

Summary of Key Suggestions and MOF's Responses

A summary of the key suggestions received on the draft Goods and Services Tax (Amendment) Bill 2012 and MOF's responses are as follows:

- a) **Suggestion:** Propose to clearly define the declaration method for hand carry of precious metals into Singapore to facilitate investors who intend to repatriate precious metals stored offshore back to Singapore, bearing in mind that some were bought when the prices of precious metals were cheaper.

MOF's response: Accepted. There is no change to the import procedures for hand carrying investment-grade precious metals into Singapore, as compared to other goods today. To qualify for the new import GST exemption for investment-grade precious metals, importers need to declare an exemption permit which has certain compulsory permit fields, such as type of metal, purity content, name of refiner, name of the coin, value of the goods etc. The importer is to declare the value based on the CIF (cost, insurance and freight) value plus all other chargeable costs, whether or not shown on the commercial invoice. If an invoice is unavailable, the customs officers may use the current spot rate of the precious metal to determine the value. If the import qualifies as investment-grade precious metals, there is no need to pay GST.

- b) **Suggestion:** Propose to include more coins for GST exemption similar to EU/UK's practice, especially the Gold South Africa Krugerrand and the Gold America Eagle coins which are of purity of 91.6%. Such coins are amongst the most heavily traded gold coins globally and the exclusion of these coins from GST exemption would work against our vision of growing a gold/precious metals coin trading hub in Singapore. There is another suggestion to add in coin blanks and privately minted silver rounds in the GST exemption scope.

MOF's response: Rejected. Our policy intent is to facilitate the growth of wholesale bullion trading of precious metals in Singapore where the key players are wholesale bullion banks buying the physical metal as a financial product, and not the retail market.

To target the wholesale bullion trading market, the GST exemption applies to bars that are readily accepted for delivery on international exchanges. In addition, we have decided to exempt certain bullion coins from GST as they are regarded no differently from bars and are financial assets for investment. These coins should first satisfy the 'investment-grade' characteristics, including the minimum purity content for the respective metals. The minimum purity content that we set is in line with the practice of Australia and New Zealand. In addition, to be exempted from GST, the coins should meet the following criteria:

- a) Legal tender in their country of issuance;*
- b) Price is determined largely by spot market and not for numismatic or collector's value;*
- c) Have a liquid market for international trading.*

The American Eagle (gold), United Kingdom Britannia (gold) and South African Kruggerand (gold) are of 91.67% purity. We are aware of other legal tender coins such as the Swiss Sovereign King Gold Coins (90%), Mexico Pesos (90%), Italy Lira (90%), France

Napoleon (90%). All these coins do not satisfy the 'investment-grade' criteria as their purity is less than minimum purity content, and are not readily accepted for delivery on international exchanges. They will thus be subject to GST.

We will periodically review this policy.

Finally, coin blanks and silver rounds are not legal tender coins or bullion bars produced by an approved refiner. They are therefore subject to GST.

- c) **Suggestion:** Propose to include the Silver American Eagle in the list of GST-exempt coins as they are in purity of 99.9%, which satisfies the minimum purity content specified as 'investment-grade'.

MOF's response: Accepted. The America Eagle (silver) and America Eagle (platinum) will be included for exemption since they meet the minimum purity 99.9% for silver and 99% for platinum respectively. We have amended the legislation accordingly.

- d) **Suggestion:** Propose to remove the requirement that investment-grade precious metal bars must be produced by a refiner accredited in the 'Good Delivery' list of the London Bullion Market Association (LBMA) or London Platinum & Palladium Market (LPPM) in order for be exempted from GST. This will allow popular and established brands of bars that are wide circulated in the local and international market e.g. NTR, Materion, Sunshine Mint and Credit Suisse to trade in Singapore without GST.

MOF's response: Rejected. Based on industry feedback, we understand that while non-LBMA bars (e.g. NTR, Materion, Sunshine Mint and US Mint) can be traded internationally, they are not accepted for delivery on commodities exchanges. The LBMA/LPPM 'Good Delivery' lists are widely recognised as the de facto assurance of bullion bar quality and determine whether the bullion bars can be 'capable of being traded on the international market', particularly to be readily accepted for delivery on many international commodities exchanges, such as the Singapore Mercantile Exchange and the New York Commodities Exchange.

We have therefore decided to leverage on the LBMA/LPPM accreditation for GST exemption for a start. We will periodically review this policy.

To clarify, certain bank branded gold bars such as from Credit Suisse, UBS, Commerzbank and Scotiabank bars are included for GST exemption, because they are produced by LBMA-accredited refiners.

- e) **Suggestion:** With the change, a supply of investment grade precious metals will be treated as an exempt supply, similar to the supply of financial services. However, it is not clear if an export of investment grade precious metals should be treated as an exempt supply of a zero-rated supply. Based on section 21(2) of the GST Act, it would appear that such a supply should be treated as zero-rated. If that is not the case, MOF may wish to consider if it is necessary to amend section 21(2).

In addition, a person who makes supplies of financial services specified in paragraph 8(1) of the Fourth Schedule, where such supplies qualify for zero-rating under section 21(3) of the GST Act, is eligible for voluntary GST registration. We note that there is no amendment to paragraph 8(1) of the First Schedule to allow voluntary GST registration of a person who makes exempt supplies of IGPM that qualify for zero-rating. If the policy intent is to accord the same GST treatment between an exempt supply of investment grade precious metals and an exempt supply of financial services, MOF may wish to consider if it is necessary to amend paragraph 8 of the First Schedule.

***MOF's response: Accepted.** We will amend paragraph 8 of the First Schedule of the GST Act to clarify the voluntary GST registration rules for a person who makes exempt supplies of investment grade precious metals.*

We would like to clarify that an export of investment grade precious metals should be zero-rated, and not exempt. There is no need to amend section 21(2) since zero-rating overrides exemption, similar to all other supplies of financial services.

- f) **Suggestion:** On the extended scope of zero-rating of prescribed financial services relating to goods situated outside Singapore, it is not clear whether the amended section 21(3)(h) will cover prescribed financial services relating to the goods sold in the course of being imported into Singapore (e.g. title to the goods transfers on the passage to Singapore).

***MOF's response: Accepted as feedback.** IRAS will provide clarifications on its website regarding the place of supply rules for prescribed services relating to goods for export, and specify that we will look at where the transfer of title of the goods to determine whether the goods are supplied in Singapore.*

If the title of the goods is transferred outside Singapore, we will treat the supply as taking place outside Singapore. Prescribed financial services in connection with such supplies can be zero-rated. However, if the goods are imported and then title is transferred, we will treat the supply as taking place in Singapore. Prescribed financial services in connection with such supplies cannot be zero-rated.

- g) **Suggestion:** Under the review to allow Comptroller and Minister to set conditions when granting GST remission, it is proposed that to provide certainty to businesses on its amount remitted, there should be a time-barred period for the recovery of the tax remitted, similar to the powers under section 45 of the GST Act relating to the Comptroller's powers to assess tax due. In addition, we suggest providing broad description of conditions to be set before remission could be granted in the legislation so as to provide transparency on the nature of conditions that would be imposed.

***MOF's response: Rejected.** The granting of tax remission is a concession. Hence, there is no time bar for the recovery of the tax remitted. In addition, as remission is granted on the merits of each case or scenario, it is not possible or appropriate to prescribe the conditions that the Comptroller or Minister may impose in granting a remission.*