

IRAS e-Tax Guide

GST: Treatment of Advertising Services

(Third Edition)



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PREAMBLE

As part of our efforts to improve taxpayers' compliance on GST and ensure that GST rules are still relevant to the changing business environment and business models, we have reviewed the existing GST treatment accorded to the advertising industry.

In the past, the GST treatment to zero-rate advertising services depended on the underlying subject matter advertised and the belonging status of the client. If the subject matter advertised was land or goods, the advertising service could be zero-rated if the land or goods advertised was situated outside Singapore. If the subject matter advertised was services, the advertising services could be zero-rated if it was supplied for and to an overseas client. For ease of applying zero-rating, administrative guidelines based on addresses of the advertisements and rule of '51% circulation of advertisement outside Singapore' were given.

In our review in consultation with various players in advertising supply chain, we found that the GST treatments for advertising services have to be fine-tuned. The refinements in GST treatment for advertising services are made with the aim:

- i) to reflect the current business models;
- ii) to be in line with the legislative requirements for zero-rating; and
- iii) to simplify the GST application rules to make it easier for the advertising industry to comply with.

This e-tax Guide presents the revised GST treatment on the various forms of advertising services provided by the suppliers in the advertising supply chain. The refinements are essentially on the conditions under which the various common forms of advertising services can be standard-rated or zero-rated.

The revised GST treatment for advertising services takes effect from 1 Jan 2007. This e-tax Guide supersedes the Nov 2004 edition.

1. INTRODUCTION

- 1.1 This guide explains the application of GST on the various forms of advertising services made by different suppliers in the advertising supply chain. It also illustrates the situations when the advertising services can qualify for zero-rating including those pursuant to the new provisions in section 21(3)(u) of the GST Act.
- 1.2 A supply of service is made in Singapore if the supplier belongs in Singapore (i.e. having a business or fixed establishment in Singapore). A supply of service attracts GST, unless it qualifies for zero-rating relief as an international service under section 21(3) of the GST Act.
- 1.3 The suppliers of advertising services are mainly:
- i) media owners,
 - ii) media agencies,
 - iii) creative agencies / full range advertising agencies.

Advertising services are provided in many forms. The common forms of advertising services are:

- i) Media Sales;
- ii) Media Planning;
- iii) Creative and Production Sales;
- iv) Brand PR and Events Organising.

- 1.4 The provisions of the GST Act applicable for zero-rating of advertising services are:
- i) Section 21(3)(u)¹ for Media Sales where circulation is wholly or substantially outside Singapore;
 - ii) Section 21(3)(j)² for Media Planning;

¹ Section 21(3)(u) – Subject to subsection (4D), services comprising either of or both-

- (i) the supply of a right to promulgate an advertisement by means of any medium of communication; and
- (ii) the promulgation of an advertisement by means of any medium of communication, where the Comptroller is satisfied that the advertisement is intended to be substantially promulgated outside Singapore.

(4D) The services referred to in subsection (3)(u) shall not include any apply to services comprising only of the promulgation of an advertisement by means of the transmission, emission or reception of signs, signals, writing, images, sounds or intelligence by any nature of wire, radio, optical or other electro-magnetic systems whether or not such signs, signals, writing, images, sounds or intelligence have been subjected to rearrangement, computation or other processes by any means in the course of their transmission, emission or reception.

² Section 21(3)(j) – Subject to subsections (4B) and (4C), services supplied –

- (i) under a contract with a person who belongs in a country outside Singapore; and
- (i) which directly benefit a person who belongs in a country other than Singapore and who is outside Singapore at the time the services are performed;

(4B) The services referred to in subsection (3)(e), (f), (g) and (j) shall not include any services comprising either of or both -

- (a) the supply of a right to promulgate an advertisement by means of any medium of communication; and
- (b) the promulgation of an advertisement by means of any medium of communication.

(4C) The services referred to in subsection (3)(j) shall not include any services which are supplied directly in connection with -

- (a) land or any improvement thereto situated inside Singapore; or
- (b) goods situated inside Singapore at the time the services are performed, other than goods referred to in subsection (3)(g).

- iii) Section 21(3)(j) for Creative and Production Sales;
- iv) Section 21(3)(j) for Brand PR; and
- v) Section 21(3)(i)³ & 21(3)(k)⁴ for Events Organising.

2. MEDIA SALES

2.1 Media sales refer to:

- the sale of advertising space for hardcopy print and outdoor advertisements (via newspapers, magazines, billboards, etc);
- the sale of advertising airtime for broadcasting (via TV and radio) and
- the sale of media space for web advertising (in the form of page view, impression, hit rate, electronic data mail, SMS messages etc) in other digital media (via email, internet and mobile phone).

2.2 Who are the suppliers involved in media sales?

2.2.1 The primary supplier is the media owner who sells advertising space, airtime and web media space for placement of advertisements.

2.2.2 There are 2 common scenarios of the supply chain for media sales. One scenario is the sale from media owner directly to the advertisers.

Media owner \longrightarrow Advertisers

Another scenario is the sale from media owner to intermediary suppliers (such as the media agencies, creative advertising agencies or full range advertising agencies) who make an onward supply to the advertisers. In this situation, the media agencies or advertising agencies are acting as principals for the transactions on media sales.

Media owner \longrightarrow Media Agencies / Advertising agencies \longrightarrow Advertisers

2.3 What is the supply value of the media sales?

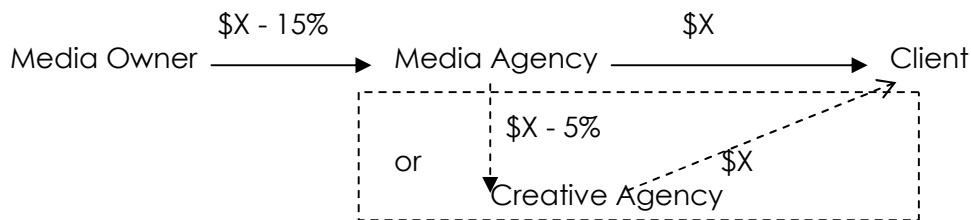
2.3.1 Generally, the value of supply is the amount billed to your client.

³ Section 21(3)(i) – Services of any of the following descriptions which are performed wholly outside Singapore:
(i) cultural, artistic, sporting, educational or entertainment services;
(ii) exhibition or convention services; or
(iii) services ancillary to, including that of organising the performance outside Singapore of the services referred to in sub-paragraphs (i) and (ii).

