

Title	<b>Bad Debt Relief</b>
Basis	Section 58 Goods And Services Tax Act 2014 Reg. 70 - Goods and Service Tax Regulation 2014 Reg. 34 and 36 - Goods and Service Tax Regulation 2014 Director General's Decision 1 2014
Date	11 September 2015

## **BAD DEBT RELIEF**

### **Section 58 (1) GST Act 2014**

Subject to regulations made under this Act, any person who is or has ceased to be a taxable person may make a claim to the Director General for a relief for bad debt on the whole or any part of the tax paid by him in respect of the taxable supply if:

- (a) the person has not received any payment or part of the payment in respect of the taxable supply from the debtor six months from the date of supply or the debtor has become insolvent before the period of six months has elapsed; and
- (b) sufficient efforts have been made by him to recover the debt.

### **Reg. 70 (1) - Goods and Service Tax Regulation 2014**

Any person who is entitled to claim bad debt relief can claim under Section 58 (1) GST Act 2014 shall make the claim within 6 years from the time of supply.

### **Reg. 73 (1) - Goods and Service Tax Regulation 2014**

Evidence required to support the claim for Bad Debt Relief are:

- (a) a copy of any tax invoice which was issued in accordance with Part IV or where there was no obligation to issue a tax invoice, a document which shows the time, nature, purchaser and consideration of the supply;
- (b) records or any other documents showing that the taxable person has accounted for and paid the tax;
- (c) records or any other documents showing that the consideration has not been received; and
- (d) records or any other documents showing that sufficient efforts have been made by him to recover the debt.

## Director General's Decision 1, 2014

### To clarify action to take if not claiming for Bad Debt Relief

- (i) A taxable person may claim bad debt relief subject to the requirements and conditions set forth under Section 58 (1) GST Act 2014 and the person has not received any payment or part of the payment in respect of the taxable supply from the debtor after six months from the date of supply.
- (ii) The bad debt relief must be claimed immediately after the expiry of six months from the date of supply.
- (iii) If the bad debt relief is not claimed immediately after the expiry of the sixth month, then the taxable person **must apply in writing** for the Director General's approval on his intention to claim at a later date.
- (iv) The word 'month' in Section 58 (1) GST Act 2014 refers to calendar month or complete month.

Example : Invoice issued at 15 January 2017.

The sixth month expires at the end of June and the bad debt relief must be claimed immediately in July taxable period.

### Recap of GST Treatment for Bad Debt Relief

#### Value of the Bad Debt Relief

If only part payment has been received by a registered person, then the bad debt relief is only restricted to the balance payment that has not been received.

A registered person is entitled to claim bad debt relief even though the bad debt is not written off from his books.

It is sufficient if a registered person has some documentary proof to show that some efforts had been made to recover the debt. Examples of such efforts include a reminder letter or notice to the customer.

When a registered person receives payment from the customer after claiming the bad debt relief, the output tax has to be accounted and declared.

## Timing of the Bad Debt Relief

The date of supply refers to the date of invoice issued.

A registered person can claim the bad debt relief as his input tax in the return for the taxable period in which the bad debts are given relief. The amount of bad debt relief must also be declared in the return for the immediate taxable period after the expiry of six months.

In the case of a debtor becoming insolvent before the period of six months has elapsed, the amount of bad debt relief must be declared in the return for the immediate taxable period after the date of debtor has been declared insolvent.

The bad debt relief must be claimed immediately after the expiry of six months from the date of supply. If the bad debt relief is not claimed immediately after the expiry of six months, then the taxable person has to **notify** the Director General within 5 days after the expiry of the six month on his intention to claim at a later date.

If the supplier fails to claim the amount of the bad debt relief within the stipulated period, he must make an application to the Director General to a make a claim within six years from the date of supply.

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