



INLAND REVENUE
AUTHORITY
OF SINGAPORE

IRAS e-Tax Guide (Draft)

GST: Taxing imported services by way of reverse charge

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Preface

This draft guide explains the application and operational details of the reverse charge regime.

Under the current GST rules, a supply of services (other than an exempt supply) by a supplier who belongs in Singapore is subject to GST while the same supply by a supplier who belongs outside Singapore is not. The non-taxation of imported services has created an uneven playing field between local and overseas businesses.

To level the GST treatment for services procured from overseas and those procured locally so as to achieve parity in GST treatment for all services consumed in Singapore, the reverse charge mechanism will be implemented on 1 Jan 2020 to tax Business-to-Business (B2B) supplies of imported services.

The reverse charge mechanism requires the GST-registered recipient of the imported services to account for GST on the services as if he were the supplier. At the same time, he would be entitled to claim the GST as his input tax subject to the normal input tax recovery rules.

IRAS is seeking feedback from businesses who will be subject to reverse charge, so as to facilitate a smooth implementation of the reverse charge regime come 1 Jan 2020.

Electronic submission is encouraged. Your submission should include your name, the organization you represent, your email address and telephone number. Please submit your written comments using the template in Annex F by 20 Mar 2018 to:

Goods & Services Tax Division
Inland Revenue Authority of Singapore
55 Newton Road
Singapore 307987

Or email to: gstfeedback@iras.gov.sg

IRAS will provide a summary of responses to the feedback received on the draft guide by 31 May 2018.

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1 Aim

- 1.1 The Minister for Finance announced in Budget 2018 that GST would be applied on imported services in the context of business-to-business (“B2B”) transactions by way of a reverse charge mechanism with effect from **1 Jan 2020**.¹
- 1.2 This guide explains the features of the reverse charge mechanism and the related registration and compliance rules. It also covers the amendments to the zero-rating provisions and transitional rules for transactions spanning the implementation date of 1 Jan 2020.
- 1.3 This guide is applicable to:
 - (i) GST-registered persons who procure services from overseas suppliers and are either not entitled to full input tax credit or belong to GST groups that are not entitled to full input tax credit; and
 - (ii) Non-GST registered persons who procure services from overseas suppliers exceeding S\$1 million in a 12-month period and would not be entitled to full input tax credit even if GST-registered.
- 1.4 The application of this guide is subject to the passing of the GST legislative amendments in Parliament and the assent of the President.

2 At a Glance

- 2.1 Under the reverse charge mechanism, when a supplier who belongs outside Singapore² makes a B2B supply of services³ to a GST-registered person who belongs in Singapore, the GST-registered recipient would be required to account for GST on the value of his imported services as if he were the supplier, to the extent the imported services fall within the scope of reverse charge. The GST-registered recipient would be allowed to claim the corresponding GST as his input tax, subject to the normal input tax recovery rules.⁴
- 2.2 A non-GST registered recipient of supplies of imported services may become liable for GST registration by virtue of the reverse charge rules. Once registered, he would be required to apply reverse charge and account for GST on his imported services just like any GST-registered business who is subject to reverse charge.

¹ An overseas vendor registration regime would also be implemented on 1 Jan 2020 to tax business-to-consumer (“B2C”) cross-border supplies of digital services. Refer to the e-Tax Guide “GST: Taxing imported services by way of an Overseas Vendor Registration Regime” for information on the overseas vendor registration regime.

² Refer to the e-Tax Guide “GST: Guidelines on Determining the Belonging Status of Supplier and Customer” for the guidelines for determining the belonging status of the supplier.

³ Reverse charge does not apply to imported goods. Import of goods would be subject to GST at the point of importation into Singapore unless it qualifies for import GST relief.

⁴ Where applicable, businesses may apply their prescribed fixed input tax recovery rates or special input tax recovery formula to compute the input tax claimable on reverse charge transactions.

- 2.3 For the purposes of reverse charge, inter-branch transactions (i.e. transactions between a Singapore branch and its offshore head office, or Singapore head office and its offshore branches) and intra-GST group transactions⁵ (i.e. transactions between a Singapore member and its offshore members who are registered as a GST group under section 30 of the GST Act) are not disregarded.
- 2.4 With the implementation of reverse charge, the “directly benefit” condition in the zero-rating provisions would also be modified.
- 2.5 For imported services that span 1 Jan 2020, there are transitional rules that ascertain whether the transactions are subject to reverse charge and when they are deemed as being supplied.

3 Background

- 3.1 With the advent of technology, businesses in Singapore may increasingly procure services from overseas that in the past could only be supplied by local service providers. Under the current GST regime, a supply of services (other than an exempt supply) procured from a local GST-registered supplier is subject to GST, while the same supply of services, if provided from an overseas supplier (i.e. imported), is not subject to GST even if the services are consumed in Singapore.
- 3.2 Example 1 illustrates the current difference in the GST treatment between locally sourced services and imported services.

Example 1

Co. A engages a local advertising firm to provide media planning services. As the local advertising firm is GST-registered, it charges GST on the fees billed to Co. A. Co. A being a partially exempt business is not able to recover the GST as its input tax in full. If Co. A now engages an overseas advertising firm, the overseas advertising firm does not charge GST and Co. A will not bear any GST, under the current GST regime.

- 3.3 As shown in Example 1, all things being equal, the local advertising firm may have to lower its fee in order to be on par with the overseas advertising firm. Hence, the absence of GST on imported services results in an uneven playing field between the local advertising firm and the overseas one and puts local service providers at a disadvantage.
- 3.4 To level the GST treatment for services procured from overseas and those procured locally so as to achieve parity in GST treatment for all services consumed in Singapore, the reverse charge mechanism will be implemented on 1 Jan 2020 with the intent of taxing imported services.

⁵ This does not refer to transactions between separate legal entities within the same corporate group (e.g. transactions between an overseas holding company and a Singapore subsidiary).

4 The Reverse Charge Mechanism

4.1 Persons who would be subject to reverse charge

4.1.1 In this e-Tax Guide, we refer to a person who is subject to reverse charge as a “**RC Business**”.

(1) GST-registered persons

4.1.2 If you are a GST-registered person who procures services from overseas suppliers, you are an RC Business when:

- (a) You are not entitled to full input tax credit; or
- (b) You belong to a GST group that is not entitled to full input tax credit.⁶

4.1.3 If you are an RC Business, you must account for GST on the value of your imported services as if you were the supplier. Subject to the normal input tax recovery rules, you can claim the GST accounted for on your imported services as your input tax.

Examples of RC Businesses:

- Taxable businesses that make substantial exempt supplies such as interest from inter-company loans
- Partially exempt businesses such as developers of mixed-use properties, banks and other financial institutions
- Fully taxable businesses that do not make any exempt supplies but are GST group registered with partially exempt members
- Charities and voluntary welfare organizations (“VWO”) that receive outright grants, donations and sponsorships and provide free/ subsidised services

To determine whether you are entitled to full input tax credit

4.1.4 You would not be entitled to full input tax credit, if you fall under either of the following circumstances:

- (a) You carry out non-business activities (i.e. provide free or subsidised services)⁷; or
- (b) You fail the De Minimis Rule under regulation 28 of the GST (General) Regulations⁸ at the end of any prescribed accounting period, unless you meet the conditions in paragraph 4.1.5.

In either case, you would be an RC Business.

⁶ Where a GST group has any member who is not entitled to full input tax credit, reverse charge will apply to every member in the GST group.

⁷ As charities and VWOs provide free/ subsidised activities, they are not entitled to full input tax credit. Refer to e-Tax Guide “GST: Guide For Charities And Non-Profit Organisations” for the input tax rules for charities and VWOs.

⁸ The De Minimis Rule is satisfied if the total value of all exempt supplies made does not exceed (a) an average of S\$40,000 a month; and (b) 5% of the total value of all taxable and exempt supplies made in that period.

4.1.5 Even if you fail the De Minimis Rule, you would be entitled to full input tax credit⁹ (and hence not an RC Business), when you meet either of the following conditions:

- (a) You make only exempt supplies listed in regulation 33 of the GST (General) Regulations (“regulation 33 exempt supplies”) and the nature of your business is not one of those listed in regulation 34 of the GST (General) Regulations (“regulation 34 business”); or

Example 2

Co. B is a manufacturing company (i.e. not a regulation 34 business). At the end of the prescribed accounting period 31 Mar 2020, Co. B determined that it does not satisfy the De Minimis Rule. The nature of the exempt supplies made by Co. B are realised foreign exchange differences and interest income received in respect of a fixed deposit account placed with a local bank (i.e. regulation 33 exempt supplies). Notwithstanding that Co. B does not satisfy the De Minimis Rule, the input tax for the prescribed accounting period ending 31 Mar 2020 is claimable in full. Hence, Co. B is not required to apply reverse charge.

- (b) Any provision in the GST legislation grants you the right to claim your input tax in full.

Example 3

Co. C is an Approved Refiner under section 37B of the GST Act. Although Co. C makes both taxable supplies and exempt supplies comprising local sales of Investment Precious Metals, it is able to recover all its input tax incurred in the course or furtherance of its business pursuant to regulation 46A(16) of the GST (General) Regulations. Hence, Co. C is not required to apply reverse charge.

GST-registered persons with fluctuating exempt supplies may elect to apply reverse charge at the end of the longer period

4.1.6 GST-registered persons with fluctuating exempt supplies may be liable to apply reverse charge in one accounting period but not so in the next accounting period. For administrative ease, they may elect to apply reverse charge only at the end of the longer period, instead of each accounting period.¹⁰

The election must be made in the GST F5 return for the first accounting period of each tax year in which the GST-registered person imports services that are subject to reverse charge.

⁹ Input tax disallowed under regulations 26 and 27 of the GST (General) Regulations is still not claimable.

¹⁰ This option is not applicable to businesses that are accorded fixed input tax recovery rates as they are not required to perform longer period adjustments.

