

# **IRAS e-Tax Guide**

## **GST Treatment of Web-Hosting Services and Server Co-location Services**



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# GST Treatment of Web-Hosting Services and Server Co-location Services

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## 1 Aim

- 1.1 This e-Tax Guide<sup>1</sup> explains the GST treatment of the following services provided by you if you are GST-registered:
- (i) web-hosting services; and
  - (ii) services relating to the co-location in Singapore of computer server equipment (i.e. server co-location services).

## 2 At a glance

- 2.1 Generally, all supplies of services made in Singapore in the course or furtherance of your business are subject to GST at the prevailing rate.
- 2.2 You can zero-rate (i.e. charge GST at 0%) your supply of services to your customers only if your supply fulfils specific conditions to qualify as an international service under Section 21(3) of the GST Act.
- 2.3 Specifically, you may zero-rate your web-hosting services under Section 21(3)(j) and server co-location services under Section 21(3)(s) of the GST Act<sup>2</sup> if the following conditions are satisfied:

Type of services	Conditions for zero-rating
Web-hosting services	<p><u>Section 21(3)(j) of the GST Act</u></p> <ol style="list-style-type: none"><li>1. The services are supplied under a contract with an overseas person<sup>3</sup>;</li><li>2. The services directly benefit<sup>4</sup> an overseas person<sup>3</sup> who is outside Singapore at the time they are performed; and</li><li>3. The services are not supplied directly in connection<sup>4</sup> with land or goods in Singapore.</li></ol>

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<sup>1</sup> This e-Tax Guide replaces the IRAS Circular on “GST Treatment on Web-Hosting Services (Revised Edition)” published in Nov 2004.

<sup>2</sup> Please refer to Annex A for these zero-rating provisions under Section 21(3) of the GST Act.

<sup>3</sup> For GST purpose –

A company belongs outside Singapore if:

- (a) it has overseas business or fixed establishment; or
- (b) it has no business or fixed establishment overseas but its place of incorporation is outside Singapore; or
- (c) it has business or fixed establishment both in and outside Singapore but the service it receives is directly concerned with the establishment that is outside Singapore.

An individual belongs outside Singapore if his usual place of residence is outside Singapore.

<sup>4</sup> Please refer to IRAS e-Tax Guide on “GST: Clarification on “Directly in Connection With” and “Directly Benefit”” for the interpretation and application of these two expressions.

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Type of services	Conditions for zero-rating
Server co-location services	<p><u>Section 21(3)(s) of the GST Act</u></p> <ol style="list-style-type: none"><li>1. The services are supplied under a contract with an overseas person<sup>3</sup>;</li><li>2. The services directly benefit<sup>4</sup> an overseas person<sup>3</sup>; and</li><li>3. The services supplied relate to the co-location<sup>5</sup> in Singapore of computer server equipment belonging to the overseas customer or the overseas person who directly benefits from the services.</li></ol>

2.4 The details of GST treatment of these services are elaborated in the subsequent sections of this guide.

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<sup>5</sup> Section 21(4)(a) of the GST Act defines the “co-location”, in relation to computer server equipment, to mean the provision of a physical environment for the operation of the computer server equipment.

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### 3 Web-Hosting Services (on your server)

- 3.1 Generally, web-hosting services involve hosting your client's website on a shared server or dedicated server that belongs to you.
- 3.2 The following are some common types of web-hosting services:
- (a) Simple hosting / shared hosting / virtual hosting services, where you allow your client to host his website on your shared server. Your client need not purchase and maintain his own server and connections to the Internet. Your package to the client may have included basic services such as box and systems monitoring, support for templated applications and e-Commerce packages.
  - (b) Dedicated server hosting, where you own the server and "dedicate" it or specific server resources to your client.
- 3.3 Even though you may be hosting the client's website on your server that is situated in Singapore, you can zero-rate your web-hosting services under Section 21(3)(j) of the GST Act if:
- (a) The services are supplied under a contract with an overseas person<sup>6</sup>;
  - (b) The services directly benefit<sup>7</sup> an overseas person<sup>6</sup> who is outside Singapore at the time the services are performed; and
  - (c) The services are not supplied directly in connection<sup>7</sup> with land or goods (not referring to your server or equipment that is used as a tool to carry out your services) in Singapore.
- [Generally, web-hosting services are considered as services not made directly in connection with land or goods situated in Singapore.]
- 3.4 In addition to the above web-hosting services, you may also provide managed services (i.e. the monitoring, administrative and support services) for your client's network. You can also zero-rate such managed services to your overseas client under Section 21(3)(j) of the GST Act if you satisfy the conditions in paragraph 3.3.

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<sup>6</sup> For GST purpose –

A company belongs outside Singapore if:

- (a) it has overseas business or fixed establishment; or
- (b) it has no business or fixed establishment overseas but its place of incorporation is outside Singapore; or
- (c) it has business or fixed establishment both in and outside Singapore but the service it receives is directly concerned with the establishment that is outside Singapore.

