



## **SINGAPORE KNOWLEDGE SERIES #23 – BLOCKED INPUT TAX CREDITS**

# Blocked Input Tax Credits

Registered taxpayers are eligible to claim the Goods and Services Tax (GST) incurred for business purchases and expenses. However, certain expenses as listed below **cannot be claimed as input tax**:

Benefits provided to the family members or relatives of staff / employees

Costs and running expenses incurred on motor cars unless specific conditions are met

Club subscription fees charged by sports and recreation clubs



Any transaction involving betting, sweepstakes, lotteries, fruit machines or games of chance.

Medical and accident insurance premiums incurred for staff / employees unless specific conditions are met

Medical expenses incurred by staff / employees unless specific conditions are met

# Medical Expenses (1/2)

In the wake of the COVID-19 pandemic and the regulatory requirements of various public authorities, certain changes were introduced under the Amendment Regulations 2021. Prior to the amendments, only medical expenses that were incurred under the Work Injury Compensation Act (WICA) / any agreement within the meaning of the Industrial Relations Act ('IRA') were **excluded** from the definition of disallowed medical expenses. In other words, such expenses were the only medical expenses **allowed for input tax claims**. Consequently, the following expenses would be claimable if **incurred on or after 1 October 2021**:

Expenses	Claimable if	
	Relating to COVID-19	Not relating to COVID-19
<b>Medical treatment</b> (includes all forms of treatment for, and procedures for diagnosing or preventing, any physical or mental ailment, infirmity or defect.)	The employee is advised under <u>any written advisory</u> (including any Industry circular) issued by the Government or a public authority to receive that treatment.	The employee is required under any <u>written law to receive the medical treatment</u> , or the provision of the medical facility or medical practitioner is required under any written law.
	Provided on account of the <u>nature of the employee's work or work environment</u> .	Provided in connection with <u>any health risk or requirement arising on account of the nature of the employee's work or work environment</u> .



# Medical Expenses (2/2)

**For Instance** : Mr. XYZ sent his employees for a medical examination to renew their work permit and extended the employees' existing medical insurance. He also sent potential candidates for a medical examination to check whether they were fit for work before employment. He incurred GST on the medical examinations and medical insurance.



Type of Expense	Allowability of ITC claim
Input tax claims on medical examination for renewal of employee's work permit	<b>Disallowed</b> as they are medical expenses incurred in connection with the provisions of medical <u>treatment to the employees</u>
Input tax claims on medical insurance for employees	<b>Disallowed</b> if such insurance or payment of compensation <u>is not obligatory</u> under WICA or IRA or any collective agreement within the meaning of IRA
Input tax claims on pre-employment medical examination to assess whether the candidates are suitable for employment	<b>Allowed</b> as the expenses are <u>incurred before the persons become the employees</u> of the company.

# Costs and Running Expenses incurred on Vehicles

Input tax on costs and running expenses incurred on motor cars that are either: (a) registered under the business's or individual's name, or (b) hired for business or private use cannot be claimed.

**For instance,** As a wholesale distributor of mobile accessories, Mrs. ABC owns a fleet of vans to supply and deliver the goods to the retailers. She also rents motor cars (S-plated cars) for her salespersons to travel to meet retailers at their premises. Other than the running expenses (e.g., season parking fees, petrol, repair and maintenance) of the vans and motor cars, she also incurred GST on the rental of the motor cars.

Type of Vehicles	Allowability of ITC claim
Motor car (e.g., S-plated car)	Input tax claims on purchase, rental and running expenses of <u>S-plated motor cars</u> are <b>disallowed</b> .
Commercial Vehicles (e.g., van and lorry)	Input tax claims on purchase, rental and running expenses of <u>commercial vehicles</u> are <b>allowed</b> .



# Benefits provided to Relatives of Employees

**For Instance :** To promote staff interaction, Mr. PQR decided to organize a family day at the zoo for his employees and their family members. He gives each employee 2 tickets free of charge – 1 ticket for his employee and 1 ticket for his employee's family member. He incurred GST on the purchase of admission tickets.

