

IRAS e-Tax Guide

GST: Guide for e-Commerce



INLAND REVENUE
AUTHORITY
OF SINGAPORE

Published by
Inland Revenue Authority of Singapore

Revised Edition: November 2004

Revised Edition: July 2007

Revised Edition: 11 January 2011 (Revisions made to paragraph 4.1 to reflect the legislative changes to the time of supply rules)

© IRAS Singapore. All rights reserved.

All rights reserved. No part of this publication may be reproduced or transmitted in any form or by any means, including photocopying and recording without the written permission of the copyright holder, application for which should be addressed to the publisher. Such written permission must also be obtained before any part of this publication is stored in a retrieval system of any nature.

Table of Contents

1	Introduction.....	4
2	GST Overview	4
2.1	What is GST?	4
2.2	What is GST chargeable on?.....	4
2.3	Who is required to collect GST?	4
2.4	Under what circumstances am I required to register for GST purposes?	4
2.5	If I am an e-Commerce service provider, do I need to charge GST on the supplies provided by my clients?.....	5
3	When is GST chargeable?	5
3.1	Physical Goods	5
3.2	Services / Digitised Goods.....	6
4	When do I account for GST?.....	8
4.1	When should I charge GST and account for the output tax to the Comptroller of GST for goods sold via Internet?	8
5	Other GST Responsibilities.....	9
5.1	What are my responsibilities as a GST-registered person?	9
5.2	What are the requirements of a proper tax invoice?	10
5.3	Do I need to issue a physical copy of the tax invoice to my customer if I made my sale via the Internet?	11
5.4	Do I need to retain hardcopies of my tax invoices or business records?	11
5.5	What are the responsibilities in terms of displaying prices?	11
5.6	What are the documents I need to maintain to support the zero-rating of goods sold over the Internet?	11
5.7	What if I export the goods via a postal or courier company?	12
6	Contact information	12
	Appendix.....	13
	GST Treatment for Sales of Services/Digitised.....	13

1 Introduction

- 1.1 E-commerce refers to business transactions (sales and purchases) that are conducted electronically, as on the Internet.
- 1.2 This guide is to assist you in understanding how Goods and Services Tax (GST) should be charged in electronic commerce transactions of **physical goods, digitised goods and services**.

2 GST Overview

2.1 What is GST?

GST is a tax on domestic consumption. It is charged on any supply of goods or services made in Singapore by a taxable person¹ in the course or furtherance of any business carried on by him. With effect from 1 July 2007, the rate of GST is 7%.

2.2 What is GST chargeable on?

In general, goods and services supplied in Singapore are taxable at 7%. The only exemptions from GST are on certain financial services (specified in the Act) and the sale or lease of residential properties. These supplies are referred to as exempt supplies.

A supply of goods and services can be zero-rated (i.e. attract GST at 0%) if the goods are exported or if the services are international services.

2.3 Who is required to collect GST?

Only a GST-registered person can charge and collect GST on all supplies of goods or services made in Singapore apart from exempt or zero-rated supplies. The GST-registered persons need to account and pay the GST collected to Comptroller of GST at prescribed regular intervals. For import of goods, GST is payable directly to Singapore Customs at the point of importation into Singapore.

If you are supplying goods or services in Singapore via the Internet or any other electronic media, you are accountable for the collection of GST as in traditional commerce. This also applies notwithstanding that the transactions are effected through a third party e-commerce service provider.

2.4 Under what circumstances am I required to register for GST purposes?

¹ A person is a taxable person for GST purposes if he is required to be registered under the GST Act. Please refer to paragraph 2.4 for more information.

You are required to register if your taxable turnover of goods and/or services in Singapore exceeded S\$1 million for the past 4 quarters or if you expect it to exceed \$1 million in the next 12 months. Quarter means a period of 3 months ending on the last day of March, June, September or December.

For further information regarding your liability to register, please refer to the handbook on “Do I need to register?”. You can get a copy of the handbook from our Taxpayer Services Centre or download it from our website at www.iras.gov.sg.

2.5 If I am an e-Commerce service provider, do I need to charge GST on the supplies provided by my clients?

No, your client will charge and account the GST as his output tax if he is registered for GST. However, if you are registered for GST, you should charge your client with 7% GST on your service fees if your client belongs in Singapore (please refer to paragraph 3.2.2).

