



GST ON IMPORTED SERVICES

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ZOOM TALK ON 19 FEBRUARY 2021

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1. GLOBAL DEVELOPMENTS

- ❖ BEPS Action Plan 1 (Addressing the tax challenges of the digital economy) - *"Identify the main difficulties that the digital economy poses for the application of existing international tax rules and develop detailed options to address these difficulties, taking a holistic approach and considering both direct and indirect taxation."*
- ❖ BEPS Action 1: 2015 Final Report – *"The digital economy also raises broader tax challenges for policy makers...The digital economy also creates challenges for value added tax (VAT) collection, particularly where goods, services and intangibles are acquired by private consumers from suppliers abroad... Countries are thus recommended to apply the principles of the International VAT/GST Guidelines and consider the introduction of the collection mechanisms included therein."*

2. Singapore Budget 2017 & 2018

"With increasing digital transactions and cross-border trade, some countries have taken steps to adjust their GST system, to ensure a level playing field between their local businesses which are GST-registered, and foreign-based ones which are not. We are studying how we can do likewise."

Mr Heng Swee Keat
Minister of Finance
20 Feb 2017

"To make sure that our tax system remains fair and resilient in a digital economy, I will introduce GST on imported services with effect from 1 January 2020."

Mr Heng Swee Keat
Minister of Finance
19 Feb 2018

3. SINGAPORE BUDGET 2021

GST HIKE FROM 7% TO 9%

GST HIKE BETWEEN 2022 AND 2025 AND "SOONER THAN LATER"



Finance minister during budget
2021 speech 16.02.2021

3. SINGAPORE BUDGET 2021

Goods and services tax (GST) for all goods bought online from 1st Jan 2023

- ❖ Low-Value goods bought online and imported by air or post will be subject to GST. (Low value goods that are worth \$400 or below)
- ❖ GST will also be extended to import of non-digital services for consumers, such as those involving live interactions with overseas providers of FITNESS TRAINING, COUNSELLING & TELEMEDICINE.
- ❖ Overseas vendors will have to be registered to account for GST.



4. DEFINITION AND SCOPE OF DIGITAL SERVICES

"Digital Services: is defined as "any services which are delivered over the Internet or other electronic network and the nature of which renders its supply essentially automated with minimal or no human intervention, and impossible to ensure in the absence of information technology" ... and includes

Digital service	Examples
Digital product	Mobile apps, e-books
Software or software update	Downloaded software, drivers, website filters, firewalls
Image, text or information, or the making available of any database	Subscriptions to online newspapers, journals, licensed images
Music, film or game	Subscriptions to online music or movies
Distance learning through any pre-recorded medium or e-learning	Supply of online courses
Website supply, web-hosting, automated or digital maintenance of programs	Electronic data management services, cloud services
Services providing or supporting business or personal presence on any electronic network	Subscription service for maintenance of online professional profile page

5. EXCLUDED DIGITAL SERVICES

Cross –border telecommunication services	Current zero-rating provisions accorded for cross-border telecommunication services; Unlikely for an overseas entity to provide local telecommunication services without a physical presence in Singapore as formal licensing is required.
Advertising services on intangible media platform circulated wholly outside Singapore	Zero-rating permitted for advertising services intended for circulation substantially outside of Singapore
Professional services involving human intervention, even if advice is provided by electronic means	E.g. legal services where advice from the lawyer is communicated via e-mail

6. GST will be imposed on Imported Services via the following:

i. B2B transactions



REVERSE CHARGE

ii. B2C transactions



**OVERSEAS
VENDOR
REGISTRATION**

7. REVERSE CHARGE

- ▶ Under reverse charge (RC) which takes effect from 1 Jan 2020, recipient of services
 - accounts for output GST on **B2B** services the person imports, as if he were the supplier
 - claims the GST as input tax subject to the normal input tax recovery rules
- ▶ IRAS e-tax guide: *"GST: Taxing imported services by way of reverse charge"*

