

## Singapore: Recent Goods and Services Tax developments

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This Alert summarizes recent Goods and Services Tax (GST) developments in Singapore that may impact GST-registered businesses.

#### **Customer accounting for prescribed goods**

Effective 1 January 2019, customer accounting has been implemented for the local sale of prescribed goods by a GST-registered supplier to a GST-registered customer for his business purpose if the GST-exclusive value of the sale exceeds SGD10,000 in a single invoice. The prescribed goods are mobile phones, memory cards and off-the-shelf software.

A revised e-Tax guide "GST: Customer accounting for prescribed goods (Second Edition)" was published on 13 December 2018 to provide clarification and additional examples of prescribed and non-prescribed goods.

#### **Compulsory GST registration under the retrospective basis**

Prior to 1 January 2019, it was mandatory for a person to register for GST if the total value of his taxable supplies at the end of any calendar quarter and the preceding three calendar quarters exceeded SGD1 million (this is commonly known as the "retrospective basis").

Effective 1 January 2019, under the retrospective basis, it is only mandatory for a person to register for GST if the total value of his taxable supplies at the end of the calendar year exceeds SGD1 million. With this change, under the

retrospective basis, a person will only need to monitor if it has a liability to register for GST at the end of every calendar year (i.e., 31 December).

### Introduction of GST on imported services

Singapore will be implementing GST on imported services with effect from 1 January 2020 as follows:

- ▶ Business-to-Business (B2B) imported services will be taxed via a reverse charge mechanism.
- ▶ Business-to-Consumers (B2C) imported digital services, will be taxed via the introduction of an Overseas Vendor Registration (OVR) regime.

The *GST (Amendment) Act 2018* which provides for the implementation of the above two new GST rules on imported services was passed by Parliament on 19 November 2018 and gazetted on 27 December 2018.<sup>1</sup>

The Inland Revenue Authority of Singapore (IRAS) also issued two new e-Tax guides on 4 February 2019 to provide more detail. They are:

- ▶ “GST: Taxing imported services by way of reverse charge (First Edition)”
- ▶ “GST: Taxing imported services by way of an overseas vendor registration regime”

### Late GST submission

Stricter penalties have been introduced for a late GST submission. Prior to 1 April 2018, the late submission penalty of SGD200 would only be imposed one month after the submission due date.

With effect from 1 April 2018, the late submission penalty of SGD200 will be imposed immediately once the GST return is not filed by the due date. An additional penalty of SGD200 will continue to be imposed for every completed month that the GST return is outstanding, up to the maximum of SGD10,000 for each outstanding GST return. GST-registered businesses must still file the overdue return after they pay the late submission penalty as they can be prosecuted if the GST return is not filed.

### GST e-Tax guides

The new or revised GST e-Tax guides recently introduced include the following:

- ▶ Meetings, Incentive Travel, Conventions and Exhibitions (MICE) industry  
A new e-Tax guide “GST: Exhibition, Convention and Ancillary Services” was published on 3 December 2018 to provide guidance on the GST treatment of supplies made by businesses in the MICE industry.
- ▶ Fringe benefits  
A revised e-Tax guide for fringe benefits “GST: Fringe Benefits (Third Edition)” was published on 27 July 2018 and provides further clarification, as well as new or extended administrative concessions on certain expenses such as mobile phone and transport expenses.
- ▶ Pre-registration input tax claims  
A revised e-Tax guide for pre-registration input tax claims “GST: Pre-registration Claims on Goods and Services (For Businesses Registered for GST on or after 1 July 2015)” was published on 18 July 2018. The revised e-Tax guide provides clarification on pre-registration input tax claims for certain expenses such as property rental, utilities and raw materials.
- ▶ Partial exemption calculator  
A partial exemption calculator was introduced by the IRAS to assist partially exempt businesses in determining the amount of input tax claimable.

### IRAS GST audit landscape

The IRAS has stepped up its audits on large businesses across various industries such as financial services, wholesale, retail, manufacturing and real estate and construction. From the GST audits conducted on 308 large businesses since 2015, 77% of these businesses made GST errors and the total amount of tax and penalties recovered was approximately SGD73 million.

The IRAS continues to conduct GST audit reviews and issue letters to invite businesses to participate in the Assisted Compliance Assurance Programme (ACAP) or to conduct a self-review using the Assisted Self-Help Kit (ASK) Annual Review.

Businesses should therefore continue to remain vigilant about the prospect of an IRAS GST audit. Businesses that wish to enhance their GST compliance should consider participating in ACAP or performing a self-review using the ASK Annual Review.

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### Endnote

1. See EY Global Tax Alert, [Singapore enacts Goods and Services Tax \(Amendment\) Act 2018](#), dated 27 February 2019.

For additional information with respect to this Alert, please contact the following:

**Ernst & Young Solutions LLP, Indirect Tax Services, Singapore**

- ▶ Yeo Kai Eng                      kai.eng.yeo@sg.ey.com
- ▶ Chew Boon Choo                boon-choo.chew@sg.ey.com
- ▶ Liza Drew                        liza.drew@sg.ey.com

**Ernst & Young LLP (United States), Singapore Tax Desk, New York**

- ▶ Su Ling Agnew                  suling.agnew@ey.com

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