3 When is GST chargeable?

3.1 Physical Goods

3.1.1 Are physical goods supplied over the Internet subject to GST?

All physical goods supplied over the Internet attract GST if the supplier is a GST-registered person and the supply is made in Singapore. The principle guiding the charging of GST on e-commerce transactions is the same as that for traditional commerce. Therefore, as a GST-registered person, if you sell goods via the Internet and the goods are delivered locally, you are making a standard-rated supply and GST is chargeable at 7%.

The medium through which the transaction occurs does not alter the taxability of the transaction.

3.1.2 When can I zero-rate my supply of goods made over the Internet?

To determine whether you can zero-rate your supply of goods made over the Internet, you need to prove that the goods are exported.

If the goods are exported by you or via your freight forwarder, you are making a zero-rated supply and GST can be levied at 0% provided you maintain the necessary export documents. Please refer to paragraph 5.6.

Hence, whether you charge GST at 7% or zero-rate the supply of goods depends on the destination of your delivery.

For example, if you sell books over the Internet, you will need to charge GST

at 7% on the price of the books if these are delivered to a local destination. However, if you export the books to another country, you will be able to zero-rate the supply of the books provided you maintain the necessary documents to prove your exports.

3.1.3 If I obtain my supplies from an overseas supplier, do I need to pay GST?

You are required to pay GST to Singapore Customs when you import goods by post or by air, if the value of the goods exceeds \$400.

However, if you are “importing” digitised goods², you need not pay GST when you download these digitised goods, regardless of the value of the goods.

If you are ‘importing’ services, that is, the services are provided by someone not belonging in Singapore, you need not pay GST.

3.2 Services / Digitised Goods

3.2.1 When do I need to charge GST for services supplied via the Internet?

If you are registered for GST in Singapore, you must charge your customers 7% GST unless the services are zero-rated under section 21(3) of the GST Act. Some examples of these zero-rated services are:

- supply of international transport (e.g. sales of air tickets);
- services performed for a person who **does not belong in Singapore** at the time the service is performed and the services are not supplied directly in connection with land or goods situated inside Singapore.

For more details on the services that can be zero-rated under section 21(3) of the GST Act, please refer to IRAS website at www.iras.gov.sg.

3.2.2 What does “belonging in Singapore” mean?

If your customer is a business entity, such as a company or a partnership, it is considered as ‘belonging’ in Singapore if the business establishment is in Singapore or it has a fixed establishment in Singapore. If your customer has more than one fixed establishment, that is, both in Singapore and elsewhere, then the fixed establishment you should consider is the one which the services are most directly used or to be used.

If your customer is an individual, he or she is treated as belonging in Singapore if Singapore is his or her usual place of residence.

² Digitised goods are treated as services for GST purposes.

3.2.3 How do I know if my customer who is a business entity has business in Singapore or has a fixed establishment in Singapore?

If your customer has a Singapore address in your membership database (for instance, your regular business customer), a Singapore domain name or a Singapore IP address, these are indications that he has business in Singapore.

However, the following may indicate that your business customer belongs in a country outside Singapore:

- address of the business entity as shown in your membership database is outside Singapore; and
- domain name or IP address indicates that the business is a foreign establishment; and
- company gives a declaration, at the time of transaction, that the company is located outside Singapore; and
- any other information you have that indicates your customer as belonging outside Singapore³.

3.2.4 If my customer is an individual consumer, how do I know that he/she belongs in Singapore?

As a supplier, you should take reasonable steps to determine where your customer belongs.

If your customer has a **Singapore domain name or a Singapore IP address**, such as amylin@pacific.net.sg, you must charge GST on the supplies of services.

If your customer does not have a Singapore domain name nor a Singapore IP address, such as johnlee@aol.com, then you need to obtain a declaration of his usual place of residence. If he declares that his usual place of residence is Singapore, then you must charge GST on the supplies of services. If he declares that it is outside Singapore, then you can treat him as belonging outside Singapore and zero-rate your supply of services to him.

If your customer fails to declare his usual place of residence, then you should charge GST on the supplies of services.

Please refer to the Appendix on the possible situations and the GST treatment for each of the situations.

