

# **IRAS e-Tax Guide**

## **GST: Renewal of Assisted Compliance Assurance Programme (ACAP) Status**



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## Table of Contents

	Page
1 Aim .....	1
2 At a Glance .....	1
3 Glossary .....	3
4 An Overview of ACAP Renewal Process .....	4
5 Benefits of Renewing ACAP Status .....	4
6 Errors Discovered in the Course of ACAP Renewal Review.....	5
7 Eligibility Conditions to Renew ACAP status.....	5
8 Conduct of ACAP Renewal Review by ACAP Reviewers .....	6
9 Post Renewal of ACAP Status .....	8
10 Businesses Under GST Schemes But Not Renewing Their ACAP Status.....	8
11 Guidance on ACAP Renewal Review .....	9
Section 1 : Preparatory Work by the ARA .....	10
Section 2 : Risk Assessment by ACAP Reviewer.....	17
Section 3 : Interview and Walk-through of Controls at Transaction and GST Reporting Level.....	21
Section 4 : Review of New Processes & Perform Controls Testing .....	25
Section 5 : Substantive Testing for Supplies and Purchases.....	27
Section 6 : Substantive Testing for GST Reporting.....	34
Section 7 : ACAP Renewal Report.....	35
Section 8 : Follow-Up on ACAP Renewal Review.....	37
Section 9 : ACAP Renewal Declaration and Deliverables .....	39
12 Frequently Asked Questions .....	40
13 Contact information.....	40
Downloadable forms and templates.....	41
Appendix 1. Overview of ACAP Renewal Working Templates.....	42
Appendix 2. Information Leaflet on Post ACAP Review (PAR) after ACAP Renewal .....	43
Appendix 3. Information Leaflet on Certified Post ACAP Review (PAR) .....	51
Appendix 4. Common GST Risks at Transaction and GST Reporting Level.....	54

### **1 Aim**

- 1.1 This guide is applicable to businesses accorded with ACAP status. It provides details of the renewal process of ACAP status and the scope of ACAP Renewal Review. Businesses are encouraged to renew their ACAP status.
- 1.2 You should read this guide if you are:
  - (a) Intending to renew your ACAP status;
  - (b) An ACAP Reviewer who is conducting the ACAP Renewal Review.

### **2 At a Glance**

- 2.1 GST registered businesses that have undertaken rigorous ACAP review through independent ACAP Reviewers are accorded with either an 'ACAP Premium' or 'ACAP Merit' status, with a validity period of 5 years and 3 years respectively. This award recognises their commitment to proactively manage their GST risks through effective GST controls established at Entity, Transaction and GST Reporting levels. As an ACAP company, they enjoy benefits such as step-down of IRAS-GST compliance activities, faster GST refunds, faster response to ruling requests and auto-renewal of GST schemes.
- 2.2 Businesses intending to renew their ACAP status should initiate the process at the start of the last year of their ACAP status. They have to engage an independent reviewer to conduct a review of their past GST returns filed in a 12-month period ("Review Year"). The findings are to be submitted within 3 months after the expiry date of their ACAP status.
- 2.3 On account that businesses have established a GST Control Framework to secure continual GST compliance and conducted Post ACAP Review (PAR) during their ACAP status validity period, the scope of ACAP Renewal Review is less intensive than the first-time ACAP review. The key differences are as follows:
  - (a) The Test Period for the conduct of review testing is reduced to 3 months (first-time ACAP Review: 6 months).
  - (b) Walk-through is required only on tax classification controls instead of the entire transaction process.
  - (c) Tests of controls are required only if there are new or major changes to business processes (e.g. outsourcing) since the last PAR.

- (d) A lower sample size to conduct substantive review of documents.
- (e) The “ACAP Renewal Report” is simplified and only requires ACAP Reviewer to provide salient information on their findings. Submission of the process documentation is optional.

2.4 This scope of review was designed in consultation with selected businesses accorded with ACAP status and existing ACAP Reviewers.

### 3 Glossary

ACAP	Assisted Compliance Assurance Programme
ARA	ACAP Renewal Applicant
ACAP Reviewer	Public Accounting Entity (PAE) <sup>1</sup> and/or its tax affiliate <sup>2</sup> with track record in conducting audit and/or GST return reviews of large businesses in the same industries. For first time ACAP Reviewer, IRAS will screen the audit methodology adopted.
PAR	Post ACAP Review
Review Year	The 12-month period covered by the GST returns selected for ACAP Renewal Review
Renewal Grace Period	One year from the statutory filing date of the last GST return in respect of the Review Year
SRC	“Self-Review of GST Controls” checklists
Test Period	3-month period selected by ACAP Reviewer to perform review testing for ACAP Renewal

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<sup>1</sup> Includes Public Accounting firm, Public Accounting Corporation or Accounting LLP registered with Accounting & Corporate Regulatory Authority.

<sup>2</sup> Tax affiliate refers to the tax arm of a Singapore PAE, constituted separately and is related to the PAE by ownership or management.

## 4 An Overview of ACAP Renewal Process

- 4.1 Businesses accorded with ACAP status will be invited to renew their ACAP status 15 months before the expiry date of their ACAP status.
- 4.2 Once they have self-assessed that they fulfil the eligibility conditions listed in paragraph 7 below, they should complete and submit the form GST F29 “Application to Renew ACAP Status” within 3 months from the invitation letter.
- 4.3 Upon IRAS’ acceptance of the ACAP Renewal Applicants’ (ARAs) applications, they have to submit the ACAP Renewal Declaration<sup>3</sup> and deliverables within 3 months after the expiry date of the ACAP status.
- 4.4 Upon receipt and review of the ACAP Renewal Declaration, IRAS may seek clarification on the ACAP Reviewer’s findings. IRAS may also request to sight the working papers. IRAS will inform the ARAs on the outcome of the renewal of ACAP status within 4 months<sup>4</sup>.
- 4.5 ARAs’ ACAP status will be renewed for 6 years from the expiry date of the original ACAP status if they are accorded the ‘ACAP Premium’ status. If they are accorded the ‘ACAP Merit’ status, their ACAP status will be renewed for 4 years<sup>5</sup>. They will enjoy the benefits highlighted in paragraph 5.2.

## 5 Benefits of Renewing ACAP Status

- 5.1 Upon acceptance of the application for ACAP renewal, IRAS will waive the requirement for ARA to perform the second PAR, which is due 6 months before the expiry date of ACAP status.
- 5.2 The following benefits will be accorded to ARA with **‘ACAP Premium’ status for 6 years or ‘ACAP Merit’ status for 4 years**:
  - (a) Step-down of IRAS-GST compliance activities unless significant anomalies are noted in GST return declarations;
  - (b) Expeditious GST refunds, if no anomalies are noted;
  - (c) Dedicated team to handle GST Rulings and resolve GST issues expeditiously;
  - (d) Auto-renewal of the GST schemes (e.g. Major Exporter Scheme), if applicable; and

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<sup>3</sup> A copy of the “ACAP Renewal Declaration” is available in Appendix 1 “ACAP Renewal Working Templates” of this guide.

<sup>4</sup> This is subject to full resolution of issues (e.g. technical treatment, quantification of errors, etc) detected during IRAS’ review of the ACAP Renewal Declaration and deliverables.

<sup>5</sup> See paragraph 11 of the e-Tax Guide “GST: Assisted Compliance Assurance Programme (ACAP)” for the general criteria of ‘ACAP Premium’ and ‘ACAP Merit’ status.

- (e) Zero or reduced penalties under IRAS' Voluntary Disclosure Programme (VDP) for past GST errors disclosed on a timely basis to IRAS.

## **6 Errors Discovered in the Course of ACAP Renewal Review**

- 6.1 IRAS will waive the 5% late payment penalty for GST errors that occurred in the Review Year if the voluntary disclosure is made within one year from the statutory filing date of the last GST return of the Review Year.
- 6.2 For GST errors that occurred prior to the Review Year, 5% late payment penalty will be waived if the disclosure is made within one year from the statutory filing date of the respective returns in which the errors occurred.
- 6.3 The above will apply provided that the GST errors do not involve wilful intent and the qualifying conditions stated in e-Tax Guide "IRAS' Voluntary Disclosure Programme" are met. Please refer to the e-Tax Guide "IRAS' Voluntary Disclosure Programme" for more information.

## **7 Eligibility Conditions to Renew ACAP status**

- 7.1 To be eligible for participation in ACAP renewal, ARA should meet all the following conditions:
  - (a) ARA has established proactive GST risk management by having a GST Control Framework encompassing preventive and detective GST controls at the Entity, Transaction and GST Reporting levels to ensure filing of accurate GST returns.
  - (b) ARA has continued to maintain all key controls listed in the "Self-Review of GST Controls" checklists for the three levels (i.e. Entity, Transaction and GST Reporting)<sup>6</sup> and obtained a total score of at least 60%<sup>7</sup>.
  - (c) The ARA's latest financial statements have been audited and the auditor's opinion is unqualified.
  - (d) ARA is currently not under any investigation conducted by IRAS.

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<sup>6</sup> A key control is met if 60% or more of the control features listed in the checklists or their equivalents are implemented.

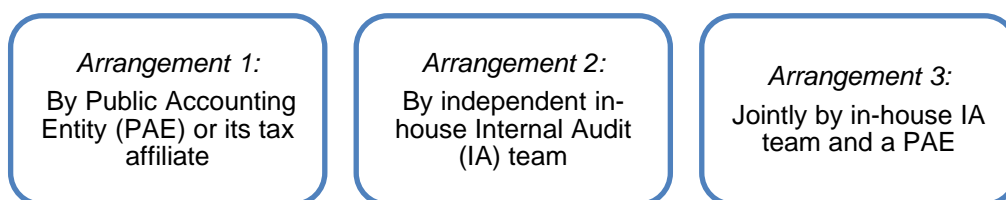
<sup>7</sup> If the ARA wishes to retain its 'ACAP Premium' status or upgrade its current 'ACAP Merit' status, the total score achieved should be at least 80% of the GST Control Framework. Otherwise, its ACAP status may be downgraded to 'ACAP Merit' with its validity period extended for a period of only 4 years upon renewal.



- (e) ARA has good compliance records for GST, Income Tax, Property Tax (including no tax outstanding<sup>8</sup> with IRAS) and with the Singapore Customs.
- (f) ARA has committed to appoint a qualified ACAP Reviewer to conduct ACAP Renewal Review as elaborated in paragraph 8 below.

## 8 Conduct of ACAP Renewal Review by ACAP Reviewers

8.1 ACAP Renewal Review may be conducted based on any of the following three arrangements:



8.2 Arrangement 1: ACAP Renewal Review is conducted by a Public Accounting Entity (PAE) or its tax affiliate

A PAE or its tax affiliate is engaged to perform the entire ACAP Renewal Review. The designated ACAP Renewal Review team fulfills the following conditions:

- (a) The designated ACAP team is led by an Accredited Tax Advisor (GST) of Singapore Institute of Accredited Tax Professionals (SIATP).
- (b) The team reports to an Audit Partner or Tax Partner/Tax Director.
- (c) The team's tests of controls follow the audit methodology based on generally accepted auditing standards<sup>9</sup>.
- (d) If the PAE or its tax affiliate is involved in other GST specific engagements listed below, it should put in place additional safeguards (other than the usual safeguards required by the profession):

<sup>8</sup> This excludes tax due under instalment plan or amount due for the next GIRO deduction.