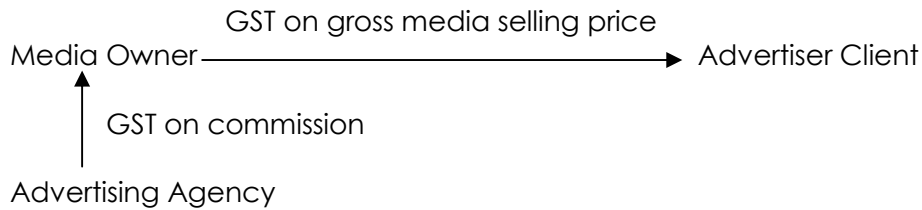
⁴ Section 21(3)(k) - Prescribed services supplied -
(i) under a contract with a person wholly in his business capacity (and not in his private or personal capacity) and who in that capacity belongs in a country outside Singapore; and
(ii) which directly benefit a person wholly in his business capacity (and not in his private or personal capacity) and who in that capacity belongs in a country other than Singapore;

Prescribed services under paragraph 5 of Second Schedule to GST (International Services) Order -
Services of any of the following descriptions:
(a) training or retraining for any business or employment;
(b) exhibition or convention services; or
(c) services ancillary to, including that of organising the services referred to in sub-paragraphs (a) and (b).

- 2.3.2 A media owner will usually bill the advertiser based on the rates stated on the rates card. The value of supply for media sales made by the media owner is the gross selling price (e.g. \$X) he charges to the advertiser. The price includes all costs incurred in typesetting, formatting, printing and necessary technology to have the advertisement fitted into the time or space supplied, and transmission by whatever medium of communication to the readers or viewers.
- 2.3.3 Based on market practice, when a media owner makes media sales to a media agency or advertising agency, he usually allows a discount (e.g. 15%) from the gross selling price (i.e. \$X). The value of supply for the media sales is therefore the discounted price (i.e. $\$X - 15\%$) payable by the agency.
- 2.3.4 When the media agency or advertising agency bills the advertiser to recover the cost of the media sales (i.e. \$X), the agency is making another supply of media sales. The value of this supply by the agency is the gross selling price (i.e. \$X).
- 2.3.5 In the media sales supply chain, there can be more than 1 agency involved where the discount is then shared by more parties. Each agency acts as a principal for the media sales transactions and has to account GST on his selling price charged to his client.
- 2.3.6 Below is an illustration of the media billing in media sales supply chain.



- 2.3.7 Sometimes, the advertising agency acts as a commission agent for the media owner. In this case, the media owner makes a supply of media space or airtime directly to the advertiser and charges the advertiser on the gross selling price (i.e. \$X). The media owner pays the advertising agency a commission (say a percentage of the gross selling price) for the provision of agency services. The value of supply for the advertising agency's service to the media owner is the commission he earns.



2.4 What is the GST treatment for media sales?

2.4.1 Media sale involving the circulation of the advertisement is a supply of service. The service is performed through the media on which the advertisement is placed. This service is completed only when the advertising media is circulated and the advertisement reaches out to the viewers or readers. Hence, this service is directly connected with the advertising media in circulation and not the subject matter of the advertisement⁵.

2.4.2 The advertising media in circulation can be in physical form or in digital form. For the placement of advertisement in hardcopy print, the media is in the form of physical goods such as newspapers, magazines, billboards, etc. For advertisement through TV, radio, internet and mobile phone, the advertising media is in digital form.

2.4.3 Thus, a better proxy to determine the GST treatment to standard-rate or zero-rate the media sales is the place of circulation of the advertisement and not the belonging status of the contracting party or recipient of service. The GST treatment on media sales is as follows:

- i) If the circulation of the media advertisement is in Singapore, the supply is standard-rated.
- ii) If the circulation of the media advertisement is outside Singapore, the supply is zero-rated.
- iii) For regional circulation of the same media advertisement, the supply is considered to be substantially circulated outside Singapore and can be entirely zero-rated if at least 51% of the total circulation of the same media advertisement through physical or digital media is circulated outside Singapore.

2.4.4 This treatment applies throughout the supply chain to cover all suppliers who bill for media sales.

Normal media sale advertising supply chain



It is also applicable to suppliers outside the advertising industry (e.g. the property agents) who buy advertising media space or airtime from

⁵ Section 21(3)(e) and (f) are thus not applicable to media sales.

media owner / media agency / advertising agency and make onward supplies of those advertising media sales to their customers.

Extended media sale advertising supply chain

Media Owner → Media /Advertising Agency → Property Agent → Advertiser

If a holding company of a multinational company contracts with a media owner / media agency / advertising agency for the media buying, and recovers the costs of the media buying from the respective subsidiaries, the holding company is treated as a principal making onward supplies of advertising media sales to their subsidiaries. The basis to standard-rate or zero-rate the onward supplies of media sales similarly depends on the place of circulation of the advertising media.

Extended media sale advertising supply chain

Media Owner → Media /Advertising Agency → MNC Holding Co → MNC Subsidiaries

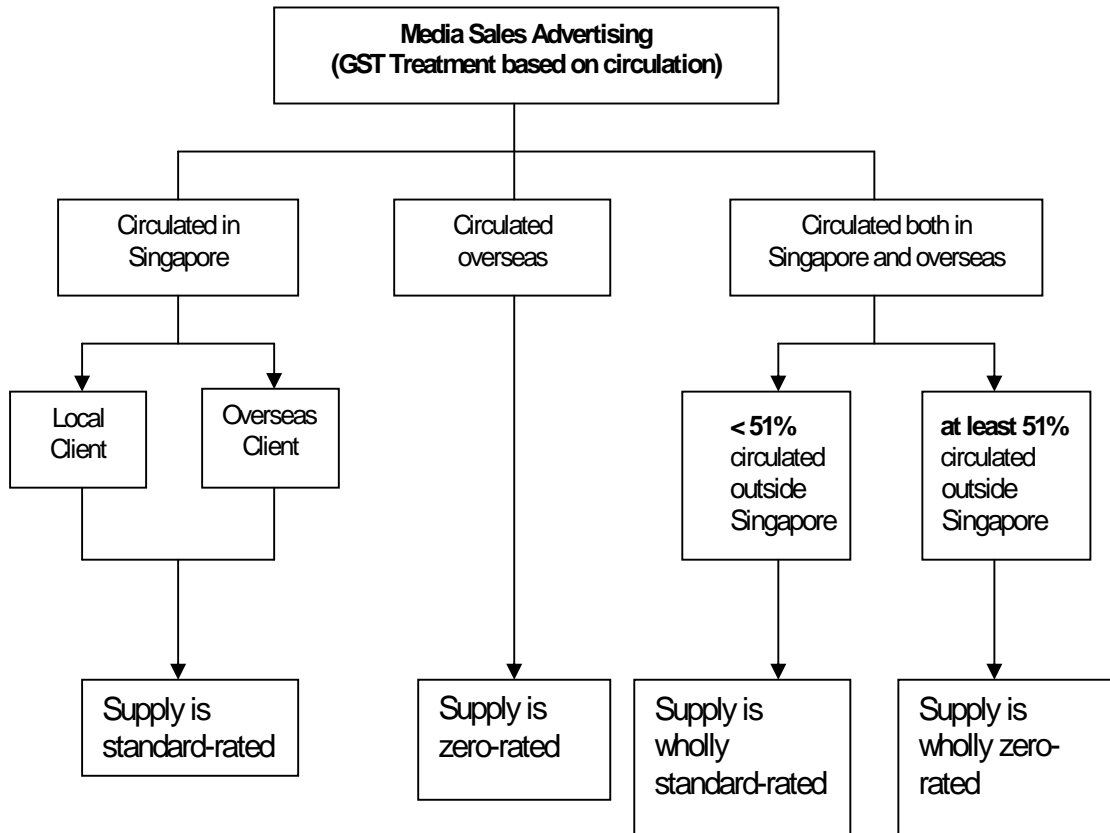
- 2.4.5 This treatment however does not apply to third party service providers⁶ (such as printing companies, telecommunication service providers) who provide services to the media owners or advertising agencies for the circulation of the advertisement. As they are not supplying media sales, the zero-rating treatment based on circulation does not apply.

