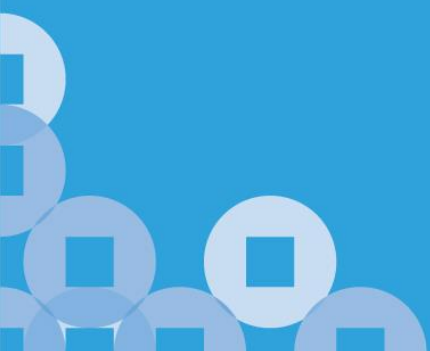




INLAND REVENUE  
AUTHORITY  
OF SINGAPORE

# IRAS e-Tax Guide

GST: Guide for E-Commerce  
(Fourth Edition)



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## **1 Aim**

- 1.1 This guide explains the GST principles relevant to the e-commerce industry; and assists you in understanding how Goods and Services Tax ('GST') should be charged on electronic commerce transactions of **physical goods, digitised goods and services**<sup>1</sup>.
- 1.2 You should read this guide if you are GST-registered and are in the business of providing goods and services in the e-commerce industry.

## **2 At a glance**

- 2.1 E-commerce refers to business transactions (sales and purchases) that are conducted electronically, as on the Internet.
- 2.2 If you are supplying goods or services in Singapore via the Internet or any other electronic media, you are accountable for the collection of GST as in traditional commerce. This also applies notwithstanding that the transactions are effected through a third party e-commerce service provider.
- 2.3 In general, the medium through which the transaction occurs does not alter the taxability of the transaction.
- 2.4 All physical goods supplied over the Internet attract GST if the supplier is a GST-registered person and the supply is made in Singapore. For example, if you sell goods via the Internet and the goods are delivered locally, you are making a standard-rated supply and GST is chargeable at 7%.
- 2.5 To zero-rate your supply when the goods are exported by you or via your freight forwarder, you are required to maintain the necessary export documents.
- 2.6 For services or digitised goods supplied over the internet, you must charge your customers 7% GST unless the services are zero-rated under section 21(3) of the GST Act.

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<sup>1</sup> This e-Tax guide replaces the IRAS' e-Tax guide "GST: Guide on e-Commerce" published on 01 Oct 2012.

### **3 Taxability of supply: Physical goods supplied over the Internet**

The medium through which the transaction occurs does not alter the taxability of a sale of goods.

#### **3.1 Physical goods: Standard-rated**

3.1.1 All physical goods supplied over the Internet attract GST if the supplier is a GST-registered person and the supply is made in Singapore. The guiding principle for charging of GST on e-commerce transactions is the same as that for traditional commerce. Therefore, as a GST-registered person, if you sell goods via the Internet and the goods are delivered locally, you are making a standard-rated supply and GST is chargeable at 7%.

#### **3.2 Physical goods: Zero-rated**

3.2.1 To zero-rate your supply of goods made over the Internet, you need to prove that the goods are exported.

3.2.2 If the goods are exported by you or via your freight forwarder, you can zero-rate your supply and charge 0% GST provided you maintain the necessary export documents. Please refer to paragraphs 3.2.5 and 3.2.6.

3.2.3 Hence, whether you should charge GST at 7% or 0% on the supply of goods depends on the destination of your delivery.

3.2.4 For example, if you sell books over the Internet, you will need to charge GST at 7% on the price of the books if these are delivered to a local destination. However, if you export the books to another country, you will be able to zero-rate the supply of the books provided you maintain the necessary documents to prove your exports.

3.2.5 For goods supplied over the Internet which are exported by you or via your freight forwarder, you need to maintain following documents, bearing your name as the exporter:

- (a) bill of lading - for export via sea; or air waybill - for export via air; or
- (b) IESGP permit - for export via Causeway;
- (c) your invoice (not a pro-forma invoice) to the overseas customer;
- (d) purchase order from your overseas customer;
- (e) packing list or delivery note addressed to your overseas customer;
- (f) insurance documents; and
- (g) evidence of payment received from your overseas customer.

