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IRAS e-Tax Guide

GST: Guide for Advertising Industry
(Second Edition)

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Table of Contents

1 Aim

1.1 This e-Tax Guide explains the GST principles applicable to the advertising industry and is applicable to the following suppliers of advertising services:
a) Media owner,
b) Media agency, and
c) Creative agency / full range advertising agency.

1.2 Some of the common forms of advertising services which they provide and will be discussed in this guide are:
a) Media Sales,
b) Media Planning,
c) Creative and Production Sales,
d) Brand Public Relations (PR) and Events Organising.

2 At a glance

2.1 A supply of service is made in Singapore if the supplier belongs in Singapore (i.e. has a business or fixed establishment in Singapore). A supply of service in Singapore attracts GST unless it qualifies for zero-rating relief as an international service under section 21(3) of the GST Act, or it is an exempt financial service listed under the Fourth Schedule to the GST Act.

2.2 The provisions of the GST Act applicable to zero-rating of advertising services[1] are:

(i) Section 21(3)(u)
For Media Sales where the place of circulation of advertisement is wholly or substantially outside Singapore

(ii) Section 21(3)(j)
For Media Planning, Creative and Production Sales, Brand PR where the services are –

a) Prior to 1 Jan 2020
- contractually supplied to and directly benefit persons belonging outside Singapore

b) With effect from 1 Jan 2020
- contractually supplied to persons belonging outside Singapore; and
- directly benefit persons belonging outside Singapore and/or GST registered persons belonging in Singapore

[1] For the extract of section 21(3) provisions, please refer to IRAS website at www.iras.gov.sg (GST > GST-registered businesses > Working out your taxes > When to charge 0% GST (zero-rate) > Providing International Services).

(iii) Section 21(3)(i)

For Event Organising where the exhibition or convention services are supplied for events held overseas

(iv) Section 21(3)(k)

For Event Organising where the exhibition or convention services are supplied for events held in Singapore and are -

a) Prior to 1 Jan 2020

- contractually supplied to and directly benefit persons wholly in their business capacity who in that capacity belong outside Singapore

b) With effect from 1 Jan 2020

- contractually supplied to persons wholly in their business capacity who in that capacity belong outside Singapore; and
- directly benefit persons wholly in their business capacity, who in that capacity either belong outside Singapore and/or are GST registered persons who belong in Singapore

Amendment to "Directly Benefit" condition

2.3 Prior to 1 Jan 2020, a supply of services must "directly benefit" a person belonging outside Singapore before zero-rating can apply under section 21(3)(j) and (k) of the GST Act.

2.4 With the introduction of reverse charge effective from 1 Jan 2020[2], you may also zero-rate your services supplied to an overseas person where the services "directly benefit" GST registered persons belonging in Singapore. The GST registered beneficiary will be required to apply reverse charge on any services[3] procured from the overseas person if it is not entitled to full input tax recovery.

[2] For more information on reverse charge, please refer to the e-Tax Guide: "GST: Taxing Imported Services by way of Reverse Charge".

[3] Including recovery of costs by the overseas person.

3 Media sales

3.1 In this section, the GST treatment of media sales will be discussed. It will apply to the media owner and intermediary supplier such as the media agency, creative advertising agency or full range advertising agency. Other suppliers can also adopt the GST treatment if they make an onward supply of media sales, such as a holding company buying and supplying it to its related companies.

3.2 Media sales refer to:

(i) Sale of advertising space for hardcopy print and outdoor advertisements via newspapers, magazines, billboards, etc.;

(ii) Sale of advertising airtime for broadcasting via TV and radio; and

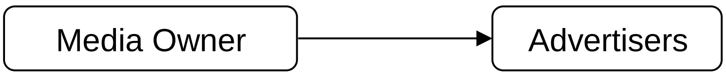
(iii) Sale of media space for web advertising (in the form of page view, impression, hit rate, electronic data mail, SMS messages, etc.) in other digital media via email, internet and mobile phone.

3.3 <u>Suppliers involved in media sales</u>

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

3.3.2 The 2 common scenarios of the supply chain for media sales are:

i) Sale from the media owner directly to the advertisers.



ii) Sale from the 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.

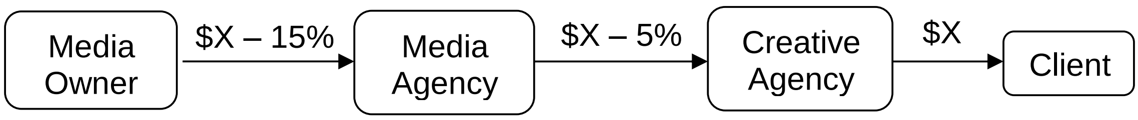
3.4 <u>Value of supply of media sales</u>

3.4.1 Where the media owner makes media sales directly to the advertiser, the billing is usually based on the rates stated on the rates card. The value of supply is the gross selling price (e.g. $X) charged 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.

3.4.2 Where the media owner makes media sales to a media agency or advertising agency, based on market practice, 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.

3.4.3 When the media agency or advertising agency onward bills the advertiser to recover the cost of the media sales (i.e. $X), the agency is making a separate supply of media sales. The value of this supply is the gross selling price (i.e. $X). The supplies mentioned here and in paragraph 3.4.2 are illustrated below:

3.4.4 In the media sales supply chain, there may be more than one agency involved, with the discount shared by multiple parties. Each agency acts as a principal for the media sales transaction and has to account GST on his selling price charged to his client as illustrated below:



3.4.5 If an advertising agency acts as a commission agent for the media owner, it is the media owner who makes a supply of media space or airtime directly to the advertiser and charges the advertiser at the gross selling price (i.e. $X). The media owner pays the advertising agency a commission for the provision of agency services. The value of supply for the advertising agency's service is the commission earned as illustrated below:

3.5 <u>GST treatment of media sales</u>

3.5.1 Media sales involving the circulation of the advertisement is a supply of service that is performed through the media on which the advertisement is placed. This service is directly in connection with the advertising media in circulation, not the subject matter of the advertisement.

