

COVER STORY

CEA: We cannot force consumers to pay GST

Email to agency bosses comes after online petition gathers more than 360 signatures.

By Andrew Batt



Many property agents are frustrated about having to absorb GST when their clients refuse to pay.

Singapore's Council for Estate Agencies (CEA) has confirmed that it does not have the power to force consumers to pay GST on commission fees charged by real estate agents.

In an email sent to all Singapore real estate agencies earlier this week, Yeap Soon Teck, Deputy Director (Licensing) for CEA, said that his organisation cannot mandate the payment of GST, adding that agents may decide to charge GST or absorb it.

Yesterday's email came after an online petition attempting to force CEA to make the payment of GST mandatory attracted more than 360 signatures. A Facebook page in support of the petition also gathered close to 200 supporters.

CEA's advice to real estate agents who face the problem of getting their clients to pay GST is to explain that GST is a consumption tax that is levied on goods and services, and that the agent is required to pay that tax to the Inland Revenue Authority of Singapore (IRAS).

The email added: "If the salesperson has delivered good service, he should be entitled to his full commission payment without having to absorb the GST, and if he is asked to absorb the GST then he will be getting a lesser amount that what he is entitled to."

In March *PropertyGuru* first reported how an increasing number of real estate agents are being forced to absorb GST.

At that time a spokesperson for the Inland Revenue Authority of Singapore (IRAS) said: "All GST-registered businesses have to charge GST on the sale of goods or the provision of services. They are required to quote GST-inclusive prices, whether written or verbal, to their customers. The above principle applies to the services that GST-registered property agents provide in arranging or brokering property transactions."

To minimise disputes, IRAS suggests that GST-registered

property agencies and landlords should reach an upfront agreement on the GST-inclusive agent fee payable on the services rendered, and to formalise this in their contractual arrangement for property-related services.

Petition organiser Jason Lim, commenting on the latest email from CEA, said: "Consumers can now continue to avoid paying GST knowing CEA will do nothing."

Other agents have suggested they will be continuing their quest for GST to be made compulsory and taking their call for action to higher levels.

Singapore real estate agents have their say

Singapore real estate agents have been vocal in their support of the petition. Here are some of their comments.

Angelia Tan: "It's unfair for salespersons to absorb GST."

Jerome Lee: "It is not fair that consumers don't pay GST for the services rendered by the salesperson."

SK Ng: "Stand firm, fight for our rights. We must work together to reject sellers, landlords and tenants from absorbing GST for them."

Audrey Seah: "This is definitely not right and very unfair. Firstly, the landlord has already benefited from the rent they are getting and we salespersons work so hard just to secure the rent for them. Though my company is not GST registered, that does not imply that the landlords do not pay GST - especially on co-broke cases of which my co-agents company is GST registered. This happened several times and sometimes caused disputes and unhappiness among salespersons."

Kian Meng Lee: "Why should agents pay for their client's GST when their clients have already made tons of money from selling? Earn or not earning, professional agents are giving professional foresight and advice."

Dear Sir/Madam,

YOUR CIRCULAR LCT12-13, DATED 12 SEPTEMBER 2013, REGARDING FREQUENTLY ASKED QUESTIONS (FAQS) ON GOODS AND SERVICES TAX (GST) ON CEA WEBSITE HAS BEEN RECEIVED.

1. The FAQS are as follows:

Q1: Can estate agents charge Goods and Services Tax (GST) for the commission payment?

A1: The estate agent is GST registered. GST is imposed on the commission that charges. The estate agent is not GST registered. He is not allowed to charge GST.

Q2: What happens to the GST collected by estate agents?

A2: The estate agent is required to file the GST collected to Inland Revenue Authority of Singapore (IRAS).

Q3: How should the GST amount be made known to consumer?

A3: Salespersons should let consumers make up their mind whether the commission they charge will absorb GST and the total amount payable. It is good to have such matters clarified before the transaction is completed by the consumer.

Q4: What can salespersons do if the consumer ask them to absorb the GST?

A4: Salespersons can explain to consumers that GST is a consumption tax levied on goods and services and the estate agent is required to pay the GST collected to IRAS. If the salesperson has delivered good service, he should be entitled to his full commission payment without having to absorb GST. He will be getting a lesser amount than what he is entitled to.

Q5: Can CEA mandate that consumers pay the GST on the commission?

A5: Salespersons in Singapore, an estate agent may decide to charge GST or to absorb it. CEA cannot mandate it.

1. You can use the FAQS to guide your salespersons and if you have any questions, please call our enquiry line at 3600-452-2525 or email us at tax@ceasg.com.sg.

Yours sincerely,

Yeap Soon Teck, Deputy Director (Licensing) Council for Estate Agencies

CEA's email to all real estate agencies in Singapore.

Jonathan Yap: "We provide a professional service and we should be remunerated as such."

JC Lee: "I not only meet this issue with landlords - even some developers don't pay us GST!"

Chin Jaren: "With all fairness, why do salespersons have to absorb tax imposed on the consumer? Wouldn't that mean the consumer is evading tax on purpose?"

David Lim: "Agent commission is as important as owner prices. As the owner achieved his price to sell or rent, agents should be entitled to the same."

Michelle Yow: "GST should not be absorbed by realtors as it isn't a profit or part of the agent fees, and it's payable to the government. This applies to sale of properties too, not just rental."

Valentino Lin: "GST is supposed to be paid by the consumer, and since property seekers are the consumers in this case, by human norms and by law, they should be the one paying for it. It's like eating in a restaurant; you don't ask the restaurant owner to pay the GST when you foot the bill, right?"