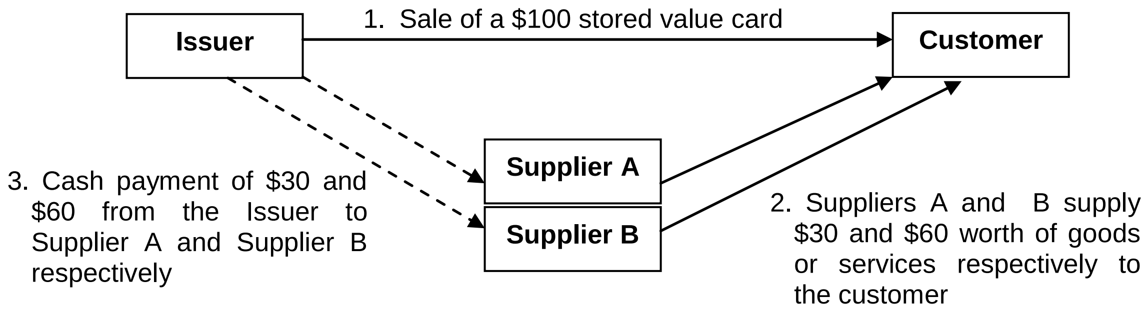
Event	Description of Event	Redemption of the MRV (i.e. shopping voucher) cannot be tracked by Retailer X	Redemption of the MRV (i.e. shopping voucher) can be tracked by Retailer X
1	**a) Sale of MRV at specified value of $100**	Retailer X has to account for GST at 7/107 of $100 on the consideration received from the MRV sale.	No GST to be accounted for by Retailer X on the sale of the MRV.
	b) Sale of MRV below the specified value of $100 (e.g. $90)	Retailer X has to account for GST at 7/107 of $90 on the consideration received from the MRV sale.	
	c) Sale of MRV at $130 (above specified value of $100)	Retailer X has to account for GST at 7/107 of $130 on the consideration received from the MRV sale.	Retailer X has to account for GST at 7/107 on $30 (the amount exceeding specified value, $130-$100).
2	**a) Full redemption of MRV for MRV sold at or above specified value**	No GST needs to be accounted for by Retailer X on the supply of the goods or services, if GST has been accounted for earlier on the consideration received from the MRV sale.	Retailer X has to account for GST at 7/107 of $100 on the supply of the goods and/or services redeemed based on the specified value of $100 of the MRV.
	b) Full redemption of MRV sold below specified value (e.g. $90)		Retailer X has to account for GST at 7/107 of $100 on the supply of the goods and/or services based on the specified value of $100 of the MRV. However, if Retailer X is able to track the consideration received from the MRV sale, Retailer X can account for GST at 7/107 of $90 on the supply of the goods and/or services, i.e. based on the actual consideration received.
Expiry of unredeemed MRV		No GST needs to be accounted for by Retailer X on the expiry of the MRV since GST has already been accounted for at the point of sale of the MRV.	Retailer X has to account for GST on the unredeemed MRV when the unredeemed amount is recognised in the Income Statement.

Annex 3 – Progressive redemption of a stored value card where issuer is also the supplier



