



INLAND REVENUE
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IRAS e-Tax Guide

GST: Taxing imported services by way of reverse
charge
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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.

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.
- 2.3 For the purposes of reverse charge, inter-branch transactions (i.e. transactions between a Singapore branch and its offshore head office, or

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.

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 and to what extent the transactions are subject to tax and when the tax has to be accounted.

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 subject to reverse charge

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

(1) GST-registered persons

4.1.2 If you are a GST-registered person who procures services from overseas suppliers⁶, 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.⁷

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 with effect from 1 Jan 2020. 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
- Investment-holding companies that derive dividend income

To determine whether you are entitled to full input tax credit

4.1.4 You are not 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)⁸; or
- (b) You fail the De Minimis Rule under regulation 28 of the GST (General) Regulations⁹ at the end of any prescribed accounting period, unless you meet the conditions in paragraph 4.1.5.

⁶ Refer to e-Tax Guide “GST: Guidelines on Determining the Belonging Status of Supplier and Customer” for the guidelines for determining whether the supplier belongs in or outside Singapore.

⁷ 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.

⁸ 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.

⁹ 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 supplies and exempt supplies made

In either case, you would be an RC Business.

4.1.5 Even if you fail the De Minimis Rule, you may be entitled to full input tax credit¹⁰ (and hence not an RC Business), when you meet any 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”);

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) You are entitled to apply a provision in the GST legislation that grants you the right to claim your input tax in full; or

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.

- (c) Your non-regulation 33 exempt supplies do not exceed 5% of the total value of your taxable and exempt supplies (i.e. you pass the Regulation 35 test), you do not incur expenses (including imported services that are within the scope of reverse charge) that are directly attributable to the making of non-regulation 33 exempt supplies, and your recoverable residual input tax ratio is 100%.

in that period. The value of taxable supplies in (b) shall exclude the value of imported services subject to reverse charge, value of digital services supplied by an electronic marketplace operator on behalf of underlying suppliers under the overseas vendor registration regime and value of relevant supplies received from your supplier that are subject to customer accounting.

¹⁰ Input tax disallowed under regulations 26 and 27 of the GST (General) Regulations is still not claimable.

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.¹¹ There is no need to write in for the Comptroller's approval.

To make the election, the GST-registered person has to:

- (1) Complete the "Declaration of Reverse Charge Election" form¹² and keep it as part of his records. He may be asked to provide the form in the course of an audit; and
- (2) Proceed to only apply reverse charge at the end of the longer period, if necessary.

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.

The election shall be made yearly, within one month from the end of the first accounting period of the longer period in which the GST-registered person imports services which are within the scope of reverse charge.¹³

Once made, the election will apply to the current and the subsequent accounting period(s) of the longer period.

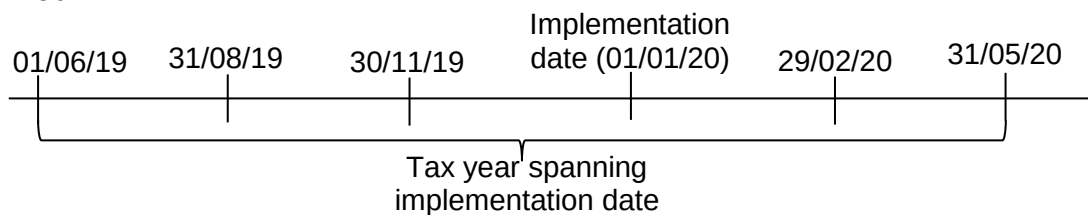
¹¹ This option is not applicable to businesses that are accorded fixed input tax recovery rates as they are not required to perform longer period adjustments.

¹² This form will be posted on IRAS website at www.iras.gov.sg > Quick Links > Forms > GST > Self-review.

¹³ As imported services will only be subject to reverse charge from 1 Jan 2020, such election shall only be made on/ after 1 Jan 2020.

Example 5

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



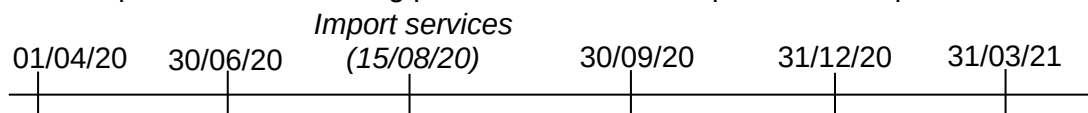
Co. E procures services from overseas suppliers on a regular basis. It has fluctuating exempt supplies and would like to elect to apply reverse charge at the end of the longer period. For the tax year from 1 Jun 2019 to 31 May 2020, Co. E would make the election by completing the "Declaration of Reverse Charge Election" form by 31 Mar 2020 (i.e. within one month from the end of the first accounting period of the longer period in which Co. E imports services which are within the scope of reverse charge). The election will apply up to 31 May 2020.

Co. E will only assess whether it is required to apply reverse charge (i.e. whether it is entitled to full input tax credit¹⁴) for the tax year 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 continue to apply reverse charge at the end of the longer period, it would have to make the election by completing the "Declaration of Reverse Charge Election" form by 30 Sep 2020.

Example 6

Co. F's prescribed accounting periods are Jan-Mar, Apr-Jun, Jul-Sep and Oct-Dec.



For the tax year from 1 Apr 2020 to 31 Mar 2021, Co. F received the first supply of imported services from an overseas supplier on 15 Aug 2020.

Co. F has fluctuating exempt supplies and would like to elect to apply reverse charge at the end of the longer period. Co. F will make the election by completing the "Declaration of Reverse Charge Election" form by 31 Oct 2020 (i.e. within one month from the end of the first accounting period of the longer period in which Co. F imports services which are within the scope of reverse charge). The election will apply up to 31 Mar 2021.

Co. F will only assess whether it is required to apply reverse charge (i.e. whether it is entitled to full input tax credit¹⁵) for the tax year from 1 Apr 2020 to 31 Mar 2021 when it files the GST return for the prescribed accounting period ending 30 Jun 2021.

¹⁴ Co. E shall use the value of supplies made in the tax year from 1 Jun 2019 to 31 May 2020 to perform the De Minimis test and input tax apportionment computation.

¹⁵ Co. F shall use the value of supplies made in the tax year from 1 Apr 2020 to 31 Mar 2021 to perform the De Minimis test and input tax apportionment computation.

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 do so. There is no need to write in for the Comptroller's approval.

To make the election, you have to:

- (1) Complete the "Declaration of Reverse Charge Election" form¹⁶ and keep it as part of your records. You may be asked to provide the completed form in the course of an audit; and
- (2) Proceed to apply reverse charge on your imported services that are within the scope of reverse charge¹⁷.

The election must be made yearly, within one month from the end of the first accounting period from which you wish to apply reverse charge.

Once you make the election, you must consistently account for GST on your imported services for one year. 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. They may elect to apply reverse charge to avoid having 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 charge¹⁸ exceed S\$1 million in a 12-month period (under either the retrospective or prospective basis)¹⁹; and
- (b) You would not be entitled to full input tax credit if you were GST-registered.

¹⁶ This form will be posted on IRAS website at www.iras.gov.sg > Quick Links > Forms > GST > Self-review.

¹⁷ The scope of imported services which are subject to reverse charge is defined in paragraph 4.2.1 below.

¹⁸ The scope of imported services which are subject to reverse charge is defined in paragraph 4.2.1 below.

¹⁹ The definition of retrospective basis and prospective basis is in paragraph 5.1.1 below.

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 using 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 person²⁰. Besides accounting for GST on imported services, he would also be required to report his supplies and 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 provided by the government of a jurisdiction outside Singapore, if the services are of a nature that fall within the description of non-taxable government supplies under the Schedule to the GST (Non-Taxable Government Supplies) Order of the GST Act; and
 - (d) services that are directly attributable to taxable supplies (*this exclusion is only applicable to RC Businesses that are not prescribed a fixed input*

²⁰ Refer to e-Tax Guide "GST: General Guide For Businesses" for details on the responsibilities and obligations of a GST-registered person.

tax recovery rate or on special input tax recovery formula to be applied on all input tax claims²¹).

Examples of (d):

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

4.2.3 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) and services that have been subject to Singapore GST previously (as described in paragraph 4.3.1 below). You will be allowed to recover the corresponding input tax, subject to the normal input tax recovery rules. There is no need to write in for the Comptroller's approval.

To make the election, you have to:

- (1) Complete the "Declaration of Reverse Charge Election" form²² and keep it as part of your records. You may be asked to provide the completed form in the course of an audit; and
- (2) Proceed to apply reverse charge on all your imported services, including services that are specifically excluded from the scope of reverse charge²³ and services that have been subject to Singapore GST previously.

The election must be made yearly, within one month from the end of the first accounting period in which you wish to start applying reverse charge on all imported services.

Once you make the election, you must account for GST on all your imported services consistently for one year, from the first day of the accounting period for which you make the election.

²¹ An RC Business that is required to directly attribute its input tax and is granted a special input tax recovery formula that applies only on its residual input tax is entitled to exclude imported services which are directly attributable to his taxable supplies from RC.

On the other hand, an RC Business that is accorded fixed input tax recovery rates or granted the use of a special input tax recovery formula to be applied on all input tax claims is not entitled to this exclusion, unless it reverts to the use of the standard input tax recovery formula as agreed with the Comptroller.

²² This form will be posted on IRAS website at www.iras.gov.sg > Quick Links > Forms > GST > Self-review.