Hence, if a telecommunication company provides mass SMS services directly to an advertiser to transmit the advertising messages to its subscribers, even though some value added services such as typesetting and creation of graphics are provided, the supply is predominantly telecommunication services and not a supply of advertising space or time in any electronic media. The supply cannot qualify for zero-rating under section 21(3)(u) based on place of circulation⁷. The zero-rating of telecommunication services is based on section 21(3)(q).

⁶ Section 21(3)(u) zero-rating does not apply to other service providers who are not supplying media sales. If the service provider is providing telecommunication services, the basis to zero-rate is under section 21(3)(q). For provision of other services, the basis to zero-rate is generally under section 21(3)(j).

⁷ This is specifically excluded under section 21(4D).

2.4.6 The flowchart illustrates the concept on GST treatment for media sales.



2.4.7 Media sales for advertisement circulated in Singapore

When an advertisement on hardcopy print is circulated in Singapore, the service is performed locally. The media sale is standard-rated regardless whether the supply is made to a local customer or an overseas customer⁸.

For TV and radio broadcasting, advertisements placed on TV and radio channels in Singapore are considered to be supplies made in Singapore and have to be standard-rated. This is because these TV and radio channels are aired mainly in Singapore.

For media sales advertising through mobile phones (e.g. in the form of SMS or SMS-enabled banner), the place of subscription of the telephone line is used as a proxy to determine the place of circulation. Hence, if an advertisement is sent to subscribers of local telephone lines, the circulation is in Singapore. Such a supply is thus standard-rated.

2.4.8 Media sales for advertisement circulated outside Singapore

⁸ Although the media sales supply is made to an overseas person, it cannot qualify for zero-rating under section 21(3)(j) which specifically excludes media sales.

For advertisement circulated outside Singapore by means of hardcopy print such as magazines, and digital mode via TV, radio, internet and mobile phone, the media sales can be zero-rated under section 21(3)(u). This is regardless whether the services are provided to a local or an overseas customer.

For media sales advertising through mobile phones, if an advertisement is sent to subscribers of overseas telephone lines, the media circulation is generally regarded as outside Singapore. Accordingly, such supplies can be zero-rated. However, if the advertisement is targeted at and sent specifically to subscribers of overseas telephone lines who are in Singapore, the media sales have to be standard-rated as these involved local circulation.

2.4.9 Media sales for advertisement circulated both in Singapore and overseas

Where the supplies consist of a mixture of standard-rated and zero-rated supplies, generally, apportionment of the value of supplies into standard-rated and zero-rated supplies is required.

However, based on the feedback from the suppliers of media sales advertising, there are practical difficulties to apportion the value of supply of media sales for Singapore and overseas circulation.

Hence, the present administrative rule of '51% circulation outside Singapore' will be retained and used as a proxy to regard the mixed circulation as substantially outside Singapore. The entire value of media sales advertising can be **zero-rated** if at least 51% of the circulation is outside Singapore.

If the "51% circulation outside Singapore" rule is not satisfied, the entire value of supply for the media sales has to be standard-rated. This rule removes the need for apportionment.

2.4.10 51% circulation outside Singapore

For advertising space in regional publications circulating in and outside Singapore, the 51% rule of circulation outside Singapore applies only to publication of the same version or edition for distribution to multiple countries. It cannot apply to publications for a specific country market.

For publications issued specifically for a particular country (for example, Her World Malaysia and Her World Singapore), the circulation rule is confined to that country. Media sales for Her World Malaysia can be zero-rated (being circulated overseas) while media sales for Her World Singapore is standard-rated.

Similarly, magazines with the same content printed in different languages, or magazines with slight modifications for distribution in

different countries cannot be regarded as the same version or edition of the publication.

Where media sales involves a new publication with no past track record, the 51% circulation rule can be based on "expected volume of circulation" in each country. For publication with established track records, the percentage of circulation rule to be applied should be based on the average actual circulation. The percentage of circulation should be periodically reviewed for future application. You do not need to do a retrospective GST adjustment for past media sales transactions should the percentage derived from volume of circulation subsequently changes.

2.4.11 For media sales of airtime pertaining to advertising through television and radio, the 51% circulation outside Singapore applies only to the same advertisement aired simultaneously in Singapore and overseas via regional channel. For advertisements via mobile phones, the 51% circulation outside Singapore must be based on the proportion of overseas phone lines in a targeted list of recipients for the same advertisement messages.

2.4.12 For advertisements placed on internet, the viewer access is generally global-wide. The reach-out is substantially outside Singapore. Hence, the entire value of media sales advertising can be zero-rated. This applies to advertisements that are placed on a website or webpage which has no restricted access or with restricted access to members from Singapore and overseas. However, should the advertisements be placed on a website or webpage which has restricted access to members or viewers in Singapore (e.g. from the .sg domain) only, then the media sales advertising have to be standard-rated.

2.4.13 The GST treatment of media sales via different media mode are summarised as follows:

Advertising Media Mode	Local Circulation (standard-rated)	Overseas Circulation (zero-rated)	Mixed Circulation qualifying for zero-rating
In Physical Form: Hardcopy print advertisement	Hardcopy circulated in Singapore	Hardcopy exported overseas	For same version of hardcopy print advertisement, at least 51% circulation is outside Singapore
In Digital Form:			
1) TV & Radio Advertising	Broadcast in Singapore	Broadcast outside Singapore	Broadcast simultaneously in regional

			channels
2) Internet Advertising	On website or webpage with restricted access to members/viewers in Singapore	On website or webpage with no restricted access or with restricted access to Singapore and non-Singapore members	
3) Mobile Phone Advertising	Subscribers of local telephone lines	Subscribers of overseas telephone lines	At least 51% are subscribers of overseas telephone lines

2.5 What information needs to be shown on the invoice to support zero-rating of media sales?

2.5.1 If the media sales qualifies for zero-rating, your invoice to your customer must clearly show that you are billing for media sales for advertisements circulated outside Singapore or circulated both inside and outside Singapore. Details of the media⁹, date of advertisement, place of circulation, etc should be shown. If you are billing in a single invoice for both standard-rated and zero-rated media sales, your invoice must clearly separate and show details of both the standard-rated and zero-rated media sales advertising.