<sup>9</sup> For example, the audit procedures relating to tests of controls as prescribed in the Singapore Standard on Auditing (SSA 330).

<b>GST specific engagement</b>	<b>Additional safeguards in the conduct of ACAP Renewal Review</b>
PAE or its tax affiliate prepares or reviews GST return for the ARA prior to e-filing of the return.	The 12-month Review Year should not coincide with the same period for which the GST return was prepared or reviewed.  If the periods coincide, the firm should assign an entirely different team <sup>10</sup> to undertake the ACAP Renewal Review.
PAE or its tax affiliate designs and/or documents the GST process flows of the ARA.	The staff involved in the design and documentation of the GST process flows must not be a member of the ACAP Renewal Review team.

### 8.3 Arrangement 2: ACAP Renewal Review is conducted by an Independent In-House Internal Audit (IA) team

ACAP Renewal Review is conducted independently by the ARA's in-house Internal Audit (IA) team. The IA team in charge of ACAP Renewal Review must fulfil the following conditions:

- (a) The team lead is a member of a professional accounting or auditing body<sup>11</sup>.
- (b) At least one member<sup>12</sup> in the team is an Accredited Tax Practitioner (GST) or Accredited Tax Advisor (GST) of SIATP.
- (c) The team reports directly to the Audit Committee (AC) comprising all independent non-executive directors<sup>13</sup>; or reports to a committee specifically tasked by the senior management to oversee the review independently and the committee reports its findings to AC.

<sup>10</sup> The team from the staff to the audit partner/tax partner/tax director who is accountable for the ACAP Renewal Review must not be involved in the engagement to prepare or review GST return for the ARA.

<sup>11</sup> Examples of professional accounting or auditing bodies include Institute of Singapore Chartered Accountants (ISCA), Association of Chartered Certified Accountants (ACCA), Institute of Internal Auditors (IIA).

<sup>12</sup> If the internal auditors are not Accredited Tax Practitioner (GST) or Accredited Tax Advisor (GST) of SIATP, for the purpose of conducting ACAP Renewal Review, the IA team members may include the ARA's in-house tax advisory personnel or an external tax advisory consultant who is Accredited Tax Practitioner (GST) or Accredited Tax Advisor (GST) of SIATP.

<sup>13</sup> IRAS follows the requirements of "The Singapore Exchange Listing Rules" on the composition of Audit Committee members.

- (d) If the ACAP Renewal Review is performed by a global IA team, the global IA team has similar set-up in reporting to an overseas AC comprising all non-executive directors.

8.4 Arrangement 3: ACAP Renewal Review is conducted jointly by in-house IA team and a PAE

A PAE is engaged to conduct ACAP Renewal Review jointly with the ARA's in-house IA team. The composition of the team members may vary depending on your needs. If the lead ACAP Reviewer is from the PAE, he must fulfil the conditions under Arrangement 1. If the lead ACAP Reviewer is from the IA team, he must fulfil the conditions under Arrangement 2.

## **9 Post Renewal of ACAP Status**

- 9.1 During the validity period of the renewed ACAP status, ACAP businesses have to perform two Post ACAP Reviews ("PAR") as a quality assurance of their effective oversight on GST matters and the accuracy of GST returns submitted.
- 9.2 The first PAR has to be submitted within 18 months from IRAS' notification of the approval of the renewed ACAP status.
- 9.3 The second PAR has to be submitted 6 months before the expiry date of the renewed ACAP status. Businesses will be exempted from conducting the second PAR if they continue to renew their ACAP status.
- 9.4 Please refer to Appendix 2 "Information Leaflet on Post ACAP Review (PAR) after ACAP Renewal" for more details.

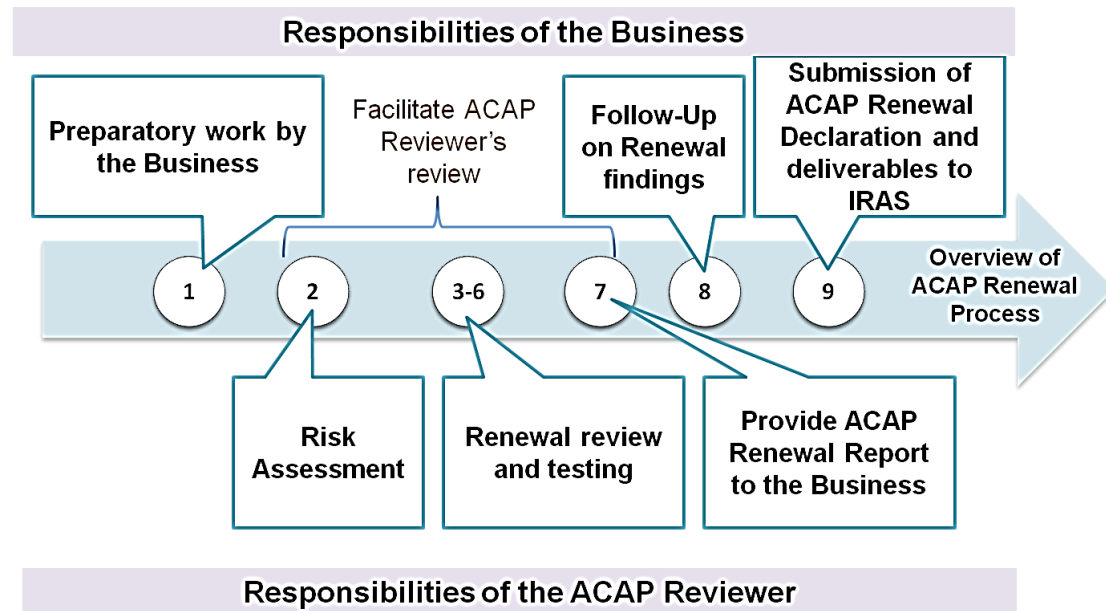
## **10 Businesses Under GST Schemes But Not Renewing Their ACAP Status**

- 10.1 If businesses are under any existing GST schemes and decide not to renew their ACAP status, they have to submit a certified PAR which is due 6 months before the expiry date of renewed ACAP status. Please refer to Appendix 3 "Information Leaflet on Certified Post ACAP Review (PAR)" for details.

## 11 Guidance on ACAP Renewal Review

11.1 The ACAP Renewal process is broadly categorised into 9 sections as follows:

**Figure 1. ACAP Renewal Review**



11.2 The details are covered in pages 10 to 39.

## **Section 1 : Preparatory Work by the ARA**

**Who should read this section:  
ACAP Renewal Applicant (ARA)**

### **Getting Ready for ACAP Renewal Review**

- 1.1 To be eligible to renew your ACAP status, you as the ARA, must satisfy the eligibility conditions set out in paragraph 7 above. In particular, you should meet IRAS' benchmark of an acceptable GST Control Framework. That is, you have continued to maintain the key controls in the "Self-Review of GST Controls" checklists ("SRC")<sup>14</sup> for Entity, Transaction and GST Reporting levels and your score for each level is at least 60%.
- 1.2 You need to complete the SRC<sup>15</sup> to assess the score of your GST Control Framework at each level before submitting the form GST F29 "Application to Renew ACAP Status".
- 1.3 If you are a single GST registrant with several Business Units ("BU"), you are required to complete one set of SRC<sup>16</sup>.
- 1.4 If you are under GST group registration, while you are allowed to complete one SRC for "Entity level" and "GST Reporting level", each member of the GST group has to individually complete the SRC for "Transaction level".
- 1.5 If you are under divisional GST registration, the SRC for "Entity level" can be completed on an entity basis. However, each division has to complete "Transaction level" and "GST Reporting level" of the SRC separately.
- 1.6 To apply for renewal of your ACAP status, please submit the form GST F29 together with a copy of "Summary of ACAP Score" of the SRC. For GST group or divisional registrant, please submit a copy of the "Summary of ACAP Score" for each member/division and "Summary of ACAP Score for GST Group or Divisional Registrant" of the SRC.
- 1.7 The detailed SRC (preferably in softcopy) should be submitted to your ACAP Reviewer upon the commencement of the ACAP Renewal Review. You are also required to submit the SRC (together with the

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<sup>14</sup> Self-Review of GST Controls" checklists ("SRC") provide information on the extent of presence of GST control features at the three levels i.e. Entity, Transaction and GST Reporting level. A key control is met if 60% or more of the control features (listed in the checklists) or their equivalents are implemented. For more details on the computation of the scores, please refer to the "Important Notes" of the SRC.

<sup>15</sup> SRC is formulated to auto-compute your scores to ease your self-review process.

<sup>16</sup> ARA is considered to have established the control features as long as one BU has established the key control. However, information should be provided in the "remarks" of the SRCs to elaborate on the uniqueness of the control features of each BU.

ACAP Renewal Declaration) upon completion of the ACAP Renewal Review.

- 1.8 Meanwhile, if the outcome of your self-review of GST controls shows that your total score resulted in a change from 'ACAP Premium' score to 'ACAP Merit' score, you should highlight the events that caused such changes, reasons for the absence of the control features when they were previously checked as present during the ACAP review and the follow-up actions taken to mitigate the risks of filing incorrect GST returns in the "Remarks" of the SRC.
- 1.9 You are encouraged to provide any other additional information that facilitates the evaluation of your GST controls by your ACAP Reviewer and IRAS, such as:
- (a) Other risk management strategies or other key controls established as part of good corporate governance;
  - (b) Additional control features listed in the SRC that are implemented for at least 3 months as part of the Review Year; and
  - (c) Other control features at all levels.

 You are required to complete the "Self-Review of GST Controls" checklists to assess if you have met the total minimum score of 60% for each level (i.e. Entity, Transaction and GST Reporting level). If you are under GST group or divisional registration, all the members in the GST group (which are separate entities) or the divisions have to complete the checklists. You are only required to submit the "Summary of ACAP Score" together with the form GST F29 "Application To Renew ACAP Status". For GST group or divisional registrant, please submit a copy of the "Summary of ACAP Score" for each member/division and "Summary of ACAP Score for GST Group or Divisional Registrant" of the SRC.

- 1.10 Upon IRAS' acceptance of your application for renewal, you should proceed with the following steps before the commencement of ACAP Renewal Review by your ACAP Reviewer:
- (a) Identify changes in business processes that affect GST controls
  - (b) Identify major income and expenditure streams and transactions with high risk of incorrect GST treatment or omission from GST returns
  - (c) Select Review Year
  - (d) Perform GST trend analysis and review anomalies
  - (e) Provide relevant information to the ACAP Reviewer

## Identify Changes in Business Processes That Affect GST Controls

1.11 You should identify changes in business processes that could affect the overall effectiveness of your GST controls since the last Post ACAP Review (PAR)<sup>17</sup> by reviewing the correspondences or corporate management files (if available) and seeking feedback from the various heads of functional units. Examples include:

- (a) Changes in maintenance and review of GST risk management;
- (b) Changes in scope and/or extent of checks due to staff movement, restructuring, streamlining of processes and outsourcing of functions to third parties (including shared service centres) with impact on GST controls e.g. accounting function, GST return preparation and inventory control/management;
- (c) New or changes in processes that affect tax determination point e.g. from manual tax classification to use of tax logic to automate the tax classification;
- (d) Implementation of new business activities or processes which is managed based on the existing GST controls; and
- (e) Update or change of information/accounting systems that are used to process GST data.

