

## Singapore enacts Goods and Services Tax (Amendment) Act 2018

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Singapore's *Goods and Services Tax (Amendment) Act 2018* was passed in Parliament and gazetted at the end of 2018.

This Alert summarizes the changes under the *Goods and Services Tax (Amendment) Act 2018* (the Amendment Act 2018).

### **I. Introduction of Goods and Services Tax (GST) on imported services from 1 January 2020**

GST will be imposed on Business-to-Business (B2B) and Business-to-Consumer (B2C) imported services with effect from 1 January 2020.

#### **Taxing B2B imported services by way of reverse charge**

Under the reverse charge mechanism, a local GST-registered business will be required to account for GST to the Inland Revenue Authority of Singapore (IRAS) on the services it imports as if it were the supplier. The business would correspondingly be allowed to claim the GST payable as its input tax, subject to the normal input tax recovery rules.

The reverse charge will however be applicable only to GST-registered businesses that are not entitled to full input tax credits, such as financial institutions, residential property developers and charitable organizations.

For non-GST registered businesses, the reverse charge rules may also give rise to a liability to register for GST if the total value of their imported services exceeds S\$1m at the end of the year 2019 or any subsequent calendar year or is expected to exceed S\$1m over a 12-month period at any time on or after 1 January 2020, and such businesses are not entitled to full input tax credits.

In general, inter-branch and intra-GST group transactions are disregarded and not subject to GST. This will however not be the case under the reverse charge rules. Services procured by: (i) a local branch or head office from an overseas branch or head office; and (ii) a local member of a GST group from an overseas member within the same GST group, will be subject to reverse charge.

### Amendment to “directly benefit” condition

Currently, for the supply of services to be zero-rated (i.e., subject to 0% GST) under sections 21(3)(j), (k), (s) and (y) of the *GST Act*, they must be supplied contractually to and directly for the benefit of a person(s) belonging outside Singapore. With the implementation of reverse charge, there will no longer be an incentive for GST-registered businesses to engage in round-tripping. The *Amendment Act 2018* has therefore also amended these sections to allow, with effect from 1 January 2020, the supply of services to be zero-rated if they are supplied contractually to a person belonging outside Singapore and directly for the benefit of an overseas person or a GST-registered person in Singapore.

### Taxing B2C imported services by way of an overseas vendor registration regime

Consistent with many countries, Singapore will also introduce an overseas vendor regime (OVR) for B2C imported digital services.

Under the OVR, at the end of the year 2019 or any subsequent calendar year, an overseas supplier would be liable to register for GST in Singapore if: (i) the total value of all its taxable supplies and supplies outside Singapore which would have been taxable if made in Singapore exceeds S\$1m; and (ii) the total value of the supply of digital services to consumers in Singapore exceeds S\$100,000 or is expected to exceed the above GST-registration threshold over a 12-month period at any time on or after 1 January 2020.

Both local and overseas electronic marketplace operators could also be required to charge and account for GST on digital services made through the electronic marketplace to local consumers, on behalf of the overseas underlying suppliers under certain conditions.

The GST-registration threshold for the overseas electronic market place operators is the same as that for the overseas suppliers as discussed above.

Local non-GST registered electronic marketplace operators would be liable for GST registration if the total value of: (i) digital services made on behalf of overseas underlying suppliers through the electronic marketplace; and (ii) the electronic marketplace's own taxable supplies, exceeds S\$1m at the end of calendar year 2019 or any subsequent calendar year or is expected to exceed S\$1m at any time over a 12-month period.

## II. Other matters

The IRAS' investigative powers have been enhanced with the introduction of: (i) power of forced entry; (ii) power of arrest without warrant; and (iii) power of body search, with proper safeguards.

The IRAS will be allowed to share information with prescribed officers in other law enforcement agencies for investigation or prosecution purposes.

- ▶ The use of alternative evidence to prove unauthorized collection of GST will be allowed. There is also a new offense for GST-registered businesses which, without reasonable excuse or through negligence, collect more GST than allowed under the *GST Act*.
- ▶ The IRAS would be allowed to dispose of documents or items seized during tax crime investigations, should the owner of the seized items fail to collect them upon the end of the investigation after a written notice of collection has been provided.

In addition, to ease business compliance, customer accounting will be extended to transactions with the Government.

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