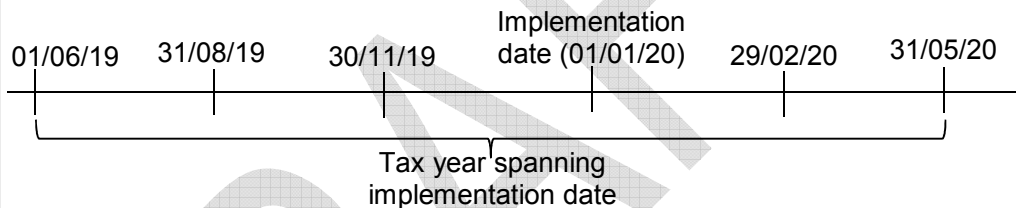
Example 4

Co. D makes both taxable and exempt supplies comprising the supply of management services and provision of inter-company loans respectively. The value of its exempt supplies fluctuates from period to period depending on the prevailing interest rate and amount of outstanding loans to related companies. Hence, Co. D makes the election to determine if it is subject to reverse charge at the end of the longer period. If Co. D determines that it is entitled to full input tax credit for the longer period, it would not be required to apply reverse charge on its imported services for the longer period.

As the start of the first accounting period of a tax year does not coincide with the implementation date of reverse charge, election can be made in the first GST F5 return to be filed following 1 Jan 2020, and the election once made should apply for the current and any subsequent accounting period till the start of the first accounting period of the next tax year.

Example 5

Co. E's prescribed accounting periods are Mar-May, Jun-Aug, Sep-Nov and Dec-Feb.



Co. E has fluctuating exempt supplies and would like to elect to apply reverse charge at the end of the longer period. For the tax year from 1 Jun 2019 to 31 May 2020, Co. E would make the election in the GST F5 return for the prescribed accounting period ending 28 Feb 2020 (i.e. the first GST F5 return to be filed following 1 Jan 2020). The election would automatically apply for the prescribed accounting period ending 31 May 2020. Accordingly, Co. E would only assess whether it is required to apply reverse charge for the period from 1 Jan 2020 to 31 May 2020 when it files the GST return for the prescribed accounting period ending 31 Aug 2020.

For the subsequent tax year from 1 Jun 2020 to 31 May 2021, if Co. E would like to elect to apply reverse charge at the end of the longer period, it would have to make the election in the GST F5 return for the prescribed accounting period ending 31 Aug 2020.

GST-registered persons who are entitled to full input tax credit may elect to apply reverse charge

- 4.1.7 Although you are not required to apply reverse charge, you may elect to apply reverse charge. The election can be made in your GST F5 return.

Once you make the election, you must consistently account for GST on your imported services for one year, starting from the accounting period corresponding to the GST F5 return in which you made the election. You will

be subject to the same rules and record keeping requirements that apply to RC Businesses.

Examples of GST-registered businesses that may wish to elect to apply reverse charge:

- Businesses that make infrequent and irregular non-regulation 33 exempt supplies. These businesses have to constantly track if they meet the De Minimis Rule to determine if they are required to apply reverse charge.
- Fully taxable persons that belong to corporate groups (which consist of both fully taxable persons and partially exempt persons) with centralised accounting functions or share the same accounting system. Administratively, it might be easier for all GST-registered persons in the corporate group to apply reverse charge.

(2) Non-GST registered persons

4.1.8 If you are a non-GST registered person who procures services from overseas suppliers, you would be liable for GST registration by virtue of the reverse charge rules if you satisfy the following conditions:

- (a) Your imported services which are within the scope of reverse charge¹¹ exceed S\$1 million in a 12-month period (under either the retrospective or prospective basis)¹²; and
- (b) You would not be entitled to full input tax credit if you were GST-registered.

Once you are liable for GST registration by virtue of the reverse charge rules, you would be an RC Business.

To determine whether you would be entitled to full input tax credit if you were registered

4.1.9 You would not be entitled to full input tax credit even if you were registered, if you fall within either of the circumstances under paragraph 4.1.4. To determine if you fail the De Minimis Rule, you are required to apply the tests under the De Minimis Rule on the same basis you have applied in determining if your imported services exceed S\$1 million. For example, if your imported services exceed S\$1 million on a retrospective basis, you too are required to apply the tests under the De Minimis Rule on a retrospective basis.

4.1.10 If a non-GST registered person becomes registered or liable for registration by virtue of the reverse charge rules, he must comply with the responsibilities and obligations of a GST-registered person¹³. Besides accounting for GST on imported services, he would also be required to report his supplies and

¹¹ The scope of imported services which are subject to reverse charge is defined in paragraph 4.2.1.

¹² The definition of retrospective basis and prospective basis is in paragraph 5.1.1.

¹³ Refer to e-Tax Guide "GST: General Guide For Businesses" for details on the responsibilities and obligations of a GST-registered person.

account for GST on any standard-rated supplies made in the course or furtherance of his business. At the same time, he would be entitled to input tax claims, subject to the normal input tax recovery rules.

4.1.11 Annex A provides diagrammatic flowcharts for determining whether a person would be subject to reverse charge.

4.2 **Scope of imported services**

4.2.1 RC Businesses must account for GST on all imported services other than:

- (a) services that fall within the description of exempt supplies under the Fourth Schedule to the GST Act;
- (b) services that qualify for zero-rating under section 21(3) of the GST Act had the services been made to them by a taxable person belonging in Singapore;
- (c) services that are directly attributable to taxable supplies (*this exclusion is only applicable to RC Businesses that are not prescribed a fixed input tax recovery rate or on special input tax recovery formula¹⁴*); and
- (d) the salaries, wages and interest cost components, including their proportionate mark-up in accordance with transfer pricing policy, of cost allocations in inter-branch and intra-GST group transactions (refer to paragraph 4.6 below for details).

Examples of (c):

- RC Business procures shared services (e.g. IT, legal, marketing services) from overseas service providers and recovers a portion of the shared service fees from his related entities. The recovery of the shared service fees constitutes taxable supplies made by the RC Business. Hence, the portion of the shared service fees which are recovered is considered directly attributable to his taxable supplies and therefore not subject to reverse charge.
- RC Business procures overseas brokerage services in respect of his trading of shares on an overseas exchange, which is zero-rated supplies. Hence, the overseas brokerage services procured is not subject to reverse charge.

4.2.2 **RC Businesses may elect to apply reverse charge on all imported services**

You may elect to account for GST on all your imported services, including services that are specifically excluded from the scope of reverse charge (as listed in paragraph 4.2.1 above). The election can be made in your GST F5 return.

¹⁴ Businesses that are accorded fixed input tax recovery rates and granted the use of special input tax recovery formulas may exclude imported services that are directly attributable to taxable supplies from reverse charge only if they revert to the use of the standard input tax apportionment formula.

Once you make the election, you must account for GST on all your imported services consistently for one year, starting from the accounting period corresponding to the GST F5 return in which you make the election.

4.2.3 Refer to Annex B for examples of imported services that fall in and out of the scope of reverse charge.

4.3 **Reverse charge does not apply if the supply has been taxed previously**

4.3.1 Notwithstanding the rules set out in paragraph 4.2.1, when a supply of imported services has been subject to Singapore GST previously, an RC Business is not required to account for GST on the imported services to the extent the supply has been taxed in Singapore. The RC Business is required to maintain supporting document (e.g. invoice on the first leg of transaction showing that GST has been charged on the services) to substantiate that the imported services have been subject to Singapore GST previously.

4.3.2 Example 6 illustrates a scenario where a supply of imported services was subject to GST previously and the extent to which reverse charge does not have to be applied on the imported services.

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Example 6

Local Supplier A is engaged by Foreign Business B to provide valuation services in respect of a commercial building in Singapore. As Local Supplier A is GST-registered and the valuation services cannot qualify for zero-rating, it charges GST on the valuation fees billed to Foreign Business B. Foreign Business B onward supplies the same valuation services to Local Customer C. In this instance, Local Customer C will not be required to account for GST on the supply of valuation services by Foreign Business B to the extent the supply has been subject to GST in Singapore.

Scenario (a)

- (i) *Supply from Local Supplier A to Foreign Business B:*
- Valuation fee charged by Local Supplier A to Foreign Business B = S\$10,000
 - GST charged by Local Supplier A to Foreign Business B = S\$10,000 x 7% = S\$700
- (ii) *Supply from Foreign Business B to Local Customer C:*
- Valuation fee charged by Foreign Business B to Local Customer C = **S\$10,000** (i.e. same as the fee charged by Local Supplier A to Foreign Business B)
 - GST charged by Foreign Business B to Local Customer C = Nil (Foreign Business B is not GST-registered in Singapore)

Under scenario (a), Local Customer C is not required to account for any GST on the imported valuation services as the entire valuation fee charged by Foreign Business B has been subject to GST in the first supply.

Scenario (b)

- (i) *Supply from Local Supplier A to Foreign Business B:*
- Valuation fee charged by Local Supplier A to Foreign Business B = S\$10,000
 - GST charged by Local Supplier A to Foreign Business B = S\$10,000 x 7% = S\$700
- (ii) *Supply from Foreign Business B to Local Customer C:*
- Valuation fee charged by Foreign Business B to Local Customer C = **S\$10,700** (i.e. S\$700 more than the fee charged by Local Supplier A to Foreign Business B)
 - GST charged by Foreign Business B to Local Customer C = Nil (Foreign Business B is not GST-registered in Singapore)

Under scenario (b), Local Customer C is required to account for GST on S\$700 (i.e. S\$10,700 – S\$10,000; the portion of the valuation fee charged by Foreign Business B that has not been subject to GST). Accordingly, Local Customer C must account for the imported valuation services as follows:

Value of imported services = S\$10,700 – S\$10,000 = S\$700

Value of GST on imported services = S\$700 x 7% = S\$49

4.4 **Time of supply for transactions on/ after 1 Jan 2020¹⁵**

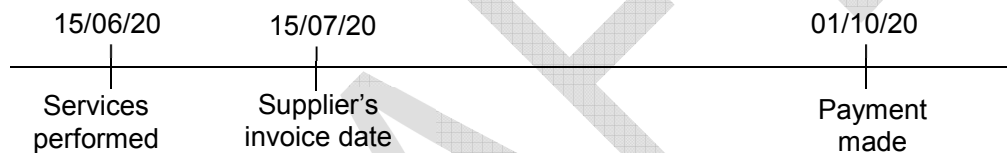
4.4.1 The general time of supply rule for reverse charge is the earlier of the following two events:

- (a) When invoice in respect of the supply is issued; and
- (b) When payment in respect of the supply is made.

