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Singapore's Goods and Services Tax Measures on the Taxation of Cross-Border Digital Services

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Singapore's GST measures on the taxation of cross-border digital services

12 Aug 2021

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OF SINGAPORE

Agenda

- Policy Rationale for the GST measures
- Main Features of the Reverse Charge and Overseas Vendor Registration (“OVR”) regimes
- Key strategies for implementation of the OVR regime

Policy rationale

- Address disparity in GST treatment of services consumed in Singapore

Services procured from
local suppliers:

✓ Subject to GST (unless
exempt from GST)

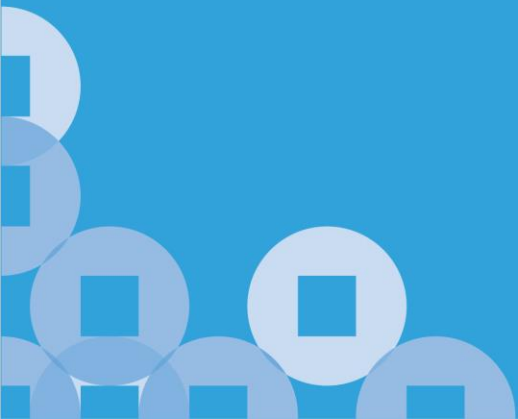
vs

Services procured from
overseas suppliers:

✗ **Not** subject to GST
(Prior to 1 Jan 2020)

- Budget 2018 – With effect from **1 Jan 2020**, GST will be introduced on imported digital services by way of the following mechanisms:
 - **Reverse Charge regime** to tax imported services by GST registered persons; and
 - **Overseas Vendor Registration (“OVR”) regime** to tax digital services imported by non-GST registered persons.

Key Features of Reverse Charge regime

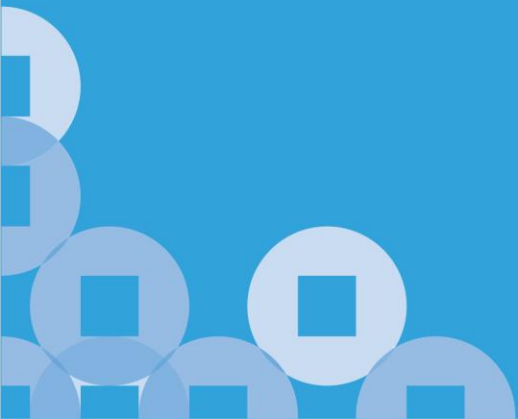


Reverse charge at a glance

- **Recipient of the services** will account for GST on the services he imports, **as if he were the supplier**. Input tax claims to be made in accordance with normal recovery rules.
- Applicable to persons who are not entitled to recover input tax in full (i.e. partial GST-exempt persons)
- To maintain GST treatment parity with current rules, RC will apply to all imported services except:
 - **Zero-rated and GST-exempt supplies*** and services directly attributable to taxable supplies

* Had the services been made by a taxable person belonging in Singapore

Key Features of Overseas Vendor Registration regime



Key features

- A. OVR registration threshold
- B. Scope of OVR Regime
- C. Role of Electronic Marketplaces
- D. Simplified Pay-only regime

A. OVR Registration Threshold

- Overseas suppliers are required to register under the regime if, in a 12-month period:
 1. Their **global turnover** exceeds or is expected to exceed S\$1 million; and
 2. They make or expect to make **B2C supplies of digital services** to customers in Singapore exceeding \$100,000

*Global turnover refers to all supplies made that would be taxable supplies if made in Singapore.

