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IRAS e-Tax Guide

GST : Web-Hosting Services and
Server Co-location Services
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1. Aim

1.1 This e-Tax Guide explains the GST treatment of the following services provided by you if you are GST-registered:

- (i) web-hosting services; and
- (ii) services relating to the co-location in Singapore of computer server equipment (i.e. server co-location services).

2. At a glance

2.1 Generally, supplies of services made in Singapore in the course or furtherance of your business are subject to GST at the prevailing rate.

2.2 You can zero-rate (i.e. charge GST at 0%) your supply of services to your customers if your supply falls within the scope of Section 21(3) of the GST Act.

2.3 Specifically, you may zero-rate your web-hosting services under section 21(3)(j) of the GST Act¹ if the services meet both conditions (a) and (b) below:

Condition (a)

- are supplied to and directly benefit² an overseas person³ who is not in Singapore at the time the services are performed; **or**
- **with effect from 1 Jan 2020**, are supplied to an overseas person and directly benefit a GST-registered person in Singapore.

Condition (b)

- not supplied directly in connection² with land or goods in Singapore.

¹ Please refer to Annex A for these zero-rating provisions under Section 21(3) of the GST Act.

² Please refer to IRAS e-Tax Guide on “GST: Clarification on “Directly in Connection With” and “Directly Benefit”” for the interpretation and application of these two expressions.

³ For GST purpose –

A company belongs outside Singapore if:

- (a) it has overseas business or fixed establishment; or
- (b) it has no business or fixed establishment overseas but its place of incorporation is outside Singapore; or
- (c) it has business or fixed establishment both in and outside Singapore but the service it receives is directly concerned with the establishment that is outside Singapore.

An individual belongs outside Singapore if his usual place of residence is outside Singapore.

- 2.4 If you provide server co-location services, you may zero-rate your supply of services under Section 21(3)(s) of the GST Act¹ if your services meet both conditions (a) and (b) below:

Condition (a)

- are supplied to and directly benefit an overseas person; **or**
- **with effect from 1 Jan 2020**, are supplied to an overseas person and directly benefit a GST-registered person in Singapore.

Condition (b)

- relate to the co-location⁴ in Singapore of computer server equipment belonging to an overseas person or the GST-registered person in Singapore.

Amendment to “Directly Benefit” condition

- 2.5 Prior to 1 Jan 2020, a supply of services must “directly benefit” a person belonging outside Singapore before zero-rating can apply under Section 21(3)(j) and 21(3)(s). With the introduction of reverse charge⁵ effective from 1 Jan 2020, you may also zero-rate the services supplied to an overseas person where the services “directly benefit” GST-registered persons belonging in Singapore. The GST-registered beneficiary will be required to apply reverse charge on services⁶ procured from the overseas person if it is not entitled to full input tax recovery.

⁴ Section 21(4)(a) of the GST Act defines the “co-location”, in relation to computer server equipment, to mean the provision of a physical environment for the operation of the computer server equipment.

⁵ For more details on reverse charge, please refer to the e-Tax Guide “GST: Taxing Imported Services by way of Reverse Charge”.

⁶ Including recovery of costs by the overseas person.

3. Web-Hosting Services (on your server)

- 3.1 Web-hosting services involve hosting your client's website on a shared server or dedicated server belonging to you.
- 3.2 The following are some common types of web-hosting services:
 - (a) Simple hosting / shared hosting / virtual hosting services, where you allow your client to host his website on your shared server. Your client need not purchase and maintain his own server and connections to the Internet. Your package to the client may have included basic services such as box and systems monitoring, support for templated applications and e-Commerce packages.
 - (b) Dedicated server hosting, where you own the server and "dedicate" it or specific server resources to your client.
- 3.3 Web-hosting services are not considered as supplied directly in connection with land or goods situated in Singapore. Hence, even though you may be hosting the client's website on your server situated in Singapore, you can zero-rate your web-hosting services under Section 21(3)(j) of the GST Act if your services are supplied to and directly benefit an overseas person who is not in Singapore at the time the services are performed.
- 3.4 With effect from 1 Jan 2020, you may also zero-rate your supply of web-hosting services to overseas persons where the supply directly benefits local GST-registered persons (e.g. a local GST-registered related company of your overseas customer). However, the part of your services directly benefitting local persons who are non-GST registered must be standard-rated. If you are unable to apportion your fees, the entire fees charged to your overseas customer will have to be standard-rated.
- 3.5 In addition to web-hosting services, you may also provide managed services (i.e. the monitoring, administrative and support services) for your customer's network. You can also zero-rate such managed services to your overseas customer under Section 21(3)(j) of the GST Act if you satisfy the conditions in paragraph 2.3.