3.5.2 The advertising media in circulation can be in physical or 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.

3.5.3 The supplier must charge and account for GST at the prevailing rate on the media sales unless it can be zero-rated under Section 21(3)(u) of the GST Act. The proxy to determine whether to standard-rate or zero-rate 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 is as follows:

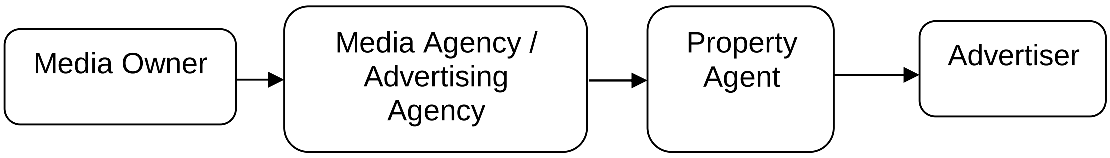
(i) If the circulation of the media advertisement is in Singapore, the supply is standard-rated.

(ii) If the circulation of the media advertisement is outside Singapore, the supply is zero-rated.

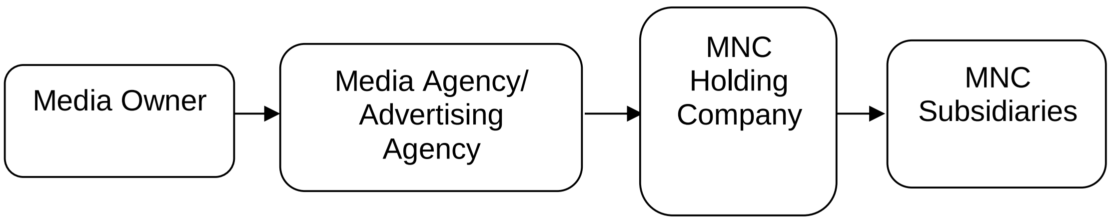
(iii) For regional circulation of the same media advertisement, the supply is considered to be substantially circulated outside Singapore and can be entirely zero-rated if at least 51% of the total circulation of the same media advertisement through physical or digital media is circulated outside Singapore.

3.5.4 This GST treatment applies throughout the supply chain to cover all suppliers who bill for media sales, for example the media sales by a media owner to a media/ advertising agency who in turn makes the media sales to the advertiser.

3.5.5 It is also applicable to suppliers outside the advertising industry (e.g. the property agents) who buy advertising media space or airtime from media owner / media agency / advertising agency and make onward supplies of those advertising media sales to their customers, as illustrated below.



3.5.6 If a holding company of a multinational company ("MNC") on behalf of its subsidiaries, 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 its subsidiaries as illustrated below. 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.



Supplies by third party service providers

3.5.7 The GST treatment based on circulation does not apply to supplies made by third party service providers[4] (such as printing companies, telecommunication service providers) who provide services to the media owners or advertising agencies for the circulation of the advertisement.

3.5.8 For example, a telecommunication company provides mass Short Message Services (i.e.SMS) 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. It cannot qualify for zero-rating under section 21(3)(u) based on place of circulation[5]. The zero-rating of telecommunication services will instead be based on section 21(3)(q) of the GST Act.

3.5.9 Zero-rating under section 21(3)(u) will also not apply to services provided by an advertising agency acting as a commission agent for the media owner as described in paragraph 3.4.5. Whether such services can be zero-rated depends on whether they satisfy the zero-rating conditions under section 21(3)(j) of the GST Act.

3.6 Media sales for advertisement circulated in Singapore

3.6.1 The supplier must charge and account for GST at the prevailing rate for the media sales if the advertisement is circulated in Singapore regardless of whether the supply is made to a local or overseas customer[6]. The advertisement is considered to be circulated in Singapore if:

(i) The advertisement is placed on hardcopy print (e.g. newspapers, magazines) made available in Singapore; or

(ii) The advertisement is placed on local television and radio channels aired mainly in Singapore.

3.6.2 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. If an advertisement is sent to subscribers of local telephone lines, the circulation is in Singapore. The media sales have to be standard-rated.

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[4]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).

[5] This is specifically excluded under section 21(4D).

[6] Media sales supply made to an overseas person cannot qualify for zero-rating under section 21(3)(j) as it is specifically excluded under section 21(4B).

3.7 Media sales for advertisement circulated outside Singapore

3.7.1 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 can be zero-rated under section 21(3)(u). This is regardless of whether the services are provided to a local or overseas customer.

3.7.2 For media sales advertising through mobile phones, if an advertisement is sent to subscribers of overseas telephone lines, the media circulation is generally regarded to be outside Singapore and 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 must be standard-rated as the advertisement is circulated locally.

3.8 Media sales for advertisement circulated both in Singapore and outside Singapore

3.8.1 Apportionment of the value of supplies into standard-rated and zero-rated supplies is generally required when supplies consist of a mixture of standard-rated and zero-rated supplies. However, suppliers of media sales advertising may face practical difficulties in apportioning the value of supply for Singapore and overseas circulation.

3.8.2 The use of the administrative rule of “51% circulation outside Singapore” as a proxy to regard the mixed circulation as being substantially outside Singapore will remove the need for apportionment. In other words, the supply of media sales with mixed circulation can be wholly zero-rated if this rule is satisfied.

3.9 Elaboration of the “51% circulation outside Singapore” rule

Publications

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

3.9.2 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 are standard-rated.

3.9.3 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.

3.9.4 Where media sales involve a new publication with no past track record, the 51% circulation rule can be based on "expected volume of circulation" in each country. The expected volume of circulation must be supported with reasonable basis. 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, or whenever there is a change, for future application. Retrospective GST adjustment for past media sales transactions is not required should the percentage derived from actual volume of circulation is different.

Airtime

3.9.5 For sale of advertising airtime for broadcasting via TV 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.

Internet

3.9.6 For advertisements placed on internet, the viewer access is generally global-wide. As the reach-out is substantially outside Singapore, the entire value of media sales advertising can be zero-rated. This applies to advertisements that are placed on a webpage having no restricted access or with restricted access to viewers from Singapore and overseas.

3.9.7 If the advertisements are placed on a webpage having restricted access to viewers in Singapore only (e.g. restricted access to IP addresses from Singapore), then the media sales should be standard-rated.

3.9.8 The same applies to advertising in applications downloaded to mobile devices (e.g. phone 'apps'). If the advertisements are placed in an application with no restricted access, or with restricted access to users from Singapore and overseas, the media sale advertising can be zero-rated. If the advertisement is placed in an application having restricted access to users in Singapore only[7], then the media sales should be standard-rated.

[7] Generally, if the application is only available for download at an online store for Singapore users, access to the application is regarded to have restricted access to users in Singapore.