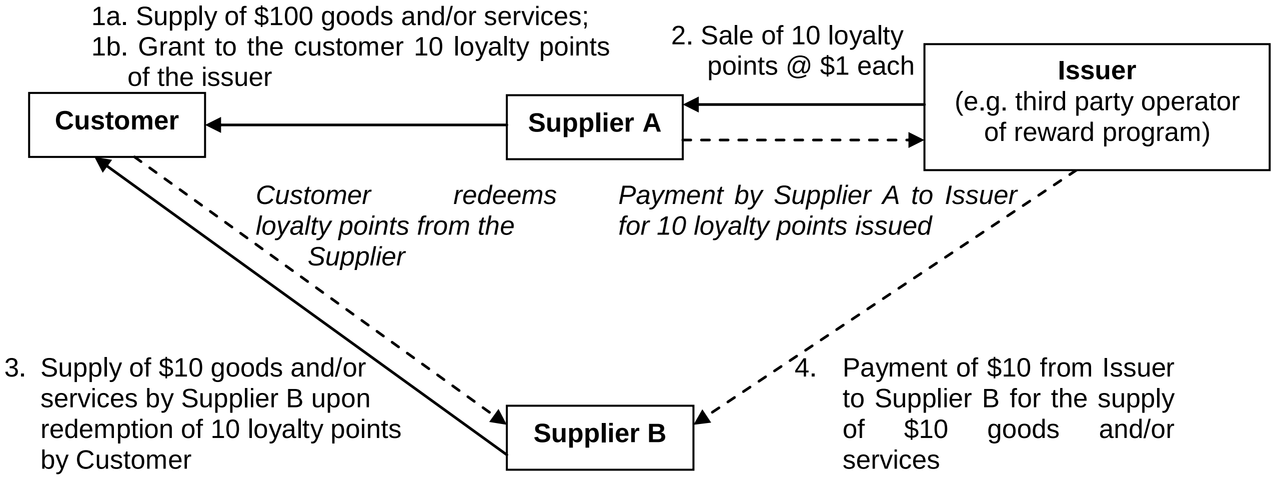
Event	Description of Event	Redemption of the MRV (i.e. stored value card) cannot be tracked by Retailer Y	Redemption of the MRV (i.e. stored value card) can be tracked by Retailer Y
1	**a) Sale of MRV at specified value (e.g. $100)**	Retailer Y has to account for GST at 7/107 of the consideration of $100 received from the MRV sale.	No GST to be accounted for by Retailer Y on the sale of the MRV.
	b) Sale of MRV below specified value (e.g. $90)	Retailer Y has to account for GST at 7/107 of the discounted consideration of $90 received from the MRV sale.	
	c) Sale of MRV at $130 (above specified value of $100)	Retailer Y has to account for GST at 7/107 of the consideration of $130 received from the MRV sale.	Retailer Y has to account for GST at 7/107 on $30 (the amount exceeding specified value i.e. $130-$100).
2	**Full redemption of MRV sold at, below or above specified value**	No GST needs to be accounted for by Retailer Y on the supply of the goods or services, as GST has already been accounted for at the point of sale of the MRV..	Retailer Y has to account for GST on the supply of goods or services, based on the credits in stored value card redeemed.
Expiry of unredeemed credits in MRV		No GST needs to be accounted for by Retailer Y on the expiry of the MRV since GST has already been accounted at the point of sale of the MRV.	Retailer Y has to account for GST on the unredeemed credits in the MRVs when the unredeemed amount is recognised in the Income Statement.

Annex 4 – Sale of a stored value card where issuer is different from the supplier



Event	Description of Event	Where the stored value card qualifies as a MRV (Redemption can usually be tracked)
1	**Sale of stored value card (usually at specified value)**	No GST needs to be accounted for by the Issuer on the sale of the stored value card.
2	**Redemption of voucher**	Supplier A has to account for GST at 7/107 of $30 on the supply of the goods or services redeemed.
		Supplier B has to account for GST at 7/107 of $60 on the supply of the goods or services redeemed.
3	**Payment of $30 and $60 from Issuer to Suppliers A and B for the value of goods or services redeemed**	No GST needs to be accounted for by Suppliers A and B on the payment received from the Issuer as the Issuer is merely paying the suppliers for the goods or services redeemed by the customer (the customer had already paid the Issuer when he first bought the stored value card.) Suppliers A and B should not issue a tax invoice charging GST when seeking payment (made on behalf of the customer) from the Issuer. The Issuer cannot claim any input tax claim on the payment made to the suppliers for the goods redeemed by the customer because the Issuer is not buying the goods or services from the suppliers.
	If the Issuer pays an amount lower than the sale value to the suppliers (e.g. Issuer only pays $27 and $54 to Suppliers A and B respectively)	The Issuer is considered as making a separate supply of service to the suppliers. The difference of $3 and $6 form the consideration for the supply of service to Suppliers A and B respectively. The Issuer has to issue tax invoices charging GST on the supply of services to Suppliers A and B respectively.
Expiry of voucher		The Issuer has to account for GST at 7/107 on the unredeemed credits of $10 (i.e. $100-$30-$60) of the expired stored value card when the unredeemed credits are recognised as income.

