

IRAS CIRCULAR

GST Treatment on Web- Hosting Services (Revised Edition)



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1 Introduction

- 1.1 The purpose of this guide is to explain the GST treatment on the common types of web-hosting and data centre services (termed generally as “web-hosting services” for the purpose of this guide) performed by a GST-registered person whose data centre is situated in Singapore.

2 What are web-hosting services?

Web-hosting is the business of housing, serving and maintaining files for one or more web sites¹.

The scope of web-hosting services covered within this Guide is as follows:

2.1 **Simple hosting/Shared Hosting/Virtual Hosting Services**

These services allow the clients to host their websites on a shared server of the hosting company. The client need not purchase and maintain its own server and connections to the Internet. In the package, basic services such as box and systems monitoring, support for templated applications and e-commerce packages are often included.

2.2 **Dedicated Server Hosting**

Generally, dedicated server hosting services are similar to simple hosting services, where the servers belong to the hosting company. The difference is that the hosting company “dedicates” a specific server or specific server resources to the client.

2.3 **Server Co-location Services**

Clients of the hosting company bring in their own server equipment and place them at the hosting company’s facilities with 24-hour monitoring and surveillance. Services include

¹ “website” (including mirror sites) comprises a collection of programs, data and images which is accessible over the Internet using a browser or some other form of access.

tape backups, port monitoring, bandwidth connectivity, co-location firewall service and rack space equipped with power grids.

2.4 **Managed Services**

Managed services cover a wide spectrum of monitoring, administrative and support services. Network port monitoring, operating system monitoring, Internet monitoring, load balancing, redundancy and database administration management are some examples of such services. More sophisticated services would include system integration and business process design.

3 **Goods & Services Tax Treatment**

3.1 Generally, a GST-registered person should charge GST at the standard rate on all his supplies of services except where these are exempt² or they qualify to be zero-rated as “international services” in accordance with the GST Act.

3.2 In the context of web-hosting services, if the supplies of services are made for or to a person who belongs outside Singapore (henceforth known as “overseas client”) and who is outside Singapore at the time the supplies of services are being performed, such services can be zero-rated. This is provided that the services are not supplied directly in connection with land or goods situated inside Singapore.

3.3 **Simple Hosting / Shared Hosting / Virtual Hosting Services / Dedicated Server Hosting**

The supply of services such as simple hosting, shared hosting, virtual hosting and dedicated server hosting are considered to be services not made directly in connection with land or goods situated inside Singapore. The hosting company merely provides the clients with a package of “web-hosting” services. Thus, if the services are provided for and to an overseas client who is outside Singapore at the

² Most financial services are exempt from GST under Fourth Schedule to the Act.

time the services are performed, the supply can be zero-rated.

3.4 **Server Co-location Services and Managed Services**

In the case of co-location and managed services based on co-location arrangements, as the clients bring in their own servers, these servers are treated as "goods in Singapore". Co-location hosting services entail the provision of physical space for these servers and other services in connection with the servers such as air-conditioning. The supply of co-location services is therefore considered to be a supply of services made in connection with goods in Singapore. Such a supply of service does not qualify for zero-rating under section 21(3)(j) of the GST Act. Hence, a GST-registered person must standard-rate his supply even if the supply is being made to an overseas client.

3.5 However, the Government has decided to remit the GST that would otherwise have been chargeable by a GST-registered person on his supply of co-location services if the supply is made to an overseas client. The rationale for this concession is as follows:

- (a) To ensure international competitiveness as Singapore strives to promote herself as an e-commerce and web-hosting hub.
- (b) To avoid any distortion of business decisions - If dedicated hosting is zero-rated while part of co-location services is standard-rated when they are provided to an overseas client, this could encourage businesses to shift from co-location services to dedicated hosting purely for tax reasons. This would be undesirable as it interferes with business decision-making.

3.6 Following this decision, a GST-registered person supplying co-location and managed services to an overseas client will henceforth reflect the value of such services under "zero-rated supplies" in his GST return.

3.7 With effect from 1 Jan 2003, the GST Act has been amended to zero-rate the supplies as mentioned in paragraphs 3.4 and 3.5. A new provision, Section 21(3)(s)³, was inserted into the GST Act, which took effect from 1 Jan 2003. Prior to the amendment to the GST Act, remission of the GST was granted with effect from 1 Oct 2001.

4 Conclusion

As a result of the amendment to the GST Act, the GST treatment on web-hosting services has been greatly simplified. A GST-registered person supplying web-hosting services should standard-rate his supply if it is provided to a person belonging in Singapore and zero-rate his supply if it is provided to a person belonging outside Singapore.

³ Section 21(3)(s)- services supplied for and to a person who belongs in a country other than Singapore relating to the co-location in Singapore of computer server equipment belonging to that person. The definition of “co-location” is provided for under Section 21(4)(a), which is: “co-location”, in relation to computer server equipment, means the provision of a physical environment for the operation of the computer server equipment.