

# **IRAS e-Tax Guide**

**GST: Travel Industry  
(Sixth Edition)**



INLAND REVENUE  
AUTHORITY  
OF SINGAPORE

Published by  
Inland Revenue Authority of Singapore

Published on 01 Oct 2012

First edition on Jan 1994  
Second edition on Apr 2003  
Third edition on 01 Jul 2007  
Fourth edition on 01 Jun 2010  
Fifth edition on 11 Jan 2011

Disclaimers: IRAS shall not be responsible or held accountable in any way for any damage, loss or expense whatsoever, arising directly or indirectly from any inaccuracy or incompleteness in the Contents of this e-Tax Guide, or errors or omissions in the transmission of the Contents. IRAS shall not be responsible or held accountable in any way for any decision made or action taken by you or any third party in reliance upon the Contents in this e-Tax Guide. This information aims to provide a better general understanding of taxpayers' tax obligations and is not intended to comprehensively address all possible tax issues that may arise. While every effort has been made to ensure that this information is consistent with existing law and practice, should there be any changes, IRAS reserves the right to vary our position accordingly.

© Inland Revenue Authority of Singapore

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	1
2.	Overview	1
3.	Ticketing	3
4.	Outbound Tours	3
5.	Inbound Tours	4
6.	Surface Transport	5
7.	Hotel Accommodation	6
8.	Accounting for GST	6
9.	Miscellaneous	8
10.	Summary	10
11.	Contact Information	11
12.	Updates and Amendments	11

### **1. INTRODUCTION**

This booklet is designed to explain the impact of the Goods and Services Tax (GST) on the travel industry.

If you need more information, you may call the GST Helpline at 1800 - 356 8633 for further assistance.

### **2. OVERVIEW**

#### **2.1 What is Goods and Services Tax (GST)?**

Goods and Services Tax is basically a tax on domestic consumption of goods and services. It is collected by GST-registered businesses from their customers. All goods and services are taxable with the exception of most of the financial services, the lease or sale of residential properties and the supply of investment precious metals<sup>1</sup> which are specifically exempt under the Fourth Schedule to the GST Act.

#### **2.2 How does GST work?**

If you are a GST-registered business and you make a taxable supply of either goods or services in Singapore, you would charge your customer GST on the value of the supply. The tax that you collect is your output tax.

Likewise, if your supplier is a GST-registered business, he will charge you GST on your purchases. The GST that you have paid on your business purchases is your input tax.

The input tax can be deducted against your output tax. The difference will then be the GST payable by you to the Comptroller or GST refundable from the Comptroller to you.

#### **2.3 Who must register for GST?**

A person must register for GST purposes if his annual taxable turnover exceeds \$1 million. For details regarding registration, please refer to the booklet, "Do I need to register?".

---

<sup>1</sup> With effect from 1 Oct 2012 the supply of investment precious metals is exempt from GST. For more information, please refer to the e-Tax guide, "GST: Guide on Exemption of Investment Precious Metals (IPM)".

### 2.4 What is "taxable turnover"?

Taxable turnover is the total value of both zero-rated<sup>2</sup> and standard-rated supplies<sup>3</sup> made in Singapore.

If you are acting strictly as an agent for your principal in the supply of travel services and packages (i.e. you provide the service in the name of your principal), your taxable turnover will be the commission that you earn as an agent. It will not include the sales that you make on behalf of your principal.

If, however, you also make sales in your own name, your taxable turnover will be the commission that you earn as an agent and the value of the taxable supplies traded in your name.

### 2.5 What are zero-rated supplies?

If you make a zero-rated supply, you would be charging GST at 0% on the supply. Therefore, no tax is effectively charged on that supply. However, you can claim the GST paid on the inputs incurred in the making of that supply.

Two types of supplies are zero-rated under Section 21 of the GST Act; namely, export of goods and international services.

The types of international services relevant to the travel and tourism industry that are zero-rated are:-

- the international transportation and arranging of the international transport of passengers and goods;
- services performed wholly overseas; and
- services supplied contractually to persons who do not belong in Singapore and directly benefit persons who do not belong in Singapore and are outside Singapore when the services are performed.

Subsequent sections of this booklet serve to assist you in determining whether the services provided by you should be zero-rated or standard-rated.

---

<sup>2</sup> Zero-rated supplies will be charged at 0%.

<sup>3</sup> Standard-rated supplies will be charged at the prevailing tax rate. GST tax rate is at 7% with effect from 1 July 2007.

**3. TICKETING**

**3.1 Is GST chargeable on the sale of air tickets?**

The international transportation of passengers

- between a place in Singapore and a place outside Singapore, in either direction; or
- between two places outside Singapore

is zero-rated. Therefore, the sale of air tickets is zero-rated.