3.2.6 For goods supplied over the Internet which are exported via a postal or courier company, you need to maintain:

- (a) parcel posting receipt/courier consignment note; and
- (b) invoice to your overseas customer.

## 4 Taxability of supply: Services / Digitised Goods

### 4.1 Services supplied via the Internet

4.1.1 A sale of digitised goods such as music and software over the Internet to an individual consumer or a business entity is a supply of services for GST purposes. The relevant GST rules for services will apply.

4.1.2 If you are registered for GST in Singapore, you must charge your customers 7% GST unless the services are zero-rated under section 21(3) of the GST Act. Some examples of these zero-rated services are:

- (a) supply of international transport (e.g. sales of air tickets); and
- (b) services performed for a person who **does not belong in Singapore** at the time the service is performed and the services are not supplied directly in connection with land or goods situated inside Singapore.

For more details on the services that can be zero-rated under section 21(3) of the GST Act, please refer to the IRAS website at [www.iras.gov.sg](http://www.iras.gov.sg).

### 4.2 Definition of “belonging in Singapore”

If your customer is a business (e.g. a company or a partnership)

4.2.1 Your customer shall be treated as belonging in Singapore if:

- (a) it has a business establishment<sup>2</sup> or some fixed establishment<sup>3</sup> in Singapore and nowhere else; or
- (b) it has no business or fixed establishment in any country, but he is legally constituted in Singapore (e.g. company incorporated in Singapore); or
- (c) it has such establishments both in Singapore and outside of Singapore. The establishment, at which the services are most directly used or to be used, is the establishment in Singapore.

4.2.2 For e-commerce transactions, to determine if your business customer belongs in Singapore, you should examine if your customer has a Singapore address in your membership database (for instance, your regular business customer), a Singapore domain name or a Singapore IP address. These are indications that he belongs in Singapore.

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<sup>2</sup> Your customer will be treated as having a business establishment in Singapore if:

- his main seat of economic activity is in Singapore;
- he carries on his business through a branch in Singapore; or
- he carries on his business through an agency in Singapore.

The main seat of economic activity refers to the place where the essential decisions concerning the general management of the company are made and where the functions of its central administration are carried out. It usually refers to the head office, headquarters or principal place of business.

<sup>3</sup> Fixed establishment is an establishment, other than the business establishment, that has both the technical and human resources necessary to provide or receive services on a permanent basis.

4.2.3 However, the following may indicate that your business customer belongs in a country outside Singapore:

- (a) address of the business entity as shown in your membership database is outside Singapore;
- (b) domain name or IP address indicates that the business is a foreign establishment;
- (c) the customer gives a declaration, at the time of transaction, that the company is located outside Singapore; and
- (d) any other information you have that indicates your customer as belonging outside Singapore<sup>4</sup>.

If your customer is an individual

4.2.4 Your customer is considered as belonging in Singapore if Singapore is his or her usual place of residence.

4.2.5 As a supplier, you should take reasonable steps to determine where your customer belongs:

- (a) If your customer has a Singapore address in your membership database, a Singapore domain name or a Singapore IP address (e.g. amylin@pacific.net.sg), these are indications that he belongs in Singapore.
- (b) If your customer does not have a Singapore domain name nor a Singapore IP address, you should obtain a declaration of his usual place of residence at the time of transaction:
  - (i) If he declares that his usual place of residence is Singapore, then you must charge 7% GST on the supplies of services.
  - (ii) If he declares that it is outside Singapore, then you can treat him as belonging outside Singapore and zero-rate your supply of services to him.
  - (iii) If your customer fails to declare his usual place of residence, then you should charge 7% GST on the supplies of services.

Please refer to the Appendix on the possible situations and the GST treatment of each situation.