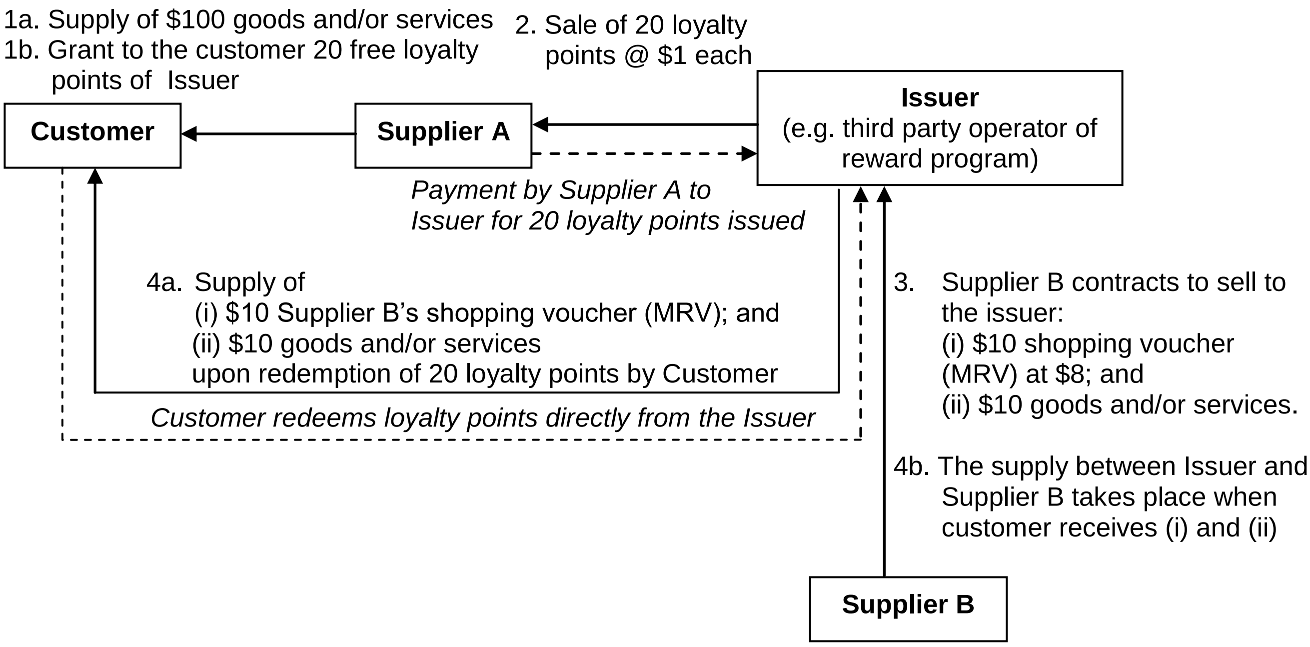
Annex 5 – Issue and redemption of paid loyalty points (customer does not redeem the points from issuer)



Event	Description of Event	Loyalty points qualify as MRVs
1a)	**Supply of goods and/or services**	Supplier A has to account for GST at 7/107 of $100 on the supply of goods and/or services.
1b), 2	**Grant of 10 free loyalty points to customer; and** **Sale of 10 loyalty points**	No GST needs to be accounted for on the grant of 10 free loyalty points by Supplier A to the customer. Even though the loyalty points are granted by Supplier A, it is actually a case of Supplier A buying the loyalty points from the Issuer. No GST needs to be accounted for by the Issuer on the sale of the 10 loyalty points (i.e. qualifying as MRV) to Supplier A at or below the specified value. Where the sale of loyalty points is above the specified value, the Issuer will be required to account for GST on the difference above the specified value and issue a tax invoice with GST shown separately.
3	**Redemption of 10 points for goods and/or services from Supplier B**	Supplier B has to account for GST at 7/107 of $10 on the supply of the goods and/or services redeemed.
4	**Payment of $10 from Issuer to Supplier B for the value of goods and/or services redeemed**	The Issuer is merely paying Supplier B for the goods and/or services redeemed by the customer and Supplier A had already paid the Issuer when the loyalty points were issued. No GST needs to be accounted for by Supplier B on the receipt of $10 from the Issuer. Supplier B should not issue a tax invoice charging GST when seeking payment (made on behalf of the customer) from the Issuer. The Issuer cannot claim any input tax on the payment made to Supplier B for the goods and/or services redeemed by the customer because the Issuer is not buying the goods and/or services from Supplier B.

