

GST Risks and Controls Series: Self-Billing Arrangement

The Inland Revenue Authority of Singapore (IRAS) has updated their website content on self-billing arrangement on 6 August and they have provided two examples of self-billing tax invoices (normal self-billing tax invoice and self-billing tax invoice under customer accounting).

While there is no change to the conditions to adopt the self-billing arrangement (although the checklist for self-review of eligibility and declaration on use of self-billing form has been moved online and can only be accessed when you login using your Corppass), there are some practical GST risks that one needs to consider when adopting the self-billing arrangement.



One of the GST risk areas is the **exchange rate used**.

Under the self-billing arrangement, the supplier is required to account for output GST based on the self-billing tax invoices generated by the customer. One of the risk areas is that if the tax invoice is denoted in foreign currency, the exchange rate used by both parties to account for GST in the respective GST returns may be different.

Although in theory, the supplier should use the SGD equivalent amount stated on the buyer-created tax invoice to account for output tax, the practical issue is that the supplier would still need to capture the transactions in their accounting system and there may be a system constraint by the supplier to capture the exchange rate used by the buyer.

Hence, it is important for both parties to take the additional step to discuss and agree on the exchange rate (right down to the number of decimal places and the rounding rules) to be used in order to avoid any differences between the output tax accounted by the supplier and the input tax claimed by the customer.

You know for a fact that the IRAS is not going to suffer the exchange differences and there is no materiality level when it comes to tax under-accounted to the IRAS. Any recurring errors have to be quantified and adjusted for the past five years (although administratively, you could use a proxy to estimate the past errors).

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