4.3 If you are an e-commerce service provider (e.g. you provide an online marketplace where sellers and buyers transact on your website), you do not need to charge GST on the supplies provided by your clients. Your client will charge and account the GST as his output tax if he is registered for GST. However, if you are registered for GST, you should charge your client with

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<sup>4</sup> Guidelines relating to determining the location of customer will change with advancement in technology.

7% GST on your service fees if your client belongs in Singapore (please refer to paragraph 4.2).

## **5 Taxability of purchases from an overseas supplier**

- 5.1 You are required to pay GST to Singapore Customs when you import goods by post or by air, if the value of the goods exceeds \$400.
- 5.2 However, if you are 'importing' digitised goods<sup>5</sup>, you need not pay GST when you download these digitised goods, regardless of the value of the goods.
- 5.3 If you are 'importing' services, that is, the services are provided by someone not belonging in Singapore, you need not pay GST.

## **6 Accounting for GST**

- 6.1 The time of supply of the goods determines when you should charge and account for GST. Changes have been made to the time of supply rules to ease compliance.

### Prior to 1 Jan 2011

- 6.2 In most cases, the supply is treated as taking place at the earliest of the following events:

- (a) goods are removed or are made available;
- (b) a tax invoice is issued for that supply; or
- (c) payment is received for that supply.

Exception: If you issue a tax invoice within 14 days after the event in (a), then the time of supply is the date of this tax invoice. This is known as the 14-Day Rule.

- 6.3 The 14-Day Rule is not applicable if payment is received before the event in (a) and (b). In such an instance, the time of supply is the date of the payment.
- 6.4 If the supply is on sale or return terms, the time of supply prior to 1 Jan 2011 is the earliest of the following events:
- (a) when the sale is confirmed (e.g. upon receipt of a letter of acceptance from your customer);
  - (b) 12 months after removal of the goods; or
  - (c) when the tax invoice is issued.

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<sup>5</sup> Digitised goods are treated as services for GST purposes.



Exception: If you issue a tax invoice within 14 days after the event in (a) or (b), whichever is the earlier, then the time of supply is the date of this tax invoice.

From 1 Jan 2011

- 6.5 With effect from 1 Jan 2011, the GST rules for time of supply will be changed to be in line with commercial practices. This is to help businesses comply with the rules easily. For most transactions, output tax will be accounted for based on the earlier of the following:
- (a) when an invoice is issued; or
  - (b) when payment is received.
- 6.6 If the supply is on sale or return terms, the time of supply will be treated as taking place at the earliest of:
- (a) when any payment in respect of the supply is received;
  - (b) when invoice in respect of the supply is issued; or
  - (c) 12 months after the removal of the goods.
- 6.7 The payment received must be to discharge an obligation to pay for the supply arising from the adoption of the sale. The mere receipt of payment will not be regarded as consideration received if it is held as security pending the adoption of the sale. If such security deposit is collected upfront, payment is received only when the deposit is applied as all or part of the consideration for the supply, following the adoption of the sale.
- 6.8 Once there is a payment received or an invoice issued, GST has to be accounted for based on the full selling price of the goods.
- 6.9 You should account for GST on e-commerce supplies together with other business transactions in your GST returns.
- 6.10 Prior to 1 Jan 2011, the issuance of a tax invoice – and not any other type of invoice – is an event that will trigger the time of supply. With effect from 1 Jan 2011, the issuance of any type of invoice will be an event that triggers the time of supply. This includes a tax invoice as well as any document that serves as a bill for payment for supplies made by a GST-registered supplier. An example of such document would be a debit note.
- 6.11 In general, documents such as sales order, pro-forma invoice, statement of accounts and letter/statement of claims are not considered as invoices for GST time of supply purposes. This is because these documents are often not billing for payments and would therefore not be treated as invoices based on normal commercial practices.

- 6.12 For more details, please refer to the e-Tax guide on “GST: Time of Supply Rules”.

