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GST Updates

1 GST Treatment - Fringe Benefits

Claiming Input Tax

GST-registered businesses can claim input tax on expenses incurred relating to fringe benefits when they are:



Fringe Benefits

refer to non-wage benefits given to employees and can be in the form of goods or services.



Contractually supplied to the employer **OR** the employee is acting as an agent of the employer;



Allowed under [regulations 26 and 27 of the GST \(General\) Regulations](#); and



Given to employees for the purpose of business



e-Tax Guide

The e-Tax Guide “[GST: Fringe Benefits](#)” was updated on 16 May 2016 to provide further clarity on:

1

Determining whether a fringe benefit is given for the purpose of business

- You can now do so through applying the new “Close Nexus Test”

2

Accounting of output tax on business assets put to use by employee

- If you allow your employees to use your business assets as a fringe benefit and you satisfy the “Close Nexus Test” that it is for business purpose, you do not need to account for output tax on such usage.

2 SingPass 2-Step Verification (2FA)



What is 2FA?

It is an added security that requires you to key in a One-Time Password (OTP) received via SMS or OneKey Token after you have entered your SingPass ID and Password.

TIP

Set up before **5 July** to ensure that you can e-File your GST returns on time!

Have you received your PIN mailer?

If you have, then all you need to do is **activate** your 2FA, then your setup is complete!



To activate SMS 2FA

SMS the following code to **78111**:

ACT<space>**SMS**<space>**NRIC**
<space>**PIN Mailer Password**



To activate Token

SMS the following code to **78111**:

ACT<space>**Token**<space>**NRIC**
<space>**PIN Mailer Password**
<space>**One-Time Password**



2FA Check

To confirm that you have already set up your SingPass 2FA:

Log into your SingPass account at www.singpass.gov.sg



Click "My Account"



Click "Manage 2-Step Verification"

If you have not set up your 2FA, you will see a message prompter that will guide you to set it up.

Knowledge Sharing

1 Conditions for Input Tax Claims

*GST-registered businesses are entitled to claim GST incurred on business expenses if **all** of the [conditions for input tax claims](#) are satisfied.*



- You cannot claim medical expenses as well as medical and accident insurance premiums incurred for your staff unless the expenses are mandatory under the Work Injury Compensation Act (WICA) or any collective agreement under the Industrial Relation Act (IRA).
- For more information on medical expenses & medical and accident insurance mandatory under the respective Acts mentioned above, please visit the Ministry of Manpower (MOM) webpage on [WICA](#) or [IRA](#).

Q: My worker went for a medical checkup which is required to renew his work permit. Can I claim the GST incurred on the medical checkup?

Q & A

IRAS: If this medical checkup is not mandatory under WICA or the collective agreement under IRA, you cannot claim the GST even though it is required for work permit renewal.

2 International Services

Generally, all GST-registered businesses are required to charge 7% GST on its supplies of goods and services in Singapore unless the supplies qualify for [exemption](#) or [zero-rating](#) under S 21(3) of the GST Act.



SECTION 21(3)(G)

Zero-rating a supply of services related to goods for export

- The services (excluding [media sales](#)) must:
 - i. Be directly in connection with goods for export;
 - ii. Supplied to an [overseas person](#); and
- At the point of providing your services, you must be certain that the goods will be exported and you can maintain the relevant documents within 60 days from the completion of services.

Documents to maintain within 60 days from completion of services:

- 1** Written confirmation from customer indicating:
 - Goods will be exported after completion of the services; and
 - Expected date of export
- 2** Required export documents in the e-Tax Guide “GST Guide on Exports” (even if you are not the exporter)
- 3** If the goods are to be sent to another local provider after the completion of your service, obtain a confirmation from the other service provider that the goods will be exported.



Not all services provided to an overseas customer can be zero-rated.