1.12 You should also identify significant events, changes in business activities since the last PAR and self-assess if the GST risks are managed. Examples include:

- (a) New business processes that have impact on GST controls (for data capturing/processing) e.g.

Manufacturer who sells goods to distributors (on credit terms) decides to set up retail stores to sell its goods

Goods retailer ventures into sale and leasing of residential properties

- (b) Any updates of business models/contracts or processes that could affect the effectiveness of the GST controls.

1.13 You should update your GST process flows if the changes affect the tax logic or tax classification to facilitate ACAP Reviewers' conduct of walk-through and assessment of whether tests of controls are required.

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<sup>17</sup> The PAR should adhere to the requirements in Appendix 2 "Information Leaflet on Post ACAP Review" of the e-Tax Guide "GST: ACAP" (after first accord of ACAP status) or in this guide (after renewal of ACAP status).

## **Identify Major Income and Expenditure Streams and Transactions with High Risk of Incorrect GST Treatment or Omission from GST Returns**

- 1.14 You should represent to your ACAP Reviewer the major income and expenditure streams and transactions with high risk of incorrect GST treatment or omission from GST returns. This information may be obtained after perusing management accounts, trial balance, financial statements, ACAP Report and PAR.
- 1.15 Further, you should identify transactions that may not be recognised as revenue item in the financial statements but form a GST reporting item in the GST return. You can ascertain such information by obtaining updates from the key personnel of the Sales, Procurement and Human Resources divisions. For example, gifts given to staff/customers exceeding \$200, payroll deduction for purchases of goods by staff and introduction of new fringe benefits to staff that may require the deeming of output tax.

## **Select Review Year**

- 1.16 You may select the 12-month Review Year based on the latest 12 months of GST returns filed at the time of the commencement of review<sup>18</sup> with concurrence from the ACAP Reviewer.
- 1.17 In your selection of the 12-month Review Year, the following should be considered:
  - (a) The period should cover the GST returns of any 12 months straddling the last 2 years of the ACAP status validity period and not earlier than that.
  - (b) The period selected would allow sufficient time for submission of ACAP Renewal Declaration by the:
    - (i) Due date of the ACAP Renewal Declaration; or
    - (ii) Due date within the Renewal Grace Period (if it is earlier than due date of ACAP Renewal Declaration) if you wish to enjoy the penalty waiver for errors made in Review Year.

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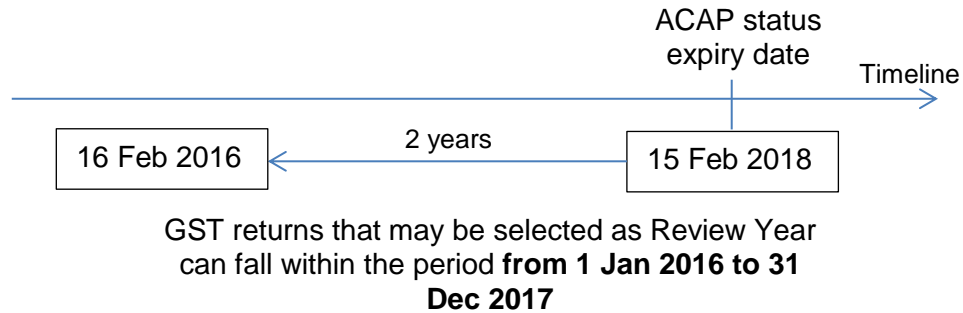
<sup>18</sup> The time of commencement of review should generally take place in the last year of the ACAP status.



1.18 The following example illustrates the options for the selection of Review Year:

Company A, under quarterly GST filing, is granted 'ACAP Premium' status from 16 Feb 2013 to 15 Feb 2018. Its ACAP Renewal Declaration is due by 16 May 2018 (3 months after the expiry of ACAP status).

Step 1: Identify the GST returns in the last 2 years of ACAP status



Step 2: Determine which Review Year to select (To be agreed by ACAP Reviewer)

GST returns for the prescribed accounting period ended:								Due date of Renewal Grace Period to enjoy penalty waiver
2016				2017				
31-Mar	30-Jun	30-Sep	31-Dec	31-Mar	30-Jun	30-Sep	31-Dec	
Option 1								
				Option 2				31 Jan 2018
				Option 3				30 Apr 2018
				Option 4				31 Jul 2018
								31 Oct 2018

It can choose Option 4 as the Review Year (i.e. 1 Oct 2016 to 30 Sep 2017) provided it is able to submit the ACAP Renewal Declaration by 16 May 2018. It can enjoy penalty waiver for errors made in the Review Year.


If it chooses Option 3 as the Review Year (i.e. 1 Jul 2016 to 30 Jun 2017), it has to submit the ACAP Renewal Declaration by 16 May 2018. It can also enjoy penalty waiver for errors made in the Review Year.

If it chooses Option 2 as the Review Year (i.e. 1 Apr 2016 to 31 Mar 2017), IRAS must receive the ACAP Renewal Declaration by 30 Apr 2018 (before the due date of 16 May 2018) for it to enjoy penalty waiver for errors made in the Review Year. If it submits the ACAP Renewal Declaration by the due date of 16 May 2018, the errors made in the Review Year will be subject to 5% late payment penalty.

If it chooses Option 1 as the Review Year (i.e. 1 Jan 2016 to 31 Dec 2016), IRAS must receive the ACAP Renewal Declaration by 31 Jan 2018 (before the due date of 16 May 2018) to enjoy penalty waiver for errors made in the Review Year. Similar to Option 2, errors made in the Review Year will be subject to 5% late payment penalty if it submits the ACAP Renewal Declaration by the due date of 16 May 2018.

## **Perform GST Trend Analysis and Review Anomalies**

- 1.19 To identify any outlying trends of GST declarations in the Review Year, you should perform GST data analysis using the “GST Trend Analysis”<sup>19</sup>.
- 1.20 You should agree the values of each item declared in the GST returns for the Review Year against the GST listings of transactions and adjustments as part of the trend analysis.
- 1.21 The following has to be performed:
  - (a) Compare the values reported in the GST returns for each prescribed accounting period of the Review Year;
  - (b) Compare the values reported in the GST returns of Review Year and the preceding 12 months;
  - (c) Compare the supplies declared in GST returns for the Review Year to revenue and non-revenue items in the financial statements or management accounts.
- 1.22 If you are a GST group registrant or single GST registrant with multiple Business Units (BUs) having decentralized GST reporting, you may perform the above comparisons (a) and (b) at GST return level instead of individual member/BU level. However, you should prepare a summary of GST contribution by each member/BU for the Review Year for your ACAP Reviewer to plan its scope of review.
- 1.23 You should review anomalies in the GST trend analysis for the Review Year such as:
  - (a) Unusual fluctuations in the values of GST supplies [Boxes 1 to 4], taxable purchases [Box 5], output tax [Box 6] and input tax [Box 7]
  - (b) Substantial discrepancies between the turnover reported in financial statements/management accounts and taxable supplies reported in GST returns
  - (c) Unusual ratio of taxable purchases over total supplies

 You are required to complete the “GST Trend Analysis”. Any outlying trends or anomalies should be explained with valid reasons and highlighted in the “GST Trend Analysis”.

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<sup>19</sup> This template can be found in the ACAP Renewal Working Templates.

## **Provide Relevant Information to the ACAP Reviewer**

1.24 You have to provide the following information to the ACAP Reviewer for it to initiate the ACAP Renewal Review process:

- (a) SRC at Entity, Transaction and GST Reporting levels;
- (b) Information on new processes or business activities that affect GST controls, if any;
- (c) Changes in tax logic setup or revision of tax code table, if any;
- (d) Major income and expenditure streams and transactions with high risk of incorrect GST treatment or omission from GST returns;
- (e) GST trend analysis for the Review Year and reasons for the fluctuations and anomalies;
- (f) Management accounts including trial balance for the Review Year;
- (g) Latest audited financial statements;
- (h) GST Structure showing the overview of the roles of the team(s) involved in overseeing, processing and reporting of GST data\*; and
- (i) Organisational chart (by function and business activities)\*.

\* If there are changes from the last copy provided to IRAS.

1.25 At times, IRAS may request for certain information or review to be performed during the ACAP Renewal Review. You have to collate and provide such information to the ACAP Reviewer to be included in the ACAP Renewal findings.


## **Section 2 : Risk Assessment by ACAP Reviewer**

**Who should read sections 2 to 7:  
ACAP Reviewer**

- 2.1 Based on the information provided by the ARA, ACAP Reviewer plans and executes the ACAP Renewal Review process.

### **Confirm the Existence of a GST Control Framework**


- 2.2 The ACAP Reviewer reviews the SRC completed by the ARA to ascertain whether ARA has fulfilled the following conditions:
- (a) All key controls are present; and
  - (b) 80% or more of the total control features are present for each level for the ARA with 'ACAP Premium' status; 60% or more of the total control features are present for each level for 'ACAP Merit' status.
- 2.3 If ARA's SRC scores resulted in change from 'ACAP Premium' score to 'ACAP Merit' score, the ACAP Reviewer has to:
- (a) Assess whether ARA has correctly completed the SRC;
  - (b) Determine if there are potential GST errors arising from the substantial change in scores other than those identified during ACAP review; and
  - (c) Determine the review to be performed to confirm existence of controls or whether tests of controls would be necessary for new or other mitigating GST controls that were different from previous GST process flows submitted to IRAS.

 The ACAP Reviewer is required to document its findings in Section 2.1 of the "ACAP Renewal Report". If tests of controls were performed, ACAP Reviewer should also complete Section 4 of the "ACAP Renewal Report".

### **Review Information Represented by ARA**

- 2.4 As part of its interim GST risk assessment to identify common and industry-specific risks encountered by ARA, ACAP Reviewer has to perform the following:
- (a) Identify any anomalies that require clarifications based on the GST trend analysis performed by ARA;


- (b) Review tax code table, peruse management accounts, trial balance and financial statements<sup>20</sup>, ACAP Reports and PAR to identify different income and expenditure streams and transactions under GST scheme;
- (c) Ascertain whether the missing control features in SRC have any impact on ARA's controls to manage the GST risks present;
- (d) Review process flows/documents to determine which processes to conduct walk-through;
- (e) Determine if tests of controls are required after interviewing ARA's key person responsible for GST compliance on:
  - (i) Any changes to the accounting software which affect the GST tax logic set up in the system or GST controls established to ensure correct tax classification at source; or
  - (ii) Any new or changes in business ventures or business models, changes in ARA's supply chain, procurement, or outsourcing of accounting or logistics functions.

 The ACAP Reviewer is required to document its findings in Section 1 "Business Information" and Section 2 "Review of GST Risks" of the "ACAP Renewal Report".