RC Business

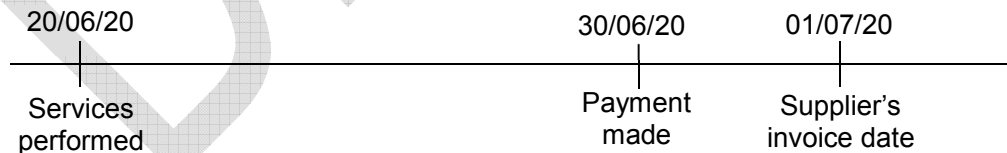
4.4.2 You are required to account for GST on your imported services based on the date of the supplier's invoice or the date you pay the supplier, whichever is earlier.

Example 7



According to the general time of rule for reverse charge, the time of supply shall be on 15 Jul 2020, i.e. the earlier of the date of the supplier's invoice and the date of payment. If your prescribed accounting periods are Jan-Mar, Apr-Jun, Jul-Sep and Oct-Dec, you will account for GST on the imported services in the prescribed accounting period ended 30 Sep 2020. The date the services are performed does not trigger the time of supply for this reverse charge transaction.

Example 8



According to the general time of rule for reverse charge, the time of supply shall be on 30 Jun 2020, i.e. the earlier of the date of the supplier's invoice and the date of payment. If your prescribed accounting periods are Jan-Mar, Apr-Jun, Jul-Sep and Oct-Dec, you shall account for GST on the imported services in the prescribed accounting period ended 30 Jun 2020.

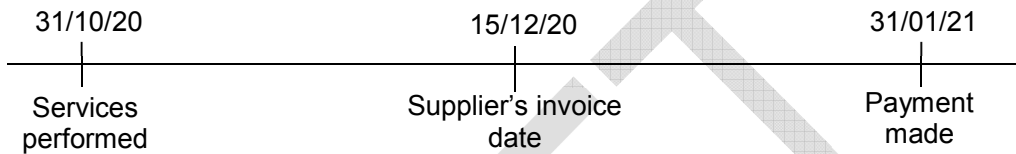
¹⁵ Refer to paragraph 7 for the transitional time of supply rule for transactions straddling 1 Jan 2020.

Non-GST registered business

- 4.4.3 If you are a non-GST registered business, you will apply the general time of supply rule for reverse charge to determine when your imported services exceed the S\$1 million threshold. You will treat the date of the supplier's invoice or the date of payment to the supplier, whichever is earlier, as the date the imported services are being supplied to you.

Example 9

You are a non-GST registered business who would not be entitled to full input tax credit if you were GST-registered. You make a procurement of IT services from an overseas supplier. You paid S\$1.1 million for the imported IT services.



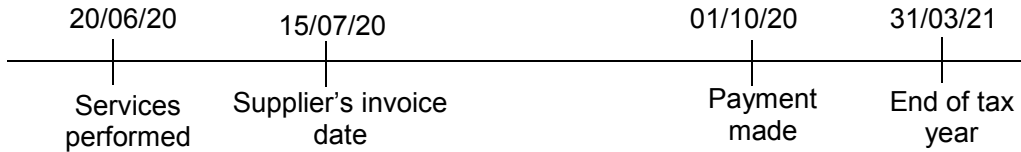
Based on the general time of supply rule for reverse charge, the supply of imported IT services is considered as being made on 15 Dec 2020, i.e. the earlier of the date of the supplier's invoice and the date of payment. To the extent the IT services fall within the scope of reverse charge, you will be liable for GST registration on 31 Dec 2020 (i.e. the end of the calendar year in which the total value of your imported services exceed S\$1 million).

RC Business that elected to apply reverse charge at the end of the longer period

- 4.4.4 Notwithstanding the above, if you are a GST-registered RC Business that elected to apply reverse charge at the end of the longer period (as mentioned in paragraph 4.1.6), you will only be required to account for GST on your imported services for the longer period in the GST return following the end of the longer period. In other words, the time of supply for your imported services will be the end of the accounting period in which the longer period adjustment is made.

Example 10

Your prescribed accounting periods are Jan-Mar, Apr-Jun, Jul-Sep and Oct-Dec and you have elected to apply reverse charge at the end of the longer period.

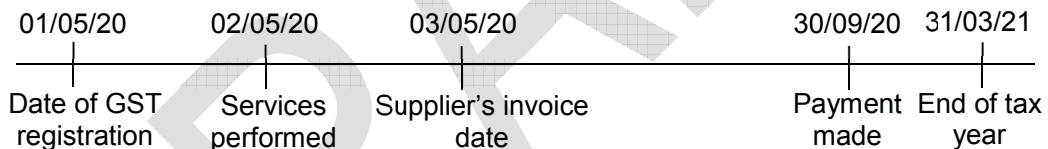


According to the general time of supply rule for reverse charge, the time of supply is 15 Jul 2020. However, as you have elected to apply reverse charge at the end of the longer period, the time of supply for this imported service is not 15 Jul 2020. At the end of the tax year 1 Apr 2020 to 31 Mar 2021:

- if you establish that you are not entitled to full input tax credit, you will account for GST on the imported services in the GST return for the prescribed accounting period ended 30 Jun 2021.
- if you establish that you are entitled to full input tax credit, you are not required to account for GST on the imported services.

Example 11

Your prescribed accounting periods are Jan-Mar, Apr-Jun, Jul-Sep and Oct-Dec, you have elected to apply reverse charge at the end of the longer period. You started making exempt supplies from 1 May 2020.



According to the general time of supply rule for reverse charge, the time of supply is 3 May 2020. However, as you have elected to apply reverse charge at the end of the longer period, the time of supply for this imported service is not 3 May 2020. At the end of the longer period 1 May 2020 to 31 Mar 2021:

- if you establish that you are not entitled to full input tax credit, you will account for GST on the imported services in the GST return for the prescribed accounting period ended 30 Jun 2021.
- if you establish that you are not subject to reverse charge, you are not required to account for GST on the imported services.

4.4.5 The table below summarises the general time of supply rules for reverse charge:

Types of businesses	Time of supply rules
RC Business	Earlier of issuance of supplier's invoice or payment made
Non-GST registered business (to determine GST registration liability)	
RC Business that elected to determine the application of reverse charge at the end of the longer period	End of the accounting period in which the longer period adjustment is made

Situations where RC Businesses must track the time the imported services are performed

4.4.6 The following are situations where RC Businesses must track the time the imported services are performed (i.e. the Basic Tax Point):

(1) To determine whether an imported service that straddles GST-registration date¹⁶ is subject to reverse charge

Imported services received by a newly-registered RC Business may straddle its GST registration date.

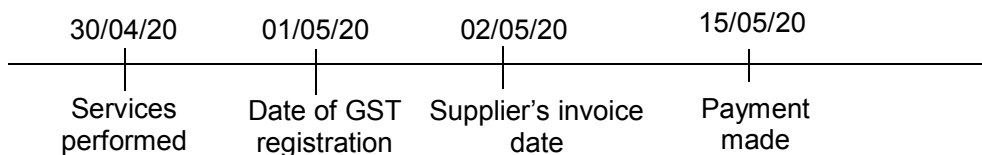
In such circumstances, if the supplier's invoice is issued and payment is made after the RC Business' effective date of GST registration, the supply of the imported services shall be treated as taking place after the RC Business' date of GST registration and hence, reverse charge shall apply.

However, if the Basic Tax Point takes place before the RC Business becomes GST-registered, the RC Business may rely on the Basic Tax Point to determine when the supply is made and hence, not apply reverse charge on the imported services which are performed before its GST registration. If the RC Business wishes to rely on the Basic Tax Point to determine the time of supply, the RC Business must maintain supporting documents (e.g. service contracts) to substantiate that the Basic Tax Point took place before its GST registration.

¹⁶ A transaction would be considered as straddling the GST-registration date if one or two of these three events occur(s) before the RC Business' effective date of GST registration: services performed, supplier's invoice issued, payment made.

Example 12

The services that you procure from an overseas supplier is performed by 30 Apr 2020. You maintain a service agreement to prove that the services are performed by 30 Apr 2020. You are GST-registered on 1 May 2020.



According to the general time of supply rule for reverse charge, the time of supply is 2 May 2020. However, as the transaction straddles the date of GST registration (i.e. services performed before GST registration), you are allowed to treat the supply as taking place on 30 Apr 2020 and hence, not apply reverse charge on the transaction. Correspondingly, you are not entitled to claim any input tax in respect of the transaction.

(2) To determine whether an imported service that straddles de-registration date¹⁷ is subject to reverse charge

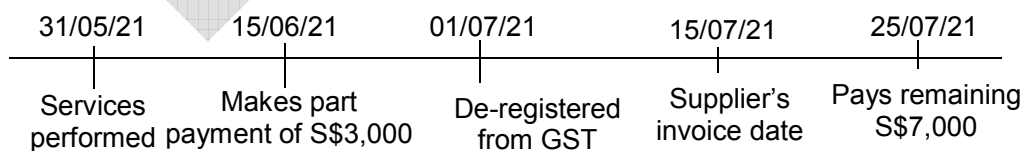
Imported services received by an RC Business that has cancelled its GST registration may straddle its GST de-registration date.

In such circumstances, when the Basic Tax Point takes place before the RC Business becomes de-registered and full output tax on the imported services has not been accounted for as at the date of de-registration, the supply of imported services shall (to the extent that it is not covered by any invoice issued or payment made) be treated as taking place on the day immediately before it ceases to be registered for GST.

In other words, RC Businesses are required to apply reverse charge on imported services which are performed prior to its de-registration.

Example 13

You procure services from an overseas supplier on 15 May 2021 before de-registering from 1 July 2021. The value of the supply of imported services is S\$10,000.



You have to account for GST on the part payment of S\$3,000 made on 15 Jun 2021. As the Basic Tax Point (i.e. services performed) took place before you become de-registered, notwithstanding that the time of supply for the remaining balance of S\$7,000 has not been triggered by the supplier's invoice or payment before the de-registration date, you are required to account for GST on the remaining balance of S\$7,000 on 30 Jun 2021 (i.e. the day immediately before you are de-registered).

¹⁷ A transaction would be considered as straddling the de-registration date if one or two of these three events occur(s) before the RC Business' effective date of de-registration: services performed, supplier's invoice issuance, payment made.

(3) To determine the time of supply for a supply of imported services procured from a connected person¹⁸

A supply of imported services procured from a connected person shall be treated as taking place at the earliest of the following:

- (a) when invoice is issued;
- (b) when payment is received; and
- (c) 12 months after the Basic Tax Point (i.e. the 12-month rule).