## **7 Invoicing your customers**

### Requirements of a proper tax invoice

- 7.1 As a GST-registered person, you are required to issue tax invoices for goods or services supplied to another taxable person. The tax invoice must be provided to the buyer within 30 days of the supply being made.
- 7.2 Details to be shown on the tax invoice include the following:
- (a) the words “Tax Invoice” in a prominent place;
  - (b) an identifying number;
  - (c) the date of issue of the invoice;
  - (d) your name, address and GST registration number;
  - (e) your customer’s name (or trading name) and address;
  - (f) the type of supply (e.g. credit sale, hire purchase, loan);
  - (g) a description of goods or services supplied;
  - (h) for each description, the quantity of goods or extent of services and the amount payable (excluding tax);
  - (i) any cash discount offered;
  - (j) the total amount payable excluding tax, the rate of GST and the total tax chargeable shown separately;
  - (k) the total amount payable including tax; and
  - (l) if applicable, the breakdown of exempt, zero-rated or other supply, stating separately the gross amount payable in respect of each.
- 7.3 If you invoice in a foreign currency, items (j) and (k) should be converted into Singapore dollar using the selling exchange rate prevailing in Singapore at the time of supply. For the approved exchange rates to be used, please refer to the e-Tax guide on “GST: Exchange Rates for GST Purpose”.
- 7.4 You can issue either a physical tax invoice or an electronic tax invoice for the sale via the Internet.

## **8 Online price displays**

- 8.1 All prices displayed, advertised or published over the Internet for any supply of goods or services should be inclusive of GST, unless prior approval has been sought from the Comptroller of GST to do otherwise. From 1 Apr 2015, if both GST-inclusive and GST-exclusive prices are displayed, the GST-inclusive price must be at least as prominent as the GST-exclusive price. Failure to comply with each of these requirements is an offence that can result in a fine of up to \$5,000.

## **9 Documents required for record keeping**

- 9.1 Businesses no longer need to apply to IRAS for approval to store tax invoices and business records electronically or in an imaging system. However, they need to ensure that they comply with the criteria set out in the e-Tax guides “Keeping Machine-sensible Records and Electronic Invoicing” for storage of records in electronic media and “Keeping of Records in Imaging Systems” for storage of records in an imaging system. These guides can be downloaded from the IRAS website at [www.iras.gov.sg](http://www.iras.gov.sg).

## **10 Contact information**

- 10.1 For enquiries on this e-Tax Guide, please contact the Goods and Services Tax Division at [www.iras.gov.sg](http://www.iras.gov.sg) (select “Contact Us”).

## **11 Updates and amendments**

	<b>Date of amendment</b>	<b>Amendments made</b>
1	6 Mar 2015	Revised paragraph 9.1 in line with amended Regulation 77 taking effect on 1 Apr 2015.
2	25 May 2016	Amended the definition of business establishment in footnote 2.
3	13 Feb 2018	Removed paragraph 3 of third edition on overview of GST and renumbered ensuing paragraphs.  Amended paragraph 11.1 of third edition (renumbered as paragraph 10.1 of fourth edition) on contact information.

## Annex

### GST Treatment of Sales of Services / Digitised Goods supplied over the Internet

<b>Situation</b>	<b>GST Treatment</b>
Customer's domain name ends with dot sg (e.g. amyylim@pacific.net.sg).	Standard-rate. Customer treated as belonging in Singapore and service is consumed in Singapore.
Customer's domain name does not end with dot sg (e.g. johnlee@aol.com) and customer declares that his usual place of residence is outside Singapore.	Zero-rate. Customer treated as belonging in a country outside Singapore and the service is provided to a non-resident.
Customer's domain name does not end with dot sg (e.g. phillip_tan@hp.com) and customer declares that his usual place of residence is in Singapore.	Standard-rate. Customer treated as belonging in Singapore based on his declaration and service is consumed in Singapore.
Customer's domain name does not end with dot sg and customer does not declare his usual place of residence.	Standard-rate. Customer treated as belonging in Singapore.