3.10 The GST treatment of media sales via different media modes 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 circulated/exported overseas	For the same version of hardcopy print advertisement, at least 51% circulation is outside Singapore
In Digital Form: 1) Television & Radio Advertising	Broadcast in Singapore	Broadcast outside Singapore	Broadcast simultaneously in regional channels
2) Internet Advertising (includes advertising in applications on mobile device)	On webpage/ application with restricted access to viewers/ users in Singapore	On webpage / application with no restricted access, or with restricted access to Singapore and non-Singapore viewers / users	
3) Mobile Phone Advertising	Subscribers of local telephone lines	Subscribers of overseas telephone lines	At least 51% are subscribers of overseas telephone lines

3.11 Information required on invoice to support zero-rating

3.11.1 If the media sales qualifies for zero-rating, the supplier's invoice to its customer must clearly show that it is billing for media sales for advertisements circulated outside Singapore or circulated both inside and outside Singapore.

3.11.2 Details of the media[8], date of advertisement, place of circulation, etc. should be shown. If the supplier is billing in a single invoice for both standard-rated and zero-rated media sales, the invoice must clearly separate and show details of both the standard-rated and zero-rated media sales advertising.

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

[8] For internet, please show the website address of the advertisement.

4 Media planning

4.1 In this section, the GST treatment of media planning will be discussed. It will apply to the media agency and full range advertising agency.

4.2 Media planning is strictly a professional and advisory service. The supplier of media planning bills its client for this media planning service based on the time cost or on a retainer fee basis.

4.3 GST treatment for media planning

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

4.3.2 If the supply of media planning services is made to a Singapore client, the supplier has to charge and account for GST at the prevailing rate on the supply.

4.3.3 If the supplier is engaged by a Singapore client to provide media planning for its group of companies that are located outside Singapore, or located both inside and outside Singapore, the supplier has to similarly standard-rate its supply.

Zero-rating under section 21(3)(j)

4.3.4 The supply of media planning services to a client outside Singapore can be zero-rated under section 21(3)(j) of the GST Act if the following two conditions are satisfied:

(i) The service is supplied under a contract (written or verbal) with an overseas client who does not belong in Singapore, and the invoice is issued directly to that overseas client who engaged the supplier for the services; and

(ii) The service must directly benefit

a) Prior to 1 Jan 2020
the overseas client and/or another overseas person(s) only.

b) With effect from 1 Jan 2020
the overseas client, another overseas person(s) and/or a GST registered local person(s) only.

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 the supplier of media planning services does not meet any of the two conditions, it has to standard-rate its supply.

4.3.5 The supplier can therefore zero-rate its supply if the client is an overseas advertiser who will directly benefit from its services, provided that the contract does not name -

a) Prior to 1 Jan 2020
a local person as the recipient or beneficiary of the services.

b) With effect from 1 Jan 2020
a local non-GST registered person as the recipient or beneficiary of the services[9].

The supplier can also zero-rate its supply if it is engaged by an 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. It does not matter whether the contracting party recovers the costs from the entities in the group as it is the immediate recipient who will directly benefit from the supplier's services. Other entities in the group may enjoy an increase in publicity and sales but the benefits they receive are indirect and one step removed.

Where zero-rating may not apply

4.3.6 The supplier may be engaged by an overseas advertising agency to perform media planning services for the latter's client, the advertiser. The supplier can zero-rate its supply because it is dealing directly with the overseas advertising agency and bills him for its services.

4.3.7 However, if the contract specifies the advertiser to be the recipient of services and/or requires the supplier to deal directly with the advertiser, then the advertiser benefits directly from the supplier's services.

4.3.8 Consequently, the supplier has to standard-rate its supply made to the overseas advertising agency if the advertiser is –

a) Prior to 1 Jan 2020
a local person as the services benefit him.

[9] Hence, with effect from 1 Jan 2020, the supply would qualify for zero-rating if the recipient or beneficiary of the services is a local GST registered person.

b) With effect from 1 Jan 2020
a local non-GST registered person as the services benefit him[9].

4.3.9 If the advertiser is an overseas person, the supplier can zero-rate its supply to the overseas advertising agency.

4.3.10 The supplier may secure a project by way of a global contract entered into with an overseas HQ. 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. This supply is billed directly to the local entity and has to be standard-rated as it is supplied contractually to and for the benefit of the local entity.

4.4 Please refer to Annex A for a summary of the GST treatment for media planning services prior to and with effect from 1 Jan 2020.

4.5 A media agency may provide its client with some media buying advice or media planning services as part of the value-add to its media sales. It does not charge its client for these services that are ancillary to the principal supply of media sale. The cost of these media planning services has been factored into the price for media sales. In this case, the supply is principally media sales and the GST treatment will follow that of the media sales.

5 Creative and Production Sales

5.1 In this section, the GST treatment of creative and production sales will be discussed. It will apply to the creative advertising agency and full range advertising agency.

5.2 Creative and Production sale is a sale of creative ideas and advertising artworks provided by the advertising agencies. The creative and production sale (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.

5.3 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.

5.4 GST treatment for creative and production sales

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

5.4.2 The advertiser usually contracts for this service, uses the artworks and controls the usage. Thus, he is the person who directly benefits from the supply.

Client is a local advertiser

5.4.3 If the supply of creative and production sales is made to a local advertiser, the full value of this supply which includes billing for production costs incurred in or outside Singapore, third party costs (recovered at cost or at mark-up) and the supplier's own fees, has to be standard-rated.

Client is an overseas advertiser

5.4.4 If the supply is made to an overseas advertiser, it can qualify for zero-rating under section 21(3)(j) as the overseas advertiser contracts for and is the immediate recipient and direct beneficiary of the service. The supplier need not look beyond its contractual client (i.e. the advertiser) in deciding whether to zero-rate its creative and production service. It also need not be concerned with the advertised subject matter (i.e. whether the advertisement is in respect of land or goods situated in or outside Singapore).

Client is another advertising agency

5.4.5 If an advertising agency (say B) has outsourced certain aspects of creative work to the supplier (say A) so that he can incorporate it when he renders creative and production services to the advertiser, there are two separate supplies involved. Both A and B are principals of the supplies.

5.4.6 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 client, the advertiser. If B is an overseas advertising agency, A can zero-rate his supply under section 21(3)(j) provided that the services also only benefit -

a) Prior to 1 Jan 2020
an overseas advertiser

b) With effect from 1 Jan 2020
an overseas or a local GST registered advertiser

If B is a local person, A has to standard-rate his supply.

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

5.5 Please refer to Annex B for a summary of the GST treatment for creative and production sales prior to and with effect from 1 Jan 2020.

6 Brand PR and Events Organising

GST treatment of Brand PR

6.1 In undertaking an advertising campaign, an advertising agency can 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.

