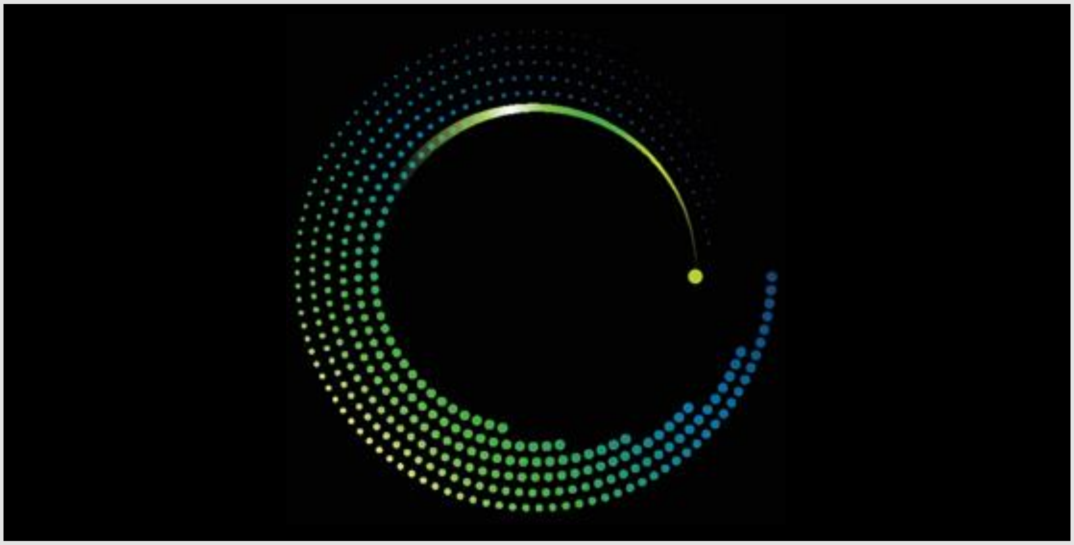
Singapore | Tax & Legal | 29 September 2021



Tax Bytes

Concise insights to keep you ahead

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Greetings from your Tax & Legal team at Deloitte Singapore. We hope that you and your loved ones are staying safe and healthy despite these challenging times. As we navigate ourselves through this trying period, we are committed to giving you the support you need.

Earlier this week, we sent a newsletter with an erroneous information, in blue text. Please refer to the version below instead.

New e-Tax Guide on Goods and Services Tax (GST) treatment of imported low-value goods (LVG) and remote services by way of overseas vendor registration (OVR) regime

With effect from 1 January 2023, the OVR regime will be extended to tax Business-to-Consumer (B2C) supplies of non-digital services, as well as imports of LVG.

The Inland Revenue Authority of Singapore (IRAS) has now released 2 new e-Tax Guides “GST: Taxing imported low-value goods by way of the overseas vendor registration regime” and “GST: Taxing imported remote services by way of the overseas vendor registration regime” on 30 July 2021.

The new guides explain the features of the OVR regime for imported LVG and remote services, and the related GST registration and reporting rules. This article summarises the key aspects of the guidance as follows:

Scope of LVG and remote services

Under the extended OVR regime, LVG are defined as goods which at the point of sale:

1. Are non-dutiable goods, or are dutiable goods that are granted GST import relief by Singapore Customs under section 11 of the Customs Act;
2. Are not exempt from GST;
3. Are imported into Singapore via air or post; and
4. Have a value **not** exceeding S$400.

Remote services are defined as services where, at the time of the performance of the service, there is no necessary connection between the physical location of the recipient and the place of physical performance. Digital and non-digital services fall within the definition of "remote services". Non-digital services are services that do not fall within the definition of 'digital services' that can be supplied and received remotely, for example advisory, professional or educational services supplied from outside Singapore.

Who may be impacted?

These changes will affect local suppliers supplying LVG to non-GST registered customers in Singapore where the goods start off outside Singapore, overseas suppliers supplying LVG to Singapore customers, overseas suppliers supplying remote services to Singapore customers, local/overseas electronic marketplace operators (EMOs) and local/overseas redeliverers if relevant conditions are met.

The abovementioned persons must charge GST on the B2C supplies of LVG and/or remote services made to non-GST registered customers in Singapore. They are not required to charge GST to customers who provide their GST registration numbers. If GST was wrongly charged, the GST must be refunded back to the customer.

In addition, Singapore companies registered for GST under reverse charge, (e.g. financial institutions) are also required to account for GST on imports of LVG.

GST registration liability

A non-GST registered person (i.e. supplier, EMO or redeliverer) would be liable for GST registration if the following conditions are satisfied:

1. The global turnover and value of B2C supplies of LVG and remote services to Singapore in the last calendar year exceed S$1 million and S$100,000 respectively (retrospective basis); or
2. The value of the global turnover and B2C supplies of LVG and remote services to Singapore is reasonably expected to exceed S$1 million and S$100,000 respectively for the next 12 months (prospective basis).

Once liable for GST registration, an application for GST registration should be submitted within 30 days of the end of the relevant calendar year under the retrospective basis or the day liable for GST registration under the prospective basis.

Preventing double taxation of LVG

The extended OVR regime addresses the double taxation that could occur, i.e., GST imposed as LVG at the point of sale by the OVR vendors and GST imposed again upon importation at the border. Guidance has been provided to ensure double taxation does not occur.

Deloitte Singapore views

These changes will require overseas suppliers of LVG and remote services to determine the value of their supplies into Singapore and to register where required. The changes will also mean systems should be updated to track customer location for Singapore. Local suppliers of LVG will also need to amend their systems to charge and collect GST on sales to local customers.

Companies subject to the reverse charge requirements will also need to monitor imports of LVG so that they can account for the GST on these goods.

The changes will mean that Singapore consumers will bear GST on most of the goods and services that they buy from outside Singapore, which reflects the IRAS intention to level the playing field between local and overseas suppliers, but may well increase costs for consumers.

Deloitte welcomes the opportunity to evaluate the implications of the extended OVR regime to our clients' business activities, processes, controls, and GST treatment on current transactions and the steps to take to ensure compliance.

Contact

Should you have any comments or questions arising from this newsletter, please contact either the listed contacts below, or any member of the **Singapore Tax & Legal team**.

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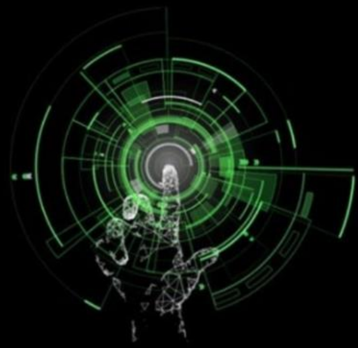

Hot topics

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