8. REVERSE CHARGE – WHO IS AFFECTED?

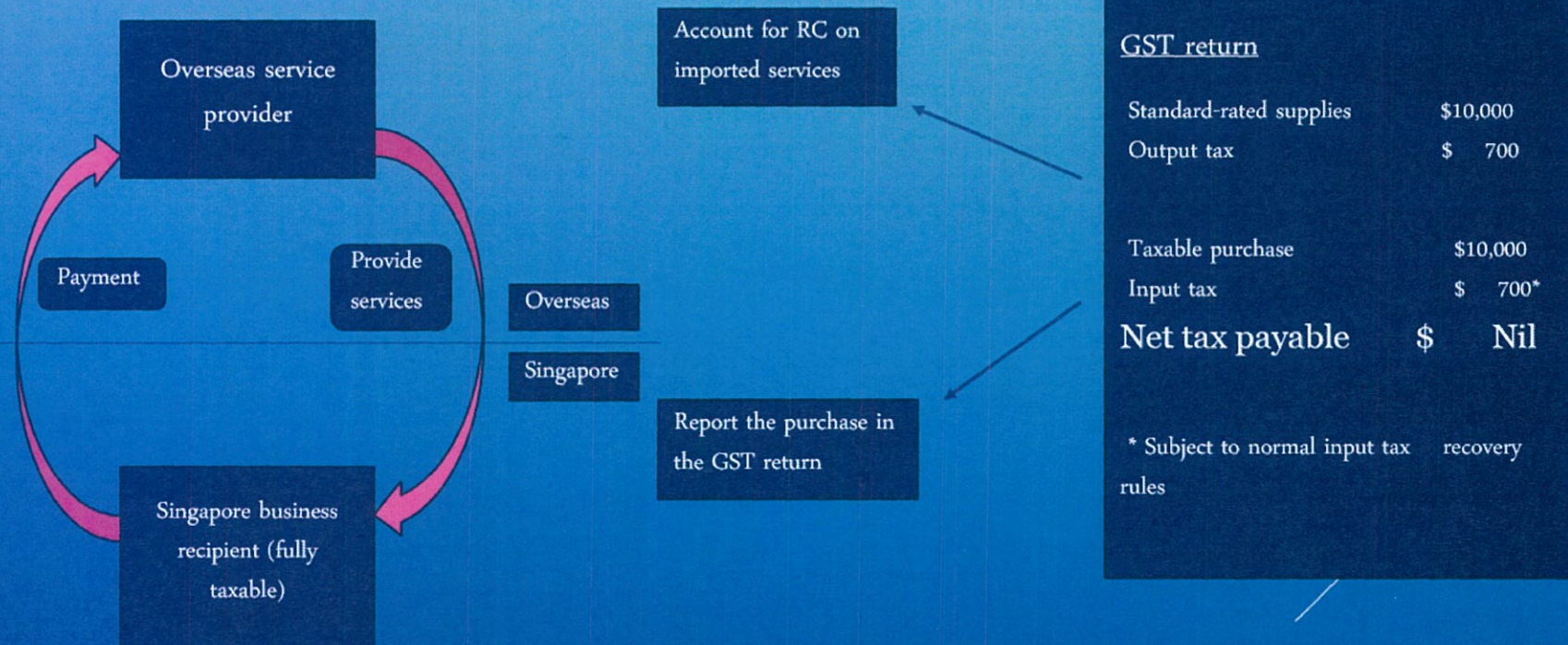
GST-registered person

- Applies to business that is not entitled to recover input tax in full
 - makes exempt supplies that fails De Minimis rule e.g. banks, insurance companies, mixed development developers etc.; and/or
 - has non-business receipts e.g. charities, non-profit organisations, educational institutions, hospitals etc., that provide free or subsidised activities
- Belongs to GST group that is not entitled to recover input tax in full
- Fully taxable person who elects to apply RC

