

**1. Subject:**

- a. Whether the international supply of Dedicated IP Transit services is a supply of international services falling within the scope of Section 21(3)(q) of the GST Act.
  - b. Whether the entire supply of Dedicated IP Transit Services can be zero-rated on account that the Company does not incur any costs for the local supply of Dedicated IP Transit services.
- 

**2. Relevant background and facts:**

The Company is an Internet service provider offering telecommunication services to its customers.

It supplies dedicated IP Transit services, which provides its customers access to webpages hosted outside of Singapore (i.e. the global internet), as well as those hosted within Singapore (i.e. the local internet). The Company charges its customers a monthly subscription fee for the provision of Dedicated IP Transit services and does not charge any usage-based fees.

In addition, the Company does not incur any costs to provide its customers access to the local Internet.

---

**3. Relevant legislative provision(s):**

Goods and Services Tax Act 1993 – Section 21(3)(q) ("GST Act").

Goods and Services Tax (International Services) Order – Paragraphs 2 and 3 of the Fifth Schedule (Prescribed Telecommunication Services) ("Fifth Schedule").

---

**4. The ruling:**

- a. The supply of Dedicated IP Transit services is a supply of international telecommunication services falling within the scope of Section 21(3)(q) of the GST Act.
  - b. The entire subscription fee charged to the customer for the supply of Dedicated IP Transit services can be zero-rated under Section 21(3)(q) of the GST Act.
-

## **5. Reasons for the decision:**

The Company charges a subscription fee in exchange for providing its customers with a right to access or use the relevant international leased circuit, line or network ("ILC"). Given that the provision of an ILC constitutes a service provided under paragraph 2 of the Fifth Schedule, the corresponding subscription fee charged by the Company in exchange for providing its customers with a right to access or use of its ILC qualifies as a prescribed service under paragraph 3 of the Fifth Schedule. Therefore, the subscription charges relating to the international transmission of Dedicated IP Transit services can be zero-rated under Section 21(3)(q) of the GST Act.

Section 9.3 of the IRAS e-Tax Guide – "GST Guide on Zero-rating Telecommunication and Related Services under Section 21(3)(q)" states that the Comptroller is prepared to allow taxpayers to apply a reasonable proxy to apportion supplies of services such that only the portion of services attributable to local transmission needs to be standard-rated. Section 9.4 of the IRAS e-Tax Guide states that the Comptroller accepts the costs of making each portion of the services as a suitable proxy in apportioning the value of services. In view that:

- i. The Company does not incur any costs when it provides its customers with local internet access; and
- ii. The supply of services to the customer is primarily a provision of a right to connect to the Company's servers for access to the internet which is international in character,

the entire subscription charged by the Company to the customer for the supply of Dedicated IP Transit services can be zero-rated under Section 21(3)(q) of the GST Act under paragraph 3 of the Fifth Schedule.

---

## **Disclaimer**

The published summary of the advance ruling is for general reference only. It is binding only in respect of the applicant of the advance ruling and the specified transaction under consideration of the advance ruling. All taxpayers should exercise caution in relying upon the published summary of the advance ruling, as the Comptroller is not bound to apply the same tax treatment to a transaction that is similar to the specified transaction.

Please note that IRAS will not update the published ruling to reflect changes in the tax laws or our interpretations of the tax laws.