**ASK and It Shall Be Given to You**
*Proceed or Not to Proceed: Participate in a GST ACAP or ASK Review*

There are two main GST compliance initiatives introduced by the Inland Revenue Authority of Singapore (IRAS) to help GST registered businesses voluntarily comply – Assisted Compliance Assurance Programme (ACAP) and Assisted Self-Help Kit (ASK).

To the non-GST specialist, both initiatives seem to serve the same purpose (i.e. some form review or "healthcheck" on GST compliance).

For businesses with import suspension schemes like the Major Exporter Scheme (MES) or Import GST Deferment Scheme (IGDS), they are now given a choice to either conduct a ASK review or take part in the ACAP in order to renew the GST scheme.

What exactly are the key differences between the two initiatives, and which one should you choose if you were given a choice?

### *Scenario 1 - Companies who are applying or renewing their GST schemes*

For companies who need to renew or apply for GST scheme like the MES, the choice is very simple. Go for the cheapest and quickest option (i.e. the ASK). One of the main reasons why your company has GST scheme in the first place is to mitigate on the cashflow cost.

So, there is no other reason for you to choose the more expensive and time-consuming option (i.e. the ACAP) unless you fall into one of the scenarios mentioned in the below paragraph.

### *Scenario 2 - You are the new head of tax, CFO, controller, finance director of a company*

Your ex-company may have conducted an ASK or ACAP review and you had a pleasant experience with the project. When you join your new company, your colleagues or peers have been asking you many GST questions. You also realise that the finance team did not even get the simplest thing correct when you review the quarterly GST return.

In the above scenario, the Company can first conduct an ASK review to identify any non-compliance with the GST rules. Once the errors are identified, steps can then be taken to prevent similar errors from happening in future.

If the non-compliance issues resulted in additional tax payable to the IRAS, the Company can make a voluntary disclosure to the IRAS as part of the ASK review. Voluntary disclosure of error is subject to a waiver of penalty for the immediate first year and a reduced penalty of 5% for the earliest four years (assuming the error is recurring in nature).

*The hybrid solution*

If the GST error is more than $2million for the past five years, then you should consider participating in the ACAP because one of the key benefits of participating in an ACAP is that there will be $0 penalty for errors disclosed to the IRAS in an ACAP.

So, instead of paying the $80,000 (calculated based on 5% on $1.6m in the earlier four years) as additional penalty to the IRAS, you can consider paying $80,000 to the tax advisor to get your GST documentation in order.

You need not necessarily jump straight into an ACAP review without first understanding the extend of the errors.

***Scenario 3 - Companies who are identified as one of the companies for GST audit***

How do you know whether you are identified as one of the companies for a GST audit? Fret not, you will know, because you will receive a letter from the IRAS telling you so.

The IRAS has been sending out letters to companies in recent years, informing them that they are identified as one of the companies for GST audit. However, instead of conducting the audit and requesting for information and documents in that letter, the IRAS is giving companies a chance to opt out of the IRAS audit by opting in to participate in ACAP.

*What should you do when you receive such a letter?*

It is not difficult to guess that one of the selection criteria for GST audit is the materiality level (i.e. the higher your turnover, the higher chance that you will be identified as one of the companies for GST audit). However, not all companies who are identified by the IRAS for GST audit is suitable for ACAP.

If your business set-up is fairly simple with less than 10 employees. An ACAP review would be an overkill for such a company even if the company has high turnover.

*What are the choices that you have then?*

It would also be foolish to invite the IRAS to conduct the GST audit for many obvious reasons (e.g. higher penalty if errors were discovered during an audit and no control over the scope of review).

If you think you are not suitable for an ACAP review, you could propose to the IRAS to conduct an ASK review instead of the ACAP. As the old bible saying goes, “ASK, and it shall be given you”.

The IRAS is fairly reasonable when it comes to such a request, but every case is unique where you need to provide justification and every request is subject to the IRAS approval.

***Scenario 4 – When the Company has the budget and resources and decides that having a risk management framework for indirect tax is a top priority***

So, when should the Company opt to participate in an ACAP review?

The same question can be asked in a different way; “When should the Company opt to participate in a SOX compliance?”

ACAP review is similar to a SOX compliance except that ACAP focuses on the GST risks and controls where the SOX compliance focuses on the internal control for financial reporting.

ACAP requires senior management acknowledging responsibility for the accuracy, documentation and submission of GST returns, requiring the company to have written policy on GST risk management framework and continuously maintaining and updating the GST documentation on risks and controls. All the above are very similar to a SOX compliance review.

There are a lot of information on the requirements of ACAP and ASK that are publicly available on the IRAS website.

A summary of the key differences is appended in the table below:

| | ACAP | ASK |
|---|---|---|
| **Suitable for** | Non-SME<br><br>*SMEs are defined as group annual sales turnover of not more than S$100million and group employment size of not more than 200 employees* | All GST-registered businesses regardless of turnover |
| **Scope** | Similar to SOX compliance with focus on GST risks and controls | Analytical review of GST returns plus sample testing of transactions |
| **Penalties** | Full wavier of penalties | Full waiver of penalties for the first year and reduced penalty of 5% for remaining years |
| **Co-funding** | No | No |
| **Outcome** | Award of ACAP status<br>*(you can frame it up and hang on the wall)* | No formal status accorded |
| **Other benefits** | • Free from IRAS audit<br>• Auto renewal of GST scheme (e.g. MES or IGDS)<br>• Faster turnaround time for GST refund | N.A.<br><br>Compulsory to undertake a ASK review for the renewal of GST scheme (e.g. MES or IGDS) |
| **Time taken** | IRAS allows businesses up to 15 months to complete the ACAP review.<br><br>Actual time taken is between eight to twelve months (if everything goes smoothly) | Two to three months |
| **Professional fees** | Five to six times more expensive than an ASK review | $8,000 to $22,000* |

**Depending on who you request the quotes from. Similar to whether you are having that steak at the hawker centre or the steak at the Michelin star restaurant.*

So, to answer the question on whether should the Company opt to participate in an ACAP review? The answer is in the header of scenario 4.

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