²³ The scope of imported services which are subject to reverse charge is defined in paragraph 4.2.1 above.

Example 7

Co. G is a partially exempt business. Its prescribed accounting periods are Jan-Mar, Apr-Jun, Jul-Sep and Oct-Dec.

For compliance ease, Co. G decides to make an election to subject all its imported services to reverse charge, from the implementation of reverse charge on 1 Jan 2020.

As the first accounting period for which reverse charge will apply is from 1 Jan 2020 to 31 Mar 2020, Co. G can make the election by completing the “Declaration of Reverse Charge Election” form any time from 1 Jan 2020 to 30 Apr 2020 (i.e. within one month from the end of the first accounting period in which Co. G wishes to apply reverse charge on all imported services).

Once the election is made, Co. G will have to apply reverse charge on all its imported services for one year, from 1 Jan 2020 (i.e. first day of the accounting period for which Co. G makes the election) to 31 Dec 2020.

If Co. G would like to continue to apply reverse charge on all its imported services after 2020, it will have to make a yearly election by completing the “Declaration of Reverse Charge Election” form by 30 Apr each year.

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 documents (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 8 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.

Example 8

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.

(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\$12,000** (i.e. S\$2,000 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)

Local Customer C is required to account for GST on S\$2,000 (i.e. S\$12,000 – 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\$12,000 – S\$10,000 = S\$2,000

Value of GST on imported services = S\$2,000 x 7% = S\$140

4.4 Time of supply for transactions on/ after 1 Jan 2020²⁴

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.

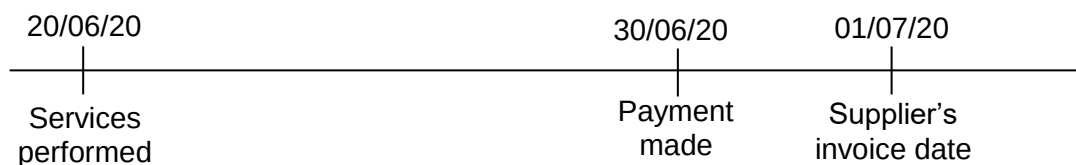
²⁴ Refer to paragraph 7 for the transitional time of supply rule for transactions straddling 1 Jan 2020.

Example 9



According to the general time of supply 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 10



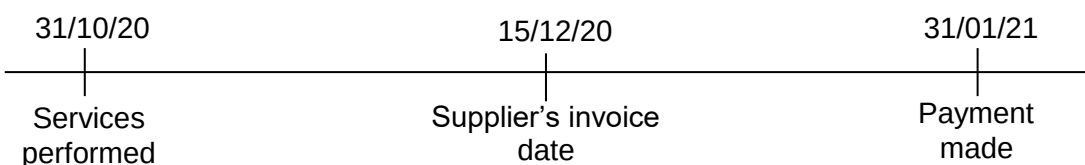
According to the general time of supply rule for reverse charge, the time of supply shall be on 30 Jun 2020, i.e. the earlier of the date of the supplier's invoice and the date of payment. If your prescribed accounting periods are Jan-Mar, Apr-Jun, Jul-Sep and Oct-Dec, you shall account for GST on the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

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 11

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.



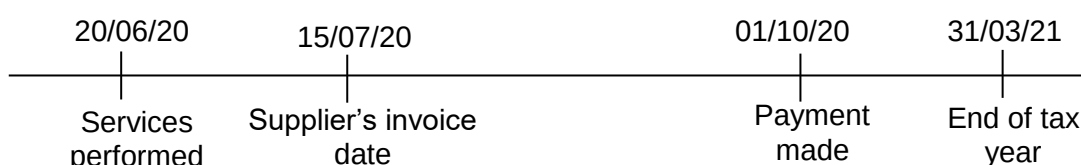
Based on the general time of supply rule for reverse charge, the supply of imported IT services is considered as being made on 15 Dec 2020, i.e. the earlier of the date of the supplier's invoice and the date of payment. To the extent the IT services fall within the scope of reverse charge, you will be 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), the time of supply of your imported services shall be on the day immediately after the last day of the longer period, i.e. the first day of the accounting period in which the longer period adjustment is made. Hence, 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.

Example 12

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.

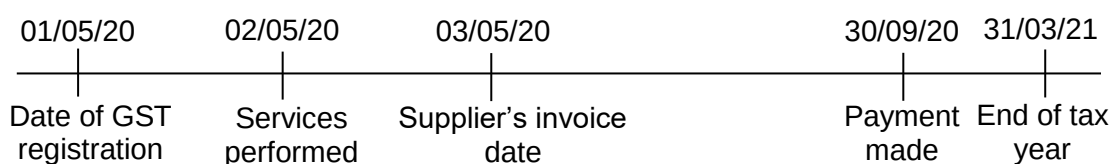


According to the general time of supply rule for reverse charge, the time of supply is 15 Jul 2020. However, as you have elected to apply reverse charge at the end of the longer period, the time of supply for this imported service is 1 Apr 2021. At the end of the tax year 1 Apr 2020 to 31 Mar 2021:

- 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 13

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 1 Apr 2021. 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
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	Day immediately after the last day of the longer period (i.e. first day 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 date²⁵ is subject to reverse charge

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

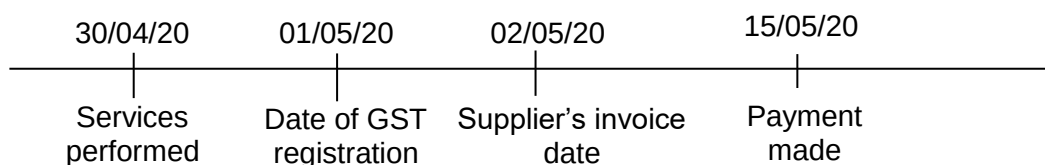
In such circumstances, if the supplier's invoice is issued and payment is made after the RC Business' effective date of GST registration, the supply of the imported services shall be treated as taking place after the RC Business' date of GST registration and hence, reverse charge shall apply.

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.

²⁵ 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 14

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 date²⁶ is subject to reverse charge

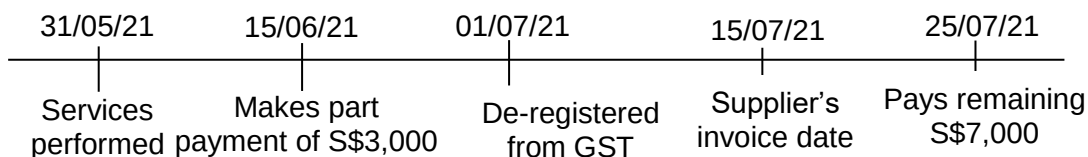
Imported services received by an RC Business that has cancelled its GST registration may straddle its GST de-registration date.

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 15

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), in your final GST F8 return for the period ending 30 Jun 2021.

²⁶ 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 person, overseas branch or head office or overseas member within the same GST group ²⁷

A supply of imported services procured from a connected person, overseas branch or head office (as mentioned in paragraph 4.6.2(a) below), or overseas member within the same GST group (as mentioned in paragraph 4.6.2(b) below) shall be treated as taking place at the earliest of the following:

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

Example 16

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 in your GST return for the period in which 31 Dec 2021 falls.

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 (including telecommunication 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.

²⁷ Refer to Annex C for the definition of connected persons.

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.

4.4.7 Accounting for GST on imported services based on posting date

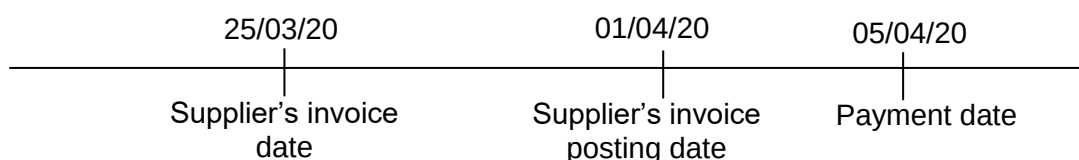
Notwithstanding paragraphs 4.4.1 and 4.4.2, GST-registered RC Businesses are allowed to account for GST on their imported services based on the posting date of the imported services in their business accounts (instead of the supplier's invoice date) if the method is consistently applied for all GST returns.

However, a payment made to the overseas supplier before the posting date will still trigger the time of supply.

Example 17

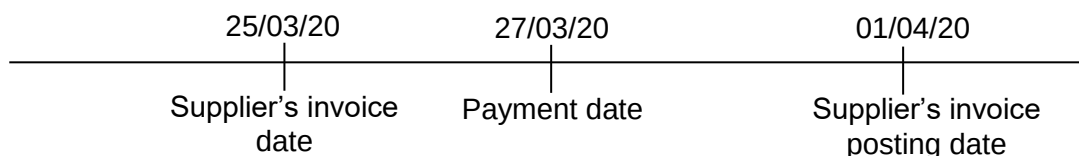
Your prescribed accounting periods are Jan-Mar, Apr-Jun, Jul-Sep and Oct-Dec.

Scenario (a)



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 account for GST on imported services based on the posting date of suppliers' invoices, you will account for GST on this supply of imported services on 1 Apr 2020 (i.e. earlier of invoice posting date and payment date), in your GST return for the prescribed accounting period ending 30 Jun 2020.