An individual belongs outside Singapore if his usual place of residence is outside Singapore.

<sup>7</sup> Please refer to IRAS e-Tax Guide on "GST: Clarification on "Directly in Connection With" and "Directly Benefit"" for the interpretation and application of these two expressions.

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### **4 Server Co-location Services**

- 4.1 Under a co-location arrangement, a server (that does not belong to you) is placed at your facility or data centre and you are providing a physical environment for the operation of the server. Co-location services generally include the provision of physical space and security, air-conditioning, uninterrupted power supply, fire protection systems, network connectivity, tape back-up, co-location firewall service, 24-hour monitoring and surveillance, etc.
- 4.2 Even though the server is placed in Singapore, you can zero-rate your server co-location services under Section 21(3)(s) of the GST Act if:
- (a) The services are supplied under a contract with an overseas person<sup>6</sup>;
  - (b) The services directly benefit<sup>7</sup> an overseas person<sup>6</sup>; and
  - (c) The services supplied relate to the co-location<sup>8</sup> in Singapore of computer server equipment belonging to the overseas customer or the overseas person who directly benefits from the services.
- 4.3 In addition to the above co-location services, you may also provide managed services (i.e. the monitoring, administrative and support services) for the server. Some examples of such managed services are:
- network port monitoring
  - operating system monitoring
  - internet monitoring
  - load balancing
  - redundancy and database administration management
- 4.4 If you provide both co-location services and managed services to an overseas client, you can zero-rate these services under Section 21(3)(s) of the GST Act if you satisfy the conditions in paragraph 4.2.

### **5 Other Services**

- 5.1 If you only provide managed services (i.e. without co-location or web-hosting services) to your overseas client, you should examine whether you satisfy the conditions in paragraph 3.3 to zero-rate the supply under Section 21(3)(j).

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<sup>8</sup> Section 21(4)(a) of the GST Act defines the “co-location”, in relation to computer server equipment, to mean the provision of a physical environment for the operation of the computer server equipment.

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- 5.2 If you only provide stand-alone services (such as transportation, storage, repair services, etc) in relation to the server and do not provide co-location services, you cannot zero-rate your services under Section 21(3)(s). GST is chargeable on these services at the prevailing rate unless they satisfy other zero-rating provisions under Section 21(3) of the GST Act.

### 6 Summary

- 6.1 The following table summarises the GST treatment of the services mentioned in paragraphs 3 to 5.

If you provide the following services under a contract with an overseas person <sup>6</sup> :	You can zero-rate your services if you satisfy the conditions under:
Web-hosting services only	Section 21(3)(j)
Web-hosting services and managed services	
Co-location services only	Section 21(3)(s)
Co-location services and managed services	
Managed services only (i.e. without co-location or web-hosting services)	Section 21(3)(j)
Other services in relation to the server (i.e. without co-location services)	Other provisions in Section 21(3) [Section 21(3)(s) is not applicable]

### 7 Contact information

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

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### 8 Updates and amendments

	Date of amendment	Amendments made
1	30 Sep 2013	This guide replaces the IRAS Circular on “GST Treatment on Web-Hosting Services”. Editorial revisions are made to reflect only the current GST treatment.

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### **Annex A – Zero-rating Provisions for Web-Hosting Services and Server Co-location Services under Section 21(3) of the GST Act**

Section 21 of the GST Act provides for zero-rating of exports and international services.

The following is an extract from the GST Act, which lists the zero-rating provisions under Section 21(3)(j) and 21(3)(s) that are applicable to web-hosting services and server co-location services.

#### Section 21(3)(j) and 21(3)(s)

- (j) Subject to Section 21(4B) and (4C), services supplied —
  - (i) under a contract with a person who belongs in a country outside Singapore; and
  - (ii) 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.
  
- (s) Services supplied —
  - (i) under a contract with a person who belongs in a country outside Singapore; and
  - (ii) which directly benefit a person who belongs in a country other than Singapore,  
relating to the co-location in Singapore of computer server equipment belonging to the person referred to in sub-paragraph (i) or (ii).

#### Section 21(4)(a)

For the purpose of Section 21(3) —  
“co-location”, in relation to computer server equipment, means the provision of a physical environment for the operation of the computer server equipment.

#### Section 21(4A), (4B) and (4C)

- (4A) For the purposes of Section 21(3)(j) and (s), the person with whom the contract is made and the person who directly benefits from the services may be the same person or different persons.
  
- (4B) The services referred to in Section 21(3)(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 Section 21(3)(j) shall not include any services which are supplied directly in connection with —
  - (a) land or any improvement thereto situated inside Singapore; or

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- (b) goods situated inside Singapore at the time the services are performed, other than goods referred to in Section 21(3)(g).