## Review Entity Level Controls

2.5 The ACAP Reviewer interviews the person responsible for overall GST compliance and GST risk management and also sights evidence to confirm the existence of key controls at Entity Level:

- (a) Management oversight over major matters with GST impact
- (b) Risk management framework is up-to-date
- (c) Monitoring and review mechanism for GST reporting
- (d) Communication to staff on changes that affect GST compliance (e.g. changes in business activities or models)

 The ACAP Reviewer is required to document its findings in the working papers provided in Section 5 "Review of Entity Level Controls" of the "ACAP Renewal Report" and substantiate its findings with evidence gathered.

<sup>20</sup> For ARA under GST group registration, the ACAP Reviewer should peruse the financial statements of all members. The review of Trial Balance is required only on selected group members after its analytical review of the consolidated GST listings and summary of the GST contribution of each member to the GST group return.

## **Select 3-Month Test Period**

- 2.6 Prior to the selection of the Test Period, ACAP Reviewer should review if ARA's selection of the Review Year is appropriate for timely submission of the ACAP Renewal Declaration and deliverables. Thereafter, ACAP Reviewer selects a 3-month Test Period from the Review Year to conduct testing. The 3-month Test Period need not be consecutive prescribed accounting periods if the ARA is under monthly filing frequency.
- 2.7 The ACAP Reviewer should exercise its professional judgement in selecting the Test Period that is representative of ARA's business activities and cover transactions with higher risks of incorrect tax classification. The following factors should be considered in its selection of Test Period:
- (a) Whether the period covers additional control features implemented for at least 3 months of the Review Year;
  - (b) Whether the period covers major income and expenditure streams and transactions with higher risks of errors being made;
  - (c) Whether the period covers significant events that may affect the effectiveness of GST controls e.g. changes in accounting system, changes in key accounting staff, changes in key functional head who influences the tax classification of transactions, changes in GST processes (e.g. outsourcing of accounts payable function to third party providers); and
  - (d) Whether the period covers transactions of higher volume and value that would be more representative of the ARA's business activities.
- 2.8 For exceptional items that fall outside the Test Period but within the Review Year, the ACAP Reviewer has to devise procedures to check if correct GST treatment is applied on such transactions. It should include such information in Section 2 of the "ACAP Renewal Report".


## **Analytical Review of GST Listings**

- 2.9 ACAP Reviewer performs the following on the supplies and purchases listings for the Test Period:
- (a) Peruse the listings to identify anomalies or potential errors, including those peculiar to the ARA's industry and take note of any anomalies that could affect its selection of transactions or process flows for testing;

- (b) Compare the categories of transactions in the GST listings to the management accounts and vice versa to identify categories of transactions that may be omitted or have higher risks of incorrect GST treatment :
  - (i) In the management accounts but not in the GST listings;  
or
  - (ii) In the GST listings but not in the management accounts  
e.g. disbursements.

Such categories of transactions should be included for clarifications on the GST treatment applied by the ARA.

- 2.10 For GST group registrant, the ACAP Reviewer should also review the summary of the GST values contributed by each member to the GST return. Such information would help ACAP Reviewer to determine which group members' management accounts would be required to conduct the analytical review in Section 2.9(b) <sup>21</sup>.
- 2.11 For divisional registrant, the ACAP Reviewer should obtain the GST listings of each division for the purpose of conducting the analytical review.

 The ACAP Reviewer should provide brief information on its basis in selecting BUs/group members/divisions in Section 2 "Review of GST Risks" of the "ACAP Renewal Report".

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<sup>21</sup> As a guide, a reasonable coverage of the GST group's GST declarations for purpose of performing the comparison for Section 2.9(b) of this Section would be as follows:

- (a) Selected group members collectively contribute *at least 50%* towards the ARA's GST declarations in terms of the total supplies and total taxable purchases; and
- (b) 50% of total group members are selected for the review. If ARA has only two group members, both should be selected.

## ***Section 3 : Interview and Walk-through of Controls at Transaction and GST Reporting Level***

**Who should read this section:**  
**ACAP Reviewer**

### **Interview and Walk-through of Controls at Transaction Level**

- 3.1 ACAP Reviewer performs interview and walk-through with relevant personnel of the ARA that are involved in the tax classification of transactions.
- 3.2 The walk-through has to cover these two broad aspects:
  - (a) Tax classification controls using tax logic in-built in the system and treatment applied manually based on written guidance (e.g. decision tree) (where relevant) for each of the following categories of transactions:
    - (i) Standard-rated supplies
    - (ii) Zero-rated supplies
    - (iii) Exempt supplies (specifically for regulation 34 businesses and residential property developers)
    - (iv) Out-of-scope supplies
    - (v) Input tax claims
  - (b) Review source documents of samples selected for the above category of transactions to the GST listings to ensure correct GST treatment and accuracy of value.
- 3.3 The walk-through and interview process should include the following:
  - (a) For tax code determined by tax logic in-built in the system, sight that the system logic is working as represented for each applicable category of transactions in (i) to (v) of Section 3.2(a);
  - (b) For tax codes determined manually, interview relevant personnel and agree his interpretation to the written guidelines and source documents e.g. tax code decision tree, checker process; and
  - (c) To clarify tax treatment applied on transactions identified as having higher risks of incorrect GST treatment from the review of general ledger accounts, management accounts and GST listings. For example, recoveries, sale of assets, medical, insurance, loans and related parties transactions.



- 3.4 ACAP Reviewer must exercise its professional judgement to determine which income streams/expenditures and members/Business Units (BUs)/divisions to select for the walk-through.

### **Minimum Number of Transactions for the Conduct of Walk-through**

- 3.5 For single GST registrant where the GST reporting process from data extraction to GST return submission is centrally managed by a Consolidated GST Return Preparer, the ACAP Reviewer has to perform walk-through on each category of transactions in (i) to (v) of Section 3.2(a) with at least 1 transaction with tax code determined by tax logic in-built in the system AND at least 1 transaction with tax code manually determined as follows:

<b>Transactions with tax code:</b>	
<b>Determined by tax logic in-built in system</b>	<b>Determined manually</b>
1 transaction from each category: (i) Standard-rated supplies (ii) Zero-rated supplies (iii) Exempt supplies (iv) Out-of-scope supplies (v) Input tax claims	1 transaction from each category: (i) Standard-rated supplies (ii) Zero-rated supplies (iii) Exempt supplies (iv) Out-of-scope supplies (v) Input tax claims

- 3.6 For single GST registrant under decentralised GST reporting<sup>22</sup> as well as GST group or divisional registrants, the minimum number of transactions for walk-through of each category in (i) to (v) of Section 3.2(a) are as follows:

	<b>Transactions with tax code:</b>	
	<b>Determined by logic in-built in system</b>	<b>Determined manually</b>
(a) Single GST registrant with <u>up to 3 BUs</u> or GST group with <u>up to 3 members</u> or divisional registrant with <u>up to 3 divisions</u>	1 transaction per category	1 transaction per category
(b) Single GST registrant <u>with 4 to 5 BUs</u> or GST group with <u>4 to 5 members</u> or divisional registrant with <u>4 to 5 divisions</u>	2 transactions per category	2 transactions per category

<sup>22</sup> Under decentralised GST Reporting, the GST data is extracted, checked and reviewed by individual GST Return Preparer of each BU before submission to the Consolidated GST Return Preparer. The number of BU of the entity will be based on the number of such 'declarations' to the GST return consolidator.

(c) Single GST registrant <u>with 6 or more BUs</u> or GST group <u>with 6 or more members</u> or divisional registrant <u>with 6 or more divisions</u>	3 transactions per category	3 transactions per category
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3.7 If the ACAP Reviewer discovers errors or misapplication of GST treatment in the course of the walk-through, the ACAP Reviewer should exercise its professional judgement to increase the sample size for walk-through to cover the other income or expenditure streams.

3.8 The following are some examples:

- (a) Company C is under centralised GST Reporting and has both system and manual tax classification controls for different income and expenditure streams.

Hence, the ACAP Reviewer is required to perform walk-through with:

- 1 sample per category\* of transaction for system control; and
- 1 sample per category\* of transaction for manual control.

\*Category refers to standard-rated supplies, zero-rated supplies, exempt supplies (for regulation 34 businesses or residential property developers), out-of-scope supplies and input tax claims.

- (b) Company D is a GST group registrant with 2 members. Each member has 5 BUs. In this case, the ACAP Reviewer may perform walk-through based on the sample size in the Table under Section 3.6 with:

- 1 sample per category\* of transaction for system control; and
- 1 sample per category\* of transaction for manual control.

### **Interview and Walk-through of Controls at GST Reporting Level**

3.9 The objective of performing walk-through of the GST reporting process with the relevant personnel of the ARA are to:

- Confirm understanding of the design of controls during extraction of GST data, data compilation and submission of GST return;
- Assess whether the controls documented in the GST process flows/documents are working as represented; and
- Identify the applicable GST risks and potential errors.


3.10 Accordingly, the ACAP Reviewer performs the following review procedures on the GST return(s) for the Test Period:

For Centralised GST Reporting:

- (a) Request the GST Return Preparer to demonstrate how GST data are extracted from the financial accounting module up to the point of submission of GST return;
- (b) Request the GST Return Preparer to demonstrate the workings of automated checks built into the financial accounting system to generate accurate GST data for analysis and GST reporting;
- (c) Interview the GST Return Preparer and Approver on the types of checks performed to ensure that the GST data extracted are complete and reported accurately in the GST return; and
- (d) Sight evidence of checks/reviews performed by the GST Return Preparer and Approver such as working schedule showing how manual adjustments are arrived at and reconciliation performed on turnover and total supplies.

For Decentralised GST Reporting:

- (e) Perform above steps with the individual GST Return Preparer of 50% of the members/BUs/divisions, Consolidated GST Return Preparer and the Approver.

 The ACAP Reviewer is required to document its findings on the tax classification controls in Section 3 "Walk-through and Interview" of the "ACAP Renewal Report".

## **Section 4 :      Review of New Processes & Perform Controls Testing**

**Who should read this section:  
ACAP Reviewer**

- 4.1 This procedure is required if there are new or major changes to business model and GST control processes since the last Post ACAP Review (PAR) submitted to IRAS.
- 4.2 The ACAP Reviewer has to perform walk-through and additional controls testing (i.e. Tests of Controls and Substantive Testing) on major changes to business models or processes that resulted in implementation of new GST controls or have a substantial impact on existing GST controls.
- 4.3 The following are some exceptions<sup>23</sup> where the conduct of additional controls testing is not required:
- (a) Introduction of new product lines or services with correct mapping of the tax classification and supported by existing GST controls to ensure completeness and value accuracy in data captured.
  - (b) Enhancement of accounting system (including system upgrade/update) or implementation of new accounting system where:
    - (i) Same GST controls apply before and after system enhancement or system change; and
    - (ii) The ARA has already conducted User Acceptance Test.
  - (c) Renaming or insertion of new tax codes where the GST Reporting level controls were updated to ensure completeness and accuracy in data extraction for filing of accurate GST return.

However, the ACAP Reviewer must perform other procedures such as walk-through (in Section 3) and substantive testing (in Section 5) to ascertain that the critical GST controls are working effectively to manage the risks associated.

- 4.4 The following are some scenarios where tests of controls and substantive testing are required:
- (a) Outsourcing of functions with impact on GST controls to local or overseas third parties, including shared services centres. Examples of functions outsourced are:

Accounting function

GST return  
preparation

Inventory control  
and logistics  
management

<sup>23</sup> Prior approval has to be sought from IRAS to waive the requirement to perform additional controls testing for other scenarios not listed in Section 4.3.