Example 14

You engaged your overseas subsidiary to provide accounting support services to you for the period from 1 Jan 2020 to 31 Dec 2020.

If your overseas subsidiary does not issue any invoice to you and you do not make any payment for the services before 31 Dec 2021, the time of supply of the imported services shall be triggered on 31 Dec 2021 (i.e. 12 months after the Basic Tax Point). Accordingly, you shall account for GST on the accounting support services on 31 Dec 2021.

However, the 12-month rule does not apply to the following services which are continuous in nature:

- a supply of imported services under a contract which provides for the retention of any part of the consideration by one party pending full and satisfactory performance of the contract, or any part of it, by the other party
- a supply of imported services for a period for a consideration the whole of part of which is determined or payable periodically or from time to time
- a supply of imported services comprising the right to use a benefit where the whole of the consideration for the supply (being in the nature of royalties or other similar payments) cannot be ascertained at the time the services are performed but only subsequently by a person other than the supplier of the services upon the use of the benefit
- a supply of imported services in the course of the construction, alteration, demolition, repair or maintenance of a building or of any engineering work under a contract which provides for payments for such supplies to be made periodically or from time to time.

For the abovementioned supplies of imported services which are continuous in nature, GST is to be accounted for based on the general time of supply rule for reverse charge as stated in paragraph 4.4.1 above.

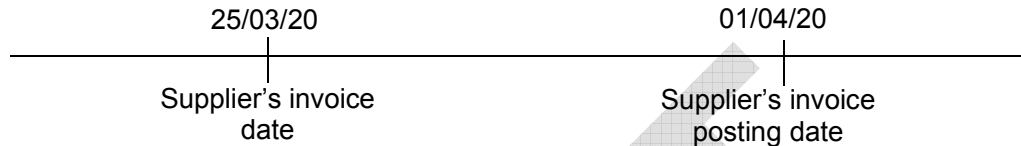
¹⁸ Refer to Annex C for the definition of connected persons.

4.4.7 Accounting for GST on imported services based on posting date

RC Businesses are allowed to account for GST on their imported services based on the posting date of the imported services in their business accounts if the method is consistently applied for all GST returns.

Example 15

Your prescribed accounting periods are Jan-Mar, Apr-Jun, Jul-Sep and Oct-Dec.



According to the general time of supply rule for reverse charge, the time of supply is 25 Mar 2020, i.e. when the supplier's invoice is issued. However, if you consistently adopt the method of accounting for GST on imported services based on the posting date of the suppliers' invoices, you may choose to account for GST on this supply of imported services in the GST return for the prescribed accounting period ended 30 Jun 2020.

4.5 Value of supply

4.5.1 GST is to be accounted for on the value of the imported services at the time of supply.

4.5.2 Consideration paid wholly in money

If an RC Business pays the overseas supplier for the imported services wholly in money, the value of imported services will be the amount equal to the consideration paid for the services. Accordingly, the GST to be accounted for shall be computed based on 7% of the consideration paid for the imported services as follows:

$$\begin{aligned}\text{Value of supply} &= \text{Money consideration} \\ \text{GST} &= \text{Money consideration} \times 7\%\end{aligned}$$

4.5.3 Consideration is not consisting or not wholly consisting of money

If an RC Business does not pay the overseas supplier for the imported services wholly in money, the value of the imported services will be its open market value. Accordingly, the GST to be accounted for shall be computed based on 7% of the open market value of the imported services as follows:

$$\begin{aligned}\text{Value of supply} &= \text{Open market value} \\ \text{GST} &= \text{Open market value} \times 7\%\end{aligned}$$

4.5.4 Supplies between connected persons¹⁹

If an RC Business procures services from an overseas related party who is a “connected person”, the value of the imported services would be the open market value if the consideration paid for the imported services is less than the open market value of the supply.

4.5.5 Foreign currency denominated invoices

If an imported service is invoiced in a foreign currency, the RC Business is required to convert the invoice amount using an acceptable exchange rates²⁰ and account for GST on the reverse charge transaction based on the Singapore dollar equivalent. To compute the Singapore dollar equivalent of the corresponding input tax, the RC Business is required to apply the same exchange rate that is used to compute the SGD equivalent of the output tax.

Subject to the conditions in the e-Tax Guide “GST: Exchange Rates for GST Purpose”, an RC Business may use his in-house exchange rates to convert the value of the imported services.

4.5.6 Imported services subject to withholding tax

If an imported service is to be subject to withholding tax, the value of the supply is to be taken as the agreed contractual value of the service, regardless of who (i.e. the overseas supplier or the RC Business) bears the withholding tax.

4.6 Intra-GST group and inter-branch transactions

4.6.1 GST treatment under normal GST rules

Under normal GST rules, any supply made between members of the same GST group are disregarded for GST purposes. Likewise, supplies made between head office and its branches are disregarded for GST purposes, as they are regarded as a single legal entity.

4.6.2 GST treatment under reverse charge rules

The local and overseas establishments or companies in inter-branch or intra-GST group transactions will be regarded as separate persons for the purposes of reverse charge. Accordingly, reverse charge will apply in the following circumstances:

- (a) A local branch or head office procuring services from an overseas branch or head office.

¹⁹ Refer to Annex C for the definition of connected persons.

²⁰ Refer to the e-Tax Guide “Exchange Rates for GST Purpose” for the definition of acceptable exchange rates.

- (b) A local member of a GST group procuring services from an overseas member within the same GST group.

4.6.3 Value of intra-GST group and inter-branch transactions

If you are a local branch or head office procuring services from your overseas branch or head office, or a local member of a GST group procuring services from an overseas member within the same GST group, you shall account for GST on the value of the inter-branch or intra-GST group transaction, which can be calculated as follows:

Value of inter-branch or intra-GST group transaction

= Consideration or open market value²¹

Less:

- Value of services that will be exempt or qualify for zero-rating had the services been made by a taxable person belonging in Singapore; and
- Salaries or wages²² and interest costs²³, including their proportionate mark-up in accordance with transfer pricing policy, to the extent you are able to identify and segregate the cost components of the cost allocations (see Note 1 below)

GST = Value of inter-branch or intra-GST group transaction x 7%

Note 1:

You may write to the Comptroller if you wish to use a proxy to compute the portion of the cost allocation which relates to salaries or wages and/ or interest costs and their proportionate mark-up.

²¹ Refer to paragraph 4.5 to determine whether the consideration or the open market value should apply.

²² Salaries and wages refer to the money paid to employees for work done, including bonuses, allowances, pensions, fringe benefits and contributions to employees' social security accounts.

²³ Interest costs refers to the money you pay if you have borrowed money or are buying something on credit.

Example 16

You are a GST-registered partially exempt Singapore branch. Your UK head office enters into a global contract with a legal firm in the US to supply legal services to you and its other branches. Your UK head office also provides administrative and management services to all its branches.

Your UK head office allocates a portion of the legal fees, interest costs and the salaries of the relevant staff for the administrative and management support services provided to you. In addition, a 5% mark-up is applied on all the costs recovered from you.

The total cost allocation (inclusive of 5% mark-up) is S\$105,000.

Scenario (a)

If you are able to identify the cost components of the cost allocation, reverse charge would only apply on the legal fees and its proportionate mark-up. You are not required to apply reverse charge on the salaries and interest costs, including their proportionate mark-up in accordance with transfer pricing policy, unless you have elected to apply reverse charge on all your imported services (as mentioned in paragraph 4.2.2).

If the cost components can be identified as follows:

- Legal fee (inclusive of 5% mark-up): S\$84,000
- Interest cost (inclusive of 5% mark-up): S\$5,250
- Salary cost (inclusive of 5% mark-up): S\$15,750

The amount of output tax to be accounted for is S\$5,880 (i.e. legal fee and its proportionate mark-up of S\$84,000 x 7%). You may claim the corresponding input tax according to the input tax recovery rules.

Scenario (b)

If you are not able to identify the portion of the cost allocation that relates to the salaries and interest costs, reverse charge would apply to the entire cost allocated to you. Accordingly, the amount of output tax to be accounted for is S\$7,350 (i.e. total cost allocation of S\$105,000 x 7%). You may claim the corresponding input tax according to the normal input tax recovery rules.

4.6.4 Transfer pricing adjustments

The GST treatment for transfer pricing adjustments follow the GST treatment of the original supply. If the original supply is taxable, the corresponding transfer pricing adjustment would also be taxable.

Similarly, if a supply of imported services has been subject to reverse charge, any corresponding transfer pricing adjustment in respect of the same supply would also be subject to reverse charge.

If there is any GST adjustment arising from a transfer pricing adjustment, the GST adjustment should be made in the current accounting period when the transfer pricing adjustment is made, based on the earlier of the following two events:

- (a) When invoice/ credit note in respect of the transfer pricing adjustment is issued; and
- (b) When payment in respect of the transfer pricing adjustment is made.

4.7 **Claiming of input tax**

4.7.1 In the same prescribed accounting period when reverse charge is applied (i.e. output tax is accounted) on a supply of imported services, the RC Business can claim the corresponding input tax according to the normal input tax recovery rules.

4.7.2 However, RC Businesses prescribed with a fixed input tax recovery rate or on special input tax recovery formula shall apply the prescribed rate or formula to compute the input tax claimable.

4.7.3 The value of imported services should not be taken into account as taxable supplies made by the RC Businesses for the purpose of computing the residual input tax claimable. This means that the value of imported services should not be included in both the numerator and denominator of the input tax recovery formula²⁴ used to compute the residual input tax claimable.

4.7.4 **To obtain approval to support input tax claim with alternative documents**

An RC Business may request for the Comptroller's approval to support his input tax claim in respect of a reverse-charged transaction with alternative documents (e.g. payment evidence, accounting entries) in the event the following circumstances arise:

- (i) the time of supply for accounting for GST on the imported services has been triggered by the payment made to the supplier; and
- (ii) he has not received the supplier's invoice.

4.8 **Digital services procured from GST-registered overseas vendors**

4.8.1 An overseas supplier who is GST-registered under the Overseas Vendor Registration Regime would charge GST on his supplies of digital services if he considers the customer as a non-GST registered person in Singapore.

4.8.2 Hence, in the event an RC Business procures digital services from an overseas supplier but does not correctly represent to the overseas supplier that he is GST-registered in Singapore, he would be charged GST on his purchase of digital services from the overseas supplier.

