

# Singapore: Levying GST on imported services

## Overview

Before 1 Jan 2020, services supplied by a domestic supplier in Singapore would be subject to Goods and Services Tax (**GST**) while the same services supplied by a supplier who is outside Singapore is not. This made domestic services less competitive vis-a-vis like foreign services.

From 1 Jan 2020, two new regimes have been implemented to level the playing field by subjecting imported services to GST.

- (i) A reverse charge regime for Business-to-Business (**B2B**) supplies of imported services; and
- (ii) An overseas vendor registration regime for Business-to-Consumer (**B2C**) supplies of imported digital services.

## Reverse-charge regime

When a supplier who belongs outside Singapore makes a B2B supply of services to a GST-registered person who belongs in Singapore, the GST-registered recipient would be required to account for GST on the value of his imported services as if he were the supplier, to the extent the imported services fall within the scope of reverse charge.

This applies mandatorily to all imported services except exempt, zero-rated and non-taxable government supplies.

The GST-registered recipient would be allowed to claim the corresponding GST as his input tax, subject to the normal input tax recovery rules.

## Overseas Vendor Registration regime for digital services providers

Under the Overseas Vendor Registration regime, providers of digital services outside of Singapore will be required to register for GST in Singapore if they:

- (i) Have an annual global turnover exceeding \$1 million; and
- (ii) Make B2C supplies of digital services to customers in Singapore exceeding \$100,000.

Providers of digital services are those who provide services which are supplied over the internet or an electronic network, such as:

- Downloadable digital content (e.g., mobile applications, e-books and movies);
- Subscription-based media (e.g., news, magazines, online streaming, and online gaming);
- Software programs (e.g., downloading of software, drivers, website filters and firewalls);

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- Electronic data management (e.g., website hosting, online data storage and cloud storage services;
- Support services performed via electronic means; and
- Operating an electronic marketplace, which is a medium that allows suppliers to make supplies available to customers via electronic means.

The providers of digital services would be treated as overseas suppliers if they do not have a business establishment, fixed establishment nor have Singapore as their usual place of residence.

GST registration for such overseas suppliers will be done under a simplified regime, with reduced registration and reporting requirements to ease extra-territorial compliance burden. The same simplified regime will also apply to electronic marketplace operators.

Once registered, registered overseas suppliers are required to charge and account for GST on B2C supplies of digital services made to customers in Singapore.

## Observations

These are important changes to the GST regime in Singapore as they implement the Destination Principle for digital goods and services. Businesses that import services from overseas will need to consider whether the reverse charge mechanism applies to the services that they receive from overseas. Likewise, e-commerce providers of digital services to Singapore customers will need to ensure that they comply with the Overseas Vendor Registration procedures and properly account for GST on supplies to customers in Singapore.

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