³ Guidelines relating to determining the location of customer will change with advancement in technology.

3.2.5 When must I charge GST for the sales of digitised goods such as music and software over the Internet?

If you sell digitised goods such as music and software over the Internet to an individual consumer or a business entity, you must charge 7% GST unless the customer does not belong in Singapore. Please refer to paragraph 3.2.3 and 3.2.4 to decide if your customer belong or does not belong in Singapore.

4 When do I account for GST?

4.1 When should I charge GST and account for the output tax to the Comptroller of GST for goods sold via Internet?

The time of supply of the goods determines when you should charge and account for GST. Changes have been made to the time of supply rules to ease compliance.

Prior to 1 Jan 2011

In most cases, the supply is treated as taking place at the earliest of the following events:

- a) goods are removed or are made available;
- b) a tax invoice is issued for that supply; or
- c) payment is received for that supply.

Exception: If you issue a tax invoice within 14 days after the event in (a), then the time of supply is the date of this tax invoice.

This rule will not be applicable if payment is received before the event in (a) and (b). In such an instance, the time of supply is the date of the payment.

If the supply is **on sale or return terms**, the time of supply prior to 1 Jan 2011 is the earliest of the following events:

- a) time when the supply is made;
- b) 12 months after removal of the goods; or
- c) date of the tax invoice.

Exception: If you issue a tax invoice within 14 days after the event in (a) or (b), whichever is the earlier, then the time of supply is the date of this tax invoice.

You should account for GST on e-Commerce supplies together with other business transactions in your GST returns.

From 1 Jan 2011

With effect from 1 Jan 2011, the GST rule for time of supply will be changed to be in line with commercial practices. This is to help businesses comply with the rules easily. For most transactions, output tax will be accounted for based on the **earlier** of the following:

- a) When an invoice is issued; or
- b) When payment is received.

If the supply is **on sale or return terms**, the time of supply will be treated as taking place at the earliest of:

- a) When any payment in respect of the supply is received;
- b) When invoice in respect of the supply is issued; or
- c) 12 months after the removal of the goods.

The payment received must be to discharge an obligation to pay for the supply arising from the adoption of the sale. The mere receipt of payment will not be regarded as consideration received if it is held as security pending the adoption of the sale. If such security deposit is collected upfront, payment is received only when the deposit is applied as all or part of the consideration for the supply, following the adoption of the sale.

Once there is a payment received or an invoice issued, GST has to be accounted for based on the full selling price of the goods.

Prior to 1 Jan 2011, the issuance of a tax invoice – and not any other type of invoice – is an event that will trigger the time of supply. With effect from 1 Jan 2011, the issuance of any type of invoice will be an event that triggers the time of supply. This includes a tax invoice as well as any document that serves as a bill for payment for supplies made by a GST-registered supplier. An example of such document would be a debit note.

In general, documents such as sales order, pro-forma invoice, statement of accounts and letter/statement of claims are not considered as invoices for GST time of supply purposes. This is because these documents are often not billing for payments and would therefore not be treated as invoices based on normal commercial practices.

For more details, please refer to the e-Tax guide on “GST: Time of Supply Rules”.

5 Other GST Responsibilities

5.1 What are my responsibilities as a GST-registered person?

As a GST-registered person, you have the following responsibilities:

- a) Keep your business records These records include:
- business and accounting records;
 - copies of serially printed receipts, tax invoices and simplified tax invoices issued by you;
 - tax invoices, simplified tax invoice and receipts received by you;
 - import/export documents, if any;
 - all credit and debit notes;
 - any other documents that may be prescribed by the Comptroller.

With effect from 1 January 2007, you are required to keep for 5 years, records pertaining to prescribed accounting periods ending on or after 1 January 2007. However, you are required to keep for 7 years, records pertaining to prescribed accounting periods ending before 1 January 2007.

- b) Provide a tax invoice within 30 days of the supply being made or a longer period as allowed by the Comptroller of GST, to a taxable person whenever you make a supply to him.
- c) Complete and submit the GST returns and pay the Comptroller of GST the amount of tax no later than one month after the end of each accounting period.
- d) Provide all information as requested by the Comptroller of GST and to provide any reasonable assistance as may be required in the event of an inspection.
- e) Inform the Comptroller of GST in writing when you cease making taxable supplies or when you transfer your business.
- f) Remain registered for at least two years if you are a voluntary registrant.
- g) Show the price as GST inclusive when you issue a receipt.