4.8.3 Under such circumstances, the RC Business must comply with the following:

²⁴ i.e. for input tax recovery formula that is based on value of supplies.

- (i) the RC Business should contact the overseas supplier to obtain a refund of the GST wrongly charged, instead of making an input tax claim on the purchase; and
- (ii) if the imported digital services fall within the scope of reverse charge, the RC Business must account for GST on the value of the imported digital services. Subject to the normal input tax recovery rules, he can claim the corresponding input tax.

5 Registration and Reporting Requirements

5.1 Registration rules

5.1.1 If you are a non-GST registered business, you would be liable for GST registration by virtue of the reverse charge rules when you meet the following conditions:

- (i) Your imported services which fall within the scope of reverse charge²⁵ exceed S\$1 million²⁶ in a 12-month period (under either the retrospective or prospective basis) as follows:
 - (a) Retrospective basis: The value of imported services for the calendar year (i.e. 1 Jan to 31 Dec) needs to be summed up to ascertain if your imported services have exceeded S\$1 million. This applies even if your financial year does not end on 31 Dec.
 - (b) Prospective basis: You expect your imported services for the next 12 months to exceed S\$1 million; and
- (ii) You would not be entitled to full input tax credit if you were GST-registered²⁷. You would not be entitled to full input tax credit, if you:
 - (a) carry out non-business activities or do not make any supply; or
 - (b) fail the De Minimis Rule

for the same 12-month period during which the value of your imported services has exceeded or will exceed S\$1 million. Even if you fail the De Minimis Rule, you would be regarded as entitled to full input tax credit, if you fall within the exceptions under paragraph 4.1.5.

5.1.2 If you make a “one-off” import of services exceeding S\$1 million and are not expecting to import significant services in the subsequent year, you would

²⁵ As defined in paragraph 4.2.1.

²⁶ The registration threshold of S\$1 million for reverse charge is based on the “value of imported services which are within the scope of reverse charge” only and should not include the “value of taxable supplies” made by the non-GST registered person. The “value of taxable supplies” should be taken into account only under the normal GST registration rules as prescribed in paragraphs 1(1), (1A), (2) and (2A) of the First Schedule to the GST Act.

²⁷ Refer to paragraph 4.1.9 for the rules on determining whether a non-GST registered person would be entitled to full input tax credit if he was GST-registered.

still be liable for GST registration (under the retrospective basis), if you would not be entitled to full input tax credit if you were GST-registered.

Example 17

Co. F is a non-GST registered investment holding company.

Scenario A – Retrospective basis

Co. F's imported services exceed the S\$1 million threshold in the calendar year ending 31 Dec 2019. To determine if it is liable for registration, Co. F has to determine if it meets the De Minimis Rule for the calendar year ending 31 Dec 2019. The supplies made by Co. F for the calendar year ending 31 Dec 2019 are:

Types of supplies	Value of supplies
Standard rated supplies	S\$120,000
Zero-rated supplies	S\$4,800,000
Exempt supplies	S\$240,000
Total supplies	S\$5,160,000

Average value of exempt supplies per month:

$S\$240,000 / 12 = S\$20,000$ per month

Percentage of the exempt supplies over the total supplies:

$S\$240,000 / S\$5,160,000 \times 100\% = 4.7\%$

Scenario B – Prospective basis

Co. F expects its imported services for the calendar year ending 31 Dec 2020 to exceed S\$1 million. To determine if it is liable for registration, Co. F has to determine if it meets the De Minimis Rule for the calendar year ending 31 Dec 2020. The supplies Co. F expects to make for the calendar year ending 31 Dec 2020 are:

Types of supplies	Value of supplies
Standard rated supplies	S\$180,000
Zero-rated supplies	S\$5,200,000
Exempt supplies	S\$180,000
Total supplies	S\$5,560,000

Average value of exempt supplies per month:

$S\$180,000 / 12 = S\$15,000$ per month

Percentage of the exempt supplies over the total supplies:

$S\$180,000 / S\$5,560,000 \times 100\% = 3.2\%$

Since the De Minimis Rule is satisfied in either scenario, Co. F would be entitled to full input tax credit if it were registered. Hence, notwithstanding that the imported services exceed S\$1 million, Co. F is not liable for GST registration by virtue of the reverse charge rules.

- 5.1.3 You may refer to table below which summarises the rules on the liability to register, notification of liability and the effective date of registration:

	Retrospective basis	Prospective basis
You are liable for GST registration when	The total value of your imported services which fall within the scope of reverse charge for the calendar year (i.e. 1 Jan to 31 Dec) is more than S\$1 million and you would not be entitled to full input tax credit if you were registered for the same calendar year.	At any time, if there are reasonable grounds (e.g. signing of a sales contract or business agreement) to believe that your imported services which fall within the scope of reverse charge in the next 12 months will be more than S\$1 million and that you would not be entitled to full input tax credit for the same 12-month period.
You are required to notify your GST registration liability by	<u>If your liability for GST registration is triggered on/ after 31 Dec 2019:</u> Within 30 days of the end of that relevant calendar year. For example, if your liability arises on 31 Dec, you are required to inform the Comptroller by 30 Jan.	<u>If your liability for GST registration is triggered before 23 Oct 2019:</u> By 1 Nov 2019 <u>If your liability for GST registration is triggered on/ after 23 Oct 2019:</u> Within 30 days from the date on which you made a forecast that your imported services for the next 12 months will be more than S\$1 million. For example, if your date of forecast is 15 Dec, you are required to inform the Comptroller by 14 Jan.
Your effective date of GST registration will be on	<u>If your liability for GST registration is triggered on/ after 31 Dec 2019:</u> End of the month following the month in which the 30th day falls. For example, if your liability arises on 31 Dec, you will be registered on 1 Mar.	<u>If your liability for GST registration is triggered before 23 Oct 2019:</u> 1 Jan 2020 <u>If your liability for GST registration is triggered on/ after 23 Oct 2019:</u> End of 30 days from the date of your forecast or 1 Jan 2020, whichever is later. For example, if your date of forecast is 15 Dec, you will be registered on 15 Jan.

Example 18 – Retrospective basis

Total value of imported services	Business A (S\$)	Business B (S\$)	Business C (S\$)
<i>Determination date</i>	<i>31 Dec 2018</i>	<i>31 Dec 2019</i>	<i>31 Dec 2019</i>
Calendar year ending on the Determination date (Actual)	1,800,000	1,800,000	1,800,000
12 months from Determination date (Expected)	1,500,000	1,500,000	0
<i>Registration required</i>	<i>No²⁸</i>	<i>Yes</i>	<i>Yes</i>
<i>Submit your application for GST by</i>	<i>-</i>	<i>30 Jan 2020</i>	<i>30 Jan 2020</i>

Example 19 – Prospective basis

Total value of imported services	Business D (S\$)	Business E (S\$)	Business F (S\$)
<i>Determination date</i>	<i>22 Oct 2019</i>	<i>23 Oct 2019</i>	<i>23 Oct 2019</i>
12 months from Determination date (Expected)	1,100,000	1,100,000	1,000,000
<i>Registration required</i>	<i>Yes</i>	<i>Yes</i>	<i>No</i>
<i>Submit your application for GST by</i>	<i>1 Nov 2019</i>	<i>22 Nov 2019</i>	<i>-</i>

5.2 Exemption from GST registration

5.2.1 If you are liable for GST registration by virtue of the reverse charge rules, you may apply for exemption from GST registration if you satisfy the following conditions:

- (i) the taxable supplies you make can be wholly or substantially (i.e. at least 90%) zero-rated; and
- (ii) you are in a net GST refund position, i.e. your total output tax payable (including the GST on reverse charge transactions) is less than your total input tax claimable (including the corresponding input tax claims in respect of reverse charge transactions).

²⁸ "No" because as at 31 Dec 2018, you are not yet required to determine your GST registration liability for the purposes of reverse charge. However, should your imported services indeed exceed the registration threshold for the calendar year 2019, you will be liable for registration and be required to submit your application for GST by 30 Jan 2020.

5.2.2 To apply for exemption from GST registration, please submit a completed GST F2 “Application for Exemption from Registration” form.

5.2.3 If you are granted the exemption, you need not file GST returns. Conversely, you will not be able to claim any GST incurred on your business purchases.

5.2.4 In the event that you cease to make wholly or substantially zero-rated supplies, you are required to inform the Comptroller within 30 days from the day when the change occurred or within 30 days of the end of the quarter in which it occurred if a specific date cannot be established.

5.3 **Voluntary GST registration**

5.3.1 If you procure services from overseas service providers but you do not meet condition (i) provided in paragraph 5.1.1 above, you may apply for voluntary GST registration.

5.3.2 You will be subject to the same eligibility conditions and documentary requirements as existing voluntary registrants. You can refer to the IRAS website at www.iras.gov.sg > GST > Non-GST registered businesses > Registering for GST > Factors to Consider Before Registering Voluntarily for GST for the eligibility conditions and documentary requirements for voluntary registrants.

5.4 **Registration procedures**

5.4.1 Please refer to IRAS website at www.iras.gov.sg > GST > Non-GST registered businesses > Registering for GST > Applying for GST Registration for a step-by-step guide on the GST registration process.

5.5 **Reporting requirements**

5.5.1 RC Businesses are required to report the value of imported services and the corresponding output tax in the GST return.

5.5.2 If you make only exempt supplies or make no supply and become liable for GST registration by virtue of the reverse charge rules, you may apply for an administrative concession to only report the value of your imported services and the corresponding output tax. This application is subject to the Comptroller’s approval. You are required to submit a “nil” return even if you do not import any services for the accounting period.

5.6 **De-registration**

5.6.1 If you are a GST-registered RC Business, you may apply for cancellation of your GST registration if you satisfy the following conditions:

- (a) You are certain that your taxable turnover for the next 12 months will be S\$1 million or less;

- (b) You are certain that your imported services for the next 12 months will be S\$1 million or less; and
- (c) You are not under voluntary registration for less than two years.

5.6.2 Please refer to IRAS website at www.iras.gov.sg > GST > GST registered businesses > Other services > Cancelling GST registration for the de-registration rules and information on the application process.

