

## Annex A: MOF's responses to key feedback on the draft GST (Amendment) Bill 2022

### 1. Clarifying how the Transitional Rules in the GST Act are to operate

- a) Feedback: Review if amendments are needed to the proposed section 39A(5), or if further clarification needs to be made in the e-Tax Guide, to ensure that revisions made to the Transitional Rules do not inadvertently bring into the scope of GST, supplies which would not be subject to GST under the normal rules.

MOF's response: Accepted. This will be made clear in section 39 of the GST Act. IRAS will also make this clear in its GST rate change e-Tax Guide. Supplies should not be brought into the scope of GST as a result of the application of the Transitional Rules, if they were already outside the scope of GST based on application of the existing Time of Supply rules.

### 2. Refining the rules for taxing LVG and imported services by way of the RC and OVR regimes

- b) Feedback: Where a supply of LVG is made by an overseas vendor to a customer in Singapore, the proposed section 17(7) states that any relevant related services<sup>1</sup>, “**provided** by any person”, must be included in the value of the supply of LVG. This ensures that ancillary services are also charged with GST.

The feedback proposes that the word “provided” in section 17(7) is replaced with “supplied”.

MOF's response: Accepted. For consistency with other references throughout the GST Act, supplies made should be termed as being “supplied”, rather than being “provided”.

- c) Feedback: The proposed amendment allows GST-registered overseas vendors under the pay-only regime to not charge GST on supplies made to Singapore customers<sup>2</sup>, if the supplies had already been subject to GST in Singapore.

The feedback proposes allowing all non-GST-registered overseas vendors to exclude from their GST registration liability, such supplies made to Singapore customers. This is on the basis that if such supplies are to be disregarded for GST charging purposes once the vendor is registered for GST, they should also be disregarded for the purposes of determining GST-registration liability from the outset.

MOF's response: Not accepted. This is because overseas vendors do not always register for GST under the pay-only regime, which allows them to disregard such supplies once GST-registered. Overseas vendors may elect to register for GST either under the pay-only regime or the full regime:

- i. Pay-only regime. The provision to not charge GST on supplies that have already been subject to GST in Singapore is only available to overseas vendors on the pay-only regime. Such a regime offers simplified GST reporting and documentation requirements, but does not allow a refund of input GST incurred. Consequently, as these vendors are unable to obtain a refund of input GST incurred on supplies already subject to GST in Singapore, they need not

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<sup>1</sup> This could include the processing and preparation of the goods for transportation and delivery, or delivering the goods, or arranging or assisting in the delivery of goods, including insurance and transportation.

<sup>2</sup> This refers to non-GST-registered persons or companies in Singapore.

charge GST when the same supplies are subsequently provided to Singapore customers. This is to avoid the supply from being subject to GST twice.

- ii. Full regime. Overseas vendors who elect to register for GST under the full regime are allowed refunds of input GST incurred on their purchases, and must charge GST on all relevant supplies made to Singapore customers. They must therefore factor in all such supplies made to Singapore customers when assessing their GST registration liability.

We are unable to allow all overseas vendors to disregard supplies already subject to GST from their registration liability at the outset; they are relevant supplies for ascertaining registration liability for those who eventually register for GST under the full regime.

- d) Feedback: To include in the LVG e-Tax Guide, a reasonable time frame for overseas vendors to refund GST wrongfully charged to GST-registered customers in Singapore.

MOF's response: Not accepted, so as to reduce compliance burden. GST-registered businesses should provide their GST registration numbers to the overseas vendors, so that GST will not be charged on the purchase. Where businesses do not do so and are charged GST by the overseas vendor, businesses should seek a refund from the vendor. To ease the compliance burden for overseas vendors, there is no stipulated time frame for overseas vendors to make such refunds.

GST-registered Reverse Charge (RC) businesses that have been wrongly charged GST, and did not obtain a refund of the GST paid to the overseas vendor, may also elect not to perform RC on the purchase.

3. While the focus of the public consultation was on the drafting of the legislative amendments, feedback was also received on the timing of the GST rate hike. MOF notes that this issue was already debated in Parliament at the 2022 Budget Debate from 28 February to 2 March 2022. The GST rate increase has already been delayed to 2023, and the increase staggered over two steps in 2023 and 2024. The GST increase is necessary to support Singapore's higher spending needs in the long term, especially in healthcare for our ageing population.
4. To ease the transition for all Singaporeans, the Government announced an enhanced Assurance Package at the 2022 Budget Statement. The Package will help the majority of Singaporean households cover at least 5 years of additional GST expenses. Lower-income households will receive much more – with offsets covering about 10 years' worth of additional GST expenses. The permanent GST Voucher Scheme has also been enhanced to provide continuing offsets for the GST expenses of lower- to middle-income households with various household needs. For more information on the GST rate increase, please refer to the [Budget 2022 Explainers](#).