Scenario (b)



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. If you consistently account for GST on imported services based on the posting date of suppliers' invoices, you will account for GST on this supply of imported services on 27 Mar 2020 (i.e. earlier of invoice posting date and payment date), in your GST return for the prescribed accounting period ending 31 Mar 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 Services procured from a connected person²⁸ (including an overseas member within the same GST group) or an overseas branch/ head office

If an RC Business procures services from (i) an overseas related party who is a “connected person” (including an overseas member within the same GST group) or (ii) its overseas branch or head office, 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.

If there is a cost allocation from an overseas member within the same GST group or its overseas branch/ head office, the value of the imported service may be reduced by the salaries, wages and interest cost components of the imported service, including their proportionate mark-up in accordance with transfer pricing policy (refer to paragraph 4.6 below for details).

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 rate²⁹ 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.

²⁸ Refer to Annex C for the definition of connected persons.

²⁹ Refer to the e-Tax Guide “Exchange Rates for GST Purpose” for the definition of acceptable exchange rates.

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 shall be the consideration paid for the services, without any deduction of withholding tax³⁰.

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

However, reverse charge will apply in the following circumstances:

- (a) A local branch or head office procuring services from an overseas branch or head office.
- (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 is subject to reverse charge, which can be calculated as follows:

Value of inter-branch or intra-GST group transaction =

[Consideration or open market value³¹] – [Salaries, wages³² and interest costs³³, 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 allocation (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.

³⁰ If RC Business pays withholding tax (e.g. \$100) out of the consideration for the services (e.g. \$1,000) and only pays the net amount of \$900 to the overseas supplier, he should account for reverse charge based on \$1,000. On the other hand, if the consideration for the services is \$1,000 but the RC Business pays an additional \$100 for withholding tax, he should still account for reverse charge on \$1,000.

³¹ Refer to paragraph 4.5 to determine whether the consideration or the open market value should apply.

³² Salaries and wages refer to the money paid to employees for work done, including bonuses, perquisites, allowances, commission, gratuity, pensions, fringe benefits (including meal expenses and training expenses) and contributions to employees' social security accounts.

³³ Interest costs refers to the money you pay if you have borrowed money or are buying something on credit.

Example 18

You are a GST-registered partially exempt Singapore branch.

Your UK head office provides administrative and management services to you and its other branches.

Your UK head office also enters into a global contract with a related legal firm in the US to procure and on-supply legal services to you and its other branches. The related US legal firm bills your UK head office for the legal services, which is computed based on its staff salary cost plus 10% mark-up.

Your UK head office then allocates to you a portion of the legal fee incurred, interest cost and salary cost of its staff who provides the administrative and management 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 fee and its proportionate mark-up. The related US legal firm's staff salary cost and mark-up cannot be excluded from reverse charge.

If the cost components can be identified as follows:

- Legal fee (i.e. related US legal firm's staff salary cost plus 10% mark-up) (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

A transfer pricing adjustment has GST implications if it gives rise to a change in the value of a supply and hence requires corresponding GST adjustments.

The GST treatment for such 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, the corresponding transfer pricing adjustment that gives rise to the change in value of the supply would also be subject to reverse charge.

If there is a 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 formula³⁴ 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 charge 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

³⁴ i.e. for input tax recovery formula that is based on value of supplies.

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:

- (i) the RC Business should first 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 charge³⁵ exceed S\$1 million³⁶ 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-registered³⁷. 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

³⁵ As defined in paragraph 4.2.1.

³⁶ 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 when determining a person’s registration liability under paragraphs 1 and 1A of the First Schedule to the GST Act. However, the value of digital services procured from overseas vendors who are registered under the paragraph 1A of the First Schedule to the GST Act should be counted towards the value of the non-GST registered person’s imported services.

³⁷ 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.

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 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 19

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	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 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. (Note: If the date of forecast is before 1 Jan 2020, the 12-month period for determining prospective registration liability is 1 Jan 2020 to 31 Dec 2020.)
You are required to notify your GST registration liability	Within 30 days of the end of that relevant calendar year, i.e. by 30 Jan.	<u>If your liability for GST registration is triggered on/ before 22 Oct 2019³⁸:</u> Between 1 Oct 2019 and 1 Nov 2019 (both dates inclusive) <u>If your liability for GST registration is triggered during the period from 23 Oct to 31 Dec 2019 (both dates inclusive):</u> By 31 Jan 2020 <u>If your liability for GST registration is triggered on/ after 1 Jan 2020:</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 Mar 2020, you are required to inform the Comptroller by 14 Apr.
Your effective date of GST registration will be on	End of the month following the month in which the 30th day falls, i.e. 1 Mar.	<u>If your liability for GST registration is triggered on/ before 22 Oct 2019:</u> 1 Jan 2020 <u>If your liability for GST registration is triggered during the period from 23 Oct to 31 Dec 2019 (both dates inclusive):</u> 1 Feb 2020 or earlier <u>If your liability for GST registration is triggered on/ after 1 Jan 2020:</u> 31 st day from the date of your forecast. For example, if your date of forecast is 15 Mar, you will be registered on 15 Apr.

³⁸ 22 Oct 2019 is the legislated cut-off date for RC Businesses to determine prospective registration liability before 1 Jan 2020 (see paragraph 5.1.1 for registration rules). If the RC Business has a prospective registration liability on/ before 22 Oct 2019, he is required to notify the Comptroller by 1 Nov 2019.

Example 20 – Retrospective basis

Total value of imported services	Business A (S\$)	Business B (S\$)	Business C (S\$)	Business D (S\$)
<i>Determination date (“DD”)</i>	<i>31 Dec 2018</i>	<i>31 Dec 2019</i>	<i>31 Dec 2019</i>	<i>31 Dec 2020</i>
Calendar year ending on the DD (Actual)	1,800,000	1,800,000	1,800,000	1,800,000
12 months from DD (Expected)	1,500,000	1,500,000	0	Unable to reasonably forecast
<i>Registration required</i>	<i>No³⁹</i>	<i>Yes</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>	<i>30 Jan 2021</i>

Example 21 – Prospective basis

Total value of imported services	Business E (S\$)	Business F (S\$)	Business G (S\$)	Business H (S\$)
<i>Determination date (“DD”)</i>	<i>22 Oct 2019</i>	<i>23 Oct 2019</i>	<i>23 Oct 2019</i>	<i>31 Mar 2020</i>
12 months from DD⁴⁰ (Expected)	1,100,000	1,100,000	1,000,000	1,100,000
<i>Registration required</i>	<i>Yes</i>	<i>Yes</i>	<i>No</i>	<i>Yes</i>
<i>Submit your application for GST by</i>	<i>1 Nov 2019</i>	<i>31 Jan 2020</i>	<i>-</i>	<i>30 Apr 2020</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 supplies⁴¹ 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

³⁹ “No” because on 31 Dec 2018, you were not 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.

⁴⁰ If DD is before 1 Jan 2020, the 12-month period for determining prospective registration liability is 1 Jan 2020 to 31 Dec 2020.

⁴¹ The value of imported services should not be taken into account as taxable supplies made by the RC Businesses for the purpose of determining liability for registration under paragraph 1 of the First Schedule to the GST Act, or eligibility for exemption from GST registration or Major Exporter Scheme when computing the percentage of zero-rated supplies to total supplies.

total input tax claimable (including the corresponding input tax claims in respect of reverse charge transactions).

- 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 With effect from 1 Jan 2020, RC Businesses are required to report its imported services which are subject to reverse charge in the following boxes of the GST return:

To report	Boxes in GST F5
Value of imported services subject to reverse charge	Box 1, Box 5 and Box 14
Value of output tax to be accounted for on the imported services	Box 6
Value of input tax claimable on the imported services	Box 7

- 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 (in Box 1 and Box 14) and the corresponding output tax (in Box 6). 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 the Comptroller is satisfied that:

- (a) Your taxable turnover for the next 12 months will be S\$1 million or less;
- (b) 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 from the time of supply of the reverse charge transaction 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 from the time of supply of the reverse charge transaction; and
- (iii) the corresponding input tax claim is also reduced⁴².

5.7.2 To make an adjustment, you have to:

- (1) Complete the "Refund for Reverse Charge Transaction: Checklist for Self-Review of Eligibility of Claim" checklist⁴³ and keep it as part of your records. You may be asked to provide the completed checklist in the course of an audit; and

⁴² RC Businesses that are prescribed fixed input tax recovery rates are required to use the historical input tax recovery rate (i.e. the input tax recovery rate at the time of supply of the imported services) to compute the amount of corresponding input tax claim to be reduced. Likewise, for other RC businesses, the amount of input tax claim to be reduced has to be the amount that was originally claimed.

⁴³ This checklist will be posted on IRAS website at www.iras.gov.sg > Quick Links > Forms > GST > Self-review.

- (2) If you satisfy all the conditions in the self-review checklist, proceed to make the adjustment in your GST return as follows:

To report	Boxes in GST F5
Net GST claim amount (i.e. difference between the output tax accounted for on the unpaid amount and the input tax claimed on the unpaid amount)	Box 7 and Box 11

The adjustment has to be made within 5 years from the time of supply of the reverse charge transaction.

Example 22

Time of supply	1 Apr 2020
Value of imported services	S\$1,000
Accounting period in which the imported services were supplied	1 Apr 2020 to 30 Jun 2020 (Output tax accounted: S\$70; Input tax claimed: S\$63)

Scenario (a) - No payment made to the supplier

If you do not make any payment to your supplier by 1 Apr 2021 (i.e. after 12 months from time of supply) due to a dispute over the supplier's invoice amount, you may make an adjustment to recover the net GST accounted for on the imported services (i.e. difference between the output tax accounted and input tax claimed on the imported services).