6.2 If the supply of Brand PR is made to a local person, the supplier has to standard-rate its fee.

6.3 The supply can be zero-rated under section 21(3)(j) if it is made to an overseas person provided that -

a) Prior to 1 Jan 2020
the overseas person is also the immediate recipient directly benefiting from the service.

b) With effect from 1 Jan 2020
the overseas person and/or a local GST registered person are the immediate recipient(s) directly benefitting from the service.

6.4 Please refer to Annex C for a summary of the GST treatment for brand PR prior to and with effect from 1 Jan 2020.

GST treatment for Events Organising

6.5 The advertising agency can also be involved in organising exhibitions or conventions for promotional campaigns. These events can be held in Singapore or outside Singapore. If the advertising agency is organising such events, it can zero-rate its supply of exhibition or convention services:

(i) under section 21(3)(i) if the exhibition or convention events are held outside Singapore (regardless of whether the client is a local or overseas person); or

(ii) under section 21(k) for exhibition or convention events held in Singapore, if the supply is -

a) Prior to 1 Jan 2020
- contractually made to a person wholly in his business capacity and who in that capacity belongs outside Singapore; and
- directly benefits a person wholly in his business capacity and who in that capacity belongs outside Singapore.

b) With effect from 1 Jan 2020
- contractually made to a person wholly in his business capacity and who in that capacity belongs outside Singapore; and

- directly benefits a person wholly in his business capacity and who in that capacity belongs outside Singapore and/or is a GST registered person belonging in Singapore.

6.6 If the supply is made to a local or overseas individual (not in his business capacity), and the exhibition or convention is held in Singapore, the supplier has to standard-rate its supply. For more information on the GST treatment relating to exhibitions and convention services, please refer to the e-Tax Guide "GST: Exhibition, Convention and Ancillary Services".

7 A summary of the GST treatment of the various advertising services and common business scenarios can be found at Annexes D and E.

8 Contact Information

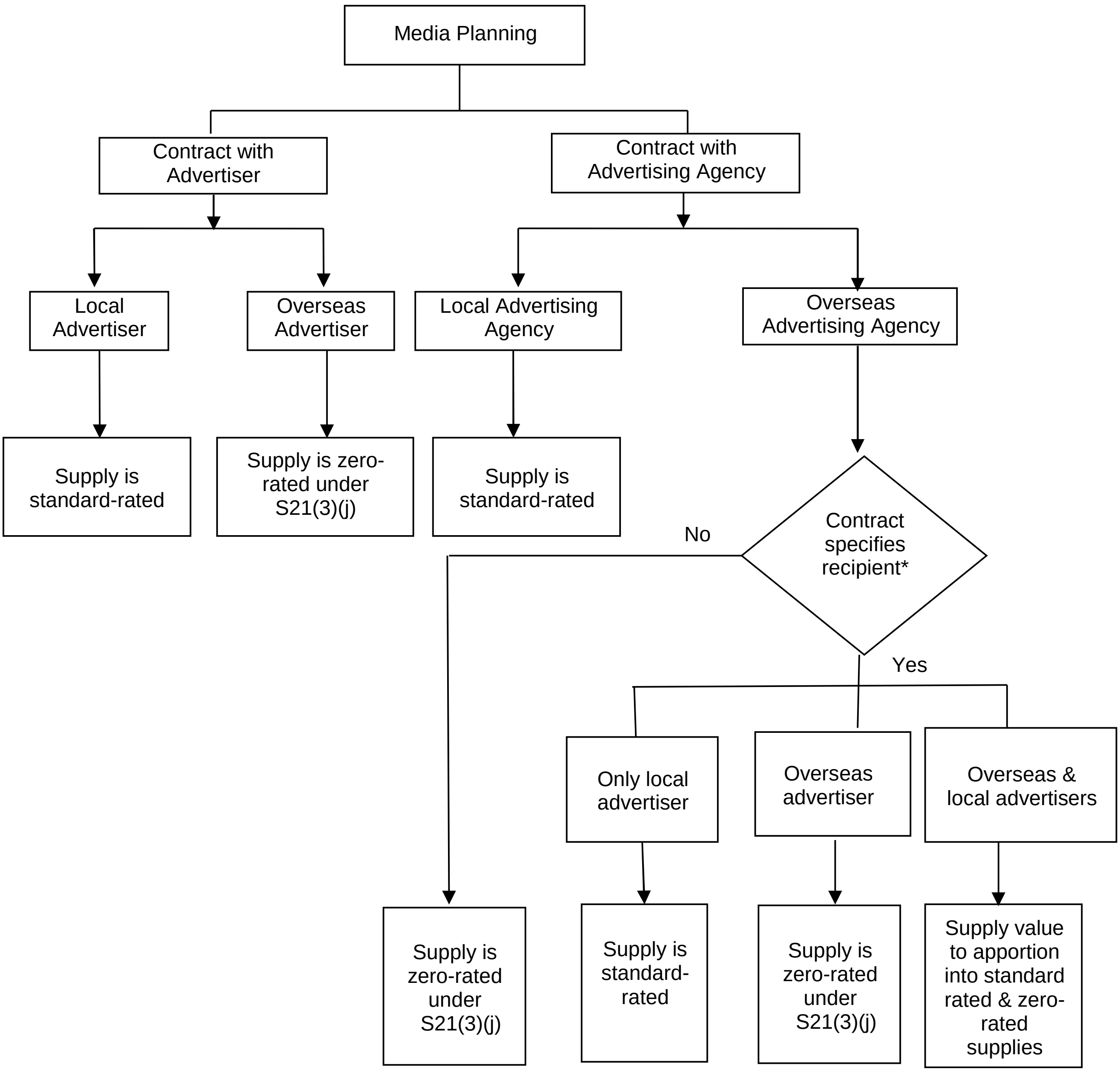
For enquiries on this e-Tax Guide, please contact the Goods and Services Tax Division at www.iras.gov.sg (select "Contact Us").

9 Updates and Amendments

	Date of amendment	Amendments made
1	30 September 2019	(a) To reflect the GST rules prior to and with effect from 1 Jan 2020 arising from the amendment to "directly benefit" condition due to reverse charge. (b) Updated paragraph 5.4.6 to provide added clarity on the GST treatment for creative and production sales. (c) Flowcharts on the summary of GST treatment for the various services moved to Annexes.