2.5.2 If you are the media agency or advertising agency who supplies media sales and other forms of advertising services, you will usually bill your client separately for the media sales. Should you issue a single invoice for both media sales and other advertising services, you need to show the details of the media sales (including place of circulation) and other advertising services. For zero-rated media sales, you must also keep a copy of the invoice issued by the media owner to you to support the purchase of advertising media space and date of overseas or mixed circulation.

3. MEDIA PLANNING

3.1 Media planning is strictly a professional and advisory service provided mainly by the media agencies and the full range advertising agencies. The supplier of media planning bills his client for this media planning service based on time cost or on a retainer fee basis.

3.2 What is the GST treatment for media planning?

3.2.1 Media planning is purely a service that bears no direct nexus with the place of media circulation of the advertisement and the subject matter of the advertisement. The mode of advertisement and the countries of

⁹ For internet, please show the website address of the advertisement.

circulation are merely the basis of planning. Hence, zero-rating concept based on the rule of media circulation for media sales advertising cannot be applied for media planning services.

3.2.2 Zero-rating treatment for media planning services is under section 21(3)(j) of the GST Act, based on the belonging status of the contracting party and beneficiary of the service.

3.2.3 Hence, if you make a supply of media planning services to a local client (i.e. local advertiser or a local advertising agency), you have to charge and account GST on this supply.

3.2.4 If you are engaged by a Singapore client to provide media planning for its group of companies (which are located outside Singapore or located both inside and outside Singapore), you also have to standard-rate the supply.

3.2.5 However, if you make a supply of media planning services to an overseas person, you can zero-rate your media planning services under section 21(3)(j) if the following 2 conditions are satisfied:

- i) Your service is supplied under a contract (written or verbal) with an overseas client who does not belong in Singapore, and you issue your invoice directly to that overseas client who engaged you for your services; **and**
- ii) Your service must directly benefit your overseas client and/or another overseas person/s. A service will 'directly benefit' a person if there is a direct impact on the recipient of service. In practice, the Comptroller will first look at the contract governing the supply of service. If the contract stipulates another person as the recipient of the service, the Comptroller will consider the supply to directly benefit this recipient.

If you do not meet either one or both of the above two conditions, you have to standard-rate the supply.

3.2.6 Your client is an overseas advertiser

You have a contract for media planning services with an overseas advertiser who will directly benefit from your services. You can zero-rate your supply provided that the contract does not name another local person as the recipient or beneficiary of the services.

3.2.7 Your client is an overseas holding company / group HQ / regional office

You have a contract with overseas holding company / group HQ / regional office to do media planning for its group of companies (which could include Singapore and overseas entities). The services provided (involving market studies; choosing advertising media, timing and frequency of advertising; co-ordination with various parties; etc) are for the purpose of optimising the media investment of the group.

In this situation, the contracting party is the immediate recipient who will directly benefit from your services. You can zero-rate your media planning services to this overseas holding company / group HQ / regional office. It does not matter whether or not the contracting party recovers the costs from the entities in the group. No doubt the other entities in the group may enjoy an increase in publicity and sales but the benefits received by the entities are indirect and one step removed.

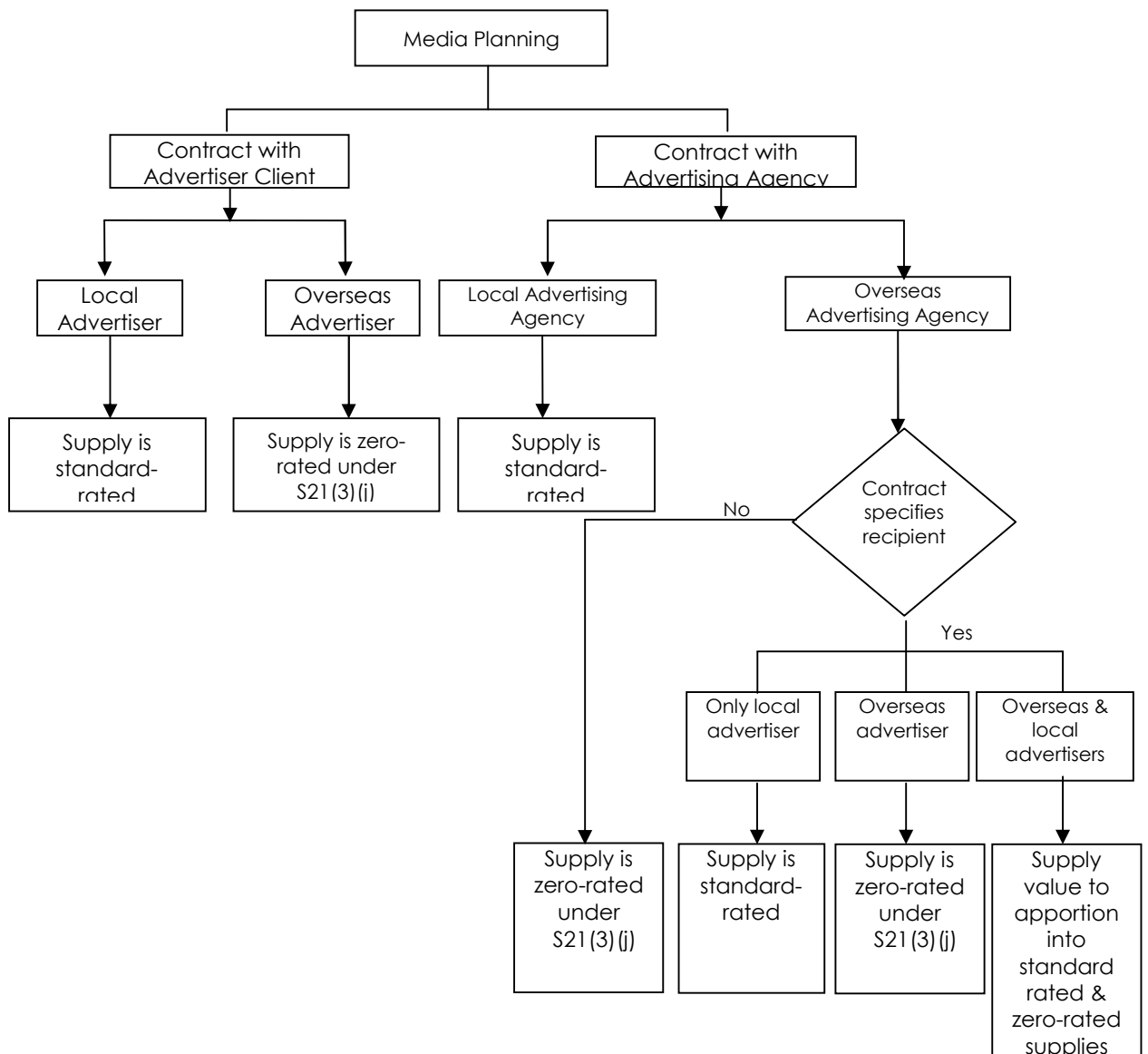
3.2.8 Your client is another overseas advertising agency

An overseas advertising agency has engaged you to do media planning services for its advertiser client. Unless the contract states otherwise, you will deal directly with the overseas advertising agency and bill him for your services. Hence, the recipient of the media planning services is the overseas advertising agency. You can therefore zero-rate your supply.