- (b) New business processes that have an impact on ARA's GST controls (for data capturing/ processing) e.g.

Manufacturer who sells goods to distributors (on credit terms) decides to set up its own retail stores to sell its goods

Goods retailer ventures into the business of sale and leasing of residential properties

- (c) New or changes in processes that affect tax determination point e.g. from manual tax classification to use of tax logic to automate the tax classification.

### **Test of Controls**

- 4.5 Test of controls<sup>24</sup> for new business models and/or processes should include the following assessment:
- (a) Test of GST knowledge of key personnel involved in tax classification of transactions for the business;
  - (b) Test of GST logic in-built in the accounting system if majority of the ARA' controls are controlled by pre-set system controls; and
  - (c) Test of preventive and detective controls that ensure accuracy of tax classification, value and compliance with the GST documentary requirement.
- 4.6 ACAP Reviewer should select at least 5 samples for every new business model/process to perform test of controls.

### **Substantive Testing**

- 4.7 In addition, the ACAP Reviewer should conduct substantive tests on the same transactions selected for test of controls in Section 4.6 above. The scope of review for substantive testing is covered in the next section.
- 4.8 If there are any exceptions or deviations from the samples selected, ACAP Reviewer should provide additional information in Section 4 "Review of New Processes" of the "ACAP Renewal Report".

~~✗~~ The ACAP Reviewer is required to perform the review of new processes and document its findings in the working papers provided in Section 4 "Review of New Processes" of the "ACAP Renewal Report". It should substantiate its findings with evidence gathered.

<sup>24</sup> Test of controls should be performed in accordance with audit methodology based on generally accepted auditing standards. For example, the audit methodology relating to tests of controls as prescribed in the Singapore Standards of Auditing SSA 330.

## **Section 5 :     *Substantive Testing for Supplies and Purchases***

**Who should read this section:**  
**ACAP Reviewer**

### **Scope of Review**

- 5.1 The ACAP Reviewer should include “Material Transactions” for applicable supplies and purchases categories in its selection of samples in its scope of review. As a guide, “Material Transactions” would include:

#### **Supplies**

- Exceptional or outlier high value transactions (e.g. sale of properties, sale of business assets)
- New business models
- Complex business arrangement
- Special Purpose Vehicles transactions
- Disbursements and reimbursements
- Financial leases
- Related party transactions
- Joint venture, merger or acquisition related transactions
- Exempt supplies that does not fall within Regulation 33 (interest from inter-company loans, sale of securities or loan stock)
- Management services
- Sales under self-billing arrangement by the customer
- Supplies deemed to have taken place (e.g. business assets taken for private use, gifts)
- Transactions with no consideration or paid by of way net-off

#### **Purchases**

- Exceptional or outlier high value transactions (e.g. purchase of residential properties)
- Purchases under self-billing arrangement by the business
- Related party transactions
- Expenses relating to sale of shares and investments
- Common expenses for the purpose of apportionment of input tax (applicable if the ARA is a partial exempt trader)
- Disallowed business expenses (e.g. medical, motor vehicles)

- 5.2 The substantive review should include verification of values, adherence to proper cut-off, correct tax classification<sup>25</sup> and application, legislative compliance on specific schemes and documentary requirements.
- 5.3 For supplies, the following review should be included as part of the substantive review:
- (a) Transaction in source document agreed to GST listing and accounting system;
  - (b) GST treatment is applied correctly;
  - (c) Value of supply and GST are computed correctly (i.e. apply correct tax rate on the correct supply value);
  - (d) Format of tax invoice complied with GST legislation; and
  - (e) For exports of goods and third country sales, transaction is substantiated with export evidence in accordance with IRAS' e-Tax Guides, such as "GST: Guide on Exports" and "GST: Guide on Hand-Carried Exports Scheme". For third country sales, the ACAP Reviewer has to ascertain that they were not located in Singapore at the time of supply.
- 5.4 For imports and purchases, the following review should be included as part of the substantive review:
- (a) Input tax on purchases from GST registered supplier is supported by valid tax invoices<sup>26</sup> addressed to the ARA;
  - (b) GST on imports is supported by import permits and shipping documents addressed to ARA;
  - (c) Input tax is contractually made to ARA for its business purposes and attributable to the making of taxable supplies;
  - (d) The Singapore dollar value of GST shown in the tax invoice/payment permit agreed to GST listing and accounts; and
  - (e) Taxable purchases/imports and input tax, where applicable, are captured in the correct accounting period.
- 5.5 For GST schemes, the ACAP Reviewer should review whether the ARA has complied with the legislative and documentary requirements of the specific schemes.

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<sup>25</sup> ACAP Reviewer should refer to the e-Tax Guide of the relevant industry published in IRAS website for any unique or prescribed GST rules.

<sup>26</sup> The tax invoice complied with tax invoice requirements under regulation 11.

## Sample Size

- 5.6 IRAS sets a minimum sample size in Section 5.11 to perform substantive review. The minimum sample size would not be applicable in the following circumstances:
- (a) Results from review procedures such as walk-through and test of controls suggest a high possibility of GST errors due to gaps in GST controls; or
  - (b) The number of material transactions identified exceeded the minimum sample size. Accordingly, a larger sample size is required to cover the material transactions.
- 5.7 In circumstances highlighted in Section 5.6 above, ACAP Reviewer should increase the sample size for each applicable **category of transactions** as shown below by at least 5 samples and highlight its findings in Section 7 “Substantive Testing” of the “ACAP Renewal Report”.

Categories of Transactions
Standard-rated supplies
Zero-rated supplies
Exempt supplies
Out-of-scope supplies
Input tax claims
GST schemes on imports (e.g. Major Exporter Scheme (MES), Import GST Deferment Scheme (IGDS))
Other GST schemes (e.g. Approved Marine Fuel Trader (MFT) Scheme, Approved Contract Manufacturer and Trader (ACMT) scheme)

- 5.8 The broad principles in establishing sample size for substantive testing are as follows:
- (a) The sample selection must cover at least 30% of the number of transactions (round up to the nearest whole number) for each category during the Test Period;
  - (b) Where 30% of the number of transactions exceeds the stipulated sample size in the Tables 1 to 3 listed in Section 5.11 below, the sample size in the Tables shall apply; and
  - (c) If the category of transactions is only present outside the Test Period, please select transactions from other prescribed accounting periods of the Review Year instead.
- 5.9 The stipulated sample size in Section 5.11 below excludes the samples selected for substantive testing of new processes (under Section 4 of this guide).



5.10 To determine the sample size, ACAP Reviewer has to:

- (a) Consider the nature of the business activities carried out by the ARA:

Table	Nature of business of ARA
<b>1</b>	Regulation 34 businesses excluding Banks (such as insurance company and finance company) and developers with sale or lease of residential properties
<b>2</b>	Banks
<b>3</b>	Other businesses

- (b) Determine the applicable category that the ARA belongs to based on the following business structure/GST registration type:

Category of ARA	Profile of ARA
<b>A</b>	<ul style="list-style-type: none"> <li>– Single GST registrant under centralised GST reporting or decentralised GST reporting<sup>27</sup> with up to 3 Business Units (BUs); or</li> <li>– Group registrant with up to 3 members; or</li> <li>– Divisional registrant with up to 3 divisions.</li> </ul>
<b>B</b>	<ul style="list-style-type: none"> <li>– Single GST registrant under decentralised GST reporting with 4 BUs and above; or</li> <li>– Group with 4 or more members; or</li> <li>– Divisional registrant with 4 or more divisions.</li> </ul>
<b>C</b>	Offshore banks, wholesale banks or merchant banks
<b>D</b>	Full bank (including foreign full bank)

<sup>27</sup> Under decentralised GST Reporting, the GST data is extracted, checked and reviewed by individual GST Return Preparer of each BU before submission to the Consolidated GST Return Preparer. The number of BU of the entity will be based on the number of such 'declarations' to the GST return consolidator.

5.11 The sample size to be applied for substantive testing is as follows:

**Table 1: Regulation 34 businesses excluding Banks (such as insurance company and finance company) and developers with sale or lease of residential properties**

Categories of transactions	Ref <sup>28</sup>	Category	
		A	B
Standard-rated supplies	N1	10	20
Zero-rated supplies	N1	10	10
Exempt supplies	N2	20	25
Out-of-scope supplies	N3	5	5
Input tax claims	N4	25	35
GST schemes on imports (e.g. Major Exporter Scheme (MES), Import GST Deferment Scheme (IGDS))	N5	10	15
Other GST schemes (e.g. Approved Marine Fuel Trader (MFT) Scheme, Approved Contract Manufacturer and Trader (ACMT) scheme)		Not Applicable	Not Applicable

<sup>28</sup> Legend for Tables 1, 2 and 3

Ref	Matters for ACAP Reviewer to take note
N1	Review should include supplies made in the capacity of section 33(2) or 33A agent, where applicable
N2	Include reviewing the nature of exempt supplies to ensure correct tax classification and reporting
N3	Include third country sales, disbursements, recovery of expenses (without GST), payroll deduction etc
N4	Include GST on local purchases, GST paid on imports (both for own imports as well as imports as section 33(2) or 33A agent), bad debt relief claims, repayment of input tax on unpaid purchases etc
N5	Include reviewing the reconciliation against permit listing from TradeExchange (TX) records to ensure completeness in GST reporting

**Table 2: Banks**

Categories of transactions	Ref <sup>28</sup>	Category	
		C	D
Standard-rated supplies		10	20
Zero-rated supplies and exempt supplies		25	40
Out-of-scope supplies	N3	5	5
Input tax claims	N4	25	35
GST schemes on imports (e.g. MES, IGDS)		Not applicable	Not applicable
Other GST schemes (e.g. AMFT, ACMT)			

**Table 3: Other Businesses**

	Ref <sup>28</sup>	Category	
		A	B
Standard-rated supplies	N1	10	20
Zero-rated supplies	N1	25	35
Exempt supplies:	N2		
- if derives non-regulation 33 exempt supplies		5	5
- if derives only regulation 33 exempt supplies		1	1
Out-of-scope supplies	N3	5	5
Input tax claims	N4	25	35
GST schemes on imports (e.g. MES, IGDS)	N5	10	15
Other GST schemes (e.g. AMFT, ACMT)		10	10

- 5.12 If the ARA falls under “Other Businesses” category and is making mostly standard-rated supplies (i.e. more than 90% of total supplies), the ACAP Reviewer should apply the following sample size instead:

	Ref <sup>28</sup>	Category	
		A	B
Standard-rated supplies	N1	25	35
Zero-rated supplies	N1	10	20

5.13 An example on how to determine the sample size:

ABC Pte Ltd (“ABC”), a single GST registrant accorded with ACAP status, makes substantially taxable supplies and has 3 Business Units under decentralized GST reporting. Based on ABC’s GST listings for the Test Period, it has only 9 standard-rated supplies and 200 zero-rated supplies transactions. ACAP Reviewer will refer to Table 3 (Category A) for the sample size to be selected for substantive testing.

