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In this issue, KPMG Tax Services highlights the changes to the GST treatment of vouchers effective from 1 January 2010. If you buy, sell or give away vouchers in the normal course of your business, it is important that you understand the changes as these will affect your GST treatment of these gifts.

The Inland Revenue Authority of Singapore (IRAS) recently published an e-tax guide explaining the changes to GST treatment of vouchers. Some of the key changes that will take effect from 01 January 2010 include:

- **Current GST treatment on monetary value vouchers extended to non-monetary value vouchers**

The IRAS categorises vouchers into Multi-Redemption Voucher (MRV) and non-MRV. Whilst most of the common forms of vouchers such as shopping vouchers (e.g. departmental store shopping vouchers), stored value cards (e.g. EZ-link card), prepaid gaming cards and prepaid calling cards fall within the category of a MRV, a product voucher which is utilised to purchase a specific value and type of goods or services (e.g. voucher for a walnut cake) is considered a non-MRV for GST purposes. The difference in the GST treatment of the MRV and non-MRV lies in the tax point of accounting for the GST.

Whilst a GST-registered issuer cum supplier of the MRV is required to account for GST at the prevailing standard-rate at the point of issuance of MRV only if he is unable to track the future redemption of goods or services (and at the point of redemption if he is able to track redemption of goods or services), he is required to account for GST upfront on the sale of a non-MRV.

- **Election to bring forward the tax point of GST accounting**  
A GST-registered issuer cum supplier which has been accounting for GST based on redemption of goods or services can apply to the Comptroller of GST to bring forward the tax point of GST accounting to the point when he receives payment from the sale of MRV.
- **Accounting for GST on the expiry of unredeemed vouchers**  
A GST-registered issuer is required to account for GST on unredeemed vouchers which expire on or after

1 January 2010 in his GST F5 returns once the unredeemed amounts are recognised as income in the Income Statement. A GST-registered issuer cum supplier who has accounted for GST upfront at the point of issuance of vouchers need not account for GST again when the unredeemed vouchers expire.

- **MRVs sold through intermediaries**  
A GST-registered intermediary who buys and sells vouchers for a margin must account for GST at the prevailing tax fraction of 7/107 on the margin earned (i.e. difference between the selling price of the voucher up to the face value and the purchase price of the vouchers).

Apart from the above, the IRAS also clarified its GST treatment for the issue and redemption of paid loyalty points which qualifies as an MRV. The key point to note is the requirement for the issuer of paid loyalty points to account for GST if it pays a lower consideration to a participating supplier for the goods or services redeemed by a customer using the loyalty points i.e. the GST at the prevailing standard-rate to be applied on the difference between the amount paid by issuer to supplier and the value of goods or services redeemed by the customer.

To better assist you in the understanding and applying the GST treatment of vouchers in your day-to-day business, we have summarised in the table below the GST treatment to be adopted in different common scenarios.

Type of scenario		Existing GST treatment	New GST treatment (with effect from 1 January 2010)
<b>(1) For GST-registered issuer cum supplier of goods and/or services (<u>able</u> to track redemption of goods and/or services).</b>			
(i) At the point of redemption of goods and/or services using the MRV		Account for GST up to the face value of the MRV	Account for GST based on the face value of the MRV, unless the exact value of consideration, <i>being a lower amount</i> , received from the sale of the MRV can be tracked. In which case, GST is accounted on the consideration received.
(ii) At the point of sale of MRV	Sale of MRV at or below face value	Disregarded	
	Sale of MRV above face value	Account GST on the amount in excess of the face value	
Type of scenario		Existing GST treatment	New GST treatment (with effect from 1 January 2010)
<b>(2) For GST-registered issuer cum supplier of goods and/or services (<u>unable</u> to track redemption of goods and/or services).</b>			
(i) At the point of redemption of goods and/or services using the MRV		Account for GST based on the face value of the MRV, unless the exact value of consideration, being a lower amount, received from the sale of the MRV can be tracked. In which case, GST is accounted for based on the consideration received from the customer	
(ii) At the point of sale of MRV	Sale of MRV at or below face value		
	Sale of MRV above face value		
Type of scenario		Existing GST treatment	New GST treatment (with effect from 1 January 2010)
<b>(3) Expiry of unredeemed MRV</b>			
		No GST to be accounted	GST to be accounted when the MRV expires and is recognised as income in the Income Statement
<b>(4) Sale of MRV by intermediaries</b>		No GST to be accounted for on the margin earned by intermediaries	GST at the prevailing tax fraction to be accounted for on the margin earned by the intermediaries
<b>(5a) Sale of non-MRV (where the supplier and issuer is the same person)</b>		GST to be accounted for by supplier of goods and/or services pursuant to the normal time of supply rules	
<b>(5b) Sale of non-MRV (where the supplier and issuer are different persons)</b>		<ul style="list-style-type: none"> <li>• GST to be accounted by issuer on the sale of non-MRV when payment is received from the customer</li> <li>• GST to be accounted by supplier of goods and/or services when customer redeems the goods and/or services</li> </ul>	
<b>(6) Gift of MRV and non-MRV</b>		No GST to be accounted	

### How KPMG can help

If you are in the business of issuing, buying and selling vouchers, we can assist you in the correct application of the new GST treatment on specific scenarios that you may encounter in your day-to-day business. Please do not hesitate to contact us if you would like to understand the new GST treatment of vouchers in more detail.

### Contact us

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