5.7 **Adjustment for unpaid invoices**

5.7.1 An RC Business is allowed to make an adjustment for previously accounted reverse-charged GST when payment is not made to the overseas supplier within 12 months if the following conditions are met:

- (i) he has accounted for and paid GST on the imported services;
- (ii) due to genuine commercial reasons (e.g. dispute over the supplier's invoice), the payment to the overseas supplier has been outstanding for more than 12 months; and
- (iii) the corresponding input tax claim is also reduced.

5.7.2 The adjustment must be made via the GST F5 return.

5.7.3 If payment is subsequently made to the supplier within 5 years from the end of the accounting period in which the reverse-charged GST was first accounted for, the RC Business must make the necessary adjustments to repay the reverse-charged GST to the Comptroller and can reclaim the corresponding input tax.

Example 20

You first account for GST on the imported services and claim the corresponding input tax in your GST return for the prescribed accounting period ending 30 Jun 2020. If you do not pay your supplier within 12 months from the due date of payment, you can recover the output tax accounted for if you repay the corresponding input tax that you claimed.

Subsequently, if you pay your supplier the full amount owed on 1 Oct 2022 (i.e. within 5 years from 30 Jun 2020), you must repay the output tax on the full amount paid to the supplier and may claim back the corresponding input tax in your GST return for the prescribed accounting period that covers 1 Oct 2022.

5.7.4 Before making adjustments for unpaid invoices, please ensure that you have the supplier's invoice and supporting business or accounting records showing:

- The time, nature, supplier and the consideration for the supply of the imported services
- You have accounted for and paid GST on the imported services

- You have not made full payment to the supplier (e.g. bank statement, creditors' aging report)
- You have made all efforts to resolve the dispute over the consideration for the supply of the imported services

5.8 **Documentary evidence and record keeping**

5.8.1 RC Businesses will rely on the overseas supplier's invoice to account for output tax and to claim input tax. The overseas supplier's invoice should minimally contain the following information:

- Supplier's name and address;
- Invoice number and date;
- A description of the services supplied;
- Where an invoice is issued in a foreign language, the RC Business must be able to translate this information to English on request. In addition to the invoice, the RC Business may also provide contracts/agreements entered into with the supplier to explain the nature of the services received; and
- The value of the supply (i.e. consideration to be paid).

5.8.2 RC Businesses must retain records (and the overseas supplier's invoices) for all reverse charge transactions reported in the GST returns and the corresponding input tax claims made in respect of the reverse charge transactions. The records required include:

- Invoices issued by overseas suppliers;
- Transactional listings of reverse charge purchases;
- Accounting system records and journal entries that support the reverse charge transactions;
- Evidence of payment made to overseas suppliers (e.g. bank statement, contra entries);
- Contracts or agreements entered into with overseas suppliers; and
- Workings for input tax apportionment.

5.8.3 As manual entries are more prone to errors, to strengthen tax compliance, RC Businesses could consider modifying their accounting systems to identify reverse charge transactions (such as designating a specific tax code to record reverse charge purchases) and automating the accounting of output and input tax.

6 **Amendment to "Directly Benefit" Condition**

6.1 Prior to 1 Jan 2020, a supply of service must "directly benefit"²⁹ a person belonging outside Singapore in order to qualify for zero-rating under sections 21(3)(j), 21(3)(k), 21(3)(s) and 21(3)(y) of the GST Act.

²⁹ The e-Tax Guide "GST: Clarification on "Directly in Connection With" and "Directly Benefit"" provides the guidelines for determining the direct beneficiaries of a service.

- 6.2 Without the “directly benefit” condition, a local GST-registered supplier can zero-rate his services provided to a local customer by contracting with a related overseas person of the local customer (i.e. “round-tripping”). When the overseas person recharges the costs of the services to the local customer, the imported services will not be subject to GST in the absence of reverse charge.
- 6.3 With the implementation of reverse charge from 1 Jan 2020, the “directly benefit” condition in the relevant zero-rating provisions will be amended to allow the zero-rating of a supply of services to the extent that the services directly benefit a person belonging outside Singapore or a GST-registered person in Singapore. In other words, zero-rating would not apply if the services directly benefit any non-GST registered persons (including private individuals) in Singapore.
- 6.4 The change in the “directly benefit” condition would lessen the compliance costs for businesses as they would only be required to consider the “directly benefit” condition for transactions that involve non-GST registered persons in Singapore.

7 Transactions Straddling Implementation Date of 1 Jan 2020

7.1 Is a transaction straddling 1 Jan 2020 subject to reverse charge?

- 7.1.1 A supply of imported services would be considered as “straddling 1 Jan 2020” if one or two of these three events occur(s) before 1 Jan 2020: performance of services, issuance of supplier’s invoice, settlement of payment. For example, the supplier’s invoice is issued and the services are performed before 1 Jan 2020 but the payment for that service is made on/ after 1 Jan 2020.
- 7.1.2 A transaction straddling 1 Jan 2020 is considered as being made on/ after 1 Jan 2020, and therefore subject to reverse charge, to the extent the services are performed or the payment is made on/ after 1 Jan 2020, whichever value is lower.
- 7.1.3 In other words, if full payment is made before 1 Jan 2020, or the services are fully performed before 1 Jan 2020, the transaction would not be subject to reverse charge. Whereas if part of the payment is made or part of the services is performed before 1 Jan 2020, the corresponding part of the payment or part of the services performed on or after 1 Jan 2020 would be subject to reverse charge.
- 7.1.4 Annex D sets out the application of reverse charge on transactions straddling 1 Jan 2020 under various scenarios while Annex E provides a diagrammatic flowchart for determining whether a transaction straddling 1 Jan 2020 would be subject to reverse charge.

7.2 Methods of apportionment of the value of services

7.2.1 To apportion the value of services performed before 1 Jan 2020 and that on/ after 1 Jan 2020, you can base it on:

- (a) measurable work, such as a valuation of such supplies, based on open market value (e.g. percentage of completion); or
- (b) your normal costing or pricing system.

Example 21

You are a GST-registered RC Business and you engage an overseas IT vendor to provide IT support services to your staff for one year, from 1 Oct 2019 to 30 Sep 2020. You will only pay the overseas IT vendor at the end of the service period. You can do a valuation of the work performed before and on/ after 1 Jan 2020. As 25% of the services will be performed before 1 Jan 2020 (i.e. service from Oct to Dec 2019 is 3 out of 12 service months), 75% of the services will be subject to reverse charge.

7.3 If the transaction straddling 1 Jan 2020 is partly/ fully subject to reverse charge, what is the time of supply of the transaction?

7.3.1 The general time of supply rule for reverse charge (as mentioned in paragraph 4.4.1) is applicable to transactions that occur on/ after 1 Jan 2020³⁰. It does not apply to transactions straddling 1 Jan 2020.

7.3.2 For transactions straddling 1 Jan 2020, the supply is deemed to be made at the earliest of the following three events:

- (a) When services are performed (i.e. Basic Tax Point);
- (b) When payment in respect of the supply is made; and
- (c) When invoice in respect of the supply is issued.

³⁰ A transaction would be considered as occurring on/ after 1 Jan 2020 if all three events occur on/ after 1 Jan 2020: performance of services, issue of supplier's invoice, and payment made.

8.3 *Is a supply of services from an overseas vendor to an offshore fund with a Singapore fund manager subject to reverse charge?*

Currently, by way of a GST remission, GST is not chargeable on services supplied to a qualifying fund that is incorporated or registered overseas and belongs in Singapore only due to its whole reliance on a Singapore Fund Manager³¹. Similarly, GST remission will be extended to cover services imported by such offshore qualifying funds, such that reverse charge will not be applicable.

8.4 *Are fully taxable funds that are part of a partially exempt GST group excluded from reverse charge?*

No. A fully taxable fund that is part of a partially exempt GST group is required to apply reverse charge.

8.5 *Are Real Estate Investment Trusts listed on the Singapore Exchange (“S-REITs”), Singapore-listed Registered Business Trusts (“S-RBTs”) and their local Special Purpose Vehicles (“SPVs”) excluded from reverse charge?*

No. S-REITs, S-RBTs and their local SPVs are not excluded from reverse charge.

8.6 *Is the irrecoverable input tax arising from the application of reverse charge deductible for Income Tax purposes?*

Yes. RC Businesses are allowed to claim income tax deduction for the amount of irrecoverable input tax arising from the application of reverse charge, subject to the normal income tax rules for deduction³².