5.2 What are the requirements of a proper tax invoice?

As a GST registered person, you are required to issue tax invoices for goods or services supplied to another taxable person. The tax invoice must be provided to the buyer within 30 days of the supply being made.

Details to be shown on the tax invoice include the following:

- a) the words "Tax Invoice" in a prominent place;
- b) an identifying number;
- c) the date of issue of the invoice,
- d) your name, address and registration number;

- e) your customer's name (or trading name) and address,
- f) the type of supply e.g. credit sale, hire-purchase, loan;
- g) a description of goods or services supplied;
- h) for each description, the quantity of goods or extend of services and the amount payable (excluding tax);
- i) any cash discount offered,
- j) the total amount payable excluding tax, the rate of GST and the total tax chargeable shown separately;
- k) the total amount payable, including tax; and
- l) if applicable, the breakdown of exempt, zero-rated or other supply, stating separately the gross amount payable in respect of each.

If you invoice in a foreign currency, items (j) and (k) should be converted into Singapore dollar using the selling exchange rate prevailing in Singapore at the time of supply. The exchange rate can be obtained from the rates published in the Straits Times or a bank. If you wish to use another basis of determining exchange rates, you should apply in writing to the Comptroller of GST for approval.

5.3 Do I need to issue a physical copy of the tax invoice to my customer if I made my sale via the Internet?

Traders can issue either a physical tax invoice or an electronic tax invoice.

5.4 Do I need to retain hardcopies of my tax invoices or business records?

Businesses no longer need to apply to IRAS for approval to store tax invoices and business records electronically or in an imaging system. However they need to ensure that they comply with the criteria set out in the e-Tax guides on "Keeping Machine-sensible Records and Electronic Invoicing" for storage of records in electronic media and "Keeping of Records in Imaging System" for storage of records in an imaging system. These guides can be downloaded from IRAS website at www.iras.gov.sg.

5.5 What are the responsibilities in terms of displaying prices?

All prices displayed, advertised, published over the internet for any supply of goods or services should be inclusive of GST, unless prior approval has been sought from the Comptroller of GST to do otherwise.

5.6 What are the documents I need to maintain to support the zero-rating of goods sold over the Internet?

For goods supplied over the Internet which are exported by you or via your freight forwarder, you need to maintain following documents, bearing your name as the exporter:

- a) bill of lading - for export via sea; or air waybill - for export via air; or IESGP permit - for export via Causeway;
- b) your invoice (not a pro-forma invoice) to the overseas customer;
- c) purchase order from your overseas customer;
- d) packing list or delivery note addressed to your overseas customer;
- e) insurance documents; and
- f) evidence of payment received from your overseas customer.

5.7 What if I export the goods via a postal or courier company?

For goods supplied over the Internet which are exported via a postal or courier company, you need to maintain:

- a) parcel posting receipt/courier consignment note; and
- b) invoice to your overseas customer.

6 Contact information

For enquiries on this e-Tax Guide, please contact:

Goods & Services Tax Division
Inland Revenue Authority of Singapore
55 Newton Road
Singapore 307987

Tel: 1800 356 8633
Fax: (+65) 6351 3553
Email: gst@iras.gov.sg

GST Treatment for Sales of Services/Digitised

Situation	GST Treatment
Domain name ends with dot sg , e.g. amylim@pacific.net.sg .	Standard-rate. Customer treated as belonging in Singapore and service is consumed in Singapore.
Domain name does not end with dot sg, e.g. johnlee@aol.com and customer declares that his usual place of residence is outside Singapore.	Zero-rate. Customer treated as belonging in a country outside Singapore and the service is provided to a non-resident.
Domain name does not end with dot sg, e.g. phillip_tan@hp.com and customer declares that his usual place of residence is in Singapore.	Standard-rate. Customer treated as belonging in Singapore based on his declaration and service is consumed in Singapore.
Domain name does not end with dot sg and customer does not declare his usual place of residence.	Standard-rate. Customer treated as belonging in Singapore.