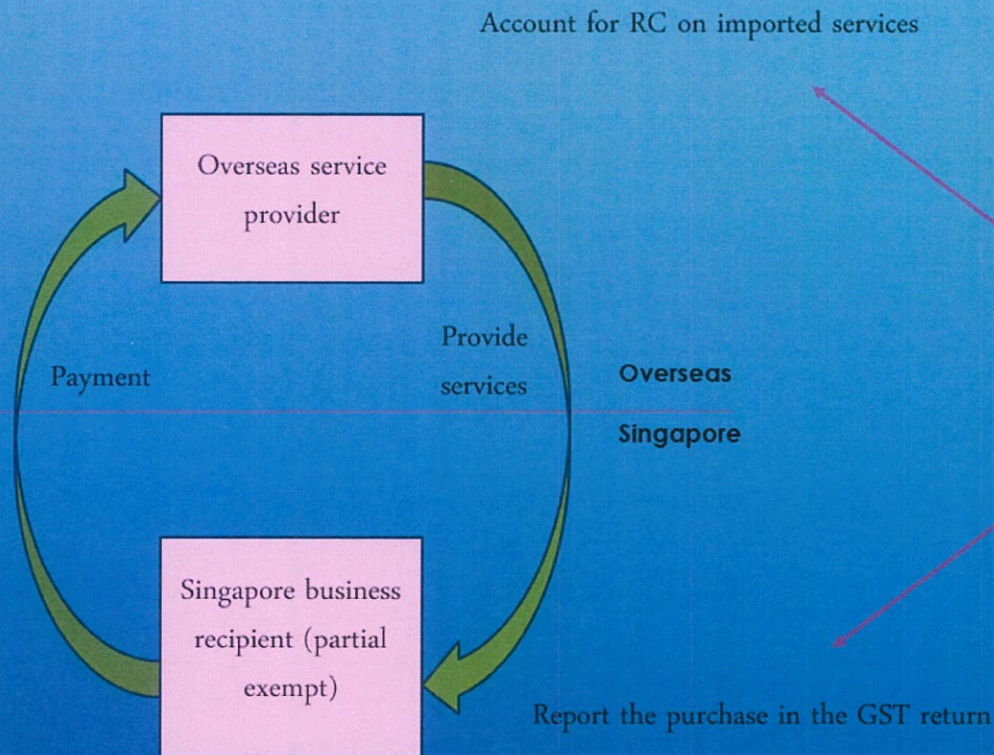
Non GST-registered person

- Procures services within scope of RC that exceed S\$1 million in a 12 month period based on retrospective basis or prospective basis
- Liable for registration if non-registered person is not entitled to claim input tax credit in full if he were registered for GST (e.g. residential property developers, investment holding company)
- RC to apply to qualifying funds, S-REITS, S-RBTs, SPVs claiming remission on business expenses (liable for GST registration if >\$1m)

9. REVERSE CHARGE – FULLY TAXABLE BUSINESS



10. Reverse Charge – Partial Exempt Business



GST return

Standard-rated supplies	\$10,000
Output tax	\$ 700
Taxable purchase	\$10,000
Input tax	\$ 504*
Net tax payable	\$ 196

* Assume input tax recovery rate of 72%

11. OVERSEAS VENDOR REGISTRATION

- ❖ Under the overseas vendor registration (OVR) regime which takes effect from 1 Jan 2020, an overseas vendor is required to register for GST if in a calendar year, or it expects in the next 12 months, that
 - Its global taxable turnover exceeds S\$1 million; and
 - It makes B2C supplies of digital services to customers in Singapore that exceeds S\$100,000
- ❖ The overseas vendor can be an
 - Overseas supplier of B2C digital services
 - Operator of overseas electronic marketplace through which the B2C digital services are provided
- ❖ A customer of digital services is defined as a person who is not registered for GST (includes individuals and body corporates)
- ❖ IRAS e-tax guide: “GST: Taxing imported services by way of an overseas vendor registration regime”