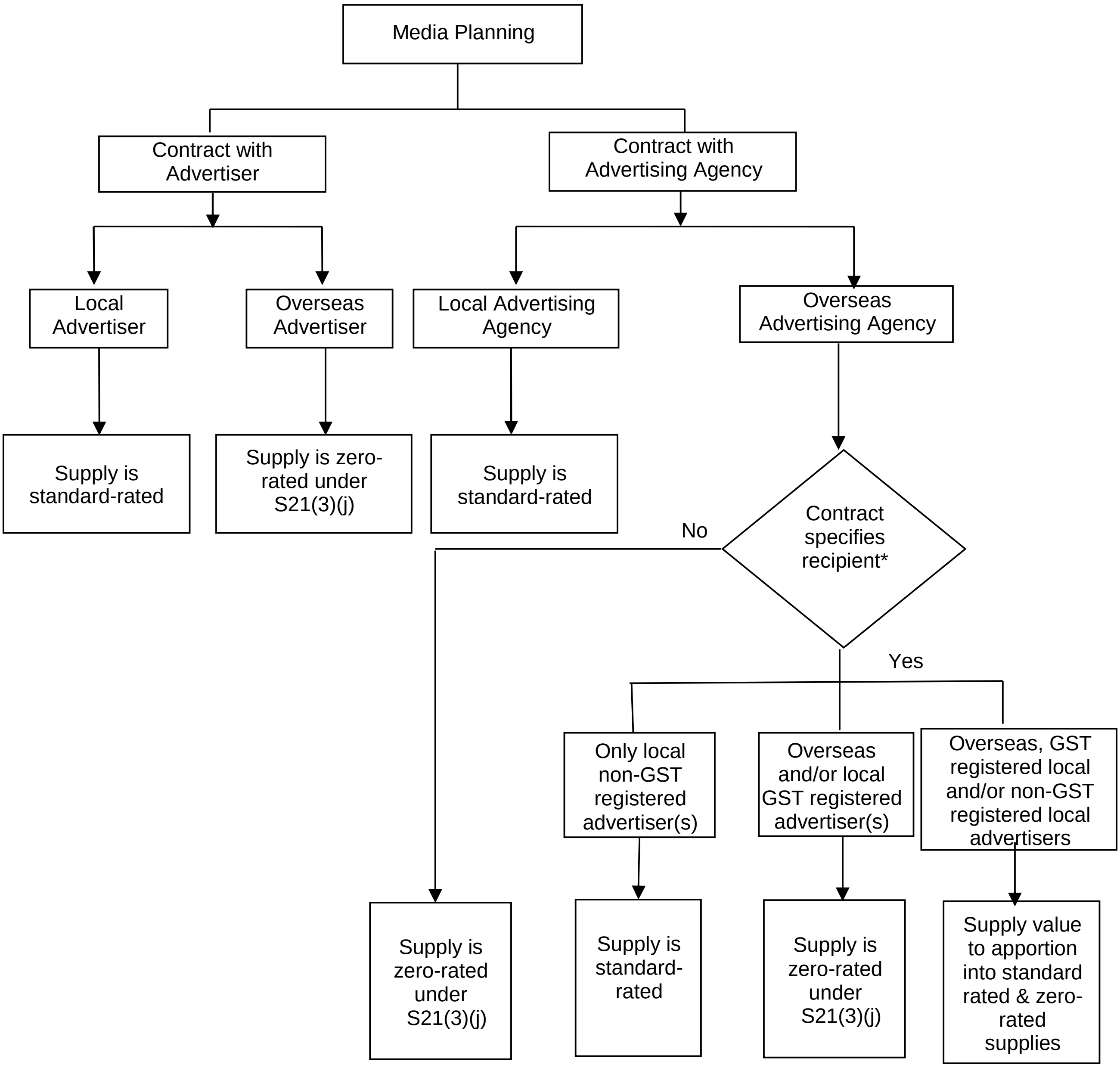
Annex A - GST Treatment for Media Planning Services

<u>Prior to 1 Jan 2020</u>



*Contract specifies the advertiser to be the recipient of services and/or requires the supplier to deal directly with the advertiser