However, if the contract specifies the advertiser to be the recipient of services and/or requires you to deal directly with the advertiser, then the advertiser benefits directly from your services. If the advertiser is a local person, you have to standard-rate your supply made to the overseas advertising agency since the supply is for the benefit of a local person. If the advertiser is an overseas person, you can zero-rate your supply to the overseas advertising agency.

3.2.9 You may secure a project by way of a global contract entered into with an overseas HQ. However, for work specifically provided to the local entity, adaptations (by means of Memorandum of Understanding) to the contract will be made with the local entity. You bill this local entity directly. Since your service is supplied to and for the benefit of the local entity, you have to charge and account GST on this supply.

3.2.10 Diagram on GST treatment of media planning



3.3 Some media agencies provide their clients with some media buying advice or media planning services as part of the value-add to their media sales. They do not charge their clients for these services (which are ancillary to the principal supplies of media sale). The cost of these media planning services has been factored into the price for media sales. In such a case, the supply is principally media sales and the GST treatment will follow that of the media sales.

4. CREATIVE AND PRODUCTION SALES

4.1 Creative and Production sale is a sale of creative ideas and advertising artworks provided by the advertising agencies. The creative and production (concept development, art direction, design, copywriting, etc) is generally charged based on certain rates. In addition, a standard fee may be levied on all third party costs (photography, directors and

artists, printing and filming, etc). The service is fully performed when the idea is conceptualised, artworks created and accepted.

4.2 The creative and production stage results in the advertisement concepts and artworks being developed but does not result in the actual delivery of the advertisement to the public.

4.3 What is the GST treatment for creative and production sales?

4.3.1 The supply of creative and production sales is a supply of service. The supply has no direct connection with the subject matter of the advertisement (i.e. whether it is an advertisement for a particular land or good or service). Neither does it have a direct nexus with the media or circulation of the advertisement.

4.3.2 In general, it is the advertiser who contracts for this service. As the advertiser uses the artworks and controls the usage, he is the person who directly benefits from the supply.

4.3.3 Your client is a local advertiser

When you make a supply to a local advertiser, you have to standard-rate the entire supply. It does not matter that some of the works are produced outside Singapore or that you recover third party costs with or without a mark-up. You have to charge and account GST on the full value of the supply. This includes billing for production costs incurred in or outside Singapore, third party costs (recovered at cost or at mark-up) and your fee.

4.3.4 Your client is an overseas advertiser

When you make a supply to an overseas advertiser, the supply can qualify for zero-rating under section 21(3)(j). The overseas advertiser client who contracted for this service is the immediate recipient and direct beneficiary of the service. You need not look beyond your contractual client in deciding whether to zero-rate your creative and production service. You also need not be concerned with the advertised subject matter (whether the advertisement is in respect of land or goods situated in or outside Singapore).

4.3.5 Your client is another advertising agency

There can be instances where another advertising agency (say B) has outsourced certain aspects of creative work to you (say A) so that he can incorporate it when he renders creative and production services to his advertiser client. Here, there are two separate supplies. Both A and B are principals of the supplies.

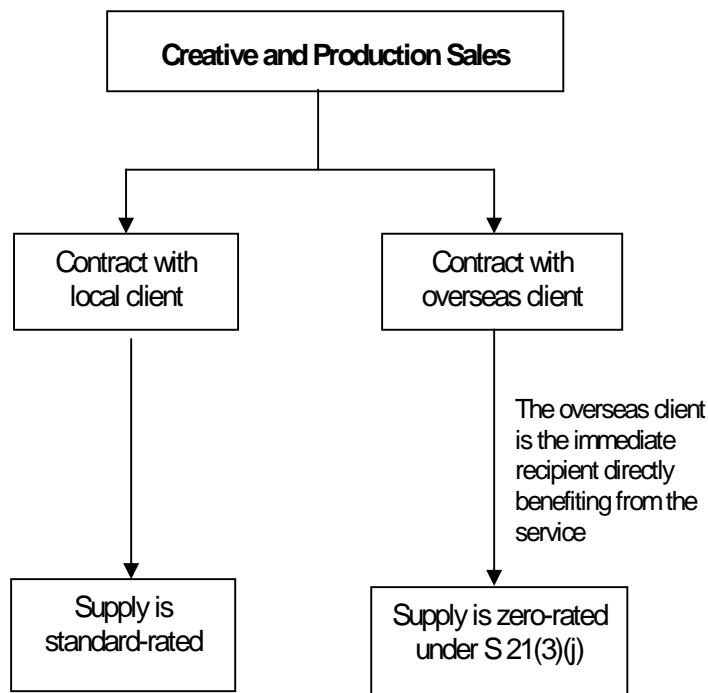


For the supply from A to B, B is the immediate recipient of the service. This service is first received by B and enables B to make another supply of creative works to B's advertiser client. A will standard-rate or

zero-rate his supply depending on whether B is a local or overseas advertising agency. If B is a local person, A has to standard-rate his supply. If B is an overseas advertising agency, A can zero-rate the supply under section 21(3)(j).

Similarly, when B bills his advertiser client for the entire package of service, he will standard-rate or zero-rate his supply depending on whether his advertiser client is a local or overseas person.

4.4 Diagram on GST treatment of creative and production sales



5. BRAND PR AND EVENTS ORGANISING

5.1 In undertaking an advertising campaign, an advertising agency may also be involved in Brand PR. The works involve PR consultation, managing reputation and relationships with targeted audiences, planning and preparation for media release, planning of activities, scheduling, etc.