9 Contact Information

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

**Goods and Services Tax Division
Inland Revenue Authority of Singapore**

55 Newton Road

Singapore 307987

Tel: 1800 356 8633

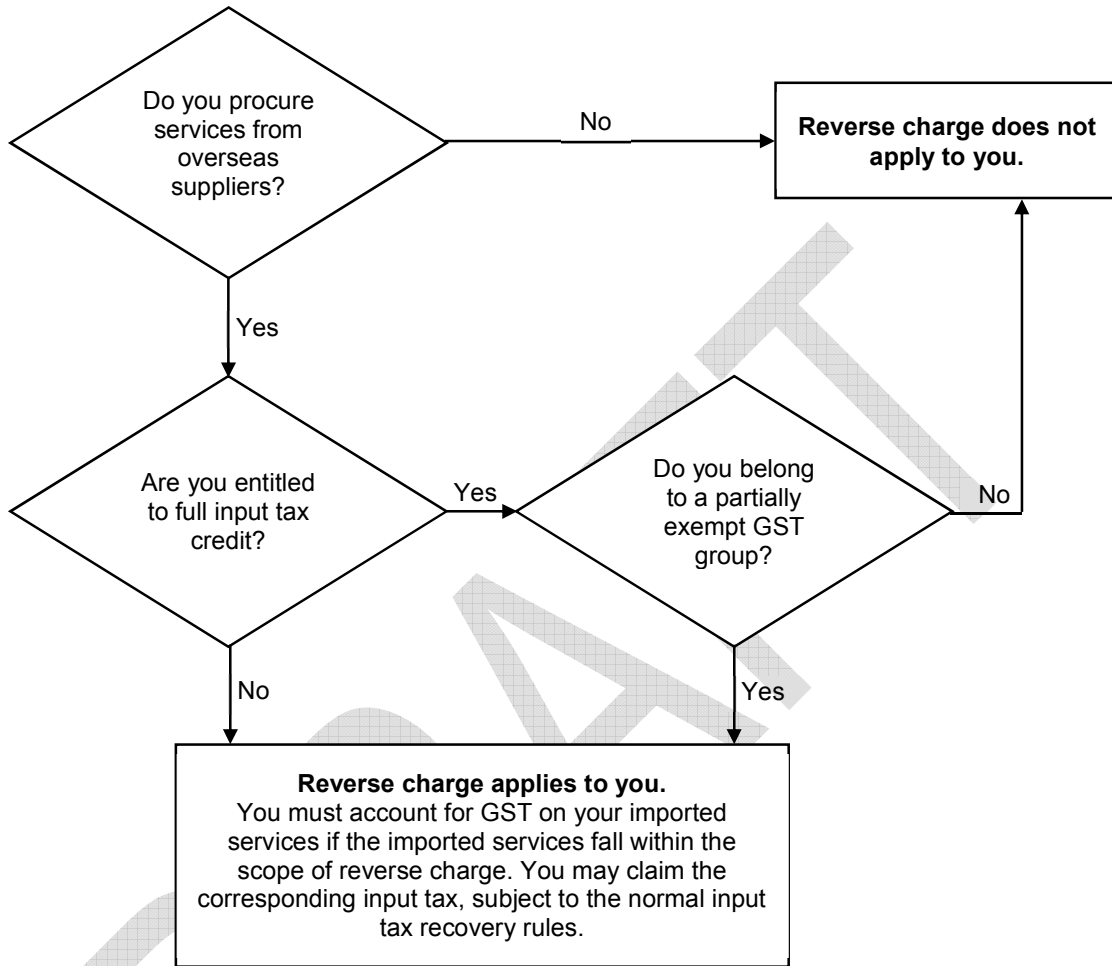
Email: gst@iras.gov.sg

³¹ Refer to the e-Tax Guide “GST: Guide for the Fund Management Industry” for details.

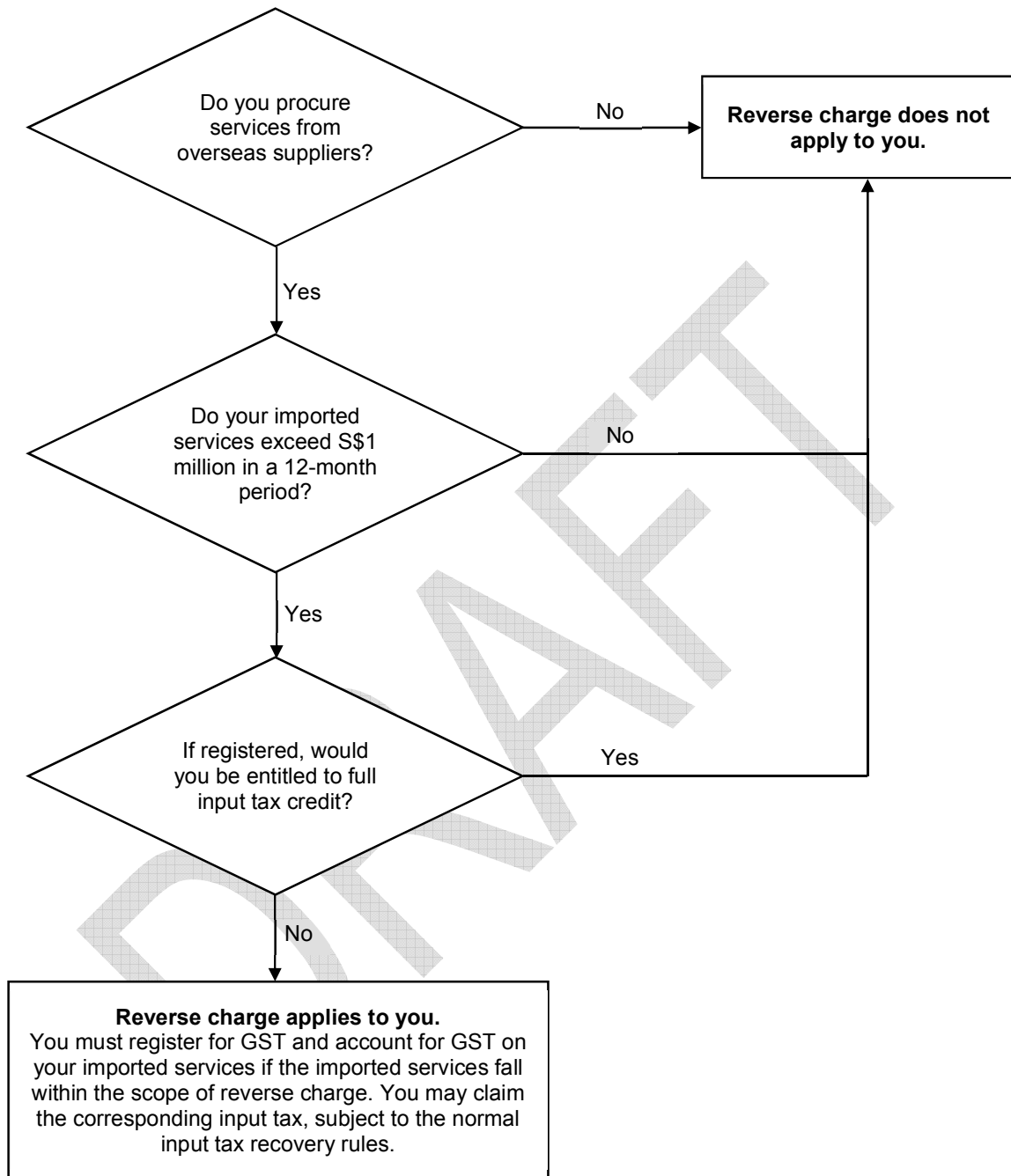
³² Section 15(1) of the Income Tax will be amended to make clear that income tax deduction in respect of irrecoverable GST arising from the application of reverse charge is not prohibited under the provision.

Annex A – Whether you are subject to reverse charge

(1) For GST-registered persons



(2) For non-GST registered persons



Annex B – Services that fall within or outside the scope of reverse charge

Table (1):

Do these imported services fall within the description of exempt supplies under the Fourth Schedule to the GST Act and hence fall outside the scope of reverse charge?

	Nature of imported services	Exempt from GST?
1	Legal and professional service fees incurred to comply with foreign regulations and/ or to conduct due diligence pertaining to transferred or new loans	No
2	Debt collector's fee on successful recovery of offshore loan	No
3	Membership/ subscription to SWIFT, SHIFT and equivalent for funds transfer	No
4	Reinsurance payments pertaining to the arrangement, provision, or transfer of ownership of any contract of re-insurance	Yes (Para 1(q) of Fourth Schedule)

Table (2):

Do these imported services qualify for zero-rating under section 21(3) of the GST Act had the services been made by a taxable person belonging in Singapore and hence fall outside the scope of reverse charge?

	Nature of imported services	Qualify for zero-rating?
1	Legal and professional services relating to collaterals situated outside Singapore	No
2	Mortgagee's interest insurance premiums on mortgaged assets located outside Singapore which are taken over by banks in relation to loans	No
3	Purchase of market data, online data information, access to website, industry reports (e.g. bond pricing, credit rating) for bank's operations	No
4	Global network services where online data are saved onto supplier's server (i.e. web-hosting services) and made available to various parties (e.g. online signature management, social media platforms)	No
5	Entrance fee for airport premium lounge	No ³³
6	Staff reimbursement claims in relation to airfare	Yes (S21(3)(a))
7	Staff reimbursement claims in relation to relocation costs: (i) Pertaining to international transportation (ii) Pertaining to local transportation	(i) Yes ((S21(3)(a), (b)) (ii) No

³³ However, if the expense is incurred for entertainment purposes (e.g. to entertain client), it could qualify for zero-rating under S21(3)(i)(i).

	Nature of imported services	Qualify for zero-rating?
8	Services that are directly in connection with land/ real property situated outside Singapore (e.g. surveyor fee to assess damages to collaterals overseas)	Yes (S21(3)(e))
9	Classroom cost and trainer fees for training held overseas	Yes (S21(3)(i)(i))
10	Entertainment of clients outside Singapore	Yes (S21(3)(i)(i))
11	Overseas education cost fee incurred in employee's name	Yes (S21(3)(i)(i))
12	Overseas awards events (e.g. Euromoney Awards)	Yes (S21(3)(i)(ii))
13	Telecommunication services which fall within the definition of prescribed telecommunications services under the Fifth Schedule to the GST (International Services) Order incurred outside Singapore	Yes (S21(3)(q))
14	Global network services for transmission of data (e.g. writing, images) via internet	Yes (S21(3)(q))
15	Web meeting costs which fall within the definition of prescribed telecommunications services under the Fifth Schedule to the GST (International Services) Order	Yes (S21(3)(q))
16	Sponsorship to overseas client's event, where client is obliged to advertise for the sponsor during the event in return for the sponsorship and the place of circulation of the advertisement is at least 51% outside Singapore	Yes (S21(3)(u))
17	Advertising services (e.g. Asiamoney) where the place of circulation of advertisements is at least 51% outside Singapore	Yes (S21(3)(u))

Table (3):

Do these imported services fall within the scope of reverse charge?

	Nature of imported services	Within the scope of reverse charge?
1	Expenses incurred by overseas representative offices (e.g. staff salaries, office rentals, operating expenses) which are booked in a Singapore entity's accounts and payments are made to the overseas vendors through the Singapore entity's accounts	Yes
2	Payments to overseas regulators, professional bodies, exchanges, government and statutory bodies (e.g. membership, subscription, registration charges), where the services cannot be procured from Singapore suppliers	Yes
3	Foreign recruitment agency fees incurred to hire foreign candidates to work in Singapore, where the services cannot be procured from Singapore suppliers	Yes

	Nature of imported services	Within the scope of reverse charge?
4	Director's fee charged by an individual director whose usual place of residence is not in Singapore	Yes
5	Brokerage and other related transaction fees for treasury products with over-the-counter counterparties outside Singapore	Yes ³⁴
6	Brokerage and other related transaction fees pertaining to proprietary trading of shares through an overseas exchange	Yes ³⁵
7	Brokerage and other related transaction fees charged by an overseas broker to a local broker, pertaining to the end-client's trading of shares through an overseas exchange, where the local broker merely acts as an agent in the transaction	No
8	Brokerage differential paid to joint book-runner outside Singapore based on the pre-agreed sharing ratio	No
9	Purchase of mileage from overseas airlines as credit card rewards, where the supply of miles by the overseas airlines qualify as multi-redemption vouchers and is sold at or below the specified value	No
10	Rental of overseas premises for staff use	No
11	Staff reimbursement claims in relation to overseas hotel accommodation, transport incurred overseas and meals	No
12	Secondment costs (wage/ non-wage benefits) recovered without mark-up, where the cross-border secondment satisfies all the conditions under the staff secondment concession ³⁶	No
13	Recovery of staff discretionary performance or compensation costs (e.g. share based compensation/ awards) from the company under which the staff is employed	No ³⁷
14	Purchase of credit cards and engraving services performed outside Singapore	No ³⁸

³⁴ No for RC Businesses on standard input tax recovery formula, if the fees could be directly attributed to their treasury products traded with overseas counterparties (i.e. zero-rated supplies).

