

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 2022]
1	Effect the change in GST rate from 7% to 9%	<p>The proposed amendment would effect the change in GST rate from 7% to 9%:</p> <ul style="list-style-type: none"> • The first change from 7% to 8% will take effect from 1 January 2023; and • The second change from 8% to 9% will take effect from 1 January 2024. 	4
2	Amend the GST treatment of travel arranging services to adopt the “place of belonging rule”	<p>Currently, the GST treatment of travel arranging services is as follows:</p> <ul style="list-style-type: none"> • Services comprising the arranging of the international transport of passengers and related insurance are zero-rated under section 21(3)(c) of the GST Act; and • Services comprising the arranging or facilitation of the booking of accommodation are zero-rated if the property is located outside Singapore, under section 21(3)(e) of the GST Act. <p>The proposed amendment would revise the GST treatment of such services, to instead be based on the place of belonging of the contractual customer and direct beneficiary of the supply (“place</p>	7

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		<p>of belonging rule”), governed by section 21(3)(j) of the GST Act. These travel arranging services would therefore only qualify for zero-rating if the services are contractually supplied to a person who belongs outside Singapore, and directly benefits persons who either belong outside Singapore or are GST registered in Singapore.</p> <p>The proposed amendment better reflects the place of consumption of such services. It also ensures consistency in the GST treatment between local and overseas suppliers of these services (such services are currently subject to GST at the standard-rate under the OVR regime when digitally supplied by overseas persons).</p> <p>The proposed amendment will take effect from 1 January 2023.</p>	
3	Update and clarify the GST transitional rules for a GST treatment or rate change	<p>The proposed amendments would revise the GST transitional rules that will apply in the event of a GST treatment or rate change (a “specified change”), to provide tax certainty in the application of GST rules.</p> <p>In particular, the following amendments are proposed:</p>	8, 11, 12, 13, 14

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		<ul style="list-style-type: none"> • The transitional rules (including rules for the Reverse Charge (RC)¹ and Overseas Vendor Registration (OVR)² regimes with the introduction of GST on imported LVG³ and imported non-digital services), are amended for better clarity and to cater to the GST rate changes in 2023 and 2024 (e.g. for supplies that straddle the GST rate changes); and • To provide clarity that the rules for GST accounting in sections 11B(2), 11B(6), 11C(6) and 11C(7) continue to apply for supplies (including RC supplies) straddling both GST registration/deregistration and rate change dates. In addition, the amendments make it clear that the transitional rules will not apply if the specified change is on or before the date in which the person is required to register for GST. These are technical amendments to clarify that the Transitional Rules do not override the Time of Supply Rules when a business becomes GST (de)registered. 	

¹ Under the existing RC regime, GST-registered recipients of imported services who cannot claim input GST on their purchases in full are required to perform reverse charge (i.e. charge themselves GST on their purchases) to account for GST to IRAS on their purchase of imported services. This will be extended to include imported LVG from 1 Jan 2023.

² Under the existing OVR regime, overseas suppliers and electronic marketplace operators which make significant sales of digital services to local customers are required to collect GST on such B2C sales of digital services and pay the GST to IRAS. This will be extended to include B2C imported LVG and imported non-digital services from 1 Jan 2023.

³ Low Value Goods are goods valued up to \$400 that are imported via air or post.

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		<p>The proposed amendments will take effect from the date of gazette of the Bill.</p>	
4	<p>Refine the rules for taxing imported LVG and imported services by way of the OVR and RC regimes</p>	<p>The following refinements are proposed to provide tax certainty and ease the compliance burden for taxing imported LVG and imported services under the OVR and RC regimes from 1 January 2023 onwards:</p> <ul style="list-style-type: none"> • Pay-only OVR Vendors may elect not to charge GST on the supply of remote services to the extent that the supply has been taxed in Singapore. This would prevent instances where a given supply would be subject to GST twice; • A supply that is both an LVG supply and a supply made in Singapore would be treated as a supply made in Singapore. This would ensure that goods that are treated as supplied domestically in Singapore under our current GST rules are not caught under the OVR regime. • Supplies of LVG and remote services that have already been taxed (either incorrectly by the OVR Vendor or upon importation) would be included for the purposes of determining the GST registration liability of RC businesses. Such supplies, although excluded from RC to 	2, 3, 5, 15, 17

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		<p>relieve the business from having to apply RC on supplies that have already been taxed, are rightfully within the scope of RC and should be included when assessing GST registration liability.</p> <p>The proposed refinements will take effect from 1 January 2023.</p>	
5	Measures to counter Missing Trader Fraud	<p>Missing Trader Fraud is a fraud scheme used by syndicates, where the seller absconds with GST charged on his sales (“Missing Trader”) without paying the GST over to IRAS, while businesses along the supply chain continue to claim refunds of input GST on their purchases from IRAS. Syndicates make the detection of the Missing Trader difficult, by interposing many businesses along the chain to deter IRAS from tracing back to the Missing Trader.</p> <p>Criminal sanctions should apply to provide comprehensive deterrence against such schemes.</p> <p>To deter Missing Trader Fraud, the following criminal sanctions based on a 2-tiered approach are proposed:</p> <p>(i) Tier 1 offences apply to any person who participates in an arrangement that will or may cause a loss of public</p>	6, 9, 10, 16

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		<p>revenue. Tier 1 offences deal with the more culpable persons such as masterminds and co-conspirators who devise and/or direct such fraud schemes, as well as syndicate members who knew that they were participating in a fraudulent scheme, notwithstanding the fact that they may not know that the scheme was to defraud GST. This offence carries a maximum imprisonment term of 10 years and/or maximum fine of \$500,000;</p> <p>(ii) Tier 2 offences apply to any person who is a current or former sole-proprietor, partner or director of a business entity that is eventually used in a Missing Trader Fraud arrangement. Tier 2 offences target persons such as nominee directors who are typically recruited into such schemes to incorporate entities which are then used by syndicates for fraudulent purposes. This offence carries a maximum imprisonment term of 1 year and/or maximum fine of \$50,000.</p> <p>The proposed amendments will take effect from 1 January 2023.</p>	