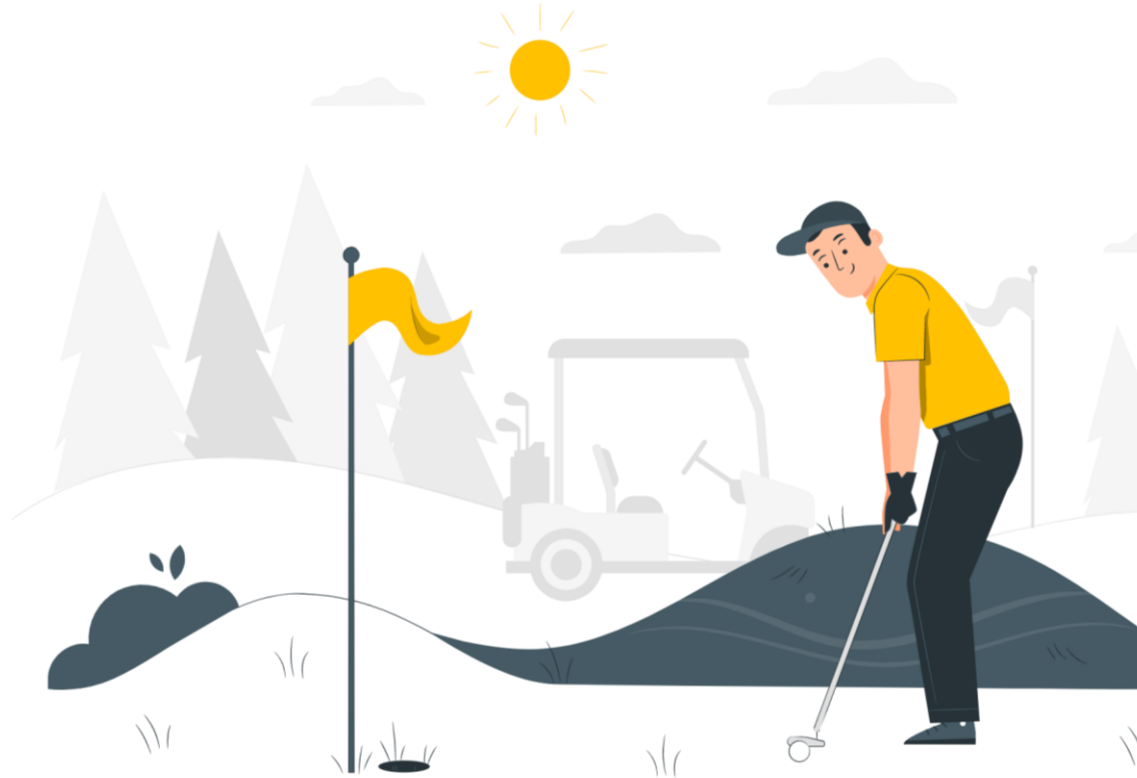
Type of Ticket	Allowability of ITC claim
Family member's admission ticket	Input tax claims on the purchase of admission tickets given free to Mr. PQR's employee's family member are <b>disallowed</b> as they are <u>considered as family benefits</u> .
Employee's admission ticket	Input tax claims on purchase of admission tickets given free to Mr. PQR's employees are <b>allowed</b> in full as such corporate events or activities primarily promote staff interaction. Hence, they are considered <u>as being related to business activities</u> .



# Club Subscription Fees

Input tax credit on club subscription fees (including transfer fees) charged by sports and recreation clubs can not be claimed.

**For instance,** Mr. ABY subscribed to a country club membership where he enjoys full access to the club's golf and resort facilities (e.g., swimming pools, fitness centre, arcade games room). His sales executives will entertain business clients by playing golf or engaging in other social activities at the country club. He incurred GST on the club subscription fees and other expenses for use of the club facilities.



Type of Expenses	Allowability of ITC claim
<b>Club subscription fees</b> (e.g., joining fee, subscription fee, membership fee and transfer fee)	Input tax claims on fees relating to the <u>acquisition, maintenance and transfer of membership</u> are <b>disallowed</b> .
<b>Expenses for use of club facilities</b> (e.g., green fees, buggy fees, rental of golf bags locker and dining at club restaurants)	Input tax claims are <b>allowed</b> , subject to the <u>conditions of input tax claim</u> .

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