³⁵ No for RC Businesses on standard input tax recovery formula, if the fees could be directly attributed to their securities traded on overseas exchanges (i.e. zero-rated supplies).

³⁶ Refer to the e-Tax Guide "GST: Guide on Reimbursement and Disbursement of Expenses" for the conditions under the staff secondment concession.

³⁷ However, reverse charge applies if the compensation cost is recharged as part of cost allocation, unless the cost allocation is an inter-branch or intra-GST group transactions (see paragraph 4.6 for details).

³⁸ If the engraving services are not ancillary to the purchase/ import of credit cards, the engraving services can be zero-rated under S21(3)(f) and hence not be subject to reverse charge.

Annex C – Connected persons

Individuals

A person (i.e. an individual) is connected with an individual if he is the:

- a) individual's wife or husband;
- b) individual's relative;
- c) wife or husband of a relative of the individual; and
- d) wife or husband of a relative of the individual's wife or husband

Trustee

A person in his capacity as trustee of a settlement is connected with:

- a) any individual who in relation to the settlement is a settlor;
- b) any person who is connected with such an individual referred to in (a) above; and
- c) a body corporate which is connected with that settlement

Partnership

Except in relation to acquisitions or disposals of partnership assets pursuant to bona fide commercial arrangements, a person is connected with:

- a) any person with whom he is in partnership, and
- b) the wife or husband or relative of any individual with whom he is in partnership.

Company

A company is connected with another company if:

- a) the same person has control of both; or
- b) a person has control of one and persons connected with him, or he and persons connected with him, have control of the other; or
- c) a group of 2 or more persons has control of each company, and the groups either consist of the same persons or could be regarded as consisting of the same persons by treating (in one or more cases) a member of either group as replaced by a person with whom he is connected.

A company is connected with another person if:

- a) that person has control of it; or
- b) that person and persons connected with him together have control of it.

Any 2 or more persons acting together to secure or exercise control of a company shall be treated in relation to that company as connected with:

- a) one another; and
- b) any person acting on the directions of any of them to secure or exercise control of the company.

Meaning of Control

A person (or a group of 2 or more persons) shall be taken to have control of a company if he exercises, or is able to exercise or is entitled to acquire, direct or indirect control over the company's affairs. In particular, a person (or group of persons) would generally have direct or indirect control over the company's affairs if that person (or group) possesses or is entitled to acquire —

- a) the greater part of the share capital or issued share capital of the company or of the voting power in the company;
- b) such part of the issued share capital of the company as would, if the whole of the income of the company were in fact distributed among the participators (without regard to any rights which he or any other person has as a loan creditor), entitle him to receive the greater part of the amount so distributed; or
- c) such rights as would, in the event of the winding up of the company or in any other circumstances, entitle him to receive the greater part of the assets of the company which would then be available for distribution among the participators.

For the above purpose of establishing control, the rights or powers of a person (or group of persons) shall include any rights or powers of a nominee for him, that is to say, any rights or powers which another person possesses on his behalf or may be required to exercise on his direction or behalf.

In this Annex —

"company" includes any body corporate or unincorporated association, but does not include a partnership. It will also apply in relation to any unit trust scheme as if the scheme were a company and as if the rights of the unit holders were shares in the company;

"relative" means brother, sister, ancestor or lineal descendant;

A "participator" is, in relation to any company, a person having a share or interest in the capital or income of the company. This generally includes —

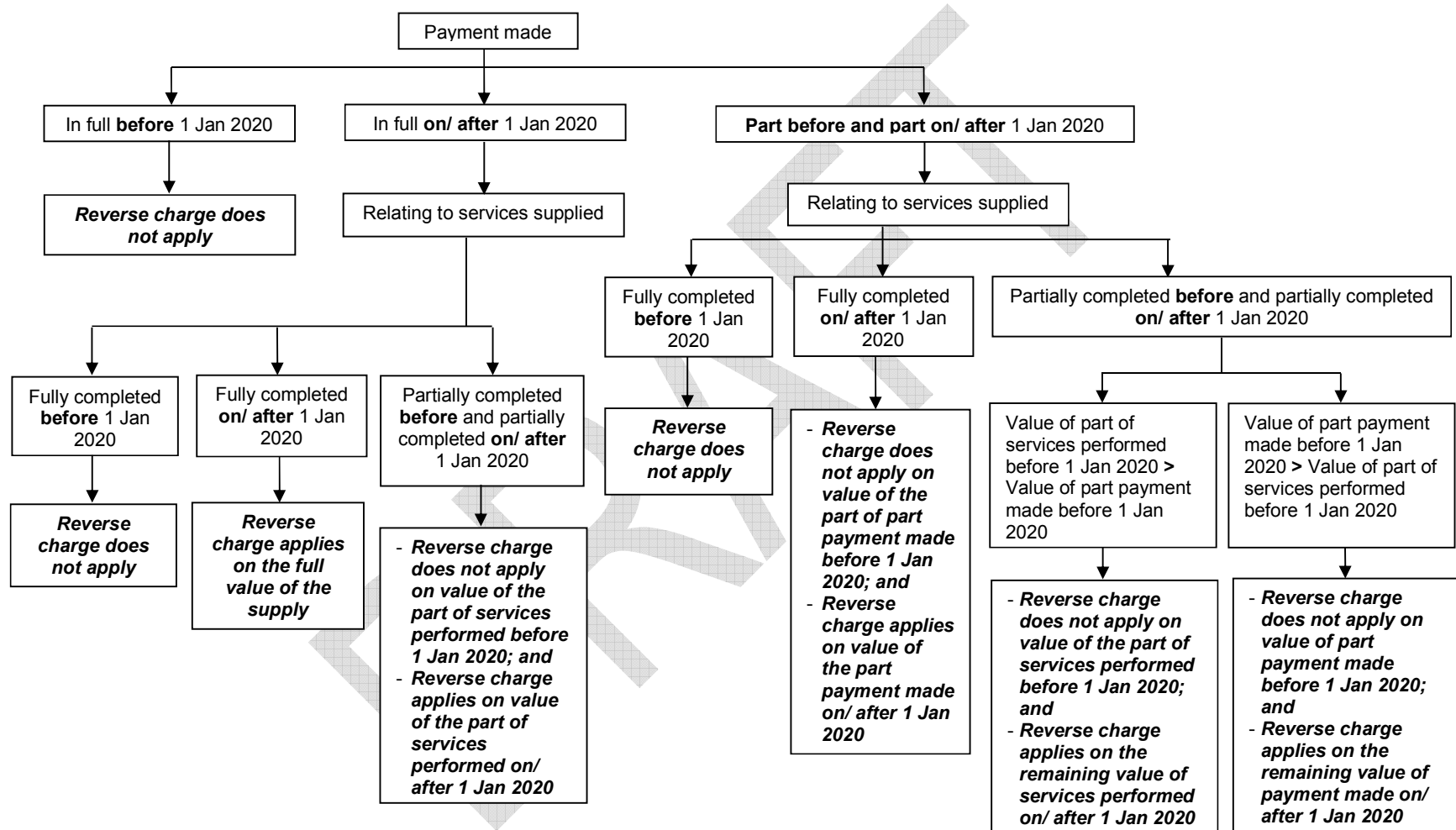
- a) any person who possesses, or is entitled to acquire, share capital or voting rights in the company;
- b) any loan creditor of the company;
- c) any person who possesses, or is entitled to acquire, a right to receive or participate in distributions of the company or any amounts payable by the company (in cash or in kind) to loan creditors by way of premium on redemption; and
- d) any person who is entitled to secure that income or assets (whether present or future) of the company will be applied, directly or indirectly, for his benefit.

"entitled to acquire" will include anything which a person is entitled to acquire at a future date, or will at a future date be entitled to acquire.

Annex D – Checklist for applying reverse charge on transactions straddling 1 Jan 2020

Payment made	Services performed	Subject to reverse charge?	Remarks
Before 1 Jan 2020	Before 1 Jan 2020	No	When full payment is made and/ or full services are performed before 1 Jan 2020, the transaction would not be subject to reverse charge
Before 1 Jan 2020	On or after 1 Jan 2020	No	
On or after 1 Jan 2020	Before 1 Jan 2020	No	
Before 1 Jan 2020	Part before and part on/ after 1 Jan 2020	No	
Part before and part on/ after 1 Jan 2020	Before 1 Jan 2020	No	
On or after 1 Jan 2020	Part before and part on/ after 1 Jan 2020	Partial	Reverse charge applies on the part of the services performed on/ after 1 Jan 2020
Part before and part on/ after 1 Jan 2020	On or after 1 Jan 2020	Partial	Reverse charge applies on the part payment made on/ after 1 Jan 2020
Part before and part on/ after 1 Jan 2020	Part before and part on/ after 1 Jan 2020	Partial	Reverse charge applies on the lower of the payment made or services performed on/ after 1 Jan 2020
On or after 1 Jan 2020	On or after 1 Jan 2020	Yes	If no payment is made and no service is performed before 1 Jan 2020, the entire supply would be subject to reverse charge, regardless of when the supplier's invoice is issued.

Annex E – Step-by-step guide for transactions straddling 1 Jan 2020



Annex F – Template for Submission of Comments

FEEDBACK ON IRAS E-TAX GUIDE “GST: TAXING IMPORTED SERVICES BY WAY OF REVERSE CHARGE”

No.	Paragraph/ Section of draft e-Tax Guide	Comments	Proposed alternative(s)

Submitted by:

Name of Company/ Business: _____

Contact Person: _____

Telephone Number: _____

Email Address: _____