Adjustments to GST F5 for the prescribed accounting period 1 Apr 2021 to 30 Jun 2021:

- Input tax and refunds claimed (Box 7): Add S\$7 (i.e. S\$70 - S\$63)
- Refund claim for reverse charge transaction (Box 11): Add S\$7

Scenario (b) – Partial payment made to the supplier

If you pay S\$600 but the remaining S\$400 remains unpaid as at 1 Apr 2021, you may make an adjustment to recover the net GST accounted for on the unpaid amount (i.e. difference between the output tax accounted for on the unpaid amount and the input tax claimed on the unpaid amount):

- Output tax accounted on the unpaid amount = $(S\$400 / S\$1,000) \times S\$70 = S\28
- Input tax claimed on the unpaid amount = $(S\$400 / S\$1,000) \times S\$63 = S\25.20

Adjustments to GST F5 for the prescribed accounting period 1 Apr 2021 to 30 Jun 2021:

- Input tax and refunds claimed (Box 7): Add S\$2.80 (i.e. S\$28 - S\$25.20)
- Refund claim for reverse charge transaction (Box 11): Add S\$2.80

- 5.7.3 If payment is subsequently made to the supplier (within 5 years from the time of supply of the reverse charge transaction), 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 23

You first account for GST on the imported services supplied on 1 Apr 2020 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 time of supply of 1 Apr 2020, 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 1 Apr 2020), you must repay the output tax on the full amount paid to the supplier and may claim back the corresponding input tax⁴⁴ in your GST return for the prescribed accounting period that covers 1 Oct 2022.

5.7.4 For each adjustment, you are required to maintain 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:

- (a) Supplier's name and address;
- (b) Invoice number and date;
- (c) A description of the services supplied;
- (d) 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
- (e) 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:

- (i) Invoices issued by overseas suppliers;

⁴⁴ You are required to apply the input tax recovery rate as at the original time of supply to determine the amount of input tax claimable. For foreign currency denominated transactions, you should also use the exchange rate as at the original time of supply.

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

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”⁴⁵ 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.
- 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 reverse charge transaction (“RC transaction”) straddling 1 Jan 2020 subject to tax?**
 - 7.1.1 A supply of imported services would be considered as “straddling 1 Jan 2020” and hence subject to the rules mentioned in this section of the e-Tax Guide

⁴⁵ 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.

when at least one of these events take place wholly or partially on/ after 1 Jan 2020:

- (a) Issuance of invoice
- (b) Performance of services
- (c) 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.

*If event (a) occurs **before** 1 Jan 2020*

- 7.1.2 The RC transaction straddling 1 Jan 2020 will be subject to tax to the extent the services are performed or the payment is made on/ after 1 Jan 2020, whichever value is lower.
- 7.1.3 If full payment is made before 1 Jan 2020, or the services are fully performed before 1 Jan 2020, the RC transaction would not be subject to tax. Conversely, if no payment is made and no service is performed before 1 Jan 2020, the entire value of the supply of imported services would be subject to tax, to the extent the supply is within the scope of imported services subject to reverse charge.
- 7.1.4 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 tax.

*If event (a) occurs **on/ after** 1 Jan 2020*

- 7.1.5 The general time of supply rules will apply, unless the RC Business elects otherwise (as elaborated in paragraph 7.1.6 below). The issuance of invoice will trigger the time of supply for the RC transaction straddling 1 Jan 2020 such that the entire value will be subject to tax. However, if part of the payment is made before 1 Jan 2020, only the corresponding part of the payment on/ after 1 Jan 2020 will be subject to tax. If full payment is made before 1 Jan 2020, the RC transaction will not be subject to tax.
- 7.1.6 Alternatively, the RC Business may elect⁴⁶ to subject the RC transaction to tax to the extent the services are performed or payment is made on/ after 1 Jan 2020, whichever value is lower. This is similar to the treatment for an RC transaction with invoice issued before 1 Jan 2020. In other words, if full services are performed before 1 Jan 2020, notwithstanding that the invoice issuance and payment settlement occur on/ after 1 Jan 2020, the RC transaction need not be subject to tax.

⁴⁶ There is no need for the RC Business to complete any form or to seek prior approval from the Comptroller for this election. The RC Business is only required to maintain documentary evidence of when the invoice is issued, payment is made and services are performed.

- 7.1.7 Annex D sets out the application of tax on RC transactions straddling 1 Jan 2020, while Annex E provides the diagrammatic flowcharts for determining whether and to what extent an RC transaction straddling 1 Jan 2020 would be subject to tax.

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 an apportionment method which is acceptable for the accrual of the particular expense in your accounts (e.g. time based, percentage of completion).

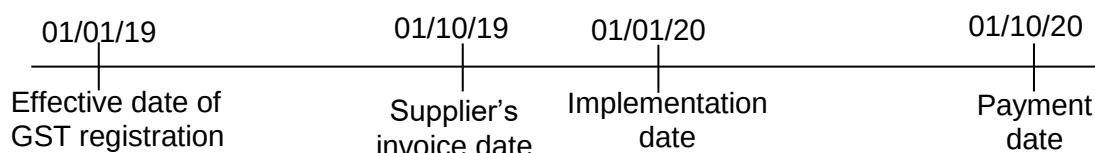
7.3 **If the RC transaction straddling 1 Jan 2020 is partly/ fully subject to tax, when do I have to account for the tax?**

- 7.3.1 If the supplier's invoice is issued or payment is made **on/ after** 1 Jan 2020, you will account for the tax on the date when the invoice is issued or the payment is made, or the earlier of the two events if both invoice is issued or payment is made after 1 Jan 2020.
- 7.3.2 If the supplier's invoice is issued **before** 1 Jan 2020, you are required to account for the tax in the GST return for the accounting period in which the later of the following falls:
- (a) 1 Jan 2020; and
 - (b) the effective date of your GST registration.

Example 24

You are a GST-registered RC Business and you engage a third party 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. Assume that the IT support services are within the scope of imported services subject to reverse charge.

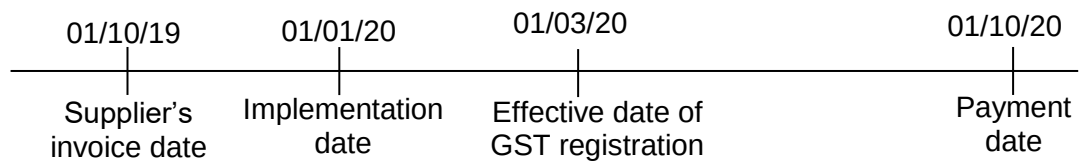
Scenario (a) – Supplier's invoice is issued before 1 Jan 2020 and effective date of GST registration is before 1 Jan 2020



As the supplier's invoice is issued prior to 1 Jan 2020 and a part of the services is performed prior to 1 Jan 2020, this transaction is considered as straddling 1 Jan 2020.

The tax on the imported IT support services has to be accounted in the GST return for the accounting period in which 1 Jan 2020 falls in. As 25% of the services is 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 tax.

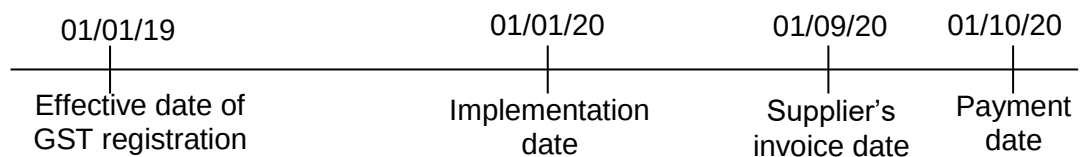
Scenario (b) – Supplier's invoice is issued before 1 Jan 2020 and effective date of GST registration is on/ after 1 Jan 2020



As the supplier's invoice is issued prior to 1 Jan 2020 and a part of the services is performed prior to 1 Jan 2020, this transaction is considered as straddling 1 Jan 2020.

The tax on the imported IT support services has to be accounted in the GST return for the accounting period in which 1 Mar 2020 falls in. 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 tax.

Scenario (c) - Supplier's invoice is issued on/ after 1 Jan 2020



As a part of the services is performed prior to 1 Jan 2020, this transaction is considered as straddling 1 Jan 2020.

Based on the rules set out in paragraph 7.3.1 above, the time of supply will be on 1 Sep 2020, i.e. the earlier of supplier's invoice date and payment date.

As the supplier's invoice is issued and the payment is also made to the overseas supplier on/ after 1 Jan 2020, the full value of the imported IT support services will be subject to tax. Alternatively, you may choose to exclude the portion of the services performed before 1 Jan 2020 (i.e. 25% of the service performed from Oct to Dec 2019) from tax, and only subject the portion of the services performed on/ after 1 Jan 2020 (i.e. remaining 75% of the service performed from Jan to Sep 2020) to tax.

8 Frequently Asked Questions

- 8.1 *Is a supply of services from an overseas related entity to a local related entity (where the entities are separate legal entities and not part of a GST group) subject to reverse charge?*

Yes. Reverse charge will apply to all services procured by an RC Business from its overseas related entities, unless the supply of services is specifically excluded from reverse charge (see paragraph 4.2.1 for the exclusions).

