



COVID-19 related costs: Singapore's GST and claiming input tax

Due to the impact of COVID-19, businesses have had to incur additional costs to adjust to new work requirements and facilitate remote working. Recently, the Inland Revenue Authority of Singapore ("IRAS") clarified the rules on the claiming of input tax in respect of certain COVID-19 related costs.



Claiming input tax on COVID-19 related costs:

The guidelines announced are targeted at giving certainty to businesses that provide accommodation and other types of benefits to their employees impacted by the COVID-19 pandemic and the various circuit breaker measures. Whether the GST incurred can be claimed depends on the specific circumstances

Costs incurred for employees on Stay-Home Notice "SHN":

GST incurred on accommodation, food, transport to and from testing facilities, and thermometers for employees (likely to be via employee expense claim) on SHN is claimable as input tax if the employee was issued with a SHN having returned to Singapore from a business trip (unless the same accommodation was being provided prior to 1 February 2020).

GST incurred on such costs for employees under SHN having returned to Singapore from personal trips is not claimable as input tax

Costs incurred for COVID-19 tests and hospitalisation charges:

Such costs are classified as "medical expenses" and therefore, remain irrecoverable under Regulation 26 of the GST (General) Regulations

Costs incurred for Malaysian employees impacted by Movement Control Order "MCO":

Where the Malaysian employee normally resides overseas and is required to remain in Singapore for business continuity purposes during the MCO period, the IRAS considers the expense to be for the purpose of the business and the GST incurred on the accommodation costs is claimable as input tax

Personal protective equipment "PPE" for employees":

Provided the PPE (e.g. masks, thermometers, hand sanitiser etc) is provided to employees for business purposes (e.g. use in the business office/outlet/environment) the GST incurred is claimable as input tax

Additional expenses incurred by employees WFH during COVID-19 period:

GST incurred by employees (subsequently reimbursed by their employer) on incremental utility expenses, telephone bills, and broadband fees while WFH, is claimable as input tax subject to specific conditions and restrictions.

GST is claimable as input tax on the business portion of such expenses incurred. The supply (and therefore invoice) should be contracted in the employee's name.

The IRAS have proposed specific proxies for businesses to use where it is difficult to determine the actual business portion of the expenses (e.g. 4/7 concession for mobile phones and broadband fees)

Office equipment for home use to facilitate WFH during COVID-19 period:

Where businesses have purchased and provide office equipment for use at the employees' homes, the GST incurred is claimable as input tax provided the company owns the equipment (e.g. it is recorded as an asset in their books of account)

Other key COVID-19 related tax considerations:

Further to David's article "Where were you when the music stopped?" - dated 18 May 2020 - on the residence issues arising from COVID-19, the IRAS has published a number of additional Corporate Income Tax "CIT" and Personal Income tax "IT" considerations.

- Clarification on the CIT treatments of the vast array of grants / pay-outs (e.g. Job Support Scheme, COVID-19 Quarantine Order Allowance and Temporary Housing Support)
- An additional tax exemption, over and above those granted administrative concession or exemption from IT, for specific cash allowances provided to employees impacted by COVID-19 border control arrangements (up to a specified amount)

Our approach / how we help:

As COVID-19 creates additional pressure on cashflow, please talk to us to discuss how we can help ensure that you maximise your GST recovery and benefit from the other tax reliefs provided to businesses in Singapore.

Feel free to contact David, Jeremy or your Grant Thornton contact person and we would be pleased to have a preliminary discussion.



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