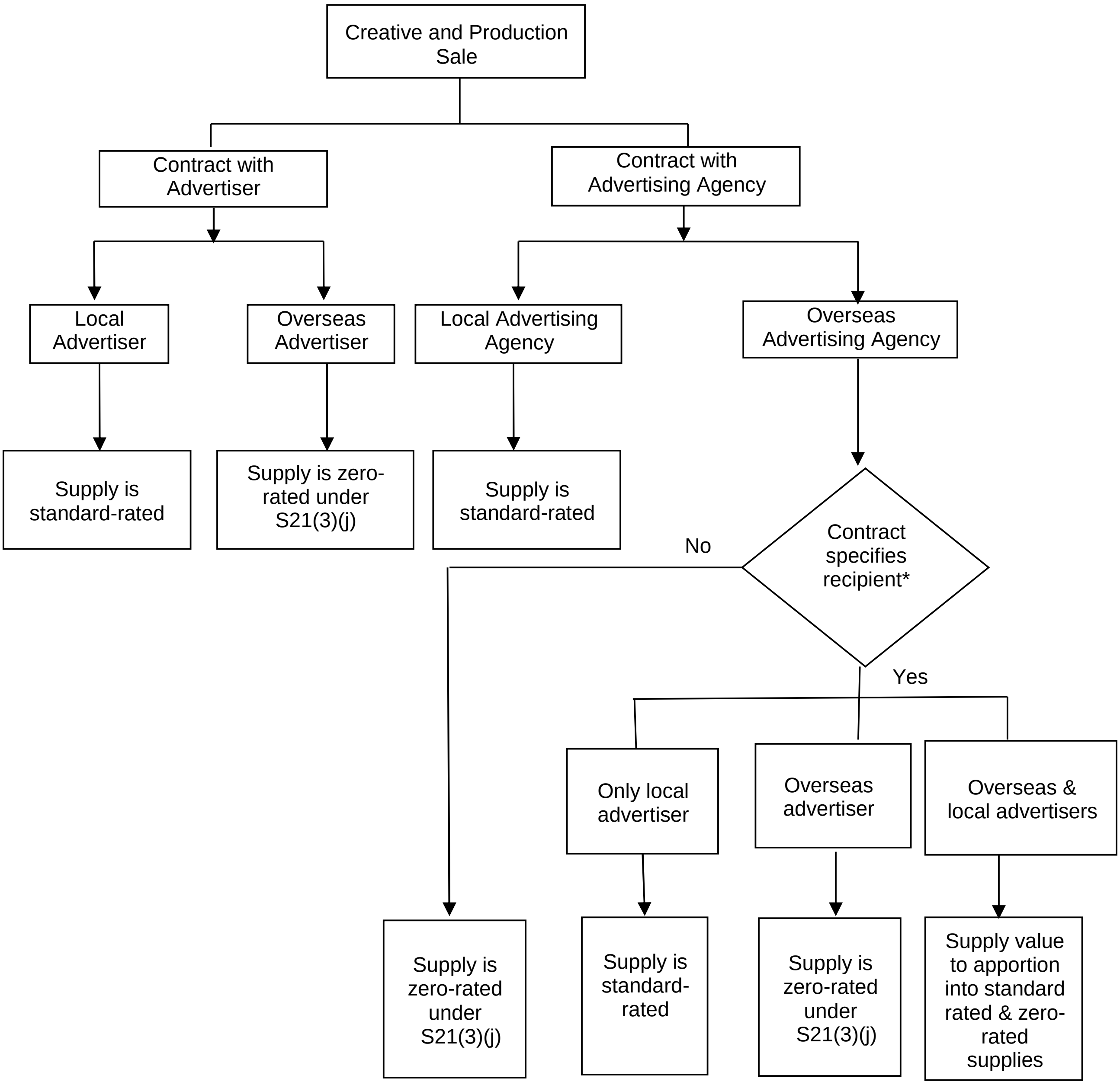
With effect from 1 Jan 2020



*Contract specifies the advertiser to be the recipient of services and/or requires the supplier to deal directly with the advertiser

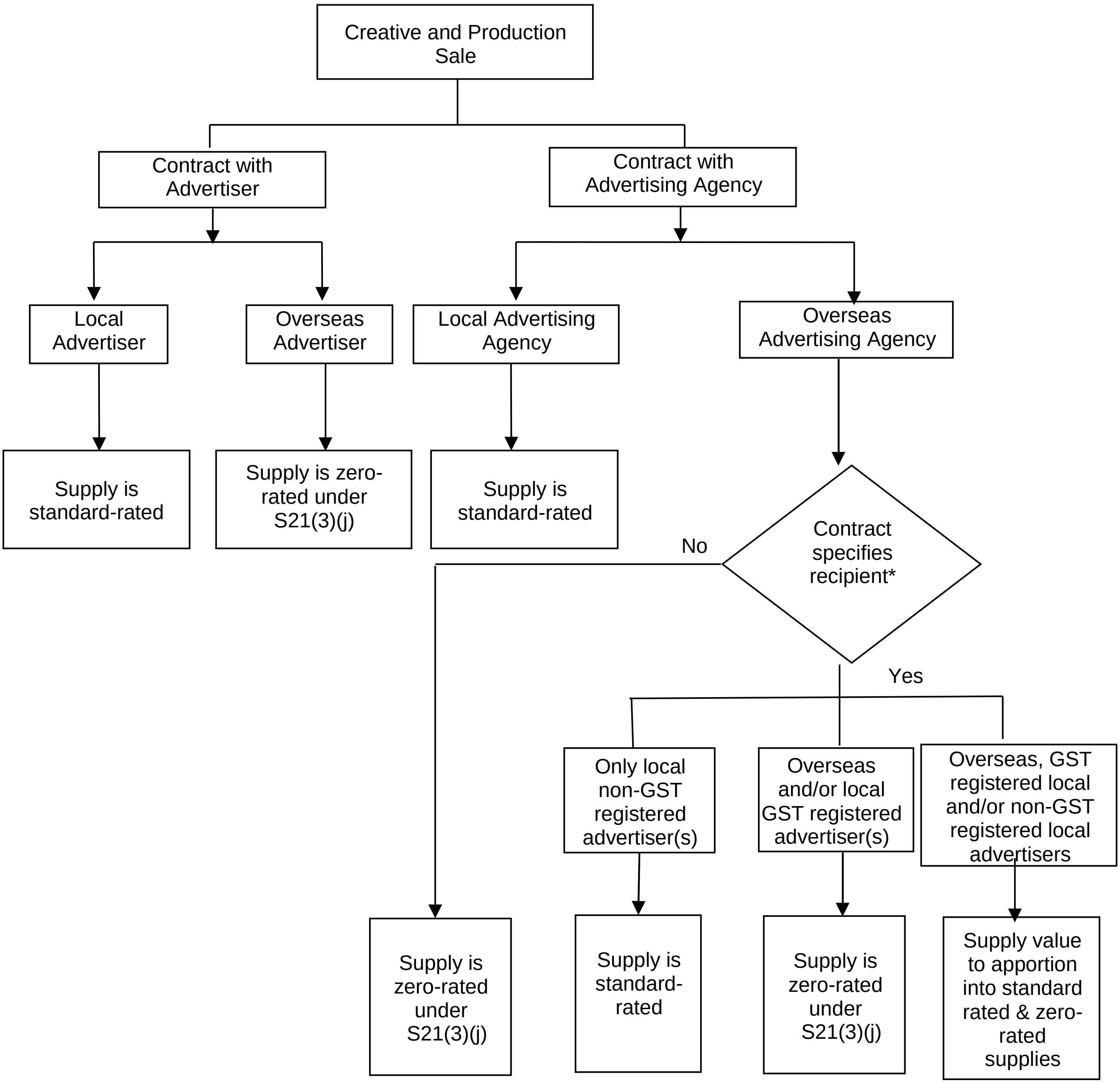
Annex B – GST Treatment for Creative and Production Sales

Prior to 1 Jan 2020



*Contract specifies the advertiser to be the recipient of services and/or requires the supplier to deal directly with the advertiser