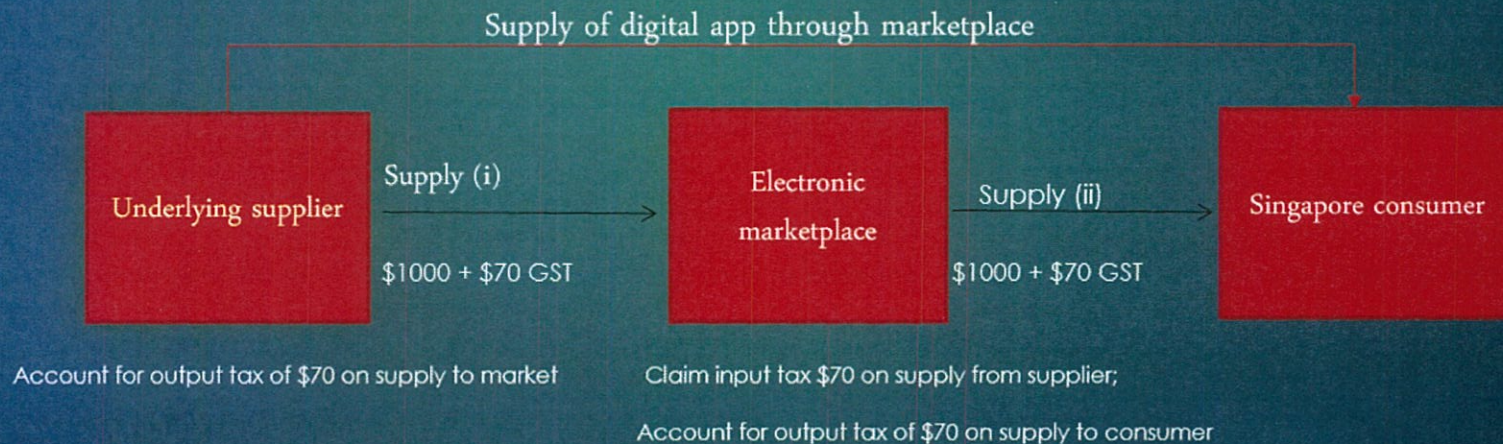


12. OVERSEAS VENDOR REGISTRATION ELECTRONIC MARKETPLACE

- ❖ For overseas electronic marketplace, the operator is to include both its own digital services and supplies of digital services made by overseas suppliers through the marketplace, to compute the global turnover of \$1m and sales of digital services made to non-GST registered customers in Singapore of \$100,000, to determine GST registration liability
- ❖ For local electronic marketplace, the operator is to include its own taxable supplies and supplies of digital services made by overseas suppliers through the marketplace to non-GST registered customers in Singapore, to determine if supplies meet \$1m for GST registration liability
- ❖ Where the operator is registered for GST, it is the operator that charges and accounts for GST on the supplies
- ❖ Supplies of digital services made by overseas suppliers through marketplace are accounted for by marketplace, and disregarded for the purpose of assessing whether underlying supplier must register for GST

12. OVERSEAS VENDOR REGISTRATION ELECTRONIC MARKETPLACE

- Electronic marketplace operator may seek Comptroller's approval to charge and account for GST on all B2C digital services made on behalf of both local and overseas suppliers through the marketplace (local operator has option to apply for approval to charge and account for GST on B2B digital services)
- Supply of digital services through marketplace treated as 2 supplies
 - supply of services from supplier to marketplace (standard-rated if made to local marketplace; zero-rated if made to overseas marketplace)
 - supply of services from marketplace to customer in Singapore
- Example 3** – assume selling price of \$1000



12. OVERSEAS VENDOR REGISTRATION ELECTRONIC MARKETPLACE

- ❖ An electronic marketplace is defined as a medium that allows suppliers to make supplies available to customers by electronic means and is operated by electronic means, but not any medium that is solely for processing payment for any supply
- ❖ Electronic marketplace operator is to be treated as the supplier of the digital services if any of the following is satisfied:
 - operator authorises the charge to the customer (i.e. marketplace communicates the liability to pay to the customer as well as when the customer pays)
 - operator authorises the delivery of supply to the customer (sends approval for delivery)
 - operator sets the terms and conditions (pricing, payment method etc.) under which supply is made
 - documentation to customer identifies the supply as being made by the operator (receipts, invoices, information displayed on marketplace's website)
 - operator and underlying supplier (merchant) agrees in writing that operator is chargeable to tax (responsible for the GST) on the supply

