

Indirect tax alert

This alert provides insights to the requirements of renewing the Major Exporter Scheme

Goods and Services Tax: Renewal of the Major Exporter Scheme

Background

The Major Exporter Scheme (MES) is a Goods and Services Tax (GST) scheme designed to ease the cash flow of businesses that import and export goods substantially.

Businesses importing goods into Singapore would generally be required to pay import GST (currently 9%) to the Singapore Customs at the point of importation of the goods. GST-registered businesses would be allowed to recover the import GST paid to the Singapore Customs via GST returns. Import GST is suspended for businesses that enjoy the MES. The MES will be valid for a period of three years upon the approval of the application and valid for five years upon successful renewal of the scheme.

MES businesses should expect an electronic notification from the Inland Revenue Authority of Singapore (IRAS) to invite the businesses to renew the MES. The notification is typically sent at least six months in advance of the expiry date of the scheme. Upon the receipt of the invitation to renew the MES, businesses would be required to review whether they continue to meet the qualifying conditions of the scheme and would be required to submit the following documents approximately three months from the date of the invitation letter to renew the MES:

- Application for renewal of MES form (GST R1).
- Certified Assisted Self-Help Kit (ASK) declaration form "ASK: Declaration Form on Completing Annual Review & Voluntary Disclosure of Errors" based on the latest financial year.



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Renewing the MES

As part of renewing the MES, businesses are required to perform a GST ASK annual review certified by an Accredited Tax Advisor (ATA) or Accredited Tax Practitioner (ATP). The GST ASK annual review is a comprehensive self-assessment compliance package to help businesses review their GST compliance and identify GST errors made in the GST returns. Subject to conditions under the IRAS' Voluntary Disclosure Programme, businesses may enjoy reduced penalties or waiver of penalties from the errors disclosed under the review.

As an alternative to performing the GST ASK annual review, businesses may opt to undertake GST Assisted Compliance Assurance Programme (ACAP) to renew the MES. The GST ACAP is a holistic framework with the aim of supporting businesses to manage GST risks through rigorous GST control framework. The review methodology deviates from a GST ASK annual review as the GST ACAP focuses on GST controls and manages GST risks. An incentive for performing GST ACAP is the enjoyment of a one-time waiver of all penalties for non-fraudulent errors voluntarily disclosed.

Businesses who are already awarded with the ACAP status would be required to perform Post ACAP Review (PAR) and submit the "PAR Declaration" form (GST F28) or ACAP Renewal and submit the "ACAP Renewal Declaration" form. In view of the PAR or ACAP Renewal conducted, businesses are not required to perform separate GST review to renew its MES.

Whilst both the GST ASK annual review and the GST ACAP have different focus and review approach, both programmes are welcomed by the IRAS for the purpose of applying for or renewing the MES.

Preparing for the renewal of MES

Over the years, businesses may undergo changes, such as restructuring, staff attrition etc., which could lead to an oversight on the due dates for renewing the MES. This will result in delays in the process and inadequate time for completing the GST ASK annual review. If the required documentation is not submitted on time, businesses face the risk of their MES status being cancelled, which may lead to supply chain disruptions if the importation of goods cannot be cleared promptly upon arrival.

To mitigate the risks of a delay in renewing the MES status, businesses should revisit correspondences from the last MES renewal exercise to confirm the validity period of the business' MES. In addition, the relevant personnel who has access to the IRAS myTax mail should promptly take action upon the receipt of the MES invitation letter.

Point of view

The MES scheme is critical in light of the GST rate increase to 9% as the scheme will significantly ease the cash flow of businesses that import and export goods substantially. Businesses should therefore prioritise the MES renewal project by allocating adequate resources and budget to ensure a successful renewal of the scheme.

Contact us

If you would like to know more about the issues discussed and our services, please contact any of the following personnel:

Chew Boon Choo
EY Asean Indirect Tax
Services Leader
boon-choo.chew@sg.ey.com
+65 6309 8764

Danny Koh
Partner, Indirect Tax Services
Ernst & Young Solutions LLP
danny.koh@sg.ey.com
+65 6309 6101

Liza Drew
Partner, Indirect Tax Services
Ernst & Young Solutions LLP
liza.drew@sg.ey.com
+65 6340 2788

Monica Sum
Partner, Indirect Tax Services
Ernst & Young Solutions LLP
monica.sum@sg.ey.com
+65 6309 8194

Claren Lai
Associate Partner, Indirect Tax Se
EY Corporate Advisors Pte. Ltd.
claren.lai@sg.ey.com
+65 6309 8117

Fo Xiang Yi
Director, Indirect Tax Services
EY Corporate Advisors Pte. Ltd.
xiang.yi.fo@sg.ey.com
+65 6718 1285

EY tax leaders in Singapore

Head of Tax
Amy Ang
Email: amy.ang@sg.ey.com

Business Tax Services

Private Client Services
Desmond Teo
Email: desmond.teo@sg.ey.com

Tax Policy and Controversy
Angela Tan
Email: angela.tan@sg.ey.com

Global Compliance and Reporting
Chai Wai Fook
Email: wai-fook.chai@sg.ey.com

Financial Services Tax
Stephen Bruce
Email: stephen.bruce@sg.ey.com

Indirect Tax Services
Chew Boon Choo
Email: boon-choo.chew@sg.ey.com

People Advisory Services Tax
Panneer Selvam
Email: panneer.selvam@sg.ey.com

International Tax and Transaction Services

International Corporate Tax Advisory
Chester Wee
Email: chester.wee@sg.ey.com

Transfer Pricing
Luis Coronado
Email: luis.coronado@sg.ey.com

Legal Services
(Provided by Atlas Asia Law Corporation,
an independent member firm of the global EY network)
Kenneth Cheow
Email: kenneth.cheow@atlasasialaw.com.sg

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