**3.2 Do I have to charge GST on the commission derived from the selling of air-tickets?**

The supply of service comprising the arranging of the international transport of passengers is a zero-rated supply. This means that the commission you receive from the selling of tickets for international passenger transport will be zero-rated.

**4. OUTBOUND TOURS**

**4.1 My firm markets overseas land tour packages on behalf of an overseas tour operator. Is GST chargeable on:**

- a) the commission received from the foreign principal?
- b) the sale of the overseas land tour package to the traveler?

a) The commission that you receive from a foreign principal will be zero-rated as your services are supplied contractually to and directly benefit a person belonging outside Singapore.

b) You sell the overseas land tour package to the traveler as an agent on behalf of the overseas tour operator. The supply will not attract GST as the supplier of the service (the overseas tour operator) does not belong in Singapore and is not registered for GST in Singapore.

**4.2 If I receive commission from a local principal for the sale of outbound tours, do I have to charge GST on the commission received?**

## **GST: TRAVEL INDUSTRY**

---

Yes. Since you are supplying agency service contractually to and directly benefits a local travel agency, the commission is subject to GST.

### **4.3 Do I have to charge GST on the sale of the outbound package tours?**

The outbound tour package is zero-rated as the services are performed wholly outside Singapore.

### **4.4 Are cruises subject to GST?**

Cruise packages that include docking or stop over at one or more ports outside Singapore will be zero-rated. Cruises around Singapore water and cruises in international water which do not dock at any port outside Singapore are however standard-rated.

From 1 July 2010, “cruise-to-nowhere” packages, (i.e. cruises in international waters which do not dock at any port outside Singapore), will qualify for zero-rating relief. However, cruises around Singapore waters will continue to be standard-rated. For more information on this, please refer to the e-Tax guide “GST Guide for the Marine Industry - 2010 Budget Changes”.

## **5. INBOUND TOURS**

### **5.1 If an overseas agency sells an inbound tour package on my behalf, is GST chargeable on the tour package?**

Yes.

As the inbound travel package is performed and consumed locally, it is subject to GST. You would have to account for GST on the sale price of the inbound tour package (excluding the portion relating to air tickets).

GST is not chargeable on the commission paid to the overseas agent if the agent is not registered for GST in Singapore.

### **5.2 If I sell an inbound package to another local tour agency, will it be subject to GST?**

Yes.

You have to charge GST at the prevailing rate when you sell an inbound

## GST: TRAVEL INDUSTRY

---

package tour, whether to a local or an overseas tour operator. The portion, if any, relating to international transportation (i.e. airfare) will be zero-rated.

### 5.3 Optional tours may be offered to tourists while they are in Singapore. Do I have to collect GST on such tours?

If the tour is conducted in Singapore, e.g. an optional tour to Sentosa, you would have to charge the tourist GST. If the optional tour is a trip to a foreign country, e.g. Batam, it will be zero-rated.

### 5.4 If I provide a regional tour package (covering Singapore and neighbour countries) to tourists, how do I calculate GST on the tour package?

GST is chargeable on the portion of the regional tour which relates to travel products to be enjoyed in Singapore. The part of travel package which relates to tour at other countries will be zero-rated.

#### **Example**

Price of regional tour package:

2 days, 1 night in Singapore	\$ 300
3 days, 2 nights in Penang	\$ 450
2 days, 1 night in Bangkok	<u>\$ 250</u>
	<u>\$ 1000</u>

GST will be chargeable on the \$300.

### 5.5 I am paid a commission for conducting inbound tours on behalf of an overseas tour agency. Do I have to account for GST on this commission?

Although your supply is contractually made to the overseas tour agency, your services directly benefit tourists in Singapore. Hence, your agency commission will be standard-rated.

## 6. SURFACE TRANSPORT

### 6.1 Will the transportation of passenger between the passenger's home to airport subject to GST?

If the transport is provided as a part of an international air travel and there is no extra charge for the service, the whole package would be zero-



rated.

However, if separate fees are charged for the transport within Singapore, then those fees will be standard-rated.

### **6.2 Will organised day trips (by coach or car) from Singapore to Malaysia attract GST?**

The supply of services comprising the transportation from Singapore to Malaysia and land tour in Malaysia will be zero-rated.

### **6.3 If I provide solely ground arrangement/services, do I have to account for GST on the service fees received?**

Yes. This is because your services such as arranging transport in Singapore, booking of hotel in Singapore are performed in Singapore and directly benefit a person who is in Singapore at the time the services are performed.

## **7. HOTEL ACCOMMODATION**

### **7.1 Is the booking of hotel accommodation in Singapore liable to GST?**

Yes. Service related to land situated in Singapore will be standard-rated. Hence, GST at the prevailing rate will be imposed on the booking fees, regardless whether the accommodation is taken up or not.