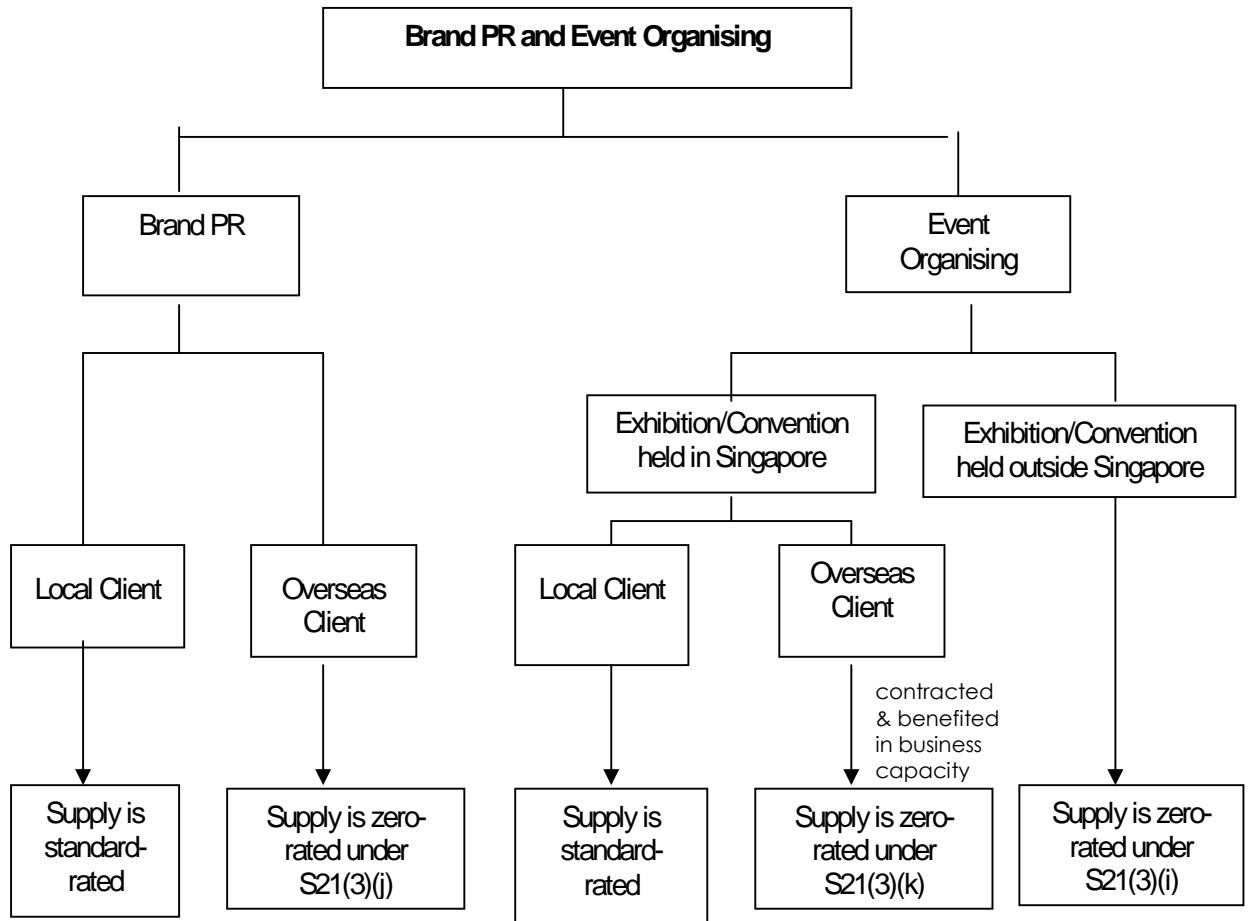
5.2 The supply of Brand PR is a supply of service. Hence, you have to charge and account for GST on your fee if you make a supply of this service to a local person. You can zero-rate the supply under section 21(3)(j) if you make the supply to an overseas person who is the immediate recipient directly benefiting from the service.

5.3 The advertising agency can also be involved in organising exhibitions or conventions for promotional campaigns. These events can be in Singapore or outside Singapore. If you are organising such events, you can zero-rate the supply under either one of the following situations-

- (i) the exhibition or convention events are held overseas (this is regardless of whether your client is a local or overseas person); **or**
- (ii) for exhibition or convention events held in Singapore, your supply is contractually made to an overseas business person who is directly benefiting from your service.

If your supply is made to a local person or to an overseas individual (not in his business capacity), and the exhibition or convention is held in Singapore, you have to standard-rate the supply. You have to charge and account for GST on your service fees and recovery of all costs (i.e. internal costs and third party costs) with or without mark-up when you bill your client.

5.4 Diagram on GST treatment of brand PR and event organising



5.5 A summary of the GST treatment for various advertising services is shown in Appendix 1.

6. TIME OF SUPPLY FOR ADVERTISING SERVICES

Prior to 1 Jan 2011

- 6.1 For the supply of advertising services, you have to account for the GST at the earliest of the following dates:
- a) date of payment received;
 - b) date of tax invoice; or
 - c) date when the service is performed.
- If the tax invoice is issued within 14 days after services are performed (i.e. event c), the time of supply is when the tax invoice is issued.
- 6.2 You commonly receive deposit, advance payment, progress payment and production cost payment from time to time before completion of the project. You have to account for GST on these payments, at the earlier of:
- a) date of payment received or
 - b) date of tax invoice issued.
- 6.3 If you are charging agency pitch fee for full presentation of your creative ideas, you have to account for GST on the agency pitch fee, based on the time of supply rule at paragraph 6.1. If the pitch fee is subsequently waived upon successful award of the contract to you, you have to issue a credit note to withdraw the GST you have previously charged on the pitch fee.

With effect from 1 Jan 2011

- 6.4 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
 - b) When payment is received

Prior to 1 January 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 January 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

7. COMMON BUSINESS SCENARIOS

7.1 A Singapore hotelier places a booking with a media owner to air an advertisement in Singapore on its worldwide hotel chain. Is the sale of airtime subject to GST?

The sale of airtime for broadcasting in Singapore is subject to GST as the circulation of the advertisement is in Singapore.

7.2 A Singapore advertiser places an advertisement in a regionally circulated magazine. Is the supply of advertising space subject to GST?

If the print media is circulated in Singapore and overseas countries, the entire value of media sales can be zero-rated if at least 51% of the circulation of the same version of publication is outside Singapore.

7.3 An overseas advertiser purchases an advertisement product from a web advertising company (media owner) to circulate an advertisement via SMS to mobile phone users in Singapore. Is the supply subject to GST?

As the advertisement in the form of SMS or SMS-enabled banner is promulgated via mobile phones to subscribers of local telephone lines, the media sale is a local supply which is subject to GST.

7.4 If a Singapore advertiser places an advertisement on the Internet, is the supply of the web advertisement products (in the form of page views, banners, hits etc) subject to GST?

This is a supply of web advertising space. It can be zero-rated if there is no access restriction to the website or webpage. If the access is allowed only to Singapore viewers/browsers, the media sale of web advertising space will be subject to GST.

7.5 An overseas advertising agency places an advertisement in a local newspaper for an overseas hotelier. Is the sale of advertising space to the overseas advertising agency subject to GST?

The sale of advertising space by the local newspaper (media owner) is subject to GST as the advertisement is circulated in Singapore.

7.6 A Singapore media agency places an advertisement in a Malaysia newspaper for a Singapore advertiser who intends to promote its new shopping mall in Singapore. Does the Singapore media agency have to charge GST on the sale of advertising space to the Singapore advertiser?

The sale of advertising space by the media agency can be zero-rated (i.e. GST at 0%) as the advertisement is circulated outside Singapore.