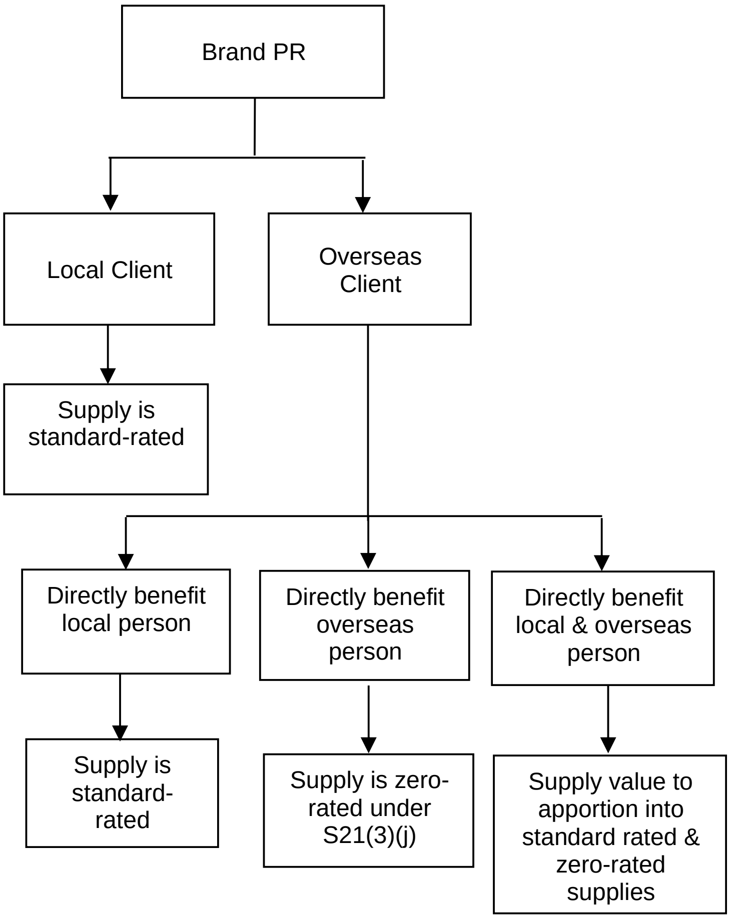
With effect from 1 Jan 2020



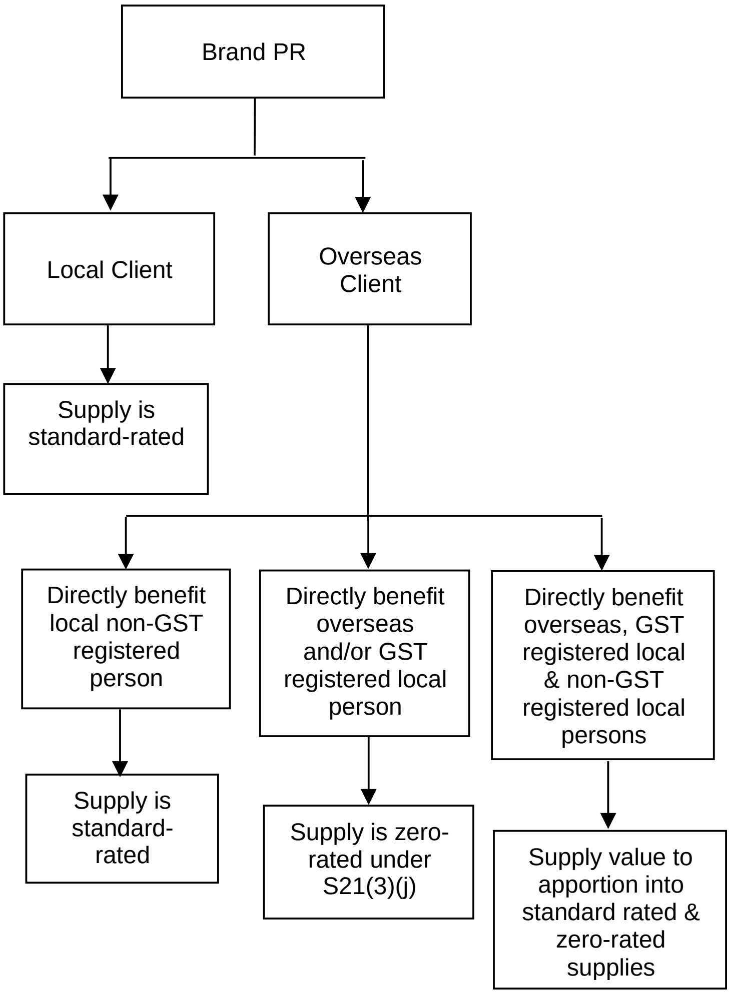
*Contract specifies the advertiser to be the recipient of services and/or requires the supplier to deal directly with the advertiser

Annex C - GST Treatment for Brand PR

Prior to 1 Jan 2020



With effect from 1 Jan 2020



Annex D – Summary of GST treatment for various advertising services

Advertising Services Supplied To The Advertiser

Forms of Advertising Services	Situations	Advertiser 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		
	• At least 51% circulated outside Singapore	Zero-rated Supply	Zero-rated Supply
	• 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[10]	Local Event	Standard-rated Supply	Zero-rated Supply (for businesses only)
	Overseas Event	Zero-rated Supply	Zero-rated Supply

[10] For more information on the GST treatment relating to exhibitions and convention services, please refer to the e-Tax Guide “GST: Exhibition, Convention and Ancillary Services”.

Advertising Services Supplied To The Advertising Agency

Forms of Advertising Services	**Situations**	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		
	• At least 51% circulated outside Singapore	Zero-rated Supply	Zero-rated Supply
	• Less than 51% circulated outside Singapore	Standard-rated Supply	Standard-rated Supply
2) Media Planning		Standard-rated Supply	Prior to 1 Jan 2020 Zero-rated Supply (if contract does not specify recipient; or recipient specified in the contract is not a local person or the supplier does not deal with a local advertiser) With effect from 1 Jan 2020 Zero-rated Supply (if contract does not specify recipient; or recipient specified in the contract is not a local non-GST registered persons or the supplier does not deal with a local non-GST registered advertiser)

3) Creative & Production		Standard-rated Supply	<u>Prior to 1 Jan 2020</u> Zero-rated Supply (if contract does not specify recipient; or recipient specified in the contract is not a local person or the supplier does not deal with a local advertiser) <u>With effect from 1 Jan 2020</u> Zero-rated Supply (if contract does not specify recipient; or recipient specified in the contract is not a local non-GST registered persons or the supplier does not deal with a local non-GST registered advertiser)
4) Brand PR		Standard-rated Supply	<u>Prior to 1 Jan 2020</u> Zero-rated Supply (if for the benefit of an overseas person) <u>With effect from 1 Jan 2020</u> Zero-rated Supply (if for the benefit of an overseas person and/or a GST registered local person)

5) Exhibition / Convention Organising[11]	Local Event	Standard-rated Supply	Prior to 1 Jan 2020 Zero-rated Supply (if for benefit of an overseas person wholly in his businesses capacity) With effect from 1 Jan 2020 Zero-rated Supply (if for benefit of an overseas person and/or GST registered local person wholly in his businesses capacity)
	Overseas Event	Zero-rated Supply	Zero-rated Supply

[11] For more information on the GST treatment relating to exhibitions and convention services, please refer to the e-Tax Guide "GST: Exhibition, Convention and Ancillary Services".