### **7.2 What if the hotel locates outside Singapore?**

The booking fees will then be zero-rated as it relates to land situated outside Singapore.

## **8. ACCOUNTING FOR GST**

### **8.1 Do I have to account for GST on the supplies that I make on behalf of my principal?**

If you are making supplies on behalf of the principal as an agent, you need to account GST on the services that you charged to the principal.

Similarly, if you pay any GST on purchases made on behalf of your

principal, you can only claim reimbursement from your principal. Only your principal is entitled to claim the GST as input tax.

### 8.2 When must I account GST on my supplies of services?

#### Prior to 1 Jan 2011

GST is chargeable on your supplies at the earliest of:

- i) the performance of your services;
- ii) the issue of a tax invoice;
- iii) the payment received.

Exception: if the tax invoice is issued within 14 days after the event in (i), then GST is accountable on the date of the tax invoice.

#### With effect 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:

- i) When an invoice is issued
- ii) 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

### 9. MISCELLANEOUS

#### 9.1 Do I have to issue tax invoices to all my customers?

No.

You are not required to issue tax invoices when:-

- (a) you are making zero-rated supplies; or
- (b) your customers are not registered for GST purposes and therefore, he cannot make any input tax claims based on the tax invoices issued.

Where tax invoices are not applicable, normal serially printed receipts must then be issued.

#### 9.2 Will airport tax be subject to GST?

Yes. The airport tax<sup>4</sup> for the use of airport in Singapore is subject to GST.

#### 9.3 What about visa fees?

It depends.

If the embassy granting the right of entry to its representative country is registered for GST, it will have to charge GST on the visa fees. The GST is thus borne by the final consumer i.e. the passenger. If the embassy is not registered for GST, then it will not charge GST to the passenger.

However, if you charge a separate service fee for applying the visa on behalf of the passenger, you must charge GST on this service fee.

#### 9.4 Will the arranging of flight insurance for the traveller attract GST?

The flight insurance as well as the arranging of the flight insurance are zero-rated supplies.

---

<sup>4</sup> The reason for imposing GST on departure tax is that the proceeds from the tax are used for maintenance and development of the airport facilities which are peripheral services to transportation rather than for the international transportation itself.

### **9.5 Are deposits subject to GST?**

If the deposit is a part payment for inbound or land tour packages in Singapore, GST will be chargeable. If the deposit is a part payment received for outbound tour packages, then it can be zero-rated.

### **9.6 Are cancellation fees subject to GST?**

Yes.

Any charges imposed by a travel agency belonging in Singapore for the cancellation of bookings of both inbound and outbound tours are subject to GST.

### **9.7 Are the fees paid to credit card companies by retailers who accept the card in settlement of purchases subject to GST?**

No. The provision of credit card service to you as a retailer is exempt from GST (i.e. an exempt supply) as it is considered as a financial service.

### **9.8 Will GST be levied on the sale of travelers' cheques?**

The issue of travelers' cheques is a financial service which is specifically exempt under the Act. However, if you charge a commission or service fee on the sale of the cheque, GST will be chargeable on this commission or fee.

### 10. SUMMARY

At a glance,

<u>Type of Supply</u>	<u>GST Treatment</u>
1. Ticketing: Passenger transport	
- journey wholly in Singapore	Standard-rated
- journey wholly outside Singapore	Zero-rated
- journey between Singapore and another country (in either direction)	Zero-rated
2. Hotel accommodation:	
- locations in Singapore	Standard-rated
- locations outside Singapore	Out-of-Scope
3. Hire of vehicles in Singapore	Standard-rated
4. Cruises:	
- to foreign ports	Zero-rated
- to no-where	
o cruises around Singapore waters	Standard-rated
o cruises in international waters	Before 1 July 2010 - Standard-rated From 1 July 2010 - Zero-rated
5. Agency commission received:	
- from Singapore tour operator for selling inbound tours	Standard-rated
- from foreign tour operator for selling inbound tours	Standard-rated
- from Singapore tour operator for selling outbound tour	Standard-rated
- from foreign tour operator for selling outbound tours	Zero-rated
- for selling international passenger transport	Zero-rated

## GST: TRAVEL INDUSTRY

---

6. Booking fees:
- for booking accommodation in Singapore Standard-rated  
Zero-rated
  - for booking accommodation outside Singapore

### 11. 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](mailto:gst@iras.gov.sg)

### 12. UPDATES AND AMENDMENTS

	<b>Date of amendment</b>	<b>Amendments made</b>
1	01 Jun 2010	Revisions made to paragraph 4.4 and paragraph 10, Item 3
2	11 Jan 2011	Revisions made to paragraph 8.2 to reflect the changes to the time of supply rules
3	01 Oct 2012	Editorial changes made to paragraph 2.2  Revisions made to paragraph 2.1 to reflect the inclusion of IPM as an exempt supply