	If the Issuer pays a lower amount to Supplier B (e.g. Issuer only pays $8 to Supplier B)	The Issuer is considered to have made a separate supply of service to Supplier B. The difference of $2 forms the consideration for the supply of service to Supplier B. The Issuer has to issue a tax invoice charging GST at 7/107 of $2 on the supply of service to Supplier B.
Expiry of unredeemed points		The Issuer has to account for GST at 7/107 on the expiry of the loyalty points unredeemed when the income from the unredeemed points is recognised in the Income Statement.

Annex 6 – Issue and redemption of paid loyalty points (customer redeems the points from issuer)



Event	Description of Event	Where the loyalty points qualifies as a MRV
1a)	**Supply of goods and/or services**	Supplier A has to account for GST at 7/107 of $100 on the supply of goods and/or services. No GST needs to be accounted for on the grant of free loyalty points to the customer.
1b), 2	**Grant of 20 free loyalty points to customer; and** **Sale of 20 loyalty points**	No GST needs to be accounted for on the grant of 20 free loyalty points by Supplier A to the customer. Even though the loyalty points are granted by Supplier A, it is actually a case of Supplier A buying the loyalty points from the Issuer. No GST needs to be accounted for by the Issuer on the sale of the 20 loyalty points (i.e. qualifying as MRV) to Supplier A at or below the specified value. Where the sale of loyalty points is above the specified value, the Issuer will be required to account for GST on the difference above the specified value and issue a tax invoice with GST shown separately.

4a)	**Redemption of loyalty points from the Issuer for $10 Supplier B's shopping voucher**	No GST to be accounted for by the Issuer on the redemption of loyalty points for another MRV. Issuer has to account for GST at 7/107 on the $2 margin ($10-$8=$2) earned from the sale of Supplier B's $10.
	Redemption of loyalty points from Issuer for $10 goods and/or services from Supplier B	The Issuer is supplying to the customer, goods and/or services which the Issuer has contracted to purchase from Supplier B. Issuer has to account for GST at 7/107 of $10 on the value of goods and/or services supplied to the customer.
3, 4b)	**Sale of voucher by Supplier B to the Issuer**	No GST needs to be accounted for by Supplier B on the sale of its voucher to Issuer at or below specified value.
	Sale of goods and/or services by Supplier B to the Issuer	Supplier B has to account for GST at 7/107 of $10 on the supply of the goods and/or services to the Issuer. Issuer can claim input tax on the purchase of the goods and/or services from Supplier B.
Expiry of unredeemed points		The Issuer has to account for GST at 7/107 on the expiry of the unredeemed loyalty points when the income from the unredeemed points is recognised in the Income Statement.
Expiry of Supplier B's shopping voucher (MRV)		<u>If Supplier B has sold the MRV to the Issuer</u> Supplier B has to account for GST at 7/107 on the expiry of the MRV when the income from the unredeemed voucher is recognised in the Income Statement. <u>If Supplier B has not sold the MRV to the Issuer</u> The Issuer has to account for GST at 7/107 on the expiry of Supplier B's MRV if the income from the loyalty points has been recognised in the Income Statement. This is because the loyalty points were exchanged for another MRV which was eventually not purchased from Supplier B and hence, the expiry of the loyalty points is pegged to the expiry of Supplier B's shopping voucher.