

Summary of Responses – Public Consultation on the Draft e-Tax Guides on imported low-value goods and remote services

IRAS conducted a public consultation exercise between 26 Feb to 19 Mar 2021 to seek feedback on the draft e-Tax Guides “Taxing imported low-value goods by way of the overseas vendor registration regime” and “Taxing imported remote services by way of the overseas vendor registration regime”.

IRAS received comments from 21 respondents on the draft e-Tax Guides during the consultation period. IRAS wishes to thank all respondents for their comments.

Comments received include:

- Suggestions on the scope of tax on low-value goods (“LVG”);
- Requests for GST-registered businesses to be allowed to claim as input tax the GST wrongly charged by OVR Vendors;
- Clarifications sought on supplies of LVG made through an electronic marketplace;
- Clarifications sought on GST reporting requirements for refunds to customer;
- Suggestions and clarifications sought on reverse charge; and
- Other administrative details.

IRAS has considered carefully all the comments received. IRAS will fine-tune the e-Tax Guides, taking into account the comments where possible, and publish the e-Tax Guides by 30 Jul 2021.

A summary of the key suggestions received and our responses are as follows:

A. Scope of tax on LVG

- (i) *Comment:* To allow OVR Vendors the option to also charge GST on goods imported via air or post with a value exceeding the LVG value threshold of S\$400, so as to simplify the process for businesses and create a better customer experience.

IRAS’ response: For goods imported via air or post valued above S\$400, import GST is currently levied at the border. To allow OVR Vendors the option to charge GST on the sale of such goods may lead to double taxation and this will not in fact lead to a better customer experience. In addition, based on feedback received, IRAS noted that OVR Vendors generally do not have difficulties with distinguishing goods that are valued within the LVG value threshold from goods that are valued above the LVG value threshold.

- (ii) *Comment:* To allow OVR Vendors the option to also charge GST on B2B sales of LVG (i.e., sales of LVG to GST-registered businesses) and issue simplified tax invoices for all transactions for greater simplicity.

IRAS' response: The policy intent of limiting the OVR regime to B2C transactions is to minimise the impact to OVR Vendors and GST-registered businesses that purchase LVG. Since most GST-registered businesses would be entitled to claim GST charged on their purchases in full, levying GST on B2B transactions has no net GST impact and would merely be an administrative reporting exercise. To avert this, the OVR regime is limited to B2C supplies. For B2B supplies to GST-registered businesses that are not entitled to full input tax credits, the LVG would be taxed by way of the reverse charge mechanism instead.

In addition, based on feedback received, IRAS noted that OVR Vendors generally do not have difficulties distinguishing between a B2B or B2C transaction. To ease compliance, IRAS will allow OVR Vendors to rely on the GST registration number provided by their customers as proof of their GST registration. OVR Vendors are not required to validate or verify the GST registration number provided by the customer. Nonetheless, if an OVR Vendor wishes to validate or verify the GST registration number provided by the customer, it may verify against the [Register of GST-registered Businesses](#).

B. Clarifications sought on measures to prevent double taxation on LVG

- (i) *Comment:* To clarify how the relevant GST information (e.g., OVR Vendor's GST registration number and amount of GST paid/ indicator that GST has been paid) should be passed down to the transporters.

IRAS' response: As we recognise that OVR Vendors have different logistics processes and system setups, to facilitate compliance, IRAS will not prescribe the manner in which the relevant GST information should be transmitted to the transporters for non-postal imports. OVR Vendors can determine how they wish to transmit the relevant GST information, and inform or agree with its transporters on the method of transmission.

For transporters, IRAS and Customs will separately provide more details on how the relevant GST information should be declared in the TradeNet or ACCESS systems. Lastly, for postal imports, the relevant GST information should be indicated in the "address" field of the CN22 or CN23.

C. Requests for GST-registered businesses to be allowed to claim as input tax the GST wrongly charged by OVR Vendors

- (i) *Comment:* To allow GST-registered businesses to claim as input tax the GST wrongly charged by the OVR Vendor, subject to the normal input tax recovery rules.

IRAS' response: Under the OVR regimes, the scope of tax generally only covers B2C sales of LVG and remote services (i.e., sales to non-GST registered customers). Thus, GST charged on a B2B sale would mean that GST was incorrectly charged by the OVR Vendor. Accordingly, no input tax claims will be allowed to the customer. Instead, the customer should seek a refund of the GST wrongly charged from the OVR Vendor. Furthermore, this approach also serves to protect revenue as it mitigates the risk of fraudulent input tax claims.

- (ii) *Comment:* To allow businesses subject to reverse charge (“RC businesses”), to claim as input tax the GST wrongly charged by the OVR Vendor instead of performing reverse charge. Allowing the input tax claim would also be consistent with the scenario where import GST is paid on the LVG to Singapore Customs, since RC businesses would be allowed to claim the import GST as its input tax credits.