Applying the broad principles to establish the sample size, ACAP Reviewer has to select:

- 3 samples of standard-rated supplies (30% of 9 samples, round up to the nearest whole number); and
- 25 samples of zero-rated supplies (30% of 200 samples (round up to the nearest whole number) and capped at the stipulated sample size of 25 in Table 3).


The samples selected should include supplies made in the capacity of a section 33(2) or 33A agent of the GST Act, where applicable.

5.14 If the ACAP Reviewer discovers any gaps and incorrect GST treatment, it has to document its findings in “Follow-Up Actions on GST Gaps and Errors” of the “ACAP Renewal Report”.

## **Section 6 :     *Substantive Testing for GST Reporting***

**Who should read this section:**  
**ACAP Reviewer**

- 6.1 The ACAP Reviewer performs the following review procedures on the GST return(s) to verify the accuracy and completeness of the data extracted and compiled for the GST return(s) submission for the Test Period:
- (a) Agree ALL the values reported in the selected GST return(s) to the GST listings and working schedules/consolidation schedules prepared by the ARA. The ACAP Reviewer also re-computes the values in the listings/schedules, where applicable, to detect incorrect computation of the values in the GST returns. If the GST return figures do not agree to the listings/schedules, it seeks clarification with the ARA and highlights its observation.
  - (b) Review the accuracy of the GST return(s) submitted by checking whether the ARA had correctly made specific GST adjustments (e.g. adjustment on residual input tax apportionment for both taxable and exempt supplies, accounting for output tax on deemed supplies, etc).

 The ACAP Reviewer performs substantive review on GST Reporting based on the guidance above. It documents its findings with evidence in its working papers.

## **Section 7 : ACAP Renewal Report**

**Who should read this section:**  
**ACAP Reviewer**

- 7.1 IRAS relies substantially on information represented by ARA and ACAP Reviewer in the SRC and “ACAP Renewal Report” to renew ARA’s ACAP status.
- 7.2 The following summarises the information to be presented in the “ACAP Renewal Report”:

### **Section 1 - Business Information**

- 7.3 Provide information on:
  - (a) ARA’s accounting software (including system change);
  - (b) Types of income streams and its corresponding classification in the GST returns (e.g. standard-rated, zero-rated supplies, etc). For GST group or divisional registrant, information given should be on a per member or division basis;
  - (c) Checks on Major Exporter Scheme (if applicable); and
  - (d) New or major changes in the sales, purchases and GST reporting processes since the last Post ACAP Review.

### **Section 2 - Review of GST Risks**

- 7.4 ACAP Reviewer is required to provide brief information of the following:
  - (a) Where ARA’s SRC scores resulted in ARA’s change of ACAP status category, describe the review performed and its findings on whether the controls are effective to manage risk of filing incorrect GST returns (if any);
  - (b) Identify and list the potential industry-specific GST risks. ACAP Reviewer is not required to list common errors or risk areas listed in Appendix 4 of this guide;
  - (c) Basis in selecting group or divisions of ARA (if applicable); and
  - (d) For exceptional items that fall outside the Test Period but within the Review Year, please state the procedures devised to ensure that correct GST treatment has been applied on such transactions.

### **Section 3 – Walk-through and Interview**

- 7.5 Highlight ACAP Reviewer's findings of the manner of tax classification (i.e. in-built tax logic or manual selection of tax code), existence of the tax classification controls and whether all selected transactions agreed to the posting in accounting system, GST reports and GST returns.

### **Section 4 - Review of New Processes**

- 7.6 Highlight whether the controls tested on new or major changes to business processes are working as designed and effective in managing the risks and the exceptions noted from the test of controls and substantive testing.

### **Section 5 - Review of Entity Level Controls**

- 7.7 Documents its findings on the existence of key controls at Entity Level.

### **Section 6 - Review of GST Schemes**

- 7.8 Highlight any deviation from the legislative and documentary requirements of the specific schemes.

### **Section 7 - Substantive Testing**

- 7.9 Indicate the relevant table to determine the sample size. The ACAP Reviewer is required to state the number of samples selected and the population size if the sample size is lower than the stipulated sample size in Tables 1 to 3 of Section 5.11.
- 7.10 Highlight other findings such as deviation from the prescribed sample size due to limited number of transactions and increase in sample size due to anomalies noted during its application of audit procedures.

## **Section 8 :      *Follow-Up on ACAP Renewal Review***

**Who should read this section:**  
**ARA & ACAP Reviewer**

### **Follow-Up on ACAP Reviewer's Findings**

- 8.1 Based on the ACAP Reviewer's findings, the ARA evaluates the impact of the GST control gaps and errors made, if any, in its past and current GST returns.
- 8.2 For the GST control gaps noted, the ARA should take additional steps to prevent the errors from recurring.
- 8.3 The ARA has to review its accounts and records to quantify the errors made in the Test Period. If the error is recurring in nature and GST is involved (i.e. it affects the output tax and/or input tax), the ARA has to review its past GST returns for the past 5 years<sup>29</sup> and up to the current period, if applicable.
- 8.4 The ARA can consolidate and quantify the yearly amount of its recurring error before, during and after the Review Year. For example, if the Review Year is 1 Jan to 31 Dec 2015, the errors may be quantified on a yearly basis based on the period 1 Jan to 31 Dec. If the Review Year is 1 Apr 2015 to 31 Mar 2016, the errors may be quantified on a yearly basis based on the period 1 Apr to 31 Mar.
- 8.5 If the ARA has difficulties reviewing its past GST returns for the actual error amount, it may use a proxy<sup>30</sup> to compute an estimated error amount for the purpose of this review. It needs to state its basis or method of estimation in "Follow-Up Actions on GST Gaps and Errors" for IRAS' approval.
- 8.6 If the ARA requires ruling from IRAS on contentious GST issues, the issues should be surfaced to IRAS at least 3 months before the due date of the report. The request should contain the facts of the issue, treatment applied and the basis of the application and interpretation.

### **Disclosure of GST Gaps and Errors**

- 8.7 The ARA furnishes the following information to the ACAP Reviewer for completion of "Follow-Up Action on GST Gaps and Errors":
  - (a) Whether the errors noted are recurring in nature (i.e. similar to error disclosed in ACAP review/Post ACAP Review);

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<sup>29</sup> For accounting period ending on or after 1 Jan 2007.

<sup>30</sup> If the trend of your supplies/purchases is consistent, you can consider using a fixed quantum. If the trend tends to fluctuate, a percentage or proportion may be more suitable.



- (b) Reason for the occurrence of the control gap;
- (c) Follow-up actions taken by the ARA to ensure that errors do not recur and the effective date of implementation (if applicable);
- (d) Amount of errors by affected periods; and
- (e) Where amount of errors is estimated, to provide the basis of extrapolation with reasons supporting the appropriateness of the basis used.

## ***Section 9 : ACAP Renewal Declaration and Deliverables***

**Who should read this section:**  
**ARA**

- 9.1 At the end of the ACAP Renewal Review, the ARA is required to submit “ACAP Renewal Declaration” to IRAS.
- 9.2 The following documents must be submitted together with the ACAP Renewal Declaration, **within 3 months** after the expiry of ACAP status:
  - (a) “Self-Review of GST Controls” checklists
  - (b) GST Trend Analysis
  - (c) Organisational Chart (by Function and Business Activities) and GST Structure
  - (d) ACAP Renewal Report
  - (e) Follow-Up Action on GST Gaps and Errors

## **12 Frequently Asked Questions**

### **12.1 What should I consider when choosing the Review Year?**

Your choice of Review Year may affect the time period available to complete and submit the ACAP Renewal Declaration and deliverables and period for which penalties would be waived. For more information, please refer Section 1.17 (page 13).

### **12.2 Can I apply for renewal after expiry of ACAP status?**

No. It will be treated as a new application where ACAP review scope is the same as a first time ACAP applicant.

It is not advisable to delay your application for renewal of ACAP status as additional costs would be incurred. This is because you are required to submit the 2<sup>nd</sup> PAR which is due 6 months before the expiry date of your ACAP status. If you are applying for GST schemes, you are required to obtain a certified PAR.

In addition, as the scope of ACAP Renewal Review is simplified, you would expect to expend fewer resources. Since you have already embarked on your GST risk management journey, continuing to be ACAP certified provides you the assurance that robust tax risk management is in place to ensure long term compliance.

### **12.3 Do I need to perform PAR after renewal of ACAP status?**

Yes, businesses are required to perform two PARs during the ACAP status period after renewal. Please refer to Appendix 2 “Information Leaflet on Post ACAP Review (PAR) after ACAP Renewal” for more details.

## **13 Contact information**

### **13.1 For enquiries on this e-Tax Guide and Appendices, please contact:**

Goods & Services Tax Division  
Inland Revenue Authority of Singapore  
55 Newton Road  
Singapore 307987

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

## Downloadable forms and templates

The following forms and templates are downloadable from <https://www.iras.gov.sg> (GST > For GST-registered businesses > GST Initiatives to Facilitate Voluntary Compliance > GST Assisted Compliance Assurance Programme (ACAP), under the section “Related”) or by clicking the following hyperlinks:

### **Templates**

- [“Self-Review of GST Controls”](#) checklists
- [“ACAP Renewal Working Templates”](#) (See Appendix 1 for the available templates)

### **Form**

The following application forms are downloadable from <https://www.iras.gov.sg> (Under Quick Links, Forms > GST > Others) or by clicking the following hyperlinks

GST F29	<a href="#">Application to Renew ACAP status</a>
GST F28	<a href="#">Post ACAP Review Declaration</a>
GST F28A	<a href="#">Certified Post ACAP Review Declaration</a>

## **Appendix 1**

### **Overview of ACAP Renewal Working Templates**

The ACAP Renewal Working Templates comprise the following:

- 1) ACAP Renewal Declaration
- 2) GST Trend Analysis
- 3) ACAP Renewal Report:
  - a. Section 1. Business Information
  - b. Section 2. Review of GST Risks
  - c. Section 3. Walk-through and Interview
  - d. Section 4. Review of New Processes
  - e. Section 5. Review of Entity Level Controls
  - f. Section 6. Review of GST Schemes
  - g. Section 7. Substantive Testing
- 4) Follow-Up Action on GST Gaps and Errors:
  - a. Section 1. Disclosure of gaps and errors
  - b. Section 2. Technical issues to highlight to Comptroller for clarification
- 5) Working papers for Transaction level (for reference only):
  - a. Supplies
  - b. Purchases

## Appendix 2

### Information Leaflet on Post ACAP Review (PAR) after ACAP Renewal

#### 1 Competent team to conduct the PAR

- 1.1 Businesses accorded with ACAP status may choose to use their in-house team or engage an external consultant (e.g. Public Accounting Entity, GST advisory firm) to conduct the review of their past GST declarations. The senior management should ensure that the team is sufficiently resourced and competent in conducting the review. The results of the review are to be highlighted to the Audit Committee/Board of Directors.

