

ANNEX: PROPOSED CHANGES TO THE GOODS AND SERVICES TAX (GST) ACT

S/N	Proposed Legislative Change	Brief Description of Proposed Legislative Change	Amendment to GST Act [Clause in Draft GST (Amendment) Bill 2021]
1	Introduction of GST on imported low-value goods and B2C imported non-digital services from 1 January 2023	<p>Currently, goods valued up to the current GST import relief threshold of S\$400 (“low-value goods”) which are imported via air or post are not subject to GST. Business-to-consumer (“B2C”) imported non-digital services (such as live interaction with overseas providers of educational learning, fitness training, counselling and telemedicine) are also not subject to GST.</p> <p>The digital economy has grown significantly over the years. It was announced in Budget 2021 that GST will be extended to:</p> <p>a) <u>Low-value goods which are imported via air or post</u>. This will be effected via widening the scope of the existing Overseas Vendor Registration¹ and Reverse Charge² regimes. GST is already and will continue to be collected on goods imported via land or sea, regardless of value.</p> <p>b) <u>B2C imported non-digital services</u>. This will be effected via widening the scope of the existing Overseas Vendor Registration regime.</p>	2, 3, 4, 6, 7, 8, 9, 10, 11, 12, 13, 14, 15, 17, 18, 19, 20, 21, 22, 23, 24, 25 and 26

¹ Under the existing Overseas Vendor Registration regime, overseas suppliers and electronic marketplace operators which make significant sales of digital services to local consumers are required to register with IRAS for GST.

² Under the existing reverse charge regime, GST-registered persons that make non-taxable supplies of goods or services such as exempt supplies (e.g. provision of certain financial services, and the sale and lease of residential properties) are required to account for GST to IRAS on their imports of services.

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		<p>This change, together with the introduction of GST on business-to-business (“B2B”) imported services and B2C imported digital services that took effect from 1 January 2020, will ensure a level playing field for our local businesses to be competitive. This change also keeps our GST system resilient in a growing digital economy.</p> <p>These proposed amendments are to take effect from 1 January 2023.</p>	
2	Update the GST treatment for a supply of media sales	<p>Currently, the basis for determining whether a supply of media sales³ is zero-rated or standard-rated is based on the place of circulation of the advertisement:</p> <p>a) If the advertisement is intended to be substantially circulated outside Singapore, the media sales is zero-rated; or</p> <p>b) If the advertisement is intended to be substantially circulated in Singapore, the media sales is standard-rated.</p> <p>Online advertising has grown and is expected to account for an increasing share of advertising spending in future. Developments</p>	11

³ Media sales refer to the sale of advertising space for hardcopy print and outdoor advertisements, the sale of advertising airtime for broadcasting via TV and radio, and the sale of media space for web advertising via email, internet or mobile devices.

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		<p>in digital technologies have also changed the way that media sales are supplied, and have made it more difficult for suppliers of digital media sales to determine the place of circulation.</p> <p>Given this trend, the basis for determining whether zero-rating applies to a supply of media sales will be updated, to be based on the place where the customer (i.e. the contractual customer) and direct beneficiary of the service belong:</p> <p>a) If the customer of the service belongs outside Singapore and the direct beneficiary either belongs outside Singapore or is GST-registered in Singapore, the media sales will be zero-rated; and</p> <p>b) If the customer belongs in Singapore, the media sales will be standard-rated.</p> <p>These proposed amendments are to take effect from 1 January 2022.</p>	
3	Update transitional rules for change in GST treatment	<p>For supplies spanning the date of a change in GST treatment, the transitional rules under the GST Act and Regulations determine whether the old or new GST treatment applies.</p> <p>The proposed amendments update the transitional rules to cover supplies under the Reverse Charge regime, clarify the application</p>	16

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		<p>of elections under the transitional rules, and make administrative changes that are necessary for a smooth transition of a new GST treatment. These updated transitional rules, if passed, will apply such as when the GST treatment for the supply of media sales changes from 1 January 2022.</p> <p>These proposed amendments are to take effect from 1 January 2022.</p>	
4	Amendment to the existing Overseas Vendor Registration and Reverse Charge regimes	<p>This amendment seeks to make miscellaneous changes to the existing Overseas Vendor Registration (“OVR”) and Reverse Charge (“RC”) regimes to mitigate revenue risks, provide tax certainty, and ease compliance burden. The changes:</p> <p>a) Clarify who the customer is for imported services under the OVR and RC regimes, in cases where the person with whom the contract for the supply is entered into and the person who directly benefits from the supply are different persons. In such cases, the supply will be treated as made to the person who directly benefits from the supply, to the extent of any consideration paid by him (i.e. the direct beneficiary) for the supply. To provide certainty to suppliers under the OVR regime, they may treat their supply as</p>	4, 5, 6 and 25

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		<p>made to the contractual person if the supplier is not aware that the supply directly benefits another person⁴;</p> <p>b) Allow the Comptroller to alter the time at which supplies of imported services by a Pay-Only OVR Vendor⁵ are treated as taking place, to times/dates being later than would otherwise apply under the normal time of supply rules. The resulting times or dates will not be later than one GST accounting period from the time or date that would otherwise apply under the normal time of supply rules;</p> <p>c) Amend the time of supply rules for RC businesses for employee reimbursement scenarios⁶. Under this amendment, the date on which the RC business is regarded as having paid the consideration is shifted to the date when the RC business has reimbursed its employee, instead of the date the employee makes payment to the supplier.</p>	

⁴ This exception will not be applicable under the RC regime, as the RC business would know whether he directly benefits from the supplies and accordingly, whether he should be treated as the recipient of the services and apply RC on the transaction.

⁵ Under the simplified pay-only registration regime (“Pay-Only OVR Vendor regime”), no input GST is claimable but Vendors are able to file simplified GST returns and enjoy minimal compliance requirements.

⁶ Where employees of the RC business purchases imported services on behalf of the RC business and subsequently seeks a reimbursement from the RC business.

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