IRAS’ response: As explained in our response at Item C(i) above, no input tax claims will be allowed to the customer for GST wrongly charged by the OVR vendor. We would also highlight that the scenario of GST wrongly charged by the OVR Vendor is different from a scenario of import GST levied by Singapore Customs. In the latter scenario, the GST is rightfully collected at the border in cases where the LVG is subject to import GST (i.e., where the CIF value of the LVG exceeds S\$400 upon importation).

D. Clarifications sought on supplies of LVG made through an electronic marketplace

- (i) *Comment:* To confirm that regardless of whether the supplies of LVG are made by local or overseas suppliers, the electronic marketplace operator (if regarded as the supplier under the OVR regime) is required to charge and account for GST on the supplies of LVG made through the marketplace by both local and overseas suppliers. It is noted that this differs from the supply of digital services made through an electronic marketplace operator under the current OVR regime.

IRAS’ response: As stated in paragraph 6.3.1 and Annex A of the draft e-Tax Guide for LVG, the electronic marketplace operator is required to charge and account for GST on all LVG supplied through the electronic marketplace, regardless of whether the LVG is supplied by local or overseas underlying sellers.

This differs from the OVR regime for digital services (and remote services, with effect from 1 Jan 2023) where the electronic marketplace operator is only required to charge and account for GST on supplies of services made by overseas underlying sellers, unless the electronic marketplace operator has elected to also charge and account for GST on B2C services supplied by local underlying sellers.

Unlike services, we do not look at the belonging status of the suppliers to determine whether a supply of goods is subject to GST in Singapore. Thus, with the extended OVR regime for LVG, all LVG imported into Singapore would fall within the scope of tax regardless of the belonging status of the underlying sellers.

E. Clarifications sought on GST reporting requirements for refunds to customers

- (i) *Comment:* Where GST was wrongly paid by the customer and a refund of the GST was made by the OVR Vendor to the customer, to clarify whether the output tax to be accounted for by the OVR Vendor in its GST return would be nil if the GST originally charged to the customer and the GST refunded to the customer take place in the same prescribed accounting period.

IRAS' response: Assuming that the OVR Vendor did not make any other taxable supplies and the GST charged was fully refunded to the customer, the total output tax reported by the OVR Vendor for the prescribed accounting period would be nil.

F. Suggestions and clarification sought on reverse charge

- (i) *Comment:* To allow businesses subject to the reverse charge (“RC businesses”) the option to apply reverse charge on supplies of LVG and remote services to the extent the RC business finds it worthwhile to track the imported LVG and remote services to claim input tax credit.

IRAS' response: Since RC businesses are not allowed to claim input tax in full, there would be a revenue impact if we allow RC businesses not to perform reverse charge on the imported goods and services consumed in Singapore. It is therefore compulsory for RC businesses to apply reverse charge on supplies of LVG and remote services.

- (ii) *Comment:* Where GST was wrongly charged on the B2B supply of remote services, RC businesses need not perform reverse charge on the supply of remote services if the RC businesses have already paid GST on the remote services to the OVR Vendor. To clarify whether this waiver to perform reverse charge will also apply to imported digital services under the current OVR regime and if not, to clarify why a different approach is adopted.

IRAS' response: As mentioned in Footnote 19 of the draft e-Tax Guide for remote services, the abovementioned waiver to perform reverse charge does not apply to imported digital services supplied before 1 Jan 2023. For imported digital services supplied before 1 Jan 2023, the existing e-Tax Guide for imported digital services “GST: Taxing imported services by way of an overseas vendor registration regime” will continue to apply. Accordingly, based on said e-Tax Guide, an RC business is required to perform reverse charge on imported digital services regardless of whether it paid GST on the digital services to the OVR Vendor. Where GST was incorrectly charged by the OVR Vendor, the RC business should seek a refund of the GST instead of claiming the tax charged as its input tax credits.

The e-Tax Guide for remote services would only apply for remote services supplied from 1 Jan 2023. With the extension of the OVR regime to imported remote services and LVG, IRAS recognises that there may be more incidences where GST was wrongly charged by the OVR Vendor on B2B sales. Hence, under the extended OVR regime, the waiver to perform reverse charge on imported remote services (to the extent GST has been paid to the OVR Vendor) will be introduced to relieve businesses of double taxation in such cases.

G. Other administrative details

- (i) *Comment:* To provide more examples in the e-tax guide on how the LVG value threshold and value of supply should be determined where different types of discounts are given by the OVR Vendor (e.g., cart discounts or seller discounts).

IRAS' response: IRAS has accepted the suggestion and will provide more examples in the e-tax guide.

Generally, since the discount given would reduce the amount of monetary consideration received by the OVR vendor, the LVG value threshold and value of supply should be determined based on the net discounted price.

(ii) *Comment:* To provide more examples of remote services in the e-tax guide.

IRAS' response: IRAS has accepted the suggestion and will provide more examples in the e-tax guide.