- 8.2 *Can imported services that qualify for zero-rating under any of the sub-provisions of section 21(3) of the GST Act be excluded from reverse charge?*

Yes. The imported services can be excluded from reverse charge if the services would have qualified for zero-rating under any of the sub-provisions of section 21(3) of the GST Act had the services been supplied by a taxable person belonging in Singapore.

However, the recipient of imported services would be unable to satisfy the following zero-rating provisions because he belongs in Singapore:

- Section 21(3)(j), (k), (s), (y): both contractual party and beneficiary have to belong overseas
- Section 21(3)(g): the services must be supplied to a person belonging overseas

Where the imported services cannot qualify for zero-rating, the recipient/importer is required to apply reverse charge on the services.

- 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 formed/ constituted overseas and belongs in Singapore only due to its whole reliance on a Singapore Fund Manager⁴⁷. 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.

⁴⁷ Refer to the e-Tax Guide "GST: Guide for the Fund Management Industry" for details.

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

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

Non-registered S-REITs, qualifying RBTs and their local SPVs would be liable for GST registration under the reverse charge registration rules if the total value of their imported services which fall within the scope of reverse charge exceeds \$1 million in a 12-month period. Please refer to paragraph 5 for details on the registration rules, due dates for notification of registration liability and registration procedures. Once GST-registered, they will file quarterly GST returns.

S-REITs and qualifying S-RBTs that are GST-registered by virtue of reverse charge registration rules will be required to report and account for GST on their imported services. They are not required to report, charge or account for GST on other supplies made.

However, if the S-REIT/ qualifying S-RBT subsequently makes or reasonably expects to make taxable supplies exceeding \$1 million in a 12-month period (i.e. becomes liable for registration by virtue of its taxable turnover as well), the remission of tax on its other supplies will no longer apply⁴⁸. Accordingly, the trust will be required to report, charge and account for GST on its taxable supplies.

8.6 *Are qualifying funds⁴⁹ excluded from reverse charge?*

No. Qualifying funds are not excluded from reverse charge.

Non-GST registered qualifying funds are allowed to claim the GST incurred on their expenses at an annual fixed recovery rate by way of a GST remission⁵⁰. They are not entitled to full input tax credit. Hence, they would be liable for GST registration under the reverse charge registration rules if the total value of their imported services which fall within the scope of reverse charge exceeds \$1 million in a 12-month period. Please refer to paragraph 5 for details on the registration rules, due dates for notification of registration liability and registration procedures.

Once GST-registered, qualifying funds will file quarterly GST returns instead of statement of claims. Their GST returns shall include:

⁴⁸ Had the S-REIT/ qualifying S-RBT not been liable for registration by virtue of the reverse charge registration rules, it would have been liable for registration by virtue of the value of its taxable supplies exceeding \$1 million, and accordingly had to charge and account for GST on its taxable supplies.

⁴⁹ A qualifying fund is managed by a prescribed fund manager in Singapore and satisfies conditions of the income tax concession as at the last day of its preceding financial year.

⁵⁰ Details of the GST remission are explained in the circular issued by the Monetary Authority of Singapore (MAS).

- (i) Imported services subject to reverse charge: To report the value of imported services in Box 1, 5 and 14, account output tax in Box 6 and claim the corresponding input tax claim based on the fixed recovery rate in Box 7.
- (ii) Local expenses (excluding those disallowed under Regulations 26 and 27 of the GST (General) Regulations): To report the value of taxable purchases in Box 5 and claim the corresponding input tax based on the fixed recovery rate in Box 7.

Qualifying funds that are GST-registered by virtue of reverse charge registration rules are not required to report, charge or account for GST on other supplies made, except in either of the following circumstances:

- (A) Supplies made in periods when the fund does not qualify for the GST remission; or
- (B) The fund subsequently makes or reasonably expects to make taxable supplies exceeding \$1 million in a 12-month period (i.e. the fund becomes liable for registration by virtue of its taxable turnover as well)⁵¹.

The remission of tax on other supplies made by the funds will not apply during the relevant periods under circumstance (A) and with effect from the date circumstance (B) arise. Accordingly, the funds will be required to report, charge and account for GST on its taxable supplies.

8.7 *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 deduction⁵².

8.8 *Are RC Businesses allowed to adopt self-billing for imported services?*

No. RC Businesses are not allowed to adopt self-billing for imported services.

8.9 *If a GST-registered person with fluctuating exempt supplies accounted for GST on imported services in certain period(s), but at the end of the longer period determines that he is entitled to full input tax credit for the longer period (i.e. not required to apply reverse charge for the longer period), how should he adjust for the imported services accounted for during the longer period?*

⁵¹ Had the qualifying fund not been liable for registration by virtue of the reverse charge registration rules, it would have been liable for registration by virtue of the value of its taxable supplies exceeding \$1 million, and accordingly had to charge and account for GST on its taxable supplies.

⁵² Section 15(1) of the Income Tax Act (Cap. 134) has been 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.

The GST-registered person is allowed to claim back the exempt and/ or residual input tax that was not claimed during the longer period. In other words, he can recover full input tax on the imported services accounted for during the longer period in full. He may include the claim amount in Box 7 of the first GST return after the longer period, i.e. the GST return period in which he performs longer period adjustment.

The amount he can claim back for his imported services accounted for during the longer period is the difference between (i) the amount of output tax accounted and (ii) the amount of corresponding input tax claimed.

- 8.10 *If a corporate group consists of numerous investment holding companies that derive mainly dividend income, and are only liable for GST registration due to the reverse charge registration rules, is there any administrative concession that can be granted to ease compliance costs for such groups of entities?*

Yes. The group of entities may write in to request for the Comptroller's approval to register as a Pay-Only GST group under the reverse charge regime (i.e. known as the Pay-Only GST RC Group) if the group satisfies the qualifying conditions.

Benefits of Pay-Only GST RC Group registration

- Simplified registration process with the submission of *Pay-Only GST RC Group template**. The template will serve as the application form for registering a new Pay-Only GST RC Group, registering and including new members to a Pay-Only GST RC Group, and/ or de-registering and removing members from the existing Pay-Only GST RC Group.
- Reduced GST reporting requirements. The Pay-Only GST RC Group is required to submit only one consolidated GST return for all the members. Only Boxes 1, 6, 11 and 14 of the GST returns have to be completed. In essence, the Pay-Only GST RC Group only needs to report imported services subject to reverse charge and the corresponding output tax.
- Reduced filing frequency from quarterly to half-yearly. Accounting periods will be 1 Jan to 30 Jun, and 1 Jul to 31 Dec.

* *You may write to IRAS to request for approval to register as a Pay-Only GST group. Once your request is approved, the Comptroller will provide you with the Pay-Only GST RC Group template. This template is currently not published on IRAS' website.*

Qualifying conditions

- (i) Each member of the Pay-Only GST RC Group **undertakes not to claim any input tax.**

- (ii) Each member of the Pay-Only GST RC Group is individually registered for GST (apply for registration via *Pay-Only GST RC Group template*)
- (iii) Each member of the Pay-Only GST RC Group, including the group representative member, is a body corporate, resident in Singapore or has an established place of business in Singapore.
- (iv) Each member of the Pay-Only GST RC Group satisfies one of the control requirements below:
 - One member controls each of the others;
 - A body corporate or an individual controls all the members; or
 - Two or more individuals carrying on a business in partnership control all of the members that are body corporate.
- (v) Each member of the Pay-Only GST RC Group generally does not make any taxable supplies apart from exempt supplies that qualify for zero-rating. However, if any member makes any standard-rated supply, the member will charge and account for GST on the standard-rated supply in the Pay-Only GST RC Group's GST return.
- (vi) There are generally no intra-GST group supplies between the members of the Pay-Only GST RC Group.
- (vii) The Pay-Only GST RC Group will apply for GIRO for GST payment when the Pay-Only GST RC Group registration is approved.
- (viii) The Pay-Only GST RC Group will abide by the following rules for determining the members' effective dates of registration/ de-registration and inclusion/ removal from the Pay-Only GST RC Group, unless otherwise agreed with the Comptroller:
 - Effective date of registration and inclusion of new member into existing Pay-Only GST RC Group is as follows -
 - For prospective registration: 31st day from the date of forecast (e.g. if date of forecast is 15 Mar 2020, registration date is 15 Apr 2020)
 - For retrospective registration: 1 Mar of the year following the calendar year that triggers the registration liability
 - For voluntary registration: First day of the next prescribed accounting period (e.g. if the date of submission of *Pay-Only GST RC Group template* is on 30 Apr 2020, registration date is 1 Jul 2020)
 - Effective date of removal of member from Pay-Only GST RC Group and de-registration of the member shall be the last day of the prescribed accounting period in which the member's liability for registration ends, or its business ceases, is liquidated or transferred, whichever is earlier.

- (ix) The group representative member informs the Comptroller in writing 30 days before an event that makes any member cease to satisfy any of the above qualifying conditions (e.g. member starts to make taxable supplies apart from zero-rated exempt supplies, member would like to start claiming input tax), stating the reason and the date of the event. The member shall be removed from the GST group with effect from the date of the event.
- (x) Each member of the Pay-Only GST RC Group maintains good internal controls and proper accounting records.
- (xi) The Comptroller may terminate the registration of the Pay-Only GST RC Group when he detects non-compliance with any of the qualifying conditions.