Annex E – Common Business Scenarios

1 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?

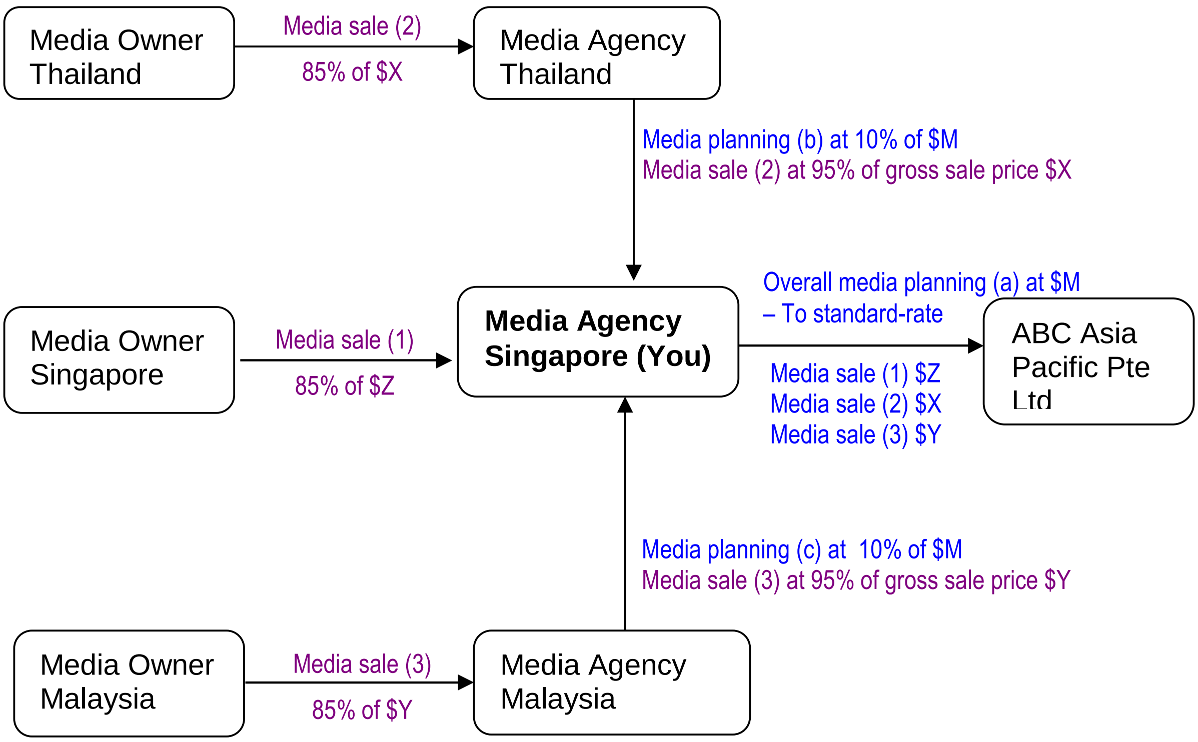
1.1 The supply of media planning services to QRS Asia Ltd can be zero-rated (i.e. GST at 0%) as the service is provided contractually to and beneficially for a person outside Singapore.

1.2 As to the media sales, if the publications and TV media are circulated in Singapore only, the supply has to be standard-rated.

1.3 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.

1.4 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.

2 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?

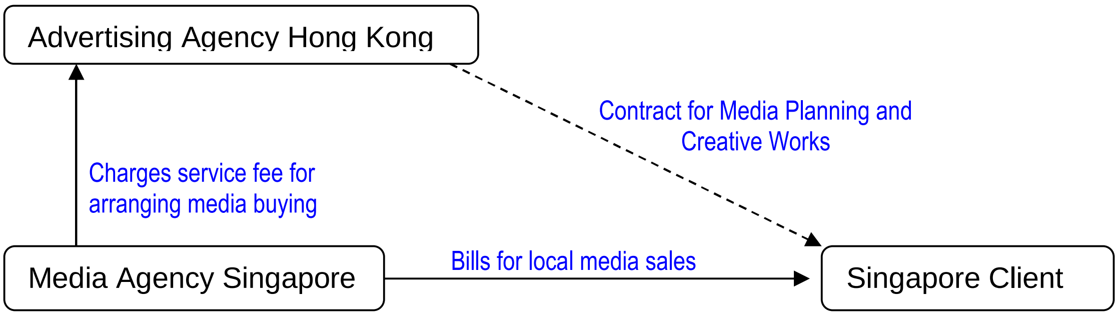


Overall media planning (a)	- Planning for Asia Pacific Region at $M
Media planning (b)	- Planning for Thailand market at 10% of $M
Media planning (c)	- Planning for Malaysia market at 10% of $M
Media sale (1)	- Sale of media space in Singapore media at $Z
Media sale (2)	- Sale of media space in Thailand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

2.1 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 belonging in Singapore.

2.2 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.

3 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?



3.1 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.

3.2 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 an advertising agency outside Singapore, the supply can be zero-rated (i.e. GST at 0%).

4 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?

4.1 The services are provided contractually to a company belonging in Singapore. Creative works are not directly in connection with advertising media in circulation. GST is therefore chargeable at prevailing rate on the creative and production (including internal and third party) costs regardless of whether the productions take place in or outside Singapore.

5 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?

5.1 Creative sales and media sales are two distinctive services capable of being supplied independently of each other. The advertising agency is making two types of supplies:

1) the designing works for the advertisements; and
2) 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.

5.2 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, the advertising agency has to standard-rate the supply.

5.3 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.

6 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?

6.1 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.

6.2 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 allows access to both Singapore and overseas viewers/browsers.

6.3 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 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?

7.1 Generally, GST has to be accounted on the open market value of the goods given free if each gift costs more than $200 and input tax on these goods has been allowed. This rule applies if commercial copies (new/current issues) of magazines are given away free to readers, educational institutes, or potential clients.

7.2 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 commercial value and are given free, no GST need to be accounted for on the gift.

7.3 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 to whom the advertisers want to target their advertising efforts and the free copies must constitute more than 95% of the same version of magazines.

8 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 locally circulated newsletter or TV programme. Does the media owner need to account for GST on the sponsorship received?

8.1 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 given to the sponsor.

8.2 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 for based on a tax fraction[12] of the money.

[12] Tax fraction is the fraction of prevailing GST rate / (100 + prevailing GST rate).

9 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?

9.1 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.

10 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?

10.1 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.