##### In-house team

- 1.2 The team leader must have in-depth GST knowledge of GST rules for both general and industry issues and is preferably an Accredited Tax Practitioner (GST) [hereafter termed as ATP (GST)] or Accredited Tax Advisor (GST) [hereafter termed as ATA (GST)] of Singapore Institute of Accredited Tax Professionals ("SIATP"). He/she should have good overall knowledge of the financial and accounting system and processes as well as GST tax classification and control processes. The tax team/internal audit team (whichever is applicable) should be involved in the review.
- 1.3 The team should report to the key person tasked with overall responsibility for GST compliance (such as CFO, CEO, Finance Director and Head of Finance).

##### External Consultant

- 1.4 The team leader must be an ATA (GST) or ATP (GST) of SIATP. The firm should have prior experience in conducting GST compliance reviews for businesses of similar size and in the same industry.

#### 2 Scope of review

- 2.1 The following aspects should be covered in the PAR:
- (a) Review anomalies in the past one year's GST return declarations and compare against the financial statements or management accounts to detect errors.
  - (b) Select a 3-month period of GST declarations, assessed to pose higher risks of errors (e.g. period where there is a change of key finance staff, major change of business processes and accounting

systems and other events that impact GST reporting) or have higher values of transactions.

- (c) Review the GST listings of transactions for the selected period to identify potential errors. Some examples of potential errors include:
  - (i) Recurrence of errors or control gaps surfaced during the conduct of ACAP
  - (ii) Other GST risks as highlighted in IRAS letter upon the accord of ACAP status
  - (iii) Omitted sales (e.g. missing sales invoices) and not adhering to time of supply rules
  - (iv) Wrong interpretation of disbursement and reimbursement
  - (v) Omission to deem output tax on gifts of goods
  - (vi) Duplicate input tax claims
  - (vii) Claiming of disallowed input tax
  - (viii) Failure to repay input tax on purchases that remain unpaid after 12 months from the payment due date
  - (ix) Data extraction error
- (d) Perform substantive review of transactions for the selected period. The samples selected (*see paragraph 4 on the sample size*) should cover major income and expenditure streams and exceptional transactions to check for value accuracy, correct GST treatment and whether the transaction is supported with required documentary evidence.

- 2.2 Businesses with no prior experience in performing in-house tax reviews or require further guidance on the review scope can adopt the review methodology covered in the step-by-step guidance in paragraph 8 of e-Tax Guide “GST: Assisted Self-Help Kit (ASK) Annual Review Guide”.

#### Business updates and assessment of the impact on GST controls

- 2.3 The team should review the correspondence or corporate management files (if applicable) to identify events or business activities that could pose a risk to the business’ GST compliance.
- 2.4 The team should seek feedback from the various heads of functional units on any updates of business models/contracts or processes that could affect the effectiveness of the GST controls.

- 2.5 Such updates would enable the team to assess whether the GST process flows need to be updated, including the database containing important information of business' stance towards proactive GST risk management.
- 2.6 For new risk areas, the business has to assess the need to re-complete the "Self-Review of GST Controls" checklists and seek a ruling from IRAS for contentious tax issues to secure tax certainty.

### 3 Review period for PAR after ACAP Renewal

- 3.1 The business has to determine a 12-month review period and select a 3-month period of GST declarations to conduct the PAR. The 12-month review period for each PAR and the respective submission due dates are as follows:

PAR	12-month review period	Due date to submit PAR
<b>First PAR via form GST F28 "PAR Declaration"</b>	Latest 12 months of GST returns filed from <u>IRAS' notification of renewal of ACAP status</u>	18 months from IRAS' notification of your renewed ACAP status
<b>Second PAR via form GST F28 "PAR Declaration"*</b>	Latest 12 months of GST returns filed as at the <u>end of the 5<sup>th</sup> year (for 'ACAP Premium' status) or 3<sup>rd</sup> year (for 'ACAP Merit' status) of the ACAP status validity period</u>	6 months before the expiry of the renewed ACAP status

\* Note: A business that continues to renew its ACAP status will be exempted from the second PAR

- 3.2 The business can choose to submit the form GST F28 "Post Assisted Compliance Assurance Programme (ACAP) Review Declaration" earlier than the stipulated due dates (see table in paragraph 3.1 above) to enjoy the waiver of penalties under IRAS' Voluntary Disclosure Programme (VDP) for errors that occurred within the 12-month review period.



## 4 Sample size for substantive review

- 4.1 As ACAP businesses have put in place a sustainable GST Control Framework to ensure continual GST compliance, they can apply a lower sample size from that of ASK Annual Review<sup>31</sup> as shown in the table below:

### Single GST Registrant

Categories	Businesses making substantially taxable supplies	Regulation 34 businesses and developers with sale or lease of residential properties
Standard-rated supplies & Output tax	20 <sup>(a)</sup> - 25 <sup>32</sup>	20 <sup>(a)</sup> - 25 <sup>32</sup>
Zero-rated supplies	30 <sup>(a)</sup> – 45	20 <sup>(a)</sup> – 30
Exempt supplies	1 (if making only reg 33 exempt supplies) 5 to 10 <sup>(c)</sup> (if making both reg 33 & non-reg 33 exempt supplies)	30 <sup>(a)</sup> – 45
Out-of-scope supplies	5	
Input tax claims <sup>(d)</sup> (GST on local purchases, GST paid on imports, bad debt relief claims, repayment of input tax on unpaid purchases, etc)	30 <sup>(a)</sup> – 45	
GST schemes on imports (e.g. MES, IGDS, AISS)	20 – 30 <sup>(b)</sup>	
Other GST schemes (e.g. AMFT, ACMT)	10	

<sup>31</sup> For ASK Annual Review, the sample size for each box of GST return figures is as follows:

- All transactions if total number of transaction is 30 or less.
- At least 30 samples covering 30% of the values or up to a maximum of 60 samples except for standard-rated supplies.
- For standard-rated supplies, select any 10 more samples to make up the maximum of 40 samples.

<sup>32</sup> ACAP businesses can adopt the reduced sample size for standard-rated supplies with effect from 18 Dec 2015.

### GST Group Registrant/Divisional Registrant<sup>33</sup>

Categories	Businesses making substantially taxable supplies	Regulation 34 businesses and developers with sale or lease of residential properties
Standard-rated supplies & Output tax	20 <sup>(a)</sup> – 30 <sup>32</sup>	20 <sup>(a)</sup> – 30 <sup>32</sup>
Zero-rated supplies	30 <sup>(a)</sup> – 60	20 <sup>(a)</sup> – 45
Exempt supplies	1 (if making only reg 33 exempt supplies) 5 to 10 <sup>(c)</sup> (if making both reg 33 & non-reg 33 exempt supplies)	30 <sup>(a)</sup> – 60
Out-of-scope supplies	5	
Input tax claims <sup>(d)</sup> (GST on local purchases, GST paid on imports, bad debt relief claims, repayment of input tax on unpaid purchases, etc)	30 <sup>(a)</sup> – 60	
GST schemes on imports (e.g. MES, IGDS, AISS)	20 – 45 <sup>(b)</sup>	
Other GST schemes (e.g. AMFT, ACMT)	10	

#### Notes to Table:

- (a) If the total number of transactions is less than the minimum sample size shown in the table, all transactions are to be covered. If the minimum sample size does not cover at least 30% of the total value declared, the sample size is to be extended to the maximum number. However, if the GST team has conducted a second level of check on all transactions or has referred to the “ASK” pre-filing checklists before filing the returns, the business is not bound by the 30% value rule and can apply the minimum sample size on the selection of transactions.

<sup>33</sup> For GST group registrant, the sample size indicated in the table is for the entire GST group and not per member. For example, for a 2-member GST group, the minimum sample size for standard-rated supplies is 20 instead of 40 (2 members \* 20).

For divisional registrant, the sample size indicated in the table is for the entity and not per division. For example, for an entity with 3 divisions, the minimum sample size for input tax claims is 30 instead of 90 (3 divisions \* 30).

- (b) The minimum sample size is 20 for a business that is not acting as section 33(2) and 33(A) agent for overseas principals. If the business imports goods as agent on behalf of its overseas principals, the sample size is to be extended to 30 (for single GST registrant) and 45 (for GST group/divisional registrant). A reconciliation should be performed from its internal list of “ME” permits to the list of ME permits taken up with the Singapore Customs if it is not done as part of its control process.
  - (c) If the business made non-regulation 33 exempt supplies and the value of non-regulation 33 exempt supplies constitute 10% or more of total supplies (i.e. box 4 of the GST return), the higher sample size of 10 for non-regulation 33 exempt supplies will apply. Otherwise, the sample size for non-regulation 33 exempt supplies will be 5.
  - (d) The review should include determining whether residual input tax is correctly identified and correctness in the apportionment of input tax if the value of exempt supplies made exceeds De-Minimis limit.
- 4.2 IRAS may on a case-by-case basis grant approval for reduction in sample size if the business has used analytical tools to perform data analysis of its GST listings such that major streams of income and transactions with higher risk of incorrect GST treatment are identified for substantive review.
- 4.3 Business should record all its results in the working templates of the form GST F28.
- 4.4 IRAS reserves the right to verify and extend the scope of audit checks beyond the samples selected by businesses which have performed the checks according to the e-Tax Guide “GST: ASK Annual Review Guide”. **If additional errors are detected during the course of IRAS’ audit, they would not qualify for waiver or reduced penalty under IRAS’ Voluntary Disclosure Programme (VDP).**

## 5 Submission of first and second PAR

- 5.1 The business is required to submit the form GST F28 and the following documents:

PAR	Documents to be submitted together with the form GST F28
<b>First PAR via form GST F28 “PAR Declaration”</b>	<ul style="list-style-type: none"> <li>• Appendix 1 - Trend Analysis</li> <li>• Appendix 2 - Disclosure of Errors in GST Returns and Follow-Up Actions (if applicable)</li> </ul>
<b>Second PAR via form GST F28 “PAR Declaration”</b>	<ul style="list-style-type: none"> <li>• Appendix 1 - Trend Analysis</li> <li>• Appendix 2 - Disclosure of Errors in GST Returns and Follow-Up Actions (if applicable)</li> <li>• Appendix 3 - Working Template for Standard-Rated Supplies and Output Tax</li> <li>• Appendix 4 - Working Template for Zero-Rated Supplies</li> <li>• Appendix 5.1 - Working Template for Exempt Supplies (if the business is actively making exempt supplies<sup>34</sup>) or Appendix A5.2 - Working Template for Exempt Supplies (for other business)</li> <li>• Appendix 6 - Working Template for Input Tax and Refund Claimed (on Local Purchases, Imports with GST Paid, Tourist Refund Scheme and Bad Debt Relief)</li> <li>• Appendix 7.1 - Working Template for Imports with GST Suspended (e.g. under MES) or with GST Deferred (under IGDS) (for own imports)</li> <li>• Appendix 7.2 - Working Template for Imports with GST Suspended (e.g. under MES) or with GST Deferred (under IGDS) (for goods imported on behalf of overseas principals)</li> </ul>

<sup>34</sup> A business is regarded as ACTIVELY making exempt supplies if its core business relates to

- (i) Developing or investing in residential properties (i.e. sale and/or lease of residential properties);
- (ii) Providing financial services (e.g. as a financial institution); or
- (iii) Importing and supplying investment precious metals (IPM) locally with effect from 1 Oct 2012.