4. Server Co-location Services

- 4.1 Under a co-location arrangement, you provide a physical environment (at your facility or data centre) for the operation of a server that belongs to your customer. As part of your co-location services, you may also provide security services, air-conditioning, uninterrupted power supply, fire protection systems, network connectivity, tape back-up, co-location firewall service, 24-hour monitoring and surveillance, etc.
- 4.2 Even though the server is placed in Singapore, you can zero-rate your server co-location services under Section 21(3)(s) of the GST Act if your services are supplied to and directly benefit an overseas person, where the services relate to a server belonging to an overseas person.
- 4.3 With effect from 1 Jan 2020, you may also zero-rate your server co-location services supplied to an overseas person that directly benefit local GST-registered persons (e.g. a local related company of the overseas person), where your services relate to servers that belong to overseas persons or the local GST-registered persons.
- 4.4 If your co-location services directly benefit local non-GST registered persons, you will have to charge GST on that part of the services. If you are unable to apportion your fees such that only the part that directly benefits local GST-registered persons is zero-rated, you will have to charge GST on the entire fees charged to your overseas customer.
- 4.5 In addition to the above co-location services, you may also provide managed services (i.e. the monitoring, administrative and support services) for the server. Some examples of such managed services are:
- network port monitoring
 - operating system monitoring
 - internet monitoring
 - load balancing
 - redundancy and database administration management
- 4.6 If you provide both co-location services and managed services to an overseas client, you can zero-rate these services under Section 21(3)(s) of the GST Act if you satisfy the conditions in paragraph 2.4.

- 4.7 If you provide only managed services for your customer's server in Singapore without providing co-location services, Section 21(3)(s) will not be applicable. You can zero-rate your supply of managed services under Section 21(3)(j) if you satisfy the conditions in paragraph 2.3. However, if your supply of managed services has a clear and direct nexus with your customer's server in Singapore and involves physical contact or interaction with the server, you cannot zero-rate your services under Section 21(3)(j) as your managed services would be regarded as supplied directly in connection² with the server located in Singapore.

5. Other Services

- 5.1 If you only provide stand-alone services (such as transportation, storage, repair services, etc) in relation to servers located in Singapore and do not provide co-location services, you cannot zero-rate your services under Section 21(3)(s). GST is chargeable on these services at the prevailing rate unless they satisfy other zero-rating provisions under Section 21(3) of the GST Act.

6. Summary

- 6.1 The following table summarises the GST treatment of the services mentioned in paragraphs 3 to 5.

If you provide the following services under a contract with an overseas person:	You can zero-rate your services if you satisfy the conditions under:
Web-hosting services only	Section 21(3)(j)
Web-hosting services and managed services	
Co-location services only	Section 21(3)(s)
Co-location services and managed services	
Managed services only (i.e. without co-location or web-hosting services)	Section 21(3)(j) <i>[If your services are directly in connection with your customer's server located in Singapore, you must standard-rate your supply]</i>
Other services in relation to the server (i.e. without co-location services)	Other provisions in Section 21(3) <i>[Section 21(3)(s) is not applicable]</i>

7. 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").

8. Updates and amendments

	Date of amendment	Amendments made
1	30 Sep 2013	This guide replaces the IRAS Circular on “GST Treatment on Web-Hosting Services”. Editorial revisions are made to reflect only the current GST treatment.
2	11 Nov 2019	Revised paragraph 2.3, 2.4, 3.3, and 4.2 and added paragraph 2.5, 3.4, 4.3 and 4.4 to reflect legislative changes arising from reverse charge taking effect from 1 Jan 2020. Other editorial amendments.

Annex A – Zero-rating Provisions for Web-Hosting Services and Server Co-location Services under Section 21(3) of the GST Act

Section 21 of the GST Act provides for zero-rating of exports and international services.

The following is an extract from the GST Act, which lists the zero-rating provisions under Section 21(3)(j) and 21(3)(s) that are applicable to web-hosting services and server co-location services.

Section 21(3)(j) and 21(3)(s)

- (j) Subject to Section 21(4B) and (4C), services supplied —
 - (i) under a contract with a person who belongs in a country outside Singapore; and
 - (ii) which directly benefit —
 - (A) a person who belongs in a country other than Singapore and who is outside Singapore at the time the services are performed; or
 - (B) a registered person who belongs in Singapore⁷.
- (s) Services supplied —
 - (i) under a contract with a person who belongs in a country outside Singapore; and
 - (ii) which directly benefit —
 - (A) a person who belongs in a country other than Singapore; or
 - (B) a registered person who belongs in Singapore⁷.relating to the co-location in Singapore of computer server equipment belonging to the person referred to in sub-paragraph (i) or (ii).

Section 21(4)(a)

For the purpose of Section 21(3) —
“co-location”, in relation to computer server equipment, means the provision of a physical environment for the operation of the computer server equipment.

Section 21(4A), (4B) and (4C)

- (4A) For the purposes of Section 21(3)(j) and (s), the person with whom the contract is made and the person who directly benefits from the services may be the same person or different persons.

⁷ Section 21(3)(j)(ii)(B) and Section 21(3)(s)(ii)(B) take effect from 1 Jan 2020.

- (4B) The services referred to in Section 21(3)(j) shall not include any services comprising either of or both —
 - (a) the supply of a right to promulgate an advertisement by means of any medium of communication; and
 - (b) the promulgation of an advertisement by means of any medium of communication.

- (4C) The services referred to in Section 21(3)(j) shall not include any services which are supplied directly in connection with —
 - (a) land or any improvement thereto situated inside Singapore; or
 - (b) goods situated inside Singapore at the time the services are performed, other than goods referred to in Section 21(3)(g).