9 Contact Information

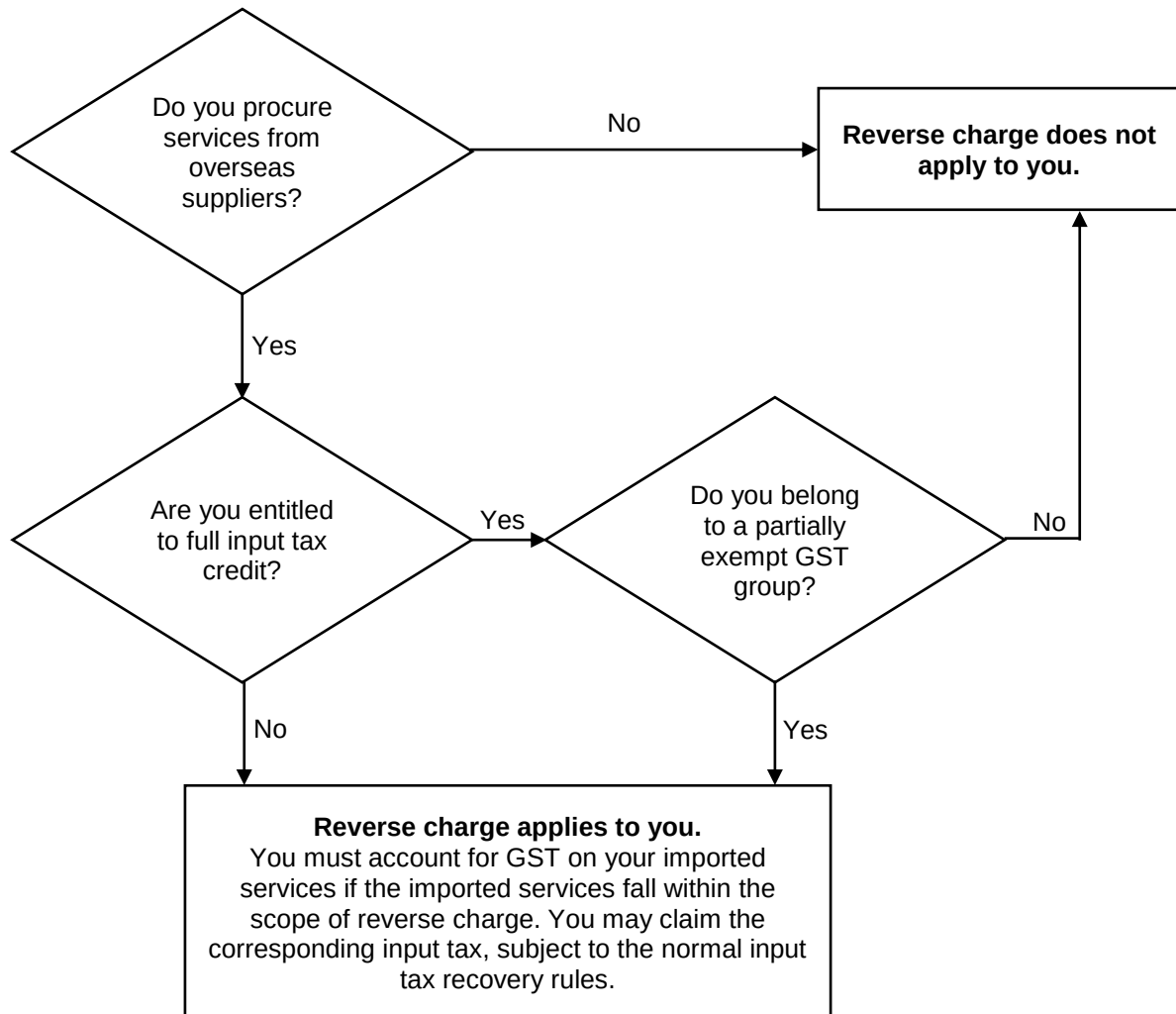
For enquiries on this e-Tax Guide, please contact the Goods and Services Tax Division at www.iras.gov.sg (select "Contact Us").

10 Updates and Amendments

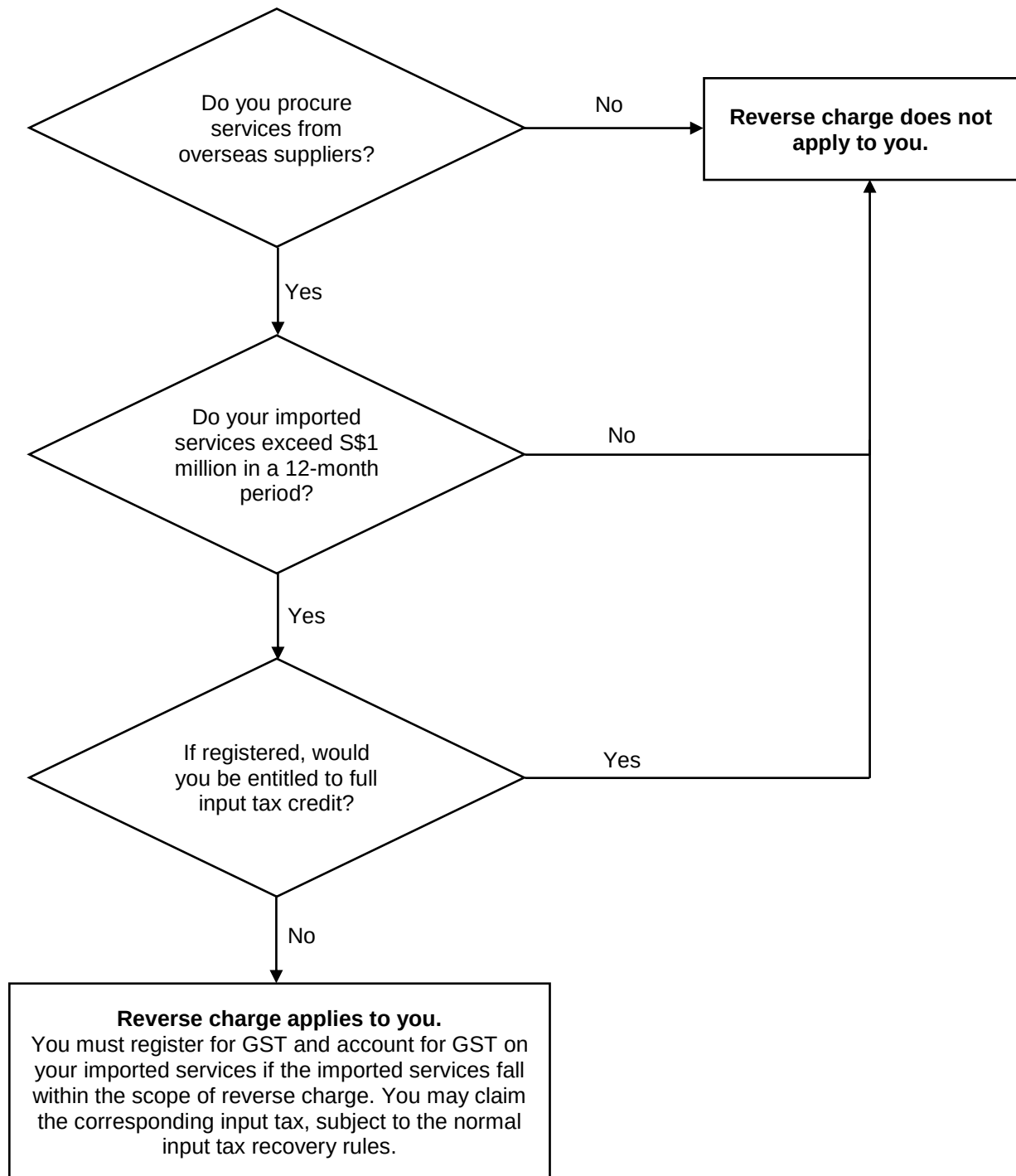
	Date of amendment	Amendments made
1	22 Aug 2019	• Amended footnote 9 on the definition of taxable supplies for performing De Minimis test • Amended paragraph 4.1.5 on businesses that make non-regulation 33 exempt supplies but are entitled to full input tax credit • Inserted a note in paragraph 5.1.3's table on the relevant 12-month period for prospective registration liability occurring before 1 Jan 2020 • Amended paragraph 5.5 on the boxes in the GST F5 return for reporting of imported services subject to reverse charge • Amended paragraph 5.7 on the rules and relevant boxes in the GST F5 return for reporting adjustments for unpaid reverse charge transactions • New footnote 43 on checklist • New footnote 44 on the input tax recovery rate to be applied on a subsequent repayment of a reverse charge transaction • Amended paragraph 7, deleted original footnote 44, inserted new footnote 46 and amended example 24 on the rules for reverse charge transactions straddling 1 Jan 2020 • Amended paragraph 8.5, deleted original footnote 47 and inserted new footnote 48 for S-REITs, S-RBTs and SPVs' registration liability, GST remission on other supplies and reporting requirements • New footnote 49 on the definition of a qualifying fund • New paragraph 8.6 and footnote 51 for qualifying funds' registration liability, GST remission on other supplies and reporting requirements • New paragraph 8.9 on adjustment of input tax when a GST-registered person determines he is not required to apply RC for a longer period • New paragraph 8.10 on benefits and qualifying conditions for Pay-Only GST RC Group • Amended S/N 27 and 34 of Annex B on director's fee and overseas representative office's expenses • Amended Annexes D and E on the rules for transactions straddling 1 Jan 2020 with suppliers' invoices issued on/ after 1 Jan 2020 • Other editorial changes

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 (“RC”)