- 7.7 A Singapore advertising agency is engaged by a Singapore fashion wear company to place advertisements in the in-flight magazines. Does the Singapore advertising agency have to charge the fashion wear company GST on the supply of media space?**

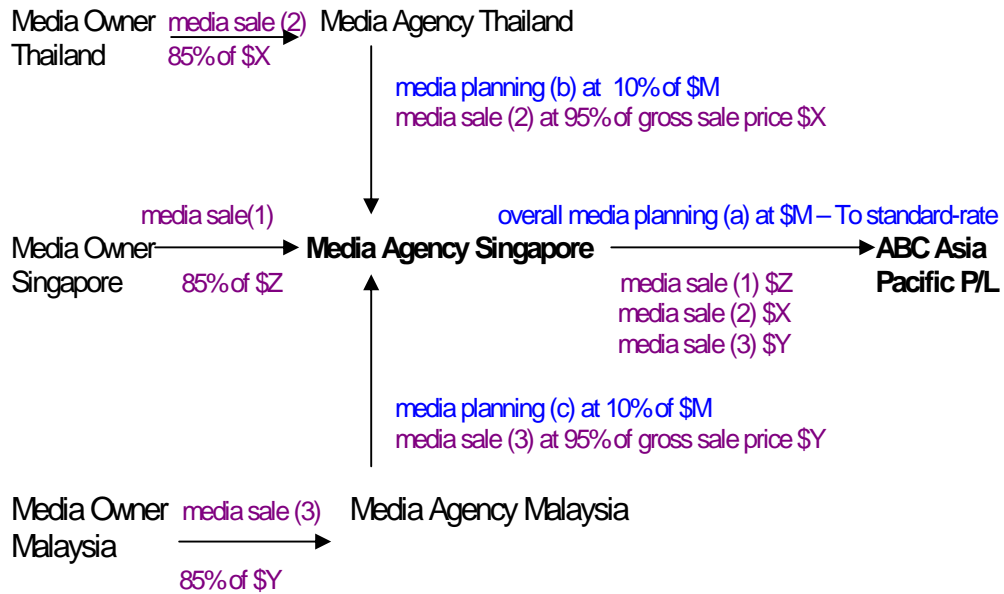
Advertisements on in-flight magazines are circulated during the flight. As the circulation is outside Singapore, the media sales supplied by the advertising agency can be zero-rated.

- 7.8 A Singapore media agency is engaged by QRS Asia Ltd, a regional office in Hong Kong, under a global contract signed in Hong Kong, to provide media planning and media buying services for advertisements placed in magazines and TV media. The media planning service and media sales for placement of advertisements are billed separately. Is GST chargeable on the supply of services?**

The supply of media planning services to QRS Asia Ltd can be zero-rated (i.e. GST at 0%) as the service is provided contractually to and beneficially for a person outside Singapore.

As to the media sales, if the publications and TV media are circulated in Singapore only, the supply has to be standard-rated. If the media is circulated in both Singapore and other overseas countries, the entire value of media sales can be zero-rated if at least 51% of the circulation of the same version of publications is circulated outside Singapore or the advertisement is aired simultaneously in Singapore and overseas countries via regional channel. If the rule of 51% circulation outside Singapore is not satisfied, the entire value of media sales has to be standard-rated. No apportionment is required.

- 7.9 A Singapore media agency is appointed by ABC Asia Pacific Pte Ltd (an Asia Pacific HQ situated in Singapore) as the regional media agency to provide media planning and media buying services for its group of companies in the entire Asia Pacific region. The Singapore media agency provides overall media planning for the Asia Pacific Region and media buying for only advertisements circulated in Singapore. The Singapore media agency in turn engages its overseas related media agencies in the respective countries to conduct media planning (in respect of their own countries) and media purchase for advertising in the respective countries. Does the Singapore media agency have to charge GST when it invoices ABC Asia Pacific Pte Ltd for the services?**



- | | |
|----------------------------|---|
| overall media planning (a) | - planning for Asia Pacific Region at \$M |
| media planning (b) | - planning for Thailand market at 10% of \$M |
| media planning (c) | - planning for Malaysia market at 10% of \$M |
| media sale (1) | - sale of media space in Singapore media at \$Z |
| media sale (2) | - sale of media space in Thailand media at \$X |
| media sale (3) | - sale of media space in Malaysia media at \$Y |

The supply of overall media planning services (a) at \$M to ABC Asia Pacific Pte Ltd is subject to GST as the service is provided to a person in Singapore.

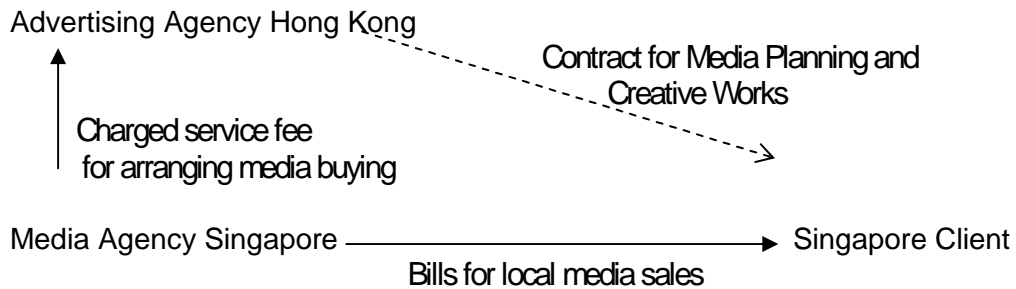
The sale of media space (1) for advertisements placed in Singapore media at \$Z is also subject to GST because the advertisement is circulated in Singapore. However, the sale of media space for advertisements placed in other countries (2+3) can be zero-rated (i.e. GST at 0%) as the advertising media circulation are outside Singapore.

7.10 A Singapore media agency is appointed via a global agreement signed with a Hong Kong HQ. The Singapore media agency services XYZ (Singapore) Pte Ltd (situated in Singapore) based on an adapted local contract it enters into with XYZ (Singapore) Pte Ltd. The adapted local contract tags on the terms of the global contract by way of an addendum to the global contract. Based on the contract, Singapore media agency is responsible for all media planning and buying in Singapore. Is GST on supplies of media planning and media sales to XYZ (Singapore) Pte Ltd?

The supply of media planning service billed to XYZ (Singapore) Pte Ltd is subject to GST as the service is provided to a person in Singapore. The sale of media space for advertisements placed in Singapore is also subject to GST.

7.11 An advertising agency in Hong Kong has a contract with a Singapore Client. A media agency in Singapore is engaged by the advertising agency in Hong Kong to buy media space for

Singapore circulation and bill the Singapore Client directly. The media agency in Singapore will bill the advertising agency in Hong Kong a service fee for arranging media buying. Is GST chargeable on the service fee?



In this case, the media agency in Singapore is making 2 separate supplies;

- 1) a supply of media sale to the Singapore Client;
- 2) a supply of service to the advertising agency in Hong Kong for arranging media buying.

For 1), GST is chargeable on the media sales to the Singapore client for advertisements circulated in Singapore.

For 2), the service fee billed to advertising agency in Hong Kong is strictly a service for arranging media buying. It is not a supply of media sale. Applying section 21(3)(j), as the service is provided contractually to and beneficially for a company outside Singapore, the supply can be zero-rated (i.e. GST at 0%).