13. OVERSEAS VENDOR REGISTRATION

TIME OF SUPPLY

- ❖ Tax is not charged on supply that takes place before 1 Jan 2020
- ❖ For continuous supply of services (e.g. online subscription to music or video streaming) where invoice is issued or payment received before 1 Jan 2020 under an agreement made on/after 19 Feb 2018, the portion of service performed on or after 1 Jan 2020 is subject to GST and to be reported in overseas supplier's first GST return
- ❖ For discrete supply of services (e.g. one-off sale of app or e-book) where invoice is issued on/after 19 Feb 2018 but before 1 Jan 2020 for services performed and payment received on/after 1 Jan 2020, the supply is subject to GST and to be reported in supplier's first return to the extent of the lower of the value of services performed or payment made on or after 1 Jan 2020
 - if full payment is made for discrete service or service fully performed before 1 Jan 2020, GST does not apply to the digital service

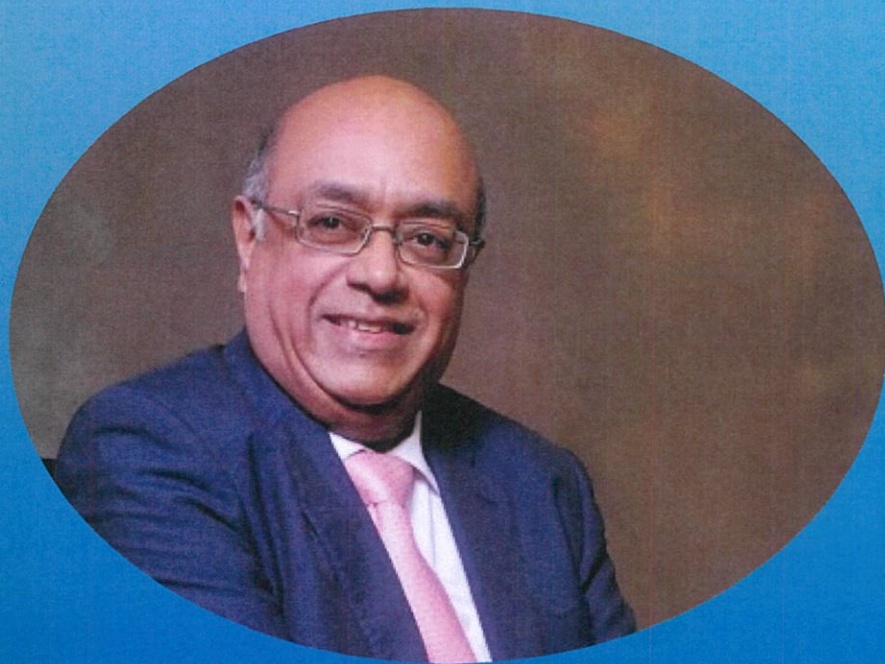
14. OVERSEAS VENDOR REGISTRATION OTHER CONSIDERATIONS

- ❖ Value of supply to be determined by reference to consideration in money or OMV if supply is for consideration not wholly in money
- ❖ Foreign currency denominated supplies to be converted to S\$ equivalent using acceptable exchange rate at time of supply, end of accounting period or time of filing GST return (to be consistently applied for at least one year) to compute GST payable
- ❖ To determine whether customer belongs in Singapore, overseas vendor required to obtain and maintain 2 pieces of non-conflicting evidence of customer's belonging status, based on
 - Payment proxy (e.g. credit card information based on Bank Identification number, bank acct details)
 - Residence proxy (e.g. billing or home address)
 - Access proxy (e.g. SIM card country code, IP address)

Non-conflicting evidence to comprise one payment proxy and either residence or access proxy. If payment proxy not available or is contradictory, then use one residence and one access proxy each

14. OVERSEAS VENDOR REGISTRATION OTHER CONSIDERATIONS

- ❖ Overseas suppliers and overseas electronic marketplace operators to be registered under simplified pay-only regime, with no input tax claims allowed on taxable purchases in Singapore
- ❖ Availability of simplified GST reporting (of digital services made to non-GST registered customers in Singapore and output tax thereon)
- ❖ By default, overseas supplier is to treat services as being supplied to non-GST registered customer i.e. responsibility is with GST-registered customer to provide his GST registration number as evidence that he is registered for GST
- ❖ Where GST-registered customer fails to provide GST registration number and is incorrectly charged with GST, customer is to contact the overseas vendor to obtain a refund, instead of claiming input tax on the purchases



THANK YOU

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