



## GOODS AND SERVICES TAX (“GST”) ON IMPORTED SERVICES

In Singapore, GST is a broad-based consumption tax levied on all goods and services (other than exempt supply) in Singapore.

Currently, GST on imported services does not apply if the services are procured from an overseas supplier who does not have an establishment in Singapore. As a result of this, and with the increasing virtual access to international markets, the trends for local consumers sourcing for overseas vendors have increased considerably. Thus, this had indeed placed local suppliers in a disadvantage in terms of economics’ in pricing.

Following the announcement in Budget 2018, in order to create a balanced playing field for both local and overseas vendors, local consumers and businesses procuring services from overseas vendors without an establishment in Singapore, will have to pay for GST on imported services and imported digital services with effect from 1 January 2020.

In order to address/level this unfair advantage over local suppliers who had to charge GST (where applicable), the new GST taxation policy to collect GST from imported services was introduced.

## **NEW RULE**

The administration of the new imported services taxation policy will be implemented through the following regimes:

- i. Reverse-charge (“RC”) regime for Business-to Business (“B2B”) supplies of imported services;
- ii. Overseas vendor registration (“OVR”) regime for Business-to-Consumer (“B2C”) supplies of imported digital services.

GST does not affect e-commerce for goods such as online shopping.

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

Under the B2B reverse charge mechanism, affected GST-registered business is required to self-account for GST to the Comptroller of Goods and Services (“CGST”) on imported services (with some exceptions) from overseas suppliers. At the same time, the affected GST registered companies/business would be entitled to claim input tax, subject to the usual partial exemption recovery rules.

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

Overseas digital service providers who:

- i. Have an annual global turnover exceeding \$1 million; and
- ii. Make B2C supplies of digital services to customers in Singapore exceeding \$100,000.

are required to register for GST in Singapore and, once registered, to charge and account for GST on B2C supplies of digital services to customers in Singapore.

A local or overseas operator of an electronic marketplace, may be regarded as the supplier of digital services made by the overseas suppliers through your marketplace. In such cases, the value of these services must be included to determine the GST liability of the business.

## **WHO WILL BE AFFECTED?**

### ***Reverse charge regime***

- i. GST-registered persons
  - Not entitled to claim full tax credit;
  - Belongs to a GST group that is not entitled to full input tax credit; or
  - A fully taxable person that elects to apply for reverse charge.

Examples are taxable businesses that do not meet the De Minimis rules – financial institutions, mixed property developers, and charitable and non-profit organizations that provide free or subsidized (non-business) activities; and

### ***Reverse charge regime (cont'd)***

- ii. Non-GST registered persons
  - Procures services which are within the scope of reverse charge from overseas supplies exceeding S\$1m in a 12-month period; and
  - Not entitled to claim input tax in full if he were GST registered.

Examples are pure investment holding companies, residential property developers and charitable and non-profit organizations that provide free or subsidized (non-business) activities that are not already registered.)

### ***Overseas vendor registration regime***

- i. Overseas suppliers (also referred to as overseas vendors); and
- ii. Electronic marketplace (EM) operators which make significant supplies of digital services to local consumers.

### ***GST registration will apply only to overseas vendors***

- i. Whose annual global turnover exceed S\$1m; and
- ii. Whose sale of digital services to consumers in Singapore exceeds S\$100,000 in 12-month period.

## **HOW TO PROCEED?**

### ***Reverse charge regime***

To prepare for the implementation of RC, affected companies are required to take the necessary steps to incorporate the new tax rules in their operation.

We have tabulated the steps as follows:

- i. Identifying imported services that are subject to the reverse charge;
- ii. For non-GST registered persons:
  - Monitoring the value of imported services in view of the GST registration threshold. Upon exceeding the threshold, to ensure that you are registered by 1 January 2020.
- iii. For GST registered persons:
  - Checking your entitlement to full input tax recovery to avoid the liability to account for reverse charge on your imported services.
- iv. Ensuring that your accounting system has the relevant tax codes for imported services to ensure that you can easily check for any omission of reverse charge on such supplies and liaising with your accounting software vendor for the necessary implementations;

### ***Reverse charge regime (cont'd)***

- v. Conducting additional training for your purchasing and accounting teams to ensure that they are able to identify overseas payment that are within scope of the reverse charge, including inter-branch and inter-GST group transactions; and
- vi. Seeking clarification/concessionary treatments from the CGST or professional advice when they encounter practical constraints/ issues in the implementation of the new reverse charge rules.

### ***Overseas vendor registration regime***

If your overseas supplier is required to participate in the OVR regime, you will find yourself paying more for the digital service if you are the consumer (non-registered GST). If you are a GST registered business, be sure to inform your business provider to avoid being charged GST for your digital services.

If you wish to understand more on the above, please feel free to approach:

Ms Ang Poh Geok - Email: [pohgeok.ang@acutus-ca.com](mailto:pohgeok.ang@acutus-ca.com)  
Mr Yong Zhi Xiong - Email: [zhixiong.yong@acutus-ca.com](mailto:zhixiong.yong@acutus-ca.com)

**DISCLAIMER:** This article is issued exclusively for the general information of clients and staff of Acutus. The material should not be relied upon without appropriate professional advice. Acutus will not be liable for any loss or damage arising out of or in connection with the material contained in this publication.

© December 2019. This article is contributed by Acutus Tax Services Pte. Ltd. All rights reserved.