Zero-rating a supply of services provided to overseas person



SECTION 21(3)(j)

1. The services (excluding [media sales](#)) must be supplied:
 - Under a contract with an [overseas person](#) ; and
 - Which directly benefits an [overseas person](#) ;
2. The [overseas person](#) must not be in Singapore at the time when the services are performed; and
3. Services cannot be directly in connection to land or goods in Singapore other than goods for exports



SECTION 21(3)(k)

1. The services must be supplied:
 - Under a contract with an [overseas person](#) in his business capacity; and
 - Which directly benefits an [overseas person](#) in his business capacity; and
2. Services cannot be related to land or goods in Singapore other than goods for exports;
3. Services must be prescribed #under Second Schedule of the GST (International Services) Order

Services of engineers, accountants, lawyers are some of the services that are prescribed under the Second Schedule of the GST (International Services) Order.

For the full list of prescribed services, visit our webpage on "[Providing International Services](#)"



Under S 21(3)(k), your overseas customer can be in Singapore to receive the services. However, it is a requirement under S21(3)(j) that the overseas customer cannot be in Singapore when the services are performed.

Q: My company has been engaged by an **overseas company** to **repair** some spare parts.

- After completing the services, the spare parts will be **sent to another service provider** ("ABC") to perform value-adding services
- ABC will export the goods out of Singapore.

Q & A

IRAS: Your supply of repair services to the overseas company **can be zero-rated** under section 21(3)(g) of the GST Act even if you are told to deliver to the goods to ABC for further works as long as you **can maintain the required supporting documents** within 60 days from the completion of your services.

Q: I have an **overseas customer** coming down to Singapore from India to seek legal and financial advice on his business in India.

- ✓ Services are provided under a contract with an overseas business?
- ✓ Benefits an overseas business?
- ✓ Legal and financial advice falls within list of prescribed services?

Q & A

IRAS: Your supply of legal and financial services provided to the overseas business **can be zero-rated** as you are able to satisfy all the conditions under section 21(3)(k) of the GST Act. This is notwithstanding that a representative from the overseas business will be in Singapore to receive your services.



The terms “**Directly in Connection**” and “**Directly Benefit**” are used to determine whether services can be zero-rated under certain provisions under S 21(3) of the GST Act.

Steps to determine Directly in Connection (DIC):

- 1** There must be specific goods or land related to the supply **AND**
- 2** Services must fall within one of the following nature:

Involves physical work done (change or affect the land or goods)	Involves physical contact (not changing land or goods physically)	Establishes physical attributes of land or goods	Affects or protects the nature or value of land or goods	Affects or propose to affect the ownership, interest or right of land or goods
E.g. Alteration or cleaning of goods	E.g. Security services in relation to land	E.g. Valuation services to establish the property value	E.g. Insurance of a property	E.g. Option to purchase land

Q: I am assisting a client to purchase shares of a company in Singapore. Is my service considered to be DIC with land or goods in Singapore?



IRAS: In this case, there is no identifiable good or land. Hence, our service will not be considered as DIC with any land or goods in Singapore.

Steps to determine Direct Beneficiaries (DB):



Examine the contract

Whether the contract specify the recipient of the services?
If specified, the recipient is a direct beneficiary of the service



Examine the flow of services/benefits

Whether the supplier can identify any other person(s) directly benefiting from the service performed/ received?
e.g. The person using the services



- 1) The person entering into the contract may not be a DB
- 2) If the DBs consist of both local and overseas person, you need to apportion your services and only zero-rate the part of supplies that directly benefits the overseas person

1 e-Appointment



Reduce waiting time

You will be served within **15 minutes** from your appointment time. Walk-in visitors without any appointment may have to wait up to two hours.



Steps to arrange an appointment

Visit www.iras.gov.sg > Contact Us > Make an Appointment . Please note that appointment has to be made at least two working days in advance.



Feedback Channel

Please help us to complete this survey on how we can further improve the GST bulletin to suit your business needs!

To access the survey, please click [here](#).

Upcoming Tax Academy Courses



Tax Academy of Singapore organises GST courses for professionals/ businesses who wish to attain basic/ in-depth knowledge of GST.

Upcoming GST Courses organised by Tax Academy:

- Executive Tax Programme Level I (GST) – Oct 2016 and Feb 2017
- Executive Tax Programme Level II (GST) – Sep 2016 and Feb 2017

For more information, please visit www.taxacademy.sg.

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