B. Scope of Singapore's OVR Regime

- Scope of services confined to supplies of **digital services** made by overseas suppliers to non-GST registered customers in Singapore
- Definition of digital services:
 - Services **delivered over the Internet or an electronic network**; and
 - Services are automated and **involve minimal human intervention**
- Focus on services likely **procured for personal consumption**, where competitive distortion is most pronounced

B. Scope of Singapore's OVR Regime

- **Included** digital services listed under the 7th schedule:
 - Downloadable digital content;
 - Online subscription-based media;
 - Software programs;
 - Electronic data management; and
 - **Support services**, performed via electronic means, **to arrange or facilitate a transaction, which may not be digital in nature** (e.g. commission, listing fees and service charges)
- **Excludes** services that are currently **zero-rated** or **exempt** to maintain parity with equivalent services provided by local suppliers

C. Role of Electronic Marketplaces

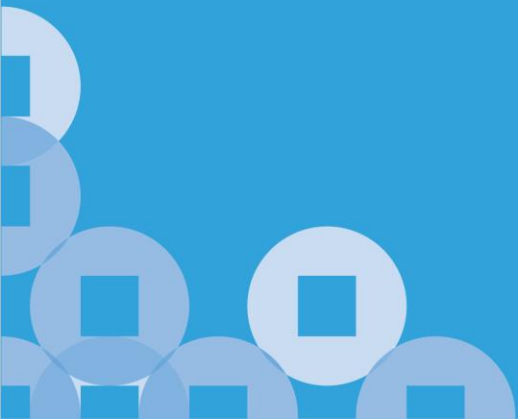


- Suppliers may also provide digital services to consumers in Singapore **through intermediaries such as an electronic marketplace**
- Given the electronic marketplace's involvement in the digital supply chain and its interaction with both suppliers and consumers, these intermediaries are **well-positioned to collect and account for GST, on behalf of their underlying suppliers.**
- Electronic marketplaces regarded **as the supplier of digital services** made by the suppliers through the marketplace, under certain conditions (e.g. the marketplace authorizes the charge to the recipient).

D. Simplified Pay-only regime

- Introduced simplified pay-only registration to reduce compliance costs of GST-registered overseas suppliers
- Key features include:
 - **No requirement** for overseas supplier under pay-only regime to **appoint a local agent** to handle their tax matters
 - Overseas suppliers under pay-only regime will **file simplified returns** with fewer fields
 - **Input tax claims are not allowed** under the simplified regime
 - If overseas supplier is in a net refundable position, the net **GST refundable will be retained as credit** for offset against GST payable in future periods

Key strategies for implementation of OVR regime



Key strategies



Early announcement of the implementation of the OVR regime



Designing an OVR regime with clear and simple rules



Extensive consultation and outreach

Early announcement of the regime

- Announcement of the implementation was almost 2 years in advance of the OVR implementation date
- Businesses had ample lead-time to prepare for the new regime
- Allowed IRAS sufficient time to carry out consultation sessions, system updates, outreach and educational efforts

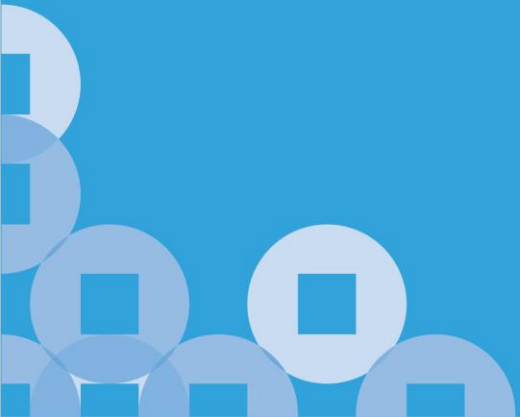
Designing clear and simple rules

- Co-created design parameters with stakeholders via extensive consultations and engagements
- Formulated clear and simple rules to ease compliance, while upholding fundamental GST principles
 - E.g., Introduction of a simplified pay-only registration regime with simplified GST administration and reporting requirements
- Drew reference from similar OVR regimes in other tax jurisdictions to provide consistency in GST treatment

Extensive consultation and outreach

- Between 2017 to 2019, conducted extensive closed-door and public consultations on the policy design parameters
- Closer to implementation date, focused on outreach and education for potential registrants
 - 1,850 educational mailers sent to potential registrants
 - Participated in and organised seminars
 - Published educational video and online materials
 - Profiled key OVR businesses and adopted personalised outreach approach to clarify rules and address pain points

Conclusion



Thank You

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