Professional, financial and other services

S/N	Nature of imported services	Subject to RC? ⁵³	Rationale / Conditions
1	Legal and professional service fees incurred to comply with foreign regulations and/ or to conduct due diligence pertaining to transferred or new loans	Yes	Such services are not exempt from GST
2	Debt collector’s fee on successful recovery of offshore loan	Yes	Such services are not exempt from GST
3	Membership/ subscription to SWIFT, SHIFT and equivalent for funds transfer	Yes	Such services are not exempt from GST
4	Reinsurance payments pertaining to the arrangement, provision, or transfer of ownership of any contract of re-insurance	No	Such services are exempt under paragraph 1(q) of the Fourth Schedule to the GST Act
5	Legal and professional services relating to collaterals situated outside Singapore	Yes	The legal and professional services supplied are not regarded as “directly in connection with” the collaterals situated outside Singapore. Hence, had the services been supplied by a taxable person belonging in Singapore, it would not qualify for zero-rating under section 21(3)(e) or (f) of the GST Act.
6	Mortgagee’s interest insurance premiums on mortgaged assets situated outside Singapore which are taken over by banks in relation to loans	Yes	The interest insurance is for insuring against the risk of providing the loan (i.e. borrower defaults on a loan) instead of the underlying asset situated outside Singapore. Hence, had the insurance been supplied by a taxable

⁵³ For all the tables in Annex B, please assume the imported services are not directly attributable to taxable supplies. If the services are directly attributable to taxable supplies and you are not accorded fixed input tax recovery rates or granted the use of a special input tax recovery formula to be applied on all input tax claims, the imported services will not be subject to RC.

S/N	Nature of imported services	Subject to RC? ⁵³	Rationale / Conditions
			person belonging in Singapore, it would not qualify for zero-rating under section 21(3)(e) or (f) of the GST Act.
7	Services that are directly in connection with land/ property situated outside Singapore (e.g. surveyor fee to assess damages to collaterals overseas)	No	Had the services been supplied by a taxable person belonging in Singapore, it would qualify for zero-rating under section 21(3)(e) of the GST Act.

Brokerage services

S/N	Nature of imported services	Subject to RC?	Rationale / Conditions
8	Brokerage and other related transaction fees for treasury products sold over-the-counter to counterparties outside Singapore	No	If RC Business is on standard input tax recovery formula and the fees can be directly attributed to the RC Business' treasury products sold to overseas counterparties (i.e. zero-rated supplies).
		Yes	If RC Business is either not on standard input tax recovery formula or if the fees could not be directly attributed to the RC Business' treasury products sold to overseas counterparties.
9	Brokerage and other related transaction fees pertaining to proprietary sale of shares through an overseas exchange	No	If RC Business is on standard input tax recovery formula and the fees can be directly attributed to the RC Business' securities sold on an overseas exchange (i.e. zero-rated supplies).
		Yes	If RC Business is either not on standard input tax recovery formula or if the fees could not be directly attributed to the RC Business' securities sold on an overseas exchange.
10	Brokerage and other related transaction fees charged by an overseas broker to a local broker, pertaining to the end-client's trading of shares	No	If, for the subsequent recovery of the transaction fees from the end-client, the local broker: (i) does not impose any mark-up on the fees charged by the overseas broker; or

S/N	Nature of imported services	Subject to RC?	Rationale / Conditions
	through an overseas exchange, where the local broker merely acts as an agent in the transaction		(ii) separately indicates any mark-up imposed on the fees charged by the overseas broker.
		Yes	If, for the subsequent recovery of the transaction fees from the end-client, the local broker imposes a mark-up on the fees charged by the overseas broker and does not separately indicate the mark-up in the billing to the end-client.
11	Brokerage differential paid to joint book-runner outside Singapore based on the pre-agreed sharing ratio	No	The payment of the brokerage differential to the joint book-runner based on the pre-agreed sharing ratio is not a consideration for any supply made by the joint booker-runner.

Telecommunication and network services and supply of data

S/N	Nature of imported services	Subject to RC?	Rationale / Conditions
12	Purchase of market data, online data information, access to website, industry reports (e.g. bond pricing, credit rating) for bank's operations	Yes	Such supplies of data/ information would not qualify for zero-rating or exemption from GST.
13	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)	Yes	Had the web-hosting services been supplied by a taxable person belonging in Singapore, it would not qualify for zero-rating under section 21(3)(j) of the GST Act.
14	Telecommunication services which fall within the definition of prescribed telecommunications services under the Fifth Schedule to the GST	No	Had the services been supplied by a taxable person belonging in Singapore, it would qualify for zero-rating under section 21(3)(q) of the GST Act.

S/N	Nature of imported services	Subject to RC?	Rationale / Conditions
	(International Services) Order incurred outside Singapore		
15	Global network services for transmission of data (e.g. writing, images) via internet	No	Had the services been supplied by a taxable person belonging in Singapore, it would qualify for zero-rating under section 21(3)(q) of the GST Act.
16	Web meeting costs which fall within the definition of prescribed telecommunications services under the Fifth Schedule to the GST (International Services) Order	No	Had the services been supplied by a taxable person belonging in Singapore, it would qualify for zero-rating under section 21(3)(q) of the GST Act.

Advertising services

S/N	Nature of imported services	Subject to RC?	Rationale / Conditions
17	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	No	Had the services been supplied by a taxable person belonging in Singapore, it would qualify for zero-rating under section 21(3)(u) of the GST Act.
18	Advertising services (e.g. Asiamoney) where the place of circulation of advertisements is at least 51% outside Singapore	No	Had the services been supplied by a taxable person belonging in Singapore, it would qualify for zero-rating under section 21(3)(u) of the GST Act.

Entertainment, training and convention services

S/N	Nature of imported services	Subject to RC?	Rationale / Conditions
19	Entrance fee for airport premium lounge	Yes	If the entrance fee is incurred for staff who is overseas for business purposes (e.g. to attend business meeting) other than business entertainment purposes.
		No	If the entrance fee is incurred for business entertainment purposes (e.g. staff entertains a business client at the airport premium lounge), the services would qualify for zero-rating under section 21(3)(i)(i) had it been supplied by a taxable person belonging in Singapore.
20	Classroom cost and trainer fees for training held overseas	No	Had the services been supplied by a taxable person belonging in Singapore, it would qualify for zero-rating under section 21(3)(i)(i) of the GST Act.
21	Entertainment of clients outside Singapore	No	Had the services been supplied by a taxable person belonging in Singapore, it would qualify for zero-rating under section 21(3)(i)(i) of the GST Act.
22	Overseas education cost fee incurred in employee's name	No	Had the services been supplied by a taxable person belonging in Singapore, it would qualify for zero-rating under section 21(3)(i)(i) of the GST Act.
23	Overseas awards events (e.g. Euromoney Awards)	No	Had the services been supplied by a taxable person belonging in Singapore, it would qualify for zero-rating under section 21(3)(i)(ii) of the GST Act.

Staff reimbursements and related costs

S/N	Nature of imported services	Subject to RC?	Rationale / Conditions
24	Staff reimbursement claim in relation to airfare	No	The staff making the claim acts as an agent of the RC Business in receiving the supply of international transportation services from the overseas vendor. Had the international transportation services been supplied by a taxable person belonging in Singapore, the services would qualify for zero-rating under section 21(3)(a).
25	Staff reimbursement claim in relation to relocation costs: (i) Pertaining to international transportation (ii) Pertaining to local transportation	(i) No (ii) Yes	The staff making the claim acts as an agent of the RC Business in receiving the supply of international transportation services from the overseas vendor. Had the relocation services been supplied by a taxable person belonging in Singapore: (i) the costs pertaining to international transportation would qualify for zero-rating under section 21(3)(a) or (b); and (ii) the costs pertaining to local transportation would not qualify for zero-rating under section 21(3)(a) or (b).
26	Foreign recruitment agency fees incurred to hire foreign candidates to work in Singapore	Yes	Had the services been supplied by a taxable person belonging in Singapore, it would not qualify for zero-rating under section 21(3)(j) of the GST Act.
27	Director's fee charged by an individual director whose usual place of residence is not in Singapore	Yes	The GST treatment of imported services should be considered from the recipient's perspective as the supplier. As the recipient is regarded as having supplied the services in the course or furtherance of a business, the directorship services will be considered as being supplied by the recipient in his business capacity and accordingly fall within the scope of reverse charge, notwithstanding that the directorship services is provided by an individual director.

S/N	Nature of imported services	Subject to RC?	Rationale / Conditions
28	Rental of overseas premises for staff use	No	The rental of overseas premises is an out-of-scope supply.
29	Staff reimbursement claims in relation to overseas hotel accommodation, overseas transport costs and meal expenses incurred overseas	No	The overseas hotel accommodation and meal expenses are out-of-scope supplies. The staff making the claim for overseas transport costs acts as an agent of the RC Business in receiving the supply of transportation services from the overseas vendor. Had the overseas transportation services been supplied by a taxable person belonging in Singapore, the services would qualify for zero-rating under section 21(3)(a).
30	Secondment costs (wage/ non-wage benefits) recovered without mark-up, where the cross-border secondment satisfies all the conditions under the staff secondment concession ⁵⁴	No	Had the manpower services been supplied by a taxable person belonging in Singapore, the services would be treated as out-of-scope for GST purposes.
31	Recovery of staff discretionary performance or compensation costs (e.g. share based compensation/ awards) from the local company under which the staff is employed	No	- If the overseas person had paid the staff on behalf of the local company under which the staff is employed, the pure recovery of the discretionary performance or compensation costs from the local company constitutes a disbursement which is not subject to GST; <u>or</u> - If this is an inter-branch or intra-GST group transaction where the overseas person recharges the discretionary performance or compensation costs as part of a cost allocation to the local company.
		Yes	If this is <u>not</u> an inter-branch/ intra-GST group transaction and the overseas person recharges the discretionary performance or compensation costs as part of a cost allocation to the local company.