7.12 A creative agency is appointed by XYZ Asia Pacific Pte Ltd (an Asia Pacific HQ situated in Singapore) as the sole agency to provide creative works for all its advertising campaigns in the Asia Pacific region. Most of the productions (e.g. outdoor filming) are carried outside Singapore. Is GST chargeable on the creative and production costs?

The services are provided contractually to a company in Singapore. Creative works are not directly in connection with advertising media in circulation. Despite the fact that the productions may take place outside Singapore, the supplies do not qualify for zero-rating. GST is therefore chargeable on the creative and production (including internal and third party) costs.

7.13 An advertising agency is awarded a contract by an overseas advertiser to provide creative sales and media sales as a package. Can the entire package be zero-rated?

Creative sales and media sales are two distinctive services capable of being supplied independent of each other. Hence, the advertising agency is making two types of supplies: the designing works for the advertisements and sales of media space or airtime to promulgate the

advertisement. If the package is offered at one price, the agency has to determine the respective value applicable to creative sales and media sales and apply the GST treatment accordingly in the billings.

The GST treatment for the value attributable to creative sales depends on the belonging status of the contracting party and beneficiary of the services. If the contract is entered into with an overseas advertiser and the services benefit the overseas advertiser, the value of creative sales can be zero-rated. If the contract is entered into with a local advertiser, or if the services benefit a local advertiser, you have to standard-rate the supply.

As for the value attributable to media sales, the GST treatment is based on the place of circulation. If the advertisement is circulated in Singapore, the media sales value is standard-rated. If it is circulated overseas, it can be zero-rated.

7.14 A website owner (media owner) provides media sales for web advertising in the internet. His supplies of media sales include the application of the necessary technology to create the banners, buttons, graphic, pop-up or floating effects for the advertisements. Can the entire media sales supply be zero-rated?

Media sales for web advertising involve the sales of ad products such as banner ads, sidebar ads, pop-up and pop-under ads, floating ads, Unicast ads etc. The production costs in applying necessary technology to create the banners and effects are ancillary to the principal supplies of media sales. The entire package of media sales for web advertisement can be zero-rated if the advertisement is placed on a webpage or website (either a Singapore, an overseas or general website) which allow access to both Singapore and overseas viewers/browsers. If the advertisement is placed on a webpage or website which allows access only to Singapore viewers/browsers, the entire package of media sales for web advertisement has to be standard-rated.

7.15 A publisher gives out free magazines to a selected group of readers. Does he need to account for GST on the free magazines distributed under controlled circulation?

Generally, gifts of goods that form a series of gifts (i.e. 3 or more gifts within 3 months) made to the same person attract GST. GST has to be accounted on the open market value of the goods given free. This rule applies if commercial copies (new/current issues) of magazines are given away free to readers, educational institutes, or potential clients.

However, if a media owner gives complimentary copies of the new/current issue to an advertiser who placed an advertisement in the said issue, it would not attract GST.

If past issues of commercial copies have no more commercial values and are given free, no GST need to be accounted for on the gift.

Controlled circulation of magazines (not for sale) will not attract GST if this is done to fulfil a contractual obligation with the advertisers, i.e. to circulate the advertisements. The magazines must be given to a selected group of people whom the advertisers want to target their advertising efforts and the free copies must constitute more than 95% of the same version of magazines.

7.16 A media owner receives sponsorship in the form of money from a sole distributor. In exchange, the media owner gives him advertising space or airtime to publicise his products in the media owner's newsletter or TV programme. Does the media owner need to account for GST on the sponsorship received?

If a person supplies something (i.e. any benefits) to a sponsor in return for his sponsorship, he is making a taxable supply to him. Hence, the media owner has to account for GST based on the open market value of the advertising space or airtime he gives to the sponsor.

If the open market value for the taxable supply provided cannot be determined, the money the media owner receives will be treated as GST-inclusive. GST has to be accounted based on a tax fraction¹⁰ of the money.

7.17 If a media owner receives sponsorship in the form of gifts of goods instead, does he need to account for GST on the sponsorship received in return for giving some benefits to the sponsor?

He has to account for GST based on the open market value of the benefits given to the sponsor (e.g. providing publicity on sponsor's products or making facilities available to the sponsor). If he cannot determine the open market value of the benefits given to the sponsor, he will have to account for GST based on the open market value of the goods.

7.18 If the gifts sponsored are specifically for the participants of the TV programme, does the media owner need to account for GST on the gifts received?

The media owner does not have to account for GST on the gifts because they are not given to him, but to the participants of the show.

¹⁰ Tax fraction is the fraction of prevailing GST rate / (100 + prevailing GST rate).

8. CONTACT INFORMATION

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APPENDIX 1 – SUMMARY OF GST TREATMENT FOR VARIOUS ADVERTISING SERVICES

Advertising Services Supplied To The Advertiser Client

Forms of Advertising Services	Situations	Advertiser Client is:	
		Local Advertiser	Overseas Advertiser
1) Media Sales For Advertisements	Local Circulation	Standard-rated Supply	Standard-rated Supply
	Overseas Circulation	Zero-rated Supply	Zero-rated Supply
	Local + Overseas Circulation		
	<ul style="list-style-type: none"> At least 51% circulated outside Singapore 	Zero-rated Supply	Zero-rated Supply
	<ul style="list-style-type: none"> Less than 51% circulated outside Singapore 	Standard-rated Supply	Standard-rated Supply
2) Media Planning		Standard-rated Supply	Zero-rated Supply
3) Creative & Production		Standard-rated Supply	Zero-rated Supply
4) Brand PR		Standard-rated Supply	Zero-rated Supply
5) Exhibition / Convention Organising	Local Event	Standard-rated Supply	Zero-rated Supply (for businesses only)
	Overseas Event	Zero-rated Supply	Zero-rated Supply

Advertising Services Supplied To The Advertising Agency

Forms of Advertising Services		Contract with Local Advertising Agency	Contract with Overseas Advertising Agency
1) Media Sales For Advertisements	Local Circulation	Standard-rated Supply	Standard-rated Supply
	Overseas Circulation	Zero-rated Supply	Zero-rated Supply
	Local + Overseas Circulation		
	<ul style="list-style-type: none"> At least 51% circulated outside Singapore 	Zero-rated Supply	Zero-rated Supply
	<ul style="list-style-type: none"> Less than 51% circulated outside Singapore 	Standard-rated Supply	Standard-rated Supply
2) Media Planning		Standard-rated Supply	Zero-rated Supply (if contract does not specify recipient; or recipients specified in the contract are not local persons or you do not deal with local advertiser)
3) Creative & Production		Standard-rated Supply	Zero-rated Supply
4) Brand PR		Standard-rated Supply	Zero-rated Supply (for the benefit of overseas person)
5) Exhibition / Convention Organising	Local Event	Standard-rated Supply	Zero-rated Supply (for businesses only)
	Overseas Event	Zero-rated Supply	Zero-rated Supply