## **6 Regular review of the GST returns**

- 6.1 Although the PAR is not required to be performed annually, we strongly encourage ACAP businesses to perform regular reviews of their GST declarations to qualify for waiver of penalties for errors disclosed within the 1-year grace period under IRAS' VDP. Any delay in disclosing or rectifying the errors would result in late payment penalties being imposed if the errors are disclosed or the form GST F7 "Disclosure of Errors on GST Return" is filed beyond the 1-year grace period.

## **Appendix 3**

### **Information Leaflet on Certified Post ACAP Review (PAR) (For GST Scheme Renewal – If you do not continue to renew your ACAP status)**

#### **1 Competent team to conduct the PAR**

1.1 The Second Certified PAR must either be:

- (a) Performed by external Accredited Tax Advisor (GST) [hereafter termed as ATA (GST)] or Accredited Tax Practitioner (GST) [hereafter termed as ATP (GST)] of Singapore Institute of Accredited Tax Professionals<sup>35</sup> (“SIATP”); or
- (b) Performed by in-house ATA (GST) or ATP (GST) accredited with SIATP; or
- (c) Performed in-house and certified by external ATA (GST) or ATP (GST) accredited with SIATP, adhering to the certification procedures set out in paragraph 9 of the e-Tax Guide “GST: Assisted Self-Help Kit (ASK) Annual Review Guide”.

#### **2 Scope of review of Certified PAR and sample size**

2.1 The review must be conducted based on the ASK methodology and adhere to the sample size requirements specified in paragraph 8 of the e-Tax Guide “GST: ASK Annual Review Guide”.

2.2 Further, the team should ensure that the following additional aspects are covered in the PAR:

- (a) Review of past GST errors and control gaps surfaced during the conduct of ACAP and past PAR.
- (b) Review potential GST risk areas highlighted in IRAS’ letter upon the accord of ACAP status.
- (c) Identify events or business activities that could pose new GST risk to the business’ GST compliance.
- (d) Seek feedback from the various heads of functional units on any updates of business models/contracts or processes that could affect the effectiveness of the GST controls. The team should assess whether the GST process flows need to be updated,

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<sup>35</sup> For more information on accreditation with Singapore Institute of Accredited Tax Professionals (SIATP), please visit [www.siatp.org.sg](http://www.siatp.org.sg)

including the database containing important information of business' stance towards proactive GST risk management.

- (e) Describe the changes made to the GST controls established to ensure correct tax classification applied and accuracy in value.
- (f) Describe the follow-up action taken to ensure that GST risks are managed.

- 2.3 The team is required to record the results of its checks in the working templates of the form GST F28A "Certified Post ACAP Review Declaration".

### **3 Period of review**

- 3.1 The Certified PAR should be performed based on the latest 12 months of GST returns filed as at the end of the 5<sup>th</sup> year (for 'ACAP Premium' status) or 3<sup>rd</sup> year (for 'ACAP Merit' status) of the renewed ACAP status validity period.

### **4 Submission of PAR findings**

- 4.1 The following must be submitted together with the form GST F28A six months before the expiry of the renewed ACAP status:

For Certified PAR performed by SIATP ATA (GST)/ATP (GST)

- (a) Appendix 1 - Trend Analysis
- (b) Appendix 2 - Disclosure of Errors in GST Returns and Follow-Up Actions (if applicable)
- (c) Appendix 3 - Working Template for Standard-Rated Supplies and Output Tax
- (d) Appendix 4 - Working Template for Zero-Rated Supplies
- (e) Appendix 5.1 - Working Template for Exempt Supplies (if the business is actively making exempt supplies ) or Appendix A5.2 - Working Template for Exempt Supplies (for other business)
- (f) Appendix 6 - Working Template for Input Tax and Refund Claimed (on Local Purchases, Imports with GST Paid, Tourist Refund Scheme and Bad Debt Relief)
- (g) Appendix 7.1 - Working Template for Imports with GST Suspended (e.g. under MES) or with GST Deferred (under IGDS) (for own imports)

- (h) Appendix 7.2 - Working Template for Imports with GST Suspended (e.g. under MES) or with GST Deferred (under IGDS) (for goods imported on behalf of overseas principals)

Additional documents to be submitted for Certified PAR that is performed in-house and certified by SIATP ATA (GST) or ATP (GST)

- (i) “Summary of Certification Procedures” of the e-Tax Guide “GST: ASK Annual Review Guide”

4.2 IRAS reserves the right to verify and extend the scope of audit checks beyond the samples selected by businesses which have performed the checks according to the e-Tax Guide “GST: ASK Annual Review Guide”. **If additional errors are detected during the course of IRAS’ audit, they would not qualify for waiver or reduced penalty under IRAS Voluntary Disclosure Programme (VDP).**



## Appendix 4

### Common GST Risks at Transaction and GST Reporting Level

GST Risks at Sales Transaction Level	
1.	Risk of wrong tax classification of the type of transaction e.g. standard-rated supplies wrongly classified as zero-rated supplies, out-of-scope supplies wrongly classified as zero-rated supplies
2.	Risk of omission of supplies, which could arise from: <ul style="list-style-type: none"><li>a. Incorrect cut-off date of month-end closing</li><li>b. Invoices generated but not captured in the financial system for non-trade supplies (e.g. sales of scrap metals/fixed assets)</li><li>c. Not capturing supply to related parties/companies</li><li>d. Not recognising management fees income</li><li>e. Not capturing buyer-generated invoices</li><li>f. Not capturing goods sold under consignment terms</li><li>g. Not capturing goods sold under vendor-managed inventory system</li><li>h. Not capturing supply of goods in the capacity of an agent to the overseas principal</li><li>i. Not recognising business assets put to non-business/private use e.g. sharing of premise with no rental charged</li><li>j. Not deeming output tax for gifts more than \$200 where GST was claimed on gifts</li><li>k. Not charging output tax on the recovery of expenses that do not qualify as disbursements</li></ul>
3.	Risk of data entry errors arising from manual capturing of data
4.	Risk of accounting for output tax on the net instead of gross value in the situation where the value of supply is offset against counter supply by the customer or related company
5.	Risk of not accounting for output tax based on the time of supply rule i.e. the earlier of receipt of payment or invoice date
6.	Risk of issuing tax invoices that do not reflect all the particulars required under the GST Act
7.	Risk of issuing credit notes that do not reflect all all the particulars required under the GST Act
8.	Risk of not capturing the Singapore dollars equivalent for invoices denoted in foreign currency
9.	Risk of insufficient documentary evidence maintained for direct and indirect export arrangements to support zero-rating of exports of goods
10.	Risk of zero-rating the supply of goods that are not covered under the e-Tax Guide on Exports and no prior approval has been obtained from IRAS
11.	Risk of zero-rating the supply of services that do not qualify as international services under section 21(3) of the GST Act
12.	Risk of omission of exempt supplies in the GST returns and/or not identifying exempt supplies into regulation and non-regulation 33 categories for the apportionment of input tax

<b>GST Risks at Purchases Transaction Level</b>	
1.	Risk of wrong tax classification of type of transaction e.g. incorrectly classified zero-rated purchases as standard-rated purchases
2.	Risk of claiming input tax on purchases from GST-registered suppliers without valid tax invoices e.g. tax invoice not addressed to the business, tax invoice does not contain all the required particulars
3.	Risk of claiming input tax on imports without supporting payment permits or with payment permits not showing the business as the importer
4.	Risk of claiming input tax based on payments without supporting tax invoices/payment permits
5.	Risk of not claiming input tax based on the Singapore dollars equivalent stated on the tax invoices denominated in foreign currency
6.	Risk of claiming input tax more than once on the same transaction
7.	Risk of making early claims where the date of tax invoice or import permit fall within a later accounting period
8.	Risk of not adjusting the value of purchases and input tax on credit notes received
9.	Risk of data entry errors arising from manual capturing of data
10.	Risk of claiming GST on purchases from non-GST registered suppliers
11.	Risk of claiming GST on zero-rated purchases from GST registered suppliers, especially where the tax invoice contains both standard-rated and zero-rated purchases
12.	Risk of claiming input tax on disallowed expenses under regulations 26 and 27 of the GST (General) Regulations
13.	Risk of claiming input tax directly attributable to exempt supplies (e.g. GST on brokerage fees for purchase and sale of shares, GST on property agent services for sale of residential property)
14.	Risk of applying the incorrect input tax apportionment formula
15.	Risk of not reviewing captured transactions for exceptions, for example: <ol style="list-style-type: none"> <li>Purchases and corresponding input tax that remain unpaid after 12 months</li> <li>GST is not equivalent to prevailing GST rate of the value of purchases</li> <li>Input tax not claimable</li> </ol>
16.	Risks relating to Major Exporter Scheme (MES) status accorded: <ol style="list-style-type: none"> <li>Risk of misuse of MES status to import goods that do not belong to the business or its overseas principals e.g. transferred business, other businesses with similar names</li> <li>Risk of not maintaining sufficient documentary evidence to support ownership of goods imported under MES</li> <li>Risk of misuse of MES status by the business' declaring agents</li> </ol>

<b>GST Risks at GST Reporting Level</b>	
1.	<p>Risk of incorrect extraction of data due to:</p> <ul style="list-style-type: none"> <li>a. Incorrect definition of period, parameters, formulae or code due to oversight, incorrect assumptions or inadequate knowledge</li> <li>b. System limitation to extract data for GST reporting e.g. system constraint resulting in omission of certain data</li> <li>c. Extraction of incomplete data e.g. data extraction before posting of entries</li> </ul>
2.	<p>Risk of intended/unintended overwriting of extracted data e.g. incorrect adjustments, formula errors</p>
3.	<p>Risk of failure to perform reviews and make manual adjustments that are necessary to ensure correct GST reporting such as:</p> <ul style="list-style-type: none"> <li>a. Identifying and apportionment of residual input tax</li> <li>b. Performing longer period adjustment in respect of the input tax claimed for the tax year</li> <li>c. Repayment of tax for purchases that remain unpaid after 12 months where input tax was claimed</li> <li>d. Deeming of output tax on supplies of goods given free</li> <li>e. Disallowed input tax if it was not excluded at Transaction (Purchases) level</li> </ul>
4.	<p>Risk of not identifying all data to be extracted for GST reporting, for example:</p> <ul style="list-style-type: none"> <li>a. Fringe benefits that require deeming of output tax</li> <li>b. Transactions made in the capacity of a section 33(2) and 33A agent for overseas principal</li> <li>c. Supplies made under self-billing arrangement</li> <li>d. Credit notes</li> <li>e. Sale of assets</li> <li>f. Exempt supplies</li> </ul>
5.	<p>Risk of not reviewing the extracted data/reports for exceptions, for example:</p> <ul style="list-style-type: none"> <li>a. Variances in computed input tax against declared input tax in GST F5 returns</li> <li>b. Abnormal fluctuation in the categories of transactions as compared to last prescribed accounting period or other suitable basis for comparison</li> <li>c. Zero-rated supplies of goods which are delivered locally</li> <li>d. Input tax claims on taxable purchases from non-GST registered suppliers (i.e. without GST-registration number)</li> <li>e. Input tax claims on purchases from suppliers providing goods/services which are disallowed under regulations 26 and 27 of the GST (General) Regulations</li> <li>f. Value of taxable purchases exceeding total supplies without valid reasons</li> </ul>