⁵⁴ Refer to the e-Tax Guide “GST: Guide on Reimbursement and Disbursement of Expenses” for the conditions under the staff secondment concession.

Payment to overseas regulators, exchanges, professional bodies or governments

S/N	Nature of imported services	Subject to RC?	Rationale / Conditions
32	Payments to overseas regulators, professional bodies, exchanges, government and statutory bodies (e.g. membership, subscription, registration charges)	No	If the services are provided by the government of an overseas jurisdiction and the services are of a nature that fall within the description of non-taxable government supplies under the Schedule to the GST (Non-Taxable Government Supplies) Order of the GST Act.
		Yes	If the services are either: - not provided by the government of an overseas jurisdiction; or - provided by the government of an overseas jurisdiction but the nature of the services does not fall within the description of non-taxable government supplies under the Schedule to GST (Non-Taxable Government Supplies) Order of the GST Act.
33	Court fees paid to the court of an overseas jurisdiction	No	Court fees are non-taxable government supplies under paragraph (G) of the Schedule to the GST (Non-Taxable Government Supplies) Order of the GST Act.

Others

S/N	Nature of imported services	Subject to RC?	Rationale / Conditions
34	Expenses incurred by an overseas representative office of a Singapore entity	Yes	If the expenses incurred by the representative office (and booked in Singapore entity's accounts) relates to services provided by an overseas vendor and the services are used by the Singapore entity, the expenses would constitute consideration paid for services imported by the Singapore

S/N	Nature of imported services	Subject to RC?	Rationale / Conditions
			entity, and accordingly subject to tax if the services fall within the scope of reverse charge.
		No	If the overseas representative office constitutes a business or fixed establishment of the Singapore entity outside Singapore, and the overseas representative office is the establishment that most directly uses the services procured from the overseas supplier, then the supply is considered as being made by the overseas supplier to the overseas representative office. Hence, it is not an imported service.
35	Purchase of mileage from overseas airlines as credit card rewards, where the supply of miles by the overseas airlines qualify as multi-redemption vouchers (MRVs) and is sold at or below the specified value	No	GST is not chargeable on the sale of MRVs if the MRVs are sold at or below their specified value.
36	Purchase of credit cards and engraving services performed outside Singapore	No	If the engraving services are ancillary to the purchase of the credit cards, the transaction will be considered a single supply of credit cards (i.e. a supply of goods). If the credit cards are imported into Singapore, import GST will apply accordingly. Even if the engraving services are not ancillary to the purchase of the credit cards, the engraving services performed outside Singapore would qualify for zero-rating under section 21(3)(f) had it been supplied by a taxable person belonging in Singapore.

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 tax on reverse charge transactions straddling 1 Jan 2020

(1) Supplier's invoice issued before 1 Jan 2020

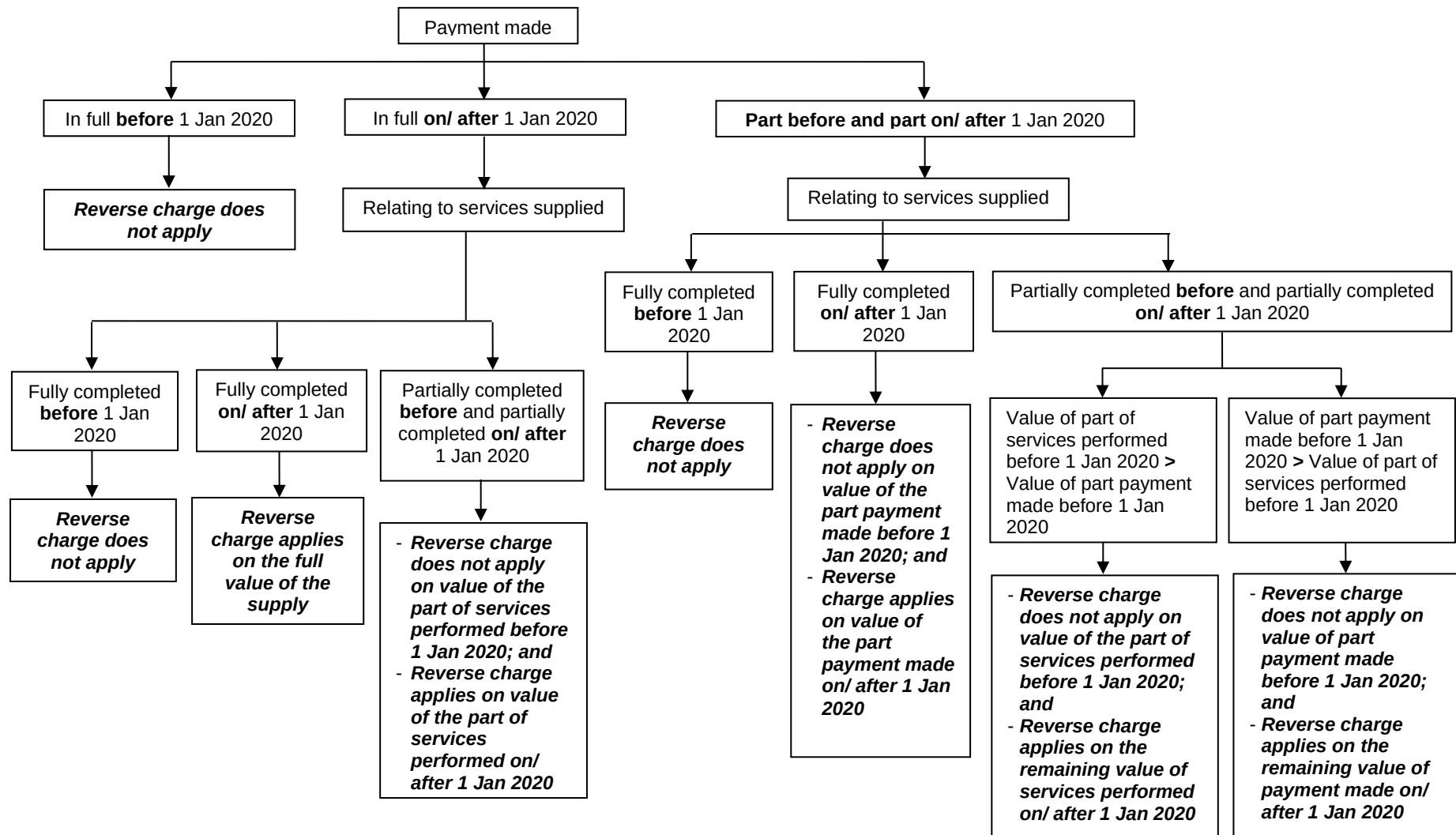
Payment made	Services performed	Subject to reverse charge?	Remarks
Before 1 Jan 2020	Before 1 Jan 2020	No	When full payment is made and/ or full services are performed before 1 Jan 2020, the transaction is not subject to tax.
Before 1 Jan 2020	On or after 1 Jan 2020	No	
On or after 1 Jan 2020	Before 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	The part of the services performed on/ after 1 Jan 2020 is subject to tax
Part before and part on/ after 1 Jan 2020	On or after 1 Jan 2020	Partial	The part payment made on/ after 1 Jan 2020 is subject to tax
Part before and part on/ after 1 Jan 2020	Part before and part on/ after 1 Jan 2020	Partial	The <u>lower</u> of the value of (i) the payment made on/ after 1 Jan 2020 and (ii) the services performed on/ after 1 Jan 2020 is subject to tax
On or after 1 Jan 2020	On or after 1 Jan 2020	Yes	When no payment is made and no service is performed before 1 Jan 2020, the entire transaction is subject to tax.

(2) Supplier's invoice issued on/ after 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 before 1 Jan 2020, the transaction is not subject to tax.
	On or after 1 Jan 2020	No	
	Part before and part on/ after 1 Jan 2020	No	
Part before and part on/ after 1 Jan 2020	Before 1 Jan 2020	Partial / No	The part payment made on/ after 1 Jan 2020 is subject to tax. Alternatively, the RC Business may elect for the <u>lower</u> of the value of (i) the payment made on/ after 1 Jan 2020 and (ii) the services performed on/ after 1 Jan 2020 to be subject to tax, if applicable
	On or after 1 Jan 2020	Partial	
	Part before and part on/ after 1 Jan 2020	Partial	
On or after 1 Jan 2020	On or after 1 Jan 2020	Yes	When no payment is made before 1 Jan 2020, the entire transaction is subject to tax. Alternatively, the RC Business may elect for the <u>lower</u> of the value of (i) the payment made on/ after 1 Jan 2020 and (ii) the services performed on/ after 1 Jan 2020 to be subject to tax, if applicable.
	Before 1 Jan 2020	Yes / No	
	Part before and part on/ after 1 Jan 2020	Yes / Partial	

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

(1) Supplier's invoice issued before 1 Jan 2020



(2) Supplier's invoice issued on/ after 1 Jan 2020

